CANARY WHARF GROUP PLC
REGISTERED NUMBER: 4191122

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Contents

Highlights

- On 21 September 2011 the Company declared an interim dividend of 7 042p per share totalling £45 0m (Note (i))
- Net assets increased from £2,387 9m at 31 December 2010 to £2,503 3m at 30 June 2011, an increase of £115 4m or 4 8%, primarily as a result of the increase in value of the property portfolio (Note (ii))
- Adjusted NAV per share increased by 15p or 3 8% from £3 90 at 31 December 2010 to £4 05 (Note (ii))
- Adjusted NNNAV per share increased by 25p or 7 4% from £3 36 at 31 December 2010 to £3 61 (Note (ii))
- The market value of the retained 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 2 1% (Note (iii))
- The benchmark initial yield for the office portfolio was 5 35% at 30 June 2011 unchanged since 31 December 2010 (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))
- Including development sites, the market value of the retained property portfolio was £5,006 5m at 30 June 2011, against £4,907 0m at 31 December 2010 (Note (iii))
- Operating profit for the six months ended 30 June 2011 increased to £92 3m from £69 3m The profit after tax was £19 9m (six months ended 30 June 2010 – loss £75 2m (Note (iv))
- The Group's investment portfolio totalling 6 9m sq ft was 97 3% let (31 December 2010 – 6 9m sq ft of which 97 1% let) (Note (v))
- 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 was 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 the Group and Qatari Diar concluded an agreement with Shell to redevelop the Shell Centre (Note (i))
- In August 2011 the Group announced that EMA had agreed a pre-let 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 14 – Post Balance Sheet Events
(ii) Refer to Business Review – Balance Sheet and Key Performance Indicators
(iii) Refer to Business Review – Valuations for a comparison with the carrying value for accounts purposes
(iv) Refer to Business Review – Operating Results
(v) Refer to Business Review – Property Portfolio
(vi) Refer to Business Review – Crossrail
(vii) Refer to Business Review – Retail
(viii) Refer to Business Review – Fenchurch Street

Results in Brief

	Note	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
Rental income	(i)	**124 6**	153 5
Exceptional item			
– write down of Lehman incentives	(i)	**-**	(53 6)
Operating profit		**92.3**	69 3
Exceptional items			
– impairment of investments in associates	(ii)	**-**	(0 9)
– net gain/(loss) arising from repurchase of securitised debt	(iii)	**1 8**	(9 8)
– breakage costs on interest rate swap	(iii)	**-**	(15 9)
Loss on ordinary activities before tax		**(8.2)**	(67 5)
(Loss)/profit before tax excluding exceptional items	(i)	**(10 0)**	12 7
Tax	(iv)	**28 1**	(7 7)
Profit/(loss) for the financial period after tax		**19 9**	(75 2)
Basic and diluted earnings/(losses) per share	(v)	**3 1p**	(11 8)p

Note
(i) Refer to Business Review – Operating Results
(ii) Refer to Note 6
(iii) Refer to Note 2
(iv) Refer to Note 3
(v) Refer to Note 4

Chairman and Chief Executive's Operational Review

INTRODUCTION

The period since the end of 2010 has been a very active one for Canary Wharf Group resulting in a strong and positive operational performance

The beginning of 2011 was marked by the official start of construction on 20 Fenchurch Street which we are developing in a joint venture with Land Securities Construction of this 690,000 sq ft tower is proceeding well and is on time and on budget

During the first half of the year we were actively engaged in bidding on the redevelopment of the Shell Centre Canary Wharf Group, in a joint venture with Qatari Diar, has now successfully entered into agreements with Shell to produce a world class mixed use development comprising office, residential and retail elements Our focus is now turning to the delivery of this project which will be one of London's most prestigious developments in one of London's most vibrant areas We will continue to search for new development opportunities

Construction of the Canary Wharf Crossrail station continues and is on budget and programme The station will be ready to receive the tunnelling machine in August 2012 In June this year we fulfilled our funding obligations on this project

In August 2011 we were successful in pre-letting 250,000 sq ft to the European Medicines Agency at 25 Churchill Place We are now proceeding with the construction of a building on this site of over 500,000 sq ft In accordance with our development strategy, the building infrastructure for this site has already been completed This development will be the last piece in the original Canary Wharf Estate masterplan and marks a coming of age for the Group This now brings the space occupied at Canary Wharf by non banking tenants to approximately 40 0% Our plan is to continue diversifying our tenant base on the Estate and our development activity in Central London

The excellent performance of the retail portfolio during this period is supported by the continuing demand for retail units at Canary Wharf The malls at Canary Wharf are fully let and both footfall and turnover increased year on year We are now proceeding with the development of a 43,000 sq ft extension to the retail portfolio which will provide 25 new retail units and will cater for the increasing population at Canary Wharf

Our strong balance sheet and secure rental streams across a high quality property portfolio, with average unexpired leases of 16 6 years (15 4 years assuming the exercise of all break options), has enabled the Company to continue pursuing value enhancing development opportunities on the Estate and beyond We are uniquely providing the full value chain of expertise across planning, design, construction, leasing, marketing and financial disciplines which enables us to execute deals efficiently and to maximise value throughout the property cycle It is particularly important that we continue to execute our strategy now that the market has begun re-connecting to economic fundamentals which have clearly weakened over the last quarter As the economic recovery is still fragile, the outlook for the rest of the year remains modest However, record take up in 2010, even with the reduced leasing activity in London over the last six months has meant that there is still a considerably constrained level of Grade A availability and, partly due to the restricted liquidity environment, the amount of space to be delivered to the market remains below the long term average

London has played a leading role in international trade, finance and insurance for the last 200 years Despite the difficult financial conditions, the attractions of London as a base for financial business will continue to increase The implications of the Vickers Commission recommendations including the flexibility of the ring fence structure have largely been welcomed by the financial community as a step towards greater clarity which banks need to be able to operate with confidence As its implications become clearer, banks based in London will be more secure than elsewhere and will attract additional business

Once the economic recovery gains more traction, leasing transactions are expected to increase strongly and our activities in 2011 are positioning the Company to adapt and benefit from these changing markets

Reflecting this performance, the Board is declaring an interim dividend of 7 042p per share (totalling £45 0m) which will be paid on 4 October 2011 to all shareholders on the register at close of business on 22 September 2011

FINANCIAL REVIEW

Net assets increased from £2,387 9m at 31 December 2010 to £2 503 3m at 30 June 2011, an increase of £115 4m or 4 8% This increase was in part attributable to the increase in the carrying value of the Group's investment portfolio by £95 4m and in part to the retained profit for the period of £19 9m

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

Adjusted NAV per share increased from £3 90 at 31 December 2010 to £4 05 at 30 June 2011, an increase of 15p or 3 8%

The profit after tax for the first half of £19 9m compared with a loss for the comparative period of £75 2m

At 30 June 2011 the Group had unsecured cash deposits of £940 2m The weighted average cost of 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 break options

OPERATIONAL REVIEW

2011 has seen successful activity for the Group both on and off the Estate with good progress on new developments and with strong letting activity

The Canary Wharf Estate

Construction, development and leasing

Construction on the new Crossrail station continues to be on schedule and on budget The site will be ready to receive the tunnelling machine in August 2012

In conjunction with J P Morgan we have started the redesign of the building infrastructure and basement levels on the Riverside South development

During the period, leases were concluded with rents ranging from £37 50 per sq ft to £43 50 per sq ft, reflecting an upward trend in rents This trend continued in August 2011 with the pre-let at 25 Churchill Place to EMA at £46 50 psf EMA will occupy the promenade, ground and the first nine office floors in the 20 storey building The building's substructure has already been completed and work on the tower will begin in the fourth quarter of 2011 At 30 June 2011, the Group owned properties were 97 1% let which should provide the opportunity to further increase rental values at Canary Wharf

Retail and leisure

With a working population of just over 95,000 people and excellent transport links, Canary Wharf continues to develop as an exciting retail and leisure destination The arrival of J P Morgan and Shell staff in 2012 will bring an additional 10,000 people to the Estate The signalling upgrade on the Jubilee line is being completed and an increasing number of Jubilee line trains will be serving the Estate adding transport capacity to service the increasing working population

The Group enjoyed strong retail performance in the period, with turnover up 6 4% for the year to June 2011 and with 100% occupancy Twelve retail units were exchanged during the period, with a further six since the period end including coffee shops, electrical goods, pharmacies, restaurants and clothing outlets Boisdale opened a new 12,000 sq ft live jazz, whisky and cigar restaurant in April, adding to the excellent mix of hospitality destinations and further boosting visitor numbers in the evenings and at weekends

We continue to undertake active and successful asset management of our retail space Rents remain highly competitive and the retail at Canary Wharf is regarded as one of the leading prime retail developments in London We are constantly striving to extend the scale and breadth of our retail offering Kiosk spaces have been created in Reuters Plaza and underground car park space has been developed to extend several retail units We are now proceeding with a 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, Aquascutum and Waitrose Food & Home and we have a waiting list of tenants wanting to take space on the Estate Canary Wharf is a specialist mall as compared to the recently opened Westfield Mall at Stratford which is expected to operate as a regional mall similar to Lakeside Thurrock and Bluewater We are confident that the atmosphere and unique surroundings at Canary Wharf will distinguish our offering from other retail areas and that retail at Canary Wharf will continue to thrive

Central London

Beyond the Estate, we have continued our involvement in projects in Central London, demonstrating our intent to use our unique experience and know-how in the planning, development and construction of Class A office space

The construction of 20 Fenchurch Street began in January and the piling has now been completed Speculative construction of this site and the delivery of the building is being timed to take advantage of anticipated supply constraints in 2014 and beyond We and Land Securities have worked closely with the City Corporation and we acknowledge their particular co-operation in resolving rights of light issues on this site An application has been lodged to vary the existing planning consent for this tower which will further improve the efficiency and attraction of this iconic addition to the London skyline

As referred to above, since the period end, the Group has entered into a 50 50 joint venture with Qatari Diar, to redevelop the Shell Centre site at the South Bank The mixed use re-development will incorporate residential, commercial and retail uses Shell will be retaining the iconic tower at the centre of this site and have also pre-let 210,000 sq ft in a new office block in the scheme Construction of this building will start once extensive local consultation and the planning process have been completed The aggregate £300m payment for the site is conditional on planning permission being received within three years Canary Wharf Group was chosen for the project particularly because of its specialist skills set and will act as sole construction manager and as joint development manager with Qatari Diar We are looking forward to working with Qatari Diar, Shell and the local community in providing a development which will help re-energise an important section of the South Bank

CONCLUSION

Canary Wharf Group has enjoyed a successful start to 2011 with robust operational performance The strong lettings activity on the Estate and the increasing involvement in Central London is proof of our ability to execute developments and add value We are well placed to benefit from future undersupply in the Class A office market Despite macro-economic uncertainty, we remain confident in the attraction of London as a pre-eminent global centre

I must also express my deep gratitude to Sir Martin Jacomb for his contribution to the Group over more than a decade Sir Martin decided to step down as Chairman and Director in June of this year Throughout his time at the Company, Sir Martin has been the source of sound advice and wise counsel as the Company has continued to evolve in sometimes challenging times The Board is glad that he will be retained as a special adviser and that his experience will continue to benefit the Company We are also pleased that Collin Lau, Managing Director and head of global real estates of China Investment Corporation, joined the Board in August of this year

Our thanks to all our staff for their continued commitment, without their individual contributions none of the achievements I have mentioned would be possible

GEORGE IACOBESCU CBE
Chairman and Chief Executive

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 Interim Report is provided in Definitions

Property Portfolio

The Group is engaged in property investment and development and is primarily focused on the development of the Estate The 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 the investment portfolio comprised 16 completed properties (out of the 35 constructed on the Estate) totalling approximately 6 9m sq ft of 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 Gaining this space early is of benefit to the 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 the 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 sub-let space back to the Group have been exercised and at 30 June 2011 the estimated net present value of sub-let liabilities was approximately £34 1m discounted at 6 2% being the Group's weighted average cost of debt (31 December 2010 – £37 6m, discounted at 6 3%) These sub-let 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 the 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 The Group believes that these features will continue to underpin the performance of the retail offering at Canary Wharf in comparison to other retail centres The Board's 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

Business Review continued

Development

In August 2011 the Group announced that EMA had agreed a pre-let 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 9 floors in the 20 storey building The agreed rent is £46 50 psf commencing 1 January 2015 with 5 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 4 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 fitout of the building

In accordance with the 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 the Group as construction progresses As a result of the pre-let to EMA, the Group is in advanced discussions about funding for the project with a number of lenders

In the previous year the Group acquired a long leasehold interest in 1 Park Place This site benefits from 2 alternative planning consents for (approximately) 214,000 sq ft or 950,000 sq ft of development but the Group will shortly submit an application for a revised scheme of approximately 700,000 sq ft

The 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 the 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
	5 29
Wood Wharf (25 0% share of 4 62m sq ft)	1 15
Sold to J P Morgan	
– Riverside South (the Group acting as development and construction manager)	1 90

The Group has continued to work with Ballymore and BWB on the redevelopment of Wood Wharf The master plan for this scheme, in which the 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 the 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 the 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 the Group to bring the development to street level

The Group has received £76 0m as an advance of developers' profit in conjunction with this development This sum will be set against the Group's entitlement to future profits if J P Morgan proceeds with full construction

Fenchurch Street

In 2010 the 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 the 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 the 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 the 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 the Group has been appointed as construction manager

Shell Centre

In July 2011 the Group and Qatari Diar concluded an agreement to redevelop the Shell Centre The 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 The 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 The 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 pre-let 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 the Group fulfilled its funding obligations to the project CLRL will pay a fixed price of £350 0m and the Group bears the risk in relation to 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 the Group

The Group s contribution to the station will be credited against any transport Section 106 contributions for certain agreed development sites on the Estate (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 development properties

Valuations

The net assets of the Group as stated in its Consolidated Balance Sheet as at 30 June 2011, were £2,503 3m In arriving at this total

(i) properties held as investments were carried at £4,601 7m, which represents the market value of those properties of £4,726 5m at that date as determined by the Group s external valuers, CBRE, Savills or Cushman, less an adjustment of £124 8m for tenant incentives, and

(ii) properties held for development were carried at £302 3m, representing their cost to the Group

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

	30 June 2011 %	31 December 2010 %
Office portfolio		
Weighted average initial yield	**5.0**	4 8
Weighted average equivalent yield	**5 3**	5 2
Retail portfolio		
Weighted average initial yield	**5 0**	4 9
Weighted average equivalent yield	**5 2**	5 4

The market value of the investment portfolio increased by £88 0m or 1 9% in the first half of 2011 After allowing for additions and adjustments in respect of tenant incentives, the carrying value of the portfolio increased by £95 4m or 2 1% in the period This increase was driven largely by 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 This compares with a carrying value for accounts purposes of £302 3m, including an allocation of costs in respect of Crossrail 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 signed in May 2011 The market value of the development sites remains £22 3m below the carrying value of these sites In assessing the requirement for an impairment provision the directors have had regard to the net realisable value of the sites as supplied by the external valuers On this basis the directors have concluded that no provision for impairment is required as at 30 June 2011

The market value of the entire property portfolio increased by £99 5m or 2 0% in the first half of 2011 The carrying value of the entire property portfolio, net of additions and after adjustment for UITF 28 increased by £95 4m or 2 0% over the same period This increase in value was driven by the factors referred to earlier

The valuations are based on assumptions which include future rental income, anticipated void costs, the appropriate discount rate or yield and, in the case of development properties, the estimated costs to completion In valuing the sites held for development, the valuers have allowed for estimated costs to complete, including an allowance for fitout and developer's profit In addition they have allowed for letting disposal, marketing and financing costs The valuers also make reference to market evidence of transaction prices for similar properties on the Estate and of the recent pre-leasing of 25 Churchill Place

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

		30 June 2011		31 December 2010		30 June 2010	
	Note	**Carrying value £m**	**Market value in existing state £m**	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Retained portfolio							
Investment properties	(i)	4 601 7	4,726 5	4,498 3	4,638 5	4,276 9	4,432 0
Properties held for development		302 3	280 0	299 7	268 5	294 0	262 5
		4,904 0	5,006 5	4,798 0	4,907 0	4,570 9	4,694 5
Sold investment property	(ii)	–	–	–	–	348 3	350 0
		4,904 0	5,006 5	4,798 0	4,907 0	4,919 2	5 044 5
Property under construction Riverside South	(iii)	76 0	131 7	74 6	127 3	72 0	124 9
		4,980 0	5,138 2	4,872 6	5 034 3	4 991 2	5,169 4

Note

(i) The carrying value of investment properties represents market value less an adjustment for UITF 28 The UITF 28 adjustment attributable to investment properties at 30 June 2011 was £124 8m (31 December 2010 - £140 2m, 30 June 2010 – £155 1m) Market value in existing state is shown prior to this adjustment

(ii) 25 Bank Street was sold in December 2010 The market value in existing state for this property was stated before an adjustment for UITF 28 of £1 7m at 30 June 2010 The total carrying value of the investment property portfolio at 30 June 2010 was £4,625 2m The total market value of the investment portfolio at that date was £4 782 0m

(iii) The carrying value in the balance sheet at 30 June 2011 is stated net of £58 2m 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) The market value in existing state includes the present value of the minimum developer s profit which will be generated from the development of the Riverside South site assuming J P Morgan does not proceed with full build out discounted where applicable at the Group s weighted average cost of debt which was 6 3% at 31 December 2010 and 30 June 2010 and excludes the profit already recognised in the profit and loss account on the disposal of the site in 2008

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

The turnover of the Group is generated primarily by the rents and service charges earned from its property interests on the Estate, together with the recognition of amounts in respect of work performed on long term contracts and fees earned from construction and development management agreements Turnover for the six months ended 30 June 2011 was £158 8m, against £190 8m, before exceptional items, for the six months ended 30 June 2010 Of this amount, recognised rental income was £109 2m compared with £132 1m for the six months ended 30 June 2010 The impact of UITF 28 was to reduce rental income by £15 4m in the six months ended 30 June 2011 (six months ended 30 June 2010 – £21 4m prior to the exceptional write off of Lehman incentives) Excluding the impact of UITF 28, rental income reduced by £28 9m to £124 6m, primarily as a result of 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 the Lehman lease, totalling £53 6m, were written off to the profit and loss account and treated as an exceptional item in the six months ended 30 June 2010

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 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 the termination of certain leases on the Estate

The six months ended 30 June 2011 included £2 6m recognised on the construction of a pre-sold property (Note 9) accounted for as a long term contract in accordance with SSAP 9 (six months ended 30 June 2010 – £11 7m) The reduction in turnover 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 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 property income totalling £45 6m for the six months ended 30 June 2011 (six months ended 30 June 2010 – £45 5m) a deficit on property management of £3 2m was recorded (six months ended 30 June 2010 – £2 9m)

The six months ended 30 June 2010 also included £1 5m of dilapidations and other costs attributable to the termination of leases in the period An increase in provisions of £1 6m before any adjustment for discounting was recognised in the six months ended 30 June 2011 relating to certain rent support commitments and other obligations This compared with a release of £0 8m in the six months ended 30 June 2010

Cost of sales for the six months ended 30 June 2011 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 long term 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 Business Review – Balance Sheet and Key Performance Indicators)

For the six months ended 30 June 2011 gross profit (net property income) was £105 8m, an increase of £24 4m in comparison with the six months ended 30 June 2010 This increase was attributable to the write off of Lehman incentives of £53 6m in the six months ended 30 June 2010, partly offset by the reduction in rental income after adjusting for UITF 28 of £22 9m, together with the reduction of £5 0m in profit recognised on pre-sold properties

Administrative expenses for the six months ended 30 June 2011 were £14 4m in comparison with £16 1m for the six months ended 30 June 2010

This reduction was primarily attributable to expenses associated with property lettings during the comparative period, partly offset by the accounting cost recognised in connection with the share allocation entered into in December 2010

Other operating income was £0 9m for the six months ended 30 June 2011 (six months ended 30 June 2010 - £4 0m) The total for the comparative period included certain additional fees earned by the Group in connection with one of the properties completed in 2009

Operating profit for the period was £92 3m, in comparison with £69 3m for the six months ended 30 June 2010 The increase in operating profit of £23 0m was largely attributable to the factors impacting on gross profit detailed above

In the six months ended 30 June 2010, the provision for impairment of the Group's investments in associates was £0 9m This amount was treated as an exceptional item

Net interest payable for the six months ended 30 June 2011 excluding exceptional items was £102 3m, against £110 2m for the six months ended 30 June 2010 The reduction was attributable to lower interest payable following the repayment 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 interest income recognised by the Group following the repayment in October 2010 of the Drapers Gardens construction loan facility which was acquired by the Group in January 2010

The loss on ordinary activities after interest for the six months ended 30 June 2011 was £8 2m in comparison with a loss of £67 5m for the six months ended 30 June 2010 In the six months ended 30 June 2011 there was an exceptional gain of £1 8m in respect of the movement in fair value of hedges deemed uneconomic following the acquisition of certain Notes in 2009 The results for the six months ended 30 June 2010 included a number of exceptional items comprising the write off of unamortised lease incentives of £53 6m in respect of the Lehman lease, a charge of £0 9m in respect of the investment in associates, a charge of £9 8m in respect of the movement in fair value of the hedges deemed uneconomic, and a charge of £15 9m in relation to closing out the interest rate swap on the Group's construction loan facility following the sale of 5 Churchill Place Excluding exceptional items, the loss on ordinary activities after interest for the six months ended 30 June 2011 was £10 0m in comparison with a profit of £12 7m for the six months ended 30 June 2010 The reduction in pre-exceptional profit of £22 7m was largely attributable to the reduction in rental income as a result of the property sales in 2010

Tax for the six months ended 30 June 2011 comprised a net deferred tax provision release of £33 7m and a corporation tax charge of £5 6m which has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2011 The deferred tax release was attributable to the expiry of the period in which EZAs could potentially have been clawed back on certain properties on the Estate During the six months ended 30 June 2010 the Group recognised a deferred tax charge of £4 1m, in addition to a corporation tax charge of £3 6m

The profit for the financial period after tax for the six months ended 30 June 2011 was £19 9m in comparison with a loss of £75 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 3 1p (six months ended 30 June 2010 – losses of 11 8p) (Note 4)

Excluding exceptional items, the adjusted earnings per share was 2 8p, calculated by reference to the profit after tax excluding the movement in the mark to market of the deemed uneconomic hedges

The adjusted loss per share for the six months ended 30 June 2010 was 1 2p, calculated by reference to the loss after tax excluding the exceptional write off of the unamortised Lehman incentives, the share of associates' losses the exceptional breakage cost of the interest rate swap and the movement in the mark to market of the deemed uneconomic hedges after adjustment for tax thereon

Tax

If the Group was to dispose of its property portfolio at the market value disclosed in this Business Review a tax liability of £98 1m would arise (31 December 2010 – £104 8m) This liability is stated after taking into account the tax liabilities relating to deferred accounting profits on properties under construction held for sale and in the prior year, the benefit of the remaining capital allowances which would be crystallised as a balancing allowance This amount includes tax on trading profits and net chargeable gains that would arise on the sale of properties held for development, including land interests This contingent tax liability is included in calculating adjusted NAV

Balance Sheet and Key Performance Indicators

On the basis of the Group's statutory balance sheet, which does not reflect any revaluation of properties held for development or under construction, net assets at 30 June 2011 were £2,503 3m in comparison with £2 387 9m at 31 December 2010 The increase in NAV was primarily attributable to the revaluation surplus on investment properties of £95 4m, and the profit after tax of £19 9m

The Group's main objective is to maximise net assets through managing 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 the movement in adjusted NAV per share This measure serves to capture the Board's judgements concerning, inter alia, letting strategy, redevelopment and financial structure

Adjusted NAV takes into account the valuation of properties under construction and properties held for development which are held in the balance sheet at cost It also adds back the provision for deferred tax required by accounting standards but which, in the judgement of the directors, is for the most part unlikely to crystallise

Adjusted NAV per share at 30 June 2011 is set out in the table below which, for comparison purposes, also includes adjusted NNNAV per share

	Note	**30 June 2011 £m**	31 December 2010 £m
Net assets per consolidated balance sheet		**2,503.3**	2,387 9
Add back deferred tax		**52 1**	85 8
Net assets prior to deferred tax		**2,555 4**	2,473 7
Revaluation of property portfolio			
– properties held for development	(i)	**(22 3)**	(31 2)
– properties under construction to be sold	(ii)	**55 7**	52 7
Adjusted net assets		**2,588 8**	2,495 2
Fair value adjustments in respect of financial assets and liabilities less tax relief at 26 0%	(iii)	**(125.7)**	(155 2)
Contingent tax on property disposals	(iv)	**(98 1)**	(104 8)
Undiscounted deferred tax	(v)	**(55 8)**	(89 5)
Adjusted NNNAV		**2,309 2**	2,145 7
Adjusted net assets per share	(vi)	**£4 05**	£3 90
Adjusted NNNAV per share	(vi)	**£3 61**	£3 36

Note

(i) Revalued to market value in existing state As noted under Business Review – Valuations the directors have not recognised a provision for impairment in the Group s statutory balance sheet as the net realisable value of these properties exceeds the carrying value

(ii) Deferred profit on construction of Riverside South Refer to Business Review – Valuations

(iii) Refer to Note 8(7)

(iv) Refer to Business Review – Tax

(v) Refer to Note 3

(vi) Calculated by reference to the closing number of shares in issue of 639 0m (31 December 2010 – 639 0m) There were no dilutive instruments at either date

Adjusted NAV per share increased by 3 8% from £3 90 at 31 December 2010 to £4 05 at 30 June 2011, primarily as a result of the revaluation of the Group's property portfolio and the profit for the period

In arriving at the adjusted NAV per share the deferred tax provision recognised in accordance with FRS 19 has been added back FRS 19 requires, inter alia, provision for deferred tax on capital allowances claimed in respect of certain properties, notwithstanding that no tax would become payable unless the related properties were disposed of In contrast no provision is required for the tax which would become payable if the Group was to dispose of its properties at their revalued amount This inconsistency in the standard has therefore been reversed in calculating the adjusted NAV per share In calculating the NNNAV per share, however, the full undiscounted liability has been deducted along with the contingent tax payable on disposal of properties at their revalued amount NNNAV per share also factors in the fair value of financial assets and liabilities

Borrowings

At 30 June 2011 net debt (after cash in hand and cash collateral) stood at £2,315 6m up from £2,292 3m at 31 December 2010, and comprised

	30 June 2011 £m	31 December 2010 £m
Securitised debt	**2,393 3**	2,423 7
Loans	**1,006.6**	919 4
Finance lease obligations	**41 3**	41 6
Total borrowings	**3,441 2**	3,384 7
Less		
- cash collateral for borrowings	**(169 0)**	(194 4)
- cash collateral for construction	**(5 1)**	(5 1)
- other cash collateral	**(11 3)**	(13 8)
	3,255.8	3,171 4
Less cash deposits	**(940.2)**	(879 1)
Net debt	**2,315 6**	2 292 3

In June 2011 the 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%

The Group's borrowings are secured against designated property interests, have no cross default provisions and are subject to lending covenants that include maximum LTV ratios and minimum ICRs as outlined in Loan Covenants on the next page For all of its loans the Group was in compliance with its lending covenants at 30 June 2011 and throughout the period then ended

The increase in borrowings reflects the drawdown of £91 1m net of fees secured against 50 Bank Street, less scheduled amortisation on the Group's securitisation and other facilities The increase in cash and term deposits from £1,092 4m to £1,125 6m is primarily attributable to the loan drawdown referred to earlier, partly offset by spending on construction, including the Crossrail station

The weighted average maturity of the Group's borrowings at 30 June 2011 was 14 3 years (31 December 2010 – 14 9 years)

At 30 June 2011 the fair value adjustment in respect of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was an unrecognised liability of £169 9m before tax (31 December 2010 – £215 5m)

The Group's weighted average cost of debt at 30 June 2011 was 6 2% including credit wraps (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

Loan Covenants

The Group's loan facilities are subject to financial covenants which include maximum LTV ratios and minimum ICRs The key covenants for each of the 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 £350 0m secured against the principal retail and parking properties of the 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 the covenant was satisfied throughout the period The Group has the ability to remedy any potential breach of covenant by depositing cash

(iii) 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 3 years of loan, reducing to 72 5% thereafter Based on the valuations at 30 June 2011 the LTV was 60 5%

The ICR covenant is 150 0% The covenant was satisfied throughout the period

(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

Cash Flow

The net cash inflow from operating activities for the six months ended 30 June 2011 was £113 4m in comparison with £92 8m for the six months ended 30 June 2010 There was a net cash inflow on properties in the course of construction of £5 2m in the six months ended 30 June 2011 in comparison with a net cash outflow of £0 9m for the six months ended 30 June 2010 Excluding the impact of such cash flows, operating cash inflows increased from £93 7m to £108 2m This increase was primarily attributable to changes in working capital

Returns on investments and servicing of finance resulted in an outflow of £105 0m for the six months ended 30 June 2011 compared with £127 0m for the six months ended 30 June 2010 The six months ended 30 June 2010 included £15 9m of swap breakage costs

Capital expenditure and financial investment for the six months ended 30 June 2011 resulted in a cash outflow of £34 5m, compared with £12 0m for the six months ended 30 June 2010 The six months ended 30 June 2011 included £30 9m (six months ended 30 June 2010 – £76 4m) of development expenditure incurred on properties to be retained by the Group Funding of the Group's equity investment in and loans to associated and joint venture undertakings totalled £3 6m (six months ended 30 June 2010 – £125 5m including the acquisition of the Drapers Gardens construction loan for a consideration of £112 8m) The six months ended 30 June 2010 also included net proceeds of £190 0m on the completion of the sale of 5 Churchill Place

The financing cash inflow for the six months ended 30 June 2011 was £59 3m compared with an outflow of £163 7m for the six months ended 30 June 2010 The six months ended 30 June 2011 included proceeds of £92 3m drawn down under the loan facility secured against 50 Bank Street, whereas the six months ended 30 June 2010 included a cash outflow of £123 5m relating to repayment of the outstanding balance owed under the Group's construction loan

Principal Risks and Uncertainties

The key risks and uncertainties identified by the Group continue to include the cyclical nature of the property market financing risk, concentration risk and policy and planning risk

For further details relating to these risks and uncertainties and the way in which the Group manages such matters, refer to Principal Risks and Uncertainties and Treasury Objectives in the Business Review section of the 2010 Report and Financial Statements of the Group

Unaudited Consolidated Profit and Loss Account

for the six months ended 30 June 2011

Audited Year ended 31 December 2010 £m		Note	**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m
	Turnover			
374 5	– before exceptional item		**158 8**	190 8
	Exceptional item			
(53 6)	– write off of Lehman incentives		**–**	(53 6)
320 9			**158.8**	137 2
(109 9)	Cost of sales		**(53.0)**	(55 8)
211 0	**Gross profit**		**105.8**	81 4
(40 1)	Administrative expenses		**(14.4)**	(16 1)
8 3	Other operating income		**0 9**	4 0
179 2	**Operating profit**		**92.3**	69 3
	Exceptional items			
4 1	– movement in impairment of investments in associates before interest and tax	6	**–**	(0 9)
158 8	– profit on sale of investment property		**–**	–
144 5	– termination of AIG facility		**–**	–
25 8	Interest receivable	2	**3.5**	15 1
	Interest payable before exceptional items	2		
(236 2)	– Group		**(105 7)**	(121 3)
(4 1)	– associates		**(0 1)**	(4 0)
	Exceptional items			
(5 5)	– net gain/(loss) arising on repurchase of securitised debt	2	**1 8**	(9 8)
(46 9)	– breakage costs on interest rate swaps and debt	2	**–**	(15 9)
(292 7)			**(104 0)**	(151 0)
219 7	**(Loss)/profit on ordinary activities for the financial period before tax**		**(8 2)**	(67 5)
(51 5)	Tax	3	**28 1**	(7 7)
168 2	**Profit/(loss) for the financial period after tax**	11	**19 9**	(75 2)
26 3p	Basic and diluted earnings/(losses) per share	4	**3 1p**	(11 8)p

The above results relate to the continuing activities of the Group and its share of associated and joint venture undertakings

The notes numbered 1 to 14 form an integral part of this Interim Report

The interim results for the six months ended 30 June 2011 were approved by the Board on 21 September 2011

Unaudited Consolidated Statement of Total Recognised Gains and Losses

for the six months ended 30 June 2011

Audited Year ended 31 December 2010 £m		Note	**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m
	Profit/(loss) for the financial period after tax			
168 2	– Group		**20 0**	(70 3)
–	– share of losses of associates		**(0 1)**	(4 9)
	Unrealised movements on revaluation of			
369 7	investment properties	5	**95 4**	205 6
–	Reserves movement for share allocation		**0 1**	–
537 9	**Total recognised gains and losses relating to the period**		**115 4**	130 4

Unaudited Consolidated Note of Historical Cost Profits and Losses

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
219 7	Reported (loss)/profit on ordinary activities for the financial period before tax	**(8 2)**	(67 5)
(82 7)	Realisation of property revaluation movements of previous periods	**–**	45 5
137 0	**Historical cost (loss)/profit for the financial period before tax**	**(8 2)**	(22 0)
85 5	**Historical cost profit/(loss) for the financial period retained after tax**	**19 9**	(29 7)

The notes numbered 1 to 14 form an integral part of this Interim Report

Unaudited Consolidated Balance Sheet
at 30 June 2011

Audited 31 December 2010 £m		Note	**Unaudited 30 June 2011 £m**	Unaudited 30 June 2010 £m
	FIXED ASSETS			
4,498 3	Investment properties	5	**4,601 7**	4,625 2
299 7	Properties held for development	5	**302 3**	294 0
1 0	Other tangible fixed assets		**0 8**	1 3
53 9	Investments	6	**56 9**	168 4
4,852 9			**4,961 7**	5,088 9
	CURRENT ASSETS			
140 2	Debtors due in more than one year	7	**124 8**	156 8
69 4	Debtors due within one year	7	**100 1**	44 7
1,092 4	Cash at bank and in hand	8	**1,125 6**	869 5
1,302 0			**1,350 5**	1,071 0
(371 5)	Creditors Amounts falling due within one year	9	**(391 5)**	(343 4)
930 5	**NET CURRENT ASSETS**		**959 0**	727 6
5,783 4	**TOTAL ASSETS LESS CURRENT LIABILITIES**		**5,920 7**	5,816 5
(3,297 3)	Creditors Amounts falling due after more than one year	8	**(3,336 7)**	(3,650 3)
(116 2)	Provisions for liabilities	10	**(80 7)**	(110 8)
2,387 9	**NET ASSETS**		**2,503 3**	2,055 4
	CAPITAL AND RESERVES			
6 4	Called up share capital		**6 4**	6 4
	Reserves			
146 2	- share premium	11	**146 2**	146 2
2,148 0	- revaluation reserve	11	**2,243 4**	1,855 7
0 7	- capital redemption reserve	11	**0 7**	0 7
264 8	- special reserve	11	**264 8**	264 8
(178 2)	- profit and loss account	11	**(158 2)**	(218 4)
2,387 9	**SHAREHOLDERS' FUNDS**	12	**2,503 3**	2,055 4

The notes numbered 1 to 14 form an integral part of this Interim Report

George Iacobescu
Director

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2011

Audited Year ended 31 December 2010 £m		Note	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
227 3	**Net cash inflow from operating activities**		**113 4**	92 8
(247 6)	Returns on investments and servicing of finance		**(105 0)**	(127 0)
(5 4)	Tax		**-**	(3 2)
659 9	Capital expenditure and financial investment		**(34 5)**	(12 0)
(75 0)	Equity dividend paid		**-**	-
331 9			**(139 5)**	(142 2)
559 2	**Cash (outflow)/inflow before management of liquid resources and financing**		**(26 1)**	(49 4)
(45 6)	Management of liquid resources		**27 9**	16 3
(549 4)	Financing		**59 3**	(163 7)
(35 8)	**Increase/(decrease) in cash in the period**	8	**61 1**	(196 8)

Audited Year ended 31 December 2010 £m		Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m
	Reconciliation of operating profit to operating cash flows		
179 2	Operating profit	**92 3**	69 3
0 6	Depreciation charges	**0 2**	0 3
(16 3)	(Increase)/decrease in debtors	**(30 5)**	8 1
(23 3)	Increase/(decrease) in creditors	**28 5**	(58 2)
(2 5)	Expenditure charged to provisions	**(1 8)**	(1 2)
(0 4)	Movements in provisions	**1 6**	0 4
-	Accrued share option costs	**2 5**	-
92 4	Amortisation of lease incentives(i)	**15 4**	75 0
32 9	Long term contract proceeds	**7 5**	23 0
(5 0)	Long term contract profits	**-**	(5 0)
(30 3)	Long term contract costs	**(2.3)**	(18 9)
227 3	**Net cash inflow from operating activities**	**113 4**	92 8

Note

(i) For the six months ended 30 June 2010 and year ended 31 December 2010 operating profit was stated net of an exceptional write off of Lehman incentives totalling £50 6m There were no pre-operating profit exceptional items in the current period

The notes numbered 1 to 14 form an integral part of this Interim Report

Unaudited Consolidated Cash Flow Statement continued

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
	Returns on investments and servicing of finance		
26 1	Interest received	**3 2**	4 9
(232 6)	Interest paid	**(106 7)**	(115 9)
(0 5)	Interest element of finance lease rentals	**(0 1)**	(0 1)
–	Financing expenses fees on new loan	**(1 4)**	–
(40 6)	Swap breakage costs[i]	**–**	(15 9)
(247 6)	**Net cash outflow**	**(105 0)**	(127 0)
	Capital expenditure and financial investment		
(93 5)	Additions to properties	**(30 9)**	(42 4)
(34 0)	Acquisition of property interests	**–**	(34 0)
(1 5)	Acquisition of shares in parent company	**–**	–
(0 1)	Purchase of tangible fixed assets	**–**	(0 1)
659 7	Sale of investment property[ii]	**–**	190 0
144 5	AIG settlement	**–**	–
(15 2)	Investment and loans to associated undertakings[iii]	**(3 6)**	(125 5)
659 9	**Net cash (outflow)/inflow**	**(34 5)**	(12 0)
	Financing		
–	Drawdown of secured loan	**92.3**	–
(366 9)	Repayment of secured debt	**(4 2)**	(9 9)
(59 0)	Repayment of securitised debt	**(28 8)**	(30 3)
(123 5)	Repayment of construction loan	**–**	(123 5)
(549 4)	**Net cash inflow/(outflow)**	**59 3**	(163 7)

Note

(i) The six months ended 30 June 2010 included £15 9m paid to cancel the interest rate swap associated with the Group s repaid construction loan The year ended 31 December 2010 also included £23 7m paid to cancel the interest rate swap on repayment of the loan secured against 10 Cabot Square and 20 Cabot Square together with fees of £1 0m These costs were recognised as exceptional items in the profit and loss account

(ii) The year ended 31 December 2010 comprised proceeds from the sales of 5 Churchill Place and 25 Bank Street, less associated costs and fees Of this amount, net proceeds of £190 0m from the sale of 5 Churchill Place were received in the six months ended 30 June 2010

(iii) In the six months ended 30 June 2010 the increase in impairment of the Group's investment in associated undertakings resulted in a charge to the profit and loss account of £0 9m which was treated as an exceptional item (year ended December 2010 – release of £4 1m)

The above cash flows relate to the continuing activities of the Group

Notes to the Interim Report

for the six months ended 30 June 2011

1 Basis of Preparation

This Interim Report has been prepared having regard to the guidance in the non-mandatory statement issued by the Accounting Standards Board, Half-Yearly Financial Reports on a going concern basis and on the basis of the accounting policies set out in the Group's financial statements for the year ended 31 December 2010 which were prepared in accordance with UK GAAP, and which the Group intends to use in preparing the next annual financial statements Having made the requisite enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the Interim Report for the six months ended 30 June 2011

The financial information relating to the six months ended 30 June 2011 has been reviewed but is unaudited and was approved by the Board on 21 September 2011

The information for the year ended 31 December 2010 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 A copy of the statutory accounts for that year has been delivered to the Registrar of Companies The auditors' report on those accounts was not qualified and 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

2 Interest

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	Interest receivable and similar income	**3.5**	15 1
	Payable		
(155 7)	Notes and debentures	**(75 1)**	(78 2)
(79 0)	Bank loans and overdrafts	**(30 5)**	(42 0)
(0 6)	Finance lease charges	**(0 1)**	(0 2)
(0 9)	Construction loan	**-**	(0 9)
(4 1)	Share of associates	**(0 1)**	(4 0)
(240 3)	**Total interest payable**	**(105 8)**	(125 3)
	Exceptional items		
(5 5)	- movement in uneconomic hedge provision (Note 10)	**1 8**	(9 8)
(39 6)	- breakage costs on interest rate swaps	**-**	(15 9)
(1 0)	- fees paid	**-**	-
(6 3)	- write off unamortised costs	**-**	-
(52 4)		**1 8**	(25 7)

Financing costs relating to the inception of the Group's borrowings are deferred and amortised to the profit and loss account over the term of the debt at a constant rate based on the carrying amount of the debt in accordance with FRS 4 In addition, premia on the issue of Notes are amortised over the term of the debt

The Group's £155 0m construction loan, which was secured on 5 Churchill Place, was repaid in January 2010 upon the sale of that building As a result the Group paid £15 9m to cancel its liability under the associated interest rate swap arrangement

The remaining £348 7m balance on the loan secured against 10 Cabot Square and 20 Cabot Square was repaid in November 2010 and as a result the Group paid £23 7m to cancel its liability under the associated swap arrangement In addition, deferred financing costs totalling £6 3m and repayment fees of £1 0m were written off to the profit and loss account The charges relating to repayment of these loans were treated as exceptional items

At 30 June 2011, the mark to market adjustment for the hedges associated with the Notes acquired by a group company in 2009 and deemed to be uneconomic was £18 3m resulting in a release of provision to the profit and loss account for the six months ended 30 June 2011 of £1 8m (year ended 31 December 2010 charge – £5 5m, six months ended 30 June 2010 charge – £9 8m), which was treated as an exceptional item

The gain taken to the profit and loss account in the six months ended 30 June 2011 has resulted in an increase in the deferred tax provision of £0 5m after discounting (six months ended 30 June 2010 – reduction in provision of £0 7m)

3 Tax

Audited Year ended 31 December 2010 £m		**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m
	Current tax		
(35 7)	UK corporation tax	**(5 6)**	(3 6)
	Deferred tax		
1 7	Origination and reversal of timing differences	**33 9**	(0 5)
(17 5)	Net effect of discount	**(0 2)**	(3 6)
(15 8)	Total deferred tax	**33 7**	(4 1)
(51 5)	Total tax on profit/(loss) on ordinary activities	**28 1**	(7 7)

	Unaudited 30 June 2011 £m	Audited 31 December 2010 £m
Deferred tax		
Accelerated capital allowances claimed	**(39 8)**	(69 1)
Other timing differences	**(16 0)**	(20 4)
Undiscounted deferred tax liability	**(55 8)**	(89 5)
Discount	**3 7**	3 7
Discounted deferred tax liability	**(52 1)**	(85 8)

	Unaudited Six months ended 30 June 2011 £m	Audited Year ended 31 December 2010 £m
At start of period	**(85 8)**	(70 0)
Deferred tax release/(charge) in the profit and loss account for the period	**33 7**	(15 8)
At end of period	**(52 1)**	(85 8)

The net deferred tax position is stated on a discounted basis The deferred tax liability of £55 8m (31 December 2010 – £89 5m), stated gross of a discount of £3 7m (31 December 2010 – £3 7m), has been recognised at 30 June 2011 primarily in respect of EZA claims made in prior years The reduction in the deferred tax provision during the period ended 30 June 2011 is primarily attributable to the expiry of the period during which a potential claw back of EZAs on certain properties could have occurred It is anticipated that the remaining provision of £42 3m after discounting attributable to the potential EZA clawback will reverse in 2012

In accordance with FRS 19, no provision has been made for deferred tax on gains relating to properties which are revalued in the balance sheet to their market values If the Group's investment properties had been sold at the balance sheet date at the amounts stated in Note 5 the amount of tax payable, over and above that already provided for by the Group would have been £93 1m (31 December 2010 – £91 1m, reduced from £97 3m by EZA balancing allowances)

The rate of corporation tax payable by the Group reduced from 28 0% to 26 0% from 1 April 2011 Deferred tax has been provided by reference to a corporation tax rate of 26 0% as this was the rate enacted at the balance sheet date On 5 July 2011 the Government enacted a corporation tax rate of 25 0% with effect from 1 April 2012 The Government has also indicated that it intends to enact future reductions in the main tax rate of 1 0% down to 24 0% by 1 April 2014 Deferred tax is provided for at the rates which have been substantively enacted

The substantive enactment of the 25 0% rate referred to above at the balance sheet date would have reduced the deferred tax liability by £0 1m to £52 0m The future rate reduction to 24 0% is expected, when substantively enacted, to have a similar impact on the financial position of the Group, however, the actual impact will be dependent on the deferred tax position at that time

Notes to the Interim Report continued

for the six months ended 30 June 2011

4 Basic and Diluted Earnings/(Losses) per Share

Basic and diluted earnings and losses per share are calculated by reference to the profit for the financial period after tax attributable to ordinary shareholders of £19 9m (year ended 31 December 2010 – profit of £168 2m, six months ended 30 June 2010 – loss of £75 2m) and on the weighted average of 639 0m shares in issue for each period

There were no outstanding dilutive instruments at 30 June 2011 or either of the comparative period ends

5 Investment Properties, Properties held for Development and Property under Construction

Freehold properties held as tangible fixed assets

	Investment properties £m	Properties held for development £m
1 January 2011 (before adjustment for UITF 28)	4,638 5	299 7
Adjustment for UITF 28	(140 2)	–
1 January 2011	4,498 3	299 7
Additions	8 0	2 6
Revaluation surplus	95 4	–
30 June 2011	**4,601 7**	**302 3**
Adjustment for UITF 28 (Note 7)	124 8	
Market value at 30 June 2011	**4,726.5**	
Of which, subject to lease and finance leaseback arrangements	78 2	
Historical cost	2 225 6	

Pre-sold property under construction

Additions	1 4
Transferred to cost of sales	(2 6)
Transferred to payments on account	1 2
30 June 2011	**-**

Additions to properties for the six months ended 30 June 2011 totalled £10 6m

Investment properties are recorded at valuation less the cost of unamortised tenant incentives incurred at the balance sheet date in accordance with UITF 28 The unamortised tenant incentives are held within debtors falling due in more than one year in the balance sheet (Note 7)

In November 2008 the Group entered into an agreement with J P Morgan for the development of the Riverside South site on the Estate The 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 the 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 SSAP 9 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 the Group's option to purchase the site was changed to a right of first offer

The Group s investment properties have been revalued externally at 30 June 2011 on the basis of market value The valuation of office investment properties was undertaken by either CBRE or Savills The valuation of retail investment properties was undertaken by Cushman Each property has been valued individually on a free and clear basis and not as part of a portfolio and no account has been taken of any intragroup leases or arrangements Whilst allowance has been made for any purchaser's expenses, no allowance has been made for any seller's expenses of realisation or for any tax which might arise in the event of disposal The surplus arising on the valuations at 30 June 2011 of £95 4m has been transferred to the revaluation reserve

Properties held for development at 30 June 2011, which are to be retained by the Group, are carried at their fair value at the time of acquisition of CWHL in December 1995, less subsequent disposals plus additions at cost subject to any provision for impairment

On 24 December 2008 the 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 The Group assesses that it had fulfilled its funding obligations under the terms of the agreement by 30 June 2011

6 Investments

Audited 31 December 2010 £m		**Unaudited 30 June 2011 £m**	Unaudited 30 June 2010 £m
42 8	Associated and joint venture undertakings	**46 3**	158 8
10 9	Shares	**10.4**	9 4
0 2	Other investments	**0 2**	0 2
53 9		**56 9**	168 4

Associates and Joint Ventures

In October 2010, the 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, the Group has a 15 0% equity interest in the joint venture and will act as construction manager and joint development manager The 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 In accordance with UK GAAP, the Group has not recognised its share of the surplus arising from the revaluation of the development property

In June 2007 the Group entered into a joint venture to undertake the re-development 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

In April 2005 BWB appointed the Group together with Ballymore, as its partner for the development of Wood Wharf WWLP is incorporated in the United Kingdom and has been established to oversee the development of an approximately 7 0m sq ft (gross) mixed use scheme in which the Group has a 25 0% effective interest The Group has provided WWLP with interest free long term redeemable loan notes totalling £26 6m (31 December 2010 – £25 7m) to fund the working capital requirements of the partnership, which are redeemable at par in 2030, subject to being repayable out of development profits

WWLP has entered into a non-recourse bank loan facility of £5 8m which has been drawn down fully and is repayable in 2013 This bank loan must first be repaid before the loan provided to WWLP by the 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 the Group's share of WWLP's losses since acquisition and a provision for impairment At 30 June 2011 this provision remained at £4 2m

The investments referred to earlier have been accounted for as investments in associated and joint venture undertakings The Group's share of the results and net assets of such undertakings are derived from the management accounts of those entities and are as follows

For the six months ended 30 June 2011

	20 FSLP £m	Drapers Gardens £m	WWLP £m	**Total** **£m**
Profit and loss account				
Profit before interest and tax	–	–	0 2	**0 2**
Interest payable	–	–	(0 6)	**(0 6)**
Loss after interest and tax	–	–	(0 4)	**(0.4)**
Group share	–	–	(0 1)	**(0 1)**
Balance sheet				
Net assets at 30 June 2011	127 4	11 2	90 4	**229 0**
Group share	19 1	4 6	22 6	**46.3**

Shares

The Group's investment in shares represents Songbird Shares held in the Trust In December 2010 the Group allocated 2,165,000 of these shares to certain directors and senior employees who may elect to have these 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 the Group may elect to pay the equivalent amount in cash

On 30 June 2011, 364,750 shares were released to certain of these employees at an average price of £1 53 per share The Group elected not to pay the equivalent amount in cash

The cost to the Group of the share allocation has been calculated by reference to the market value of Songbird Shares at the grant date of £1 42 per share The cost of the allocation totalling £3 4m has been charged to the same expense category as the employment costs of the relevant employee Of the total cost, £2 5m has been taken to the profit and loss account and classified as an administrative expense and the balance has been taken to properties held for development within tangible fixed assets

7 Debtors

Due within one year

Audited 31 December 2010 £m		**Unaudited 30 June 2011 £m**	Unaudited 30 June 2010 £m
4 9	Trade debtors	**11 7**	5 4
18 9	Other debtors	**67 3**	13 6
43 2	Prepayments and accrued income	**21 1**	21 0
2 4	Amounts recoverable on long term contracts	**-**	4 7
69 4		**100 1**	44 7

Due in more than one year

Debtors due in more than one year comprise the cumulative adjustment in respect of lease incentives required by UITF 28 Lease incentives include rent free periods and other incentives given to lessees on entering into lease arrangements Under UITF 28, the aggregate cost of lease incentives is recognised as an adjustment to rental income, allocated evenly over the lease term or the term to the first market rent review if earlier The cost of other lease incentives is included within debtors due in more than one year and spread on a straight line basis over the same period Accordingly the external valuation of investment properties has been reduced for these incentives

	Rent free periods £m	Other tenant incentives £m	Total lease incentives £m
1 January 2011	35 8	104 4	140 2
Recognition of rent during rent free periods	4 4	–	4 4
Amortisation of lease incentives	(7 6)	(12 2)	(19 8)
30 June 2011	**32 6**	**92 2**	**124.8**

Notes to the Interim Report continued

for the six months ended 30 June 2011

8 Net Debt

The amounts at which borrowings are stated comprise

	Securitised debt £m	Secured loans £m	Finance lease obligations £m	Total £m
1 January 2011	2,423 7	919 4	41 6	3,384 7
Drawndown in the period	–	92 3	–	92 3
Deferred financing expenses	0 5	(0 4)	–	0 1
Accrued finance charges	(2 1)	(0 5)	(0 3)	(2 9)
Repaid in period	(28 8)	(4 2)	–	(33 0)
30 June 2011	**2,393 3**	**1,006 6**	**41 3**	**3,441 2**
Payable within one year or on demand	84 7	19 8	–	104 5
Payable in more than one year	2,308 6	986 8	41 3	3,336 7
	2,393 3	1,006 6	41 3	3,441 2

(1) At 30 June 2011 the Group held sterling cash deposits totalling £1,125 6m (31 December 2010 – £1,092 4m) comprising deposits placed on the money market at call and term rates Cash deposits included £169 0m at 30 June 2011 (31 December 2010 – £194 4m) held by third parties as cash collateral for the Group's borrowings, £5 1m (31 December 2010 – £5 1m) charged to third parties in connection with the Group's construction obligations and a further £11 3m (31 December 2010 – £13 8m) charged to third parties as security for the Group s other obligations Unsecured cash deposits totalled £940 2m at 30 June 2011 (31 December 2010 – £879 1m)

(2) At 30 June 2011 the following Notes issued by CWF II 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
	2,433 3		

In April 2009 the 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 Notes repurchased have not been cancelled, remain in issue and, in accordance with the requirements of the securitisation, continue to be fully hedged The repurchase was accounted for as an extinguishment of debt

Interest on the floating rate Notes is at 3 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 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 the Group and the rental income stream therefrom

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

(3) In June 2011 the 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%

(4) The Group has a £350 0m loan facility secured against the Group's principal retail properties and its car parking interests

The loan facility carries interest at LIBOR plus a margin of 2 75% The exposure to the movement in 3 month LIBOR rates in the facility is fully hedged with fixed interest rate swaps at a weighted average including margins of 7 2% The loan is repayable in December 2014

(5) 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

(6) The movement in net debt for the six months ended 30 June 2011 was as follows

	1 January 2011 £m	Cash flow £m	Other non-cash changes £m	**30 June 2011 £m**
Cash at bank	1,092 4	33 2	–	**1,125 6**
Amounts on deposit not available on demand	(213 3)	27 9	–	**(185 4)**
	879 1	61 1	–	**940.2**
Debt due after 1 year	(3,237 7)	(92 3)	34 6	**(3,295.4)**
Debt due within 1 year	(105 4)	74 8	(73 9)	**(104 5)**
Finance lease due after 1 year	(41 6)	0 1	0 2	**(41 3)**
	(3,384 7)	(17 4)	(39 1)	**(3,441 2)**
Amounts on deposit not available on demand	213 3	(27 9)	–	**185 4**
Net debt	(2,292 3)	15 8	(39 1)	**(2,315 6)**
Increase in cash				**33 2**
Increase in debt and lease financing				**(17.4)**
Change in net debt resulting from cash flows				**15.8**
Non-cash movement in net debt				**(39.1)**
Movement in net debt				**(23 3)**
Net debt at 1 January 2011				**(2,292 3)**
Net debt at 30 June 2011				**(2,315 6)**

(7) At 30 June 2011 the fair value adjustment in respect of the Group s financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was an unrecognised liability of £169 9m before tax, or £125 7m after tax (31 December 2010 – £215 5m and £155 2m respectively)

9 Creditors Amounts Falling Due Within One Year

Audited 31 December 2010 £m		**Unaudited 30 June 2011 £m**	Unaudited 30 June 2010 £m
105 4	Borrowings (Note 8)	**104 5**	116 4
13 7	Trade creditors	**17 8**	19 7
7 4	Tax and social security costs	**1.3**	0 9
55 0	Corporation tax	**60 6**	26 5
21 2	Other creditors	**20 7**	13 2
131 3	Accruals and deferred income	**143 0**	136 5
37 5	Payments on account	**43 6**	30 2
371 5		**391.5**	343 4

Payments on account comprise the amounts received in respect of the long term contract for the construction of Riverside South on behalf of J P Morgan Movements on payments on account in the current period comprise

	£m
1 January 2011	37 5
Recorded as turnover	(2 6)
Advances received	7 5
Work in progress transfer	1 2
30 June 2011	**43 6**

for the six months ended 30 June 2011

10 Provisions for Liabilities

	Leasehold properties £m	Other lease commitments £m	Uneconomic hedges £m	Deferred tax £m	Total £m
1 January 2011	0 4	9 9	20 1	85 8	116 2
Utilisation of provision	(0 4)	(1 4)	–	–	(1 8)
Increase/(release) in provision	–	1 8	(1 8)	(33 7)	(33 7)
30 June 2011	**-**	**10.3**	**18 3**	**52 1**	**80 7**

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, the Group agreed to pay rents and other costs incurred on 2 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 changes in potential future letting assumptions and the discount unwind

In connection with the sale of certain properties in 2005, the Group agreed to provide rental support and recognised a provision in respect of these commitments at the dates of disposal The remaining provision at 30 June 2011 was £2 1m (31 December 2010 – £2 2m) calculated on the basis of a discount rate of 6 2% (31 December 2010 – 6 3%)

Uneconomic hedges

The provision in respect of uneconomic hedges arises from the repurchase of securitised debt in April 2009 as explained in Note 2

Deferred tax

Movements in deferred tax are disclosed in Note 3

11 Reserves

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Special reserve £m	Profit and loss account £m	Total £m
1 January 2011	146 2	2,148 0	0 7	264 8	(178 2)	2,381 5
Revaluation of investment properties	–	95 4	–	–	–	95 4
Retained profit for the financial period	–	–	–	–	19 9	19 9
Share allocation adjustment	–	–	–	–	0 1	0 1
30 June 2011	**146 2**	**2,243 4**	**0 7**	**264 8**	**(158.2)**	**2,496 9**

The special reserve arose from a restructuring of the Group which was completed on 4 December 2001 involving the introduction of a new holding company for the Group by way of a scheme of arrangement

12 Reconciliation of Movement in Shareholders' Funds

	£m
Profit for the financial period	19 9
Share allocation adjustment	0 1
Revaluation movement	95 4
Net movement in shareholders' funds	115 4
1 January 2011	2,387 9
30 June 2011	**2,503 3**

Notes to the Interim Report continued

for the six months ended 30 June 2011

13 Contingent Liabilities and Financial Commitments

Commitments of the Group for future expenditure

	30 June 2011 £m	31 December 2010 £m
Crossrail station	-	44 6
Other construction projects	**141 0**	85 0

The 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

The commitments for future expenditure relate to the completion of construction works where construction was committed at 30 June 2011 Any costs accrued or provided for in the balance sheet at 30 June 2011 have been excluded

Sub-let commitments

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

The existence of the sub-let commitments was taken into account in the market valuation of the Group's properties at 30 June 2011 and 31 December 2010

14 Post Balance Sheet Events

On 21 September 2011 the Company declared an interim dividend of 7 042p per share totalling £45 0m payable to shareholders on 4 October 2011

Shell Centre

In July 2011 the Group and Qatari Diar concluded an agreement to redevelop the Shell Centre The 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 The 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 3 years The 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 have commenced 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 pre-let of one of the new office buildings to be constructed on the site

25 Churchill Place

In August 2011 the Group announced that EMA had agreed a pre-let 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 9 floors in the 20 storey building The agreed rent is £46 50 per sq ft commencing 1 January 2015 with 5 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 4 floors of around 27,000 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 fitout of the building

In accordance with the 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 the Group as construction progresses As a result of the pre-let to EMA, the Group is in advanced discussions about funding for the project with a number of lenders

Independent Review Report to Canary Wharf Group plc

Introduction

We have been engaged by the Company to review the financial information in the Interim Report for the six months ended 30 June 2011 which comprises the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profits and Losses, the Consolidated Cash Flow Statement and related notes 1 to 14 We have read the other information contained in the Half Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the Interim Report

This report is made solely to the Company in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed

Directors' Responsibilities

The Half Yearly Report is the responsibility of, and has been approved by, the directors The directors are responsible for preparing the Half Yearly Report in accordance with the United Kingdom Accounting Standards Board's Statement 'Half Yearly Financial Reports'

As disclosed in Note 1, the financial statements of the Group are prepared in accordance with United Kingdom Generally Accepted Accounting Practice The financial information included in the Half Yearly Report has been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements

Our Responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the Half Yearly Report based on our review

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit Accordingly, we do not express an audit opinion

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the Half Yearly Report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the United Kingdom Accounting Standards Board's Statement Half Yearly Financial Reports

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
London UK

21 September 2011

Definitions

20 FSLP	20 Fenchurch Street Limited Partnership
Administrator	Price Waterhouse Coopers, Administrator of Lehman Brothers Limited (in Administration)
AIG	American International Group, Inc
Ballymore	Ballymore Properties Limited
Board	Board of directors of Canary Wharf Group plc
BWB	British Waterways Board
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
City	The City of London
CLRL	Cross London Rail Links Limited
Company	Canary Wharf Group plc
Cushman	Cushman & Wakefield Real Estate Consultants
CWF II	Canary Wharf Finance II plc
CWHL	Canary Wharf Holdings Limited
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
EZAs	Enterprise Zone Allowances
FRS 4	Financial Reporting Standard 4 (Capital instruments)
FRS 13	Financial Reporting Standard 13 (Derivatives and other financial instruments)
FRS 19	Financial Reporting Standard 19 (Deferred tax)
Group	Canary Wharf Group plc and its subsidiaries
ICR	Interest Cover Ratio
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 the Group's securitisation
psf	per square foot/feet
Qatari Diar	Qatari Diar Real Estate Investment Company
Savills	Savills Commercial Limited, Chartered Surveyors
Shell	Shell International Limited
Shell Centre	Shell's headquarters on the South Bank, London
Songbird	Songbird Estates plc
Songbird Shares	Ordinary shares of 10p each in Songbird
sq ft	Square foot/square feet
SSAP 9	Statement of Standard Accounting Practice 9 (Stocks and long term contracts)
Trust	Canary Wharf Employee Share Ownership Plan Trust
UITF 28	Urgent Issue Task Force 28 (Operating leases)
UK GAAP	United Kingdom Generally Accepted Accounting Practice
WWLP	Wood Wharf Limited Partnership

Shareholders' Information

Directors

Executive Directors
George Iacobescu CBE
Chairman and Chief Executive#

A Peter Anderson II
Managing Director, Finance#

Non-Executive Directors
Ahmad Al-Sayed*

Robert Falls*#

Collin Lau (appointed 15 August 2011)

Brian Niles*#+

Sam Levinson*#+

Alex Midgen+

Richard Archer (alternate director to George Iacobescu)

Russell Lyons (alternate director to Peter Anderson)

* Audit Committee
\# Operating Committee
\+ Remuneration Committee

Company Secretary
John Garwood

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Registered Number 4191122

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Facsimile 020 8639 2220
E-mail ssd@capitaregistrars com
Website www capitaregistrars com

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

This Interim Report and other information on the Company and the Estate are available from the Company's website, www canarywharf com

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