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Songbird
Estates plc

2012 Interim Report

Contents

Highlights

Amendment to the Preference Shares secures long term financing

- Amendment to the terms of the Preference Shares (Note (i))
  - eliminates short term refinancing risk and secures long term stable financing until at least 2017,
  - allows (subject to certain conditions) the payment of dividends on the Ordinary Shares without the consent of the preference shareholders,
  - gives more control over the timing of the redemption of the Preference Shares by removing the preference shareholders' early redemption option, and
  - lowers the coupon payable on the Preference Shares from a fixed rate of 10 0% p a (with potential increases to 13 0% in 2014 and 15 0% in 2015) to 3 month LIBOR plus 7 75% p a (hedged at an all in rate of 8 76%)
- Authority to buyback up to 5 0% of the Ordinary Shares of the Company was approved

Financial summary

- On 13 September 2012, Canary Wharf Group declared a dividend totalling £89 5m of which £62 1m will be receivable by SFL, a wholly owned subsidiary of the Company (Note (i)) The Board will consider the appropriate use of these funds
- Net assets £1,729 2m at 30 June 2012, an increase of £75 8m or 4 6% from £1 653 4m at 31 December 2011 (Note (ii))
- Adjusted net assets per share £1 99 compared with £1 90 at 31 December 2011 an increase of 4 7% (Note (ii))
- Underlying profit before tax £17 3m (6 months ended 30 June 2011 – £6 6m) (Note (ii))
- Profit after tax £82 3m (6 months ended 30 June 2011 – £135 3m) (Note (ii))
- Unrestricted cash of £825 6m at 30 June 2012 (Note (iii))
- £190 0m construction loan facility secured against 25 Churchill Place (Note (iii))
- Scheduled loan amortisation of £33 2m paid in the period (Note (iii))
- Canary Wharf Group's average loan maturity of 13 4 years in line with weighted average lease term assuming the exercise of outstanding break options (Note (ii))

Portfolio valuation continues to be resilient in the face of a difficult economic background

- Retail portfolio performing well – valuation up 4 3% in the half year (Note (ii))
- Office portfolio valuation stable (Note (ii))
- Benchmark initial yield unchanged at 5 35% (Note (ii))
- Market value of investment portfolio up by 0 7% over the period (Note (ii))
- Including land, portfolio valuation up 1 8% over the period, adjusting for the acquisition of Wood Wharf (Note (ii))

Development programme pipeline progressing well

- 25 Churchill Place – concrete core completed and funding secured for building completion (Note (ii))
- Crossrail station – construction within budget and platform level handed over to CRL to enable access for tunnelling machines (Note (ii))
- Retail expansion – 44 000 sq ft expansion of Jubilee Place mall on schedule and work commenced on the 100,000 sq ft mall above the Crossrail station (Note (ii))
- Joint ventures
  - 20 Fenchurch Street – on schedule to be topped out by the end of 2012 First letting secured for 51,000 sq ft at a rent of £65 00 psf 23 7% let or in solicitors' hands (Note (ii))
  - Shell Centre – planning application to be submitted by year end (Note (ii))
- Land assembly – 100 0% ownership of Wood Wharf secured and a new master plan for the site being developed (Note (ii))
- Existing sites – planning consents for sites at One Park Place, Heron Quays West and Newfoundland being reviewed to maximise value (Note (ii))

Continued leasing activity and secure income stream

- Weighted average lease term 14 6 years assuming exercise of all break options (Note (ii))
- Lease extension signed with Bank of New York Mellon on over 152,000 sq ft in One Canada Square at £42 50 psf (10 4% ahead of built ERV) (Note (ii))
- Further lettings of approximately 20,000 sq ft, including leases with rents in the range £40 00 – £43 00 psf (Note (ii))

Note

(i) Refer to Note 18

(ii) Refer to Business Review

(iii) Refer to Note 12

Results in Brief

	Note	**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
Rental income	(i)	**130 3**	124 6
Underlying operating profit	(ii)	**118 0**	107 2
Capital and other items			
– movement in carrying value of investments in associates	(iii)	**1.1**	4 6
– net revaluation movements	(iv)	**95.4**	88 0
– net movement on fair value of derivatives, hedging reserve and finance cost of non equity shares	(v)	**(11 6)**	(1 6)
Underlying profit before tax	(ii)	**17 3**	6 6
Profit on ordinary activities before tax	(ii)	**102 2**	97 6
Tax (charge)/credit	(vi)	**(19 9)**	37 7
Profit after tax	(ii)	**82 3**	135 3
Basic and diluted earnings per share	(vii)	**7 0p**	11 7p

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

Chairman's Operational Review

INTRODUCTION

The Group has made steady progress in the first half of 2012 Underlying operational performance was marked by the significant lease extension on 152,000 sq ft at One Canada Square with Bank of New York Mellon, at a time when leasing levels and activity in London have generally been subdued A further 20,000 sq ft of leasings have taken place at Canary Wharf during or shortly after the period and we have recently seen leasing success in our central London portfolio At the start of the year, the Group also secured full ownership of the Wood Wharf site, which is adjacent to Canary Wharf, giving full control over the development of this multi use project

During and subsequent to the period, the Company has focused its attention on eliminating the short term finance risk it faced After carefully reviewing a range of options, the Board decided that making amendments to the terms of the Preference Shares represented the most effective way of securing long term stable financing The Preference Shareholder early redemption option has been removed and the timeframe for a refinancing of the £275 0m Preference Shares has been extended to up to 7 years, providing the ability to refinance at a later date in potentially more favourable market conditions

The amendments also include the coupon payable on the Preference Shares being lowered from a fixed rate of 10 0% p a (with potential increases from 2014), to 3 month LIBOR plus 7 75% p a In addition the amendments remove the need for Preference Shareholders' consent for payment of dividends on the Ordinary Shares, subject to there being no unpaid Preference Share dividends and a Look Through LTV of below 75 0% following payment

The Company has also received approval for a share buyback authority from its members bringing it in line with other listed companies This authority permits the Company to make on market purchases of up to 5 0% of the issued share capital subject to certain conditions and will provide additional flexibility to return cash to shareholders The share buyback authorisation would allow the Company to enter into a buyback contract until the end of the annual general meeting of the Company to be held in 2013 Such a contract may be executed or completed after the share buyback authorisation has ceased to have effect

On 13 September 2012, the Board of Canary Wharf Group plc declared a dividend of 14p per share, totalling £89 5m, of which £62 1m will be received by a wholly owned subsidiary of Songbird Estates plc The Company will now carefully consider the most appropriate use for these funds

FINANCIAL REVIEW

Adjusted NAV per share increased 4 7%, or 9p, to £1 99 at 30 June 2012 from £1 90 at 31 December 2011 Net assets increased 4 6%, or £75 8m, to £1 729 2m from £1,653 4m at the year end, primarily attributable to a £95 4m increase in the value of the Group's property portfolio

The retail portfolio continues to perform particularly well, despite prevailing economic conditions, and the valuation rose by 4 3% over the period, reflecting continued growth in rents The valuation of the office portfolio remained stable, with the benchmark initial yield steady at 5 35% Overall, the value of the investment portfolio increased by 0 7% Including development sites the value of the total portfolio increased by 1 8% to £5,243 5m, an increase which reflects the benefit of consolidating and revaluing Wood Wharf for the first time subsequent to the acquisition of the stakes held by Ballymore and BWB

Underlying profit before tax for the first half of 2012 was £17 3m compared with £6 6m for the equivalent period in 2011 This increase of £10 7m was mainly attributable to an increase in net property income of £8 3m, combined with a reduction in administrative expenses of £2 5m

At 30 June 2012, the Group had unsecured cash deposits of £825 6m, of which £811 7m was held by Canary Wharf Group The weighted average maturity of Canary Wharf Group's debt was 13 4 years which compares with the weighted average unexpired lease term of 14 6 years assuming exercise of all break options Including the Preference Shares, the Group's Look Through LTV at 30 June 2012 was 64 6%

OPERATIONAL REVIEW

The Company's main subsidiary Canary Wharf Group has made good progress across all of its activities in the first half of 2012 At Canary Wharf, construction of the Crossrail station continues on budget and the station box was completed 5 months ahead of schedule in March 2012 This enabled the platform level to be handed over to CRL to enable access for the tunnelling machines The go ahead has also been given to proceed with a 100 000 sq ft retail mall above the station which will be subject to a long lease to Canary Wharf Group, with a phased opening starting in 2015, well before the station itself becomes operational in 2018

Chairman's Operational Review continued

Work on 25 Churchill Place began in February 2012 and the concrete core has already been completed Steel erection began in July and the EMA floors are on schedule for completion of fit out in mid 2014 A prelet of 250,000 sq ft out of the 500,000 sq ft property was agreed with EMA in August 2011 and the balance of the available space will be marketed by Canary Wharf Group as construction progresses

In January 2012, the Group was pleased to announce the acquisition of 100 0% of Wood Wharf and the entry into a new overriding 250 year lease of the site Wood Wharf will be a brand new mixed use development scheme which will offer a different style of space and environment to the existing Canary Wharf Architect Terry Farrell & Partners have been appointed to develop the masterplan for the site, where a full development review is taking place in light of changing market conditions It is anticipated that the site will comprise around 3,000 residential units complementing 2 15m sq ft of commercial office space and a further 240,000 sq ft of retail cultural and community space Reviews are also taking place on other sites including Heron Quays West, One Park Place and Newfoundland to ensure the Group is best placed to respond to changing demands

Away from the Estate, construction commenced on the 20 Fenchurch Street site in January 2011 and is progressing on schedule and within budget In June 2012, the joint venture with Land Securities announced the first letting in the building for 51,000 sq ft on levels 26 and 27 to Markel at a rent of £65 00 psf Approximately 23 7% of the building is currently either let or under offer and the joint venture is also in advanced negotiations with other potential occupiers of this building, which is situated in the heart of London's insurance district

The joint venture with Qatari Diar for a 1 3m sq ft mixed use development on the 5 25 acre Shell Centre site has progressed as anticipated with discussions held with the local planning authority and relevant stakeholders to establish planning constraints Detailed designs have been drawn up for a project which will regenerate an important section of the bustling South Bank in Central London, moments from Waterloo station The joint venture parties anticipate submitting a planning application by the end of 2012

Taking all sites together, the Group has a development pipeline of 9 3m sq ft at or adjoining the Canary Wharf estate and a further 2 0m sq ft outside the Estate which positions the Group well to provide bespoke space to commercial and residential occupiers The Group is committed to ensuring the continued diversification of its tenant base and to this end has recently appointed Eric Van Der Kleij as a special adviser to help shape the Group's vision for future development for occupiers in the technology, media and telecommunications sectors

In the Group's current investment portfolio, the weighted average unexpired lease term at 30 June 2012 was 14 6 years, assuming the exercise of outstanding break options, and the vacancy rate was 4 4% one of the lowest in London

Apart from the lease extension by Bank of New York Mellon on 152,000 sq ft in One Canada Square for a term of 8 years at £42 50 psf, the further lettings of approximately 20 000 sq ft were achieved on rents ranging from £40 00 psf up to £43 00 psf

In terms of retail there continues to be an impressive demand on the Estate All retail units are either let or in solicitors' hands Furthermore there is strong demand for the 144,000 sq ft of retail space under construction both at Jubilee Place and also above the new Crossrail station Footfall is 1 05% up on 2011 for the year to June, which compares with a national benchmark reduction of 2 7%

CONCLUSION

It has been a positive and productive first half of the year for the Group in spite of an uncertain economic environment The success of the Olympic and Paralympic Games has undeniably brought the focus of the world onto the East of London and the Group is proud to have been a catalyst for the regeneration of this dynamic area of the city The Board is confident that through the Group's demand led pipeline, its commitment to diversification and its reputation for excellence, sound foundations are being put in place for its future growth The Group is well placed to build into the anticipated shortage of high quality office and residential space as the economy upturns

David Pritchard

DAVID PRITCHARD
Chairman

Business Review

The following Business Review is intended to provide shareholders with an overall summary of the business of the Group both during the 6 months ended and as at 30 June 2012, as well as where applicable, 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 principal asset of the Company is its indirect investment in Canary Wharf Group which is engaged in property investment and development and is primarily focused on the development of the Estate Elsewhere in London, Canary Wharf Group is also involved through joint ventures in the redevelopment of 20 Fenchurch Street and the Shell Centre

In January 2012, Canary Wharf Group completed the acquisition of BWB's 50 0% interest in the Wood Wharf joint venture and was granted a new overriding 250 year lease of the site As a result Canary Wharf Group achieved full control of this scheme and consequently transferred the carrying value of its combined investment to Development properties within Non current assets Further details on the acquisition of this site can be found in the Business Review – Wood Wharf

At 30 June 2012, Canary Wharf Group's 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 2012 was approximately 16 0 years, or 14 6 years assuming the exercise of outstanding break options (31 December 2011 – 16 2 years or 14 9 years respectively)

The investment property portfolio was 95 6% let at 30 June 2012 (31 December 2011 – 96 5%) 76 3% of the square footage under lease does not expire or cannot be terminated by tenants during the next 10 years

As well as the rental income generated from the properties owned by Canary Wharf Group, income is generated from managing the Estate which, in addition to the 16 completed properties owned by Canary Wharf Group, includes 19 properties totalling 8 7m sq ft in other ownerships

Leasing

In the 6 months ended 30 June 2012, the following leases were completed in One Canada Square

- In January 2012, Canary Wharf Group renewed leases with Bank of New York Mellon on 152,226 sq ft for a term of 8 years from 1 January 2014 at a rent of £42 50 psf (10 4% ahead of built ERV) subject to an 18 month rent free period There will be tenant only break options over 2 floors totalling 56,249 sq ft in January 2019 subject to a 10 month rent penalty This lease compares with the valuers' headline ERV of £38 50 psf for lettings greater than 100,000 sq ft of existing space
- In April 2012, Metlife took an additional 12,900 sq ft on level 34 at a rent of £43 00 psf subject to a 15 month rent free period The lease term is 9 years subject to a break option in October 2018 A further rent free period of 6 months will be granted in the event the break option is not exercised Metlife's break option in July 2012 over its lease of 10,784 sq ft on level 28 was not exercised and this lease now runs through to expiry in January 2015
- Novartis renewed its lease over 1,995 sq ft on level 34 for a further 3 years at a rent of £40 00 psf

Subsequent to the period end, Doyle Clayton Solicitors Limited took 1 066 sq ft on level 10 for a term of 5 years at a rent of £42 50 psf subject to a 6 month rent free period There is a break option at the expiry of the third year and if the option is not exercised an additional 4 month rent free period will be granted In addition Maypole Energy Limited has taken 3,553 sq ft on level 19 of 40 Bank Street for a term of 5 years at a rent of £42 50 psf subject to a rent free period of 4 months There is a break option upon expiry of the third year of the lease and if the option is not exercised an additional 4 month rent free period will be granted

During the 6 months ended 30 June 2012, HSBC exercised its break option over a floor in One Canada Square (27,104 sq ft) with effect from March 2012 Break options over a further 20,758 sq ft were also exercised during the period

All options to sublet space back to Canary Wharf Group have been exercised and at 30 June 2012 the estimated net present value of sublet liabilities was approximately £30 0m discounted at 6 2%, being Canary Wharf Group's weighted average cost of debt (31 December 2011 – £31 0m discounted at 6 2%) These sublet commitments have been reflected in the market valuation of Canary Wharf Group's properties

Retail

Retail and restaurants at Canary Wharf have benefited from the growing working population with the majority of outlets enjoying strong sales despite the general UK retail economic downturn New occupiers who opened in the first 6 months of 2012 include Alfred Dunhill, Blink Brow

Business Review continued

and L'Entrecote Rental growth has been achieved in most locations and demand remains strong

In the first half of 2012, footfall in the Canary Wharf retail malls was 1 05% up on 2011, which compares with a national benchmark reduction of 2 7% There has been a noticeable increase in tourists visiting the Estate as a result of the Olympic and Paralympic Games

The initial stage of the lease renewal strategy for Canada Place has been implemented with an early lease renewal agreed with Eat at a new market rent Heads of terms have also been agreed for a prelet in 2015 to Hugo Boss for a second store to increase its menswear and womenswear ranges

Construction commenced on the 44,000 sq ft Jubilee Place extension The extension is expected to open in November 2013 and contracts have already been exchanged for 3 units with a further 7 units in solicitors' hands

Strong interest has been registered already for the restaurant and leisure opportunities, including a cinema, in the 100,000 sq ft development above the Crossrail station The development will open in 2 phases in April 2015 and the station itself in 2018 (see Business Review – Crossrail) The development will be targeted at retail, restaurant and leisure uses which are currently not represented on the Estate It is anticipated that the first lettings will be concluded by the end of 2012

Construction

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

EMA will occupy the promenade, ground and 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 fit out in the building

Work on the building began in February 2012 and the concrete core has already been completed Steel erection began in July and the building is on schedule for delivery with the EMA floors fitted out in mid 2014 The balance of the available space will be marketed by Canary Wharf Group as construction progresses

Crossrail

Construction commenced on the Crossrail station in May 2009 and Canary Wharf Group has now fulfilled its funding obligations to the project CRL will pay a fixed price of £350 0m and Canary Wharf Group bears the risk for the difference between actual costs and the fixed price payable by CRL Construction of the station box continued to plan and the box was completed in March 2012, 5 months ahead of schedule This enabled the platform level to be handed over to CRL to enable access for the tunnelling machines The project is performing well against 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 mall above the station which will be subject to a long lease to Canary Wharf Group (see Business Review – Retail)

Canary Wharf Group's contribution to the station will be credited against any transport Section 106 contributions for certain agreed development sites on the Estate (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 Canary Wharf Group on construction of the station have been allocated to these development properties

Wood Wharf

On 18 January 2012, Canary Wharf Group announced it had acquired full control of the Wood Wharf joint venture and had entered into a new overriding 250 year lease of the site

Canary Wharf Group secured 100 0% ownership of Wood Wharf by combining its original 25 0% effective interest with the 75 0% interests acquired from its joint venture partners, BWB and Ballymore It also agreed the restructuring of BWB's ongoing participation as freeholder of Wood Wharf As a result Canary Wharf Group now has control over the timing and design of the scheme

Wood Wharf will be a new mixed use development scheme adjacent to the existing Estate In May 2009, the current master plan received planning consent for 4 6m sq ft net This consent, which was renewed in 2012 and represents an area almost one third of the size of the Estate, currently comprises approximately 1 25m sq ft of residential, 3 1m sq ft of offices, 0 2m sq ft of retail and a 0 2m sq ft hotel Detailed consent was granted on the 3 office buildings closest to the Estate totalling 1 5m sq ft net in July 2009 Having secured full control of the scheme the best uses for the site are being reviewed, potentially altering the mix of uses in favour of residential, reducing the size of individual office buildings to appeal to new target sectors and to integrate and connect this new district to the existing Estate

The acquisition of Ballymore's interest was completed in December 2011, for a consideration of £38 0m The consideration for the subsequent acquisition of BWB's 50 0% interest in Wood Wharf in January 2012 was £52 4m together with a restructured 250 year lease that will see an annual ground rental payment to BWB increasing to £6 0m by 2016 For the remainder of the lease, this ground rent will be subject to upwards only reviews linked to the passing rent achieved on the office buildings and the ground rents paid by purchasers of the residential apartments built on the scheme The £52 4m payment comprises an upfront payment of £4 4m and a series of 4 annual payments up to and including 2015

Other development sites

One Park Place benefits from planning consent for approximately 950,000 sq ft of development but Canary Wharf Group plans to submit a new application for a revised scheme of approximately 650,000 sq ft in the near future

Heron Quays West has consent for an office scheme of over 1 3m sq ft However, a number of alternative development options, both for office and also mixed office and residential use, are being considered

Consent has been granted on the adjacent Newfoundland site for 230,000 sq ft of hotel and serviced apartments An alternative all residential concept is currently being pursued

The remaining development site at North Quay has planning consent for almost 2 4m sq ft

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

	NIA m sq ft
Based on existing planning permissions	
– North Quay	2 39
– Heron Quays West	1 33
– Newfoundland	0 23
– Crossrail retail	0 10
– One Park Place (proposed development)	0 65
– Wood Wharf	4 60
	9 30
Sold to J P Morgan	
– Riverside South (Canary Wharf Group acting as development and construction manager)	1 90

The site at Riverside South was acquired by J P Morgan in November 2008 and Canary Wharf Group was appointed to act as development and construction manager under a contract with a term to October 2016 The contract includes a right of first offer in the event J P Morgan decides to sell the site J P Morgan has instructed Canary Wharf Group to proceed with the next phase of infrastructure works and these have now commenced on site with completion targeted for the last quarter of 2013

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

20 Fenchurch Street

In 2010, Canary Wharf Group and Land Securities formed 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 neighbouring holdings, was sold by Land Securities to the partnership for a consideration of £90 2m, in line with the March 2010 valuation After syndication, Canary Wharf Group has retained a 15 0% equity interest in this project

Planning consent for a 37 storey building was granted in October 2009 The building 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 Construction commenced on site in January 2011 and is progressing on schedule and within budget The building is expected to be topped out by the end of 2012 with completion expected in April 2014

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

Approximately 23 7% of the building is either let or under offer In June 2012, the joint venture announced the first letting in the building for 51,000 sq ft on levels 26 and 27 to Markel at a rent of £65 00 psf Subsequently, in September 2012 Kiln Group Limited leased 78,000 sq ft The joint venture is also in advanced negotiations with other potential occupiers of the building

Shell Centre

In July 2011, Canary Wharf Group and Qatari Diar concluded an agreement to redevelop the Shell Centre Canary Wharf Group and Qatari Diar have entered into a

Business Review continued

50 50 joint venture and have committed to contributing £150 0m each to the joint venture to secure the 5 25 acre site on a 999 year lease Canary Wharf Group's contribution is being met 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 Canary Wharf Group will act as construction manager for the project and will also be joint development manager with Qatari Diar The joint development manager fees generated from the transaction are being apportioned between the parties

The development will be mixed use, comprising office, residential and retail space The existing 27 storey tower in the middle of the Shell Centre will be preserved and retained by Shell Shell will also take a 210,000 sq ft prelet of one of the 2 new office buildings to be constructed on the site

Discussions have commenced with the local planning authority and relevant stakeholders to establish planning constraints, detailed designs and a timetable for construction of a project which will regenerate an important section of the South Bank in central London The joint venture parties anticipate submitting a planning application by the end of 2012

Valuations

The net assets of the Group, as stated in its Condensed Consolidated Balance Sheet as at 30 June 2012, were £1,729 2m In arriving at this total

(i) properties held as investments were carried at £4,543 9m, which represents the market value of those properties of £4,734 0m at that date as determined by Canary Wharf Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £181 8m for tenant incentives and £8 3m for deferred negotiation costs,

(ii) the property under construction was carried at £94 3m which represents the market value of this property of £96 0m, less an adjustment of £1 7m for deferred negotiating costs, and

(iii) properties held for development were carried at £468 5m, representing their market value of £413 5m, adjusted by £55 0m for the present value of the minimum ground rents payable under the 250 year lease of Wood Wharf, which has been separately recognised as a liability within Non current liabilities

At 30 June 2012, the yields applied in deriving the market valuation of the investment properties can be summarised as

	30 June 2012 %	31 December 2011 %
Office portfolio		
Weighted average initial yield	**5 1**	5 1
Weighted average equivalent yield	**5.5**	5 4
Retail portfolio		
Weighted average initial yield	**5.0**	5 1
Weighted average equivalent yield	**5.2**	5 2

The retail portfolio again performed strongly with market value increasing by 4 3% The market value of the office portfolio increased by 0 1% over the period The benchmark initial yield for rack rented office properties remained at 5 35%

Taking office and retail together, the market value of the investment portfolio increased by £33 5m or 0 7% in the first half of 2012 After allowing for capital expenditure and adjustments in respect of lease incentives and deferred negotiation costs, the carrying value of the investment portfolio increased by £24 9m over the 6 months or 0 6%

The valuers have also provided their opinions of the market value for sites held for development During the period Canary Wharf Group achieved full ownership of Wood Wharf which has now been transferred from Investments to Development properties (see Business Review – Wood Wharf) 25 Churchill Place, which was previously classified as a Development property, was transferred to Property under construction on commencement of shell and core works (see Business Review – 25 Churchill Place) The other development sites, owned throughout the period, comprised North Quay Heron Quays West Newfoundland, Crossrail retail and One Park Place Excluding any adjustment for ground rents, these sites were valued in aggregate at £413 5m at 30 June 2012

Wood Wharf is subject to a 250 year lease (see Business Review – Wood Wharf), and the net present value of the ground rents payable under the terms of the lease has been estimated at £55 0m at lease inception For accounts purposes the site is therefore carried at a gross valuation of £255 0m and a liability of £55 0m in respect of the ground rents payable has also been recognised Subsequent movements in the carrying value of this liability are disclosed in Note 13

	Note	30 June 2012 Carrying value £m	30 June 2012 Market value in existing state £m	31 December 2011 Carrying value £m	31 December 2011 Market value in existing state £m	30 June 2011 Carrying value £m	30 June 2011 Market value in existing state £m
Retained portfolio							
Investment properties	(i)	**4,543 9**	**4,734 0**	4,509 7	4 700 5	4,532 6	4,726 5
Property under construction	(ii)	**94 3**	**96 0**	–	–	–	–
Properties held for development	(iii)	**468 5**	**413 5**	291 8	293 5	280 0	280 0
		5,106 7	**5,243 5**	4,801 5	4,994 0	4,812 6	5,006 5
Sold property							
Property under construction at Riverside South	(iv)	**67 1**	**134 9**	75 6	133 7	76 0	131 7
		5,173 8	**5,378 4**	4,877 1	5,127 7	4,888 6	5 138 2

Note

(i) The carrying value represents market value less an adjustment for lease incentives and deferred lease negotiation costs The tenant incentives and deferred lease negotiation costs adjustment at 30 June 2012 was £190 1m (31 December 2011 – £190 8m 30 June 2011 – £193 9m) Market value in existing state is shown prior to these amounts

(ii) Properties held for development at 31 December 2011 and 30 June 2011 included 25 Churchill Place which has been reclassified as under construction following commencement of shell and core works in February 2012 The carrying value represents market value less an adjustment for deferred lease negotiation costs of £1 7m

(iii) Includes Wood Wharf subject to a 250 year lease The present value of the ground rents payable under this lease has been calculated at £55 0m at inception (Note 13) The market value in existing state is shown prior to this amount

(iv) The carrying value in the Condensed Consolidated Balance Sheet at 30 June 2012 is stated net of £61 1m of costs transferred to cost of sales (31 December 2011 – £61 0m 30 June 2011 – £58 2m) and £6 0m transferred to payments on account (31 December 2011 – £14 6m 30 June 2011 – £17 8m) Market value in existing state includes the present value of the minimum developers profit from the sale of Riverside South assuming J P Morgan does not proceed with full build out and excludes the profit already recognised on the disposal of the site in 2008

25 Churchill Place, which was reclassified as a property under construction in the period, was valued at £96 0m at 30 June 2012 in comparison with £80 0m at 31 December 2011, reflecting construction progress over the 6 months

The market value of the entire property portfolio after adjusting for the acquisition of Wood Wharf and other additions increased by £94 7m or 1 8% in the first half of 2012 This increase in value was driven by the factors stated previously

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

The valuations at 30 June 2012 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 of completion In addition the valuations allow for letting, disposal, marketing and financing costs The valuers also make reference to market evidence of transaction prices for similar properties on the Estate In valuing the sites held for development and the property under construction, the valuers have allowed for estimated costs to complete, including an allowance for fitout and developers' profit

Operating Results

The following review of Canary Wharf Group's operating results relates to the 6 months ended 30 June 2012 The comparatives relate to the 6 months ended 30 June 2011

Revenue is generated primarily by the rents and service charges earned by Canary Wharf Group from its property interests on the Estate together with turnover recognised on construction contracts and fees earned from construction and development management agreements Total revenue for the 6 months ended 30 June 2012 was £177 7m, against £175 6m for the 6 months ended 30 June 2011, of which rental income, prior to the adjustments required to spread lease incentives and committed rent increases, was £130 3m (6 months ended 30 June 2011 – £124 6m) The increase in rental income was partly

Business Review continued

attributable to the expiry of rent free periods and partly as a result of increased retail rents

Service charge income increased from £38 8m to £40 1m and miscellaneous income, including insurance rents and fees recognised on the provision of development and construction management services, increased from £8 2m to £8 5m over the period

In the 6 months ended 30 June 2011, turnover and cost of sales included £2 6m in respect of the construction contract for Riverside South, in comparison with £0 1m for the first half of 2012 No profit has been recognised on the construction contract entered into in connection with the sale of Riverside South, although the potential surplus has been taken into account in calculating adjusted NAV (see Business Review – Balance Sheet and Key Performance Indicators)

Cost of sales includes rents payable and property management costs, movements on provisions for the remaining vacant leasehold properties and certain other lease commitments as well as costs recognised on the construction of presold properties Rents payable and property management costs were £46 3m in comparison with £48 8m for the 6 months ended 30 June 2011 Taking into account service charge and miscellaneous income totalling £47 5m (6 months ended 30 June 2011 – £45 6m), a surplus on property management of £1 2m was recorded (6 months ended 30 June 2011 – deficit of £3 2m)

Provisions relating to rent support commitments and certain other obligations of Canary Wharf Group increased by £0 4m before adjustment for discounting in the 6 months ended 30 June 2012, compared with £1 6m in the 6 months ended 30 June 2011

For the 6 months ended 30 June 2012, net development, rental and related income was £130 9m, an increase of £8 3m compared with the 6 months ended 30 June 2011 The increase was primarily attributable to the increase in recognised rental income of £3 0m and the movement in void costs of £4 4m

Administrative expenses for the 6 months ended 30 June 2012 were £13 6m in comparison with £16 1m for the 6 months ended 30 June 2011 The reduction in administrative expenses was primarily attributable to the accounting cost recognised in connection with an allocation of shares by Canary Wharf Group (see Note 17) which vested in June 2011

Other operating income was £0 7m for the 6 months ended 30 June 2012 (6 months ended 30 June 2011 – £0 8m)

Underlying operating profit (as defined in Note 2) for the 6 months ended 30 June 2012 was £118 0m in comparison with £107 2m for the 6 months ended 30 June 2011 The increase in underlying income was attributable to the factors disclosed above

In addition to the underlying operating profit, a net revaluation surplus of £95 4m was recognised in the Condensed Consolidated Income Statement in the period compared with £88 0m in the 6 months ended 30 June 2011 The changes in the valuation of the property portfolio are explained in more detail in the Business Review – Valuations and Note 4

The Group has also recognised its share of the revaluation surplus recorded on 20 Fenchurch Street totalling £1 1m for the 6 months ended 30 June 2012 This surplus has been taken to the Condensed Consolidated Income Statement and classified as a Capital and Other item In the 6 months ended 30 June 2011, a revaluation surplus on 20 Fenchurch Street of £4 6m was recognised

Total operating profit for the 6 months ended 30 June 2012 was £214 5m against a profit of £199 8m for the 6 months ended 30 June 2011 The change was attributable to movements in property revaluations and the other factors referred to above

Underlying net financing costs for the 6 months ended 30 June 2012 were £100 7m against £100 6m for the 6 months ended 30 June 2011 Underlying net financing costs are stated net of £2 4m of general interest payable which has been capitalised and transferred to Property under construction in Non current assets This amount formed part of the interest payable on Canary Wharf Group's general borrowings which are deemed to have been utilised in financing the costs incurred on building the property under construction The increase in underlying net financing costs is attributable to a £2 6m financing charge relating to the capitalisation of Wood Wharf ground rent obligations together with interest payable on the £92 3m loan facility secured against 50 Bank Street which was drawn down in June 2011 These increases were partly offset by scheduled loan amortisation

Movements in the fair value of derivative financial instruments and the financing costs of non equity shares, resulted in a net charge of £11 6m being recognised in the Condensed Consolidated Income Statement as a Capital and Other item in the 6 months ended 30 June 2012 compared with £1 6m in the 6 months ended 30 June 2011

The profit before tax for the 6 months ended 30 June 2012 was £102 2m in comparison with £97 6m for the 6 months ended 30 June 2011 The results for the 6 months ended 30 June 2012 and the 6 months ended 30 June 2011 included certain Capital and Other profits and losses as described above The underlying profit before tax for the

6 months ended 30 June 2012 was £17 3m (6 months ended 30 June 2011 – £6 6m), the increase being mainly attributable to the increase in operating profit

Tax for the 6 months ended 30 June 2012 comprised a corporation tax credit of £3 2m, together with a deferred tax charge of £23 1m The tax charge for the 6 months ended 30 June 2011 comprised a corporation tax credit of £5 7m, together with a deferred tax credit of £43 3m The credit for deferred tax in the 6 months ended 30 June 2011 was primarily attributable to the expiry of the period in which EZAs could potentially have been clawed back on certain properties on the Estate

The contingent tax payable if Canary Wharf Group were to dispose of its owned property portfolio at the market values disclosed in this Business Review is included in the net deferred tax balance recognised at each balance sheet date

The profit after tax for the 6 months ended 30 June 2012 was £82 3m in comparison with a profit of £135 3m for the 6 months ended 30 June 2011

The basic and diluted earnings per share for the 6 months ended 30 June 2012 was 7 0p (Note 2) compared with 11 7p for the 6 months ended 30 June 2011

Consolidated Balance Sheet and Key Performance Indicators

Net assets in the Group's Condensed Consolidated Balance Sheet were £1,729 2m at 30 June 2012, up by £75 8m or 4 6% from £1,653 4m at 31 December 2011

Adjusted NNNAV per share is set out in the following table

	Note	**30 June 2012 £m**	31 December 2011 £m	30 June 2011 £m
Adjusted net assets attributable to members of the Company	(i)	**1,525 3**	1,452 1	1,484 9
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	**(515 7)**	(476 5)	(189 6)
Deferred tax	(iii)	**(10 8)**	14 3	(69 2)
Non controlling interest in above adjustments		**161 3**	141 6	79 6
Adjusted NNNAV		**1,160 1**	1,131 5	1,305 7
Adjusted NAV per share	(i), (iv)	**£1.99**	£1 90	£1 94
Adjusted NNNAV per share	(iv)	**£1.52**	£1 48	£1 71

Note

(i) Refer to Note 2

(ii) The fair value adjustment comprises the mark to market of derivatives in Note 12 and the after tax difference between the market value and book value of debt (Note 12)

(iii) Refer to Note 6

(iv) Calculation based on 764 9m Ordinary Shares in issue at each balance sheet date

The increase in net assets was primarily attributable to the increase in the carrying value of properties held as non current assets by £95 4m over the period (Note 4) and the underlying profit for the period of £17 3m, partly offset by the finance cost relating to non equity shares of £14 6m and a tax charge of £19 9m

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

Adjusted NAV per share includes the external valuation surplus on the construction contracts but excludes deferred tax and fair value adjustments on derivatives The calculation of adjusted NAV is disclosed in Note 2 and indicates that adjusted NAV per share increased by 4 7% from 190p at 31 December 2011 to 199p at 30 June 2012

Business Review continued

Borrowings

As part of the Company's refinancing in 2009, the Company issued £275 0m of Preference Shares carrying a quarterly coupon of 2 5% payable in arrears On 30 August 2012, the terms of the Preference Shares were amended as explained in Note 18, Events after the balance sheet date

In December 2011, Canary Wharf Group entered into a £190 0m development loan facility to fund the construction of a new building at 25 Churchill Place The facility carries interest at 3 month LIBOR plus a margin of 300 bps until rent commencement, following which the margin may drop to 250 bps or to 225 bps, subject to satisfaction of certain interest cover tests The loan is also subject to a maximum LTV covenant of 65 0% and is repayable in December 2016 Finance costs incurred on this loan during the construction of the building, comprising interest payable and fees, will be capitalised and included as part of the cost of construction First drawings under the facility are anticipated prior to the year end

At 30 June 2012, net debt (including derivative financial instruments at fair value net of monetary deposits and cash and cash equivalents) stood at £3,272 5m, an increase of £56 2m from £3,216 3m at 31 December 2011 The components of net debt are shown in Note 12

The increase in total borrowings including derivatives at fair value from £4 216 3m to £4,256 8m primarily reflects the issue of £48 0m of loan notes in connection with the acquisition of Wood Wharf (Note 12(6))

The increase in total borrowings was accompanied by a reduction in cash and cash equivalents from £996 1m to £982 0m primarily attributable to construction and development expenditure, together with the investment in associates and the acquisition of BWB's interest in Wood Wharf

At 30 June 2012, the Group's weighted average cost of debt was 6 2% including credit wraps, but excluding the coupon on the Preference Shares (31 December 2011 – 6 2%) Canary Wharf Group borrows at both fixed and floating rates and uses interest rate swaps or caps to modify exposure to interest rate fluctuations Except for certain elements of the debt assumed in connection with the acquisition of Wood Wharf, all of Canary Wharf Group's facilities are fixed after taking account of interest rate hedging and cash deposits held as cash collateral

Excluding the Preference Shares, the weighted average maturity of the Group's loans was 13 4 years at 30 June 2012 (31 December 2011 – 13 9 years) Note 12 includes a summary of the key financial covenants applicable to Canary Wharf Group's principal facilities

Cash Flow

Cash generated from operations for the 6 months ended 30 June 2012 was £169 5m in comparison with £113 4m for the 6 months ended 30 June 2011 Corporation tax refunds of £5 3m were received in the 6 months ended 30 June 2012 whereas no corporation tax was paid or received in the first half of 2011 The increase in cash generated from operations was partly attributable to the £10 7m increase in underlying operating profit and partly attributable to movements in working capital

Cash flows from investing activities resulted in a cash outflow of £58 9m for the 6 months ended 30 June 2012 compared with £36 2m for the 6 months ended 30 June 2011 The 6 months ended 30 June 2012 included £31 0m of development expenditure on properties to be retained by Canary Wharf Group (6 months ended 30 June 2011 – £32 6m)

The net cash outflow from financing activities for the 6 months ended 30 June 2012 totalled £9 5m compared with an inflow of £59 3m for the 6 months ended 30 June 2011 The 6 months ended 30 June 2012 included scheduled amortisation of Canary Wharf Group's loans of £33 2m, which was partly offset by the assumption of debt upon the acquisition of Wood Wharf The cash flow for the 6 months ended 30 June 2011 comprised £92 3m drawn down on the loan facility secured against 50 Bank Street, partly offset by £33 2m of scheduled amortisation on Canary Wharf Group's securitisation and other secured debt

Principal Risks and Uncertainties

The principal risks and uncertainties identified by the Group were summarised in the 2011 Report and Financial Statements (refer to Principal Risks and Uncertainties and Treasury Objectives in the Business Review Section)

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

Unaudited Condensed Consolidated Income Statement

for the six months ended 30 June 2012

Audited Year ended 31 December 2011 Underlying* £m	Capital and other £m	Total £m		Note	**Unaudited Six months ended 30 June 2012 Underlying* £m**	**Capital and other £m**	**Total £m**	Unaudited Six months ended 30 June 2011 Underlying* £m	Capital and other £m	Total £m
352 3	–	352 3	Gross development, rental and related income	3	**177 7**	**–**	**177 7**	175 6	–	175 6
(108 5)	–	(108 5)	Cost of sales		**(46 8)**	**–**	**(46 8)**	(53 0)	–	(53 0)
243 8	–	243 8	**Net development, rental and related income**	3	**130 9**	**–**	**130 9**	122 6	–	122 6
(0 3)	7 6	7 3	Share of associates and joint ventures (after tax)	8	**–**	**1 1**	**1 1**	(0 1)	4 6	4 5
(43 6)	–	(43 6)	Administrative expenses		**(13 6)**	**–**	**(13 6)**	(16 1)	–	(16 1)
7 5	–	7 5	Other income		**0 7**	**–**	**0 7**	0 8	–	0 8
–	63 7	63 7	Net revaluation movements	4	**–**	**95 4**	**95 4**	–	88 0	88 0
207 4	71 3	278 7	**Operating profit**		**118 0**	**96 5**	**214 5**	107 2	92 6	199 8
			Net financing costs							
7 9	–	7 9	– investment revenues	5	**4 0**	**–**	**4 0**	3 6	–	3 6
(210 7)	(288 7)	(499 4)	– financing costs	5	**(104 7)**	**(11 6)**	**(116 3)**	(104 2)	(1 6)	(105 8)
(202 8)	(288 7)	(491 5)			**(100 7)**	**(11 6)**	**(112 3)**	(100 6)	(1 6)	(102 2)
4 6	(217 4)	(212 8)	**Profit/(loss) for the period before tax**	2	**17 3**	**84 9**	**102 2**	6 6	91 0	97 6
		128 7	Tax	6			**(19 9)**			37 7
		(84 1)	**Profit/(loss) for the period after tax**	2			**82 3**			135 3
			Attributable to							
		(68 1)	Equity shareholders				**52 4**			88 8
		(16 0)	Non controlling interests				**29 9**			46 5
		(84 1)					**82 3**			135 3
			Earnings/(losses) per share							
		(9 0)p	– basic and diluted	2			**7 0p**			11 7p

* As defined in Note 2

Unaudited Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2012

Audited Year ended 31 December 2011 £m		**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
(84 1)	Profit/(loss) for the period after tax	**82 3**	135 3
9 2	Transferred from equity in respect of cash flow hedges	**3 2**	6 2
(4 9)	Tax on items transferred from equity	**(2 0)**	(2 9)
4 3	Other comprehensive income for the period	**1 2**	3 3
(79 8)	**Total comprehensive income for the period**	**83 5**	138 6
	Attributable to		
(65 1)	Equity holders of the Company	**53 2**	91 1
(14 7)	Non controlling interests	**30.3**	47 5
(79 8)		**83.5**	138 6

Unaudited Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2012

	Share premium £m	Treasury Shares £m	Cancelled share reserve £m	Hedging reserve £m	**Total other reserves £m**	Non controlling interests £m	Retained earnings £m	Share capital £m	**Total £m**
1 January 2012	1,195 1	(15 9)	59 5	(63 7)	**1,175 0**	611 2	(209 3)	76 5	**1,653 4**
Profit for the period after tax	–	–	–	–	–	–	82 3	–	**82 3**
Net income recognised	–	–	–	–	–	–	82 3	–	**82 3**
Transferred to non controlling interests	–	–	–	(0 4)	**(0 4)**	30 3	(29 9)	–	–
Transferred to income									
- cash flow hedges	–	–	–	3 2	**3 2**	–	–	–	**3 2**
Tax on transfers	–	–	–	(2 0)	**(2 0)**	–	–	–	**(2 0)**
Total comprehensive income and expense for the period	–	–	–	0 8	**0 8**	30 3	52 4	–	**83 5**
Reserve movements in respect of Treasury Shares	–	0 1	–	–	**0 1**	–	–	–	**0 1**
Dividends paid by subsidiary undertaking	–	–	–	–	–	(7 8)	–	–	**(7 8)**
30 June 2012	**1,195 1**	**(15 8)**	**59 5**	**(62 9)**	**1,175 9**	**633 7**	**(156 9)**	**76 5**	**1,729 2**

Unaudited Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2011

	Share premium £m	Treasury Shares £m	Cancelled share reserve £m	Hedging reserve £m	**Total other reserves £m**	Non controlling interests £m	Retained earnings £m	Share capital £m	**Total £m**
1 January 2011	1 195 1	(10 9)	59 5	(66 7)	**1,177 0**	642 0	(141 9)	76 5	**1,753 6**
Profit for the period after tax	–	–	–	–	–	–	135 3	–	**135 3**
Net income recognised	–	–	–	–	–	–	135 3	–	**135 3**
Transferred to non controlling interests	–	–	–	(1 0)	**(1 0)**	47 5	(46 5)	–	–
Transferred to income									
- cash flow hedges	–	–	–	6 2	**6 2**	–	–	–	**6 2**
Tax on transfers	–	–	–	(2 9)	**(2 9)**	–	–	–	**(2.9)**
Total comprehensive income and expense for the period	–	–	–	2 3	**2 3**	47 5	88 8	–	**138 6**
Reserve movements in respect of Treasury Shares	–	0 5	–	–	**0 5**	–	2 9	–	**3 4**
30 June 2011	**1,195 1**	**(10 4)**	**59 5**	**(64 4)**	**1,179 8**	**689 5**	**(50 2)**	**76 5**	**1,895 6**

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2011

	Share premium £m	Treasury Shares £m	Cancelled share reserve £m	Hedging reserve £m	**Total other reserves £m**	Non controlling interests £m	Retained earnings £m	Share capital £m	**Total £m**
1 January 2011	1,195 1	(10 9)	59 5	(66 7)	**1,177 0**	642 0	(141 9)	76 5	**1,753 6**
Loss for the year after tax	–	–	–	–	–	–	(84 1)	–	**(84 1)**
Net expense recognised	–	–	–	–	–	–	(84 1)	–	**(84 1)**
Transferred to non controlling interests	–	–	–	(1 3)	**(1 3)**	(14 7)	16 0	–	–
Transferred to income – cash flow hedges	–	–	–	9 2	**9 2**	–	–	–	**9 2**
Tax on transfers	–	–	–	(4 9)	**(4 9)**	–	–	–	**(4 9)**
Total comprehensive income and expense for the period	–	–	–	3 0	**3 0**	(14 7)	(68 1)	–	**(79 8)**
Acquisition of Treasury Shares	–	(7 3)	–	–	**(7 3)**	–	–	–	**(7 3)**
Acquisition of Canary Wharf Group shares	–	–	–	–	–	(2 3)	–	–	**(2.3)**
Reserve movements in respect of Treasury Shares	–	2 3	–	–	**2 3**	–	0 7	–	**3 0**
Dividends paid by subsidiary undertaking	–	–	–	–	–	(13 8)	–	–	**(13 8)**
31 December 2011	**1,195 1**	**(15 9)**	**59 5**	**(63 7)**	**1,175 0**	**611 2**	**(209 3)**	**76 5**	**1,653 4**

Description of the nature and purpose of each reserve

The Treasury Shares reserve represents the cost of Ordinary Shares held in the Trust Details of movements on the Treasury Shares reserve are disclosed in Note 17

The cancelled share reserve comprises the nominal value of 601,068,076 deferred shares cancelled in 2009

The hedging reserve comprises the amounts deferred in equity under previously effective hedges which are recognised in the Condensed Consolidated Income Statement in the same period in which the hedged item affects net profit or loss

Non controlling interests represents those shareholdings in Canary Wharf Group which are not owned by Songbird On 20 July 2011, SFL acquired 741 387 ordinary shares in Canary Wharf Group, taking the total number of shares owned to 443,305,541, representing 69 37% of the issued share capital

Retained earnings includes inter alia, revaluation surpluses in respect of the Group's properties that are recognised in the Condensed Consolidated Income Statement

Unaudited Condensed Consolidated Balance Sheet

at 30 June 2012

Audited 31 December 2011 £m		Note	**Unaudited 30 June 2012 £m**	Unaudited 30 June 2011 £m
	Assets			
	Non current assets			
4,509 7	Investment properties	7	**4,543 9**	4,532 6
–	Property under construction	7	**94 3**	–
291 8	Development properties	7	**468 5**	280 0
0 5	Plant and equipment	7	**0 5**	0 8
4,802 0			**5,107 2**	4 813 4
	Other non current assets			
112 5	Investments	8	**56 6**	51 1
192 5	Tenant incentives and other non current assets	10	**191 8**	193 9
14 3	Deferred tax	6	**–**	–
5 121 3			**5,355 6**	5 058 4
	Current assets			
46 7	Trade and other receivables	9	**35 3**	98 0
3 9	Monetary deposits	12	**2 3**	5 1
996 1	Cash and cash equivalents	12	**982 0**	1 125 8
1 046 7			**1,019 6**	1,228 9
6,168 0	**Total assets**		**6,375 2**	6,287 3
	Liabilities			
	Current liabilities			
(93 6)	Current portion of long term borrowings	12	**(103 0)**	(98 4)
(52 9)	Corporation tax	11	**(55 0)**	(60 6)
(236 1)	Trade and other payables	11	**(250 1)**	(224 6)
(382 6)			**(408 1)**	(383 6)
	Non current liabilities			
(3 575 6)	Borrowings	12	**(3,612 9)**	(3,650 9)
(547 1)	Derivative financial instruments	12	**(540 9)**	(277 7)
–	Other non current liabilities	13	**(64 7)**	–
–	Deferred tax liabilities	6	**(10 8)**	(69 2)
(9 3)	Provisions	14	**(8 6)**	(10 3)
(4 132 0)			**(4,237 9)**	(4 008 1)
(4,514 6)	**Total liabilities**		**(4,646 0)**	(4,391 7)
1,653 4	**Net assets**		**1,729 2**	1 895 6
	Equity			
76 5	Share capital		**76 5**	76 5
1,175 0	Other reserves		**1,175 9**	1 179 8
(209 3)	Retained earnings		**(156 9)**	(50 2)
1,042 2	**Total equity attributable to members of the Company**		**1,095 5**	1,206 1
611 2	Non controlling interests		**633 7**	689 5
1,653 4	**Total equity**		**1,729 2**	1,895 6

David Pritchard

David Pritchard
Director

Unaudited Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2012

Audited Year ended 31 December 2011 £m		Note	**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
254 0	**Net cash flows from operating activities**	15	**169 5**	113 4
(245 2)	Interest paid		**(118 7)**	(120 6)
7 3	Interest received		**3 5**	3 2
(0 2)	Interest element of finance lease rentals		**–**	(0 1)
(4 9)	Financing expenses		**–**	(1 4)
11 0	**Net cash inflow/(outflow) from operating activities**		**54 3**	(5 5)
	Cash flows from investing activities			
(22 7)	Development expenditure		**(31 0)**	(32 6)
–	Purchase of property		**(20 9)**	–
(60 9)	Investment in and net loans to associated undertakings		**(7 0)**	(3 6)
(2 3)	Acquisition of shares in Canary Wharf Group plc		**–**	–
(85 9)	**Net cash outflow from investing activities**		**(58 9)**	(36 2)
	Cash flows from financing activities			
(13 8)	Dividends paid to non controlling interests		**(7 8)**	–
(57 5)	Redemption of securitised debt		**(28 8)**	(28 8)
(8 5)	Repayment of secured loan		**(4 4)**	(4 2)
92 3	Draw down of secured loans		**–**	92 3
–	Wood Wharf loan notes		**32 6**	–
–	Payment of Wood Wharf deferred consideration		**(1 0)**	–
(7 3)	Acquisition of own shares		**(0 1)**	–
(42 4)	Repayment of finance lease obligation		**–**	–
(37 2)	**Net cash (outflow)/inflow from financing activities**		**(9 5)**	59 3
(112 1)	Net (decrease)/increase in cash and cash equivalents		**(14 1)**	17 6
1,108 2	Cash and cash equivalents at period start		**996 1**	1,108 2
996 1	**Cash and cash equivalents at period end**	12	**982 0**	1,125 8

Notes to the Interim Report
for the six months ended 30 June 2012

1 BASIS OF PREPARATION

The Group reported its results for the year ended 31 December 2011 under IFRS as adopted by the EU The financial information presented in this Interim Report has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2011 The accounting policies applied in the preparation of this financial information are consistent with those that will be adopted in the statutory accounts for the year ending 31 December 2012 The full accounting policies of the Group, set out in the last Annual Report, have been applied in preparing this Interim Report

The financial information for the 6 months ended 30 June 2012 has been reviewed but is unaudited and was approved by the Board on 13 September 2012 A copy of the statutory accounts for the year ended 31 December 2011 has been delivered to the Registrar of Companies The auditor's report on these accounts was not qualified and did not contain a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006

The financial information contained in this Interim Report does not constitute a complete set of financial statements (including all comparative figures and all required notes) The financial information does not therefore constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and does not purport to show a true and fair view of the Group's financial position and results of operations in accordance with IFRS for the 6 months ended 30 June 2012

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount event or actions actual results ultimately may differ from these estimates

Going Concern

The financial statements have been prepared on a going concern basis which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future In preparing the financial statements, the Board has taken into account the risks and uncertainties of the business which were set out in the Company's financial statements for the year ended 31 December 2011

Having made the requisite enquiries, the Board has a reasonable expectation that the Company and the Group will have adequate resources to continue their operations for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing this Interim Report for the 6 months ended 30 June 2012

Notes to the Interim Report
for the six months ended 30 June 2012 continued

2 PERFORMANCE MEASURES

Earnings and losses per share was as follows

Audited Year ended 31 December 2011 Earnings/ (losses) £m	Per share p		**Unaudited Six months ended 30 June 2012 Earnings/ (losses) £m**	**Per share p**	Unaudited Six months ended 30 June 2011 Earnings/ (losses) £m	Per share p
4 6	0 6	Underlying earnings	**17 3**	**2 3**	6 6	0 9
(217 4)	(28 8)	Capital and other items	**84.9**	**11 3**	91 0	12 0
128 7	17 1	Tax	**(19.9)**	**(2 6)**	37 7	5 0
(84 1)	(11 1)	Profit/(loss) after tax	**82 3**	**11 0**	135 3	17 9
16 0	2 1	Less Non controlling interests	**(29 9)**	**(4 0)**	(46 5)	(6 2)
(68 1)	(9 0)	Profit/(loss) after tax attributable to members of the Company	**52 4**	**7 0**	88 8	11 7

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

Earnings and losses per share has been calculated by reference to the profit attributable to equity shareholders of £52 4m in the 6 months ended 30 June 2012 (year ended 31 December 2011 – loss of £68 1m, 6 months ended 30 June 2011 – profit of £88 8m) and on the weighted average of 752 6m Ordinary Shares in issue for the 6 months ended 30 June 2012 (year ended 31 December 2011 – 756 1m 6 months ended 30 June 2011 – 756 7m) The weighted average number of Ordinary Shares excludes the shares held by the Trust

As disclosed in the 2011 Report and Financial Statements, warrants are in issue for a total of 2,836,666,668 Ordinary Shares with a strike price of 1 5p and expire on 19 October 2012 If exercised at the date of this Interim Report the Warrants would equate to an additional 28,835,517 Ordinary Shares with an exercise price of 150p each No dilution arises from the Warrants as the average market price of Ordinary Shares during the period of 110p did not exceed the exercise price

Adjusted NAV is calculated as follows

Audited 31 December 2011 £m		**Unaudited 30 June 2012 £m**	Unaudited 30 June 2011 £m
1 653 4	**Balance sheet net assets**	**1,729 2**	1,895 6
(14 3)	Adjustment for deferred tax	**10 8**	69 2
547 1	Mark to market of derivatives	**540 9**	277 7
58 1	Add surplus arising on Riverside South	**67 8**	55 7
2,244 3		**2,348 7**	2,298 2
(611 2)	Non controlling interests in balance sheet	**(633 7)**	(689 5)
(181 0)	Non controlling interests on adjustments above	**(189 7)**	(123 8)
1,452 1	**Adjusted net assets**	**1,525 3**	1,484 9
190p	**Adjusted NAV per share**	**199p**	194p

Adjusted NAV per share includes the valuation surplus on construction contracts of £67 8m (31 December 2011 – £58 1m, 30 June 2011 – £55 7m) Adjusted NAV per share excludes deferred tax and fair value adjustments on derivatives

There were 764 9m Ordinary Shares in issue at each balance sheet date

Notes to the Interim Report
for the six months ended 30 June 2012 continued

3. REVENUE

Audited Year ended 31 December 2011 £m		**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
251 3	Rent receivable	**130 3**	124 6
(1 3)	Recognised incentives and committed rent increases	**(1 3)**	1 4
250 0		**129 0**	126 0
75 2	Service charge income	**40 1**	38 8
21 6	Miscellaneous income	**8 5**	8 2
0 1	Receivable on termination of leases	**–**	–
5 4	Construction contract revenue	**0 1**	2 6
352 3	**Gross development, rental and related income**	**177 7**	175 6
(101 1)	Service charge and other direct property expenses	**(46 3)**	(48 8)
(1 9)	Movements in accruals and provisions for leasehold commitments	**(0.4)**	(1 6)
(0 1)	Payments on termination of leases	**–**	–
(5 4)	Construction contract expenditure	**(0.1)**	(2 6)
243 8	**Net development, rental and related income**	**130.9**	122 6

4 NET REVALUATION MOVEMENTS ON PROPERTY AND INVESTMENTS

Audited Year ended 31 December 2011 £m		**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
	Revaluation of		
43 9	– investment properties	**24 9**	79 1
–	– property under construction	**(1 2)**	–
19 8	– development properties	**71 7**	8 9
63 7		**95 4**	88 0

5. NET FINANCING COSTS

Audited Year ended 31 December 2011 £m		**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
	Interest revenue		
7 9	Deposits and securities	**4 0**	3 6
	Interest expense		
(146 3)	Notes and debentures	**(70 1)**	(73 4)
(63 4)	Other bank loans and overdrafts	**(34 4)**	(30 7)
(1 0)	Obligations under finance leases	**–**	(0 1)
–	Obligations under long term property lease	**(2 6)**	–
(210 7)		**(107 1)**	(104 2)
–	Interest at 6 2% transferred to property under construction	**2 4**	–
		(104 7)	(104 2)
(202 8)	Underlying net financing costs	**(100 7)**	(100 6)
	Other financing income/(costs)		
(250 1)	Valuation movements on fair value of derivatives	**6 2**	19 3
(29 4)	Finance costs of non equity shares (Note 12)	**(14 6)**	(14 7)
(9 2)	Hedging reserve recycling	**(3 2)**	(6 2)
(288 7)		**(11 6)**	(1 6)
(491 5)	**Net financing costs**	**(112 3)**	(102 2)
7 9	Total financing income	**4 0**	3 6
(499 4)	Total financing expense	**(116 3)**	(105 8)
(491 5)	**Net financing costs**	**(112 3)**	(102 2)

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for the six months ended 30 June 2012 continued

6 TAX

Audited Year ended 31 December 2011 £m		Unaudited Six months ended 30 June 2012 £m	Unaudited Six months ended 30 June 2011 £m
	Tax credit/(charge)		
(0 1)	Current tax	**3 2**	(5 6)
128 8	Deferred tax	**(23 1)**	43 3
128 7	**Group total tax**	**(19 9)**	37 7
	Tax reconciliation		
(212 8)	Profit/(loss) for the period before tax	**102 2**	97 6
56 4	Tax on (profit)/loss at UK corporation tax rate	**(25.0)**	(25 9)
	Effects of		
(2 7)	Change in tax rate	**(0 7)**	–
2 7	Adjustments in respect of prior years	**7 5**	–
16 8	Indexation allowances and net effect of restriction or reversal of previously restricted capital losses and indexation allowances	**5 6**	64 0
72 1	Release of EZA clawback provision	**–**	–
(8 2)	Expenses not deductible for tax purposes	**(3 7)**	(0 2)
(0 4)	Deferred tax assets not recognised on losses	**(0 2)**	(0 2)
(8 0)	Other differences	**(3 4)**	–
(128 7)	**Group total tax**	**(19 9)**	37 7

The applicable corporation tax rate was 24 5% for the current period and 26 5% for each comparative period

The main rate of corporation tax payable by the Group reduced from 26 0% to 24 0% with effect from 1 April 2012 Deferred tax has been provided by reference to a corporation tax rate of 24 0% as this was the rate enacted at the balance sheet date

The Government has announced that it intends to enact future reductions in the main corporation tax rate down to 23 0% at 1 April 2013 and 22 0% at 1 April 2014 The substantive enactment of the 1 0% reduction to 23 0% was effected in July 2012 and will serve to reduce the deferred tax liability by £0 5m It is anticipated that the future rate reduction from 23 0% to 22 0% yet to be substantively enacted will serve to reduce the deferred tax liability of the Group by a further £0 4m However, the actual impact will be dependent on the deferred tax position at that time

	Revaluation deficits £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax assets					
1 January 2012	11 9	133 6	21 8	3 6	170 9
(Charge)/credit to income	(5 6)	(6 9)	(0 2)	0 4	(12 3)
Credit to equity	–	0 1	–	–	0 1
30 June 2012	**6 3**	**126 8**	**21 6**	**4 0**	**158.7**

	Revaluation surpluses £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax liabilities					
1 January 2012	(113 9)	–	(36 1)	(6 6)	(156 6)
Credit to income	(12 2)	2 1	2 3	(3 0)	(10 8)
Charge to equity	–	(2 1)	–	–	(2 1)
30 June 2012	**(126 1)**	**–**	**(33.8)**	**(9.6)**	**(169.5)**

All deferred tax assets and liabilities may potentially be offset The amount at which deferred tax is stated, after offsetting for financial reporting purposes, comprises

	£m
Net deferred tax asset/(liability)	
1 January 2012	14 3
Charge to income	(23 1)
Charge to equity	(2 0)
30 June 2012	**(10 8)**

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

A deferred tax asset has been recognised on the mark to market of debt and other adjustments relating to Canary Wharf Group's tax position at the date of acquisition These deferred tax balances will be amortised to the Condensed Consolidated Income Statement in line with the amortisation of the fair value adjustments which gave rise to them

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

Non current assets and construction contracts at 30 June 2012 comprised

	Investment properties £m	Property under construction £m	Development properties £m	Construction contracts £m	Total £m	Plant & equipment £m	Total £m
Market value at							
1 January 2012	4 700 5	–	293 5	–	4,994 0		
Adjust for							
– tenant incentives*	(183 1)	–	–	–	(183 1)		
– unamortised lease negotiation costs*	(7 7)	–	(1 7)	–	(9 4)		
Carrying value at							
1 January 2012	4,509 7	–	291 8	–	4,801 5	0 5	4 802 0
Additions	9 3	14 8	(4 1)	(8 5)	11 5	–	11 5
Capitalised interest	–	2 4	–	–	2 4	–	2 4
Transfer from investments	–	–	132 4	–	132 4	–	132 4
Transfer of 25 Churchill Place	–	78 3	(78 3)	–	–	–	–
Transfer to cost of sales	–	–	–	(0 1)	(0 1)	–	(0 1)
Transfer from payments on account	–	–	–	8 6	8 6	–	8 6
Obligations under long term							
property lease	–	–	55 0	–	55 0	–	55 0
Revaluation movement	24 9	(1 2)	71 7	–	95 4	–	95 4
Carrying value at 30 June 2012	**4,543 9**	**94 3**	**468 5**	**–**	**5,106 7**	**0 5**	**5,107 2**
Adjust for							
– tenant incentives*	181 8	–	–	–	181 8		
– unamortised lease negotiation costs*	8 3	1 7	–	–	10 0		
– obligations under long term property lease (Note 13)	–	–	(55 0)	–	(55 0)		
Market value at 30 June 2012	**4,734 0**	**96 0**	**413 5**	**–**	**5,243 5**		

* Refer to Note 10

In August 2011 EMA agreed a prelet of 250,000 sq ft in a new office building of approximately 525,000 sq ft at 25 Churchill Place EMA also has a call option over an additional 108,000 sq ft Construction of the shell and core of the building commenced in February 2012 at which time the building was transferred to properties under construction In accordance with Canary Wharf Group's strategy, the substructure of the building had already been completed

Canary Wharf Group has entered into a £190 0m construction and development loan facility which will be utilised to fund the construction of the building Until the loan is first drawn down, the cost of construction will be funded by Canary Wharf Group from its unrestricted cash Interest has been capitalised as part of the cost of the building from the date construction commenced At 30 June 2012, £2 4m of general interest had been allocated by reference to Canary Wharf Group's weighted average cost of debt

Notes to the Interim Report
for the six months ended 30 June 2012 continued

On 24 December 2008, Canary Wharf Group entered into agreements with the Secretary of State for Transport and CRL 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 Canary Wharf Group The anticipated cost to Canary Wharf Group has been accounted for when incurred, as additions to development properties and allocated to certain development properties, including the Riverside South project, on a sq ft basis Canary Wharf Group's contribution will be applied against any Section 106 contributions for certain agreed development sites on the Estate which may be required as part of the London Plan Canary Wharf Group has calculated it has fulfilled its funding obligations under the terms of the agreement in 2011

In January 2012, Canary Wharf Group completed its acquisition of BWB's 50 0% interest in the Wood Wharf joint venture The acquisition of the interests in Wood Wharf has been accounted for as an asset acquisition As a result, the carrying value of the Wood Wharf interests of £132 4m, comprising the carrying value of the Groups investment in the entities which owned Wood Wharf at 31 December 2011 (accounted for at that date as an investment in associated undertakings), together with the cost, including fees, of acquiring BWB's 50 0% effective interest has been transferred from Investments (Note 8) to development properties within Non current assets

In June 2012 Canary Wharf Group acquired a further site integral to the future development of Wood Wharf The consideration paid was £9 5m plus costs of £0 4m

In November 2008, Canary Wharf Group entered into an agreement with J P Morgan for the development of the Riverside South site on the Estate Canary Wharf Group will act as development and construction manager in relation to the site and has received £76 0m as an advance of developers profit This sum will be set against Canary Wharf Group's entitlement to future profits arising from the development Income earned on this project subsequent to the sale of the site in 2008 has been deferred and will be recognised in the profit and loss account in accordance with IFRS No profit has been recognised on this project to date The 2008 agreement, which was previously due to expire in 2013, was modified in 2010 and extended to October 2016 As part of this modification, Canary Wharf Group's option to purchase the site was changed to a right of first offer

Valuation

The fair value of Canary Wharf Group's properties has been arrived at on the basis of valuations carried out by the external valuers, CBRE, Savills or Cushman at 30 June 2012 The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties

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

Properties under construction

Properties under construction comprise amounts recoverable under long term development contracts less payments on account The amounts for payments on account at the balance sheet date are as follows

	Riverside South £m
1 January 2012	47 9
Advances received	1 1
Contract revenue recognised as revenue in the Income Statement	(0 1)
Offset from construction contracts	8 6
Gross amount due to purchaser for contract work at 30 June 2012	**57 5**

8 INVESTMENTS

The investments balance comprises

	30 June 2012 £m	31 December 2011 £m
Shares	**0 3**	0 7
Loans	**46 7**	106 4
	47 0	107 1
Fees on acquisition	**1 0**	5 0
Share of post acquisition losses	**(0 1)**	(0 9)
Revaluation movements	**8 7**	7 6
Impairment of investment	**–**	(6 3)
	56 6	112 5
Investments comprise		
Associates and joint ventures	**56 4**	112 3
Other investments	**0 2**	0 2
	56 6	112 5

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

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

At 30 June 2012	20 FSLP £m	Shell Centre £m	Total £m
Initial investment	0 1	–	0 1
Fees on acquisition	–	1 0	1 0
Loan funding including fees	25 7	21 0	46 7
Recognised share of losses	(0 1)	–	(0 1)
Revaluation surplus	8 7	–	8 7
	34 4	**22 0**	**56 4**

Associates and Joint Ventures

In July 2011, Canary Wharf Group entered into a 50 50 joint venture with Qatari Diar to redevelop the Shell Centre The investors are each committed to contributing £150 0m to secure the 5 25 acre site on a 999 year lease The aggregate £300 0m payment for the site is conditional on planning permission being received for the project within 3 years Canary Wharf Group's investment to 30 June 2012 totalled £22 0m (31 December 2011 – £20 2m) including fees of £1 0m (31 December 2011 – £0 7m)

In October 2010, Canary Wharf Group announced that it had entered into a joint venture with Land Securities to develop 20 Fenchurch Street After syndication, Canary Wharf Group has retained a 15 0% equity interest in the joint venture and is acting as sole construction manager and joint development manager The Group's investment was stated at £34 4m at 30 June 2012 (31 December 2011 – £29 4m) representing the initial investment plus associated fees, together with subsequent funding less Canary Wharf Group's share of operating losses At 31 March 2012, an external valuation resulted in a cumulative revaluation surplus of £58 1m on the project of which £8 7m is attributable to Canary Wharf Group Including the revaluation of property, at 30 June 2012 the 20 Fenchurch Street entities had assets of £234 3m and liabilities of £4 7m

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In April 2005, BWB appointed Canary Wharf Group, together with Ballymore, as its partners for the development of Wood Wharf A joint venture was established to oversee the development of an approximately 7 0m sq ft (gross) mixed use scheme in which Canary Wharf Group originally had a 25 0% effective interest In addition to an initial entry premium, Canary Wharf Group had originally subscribed for interest free long term redeemable loan notes to fund the working capital requirements of the joint venture

In December 2011, Canary Wharf Group acquired an additional 25 0% effective interest in the joint venture from Ballymore for a total consideration of £38 0m As a result of the acquisition of Ballymore's interest, Canary Wharf Group held a 50 0% interest in the joint venture at 31 December 2011 The investment continued to be accounted for at that date as an investment in an associated undertaking

At 31 December 2011, the carrying value of the Group's investment in Wood Wharf was £62 7m which comprised the initial entry premium of £1 9m and subsequent loan funding of £27 1m, less impairments and the Group's share of post acquisition losses recognised totalling £6 0m, together with the cost of acquiring Ballymore's interest of £38 0m and fees of £1 7m

In January 2012, Canary Wharf Group acquired the remaining 50 0% effective interest in Wood Wharf from BWB for a total consideration of £52 4m As a result of this acquisition the carrying value of the Group's consolidated investment in Wood Wharf has been transferred to Development properties within Non current assets In conjunction with the acquisition, BWB granted a new 250 year lease of the site subject to a ground rental payment to BWB which will increase to £6 0m per annum by 2016, followed by upwards only reviews linked to the passing rent achieved on the office buildings and the ground rents paid by purchasers of the residential apartments to be built on the site (Note 13) The £52 4m consideration payable to BWB comprises an upfront payment of £4 4m and loan notes requiring repayment in 4 annual instalments up to and including 2015 (Note 12(6))

The carrying value of the investment in Wood Wharf transferred can be summarised as

	£m
Carrying value of the Group's investment in Wood Wharf entities at 31 December 2011	62 7
Consideration payable to BWB	52 4
Fees and SDLT	6 7
	121 8
Comprising	
Amount transferred to development properties	132 4
Other net liabilities acquired	(10 6)
	121 8

The Shell Centre entities have a 31 December financial year end and the 20 FSLP entities have a 31 March financial year end The results of 20 FSLP and the Shell Centre entities attributable to Canary Wharf Group have been derived from their latest available management accounts after making any necessary adjustments Canary Wharf Group's share of the profits and losses of its joint ventures and associates is as follows

Summarised profit and loss accounts for the six months ended 30 June 2012

	Shell Centre £m	20 FSLP £m
Net operating loss	(0 1)	-
Net loss before and after tax	(0 1)	-
Group share	-	-

Summarised balance sheets at 30 June 2012

	Shell Centre £m	20 FSLP £m
Total assets	44 8	234 3
Total liabilities	(2 8)	(4 7)
Net assets	42 0	229 6
Group share	**21 0**	**34 4**

9 TRADE AND OTHER RECEIVABLES

Audited 31 December 2011 £m		**Unaudited 30 June 2012 £m**	Unaudited 30 June 2011 £m
4 8	Trade receivables	**6 8**	9 6
20 6	Other receivables	**6 2**	67 1
17 1	Prepayments and accrued income	**16 7**	21 3
4 2	Deferred financing expenses	**5 6**	-
46 7		**35.3**	98 0

10 TENANT INCENTIVES AND OTHER NON CURRENT RECEIVABLES

Non current receivables comprise

	Rent free periods £m	Other tenant incentives £m	**Total tenant incentives £m**	Deferred negotiation costs £m	**Total £m**
1 January 2012	85 8	97 3	**183.1**	9 4	**192.5**
Recognition of rent during rent free periods	4 6	–	**4 6**	–	**4 6**
Amortisation	(3 2)	(2 7)	**(5 9)**	(0 7)	**(6 6)**
Deferred lease negotiation costs	–	–	**–**	1 3	**1 3**
30 June 2012	**87 2**	**94 6**	**181 8**	**10.0**	**191 8**

11 TRADE AND OTHER PAYABLES

Audited 31 December 2011 £m		**Unaudited 30 June 2012 £m**	Unaudited 30 June 2011 £m
7 5	Trade payables	**11 8**	16 1
7 2	Tax and social security costs	**2 0**	1 3
24 2	Other payables	**22 1**	20 4
149 3	Other accruals and deferred income	**156 7**	143 2
47 9	Payments on account (Note 7)	**57 5**	43 6
236 1	Total trade and other payables	**250 1**	224 6
52 9	Corporation tax	**55 0**	60 6

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12 NET DEBT

Audited 31 December 2011 £m		**Unaudited 30 June 2012 £m**	Unaudited 30 June 2011 £m
2,682 7	Securitised debt	**2,648 6**	2,547 4
–	Wood Wharf loan notes	**76 0**	–
1,263 1	Other secured loans	**1,261 0**	1,161 7
–	Finance lease obligations	**–**	41 3
3 945 8		**3,985 6**	3,750 4
270 5	Non equity shares and associated financing costs	**271 2**	276 6
4,216 3	Gross debt	**4,256 8**	4,027 0
93 6	Current liabilities	**103 0**	98 4
	Non current liabilities		
3,575 6	– borrowings	**3,612 9**	3,650 9
547 1	– derivatives included in non current liabilities	**540 9**	277 7
4,216 3	Gross debt	**4,256 8**	4,027 0
(996 1)	Cash and cash equivalents	**(982 0)**	(1,125 8)
(3 9)	Monetary deposits	**(2 3)**	(5 1)
3,216 3	Net debt	**3,272 5**	2,896 1
	Current liabilities comprises		
27 1	Accrued interest payable	**28 0**	25 3
66 5	Borrowings repayable within one year	**66 8**	66 2
–	Financing costs of non equity shares	**–**	6 9
–	Wood Wharf loan notes	**8 2**	–
93 6		**103 0**	98 4

Cash and cash equivalents comprise cash held by Canary Wharf Group and short term deposits with an original maturity of 3 months or less

Cash and cash equivalents totalled £982 0m at 30 June 2012 (31 December 2011 – £996 1m, 30 June 2011 – £1,125 8m), principally comprising deposits placed on the money markets at call and term rates Cash deposits included £141 3m at 30 June 2012 (31 December 2011 – £116 7m, 30 June 2011 – £169 0m) held as cash collateral for Canary Wharf Group's borrowings, including £30 4m relating to Wood Wharf, and a further £15 1m (31 December 2011 – £14 6m 30 June 2011 – £11 5m) charged as security for Canary Wharf Group's obligations Unsecured cash deposits totalled £825 6m at 30 June 2012 (31 December 2011 – £864 8m, 30 June 2011 – £945 3m), of which £13 9m was held by the Company and its wholly owned subsidiaries and £811 7m (31 December 2011 – £853 5m, 30 June 2011 – £940 2m) was held by Canary Wharf Group companies

Monetary deposits comprise amounts held on deposit with original maturities in excess of 3 months or which are not held for the purpose of meeting short term cash commitments These deposits relate to Canary Wharf Group's construction contracts

Until 30 August 2012, the Preference Shares, which were issued on 14 October 2009, were non voting and non convertible and carried a fixed cumulative dividend of 2 5% payable quarterly in arrears, compounding quarterly to the extent not paid No dividend could be paid by the Company on the Ordinary Shares without the consent of at least 75 0% of the preference shareholders or until the Preference Shares were redeemed With effect from 14 October 2011 the Preference Shares were redeemable at the option of the Company

If, however, the Company opted to redeem, a 5 0% premium on the issued amount was payable until 14 April 2012, reducing to 3 0% until 14 April 2013 and to 2 0% until 14 October 2014 No redemption premium was payable after that date The Preference Shares were redeemable at the option of the holder from 14 October 2014 on any date falling prior to 14 October 2016 The Company could, however, elect not to redeem them and pay an increased dividend of 3 25% per quarter which further increased to 3 75% on 14 October 2015

On 30 August 2012, amendments were made to the terms of the Preference Shares A summary of these changes is included in Note 18, Events after the balance sheet date

As a result of the terms and conditions of the Preference Shares, such shares are classified as borrowings and the Condensed Consolidated Income Statement includes a charge to profit in respect of the coupon payable This accounting treatment will continue following the changes to the terms of the Preference Shares referred to above

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

	Securitised debt £m	Other secured loans £m	Wood Wharf loan notes £m	Total borrowings £m	Non equity shares £m	Total £m
1 January 2012	2,682 7	1,263 1	–	3,945 8	270 5	4,216 3
Secured against Wood Wharf	–	4 9	27 7	32 6	–	32 6
On acquisition of BWB's interest in Wood Wharf	–	–	48 0	48 0	–	48 0
Effective interest rate adjustment	(2 3)	0 9	0 3	(1 1)	0 7	(0 4)
Accrued finance charges	(0 9)	0 6	–	(0 3)	13 8	13 5
Repaid in period	(28 8)	(4 4)	–	(33 2)	(13 8)	(47 0)
Movements in fair value of derivatives	(2 1)	(4 1)	–	(6 2)	–	(6 2)
30 June 2012	**2,648.6**	**1,261 0**	**76.0**	**3,985 6**	**271 2**	**4,256 8**
Payable within one year or on demand	80 4	14 4	8 2	103 0	–	103 0
Payable in more than one year	2 290 1	983 8	67 8	3,341 7	271 2	3 612 9
Derivatives classified as						
– non current liabilities	278 1	262 8	–	540 9	–	540 9
	2,648.6	**1,261 0**	**76.0**	**3,985.6**	**271 2**	**4,256.8**

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

(1) At 30 June 2012, the following notes issued by CWF II, a subsidiary of Canary Wharf Group, were outstanding

Class	Principal £m	Interest	Repayment
A1	1,063 1	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	186 6	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
	2,375.7		

In April 2009, Canary Wharf Group repurchased certain floating rate Notes with an aggregate principal amount of £119 7m for an aggregate consideration, excluding accrued interest, of £35 5m The principal amount of the Notes in issue at 30 June 2012 was £2,375 7m, or £2,256 0m excluding the Notes repurchased The Notes are secured on certain property interests of Canary Wharf Group and the rental stream therefrom

Interest on the floating rate Notes is at 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

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for the six months ended 30 June 2012 continued

The Notes are hedged by means of interest rate swaps and the hedged rates plus the margin are A7 Notes – 5 1135%, B3 Notes – 5 1625%, C2 Notes – 5 4416% and D2 Notes – 5 8005% These swaps expire in 2035 concurrent with the Notes

The securitisation has the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square, over the entire term of the lease AIG has posted £267 1m as cash collateral in respect of this obligation The annual fee payable in respect of the arrangement is £2 2m

(2) In June 2011, Canary Wharf Group entered into a 5 year facility of £92 3m secured against 50 Bank Street The facility carries interest at 3 month 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 loan is repayable in June 2016

(3) Canary Wharf Group has a £350 0m loan facility secured against Canary Wharf Group's principal retail properties and car parking interests

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

(4) A bank loan comprising an initial principal of £608 8m is secured against One Churchill Place The loan amortises with a balloon payment of £155 0m on maturity in July 2034 The loan carries a hedged interest rate of 5 82% In the first half of 2012, £4 4m of the loan was repaid in accordance with the loan agreement reducing the principal at 30 June 2012 to £555 2m

(5) In December 2011, Canary Wharf Group entered into a £190 0m development loan facility secured against the property now under construction at 25 Churchill Place No draw downs had been made under this facility at 30 June 2012 The margin on the loan is 300 bps over LIBOR from first draw down to rent commencement, following which the margin may drop to 225 bps subject to the satisfaction of certain interest cover tests Upfront fees of £4 2m were incurred on entering into the facility and a commitment fee of 150 bps p a is payable on the undrawn facility At 30 June 2012, £1 4m of commitment fees had been incurred which will be amortised over the anticipated drawdown period of the loan

(6) The consideration for the acquisition of BWB's 50 0% interest in Wood Wharf was £52 4m The £52 4m consideration comprised an upfront payment of £4 4m and loan notes with a repayment profile as follows 30 September 2012 – £8 25m, 30 September 2013 – £8 25m, 30 September 2014 – £15 5m and 30 September 2015 – £16 0m Interest is payable on the loan notes at a rate of 6 3%

(7) Prior to the acquisition of Wood Wharf, the joint venture entities entered into a non recourse loan facility of £5 2m The loan carries an interest rate of LIBOR plus a margin of 2 5% and the final maturity is in December 2013 The balance owing on the loan at 30 June 2012 was £4 9m

The joint venture entities had also issued discounted loan notes with an outstanding value at 30 June 2012 of £28 0m to fund the acquisition of certain parts of Wood Wharf Interest on the discounted loan notes is payable at 3 month LIBOR plus 1 0% p a and at the acquisition date were issued in tranches as follows

	In issue £	Discount £	Nominal value £	Interest trigger date
'A' loan notes	9,695,808	–	9,695,808	6 February 2006
'B' loan notes	6,812,907	1,187,093	8,000,000	6 February 2009
'C' loan notes	5,499,495	2,500 505	8,000,000	6 February 2013
'D' loan notes	2,927,155	2 072 845	5,000,000	6 February 2016
	24,935,365	5,760,443	30,695,808	

Following the interest trigger date, interest is payable at 3 month LIBOR plus 1 0% p a The loan notes are cash collateralised and are due for repayment 15 years from the date of issue If the holder of the loan notes serves a redemption notice before the repayment date then the loan note repayment date is 12 months from the date of the notice so long as that date does not fall due before the interest trigger date

Loan covenants

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

(i) CWF II securitisation, encompassing 7 investment properties representing 66 3% of the investment property portfolio by value The principal amount outstanding at 30 June 2012 was £2,375 7m or £2,256 0m excluding the repurchased Notes

Maximum LMCTV ratio of 100 0% Based on the valuations at 30 June 2012, the LMCTV ratio at the interest payment date in July 2012 would have been 71 9%

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

(ii) Loan of £555 2m secured against One Churchill Place, representing 15 3% of the investment property portfolio by value

This facility is not subject to any LTV or ICR covenants and has a maturity of 2034, subject to amortisation over the term

(iii) Loan of £350 0m secured against the principal retail and infrastructure parking properties of Canary Wharf Group, representing 15 3% of the investment property portfolio by value

Maximum LTV ratio of 70 0% Based on the valuations at 30 June 2012 the LTV was 48 7%

The ICR covenant is 120 0% and the covenant was satisfied throughout the period Canary Wharf Group has the ability to remedy any potential breach of covenant by depositing cash

(iv) Loan of £92 3m secured against 50 Bank Street representing 3 1% 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 2012 the LTV was 62 6%

The minimum ICR covenant is 150 0% The covenant was satisfied throughout the year The facility repayment date is 7 June 2016

Hedge accounting

Canary Wharf Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, including its bank facilities and floating rate bonds, caused by movements in market rates of interest At 30 June 2012 the fair value of these derivatives resulted in the recognition of a net liability of £540 9m (31 December 2011 – £547 1m) None of Canary Wharf Group's interest rate swaps qualified for hedge accounting at either 30 June 2012 or 31 December 2011

Notes to the Interim Report
for the six months ended 30 June 2012 continued

Comparison of market values and carrying amounts

	30 June 2012 Market value £m	Carrying amount £m	Difference £m	31 December 2011 Market value £m	Carrying amount £m	Difference £m
Securitisations	**(2,335.5)**	**(2,370.5)**	**35 0**	(2,305 5)	(2,402 5)	97 0
Wood Wharf loans	**(76 0)**	**(76 0)**	**–**	–	–	–
Secured loans	**(1,000 1)**	**(998 2)**	**(1 9)**	(997 8)	(996 2)	(1 6)
Non equity shares	**(271 2)**	**(271 2)**	**–**	(270 5)	(270 5)	–
	(3,682 8)	**(3,715 9)**	**33 1**	(3 573 8)	(3,669 2)	95 4
Other financial liabilities						
– interest rate derivative liabilities	**(540 9)**	**(540 9)**	**–**	(547 1)	(547 1)	–
Cash and monetary deposits	**984 3**	**984 3**	**–**	1 000 0	1,000 0	–
	(3,239 4)	**(3,272 5)**	**33 1**	(3,120 9)	(3,216 3)	95 4

The differences above are shown before any tax relief Short term receivables and payables have been excluded from these disclosures as their carrying amount approximates fair value The fair value of the sterling denominated fixed rate bonds has been determined by reference to the prices available on the markets on which they are traded The fair values of other debt instruments have been calculated by discounting cash flows at the relevant zero coupon LIBOR interest rates prevailing at the balance sheet date The fair value of the Preference Shares is considered to be their carrying value

13 OTHER NON CURRENT LIABILITIES

	Wood Wharf deferred consideration £m	Wood Wharf ground rent obligation £m	Total £m
On acquisition of BWB's interest in Wood Wharf	9 5	55 0	64 5
Accrued finance charges	–	2 6	2 6
Repaid in period	(1 0)	(1 4)	(2 4)
30 June 2012	**8.5**	**56 2**	**64 7**

Prior to Canary Wharf Group's acquisition of Wood Wharf, the joint venture entities entered into a put and call option agreement with UBS UK Properties Limited to acquire 2 Harbour Quay, Wood Wharf The consideration ranges from £10 25m to £10 75m depending on the exercise date of the option which is any time between 25 December 2014 and 25 December 2017 During that time the joint venture entities have the right to acquire the building and UBS have the right, on giving notice, to require the purchase of the building on 25 December 2016 or 25 December 2017

As part of the agreement, initial payments of £2 5m have been made and annual payments of £1 0m are required in order to retain the option to purchase If the option is exercised by either party, the initial payments and the subsequent annual payments will be deducted from the consideration At 30 June 2012, the deferred consideration payable to UBS is carried at £8 5m including related fees

In January 2012, Canary Wharf Group acquired the remaining 50 0% effective interest in Wood Wharf from BWB for a total consideration of £52 4m In conjunction with the acquisition, BWB granted a new 250 year lease of the site subject to a ground rental payment to BWB which will increase to £6 0m per annum by 2016, followed by upwards only reviews linked to the passing rent achieved on the office buildings and the ground rents paid by purchasers of the residential apartments to be built on the site The net present value of the minimum contracted ground rents payable under the terms of the 250 year lease, discounted at the rate inherent in the lease, was estimated at £55 0m at the date of inception of the lease

14 PROVISIONS

Provisions have been made in respect of the lease commitments

	Total £m
1 January 2012	9 3
Utilisation of provision	(1 5)
Changes in assumptions	0 4
Discount unwind	0 4
30 June 2012	**8 6**

In connection with the sale of 5 Churchill Place in January 2010, Canary Wharf 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 2012, this provision totalled £6 6m (31 December 2011 – £7 3m) discounted at 6 2% (31 December 2011 – 6 2%) with the movement reflecting a combination of utilisation, changes in potential future letting assumptions and the discount unwind

In connection with the sale of certain properties during 2005, Canary Wharf Group agreed to provide rental support and a provision in respect of these commitments was recognised at the date of disposal The remaining provision at 30 June 2012 was £2 0m calculated on the basis of a discount rate of 6 2% (31 December 2011 – £2 1m discounted at 6 2%)

15 NOTES TO THE CASH FLOW STATEMENT

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

Audited Year ended 31 December 2011 £m		**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
(212 8)	**Profit/(loss) before tax**	**102 2**	97 6
	Non cash movements		
(63 7)	Net revaluation movements	**(95 4)**	(88 0)
(7 4)	Share of profit after tax of associates and joint ventures	**(1 1)**	(4 5)
0 5	Spreading of tenant incentives, committed rent increases and letting fees	**0 7**	(0 9)
2 3	Share allocation adjustment	**0 8**	(2 5)
0 5	Depreciation	**–**	0 2
(67 8)		**(95 0)**	(95 7)
(280 6)		**7 2**	1 9
	Changes to working capital and other cash movements		
491 5	Net financing costs	**112 3**	102 2
(1 4)	Utilisation and other movements in provisions	**(1 1)**	(0 2)
23 3	(Increase)/decrease in receivables	**(4 4)**	(31 4)
16 6	Increase in payables	**49 4**	35 7
11 4	Proceeds from construction contracts	**1 1**	7 5
(4 7)	Construction contract expenditure	**(0 3)**	(2 3)
256 1	**Cash generated by operations**	**164 2**	113 4
(2 1)	Income tax repayment/(payment)	**5 3**	–
254 0	**Net cash from operating activities**	**169 5**	113 4

Notes to the Interim Report
for the six months ended 30 June 2012 continued

16 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

Commitments of Canary Wharf Group for future expenditure are

	30 June 2012 £m	31 December 2011 £m
Joint ventures	**51 6**	56 3
Other construction projects	**272 2**	275 7
	323 8	332 0

The commitments for future expenditure relate to the completion of construction works where construction was committed at 30 June 2012 including funding commitments to associates and joint ventures Any costs accrued or provided for in the Condensed Consolidated Balance Sheet at 30 June 2012 have been excluded

Canary Wharf Group has assessed that its commitments in relation to Crossrail have 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

Sublet commitments

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

The existence of the sublet commitments has been taken into account in the market valuation of Canary Wharf Group's properties at 30 June 2012 and 31 December 2011

17 SHARE BASED PAYMENTS

The Trust holds Ordinary Shares which may be used to satisfy allocations of shares or options granted under any share plan Canary Wharf Group may adopt The assets of the Trust are held separately from those of Canary Wharf Group

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

During the course of 2011, a total of 1,757,500 shares were transferred directly to recipients, sold on the open market or released within the Trust through the cash equivalent option, leaving 407,500 shares vested but unexercised at 31 December 2011 A further 1,350,000 shares were allocated in 2012 Of these shares, 450 000 became available to be released to the beneficiaries of the allocation on 30 June 2012 and the remaining 900 000 shares may be released in 2 equal tranches on 30 June 2013 and 30 June 2014

During the 6 months ended 30 June 2012, 132,500 shares were released to employees at a weighted average price of £1 10 per share, of which 106,150 shares were acquired by the Group

The cost to the Group of the latest share allocation has been calculated by reference to the market value of Songbird Shares at the grant date of £1 11 per share The cost of the allocation attributable to the 6 months ended 30 June 2012, totalling £0 8m, has been charged to the same expense category as the employment costs of the relevant employee and taken to the Consolidated Income Statement and classified within administrative expenses

At 30 June 2012, the Trust held 12,309,516 Songbird Shares including 1,625,000 Songbird Shares which have been allocated to employees but not yet released

18 EVENTS AFTER THE BALANCE SHEET DATE

On 13 September 2012, Canary Wharf Group declared a dividend of 14p per share totalling £89 5m of which £62 1m will be receivable by SFL, a wholly owned subsidiary of the Company The Board will consider the appropriate use of these funds

Preference Shares

On 30 August 2012, the ordinary shareholders approved the acceptance of amendments to the terms of the Preference Shares In summary, this agreement reached with the preference shareholders improves the overall financial position of the Company The principal amendments can be summarised as follows

- dividends on the Ordinary Shares may be paid without the consent of the holders of the Preference Shares provided that
  - the Look Through LTV is below 75 0% following payment, and
  - all dividends on the Preference Shares have both become payable and been paid up to the most recent dividend payment date,
- a change to the coupon the Preference Shares from a fixed rate of 10 0% p a payable quarterly to 3 month LIBOR plus 7 75% p a payable quarterly,
- any Preference Shares in issue will be redeemed on the date falling 5 years after the adoption date The Company may delay redemption for a further one or 2 years from the redemption date in consideration of an annual payment to holders of the Preference Shares of an amount equal to 0 5% of the nominal amount of the Preference Shares held by them In order to delay redemption for 2 years, the Company must elect to delay redemption for 1 year and make a subsequent election to delay for a second year,
- removing the ability of the holders of the Preference Shares to require redemption of the Preference Shares such that they are not able to do so prior to the redemption date,
- amending the Company's ability to redeem the Preference Shares so that any such redemption may take place only after 30 months from the adoption date, and
- a change to the premium payable on redemption of the Preference Shares prior to the redemption date so that it will be 2 0% of the nominal value of the Preference Shares if redemption occurs within 3 years of the adoption date and £nil thereafter

Hedging

Also on 30 August 2012, the Company entered into an interest rate swap which serves to fix the 3 month LIBOR element of the Preference Share coupon at 1 01% until August 2017 Including the margin of 7 75%, the coupon on the Preference Shares is now fixed at 8 76%

Buyback authority

On 30 August 2012, the ordinary shareholders approved a share buyback authorisation for a maximum of 5 0% of the issued share capital of the Company which permits the Company to make on market purchases, at a price not less than the nominal value of 10p per share nor more than the highest of (i) an amount equal to 5 0% above the average market value of an Ordinary Share for the 5 business days immediately preceding the day on which that Ordinary Share is contracted to be purchased, and (ii) the higher of the price of the last independent trade and the highest current independent bid on AIM, in each case, exclusive of expenses The share buyback authorisation allows the Company to enter into a buyback contract until the end of the Annual General Meeting of the Company to be held in 2013 Such a contract may be executed or completed after the share buyback authorisation has ceased to have effect

Independent Review Report to Songbird Estates plc

We have been engaged by the Company to review the financial information in the Interim Report for the 6 months ended 30 June 2012, which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity the Condensed Consolidated Cash Flow Statement and related Notes 1 to 18 We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements

This report is made solely to the Company in accordance with 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 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 Interim Report is the responsibility of, and has been approved by, the directors The directors are responsible for preparing the Interim Report in accordance with the AIM Rules of the London Stock Exchange

As disclosed in Note 1 the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU The condensed set of financial statements included in this Interim Report has been prepared in accordance with the accounting policies the Group intends to use in preparing the next annual financial statements

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review

SCOPE OF REVIEW

We conducted our review in accordance with 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 condensed set of financial statements in the Interim Report for the 6 months ended 30 June 2012 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
13 September 2012

Definitions

20 Fenchurch Street	A 690,000 sq ft building under construction in the City of London
20 FSLP	20 Fenchurch Street Limited Partnership
AIG	American International Group, Inc
AIM	Alternative Investment Market of the London Stock Exchange
Ballymore	Ballymore Properties Limited
Board	Board of directors of the Company
bps	Basis points
BWB	British Waterways Board (now the Canal and River Trust)
Canary Wharf	See Estate below
Canary Wharf Group	Canary Wharf Group plc and its subsidiaries
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
Company	Songbird Estates plc
CRL	Crossrail Limited
Cushman	Cushman & Wakefield, Real Estate Consultants
CWF II	Canary Wharf Finance II plc
EMA	European Medicines Agency
ERV	Estimated Rental Value
Estate	Canary Wharf Estate including Heron Quays West, Newfoundland, Park Place, Riverside South and North Quay
EU	European Union
EZAs	Enterprise Zone Allowances
Group	The Company its wholly owned subsidiaries and Canary Wharf Group
IAS	International Accounting Standards
IAS 40	International Accounting Standard 40, Investment Property
ICR	Interest Cover Ratio
IFRS	International Financial Reporting Standards
J P Morgan	J P Morgan Chase & Co
Land Securities	Land Securities Group plc
LIBOR	London Interbank Offered Rate
LMCTV	Loan Minus Cash to Value
London Plan	Mayor of London Planning document published by the Greater London Authority
Look Through LTV	Loan to Value ratio of the Group including the Preference Shares
LTV	Loan to Value
m	Million
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Notes	Notes of Canary Wharf Group's securitisation
Ordinary Shares	Ordinary Shares of 10p each
Preference Shares	Preference Shares of £1 00 each
psf	per sq ft
Qatari Diar	Qatari Diar Real Estate Investment Company
Savills	Savills Commercial Limited, Chartered Surveyors
SDLT	Stamp Duty Land Tax

Definitions continued

Section 106	Section 106 of the Town and Country Planning Act 1990
SFL	Songbird Finance Limited
Shell	Shell International Limited
Shell Centre	Shell s headquarters on the South Bank, London
Songbird	The Company and its wholly owned subsidiaries
sq ft	Square feet/square foot
Treasury Shares	Ordinary Shares acquired by any Group entity and not cancelled
Trust	Canary Wharf Employees' Share Ownership Plan Trust
UK	United Kingdom of Great Britain and Northern Ireland
Warrants	Warrants over the Songbird Estates plc Ordinary Shares of 10p each
Wood Wharf	7 0m sq ft (gross) mixed use site adjacent to the Estate

Shareholder Information

NON EXECUTIVE DIRECTORS

David Pritchard +# (Chairman)
Faisal Al-Hamadi
Khalifa Al-Kuwari
Sheikh Mohammed Bin Hamad Bin Jassim Al-Thani
John Botts *
Peter Harned *
Jonathan Lane #
Sam Levinson
Alex Midgen *+#
Brian Niles +#
David P O'Connor

** Audit Committee*
+ Announcement Committee
 # Executive Committee

SHAREHOLDER ENQUIRIES

All enquiries relating to holdings of shares in the Company should be addressed to the Company's registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BA3 4TU
Telephone 0871 664 0300*
Facsimile 020 8639 2220
E-mail ssd@capitaregistrars com
Website www capitaregistrars com

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

OTHER ENQUIRIES

If you would like more information about Songbird Estates plc please contact John Garwood, Company Secretary

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