Songbird Estates plc

2013 Interim Report

Registered Number 5043352

In this report

Review to 30 June 2013

Financial statements

Shareholder information

Find more online at www songbirdestates com

Highlights

Portfolio valuation continues to advance

- Portfolio valuation up 2 6% to £5,673 0m over the period, including land and adjusting for property acquisitions and other capital expenditure
- Market value of investment portfolio up 2 3% over the period
- Retail investment portfolio performing well – valuation up 6 7% in the half year
- Office investment portfolio valuation up 1 6%
- Benchmark initial yield unchanged at 5 0%

Financial summary

- Net assets £2 010 6m at 30 June 2013, an increase of £236 2m or 13 3% from £1,774 4m at 31 December 2012
- Adjusted net assets per share £2 23 compared with £2 10 at 31 December 2012 an increase of 6 2%
- Adjusted NNNAV per share £1 73 compared with £1 46 at 31 December 2012, an increase of 18 5%
- Profit after tax £239 3m (6 months ended 30 June 2012 – £82 3m)

Secure income stream

- Weighted average lease term 14 6 years or 13 4 years assuming exercise of all break options
- Lettings of approximately 100,000 sq ft, subsequent to the period end

Secure financial position provides foundation for Canary Wharf Group's strategy

- Average loan maturity of 12 5 years compares with weighted average lease term
- Drawdowns commenced under £190 0m construction loan facility secured against 25 Churchill Place

Development programme pipeline progressing well

- 25 Churchill Place – construction continues on schedule and within budget
- Canary Wharf Crossrail station – on schedule and within budget Construction continues on 115 000 sq ft of retail space above the station opening on a phased basis between 2015 and 2018
- Retail expansion – 44,000 sq ft expansion of Jubilee Place mall on schedule to open in November 2013, of which 92 3% is currently let or in solicitors' hands
- Joint ventures
  - 20 Fenchurch Street – 57 0% let with negotiations on a further 100,000 sq ft
  - Shell Centre – conditional planning consent achieved in May 2013, although now subject to call in by the Secretary of State

Investment portfolio

- Level39 – Europe's largest accelerator space for technology opened in March 2013
- Level 42 – approval for the conversion of an additional floor in One Canada Square to expand the offering to high growth companies
- 7 Westferry Circus – 177,700 sq ft building on the Estate acquired in March 2013 for £46 6m
- 15 Westferry Circus – 171 000 sq ft building on the Estate acquired subsequent to the period end
- Refurbishment of One Canada Square – substantially complete at cost of £34 0m

Note

For further information on the above refer to the Business Review

Results in brief

	Note	**Unaudited Six months ended 30 June 2013 £m**	Unaudited Six months ended 30 June 2012 £m
Rental income	(i)	**134 6**	130 3
Refurbishment costs	(ii)	**(6 0)**	–
Underlying operating profit	(ii)	**102 6**	118 0
Capital and other items			
– revaluation of investments in associates	(iii)	**3 9**	1 1
– net revaluation movements	(iv)	**145 8**	95 4
– gain on derivatives net of Preference Share expense	(v)	**103 9**	(11 6)
Underlying profit before tax	(ii)	**10 2**	17 3
Profit on ordinary activities before tax	(ii)	**263 8**	102 2
Tax	(vi)	**(24 5)**	(19 9)
Profit after tax	(ii)	**239 3**	82 3
Basic and diluted earnings per share	(vii)	**22 2p**	7 0p

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

David Pritchard
Chairman

"The Group has continued to perform effectively across all of its activities during the first half of 2013 at a time when the market is showing signs of increasing confidence "

Introduction

The Group has continued to perform effectively across all of its activities during the first half of 2013 at a time when the market is showing signs of increasing confidence Building on the strength of the core portfolio at Canary Wharf, further progress has also been made by Canary Wharf Group the Group's main operating company, in broadening its product, location and tenant base The stronger emphasis on residential development illustrates the Group's ability to provide bespoke buildings capable of meeting the demands of all environments from residential and office to retail and leisure facilities

Reflecting signs that activity in the office letting market is improving, in the year to date the Group has let around 100,000 sq ft at Canary Wharf, the majority of which has been concluded since the end of June At 20 Fenchurch Street, more than half of the space is now let or in solicitors' hands Construction on all of Canary Wharf Group's projects and joint ventures remains on schedule and on budget

Retail strength continued to be experienced at Canary Wharf There are currently no vacancies and a high level of demand for new retail space being created in the Jubilee Place mall extension and above the Canary Wharf Crossrail station

Financial review

Adjusted NAV per share increased 6 2%, or 13p, from £2 10 at 31 December 2012 to £2 23 at 30 June 2013 Net assets increased from £1,774 4m at 31 December 2012 to £2,010 6m at 30 June 2013, a rise of £236 2m or 13 3%

The retail portfolio again performed strongly, increasing in value by 6 7% in the period, reflecting a slight hardening of yields, progress with the expansion of Jubilee Place mall and growth in passing rents

The valuation of the office portfolio rose by 1 6% in the period and this resulted in an overall increase in the investment portfolio of 2 3% Including development sites, the market value of the total portfolio, adjusting for property acquisitions and capital expenditure, increased by 2 6% in the 6 months to 30 June 2013

Underlying profit before tax for the first half of 2013 was £10 2m, compared with £17 3m for the equivalent period in 2012, the reduction being mainly attributable to a £6 0m charge in relation to the refurbishment of One Canada Square Including capital and other items, profit after tax for the 6 months ended 30 June 2013 was £239 3m in comparison with £82 3m for the first half of 2012

At 30 June 2013, the Group had unencumbered cash deposits of £497 5m Excluding Preference Shares, the weighted average cost of debt remained at 5 8% The weighted average maturity of the Group's loan facilities was 12 5 years, which compares favourably with the weighted average unexpired lease term assuming exercise of all break options

Operational review

At Canary Wharf

Construction activity on the Estate has continued on time and on budget The Canary Wharf Crossrail station is progressing on schedule and the excitement about this project was evident in May and June when tunnel boring machines, Elizabeth and Victoria, entered the station box at Canary Wharf

Development on the 525,000 sq ft building at 25 Churchill Place is also ahead of schedule There is an existing prelet of 250,000 sq ft to EMA which is due to move into the building in mid 2014 The remainder of the space is currently being marketed

Chairman's operational review continued

25 Churchill Place

Operational Review continued

Although there was subdued leasing activity on the Estate during the period, since June, Shell has agreed to take an additional 38,225 sq ft across 2 floors in 40 Bank Street and, in One Canada Square, 54,000 sq ft has been taken on levels 7 and 8 These deals, together with other smaller lettings, bring the total let to date in 2013 to around 100,000 sq ft

The Group is particularly pleased with the success of Level39, Europe's largest accelerator space for financial, retail and future technologies Since opening in March all of the available space has been taken prompting expansion to a high growth technology floor on level 42 of One Canada Square The success of Level39 is testament to the Group's vision, its commitment to diversification and its responsiveness to market demands

Retail remains a success story with the Canary Wharf malls continuing to be fully let This demand shows no sign of abating There are 2 areas of retail expansion, the 44,000 sq ft Jubilee Place mall extension and the 115,000 sq ft of leisure and retail above the Canary Wharf Crossrail station These are both already experiencing letting success The Jubilee Place mall continues to welcome a range of leading brands within its extension which will be open for trade on 1 November 2013 At the date of this report, all of the 27 units in this extension had either exchanged or were in solicitors' hands Even though Phase I of the Canary Wharf Crossrail shopping mall is not scheduled to open until 2015, around 50 0% of the 88,000 sq ft is already let, under offer or in solicitors' hands

Phase II, which will comprise 27,000 sq ft of additional space, will open when the station becomes fully operational in 2018

The investment portfolio of the Group has been increased to 7 4m sq ft by the acquisition of 2 buildings on the Estate 7 Westferry Circus was originally sold by the Group in 2005 and then reacquired in March 2013 for £46 6m This acquisition was followed after the period end by the purchase of 15 Westferry Circus which was acquired for £128 0m and funded by way of a 3 year loan facility, the Group also assumed a £11 4m liability on a related out of the money swap The Group plans to reposition these assets so that they are more attractive to a wider range of occupiers

Looking ahead and subsequent to the period, we received the positive news that planning consent had been approved for the Heron Quays West site This consent is for an office development comprising approximately 700,000 sq ft Plans for One Park Place are still under consideration as the Group continues to ensure that the best use is made of its development sites In June, the Group submitted a planning application for a stunning new development at Newfoundland The fully residential tower, designed by Horden Cherry Lee Architects, will contain around 550 apartments and, if the application is successful, a start on site is anticipated by the end of this year

A notable strength of the Group over the last 25 years has been its ability to evolve in response to rapidly changing market requirements The Group is now applying this approach to Wood Wharf, the 20 acre site adjacent to the Estate A new masterplan for a 4 8m sq ft net mixed use development is being put into place and will target growing business sectors, particularly technology and new media firms as well as adding an increased proportion of residential space The revised masterplan will improve integration with the local residential community and provide new cultural amenities It is hoped that the new planning application will be submitted by the end of the year

Away from Canary Wharf

Construction on the Rafael Vinoly designed 20 Fenchurch Street building is on budget and ahead of schedule This exciting joint venture with Land Securities in the heart of the City will provide approximately 690,000 sq ft of world class space with a sky garden on the top 3 floors Leasing momentum has gathered as this building is already 57 0% let and scheduled to receive its first tenant in mid 2014

Although supported and approved by both Lambeth Borough Council and the Mayor of London, the application for the 1 4m sq ft Shell Centre redevelopment on London's South Bank was recently called in by the Secretary of State for Communities and local Government. This was obviously disappointing for the Group and our joint venture partner Qatari Diar The project was poised to deliver a large number of new jobs, new homes, including affordable housing, and other significant local benefits The Group is now focusing on the most efficient way to resolve this situation

Sustainability

The Board supports the commitment to sustainability shown by Canary Wharf Group which has been reflected in achieving a commendable GRI accredited B+ ranking for sustainability performance in 2012 This mark reflects the significant work undertaken by the Group with local communities suppliers, investors and other stakeholders in and around Canary Wharf The 2012 Sustainability Report is also aligned with the EPRA Best Practices Recommendations on Sustainability Reporting

Conclusion

We are proud that the Group has earned the reputation of consistently delivering its projects on schedule and within budget We have also remained steadfast during the recent turbulent economic conditions and are committed to broadening the Group's product, location and tenant base Now that there are signs of a recovering market, the Board is confident that the Group will be able to deliver strong and durable results

David Pritchard
Chairman

Business review

Pedestrian walkway to Canary Wharf Crossrail retail

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 also as at 30 June 2013 Where applicable, it also summarises significant events which have occurred subsequent to this date

A list of defined terms used throughout this Interim Report is provided in Definitions (see page 47)

The principal asset of the Company is its indirect investment in Canary Wharf Group which is engaged in property investment and development and is currently primarily focused on the development of the Estate and the adjacent Wood Wharf site Elsewhere in London, Canary Wharf Group is also involved through joint ventures in the redevelopment of 20 Fenchurch Street and the Shell Centre

Investment portfolio

At 30 June 2013, Canary Wharf Group's investment portfolio comprised 17 completed properties (out of the 35 constructed on the Estate) totalling approximately 7 2m sq ft of NIA

In March 2013, Canary Wharf Group acquired the long leasehold interests in 7 Westferry Circus at Canary Wharf for £46 6m plus SDLT and fees This building was originally constructed by Canary Wharf Group in 1992 and sold in November 2005 for £96 6m The building totals 177,700 sq ft across 8 floors and includes 157,100 sq ft of office space and 15,500 sq ft of retail space The office space is fully let to EMA until December 2014 Following EMA's move to its new offices at 25 Churchill Place, Canary Wharf Group intends to refurbish the office space and market the building The retail space in the building is fully let to a range of tenants including Starbucks, Pret A Manger and Savills

The weighted average unexpired lease term for the investment property portfolio at 30 June 2013 was approximately 14 6 years or 13 4 years assuming the exercise of outstanding break options (31 December 2012 – 15 5 years or 14 2 years respectively) The reduction of 0 9 years since the year end reflects the acquisition of 7 Westferry Circus in the period which is let on a lease expiring in December 2014 On a like for like basis, the weighted average unexpired lease term at 30 June 2013 would have been 15 0 years or 13 7 years, assuming the exercise of all break options

Subsequent to the period end, in July 2013, Canary Wharf Group acquired 15 Westferry Circus, a 171,000 sq ft building on the Estate, fully let to Morgan Stanley on a lease expiring in August 2026 As consideration for the acquisition, Canary Wharf Group paid approximately £128 0m, fully funded by way of a 3 year loan facility, and has assumed a pre existing senior interest swap which was secured against the building and had an out of the money position of £11 4m This property was originally constructed by Canary Wharf Group in 2002 and sold in 2005 for consideration of £134 8m As a result of this building being reacquired, Canary Wharf Group's portfolio had increased to 7 4m sq ft at the date of this report

The investment property portfolio was 95 3% let at 30 June 2013 (31 December 2012 – 95 5%) 69 2% of the square footage under lease to office tenants does not expire, or cannot be terminated by the tenants, during the next 10 years

As well as the rental income generated from properties owned by Canary Wharf Group, income is generated from managing the entire Estate which, in addition to the 17 completed properties owned by Canary Wharf Group at 30 June 2013, included 18 properties totalling 8 5m sq ft in other ownerships

Occupancy

95.3%

as at 30 June 2013
(95 5% at 31 December 2012)

Weighted average unexpired lease term

14.6 years

or 13 4 years after break options at 30 June 2013

One Canada Square
In the first half of the year, Canary Wharf Group substantially completed an extensive refurbishment of the mechanical and engineering systems in One Canada Square, a multi let building of over 1 2m sq ft at the heart of the Estate The total spend was approximately £34 0m plus VAT which was incurred over the last 5 years This total has now been analysed to determine the extent to which works related to repairs or capital expenditure as applicable As a result, it is anticipated that capital allowances will be claimed on approximately £29 0m of expenditure The balance of £5 0m (or £6 0m including irrecoverable VAT) has been classified as repairs and taken to the profit and loss account in the period This adjustment is included within cost of sales, but is net asset neutral

Level39
In March 2013, Level39, Europe's largest accelerator space for financial, retail and future technologies, was opened by the Mayor of London, Boris Johnson Level39 provides office space for tech companies as well as events and social space designed to help these growing businesses create, test the market and deliver world class financial retail and future city technology products and services The aim is that by attracting high growth technology companies to Level39 they will then view space at Canary Wharf and Wood Wharf as attractive long term options

Since opening, the facility has hosted a significant number of events targeting the TMT sector and has achieved 100 0% occupancy There are currently applications from over 80 additional high tech companies looking to locate to Level39 The success of Level39 has already resulted in a number of these existing tech companies expanding and, with the demand for more space, a high growth technology floor has been created on level 42 where these growing companies are now being housed

Leasing

At 20 Fenchurch Street, Canary Wharf Group is acting as joint development manager with Land Securities The joint venture let 66,300 sq ft to Liberty Syndicates in February 2013, together with 51,000 sq ft to Liberty Mutual Markel has now taken an additional 24,500 sq ft in the building, increasing its total letting to 74,500 sq ft At the date of this report, 57 0% of the space is let, including all the retail space in the sky garden at the top of the building which is let to Rhubarb The joint venture is currently in negotiations on over 100,000 sq ft and expects to let further space ahead of practical completion in April 2014

At Canary Wharf, after a relatively quiet start to the year, the level of enquiries and tenant presentations has increased significantly During this period the number of viewings has doubled in comparison to the second half of 2012 In the last 3 months of the period, proposals were made to 24 companies, of which 7 were on over 100,000 sq ft of space, 6 were between 30,000 sq ft and 100,000 sq ft and 11 were under 30,000 sq ft

Subsequent to the period end, Shell agreed to take a further 38,225 sq ft across 2 floors in 40 Bank Street, taking its total space in this building to 225,000 sq ft The latest lease is at a rent of £36 00 psf for a term of 5 years, subject to a 9 month rent free period and a break option at year 3 Secure Trading a Fintech company, is under offer on part of level 19 measuring 6,243 sq ft, at a rent of £40 00 psf on a 10 year lease with a break option at year 5

In One Canada Square, levels 7 and 8 totalling 54,000 sq ft have just been let in their existing condition for a term of 5 years subject to annual break options after the first 2 years In addition the firm of accountants Kingsley Hamilton, took a further 1,154 sq ft of expansion space at a rent of £40 00 psf on a lease expiring on 31 October 2017

Leasing continued

In terms of space under offer, a recruitment company is taking 2,594 sq ft on part of level 28 at £42 50 psf on a 5 year lease with a break option at year 3 and a broker on part of level 28 is taking 1,241 sq ft at a rent of £41 00 psf on a 3 year term

All options to sublet space back to Canary Wharf Group have been exercised and at 30 June 2013 the estimated net present value of sublet liabilities was approximately £22 1m discounted at 5 8%, being Canary Wharf Group's weighted average cost of debt (31 December 2012 – £26 1m discounted at 6 2%) These sublet commitments have been reflected in the market valuation of Canary Wharf Group's properties

Retail

At 30 June 2013, the retail malls at Canary Wharf continued to be fully let with demand from both new entrants and existing occupiers looking to expand In Canada Place mall, Boots expanded into the space formerly occupied by Fat Face and has been able to extend the cosmetics range in the store as a result HMV continued to trade following its being placed into administration in January 2013 as the Canary Wharf unit was one of the core group of units which was acquired by the new owners when the business emerged from administration

In Cabot Place mall, the unit formerly occupied by Jessops, which was also placed into administration in January 2013, was acquired by Ryman at an increased rent In One Canada Square, a new food retailer, Pure, was introduced to replace a food outlet that was under performing Canary Wharf Group will continue to actively manage the existing retail portfolio

At Jubilee Place, construction began in February 2012 on the 44,000 sq ft expansion of the mall which will open for trade on 1 November 2013 The retail brands due to open include Banana Republic, COS, The White Company, bareMinerals, Rituals, Oliver Bonas, Emmett Shirts and Le Pain Quotidien, alongside independent swimwear designer Orlebar Brown At the date of this report, 22 of the 27 new units had exchanged and 3 were in solicitors' hands, taking the total committed to 92 3% of the available space and 90 5% of total income The final 2 units are at heads of terms

Construction is progressing well on the 115,000 sq ft of retail and leisure accommodation above the Canary Wharf Crossrail station, of which 100,000 sq ft is retail Within the development, 88,000 sq ft is scheduled to open for trade in April 2015, ahead of the actual station opening in 2018 The first 4 lettings have now exchanged and 2 more are in solicitors' hands, which in total represents 35 0% of both the available space and total income

Construction

As well as the retail expansion projects, work continued towards completion of 25 Churchill Place, a new 525,000 sq ft office building In August 2011, EMA agreed a prelet of 250,000 sq ft in this building which is on schedule to complete in mid 2014

Work on the building began in February 2012 and the structure was formally topped out in February 2013 Cladding is substantially complete and building services installation is also in its final stages Construction is on schedule for delivery with the EMA floors fitted out in mid 2014 The balance of the available space is being marketed as construction progresses

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

As well as the construction projects at Canary Wharf, Canary Wharf Group is also acting as construction manager for the development at 20 Fenchurch Street (see Business Review – 20 Fenchurch Street)

Crossrail

Construction commenced on the Canary Wharf Crossrail station in May 2009 and has progressed ahead of schedule The station will be delivered to CRL for 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 Canary Wharf Group's contribution to construction of the station will be credited against any Crossrail Section 106 and/or CIL contributions for certain agreed development sites on the Estate (comprising North Quay, Heron Quays West, Newfoundland and Riverside South) which may be required as part of the London Plan Accordingly, any costs borne by Canary Wharf Group on construction of the station have been allocated to these development properties

The project is performing well against budget The tunnel boring machines arrived at the station from the east in May and June 2013 and the first trains are due to run in 2018 when Crossrail opens for passenger service The structure is complete and internal works are well advanced

Development sites

Heron Quays West currently has consent for an office scheme of over 1 3m sq ft However, in view of changing market conditions, Canary Wharf Group has reviewed alternative development options and in July 2013 submitted an application for an office development comprising approximately 700,000 sq ft on the eastern half of the site Consent for this scheme was awarded on 30 August 2013 Options for the western half of the site are still under consideration

In July 2013, Canary Wharf Group also submitted a planning application for a residential scheme on the adjacent Newfoundland site The scheme proposed extends to 485,000 sq ft over 59 floors and will replace the existing consent for 230 000 sq ft of hotel and serviced apartments If Canary Wharf Group is successful in obtaining consent for the residential scheme, a start on site is anticipated by the end of the year

One Park Place benefits from planning consent for approximately 950,000 sq ft of development but Canary Wharf Group intends to submit a new application for a revised scheme of approximately 650,000 sq ft now that the acquisition of 15 Westferry Circus has been completed

The remaining development site at North Quay has planning consent for almost 2 4m sq ft of office space However, this is to be reviewed to determine whether an alternative scheme would be more appropriate

The total current development capacity at each of Canary Wharf Group's development sites, excluding sites under development is summarised in the table below

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 consisting of river wall protection, utilities installation and the lower ground level floor slabs These are progressing well with completion now targeted for the first quarter of 2014

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

Wood Wharf

In January 2012, Canary Wharf Group acquired full control of the Wood Wharf joint venture and 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, CRT and Ballymore It also agreed the restructuring of CRT'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 gained full control of the scheme, the best uses for the site have been reviewed, leading to an alteration to 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

Work on an amended master plan is progressing well and it is envisaged that application for a revised outline planning consent will be submitted in late 2013 At the same time, design work is proceeding on the first phase of private and affordable residential property and on 2 office buildings, in order to submit full details of these to the planning authority

Total development pipeline	NIA m sq ft
Canary Wharf based on existing and/or proposed consents	
– Heron Quays West	1 33
– North Quay	2 39
– Newfoundland	0 48
– One Park Place	0 65
– Wood Wharf	4 60
	9 45
Sold to J P Morgan – Riverside South (Canary Wharf Group acting as development and construction manager)	1 90
In joint venture with Qatari Diar – Shell Centre (see Business Review – Shell Centre)	1 40

20 Fenchurch Street

> "We are proud that the Group has earned the reputation of consistently delivering its projects on schedule and within budget "

Development sites continued

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 After syndication, Canary Wharf Group has retained a 15 0% equity interest in this project 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

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 was topped out at the end of 2012 and the cladding is nearing completion The building remains on schedule to achieve practical completion in April 2014, with the first tenant due to move in shortly afterwards As referred to in Business Review - Leasing, the building is currently 57 0% prelet The joint venture is now setting up the property management team, ready to take over the building on completion

Shell Centre

In July 2011, Canary Wharf Group and Qatari Diar concluded a 50 50 joint venture agreement to redevelop the Shell Centre

The joint venture agreed to pay £300 0m to secure the 5 25 acre site on a 999 year lease Of this total, £30 0m was paid on exchange of the agreement with Shell and the balance 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 is also 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, which will regenerate an important section of the South Bank in central London The existing 27 storey tower in the middle of the Shell Centre will be preserved and retained by Shell Shell initially agreed to take a 210,000 sq ft prelet of one of the 2 new office buildings to be constructed on the site but have subsequently agreed to increase the lease to the full 245,000 sq ft available in the building In total the redevelopment will comprise 523,000 sq ft of office space, 79,000 sq ft of shops, restaurants, cafes and a health club, together with 835,000 sq ft of residential, creating 877 homes

In May 2013, a resolution to grant planning permission was achieved subject to finalising a Section 106 agreement and stage 2 referral to the GLA and Secretary of State On 17 July 2013 the GLA issued its stage 2 report endorsing Lambeth's right to determine the application and supportive of the development plans Subsequently, on 4 September 2013, the joint venture was notified that the Secretary of State had called in the planning application This is a disappointing decision which may delay the project and with it the regeneration of the local area and the creation of thousands of jobs The joint venture will, however, be considering the most effective means of addressing this issue

Valuations

The net assets of the Group, as stated in the Condensed Consolidated Balance Sheet as at 30 June 2013, were £2,010 6m In arriving at this total

(i) properties held as investments were carried at £4,838 1m, which represents the market value of those properties of £5 020 5m at that date as determined by Canary Wharf Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £175 3m for tenant incentives and £7 1m for deferred negotiation costs,

(ii) properties under construction were carried at £210 8m representing the market value of those sites of £212 5m, less an adjustment of £1 7m for deferred negotiation costs, and

(iii) properties held for development were carried at £495 0m, representing their market value of £440 0m, adjusted by £55 0m for the present value of the minimum ground rents payable under the 250 year lease of Wood Wharf At inception of the lease this liability was separately recognised within Non current liabilities

At 30 June 2013, the yields applied in deriving the market valuation of the investment properties are summarised in the table below

The weighted average initial yield for the portfolio at 30 June 2013 was impacted by the acquisition of 7 Westferry Circus during the period, let on a lease expiring in December 2014 Excluding this acquisition, the weighted average initial yield for the remainder of the portfolio was 5 0%, unchanged from 31 December 2012

The retail investment portfolio again performed strongly with market value increasing by 6 7%, in part as a result of a small reduction in yields, in part as a result of rental growth and in part reflecting progress with the Jubilee Place mall expansion The market value of the office investment portfolio increased by 1 6% over the period The benchmark initial yield for rack rented office properties remained at approximately 5 0%

Taking office and retail together, the market value of the investment portfolio increased by £111 5m or 2 3% in the period After allowing for capital expenditure, including the acquisition of 7 Westferry Circus and adjustments in respect of lease incentives and deferred negotiation costs, the carrying value of the investment portfolio increased by £111 6m or 2 4% over the 6 months

The valuers have also provided their opinions of the market value for sites held for development which comprised North Quay, Heron Quays West, Newfoundland, One Park Place and Wood Wharf Excluding the adjustment for ground rents, these sites were valued in aggregate at £440 0m at 30 June 2013, in comparison with £415 0m at 31 December 2012, an increase of 6 0%, reflecting the demand for sites capable of accommodating residential development

The properties under construction were valued at £212 5m (31 December 2012 – £137 5m) The valuation of these sites is stated by the valuers net of provision for developer's profit of £58 5m which will be released as these properties are let and approach completion

The market value of the entire property portfolio, after adjusting for property acquisitions and other capital expenditure, increased by £141 8m or 2 6% in the period This increase in value was driven by the factors stated previously

The valuations at 30 June 2013 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

	30 June 2013 %	31 December 2012 %
Office portfolio		
Weighted average initial yield		
– excluding 7 Westferry Circus	**5 0**	5 0
– including 7 Westferry Circus	**5 3**	–
Weighted average equivalent yield	**5 3**	5 4
Retail portfolio		
Weighted average initial yield	**4 8**	5 0
Weighted average equivalent yield	**5 0**	5 1

Business review continued

Valuations continued

In valuing the sites held for development and properties under construction, the valuers have allowed for estimated costs to complete, including an allowance for fit out and developer's profit

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

	Note	**30 June 2013** Carrying value £m	**30 June 2013** Market value in existing state £m	31 December 2012 Carrying value £m	31 December 2012 Market value in existing state £m	30 June 2012 Carrying value £m	30 June 2012 Market value in existing state £m
Retained portfolio							
Investment properties	(i)	**4,838.1**	**5,020 5**	4,676 1	4,862 5	4,543 9	4,734 0
Properties under construction	(ii)	**210 8**	**212 5**	135 8	137 5	94 3	96 0
Properties held for development	(iii)	**495 0**	**440 0**	470 0	415 0	468 5	413 5
		5,543 9	**5,673 0**	5 281 9	5 415 0	5 106 7	5 243 5
Sold property							
Property under construction at Riverside South	(iv)	**70 0**	**143 1**	69 6	139 7	67 1	134 9
		5,613 9	**5,816 1**	5,351 5	5,554 7	5,173 8	5,378 4

Note

(i) The carrying value represents market value less an adjustment for lease incentives and deferred lease negotiation costs The tenant incentives and deferred lease negotiation costs adjustment at 30 June 2013 was £182 4m (31 December 2012 – £186 4m 30 June 2012 – £190 1m) Market value in existing state is shown prior to these amounts

(ii) Properties held for development at 30 June 2012 included Crossrail retail which was reclassified to properties under construction following commencement of work in July 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 was 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 2013 is stated net of £70 3m of costs transferred to cost of sales (31 December 2012 – £66 6m, 30 June 2012 – £61 1m) and £0 3m transferred to payments on account (31 December 2012 – £(3 0)m, 30 June 2012 – £(6 0)m transferred from payments on account) Market value in existing state includes the present value of the minimum developer s profit from the sale of Riverside South assuming J P Morgan does not proceed with full build out and excludes the profit already recognised on the disposal of the site in 2008

View taken from Upper Bank Street

"The stronger emphasis on residential development illustrates the Group's ability to provide bespoke buildings capable of meeting the demands of all environments "

Operating results

The following review of the Group's operating results relates to the 6 months ended 30 June 2013 The comparatives relate to the 6 months ended 30 June 2012

Revenue is generated primarily by the rents and service charges earned by Canary Wharf Group from its property interests on the Estate together with the recognition of amounts earned in respect of work performed under construction contracts and fees earned from construction and development management agreements

Total revenue for the 6 months ended 30 June 2013 was £182 3m, against £177 7m for the 6 months ended 30 June 2012, of which rental income, prior to the adjustments required to spread lease incentives and committed rent increases, was £134 6m (6 months ended 30 June 2012 – £130 3m) The increase in rental income was attributable to the acquisition of 7 Westferry Circus, expiry of rent free periods and increased retail rents

The impact of spreading lease incentives was to reduce rental income by £3 4m for the 6 months ended 30 June 2013, compared with £1 3m for the same period in 2012 After this adjustment, rental income increased from £129 0m in the first half of 2012 to £131 2m in the first half of the current year

Service charge income reduced from £40 1m to £39 1m and miscellaneous income, including insurance rents, the provision of tenant specific services outside the standard service charge and fees recognised on the provision of development and construction management services, reduced from £8 5m to £7 7m over the period Revenue for the 6 months ended 30 June 2013 also included £0 6m of dilapidations recoveries

In the 6 months ended 30 June 2013, turnover and cost of sales included £3 7m in respect of the construction contract for Riverside South, in comparison with £0 1m for the 6 months ended 30 June 2012 No profit has been recognised on the construction contract 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, property management costs including refurbishment and repair costs, movements on provisions for certain lease commitments, as well as costs recognised on construction contracts

Canary Wharf Group has now substantially completed the refurbishment of the mechanical and engineering systems in One Canada Square and determined that £6 0m of the total cost of £34 0m plus VAT should be classified as repairs and taken to cost of sales in the period The remainder of the costs have been capitalised and were included as additions to investment properties within fixed assets as they were incurred This reclassification from building cost to cost of sales has resulted in an equivalent increase in the revaluation movement on One Canada Square in the period

Other rents payable and property management costs were £49 4m in comparison with £46 3m for the 6 months ended 30 June 2012 Taking into account service charge and miscellaneous property income totalling £45 7m for the 6 months ended 30 June 2013 (6 months ended 30 June 2012 – £47 5m), a deficit on property management of £3 7m was recorded (6 months ended 30 June 2012 – surplus of £1 2m)

Business review continued

Profit after tax

£239.3m

for the 6 months ended 30 June 2013 (£82 3m for the 6 months ended 30 June 2012)

Operating results continued

An increase in provisions (before adjustment for discounting) of £0 3m was recognised in the 6 months ended 30 June 2013 relating to certain rent support commitments and other obligations This compared with an increase of £0 4m in the 6 months ended 30 June 2012

For the 6 months ended 30 June 2013, net development, rental and related income was £122 3m, a reduction of £8 6m compared with the 6 months ended 30 June 2012 This was primarily attributable to the £6 0m charge in respect of refurbishment costs and the increase in void costs

Administrative expenses for the 6 months ended 30 June 2013 were £20 8m in comparison with £13 6m for the 6 months ended 30 June 2012 The increase was in part attributable to a £2 4m charge recognised in relation to an allocation of shares to certain of Canary Wharf Group's directors and senior employees in the period In addition professional fees were higher in the period, primarily as a result of fees incurred in pursuing a claim against Lehman Brothers Inc as guarantor of the Lehman lease at Canary Wharf

Including other operating income of £1 1m for the 6 months ended 30 June 2013 (6 months ended 30 June 2012 – £0 7m) underlying operating profit (as defined in Note 2) for the 6 months ended 30 June 2013 was £102 6m in comparison with £118 0m for the 6 months ended 30 June 2012 The reduction in underlying operating income was primarily attributable to the increased void costs, refurbishment costs and administrative expenses

In addition to the underlying operating profit, a net revaluation surplus of £145 8m was recognised in the Condensed consolidated income statement in the period compared with £95 4m in the 6 months ended 30 June 2012 The changes in the valuation of the property portfolio are explained in more detail in the Business review – valuations and in Note 4

The Group has also recognised its share of the revaluation surplus recorded on 20 Fenchurch Street, totalling £3 9m for the 6 months ended 30 June 2013 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 2012, a revaluation surplus on 20 Fenchurch Street of £1 1m was recognised

Total operating profit for the 6 months ended 30 June 2013 was £252 3m against a profit of £214 5m for the 6 months ended 30 June 2012 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 2013 were £92 4m against £100 7m for the 6 months ended 30 June 2012 Underlying net financing costs are stated net of £6 8m of interest payable which has been capitalised and transferred to Property under construction in non current assets This amount represents the finance costs relating to the Group's borrowings which are deemed to have been utilised in financing the properties under construction and comprises £2 6m of construction loan interest and £4 2m of general interest

Movements in the fair value of derivative financial instruments resulted in a gain of £116 7m after recycling being recognised in the Condensed consolidated income statement as a capital and other item in the 6 months ended 30 June 2013 compared with a gain of £3 0m in the 6 months ended 30 June 2012

Financing costs relating to non equity shares were £12 8m for the 6 months ended 30 June 2013 in comparison with £14 6m for the 6 months ended 30 June 2012 This reduction in financing cost was attributable to the terms of the Preference Shares being amended in August 2012

The profit before tax for the 6 months ended 30 June 2013 was £263 8m in comparison with £102 2m for the 6 months ended 30 June 2012 The results for the 6 months ended 30 June 2013 and the 6 months ended 30 June 2012 included certain Capital and other profits and losses as described above The underlying profit before tax for the 6 months ended 30 June 2013 was £10 2m (6 months ended 30 June 2012 – £17 3m), the reduction being mainly attributable to the reduction in operating profit as a result of the £6 0m charge in respect of refurbishment costs

Tax for the 6 months ended 30 June 2013 comprised a corporation tax charge of £2 6m and a deferred tax charge of £21 9m The tax charge 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 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 2013 was £239 3m in comparison with £82 3m for the 6 months ended 30 June 2012

The basic and diluted earnings per share for the 6 months ended 30 June 2013 was 22 2p (Note 2) compared with 7 0p for the 6 months ended 30 June 2012

Business review continued

Consolidated balance sheet and key performance indicators

Net assets in the Group's Condensed consolidated balance sheet were £2,010 6m at 30 June 2013, an increase of £236 2m or 13 3% from £1,774 4m at 31 December 2012 The increase in net assets was primarily attributable to the increase in the carrying value of properties held as non current assets by £149 7m over the period (Note 4) and the movement in the fair value of financial instruments of £116 7m after hedging reserve recycling, combined with the underlying profit for the period of £10 2m, the finance cost relating to non equity shares of £12 8m and a tax charge of £24 5m

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 6 2% from £2 10 at 31 December 2012 to £2 23 at 30 June 2013

Adjusted NNNAV per share is set out in the table below

As a result of the Share Buyback, the number of Ordinary Shares in issue reduced from 764 9m to 740 4m at a cost of £30 4m (31 December 2012 - £30 3m) 24,509,820 of the Ordinary Shares purchased were acquired in the second half of 2012 and 29,526 in January 2013

Reversing the impact of the Share Buyback on a proforma basis would have resulted in an adjusted NAV attributable to members of the Company of £1,586 8m at 31 December 2012 and £1,682 8m at 30 June 2013 Likewise, adjusted NNNAV would have increased to £1,114 8m at 31 December 2012 and £1,314 3m at 30 June 2013 On the basis of the pre Share Buyback number of Ordinary Shares of 764 9m, adjusted NAV per share would have been £2 20 at 30 June 2013 (31 December 2012 - £2 07) and adjusted NNNAV per share £1 72 (31 December 2012 - £1 46) The impact on adjusted NAV as at 30 June 2013 of the 29,526 shares purchased in the first half of 2013 was £0 1m which had a negligible impact on adjusted NAV per share and NNNAV per share

	Note	**30 June 2013 £m**	31 December 2012 £m	30 June 2012 £m
Adjusted net assets attributable to members of the Company	(i)	**1,652 4**	1 556 5	1 525 3
Fair value adjustment in respect of financial assets and liabilities net of tax thereon	(ii)	**(490 2)**	(665 3)	(515 7)
Deferred tax	(iii)	**(41 0)**	(15 1)	(10 8)
Non controlling interest in above adjustments		**162 7**	208 4	161 3
Adjusted NNNAV		**1,283 9**	1 084 5	1 160 1
Adjusted NAV per share	(i), (iv)	**£2 23**	£2 10	£1 99
Adjusted NNNAV per share	(iv)	**£1 73**	£1 46	£1 52

Note

(i) Refer to Note 2

(ii) The fair value adjustment comprises the mark to market of derivatives 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 740 4m Ordinary Shares in issue at 30 June 2013 (31 December 2012 - 740 4m 30 June 2012 - 764 9m)

Adjusted NAV per share

£2.23

at 30 June 2013
(£2 10 at 31 December 2012)

Borrowings

In December 2011, Canary Wharf Group entered into a 5 year, £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 An interest rate swap was entered into at a rate of 1 017%, which fixes the interest rate payable under the loan The fixed rate payable during the construction phase, including the 300 bps margin, is 4 017% The termination date under the swap is in December 2016 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 will be capitalised and included as part of the cost of construction The first drawdown under the loan facility was in January 2013 and at 30 June 2013 £59 9m had been drawn down

Canary Wharf Group's borrowings are secured against designated property interests and are subject to lending covenants that include maximum LTV ratios and minimum ICRs as outlined in Note 12 For all of its loans, the Group was in compliance with its lending covenants at 30 June 2013 and throughout the period then ended

At 30 June 2013, net debt (including derivative financial instruments at fair value, net of monetary deposits and cash and cash equivalents) stood at £3,466 9m, an increase of £24 6m from £3,442 3m at 31 December 2012 The components of net debt are disclosed in Note 12

Total borrowings including derivatives at fair value, reduced from £4,194 3m to £4,087 8m partly reflecting a £119 8m favourable movement in the fair value of derivatives, together with loan amortisation paid in the 6 months These factors were in part offset by drawings under the construction loan

The increase in total borrowings was accompanied by a reduction in cash and cash equivalents from £749 7m to £618 6m, primarily attributable to construction and development expenditure, together with the investment in associates and the acquisition of 7 Westferry Circus

Excluding the Preference Shares, the weighted average maturity of the Group's loans was 12 5 years at 30 June 2013 (31 December 2012 – 13 0 years)

At 30 June 2013, the Group's weighted average cost of debt was 5 8% including credit wraps, but excluding the coupon on the Preference Shares (31 December 2012 – 5 8%) 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, substantially all of the Group's drawn facilities are fixed after taking account of interest rate hedging and cash deposits held as cash collateral

Business review continued

Cash flow

Cash generated from operations for the 6 months ended 30 June 2013 was £105 8m in comparison with £169 5m for the 6 months ended 30 June 2012 Corporation tax refunds of £3 9m were received in the 6 months ended 30 June 2013 whereas refunds of £5 3m were received in the first half of 2012 The reduction in cash generated from operations was partly attributable to the £15 4m reduction in underlying operating profit and partly attributable to movements in working capital

Cash flows from investing activities resulted in a cash outflow of £136 3m for the 6 months ended 30 June 2013, compared with £58 9m for the 6 months ended 30 June 2012 The 6 months ended 30 June 2013 included £68 4m of development expenditure (6 months ended 30 June 2012 - £31 0m) and £54 1m attributable to the purchase of property (6 months ended 30 June 2012 - £20 9m) Funding of Canary Wharf Group's associated and joint venture undertakings totalled £13 8m, compared with £7 0m for the 6 months ended 30 June 2012

The net cash inflow from financing activities for the 6 months ended 30 June 2013 totalled £17 9m, compared with an outflow of £9 5m for the 6 months ended 30 June 2012 The 6 months ended 30 June 2013 included scheduled loan amortisation of £37 4m, offset by drawings under Canary Wharf Group's construction loan of £59 9m The 6 months ended 30 June 2012 included the scheduled loan amortisation of £33 2m, which was partly offset by the assumption of debt upon the acquisition of Wood Wharf

Principal risks and uncertainties

The principal risks and uncertainties identified by the Group were summarised in the 2012 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 Group are monitored through continuous assessment, regular and formal quarterly review and discussion at audit committee and Board level of both the Company and of 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 2013

Audited year ended 31 December 2012					**Unaudited six months ended 30 June 2013**			Unaudited six months ended 30 June 2012		
Underlying £m	Capital and other £m	Total £m		Note	**Underlying* £m**	**Capital and other £m**	**Total £m**	Underlying £m	Capital and other £m	Total £m
361 6	–	361 6	Gross development rental and related income	3	**182 3**	**–**	**182 3**	177 7	–	177 7
			Cost of sales							
–	–	–	– refurbishment		**(6 0)**	**–**	**(6 0)**	–	–	–
(103 2)	–	(103 2)	– other		**(54 0)**	**–**	**(54 0)**	(46 8)	–	(46 8)
258 4	–	258 4	**Net development, rental and related income**	3	**122 3**	**–**	**122 3**	130 9	–	130 9
–	3 6	3 6	Share of associates and joint ventures (after tax)	8	**–**	**3 9**	**3 9**	–	1 1	1 1
(38 6)	–	(38 6)	Administrative expenses		**(20 8)**	**–**	**(20 8)**	(13 6)	–	(13 6)
2 3	–	2 3	Other income		**1 1**	**–**	**1 1**	0 7	–	0 7
–	215 7	215 7	Net revaluation movements	4	**–**	**145 8**	**145 8**	–	95 4	95 4
222 1	219 3	441 4	**Operating profit**		**102 6**	**149 7**	**252 3**	118 0	96 5	214 5
			Net financing costs							
7 5	–	7 5	– investment revenues	5	**2 0**	**–**	**2 0**	4 0	–	4 0
(206 3)	(41 1)	(247 4)	– financing costs	5	**(94 4)**	**103 9**	**9 5**	(104 7)	(11 6)	(116 3)
(198 8)	(41 1)	(239 9)			**(92 4)**	**103 9**	**11 5**	(100 7)	(11 6)	(112 3)
23 3	178 2	201 5	**Profit for the period before tax**	2	**10 2**	**253 6**	**263 8**	17 3	84 9	102 2
		(18 0)	Tax	6			**(24 5)**			(19 9)
		183 5	**Profit for the period after tax**	2			**239 3**			82 3
			Attributable to							
		118 8	– equity shareholders				**161 7**			52 4
		64 7	– non controlling interests				**77 6**			29 9
		183 5					**239 3**			82 3
			Earnings per share							
		15 9p	– basic and diluted	2			**22 2p**			7 0p

* As defined in Note 2

Unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2013

Audited Year ended 31 December 2012 £m		**Unaudited Six months ended 30 June 2013 £m**	Unaudited Six months ended 30 June 2012 £m
183 5	Profit for the period after tax	**239 3**	82 3
	Items that may be reclassified subsequently to profit or loss		
6 2	Transferred from equity in respect of cash flow hedges	**3 1**	3 2
(3 9)	Tax on items transferred from equity	**(4 0)**	(2 0)
2 3	Other comprehensive income for the period	**(0 9)**	1 2
185 8	**Total comprehensive income for the period**	**238 4**	83 5
	Attributable to		
120 4	– equity holders of the Company	**161 1**	53 2
65 4	– non controlling interests	**77 3**	30 3
185 8		**238 4**	83 5

Other comprehensive income does not include any items that will not be reclassified subsequently to profit or loss

Unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2013

	Share premium £m	Capital redemption reserve £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 2013	1,195 1	2 5	(15 6)	59 5	(62 1)	**1,179 4**	641 4	(120 4)	74 0	**1,774 4**
Profit for the period after tax	–	–	–	–	–	–	–	239 3	–	**239 3**
Net income recognised	–	–	–	–	–	–	–	239 3	–	**239 3**
Transferred to non controlling interests	–	–	–	–	0 3	**0 3**	77 3	(77 6)	–	**–**
Transferred to income										
– cash flow hedges	–	–	–	–	3 1	**3 1**	–	–	–	**3 1**
Tax on transfers	–	–	–	–	(4 0)	**(4 0)**	–	–	–	**(4 0)**
Total comprehensive income and expense for the period	–	–	–	–	(0 6)	**(0 6)**	77 3	161 7	–	**238 4**
Shares cancelled on acquisition	–	–	–	–	–	–	–	(0 1)	–	**(0 1)**
Acquisition of Treasury Shares	–	–	(4 5)	–	–	**(4 5)**	–	–		**(4 5)**
Reserve movement in respect of Treasury Shares	–	–	–	–	–	–	–	2 4	–	**2 4**
30 June 2013	**1,195 1**	**2 5**	**(20 1)**	**59 5**	**(62 7)**	**1,174 3**	**718 7**	**43 6**	**74 0**	**2,010 6**

Unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2012

	Share premium £m	Capital redemption reserve £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 movement 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**

Condensed consolidated statement of changes in equity for the year ended 31 December 2012

	Share premium £m	Capital redemption reserve £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 year after taxation	—	—	—	—	—	—	—	183 5	—	**183 5**
Net income recognised	—	—	—	—	—	—	—	183 5	—	**183 5**
Transferred to non controlling interests	—	—	—	—	(0 7)	**(0 7)**	65 4	(64 7)	—	—
Transferred to income										
- cash flow hedges	—	—	—	—	6 2	**6 2**	—	—	—	**6 2**
Tax on transfers	—	—	—	—	(3 9)	**(3 9)**	—	—	—	**(3 9)**
Total comprehensive income and expense for the period	—	—	—	—	1 6	**1 6**	65 4	118 8	—	**185 8**
Shares cancelled on acquisition	—	2 5	—	—	—	**2 5**	—	(30 3)	(2 5)	**(30 3)**
Acquisition of Treasury Shares	—	—	(0 3)	—	—	**(0 3)**	—	—	—	**(0 3)**
Reserve movements in respect of Treasury Shares	—	—	0 6	—	—	**0 6**	—	0 4	—	**1 0**
Dividends paid by subsidiary undertaking	—	—	—	—	—	—	(35 2)	—	—	**(35 2)**
31 December 2012	**1,195 1**	**2 5**	**(15 6)**	**59 5**	**(62 1)**	**1,179 4**	**641 4**	**(120 4)**	**74 0**	**1,774 4**

Description of the nature and purpose of each reserve

The capital redemption reserve comprises the nominal value of 24 539,346 Ordinary Shares cancelled under the terms of the Share Buyback authority (31 December 2012 - 24 509 820)

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 The total number of Canary Wharf Group ordinary shares owned by Songbird was 443,305,541, representing 69 37% of the issued share capital at each balance sheet date

Retained earnings includes inter alia revaluation surpluses in respect of properties that are recognised in the Condensed consolidated income statement

Unaudited condensed consolidated balance sheet
at 30 June 2013

Audited 31 December 2012 £m		Note	Unaudited 30 June 2013 £m	Unaudited 30 June 2012 £m
	Assets			
	Non current assets			
4,676 1	Investment properties	7	**4,838 1**	4,543 9
135 8	Property under construction	7	**210 8**	94 3
470 0	Development properties	7	**495 0**	468 5
0 6	Plant and equipment	7	**0 6**	0 5
5 282 5			**5,544 5**	5 107 2
	Other non current assets			
74 6	Investments	8	**92 7**	56 6
–	Derivative financial instruments	12	**3 1**	–
188 1	Tenant incentives and other non current assets	10	**184 1**	191 8
5,545 2			**5,824 4**	5,355 6
	Current assets			
45 1	Trade and other receivables	9	**43 3**	35 3
2 3	Monetary deposits	12	**2 3**	2 3
749 7	Cash and cash equivalents	12	**618 6**	982 0
797 1			**664 2**	1 019 6
6,342 3	**Total assets**		**6,488 6**	6 375 2
	Liabilities			
	Current liabilities			
(114 3)	Current portion of long term borrowings	12	**(112 5)**	(103 0)
(48 0)	Corporation tax	11	**(54 5)**	(55 0)
(237 0)	Trade and other payables	11	**(217 9)**	(250 1)
(399 3)			**(384 9)**	(408 1)
	Non current liabilities			
(3,554 7)	Borrowings	12	**(3,569 8)**	(3,612 9)
(525 3)	Derivative financial instruments	12	**(408 6)**	(540 9)
(65 9)	Other non current liabilities	13	**(67 0)**	(64 7)
(15 1)	Deferred tax liabilities	6	**(41 0)**	(10 8)
(7 6)	Provisions	14	**(6 7)**	(8 6)
(4,168 6)			**(4,093 1)**	(4,237 9)
(4 567 9)	**Total liabilities**		**(4,478 0)**	(4,646 0)
1,774 4	**Net assets**		**2,010 6**	1,729 2
	Equity			
74 0	Share capital		**74 0**	76 5
1,179 4	Other reserves		**1,174 3**	1,175 9
(120 4)	Retained earnings		**43 6**	(156 9)
1,133 0	**Total equity attributable to members of the Company**		**1,291 9**	1,095 5
641 4	Non controlling interests		**718 7**	633 7
1 774 4	**Total equity**		**2,010 6**	1 729 2

David Pritchard

David Pritchard
Chairman

Unaudited condensed consolidated cash flow statement for the six months ended 30 June 2013

Audited Year ended 31 December 2012 £m		Note	Unaudited Six months ended 30 June 2013 £m	Unaudited Six months ended 30 June 2012 £m
242 4	**Net cash flows from operating activities**	15	**105 8**	169 5
(232 3)	Interest paid		**(120 6)**	(118 7)
7 1	Interest received		**2 1**	3 5
(29 1)	Breakage costs		**–**	–
(7 2)	Financial expenses		**–**	–
(19 1)	**Net cash (outflow)/inflow from operating activities**		**(12 7)**	54 3
	Cash flows from investing activities			
(75 1)	Development expenditure		**(68 4)**	(31 0)
(0 2)	Purchase of property plant and equipment		**–**	–
(20 9)	Acquisition of property interests		**(54 1)**	(20 9)
(22 4)	Investment in and net loans to associates		**(13 8)**	(7 0)
(118 6)	**Net cash outflow from investing activities**		**(136 3)**	(58 9)
	Cash flows from financing activities			
(35 2)	Dividends paid to non controlling interests		**–**	(7 8)
(57 5)	Redemption of securitised debt		**(32 6)**	(28 8)
(8 9)	Repayment of secured loan		**(4 8)**	(4 4)
–	Drawdown of construction loan		**59 9**	–
(1 0)	Payment of Wood Wharf deferred consideration		**–**	(1 0)
(30 3)	Share Buyback		**(0 1)**	–
32 6	Wood Wharf loan notes		**–**	32 6
(8 3)	Repayment of Wood Wharf loan notes		**–**	–
(0 1)	Acquisition of own shares		**(4 5)**	(0 1)
(108 7)	**Net cash inflow/(outflow) from financing activities**		**17 9**	(9 5)
(246 4)	Net decrease in cash and cash equivalents		**(131 1)**	(14 1)
996 1	Cash and cash equivalents at period start		**749 7**	996 1
749 7	**Cash and cash equivalents at period end**	12	**618 6**	982 0

Notes to the interim report
for the six months ended 30 June 2013

1 Basis of preparation

The Group reported its results for the year ended 31 December 2012 under IFRS as adopted by the EU

In the current financial period the Group has adopted the amendments to IAS 1 (Presentation of items in other comprehensive income), IAS 19 (revised 2011) (Employee benefits) and IFRS 13 (Fair value measurement) Otherwise the same accounting policies presentation and methods of computation have been followed in preparing this Interim Report as applied in the 2012 Report and Financial Statements

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified, together with their associated income tax The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change The effect of these changes is evident from the condensed consolidated statement of comprehensive income

IAS 19 (revised 2011) has not impacted on this Interim Report

The Group has assessed the impact of IFRS 13 on the measurement of fair value for certain assets and liabilities and concluded that the potential adjustments would not be material IFRS 13 has however introduced additional disclosures which are included as appropriate in the Interim Report

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 2013 The full accounting policies of the Group set out in the 2012 Report and Financial Statements, have been applied in preparing this Interim Report

The financial information for the 6 months ended 30 June 2013 has been reviewed but is unaudited and was approved by the Board on 12 September 2013 A copy of the statutory accounts for the year ended 31 December 2012 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 2013

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 2012

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 2013

2 Performance measures

Earnings and losses per share were as follows

Audited Year ended 31 December 2012			Unaudited Six months ended 30 June 2013		Unaudited Six months ended 30 June 2012	
Earnings/ (losses) £m	Per share p		**Earnings/ (losses) £m**	**Per share p**	Earnings/ (losses) £m	Per share p
23 3	3 1	Underlying earnings	**10 2**	**1 4**	17 3	2 3
178 2	23 8	Capital and other items	**253 6**	**34 8**	84 9	11 3
(18 0)	(2 4)	Tax	**(24 5)**	**(3 4)**	(19 9)	(2 6)
183 5	24 5	Profit after tax	**239 3**	**32 8**	82 3	11 0
(64 7)	(8 6)	Less Non controlling interests	**(77 6)**	**(10 6)**	(29 9)	(4 0)
118 8	15 9	Profit after tax attributable to members of the Company	**161 7**	**22 2**	52 4	7 0

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 £161 7m in the 6 months ended 30 June 2013 (year ended 31 December 2012 – profit of £118 8m 6 months ended 30 June 2012 – profit of £52 4m) and on the weighted average of 728 2m Ordinary Shares in issue for the 6 months ended 30 June 2013 (year ended 31 December 2012 – 749 2m, 6 months ended 30 June 2012 – 752 6m) The weighted average number of Ordinary Shares excludes the shares held by the Trust

Adjusted NAV is calculated as follows

Audited 31 December 2012 £m		Unaudited 30 June 2013 £m	Unaudited 30 June 2012 £m
1,774 4	**Balance sheet net assets**	**2,010.6**	1 729 2
15 1	Adjustment for deferred tax	**41.0**	10 8
525 3	Mark to market of derivatives	**405.5**	540 9
70 1	Add surplus arising on construction contracts	**73 1**	67 8
2,384 9		**2,530.2**	2,348 7
(641 4)	Non controlling interests in balance sheet	**(718 7)**	(633 7)
(187 0)	Non controlling interests on adjustments above	**(159 1)**	(189 7)
1,556 5	**Adjusted net assets**	**1,652 4**	1,525 3
210p	**Adjusted NAV per share**	**223p**	199p

Adjusted NAV per share includes the valuation surplus on construction contracts of £73 1m (31 December 2012 – £70 1m, 30 June 2012 – £67 8m) Adjusted NAV per share excludes deferred tax and fair value adjustments on derivatives

There were 740 4m Ordinary Shares in issue at 30 June 2013 (31 December 2012 – 740 4m, 30 June 2012 – 764 9m)

In total the Share Buyback resulted in the acquisition of 24,539,346 Ordinary Shares (31 December 2012 – 24,509 820) at an aggregate cost of £30 4m (31 December 2012 – £30 3m) Of the Ordinary Shares purchased 24,509,820 were acquired in the second half of 2012 and 29,526 in January 2013 Stated before the impact of the Share Buyback, adjusted net assets at 30 June 2013 would have been £1,682 8m (31 December 2012 – £1,586 8m) and the number of shares would have been 764 9m resulting in an adjusted NAV per share of 220p (31 December 2012 – 207p)

Notes to the interim report continued
for the six months ended 30 June 2013

3 Revenue

Audited Year ended 31 December 2012 £m		Unaudited Six months ended 30 June 2013 £m	Unaudited Six months ended 30 June 2012 £m
263 8	Rent receivable	**134 6**	130 3
(4 4)	Recognised incentives and committed rent increases	**(3 4)**	(1 3)
259 4		**131 2**	129 0
79 4	Service charge income	**39 1**	40 1
16 9	Miscellaneous income	**7 7**	8 5
0 3	Receivable on termination of leases	**0 6**	–
5 6	Construction contract revenue	**3 7**	0 1
361 6	**Gross development, rental and related income**	**182 3**	177 7
(96 1)	Service charge and other direct property expenses	**(49 4)**	(46 3)
–	Refurbishment costs	**(6 0)**	–
(0 6)	Movements in accruals and provisions for leasehold commitments	**(0 3)**	(0 4)
(0 9)	Payments on termination of leases	**(0 6)**	–
(5 6)	Construction contract expenditure	**(3 7)**	(0 1)
258 4	**Net development, rental and related income**	**122 3**	130 9

4 Net revaluation movements on property and investments

Audited Year ended 31 December 2012 £m		Unaudited Six months ended 30 June 2013 £m	Unaudited Six months ended 30 June 2012 £m
	Revaluation of		
147 8	– investment properties	**111 6**	24 9
(15 1)	– property under construction	**12 8**	(1 2)
83 0	– development properties	**21 4**	71 7
215 7		**145 8**	95 4

5 Net financing costs

Audited Year ended 31 December 2012 £m		Unaudited Six months ended 30 June 2013 £m	Unaudited Six months ended 30 June 2012 £m
	Interest revenue		
7 5	Deposits, other loans and securities	**2 0**	4 0
	Interest expense		
(139 5)	Notes and debentures	**(69 4)**	(70 1)
(67 7)	Other bank loans and overdrafts	**(26 4)**	(34 4)
(5 4)	Obligations under long term property lease	**(2 8)**	(2 6)
—	Construction loan interest	**(2 6)**	—
(212 6)		**(101 2)**	(107 1)
6 3	Interest transferred to properties under construction	**6 8**	2 4
(206 3)		**(94 4)**	(104 7)
(198 8)	Underlying net financing costs	**(92 4)**	(100 7)
	Other financing income/(costs)		
(7 3)	Valuation movements on fair value of derivatives	**119 8**	6 2
(27 6)	Finance costs of non equity shares (Note 12)	**(12 8)**	(14 6)
(6 2)	Hedging reserve recycling	**(3 1)**	(3 2)
(41 1)		**103 9**	(11 6)
(239 9)	**Net financing costs**	**11 5**	(112 3)
7 5	Total financing income	**2 0**	4 0
(247 4)	Total financing expense	**9.5**	(116 3)
(239 9)	**Net financing costs**	**11 5**	(112 3)

The amount transferred to properties under construction comprised £4 2m attributable to the cost of funds of the Group s general borrowings (year ended 31 December 2012 – £6 3m, 6 months ended 30 June 2012 – £2 4m) and £2 6m of financing costs recognised on the construction loan facility Capitalised general interest has been calculated by reference to the costs incurred by the Group on developing the properties under construction and funded by the Group s general cash resources and the weighted average cost of debt in the period of 5 8% (year ended 31 December 2012 and 6 months ended 30 June 2012 – 6 2%)

Notes to the interim report continued

for the six months ended 30 June 2013

6 Tax

Audited Year ended 31 December 2012 £m		Unaudited Six months ended 30 June 2013 £m	Unaudited Six months ended 30 June 2012 £m
	Tax (charge)/credit		
7 5	Current tax (charge)/credit to income	**(2 6)**	3 2
(25 5)	Deferred tax	**(21 9)**	(23 1)
(18 0)	**Group total tax**	**(24 5)**	(19 9)
	Tax reconciliation		
201 5	Profit for the period before tax	**263 8**	102 2
(49 4)	Tax on profit at UK corporation tax rate	**(61 3)**	(25 0)
	Effects of		
(1 3)	Change in tax rate	**5 8**	(0 7)
7 7	Adjustments in respect of prior years	**(2 6)**	7 5
42 5	Indexation allowances and net effect of restriction or reversal of previously restricted capital losses and indexation allowances	**39 0**	5 6
(7 0)	Expenses not deductible for tax purposes	**(3 2)**	(3 7)
(0 7)	Deferred tax assets not recognised on losses	**(0 3)**	(0 2)
(9 8)	Other differences	**(1 9)**	(3 4)
(18 0)	**Group total tax**	**(24 5)**	(19 9)

The applicable corporation tax rate was 23 25% for the current period and 24 5% for each comparative period

The main rate of corporation tax payable by the Group reduced from 24 0% to 23 0% with effect from 1 April 2013 Also enacted in the Finance Act 2013 are reductions in corporation tax rates to 21 0% on 1 April 2014 and 20 0% on 1 April 2015 Deferred tax has been provided by reference to these rates

	Losses and tax credits £m	Revaluation deficits £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax assets						
1 January 2013	3 5	14 2	117 7	18 8	4 1	158 3
(Charge)/credit to income	(1 3)	(5 0)	(38 6)	(3 6)	7 0	(41 5)
Credit to equity	—	—	0 3	—	—	0 3
30 June 2013	2 2	9 2	79 4	15 2	11 1	117 1

6 Tax continued

	Revaluation surpluses £m	Fair value of derivatives £m	Financial instruments £m	Other £m	Total £m
Deferred tax liabilities					
1 January 2013	(126 5)	—	(39 3)	(7 6)	(173 4)
Credit to income	10 1	3 8	3 6	2 1	19 6
Charge to equity	—	(4 3)	—	—	(4 3)
30 June 2013	(116 4)	(0 5)	(35 7)	(5 5)	(158 1)

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

	£m
Net deferred tax liability	
1 January 2013	(15 1)
Charge to income	(21 9)
Charge to equity	(4 0)
30 June 2013	(41 0)

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

Notes to the interim report continued

for the six months ended 30 June 2013

7 Investment, development and construction properties and plant and equipment

Non current assets and construction contracts at 30 June 2013 comprised

	Investment properties £m	Property under construction £m	Development properties £m	Construction contracts £m	Total £m	Plant and equipment £m	Total £m
Market value at 1 January 2013	4,862 5	137 5	415 0	–	5,415 0		
Adjust for							
– tenant incentives*	(178 7)	–	–	–	(178 7)		
– unamortised lease negotiation costs*	(7 7)	(1 7)	–	–	(9 4)		
– obligations under long term property lease (Note 13)	–	–	55 0	–	55 0		
Carrying value at 1 January 2013	4,676 1	135 8	470 0	–	5 281 9	0 6	5 282 5
Additions	7 4	55 4	(1 0)	0 4	62 2	–	62 2
Capitalised interest	–	6 8	–	–	6 8	–	6 8
Transfer to cost of sales	(6 0)	–	–	(3 7)	(9 7)	–	(9 7)
Transfer to payments on account	–	–	–	3 3	3 3	–	3 3
Acquisition of properties	49 0	–	4 6	–	53 6	–	53 6
Revaluation movement	111 6	12 8	21 4	–	145 8	–	145 8
Carrying value at 30 June 2013	**4,838 1**	**210.8**	**495 0**	**–**	**5,543 9**	**0 6**	**5,544 5**
Adjust for							
– tenant incentives*	175 3	–	–	–	175 3		
– unamortised lease negotiation costs*	7 1	1 7	–	–	8 8		
– obligations under long term property lease (Note 13)	–	–	(55 0)	–	(55 0)		
Market value at 30 June 2013	**5,020 5**	**212.5**	**440 0**	**–**	**5,673 0**		

* Refer to Note 10

On 24 December 2008, the Group entered into agreements with the Secretary of State for Transport and CRL for the design and construction of the Canary Wharf Crossrail station The station will be delivered to CRL for a fixed cost of £350 0m and the construction risk is borne by the Group The anticipated cost to the Group was accounted for when incurred, as additions to development properties and allocated to certain development properties, including the Riverside South project, on a square foot basis The Group's contribution will be applied against any Crossrail Section 106 and/or CIL contributions for certain agreed development sites on the Estate which may be required as part of the London Plan

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 and is on schedule to complete in mid 2014

The Group has entered into a £190 0m construction and development loan facility which is being utilised to fund the construction of 25 Churchill Place (Note 12 (5)) The first drawdown under this loan facility occurred in January 2013

Construction has also continued on the retail mall located above the Canary Wharf Crossrail station which is scheduled to open on a phased basis between 2015 and 2018

7 Investment, development and construction properties and plant and equipment continued

Prior to drawdown of the construction loan facility, Canary Wharf Group funded both properties under construction from its unrestricted cash Interest has been capitalised as part of the cost of the projects from the dates construction commenced by reference to Canary Wharf Group s weighted average cost of debt and the historical cost of the properties under construction

Following the commencement of drawdowns under the construction loan facility the finance costs recognised in connection with this loan have been capitalised together with general interest to the extent projects continue to be funded from the Group's unrestricted cash

The carrying amount of the properties under construction includes an aggregate total of £13 1m of capitalised interest (31 December 2012 – £6 3m), of which £2 6m was construction loan interest (31 December 2012 – £nil) and £10 5m was general interest (31 December 2012 – £6 3m) There is no capitalised interest in the carrying amount of the development properties at either 30 June 2013 or 31 December 2012

In March 2013, Canary Wharf Group acquired the long leasehold interests in 7 Westferry Circus Canary Wharf for £46 6m, plus SDLT and fees of £2 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 developer s profit This sum will be set against Canary Wharf Group s entitlement to future profits arising from the development Income earned on this project subsequent to the sale of the site in 2008 has been deferred and will be recognised over the term of the contract in accordance with IFRIC 15 No profit has been recognised on this project to date The 2008 agreement was modified in 2010 and expires in October 2016 In the event construction does not progress, Canary Wharf Group has a right of first offer for the site

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 2013 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 other than in respect of purchaser's costs and, in particular, full liability for UK stamp duty as applicable at the valuation date

Properties under construction

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

	Riverside South £m
1 January 2013	58 8
Advances received	2 1
Contract revenue recognised as revenue in the Income Statement	(3 7)
Offset from construction contracts	3 3
Gross amount due to purchaser for contract work at 30 June 2013	**60 5**

Notes to the interim report continued

for the six months ended 30 June 2013

8 Investments

The investments balance comprises

	30 June 2013 £m	31 December 2012 £m
Shares	**0 7**	0 7
Loans	**76 7**	62 5
	77 4	63 2
Fees on acquisition	**0 7**	0 7
Share of post acquisition losses	**(0 1)**	(0 1)
Revaluation movements	**15 1**	11 2
Impairment of investment	**(0 4)**	(0 4)
	92 7	74 6

Investments comprise		
Associates and joint ventures	**92 5**	74 4
Other investments	**0 2**	0 2
	92 7	74 6

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

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

At 30 June 2013	Shell Centre £m	20 Fenchurch Street £m	Total £m
Initial investment	–	0 1	0 1
Fees on acquisition	0 7	–	0 7
Loan funding	31 5	45 2	76 7
Recognised share of losses	–	(0 1)	(0 1)
Revaluation surplus	–	15 1	15 1
	32 2	**60 3**	**92 5**

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 In May 2013, a resolution to grant planning permission was achieved subject to finalising a Section 106 agreement and stage 2 referral to the GLA and Secretary of State On 17 July 2013, the GLA issued its stage 2 report endorsing Lambeth Borough Council s right to determine the application and supportive of the development plans Subsequently, on 4 September 2013, the Secretary of State called in the planning application which is likely to delay completion of the planning process and drawdown of the lease from Shell until sometime in 2014 Canary Wharf Group's investment to 30 June 2013 totalled £32 2m (31 December 2012 – £26 0m) including £15 0m paid upon entering into the agreement with Shell and fees of £0 7m (31 December 2012 – £0 7m) At 30 June 2013, the joint venture entities had aggregated assets of £63 8m and liabilities of £0 8m (31 December 2012 – assets of £52 1m and liabilities of £1 5m)

8 Investments continued

Associates and joint ventures continued

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 £60 3m at 30 June 2013 (31 December 2012 – £48 4m), representing the initial investment plus associated fees, together with subsequent funding and the Group's share of revaluation surpluses less Canary Wharf Group's share of operating losses At 31 March 2013, an external valuation resulted in a cumulative revaluation surplus of £100 7m on the project of which £15 1m is attributable to Canary Wharf Group Including the revaluation of property, at 30 June 2013 the 20 Fenchurch Street entities had assets of £413 8m and liabilities of £12 4m (31 December 2012 – assets of £325 3m and liabilities of £2 8m)

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 the Group have been derived from their latest available management accounts after making any necessary adjustments The Group s share of the profits and losses of its joint ventures and associates is as follows

Summarised profit and loss accounts for the six months ended 30 June 2013	Shell Centre £m	20 Fenchurch Street £m
Net operating loss	–	–
Revaluation gain	–	26 2
Profit before and after tax	–	26 2
Group share	**–**	**3 9**

Summarised balance sheets at 30 June 2013	Shell Centre £m	20 Fenchurch Street £m
Total assets	63 8	413 8
Total liabilities	(0 8)	(12 4)
Net assets	63 0	401 4
Group share	**31 5**	**60 3**

9 Trade and other receivables

Audited 31 December 2012 £m		**Unaudited 30 June 2013 £m**	Unaudited 30 June 2012 £m
10 6	Trade receivables	**9 2**	6 8
6 4	Other receivables	**15 6**	6 2
20 9	Prepayments and accrued income	**18 5**	16 7
7 2	Deferred financing expenses	**–**	5 6
45 1		**43 3**	35 3

At 31 December 2012 financing expenses totalling £7 2m had been incurred on Canary Wharf Group's construction loan facility and were included in deferred financing expenses within Trade and other receivables The first drawdown under this facility occurred in January 2013 and these expenses were transferred to Borrowings within Non current liabilities and have been offset against the outstanding loan balance

Notes to the interim report continued
for the six months ended 30 June 2013

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 2013	86 7	92 0	**178 7**	9 4	**188 1**
Recognition of rent during rent free periods	2 9	—	**2 9**	—	**2 9**
Amortisation	(3 7)	(2 6)	**(6 3)**	(0 5)	**(6 8)**
Deferred lease negotiation costs	—	—	**—**	(0 1)	**(0 1)**
30 June 2013	**85 9**	**89 4**	**175 3**	**8 8**	**184 1**

11 Trade and other payables

Audited 31 December 2012 £m		**Unaudited 30 June 2013 £m**	Unaudited 30 June 2012 £m
7 8	Trade payables	**11.2**	11 8
7 9	Tax and social security costs	**1 3**	2 0
10 8	Other payables	**21.8**	22 1
84 7	Other accruals	**62 4**	69 8
67 0	Deferred income	**60 7**	86 9
58 8	Payments on account	**60 5**	57 5
237 0	Total trade and other payables	**217.9**	250 1
48 0	Corporation tax	**54.5**	55 0

12 Net debt

Audited 31 December 2012 £m		Unaudited 30 June 2013 £m	Unaudited 30 June 2012 £m
2,625 2	Securitised debt	**2,527 6**	2,648 6
67 0	Wood Wharf loan notes	**67 6**	76 0
1,229 2	Other secured loans	**1,229 1**	1,261 0
3 921 4		**3,824 3**	3,985 6
272 9	Non equity shares and associated financing costs	**263 5**	271 2
4,194 3	Gross debt	**4,087.8**	4 256 8
114 3	Current liabilities	**112 5**	103 0
	Non current liabilities		
3,554 7	– borrowings	**3,569 8**	3,612 9
525 3	– derivatives including assets	**405 5**	540 9
4,194 3	Gross debt	**4,087 8**	4,256 8
(749 7)	Cash and cash equivalents	**(618 6)**	(982 0)
(2 3)	Monetary deposits	**(2 3)**	(2 3)
3 442 3	Net debt	**3,466 9**	3 272 5
	Current liabilities comprises		
24 6	Accrued interest payable	**24 9**	28 0
75 5	Borrowings repayable within one year	**79 1**	66 8
6 0	Financing costs of non equity shares	**0 3**	—
8 2	Wood Wharf loan notes	**8.2**	8 2
114 3		**112 5**	103 0

Audited 31 December 2012 £m		Unaudited 30 June 2013 £m	Unaudited 30 June 2012 £m
	Cash and cash equivalents comprise		
618 7	Unsecured cash	**497 5**	825 6
118 5	Collateral for borrowings	**109 4**	141 3
12 5	Security for obligations	**11.7**	15 1
749 7		**618.6**	982 0

Cash and cash equivalents comprise cash and short term deposits with an original maturity of 3 months or less

Unsecured cash comprises £12 8m held by the Company and its wholly owned subsidiaries (31 December 2012 – £31 8m) and £484 7m held by Canary Wharf Group (31 December 2012 – £586 9m)

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

On 30 August 2012, amendments were made to the terms of the Preference Shares With effect from that date the coupon payable on the Preference Shares reduced from a fixed rate of 10 0% payable quarterly to 3 month LIBOR plus 7 75% p a payable quarterly Also on 30 August 2012, the Company entered into an interest swap which serves to fix the 3 month LIBOR element of the coupon to 1 01% until August 2017 and, including the margin of 7 75% p a , fixes the coupon on the Preference Shares at 8 76% p a

12 Net debt continued

The Preference Shares may be redeemed at the Companys option after 15 February 2015 and will otherwise become redeemable on 30 August 2017 The Company may delay redemption by a further 1 or 2 years from the redemption date in consideration for an annual payment equivalent to 0 5% of the nominal amount in issue 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

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

	Securitised debt £m	Wood Wharf loan notes £m	Other secured loans £m	Construction loan £m	Total borrowings £m	Non equity shares £m	Total £m
1 January 2013	2,625 2	67 0	1,229 2	—	3 921 4	272 9	4 194 3
Drawn down	—	—	—	59 9	59 9	—	59 9
Effective interest rate adjustment	(1 6)	—	0 5	(6 7)	(7 8)	0 8	(7 0)
Accrued finance charges	2 7	0 6	(0 1)	0 3	3 5	12 0	15 5
Repaid in period	(32 6)	—	(4 8)	—	(37 4)	(17 7)	(55 1)
Movements in fair value of derivatives	(66 1)	—	(48 8)	(0 4)	(115 3)	(4 5)	(119 8)
30 June 2013	**2,527 6**	**67 6**	**1,176 0**	**53 1**	**3,824 3**	**263 5**	**4,087 8**
Payable within one year or on demand	85 6	8 8	17 4	0 4	112 2	0 3	112 5
Payable in more than one year	2,221 8	58 8	970 7	53 1	3 304 4	265 4	3 569 8
Derivatives classified as							
– non current assets	—	—	(0 5)	(0 4)	(0 9)	(2 2)	(3 1)
– non current liabilities	220 2	—	188 4	—	408 6	—	408 6
	2,527 6	**67 6**	**1,176 0**	**53 1**	**3,824 3**	**263 5**	**4,087 8**

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

(1) At 30 June 2013 the following notes issued by CWF II a subsidiary of Canary Wharf Group, were outstanding

Class	Principal £m	Interest	Repayment
A1	1,012 5	6 455%	By instalment from 2009 to 2030
A3	400 0	5 952%	By instalment from 2032 to 2035
A7	222 0	Floating	In 2035
B	179 7	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
	2,318 2		

In April 2009, Canary Wharf Group repurchased certain floating rate Notes with an aggregate principal amount of £119 7m for an aggregate consideration, excluding accrued interest, of £35 5m The Notes repurchased have not been cancelled, remain in issue and, in accordance with the requirements of the securitisation, continue to be fully hedged The repurchase was accounted for as an extinguishment of debt

Interest on the floating rate Notes is at 3 month LIBOR plus a margin The margins on the Notes are A7 Notes – 0 19% p a increasing to 0 475% in January 2017 B3 Notes – 0 28% p a increasing to 0 7% in January 2017 C2 Notes – 0 55% p a , increasing to 1 375% in April 2014, and D2 Notes – 0 84% p a , increasing to 2 1% in April 2014

12 Net debt continued

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

In addition to the 3 classes of floating rate Notes referred to above, the following classes of fixed rate Notes remained outstanding at 30 June 2013 carrying the interest rates stated £1,012 5m of A1 Notes – 6 455% £400 0m of A3 Notes – 5 952% and £179 7m of B Notes – 6 800%

The principal amount of the Notes outstanding at 31 December 2012 was £2,318 2m or £2,198 5m excluding the Notes repurchased The Notes are secured on certain property interests of Canary Wharf Group and the rental income stream therefrom

The securitisation has the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square, over the entire term of the lease AIG has posted £244 2m as cash collateral in respect of this obligation The annual fee payable in respect of the arrangement is £2 2m

CWF II also has the benefit of a £300 0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation This facility is renewable annually The commitment fee payable for the provision of this facility increased from 0 487% p a to 0 888% p a from July 2013

(2) In June 2011 Canary Wharf Group entered into a £92 3m 5 year facility secured against 50 Bank Street The facility carries interest at 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 3 month LIBOR plus a margin of 2 75% An interest rate swap has been put in place at a rate of 0 5425% which, together with the margin of 2 75% fixes the effective interest rate under the loan at 3 2925% 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 2013, £4 8m of loan principal was repaid in accordance with the loan agreement reducing the principal at 30 June 2013 to £549 9m

(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 The first drawdown was made in January 2013 and at 30 June 2013 £59 9m had been drawn down under the facility The margin on the loan is 300 bps over LIBOR from first drawdown to rent commencement following which the margin may drop to 250 bps or 225 bps subject to the satisfaction of certain interest cover tests

A forward starting interest rate swap was entered into in October 2012 at a rate of 1 017%, which fixes the interest rate payable under the loan The fixed rate payable during the construction phase, including the 300 bps margin is 4 017% The termination date under the swap is in December 2016 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 31 December 2012, total fees of £7 2m had been incurred which were included within debtors due within one year The fees have been transferred from debtors following the first drawdown and are being amortised over the life of the loan

(6) In January 2012 Canary Wharf Group acquired CRT s 50 0% interest in Wood Wharf The consideration for the acquisition was £52 4m which comprised an upfront payment of £4 4m and loan notes with a repayment profile as follows 30 September 2012 – £8 25m (redeemed) 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 2013 was £4 6m

Notes to the interim report continued

for the six months ended 30 June 2013

12 Net debt continued

The joint venture entities had also issued discounted loan notes with an outstanding value at 30 June 2013 of £27 7m 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 30 June 2013 the notes in issue were as follows

	In issue £	Discount £	Nominal value £	Interest trigger date
'A loan notes	8,659 498	–	8,659,498	6 February 2006
'B loan notes	7 640 000	–	7,640,000	6 February 2009
'C' loan notes	6,890,000	–	6,890,000	6 February 2013
'D loan notes	4,041,868	489 382	4 531 250	6 February 2016
	27 231 366	489,382	27,720,748	

The loan notes are fully cash collateralised and are due for repayment in February 2021 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 £360,000 of the 'C loan notes were repaid in the period

Loan covenants

Canary Wharf Groups 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 65 3% of the investment property portfolio by value The principal amount outstanding at 30 June 2013 was £2 318 2m or £2 198 5m excluding the repurchased Notes

Maximum LMCTV ratio of 100 0% Based on the valuations at 30 June 2013, the LMCTV ratio at the interest payment date in July 2013 would have been 68 5%

Canary Wharf Group has the ability to remedy a breach of covenant by depositing eligible investments (including cash) The securitisation has no minimum ICR covenant 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 7% 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 16 1% of the investment property portfolio by value

Maximum LTV ratio of 70 0% Based on the valuations at 30 June 2013 the LTV was 44 0%

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 The loan is repayable in December 2014

(iv) Loan of £92 3m secured against 50 Bank Street representing 2 9% of the investment property by value

Maximum LTV ratio of 75 0% for the first 3 years of loan, reducing to 72 5% thereafter Based on the valuations at 30 June 2013 the LTV was 63 7%

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

(v) Construction loan facility of £190 0m secured against 25 Churchill Place

Maximum LTV ratio of 65 0% based on the projected valuation at completion, and maximum loan to cost ratio of 65 0% These covenants were satisfied throughout the period

12 Net debt continued

Hedge accounting

The 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 2013 the fair value of these derivatives resulted in the recognition of a net liability of £405 5m (31 December 2012 – £525 3m) None of the Group's interest rate swaps qualify for hedge accounting at either 30 June 2013 or 31 December 2012

Comparison of market values and carrying amounts

	30 June 2013			31 December 2012		
	Market value £m	**Carrying amount £m**	**Difference £m**	Market value £m	Carrying amount £m	Difference £m
Securitisations	**(2,415 9)**	**(2,307 4)**	**(108 5)**	(2,521 2)	(2,338 9)	(182 3)
Wood Wharf loans	**(67 6)**	**(67 6)**	–	(67 0)	(67 0)	–
Secured loans	**(989 6)**	**(988 1)**	**(1 5)**	(994 4)	(992 5)	(1 9)
Construction loan	**(53 5)**	**(53 5)**	–	–	–	–
Non equity shares	**(265 7)**	**(265 7)**	–	(270 6)	(270 6)	–
	(3,792 3)	**(3,682 3)**	**(110 0)**	(3,853 2)	(3,669 0)	(184 2)
Other financial liabilities						
– interest rate derivative assets	**3 1**	**3 1**	–	–	–	–
– interest rate derivative liabilities	**(408 6)**	**(408 6)**	–	(525 3)	(525 3)	–
Cash and monetary deposits	**620.9**	**620 9**	–	752 0	752 0	–
	(3,576 9)	**(3,466 9)**	**(110 0)**	(3,626 5)	(3,442 3)	(184 2)

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 The fair values of interest rate derivative instruments have been determined by reference to market values provided by the relevant counter parties after considering the Group's credit risk

All derivative instruments held by the Group are carried at fair value through profit and loss and are classified as Level 2 in accordance with IFRS 7

13 Other non current liabilities

	Wood Wharf deferred consideration £m	Wood Wharf ground rent obligation £m	Total £m
1 January 2013	8 5	57 4	65 9
Accrued finance charges	–	2 9	2 9
Repaid in period	–	(1 8)	(1 8)
30 June 2013	**8 5**	**58.5**	**67.0**

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 anytime 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

Notes to the interim report continued

for the six months ended 30 June 2013

13 Other non current liabilities continued

As part of the agreement, initial payments of £2 5m have been made and a further £1 0m was paid on 1 July 2013 Further 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 2013, the deferred consideration payable to UBS was carried at £8 5m including related fees

In January 2012, Canary Wharf Group acquired the remaining 50 0% effective interest in Wood Wharf from CRT for a total consideration of £52 4m In conjunction with the acquisition CRT granted a new 250 year lease of the site subject to a ground rental payment to CRT 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 2013	7 6
Utilisation of provision	(1 5)
Changes in assumptions	0 3
Discount unwind	0 3
30 June 2013	**6.7**

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 2013, this provision had reduced to £4 7m discounted at 5 8% (31 December 2012 – £5 5m discounted at 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 2013 was £2 0m calculated on the basis of a discount rate of 5 8% (31 December 2012 – £2 0m 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 2012 £m		Unaudited Six months ended 30 June 2013 £m	Unaudited Six months ended 30 June 2012 £m
201 5	**Profit before tax**	**263.8**	102 2
	Non cash movements		
(215 7)	Net revaluation movements	**(145 8)**	(95 4)
–	Refurbishment costs	**6 0**	–
(3 6)	Share of profit after tax of associates and joint ventures	**(3 9)**	(1 1)
1 0	Spreading of tenant incentives, committed rent increases and letting fees	**4 0**	0 7
4 4	Share allocation adjustment	**2 4**	0 8
0 1	Depreciation	**–**	–
(213 8)		**(137 3)**	(95 0)
(12 3)		**126.5**	7 2
	Changes to working capital and other cash movements		
239 9	Net financing costs	**(11 5)**	112 3
(2 4)	Utilisation and other movements in provisions	**(1 1)**	(1 1)
(30 4)	Increase in receivables	**(16 0)**	(4 4)
45 7	Increase in payables	**4.8**	49 4
4 9	Proceeds from construction contracts	**2 1**	1 1
(5 6)	Construction contract expenditure	**(2 9)**	(0 3)
239 8	**Cash generated by operations**	**101.9**	164 2
2 6	Income tax repayment	**3.9**	5 3
242 4	**Net cash from operating activities**	**105 8**	169 5

16 Contingent liabilities and financial commitments

Commitments of Canary Wharf Group for future expenditure are

	30 June 2013 £m	31 December 2012 £m
Construction projects	**168 6**	244 7
Joint ventures	**34 1**	45 6
	202 7	290 3

The commitments for future expenditure relate to work on development projects where construction was committed at 30 June 2013 and are stated gross of any external funding arrangements Any costs accrued or provided for in the Condensed consolidated balance sheet at 30 June 2013 have been excluded

Canary Wharf Group has assessed that its funding 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

Canary Wharf Group has, in the normal course of its business, granted limited warranties or indemnities to its tenants in respect of building defects (and defects on the Estate or in the car parks) caused through breach of its obligations as developer contained in any prelet or other agreement Offsetting this potential liability, Canary Wharf Group benefits from warranties from the trade contractors and suppliers who worked on such buildings

Notes to the interim report continued
for the six months ended 30 June 2013

16 Contingent liabilities and financial commitments continued

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 subsidiaries 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 2013 and 31 December 2012

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 recipient elects to redeem their respective share allocations by selling all or part of the allocation on the open market Canary Wharf Group may elect instead to pay the equivalent amount in cash which results in those share allocations being released back into the Trust to be available for any future allocations

A further 1,350,000 shares were allocated in 2012 Of these shares, 450,000 became available to be released to the recipients of the allocation on 30 June 2012 and 450,000 shares were released on 30 June 2013 The remaining 450,000 shares may be released on 30 June 2014

A further 3 125 000 shares were allocated in 2013 Of these shares, 1,041 667 became available to be released to the beneficiaries of the allocation on 30 June 2013 and a further 1,041,667 shares become available to be released on 30 June 2014 The remaining 1,041,666 shares may be released on 30 June 2015

No shares were released to employees during the 6 months ended 30 June 2013

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 40 per share The cost of the allocation attributable to the 6 months ended 30 June 2013, totalling £2 4m, 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

During the 6 month period to 30 June 2013, the Group acquired an additional 3,107,911 Songbird shares at an aggregate cost of £4 5m including fees

At 30 June 2013 the Trust held 15,283,427 Songbird Shares including 4,475,000 Songbird Shares which have been allocated to employees but not yet released

18 Events after the balance sheet date

On 22 July 2013, Canary Wharf Group announced it had acquired a 999 year leasehold interest in 15 Westferry Circus, a 171,000 sq ft building on the Estate As consideration for the building, Canary Wharf Group paid approximately £128 0m, funded by a £128 0m loan with Metlife, and has taken a novation of an existing senior swap which had an estimated out of the money position of £11 4m The equity provided for the transaction was limited to purchase costs (including SDLT) of approximately £6 0m

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 2013 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 2013 is not prepared in all material respects, in accordance with the AIM Rules of the London Stock Exchange

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
12 September 2013

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 BR3 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

Registered office and registered number

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Registered Number 5043352

Telephone 020 7477 1000
Facsimile 020 7477 1001
Website www songbirdestates com

Advisers

Auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Bankers
The Royal Bank of Scotland Plc
London Corporate SC
PO Box 39952
21/2 Devonshire Square
London EC2M 4XJ

Broker and Nominated Adviser
J P Morgan Securities Ltd
25 Bank Street
London E14 5JP

Financial PR Consultants
Brunswick Group LLP
16 Lincoln's Inn Fields
London EC2V 7JD

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY
London EC4A 3BZ

Definitions

Defined term	Definition
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
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
CRT	Canal and River Trust (formerly British Waterways Board)
Cushman	Cushman & Wakefield, Real Estate Consultants
CWF II	Canary Wharf Finance II plc
EMA	European Medicines Agency
EPRA	European Public Real Estate Association
Estate	Canary Wharf Estate including Heron Quays West, Newfoundland, Park Place, Riverside South and North Quay
EU	European Union
Fintech	Financial technology
GLA	Greater London Authority
GRI	Global Reporting Index
Group	The Company, its wholly owned subsidiaries and Canary Wharf Group
IAS	International Accounting Standards
IAS 1	International Accounting Standard 1, Presentation of Items in Other Comprehensive Income
IAS 19	International Accounting Standard 19 (revised 2011), Employee Benefits
ICR	Interest Cover Ratio
IFRIC 15	International Financial Reporting Interpretations Committee 15, Agreements for the Construction of Real Estate
IFRS	International Financial Reporting Standards
IFRS 7	International Financial Reporting Standard 7, Financial Instruments Disclosures

Definitions continued

Defined term	Definition
IFRS 13	International Financial Reporting Standard 13, Fair Value Measurement
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
Secretary of State	Secretary of State for Communities and Local Government
Section 106	Section 106 of the Town and Country Planning Act 1990
SFL	Songbird Finance Limited
Share Buyback	Acquisition of 24,539,346 Ordinary Shares in late 2012 and early 2013
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
Wood Wharf	7 0m sq ft (gross) mixed use site adjacent to the Estate

Our history

2013

On 4 January 2013, the Board announced that it had extended the Share Buyback programme which was concluded on 4 April 2013 after a further 29,526 shares had been repurchased The authority to buy back shares was again given at the AGM on 22 May 2013

2012

On 12 October 2012 the Board announced that following receipt of a dividend from Canary Wharf Group it would start a non-discretionary buyback programme with its broker J P Morgan Cazenove to purchase on the Company's behalf and within certain pre set parameters its Ordinary Shares up to an aggregate cost of £30 0m The Share Buyback initially ran from 12 October 2012 and ended on 26 October 2012 In that time the Company repurchased and cancelled 4 803 677 Ordinary Shares A second phase of the Share Buyback ran from 1 November 2012 to 27 November 2012 during which time a further 19 706,143 Ordinary Shares were repurchased

On 31 August 2012 the Company amended the terms of its Preference Shares in order to reduce the short term finance risk thereby securing long term stable financing until at least 2017 The amendments allow (subject to certain conditions), the payment of dividends on the Ordinary Shares without the consent of preference shareholders and gives more control over the timing of the redemption by removing the preference shareholders early redemption option The changes also lower 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%)

2011

On 22 July 2011, the Company completed an agreement to acquire a further 741 387 ordinary shares in Canary Wharf Group which has increased the interest of the Company in the issued share capital of Canary Wharf Group to 69 37%

2010

On 23 September 2010 a £140 0m Open Offer was announced by the Company The Open Offer resulted in the issue of 109 375 000 Ordinary Shares which were listed on AIM The proceeds of the Open Offer were used to repurchase the £135 0m facility which comprised part of the Company's £1 03 billion capital raising and share capital reorganisation which concluded in October 2009

2009

The 2009 capital raising resulted in a more streamlined financial and corporate structure for the Company The issued ordinary share capital of the Company was changed to comprise one class of ordinary shares of 10 pence each carrying one vote per share, which are all listed on AIM Following the 2009 Capital Raising the majority shareholders of the Company comprise Qatar Holding Glick Shareholders Fullbloom Investment Corporation (a wholly owned subsidiary of CIC) and Morgan Stanley

In addition there is £275 0m of £1 00 non convertible/non voting preference shares in issue which are held by 2 of the majority shareholders

On 20 October 2009 the Company completed an agreement to acquire a further 54,007 620 ordinary shares in Canary Wharf Group which increased the interest of the Company in the issued share capital of Canary Wharf Group to 69 25%

2007

In February 2007 the Company completed a share capital restructuring removing all past and future D share dividend liabilities in consideration for the issue of 14,478,260 B shares to British Land (Joint Ventures) Limited, the D shareholder

2004

The offer for Canary Wharf Group was declared wholly unconditional on 21 May 2004 and closed on 15 July 2004 at which time the Company, together with Songbird Acquisition Limited held 66 32% of the issued share capital of Canary Wharf Group The Company was subsequently admitted onto AIM

Top to bottom London Docklands in 1987 facing west. Canary Wharf in 2012 CGI image of Crossrail the 115,000 sq ft retail and leisure space over the new Crossrail station tha s currently under development