CANARY WHARF GROUP PLC

Extracted from the Interim Report of the Group for the six months ended 30 June 2011. The 2011 Interim Report is currently being produced and will be distributed to Shareholders at a later date. The information in this extract does not comprise statutory accounts within the meaning of the Companies Act 2006.

HIGHLIGHTS

- On 21 September 2011 **the Company declared an interim dividend of 7.042p per share** totalling £45.0m (Note (i)).
- **Net assets increased** from £2,387.9m at 31 December 2010 **to £2,503.3m** at 30 June 2011, **an increase of** £115.4m or **4.8%,** primarily as a result of the increase in value of the property portfolio (Note (ii)).
- **Adjusted NAV per share increased by** 15p or **3.8%** from £3.90 at 31 December 2010 **to £4.05** (Note (ii))
- **Adjusted NNNAV per share increased by** 25p or **7.4%** from £3.36 at 31 December 2010 **to £3.61** (Note (ii)).
- The **market value of the retained investment property portfolio increased** by 1.9% **to £4,726.5m**. After allowing for capital expenditure and adjustments for lease incentives, the **carrying value** of the investment portfolio **increased by 2.1%** (Note (iii)).
- The **benchmark initial yield for the office portfolio was 5.35%** at 30 June 2011, unchanged since 31 December 2010 (Note (iii)).
- The **weighted average equivalent yield for the office portfolio was 5.3%** at 30 June 2011, in comparison with 5.2% at 31 December 2010 (Note (iii)).
- The **weighted average equivalent yield for the retail portfolio was 5.2%**, in comparison with 5.4% at 31 December 2010 (Note (iii)).
- Including development sites, the **market value of the retained property portfolio was £5,006.5m** at 30 June 2011, against £4,907.0m at 31 December 2010 (Note (iii)).
- **Operating profit** for the six months ended 30 June 2011 **increased to £92.3m** from £69.3m. The **profit after tax was £19.9m** (six months ended 30 June 2010 – loss £75.2m (Note (iv)).
- The Group's **investment portfolio** totalling 6.9m sq ft was **97.3% let** (31 December 2010 – 6.9m sq ft of which 97.1% let) (Note (v)).
- At 30 June 2011 the **weighted average unexpired lease term** for the retained investment portfolio was **16.6 years** (or 15.4 years assuming the exercise of break options) (Note (v)).
- Substantial progress has been made on **the Crossrail station** which **continues to be on time and within budget** (Note (vi)).
- **Retail footfall is up by 3.3%** and **plans to expand retail** on the Estate **by 43,000 sq ft have been approved** (Note (vii)).
- Construction on **20 Fenchurch Street commenced in January 2011** and is progressing on schedule and within budget. The **20 Fenchurch Street Limited Partnership** has made the decision **to proceed with full build out** of the scheme (Note (viii)).
- In July 2011 **the Group and Qatari Diar concluded an agreement** with Shell **to redevelop the Shell Centre** (Note (i)).
- In August 2011 the Group announced that **EMA** had **agreed a pre let of 250,000 sq ft** in a new office building of over 500,000 sq ft to be constructed **at 25 Churchill Place** (Note (i)).

Note:

(i) Refer to Note 14 – Post Balance Sheet Events.
(ii) Refer to Business Review – Balance Sheet and Key Performance Indicators.
(iii) Refer to Business Review – Valuations for a comparison with the carrying value for accounts purposes.
(iv) Refer to Business Review – Operating Results.
(v) Refer to Business Review – Property Portfolio.
(vi) Refer to Business Review – Crossrail.
(vii) Refer to Business Review – Retail.
(viii) Refer to Business Review – Fenchurch Street.

RESULTS IN BRIEF

	Note	**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m
Rental income	(i)	**124.6**	153.5
Exceptional item:			
– write down of Lehman incentives	(i)	**–**	(53.6)
Operating profit		**92.3**	69.3
Exceptional items:			
– impairment of investments in associates	(ii)	**–**	(0.9)
– net gain/(loss) arising from repurchase of securitised debt	(iii)	**1.8**	(9.8)
– breakage costs on interest rate swap	(iii)	**–**	(15.9)
Loss on ordinary activities before tax		**(8.2)**	(67.5)
(Loss)/profit before tax excluding exceptional items	(i)	**(10.0)**	12.7
Tax	(iv)	**28.1**	(7.7)
Profit/(loss) for the financial period after tax		**19.9**	(75.2)
Basic and diluted earnings/(losses) per share	(v)	**3.1p**	(11.8)p

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

CHAIRMAN AND CHIEF EXECUTIVE'S OPERATIONAL REVIEW

INTRODUCTION

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

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

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

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

In August 2011 we were successful in pre letting 250,000 sq ft to the European Medicines Agency at 25 Churchill Place. We are now proceeding with the construction of a building on this site of over 500,000 sq ft. In accordance with our development strategy the building infrastructure for this site has already been completed. This development will be the last piece in the original Canary Wharf Estate masterplan and marks a coming of age for the Group. This now brings the space occupied at Canary Wharf by non banking tenants to approximately 40.0%. Our plan is to continue diversifying our tenant base on the Estate and our development activity in Central London.

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

Our strong balance sheet and secure rental streams across a high quality property portfolio, with average unexpired leases of 16.6 years (15.4 years assuming the exercise of all break options), has enabled the Company to continue pursuing value enhancing development opportunities on the Estate and beyond. We are uniquely providing the full value chain of expertise across planning, design, construction, leasing, marketing and financial disciplines which enables us to execute deals efficiently and to maximise value throughout the property cycle. It is particularly important that we continue to execute our strategy now that the market has begun re-connecting to economic fundamentals which have clearly weakened over the last quarter. As the economic recovery is still fragile, the outlook for the rest of the year remains modest. However, record take up in 2010, even with the reduced leasing activity in London over the last six months has meant that there is still a considerably constrained level of Grade A availability and, partly due to the restricted liquidity environment, the amount of space to be delivered to the market remains below the long term average.

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

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

Reflecting this performance, the Board is declaring an interim dividend of 7.042p per share (totalling £45.0m) which will be paid on 4 October 2011 to all shareholders on the register at close of business on 22 September 2011.

FINANCIAL REVIEW

Net assets increased from £2,387.9m at 31 December 2010 to £2,503.3m at 30 June 2011, an increase of £115.4m or 4.8%. This increase was in part attributable to the increase in the carrying value of the Group's investment portfolio by £95.4m and in part to the retained profit for the period of £19.9m.

The market value of the investment portfolio increased by 1.9% in the first half of 2011, primarily reflecting a hardening in rental values. The benchmark initial yield for the office portfolio remained unchanged at 5.35%. For the retail portfolio the weighted average equivalent yield was 5.2% at 30 June 2011 in comparison with 5.4% at 31 December 2010.

Adjusted NAV per share increased from £3.90 at 31 December 2010 to £4.05 at 30 June 2011, an increase of 15p or 3.8%.

The profit after tax for the first half of £19.9m compared with a loss for the comparative period of £75.2m.

At 30 June 2011, the Group had unsecured cash deposits of £940.2m. The weighted average cost of debt was 6.2% and the weighted average maturity was 14.3 years. This compares with the weighted average unexpired lease term of 15.4 years assuming exercise of all break options.

OPERATIONAL REVIEW

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

The Canary Wharf Estate

Construction, development and leasing

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

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

During the period, leases were concluded with rents ranging from £37.50 per sq ft to £43.50 per sq ft, reflecting an upward trend in rents. This trend continued in August 2011 with the pre-let at 25 Churchill Place to EMA at £46.50 psf. EMA will occupy the promenade, ground and the first nine office floors in the 20 storey building. The building's substructure has already been completed and work on the tower will begin in the fourth quarter of 2011. At 30 June 2011, the Group owned properties were 97.1% let which should provide the opportunity to further increase rental values at Canary Wharf.

Retail and leisure

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

The Group enjoyed strong retail performance in the period, with turnover up 6.4% for the year to June 2011 and with 100% occupancy. Twelve retail units were exchanged during the period, with a further six since the period end including coffee shops, electrical goods, pharmacies, restaurants and clothing outlets. Boisdale opened a new 12,000 sq ft live jazz, whisky and cigar restaurant in April, adding to the excellent mix of hospitality destinations and further boosting visitor numbers in the evenings and at weekends.

We continue to undertake active and successful asset management of our retail space. Rents remain highly competitive and the retail at Canary Wharf is regarded as one of the leading prime retail developments in London. We are constantly striving to extend the scale and breadth of our retail offering. Kiosk spaces have been created in Reuters Plaza and underground car park space has been developed to extend several retail units. We are now proceeding with a 43,000 sq ft extension of retail into the car park spaces for the Jubilee Place mall. Despite the tough retail climate, a number of clients are also expanding on the Estate, including Jaeger, Aquascutum and Waitrose Food & Home and we have a waiting list of tenants wanting to take space on the Estate. Canary Wharf is a specialist mall as compared to the recently opened Westfield Mall at Stratford which is expected to operate as a regional mall similar to Lakeside Thurrock and Bluewater. We are confident that the atmosphere and unique surroundings at Canary Wharf will distinguish our offering from other retail areas and that retail at Canary Wharf will continue to thrive.

Central London

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

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

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

CONCLUSION

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

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

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

BUSINESS REVIEW

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

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

Property Portfolio

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

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

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

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

Leasing

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

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

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

Retail

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

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

BUSINESS REVIEW

Development

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

EMA will occupy the promenade, ground and the first 9 floors in the 20 storey building. The agreed rent is £46.50 psf commencing 1 January 2015 with 5 yearly upwards-only rent reviews. The length of the lease is 25 years with no break options and EMA has staged options to take an additional 4 floors of around 27,500 sq ft each. EMA will receive the equivalent of a 37 month rent free period in cash, which will be used to pay for EMA's fitout of the building.

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

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

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

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

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

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

	NIA m sq ft
Based on existing planning permissions:	
- 25 Churchill Place	0.53
- North Quay	2.39
- Heron Quays West	1.33
- Newfoundland	0.23
- Crossrail retail	0.11
- 1 Park Place (proposed development)	0.70
	5.29
Wood Wharf (25.0% share of 4.62m sq ft)	1.15
Sold to J.P. Morgan:	
- Riverside South (the Group acting as development and construction manager)	1.90

The Group has continued to work with Ballymore and BWB on the redevelopment of Wood Wharf. The master plan for this scheme, in which the Group has a 25.0% interest, sets a framework for approximately 7.0m sq ft gross of mixed commercial, residential and retail development. Outline consent for 4.6m sq ft net was granted in May 2009 and detailed consent was granted on 3 buildings totalling 1.5m sq ft in July 2009.

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

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

BUSINESS REVIEW

Fenchurch Street

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

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

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

Shell Centre

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

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

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

Crossrail

Construction commenced on the Crossrail station in May 2009 and in June 2011 the Group fulfilled its funding obligations to the project. CLRL will pay a fixed price of £350.0m and the Group bears the risk in relation to the difference between actual costs and the fixed price payable by CLRL. The original anticipated total cost of the station was £500.0m. Construction of the station box continues, with excavation completed and the track level slab under construction. The box is expected to be completed and handed over to CLRL by summer 2012 and the project is on schedule and within budget. The first trains are due to run in 2018 when Crossrail opens for passenger service. Planning permission has also been granted for a 100,000 sq ft retail area above the station which will be subject to a long lease to the Group.

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

BUSINESS REVIEW

Valuations

The net assets of the Group, as stated in its Consolidated Balance Sheet as at 30 June 2011, were £2,503.3m. In arriving at this total:

(i) properties held as investments were carried at £4,601.7m, which represents the market value of those properties of £4,726.5m at that date as determined by the Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £124.8m for tenant incentives; and

(ii) properties held for development were carried at £302.3m, representing their cost to the Group.

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

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

The market value of the investment portfolio increased by £88.0m or 1.9% in the first half of 2011. After allowing for additions and adjustments in respect of tenant incentives, the carrying value of the portfolio increased by £95.4m or 2.1% in the period. This increase was driven largely by the benefit of new leases and the burn off of rent free periods.

CBRE and Savills have provided a joint opinion as at 30 June 2011 that the market value of sites held for development, comprising North Quay, Heron Quays West, Newfoundland, 1 Park Place, 25 Churchill Place and Crossrail retail, was £280.0m. This compares with a carrying value for accounts purposes of £302.3m, including an allocation of costs in respect of Crossrail. The market value of £280.0m represents an increase of 3.3%, after additions, over the market value at 31 December 2010. This increase was largely attributable to 25 Churchill Place where heads of terms for the letting to EMA were signed in May 2011. The market value of the development sites remains £22.3m below the carrying value of these sites. In assessing the requirement for an impairment provision the directors have had regard to the net realisable value of the sites as supplied by the external valuers. On this basis the directors have concluded that no provision for impairment is required as at 30 June 2011.

The market value of the entire property portfolio increased by £99.5m or 2.0% in the first half of 2011. The carrying value of the entire property portfolio, net of additions and after adjustment for UITF 28, increased by £95.4m or 2.0% over the same period. This increase in value was driven by the factors referred to earlier.

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

BUSINESS REVIEW

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

		30 June 2011		31 December 2010		30 June 2010	
	Note	**Carrying value £m**	**Market value in existing state £m**	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Retained portfolio: Investment properties	(i)	**4,601.7**	**4,726.5**	4,498.3	4,638.5	4,276.9	4,432.0
Properties held for development		**302.3**	**280.0**	299.7	268.5	294.0	262.5
		4,904.0	**5,006.5**	4,798.0	4,907.0	4,570.9	4,694.5
Sold investment property	(ii)	**–**	**–**	–	–	348.3	350.0
		4,904.0	**5.006.5**	4,798.0	4,907.0	4,919.2	5,044.5
Property under construction: Riverside South	(iii)	**76.0**	**131.7**	74.6	127.3	72.0	124.9
		4,980.0	**5,138.2**	4,872.6	5,034.3	4,991.2	5,169.4

Note:

(i) The carrying value of investment properties represents market value less an adjustment for UITF 28. The UITF 28 adjustment attributable to investment properties at 30 June 2011 was £124.8m (31 December 2010 – £140.2m, 30 June 2010 – £155.1m). Market value in existing state is shown prior to this adjustment.

(ii) 25 Bank Street was sold in December 2010. The market value in existing state for this property was stated before an adjustment for UITF 28 of £1.7m at 30 June 2010. The total carrying value of the investment property portfolio at 30 June 2010 was £4,625.2m. The total market value of the investment portfolio at that date was £4,782.0m.

(iii) The carrying value in the balance sheet at 30 June 2011 is stated net of £58.2m transferred to cost of sales (31 December 2010 – £55.6m, 30 June 2010 – £51.9m) and £17.8m transferred to payments on account (31 December 2010 – £19.0m, 30 June 2010 – £20.1m). The market value in existing state includes the present value of the minimum developer's profit which will be generated from the development of the Riverside South site assuming J.P. Morgan does not proceed with full build out, discounted where applicable at the Group's weighted average cost of debt which was 6.3% at 31 December 2010 and 30 June 2010, and excludes the profit already recognised in the profit and loss account on the disposal of the site in 2008.

Operating Results

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

The turnover of the Group is generated primarily by the rents and service charges earned from its property interests on the Estate, together with the recognition of amounts in respect of work performed on long term contracts and fees earned from construction and development management agreements. Turnover for the six months ended 30 June 2011 was £158.8m, against £190.8m, before exceptional items, for the six months ended 30 June 2010. Of this amount recognised rental income was £109.2m compared with £132.1m for the six months ended 30 June 2010. The impact of UITF 28 was to reduce rental income by £15.4m in the six months ended 30 June 2011 (six months ended 30 June 2010 – £21.4m prior to the exceptional write off of Lehman incentives). Excluding the impact of UITF 28, rental income reduced by £28.9m to £124.6m, primarily as a result of the sale of two properties in 2010.

In the first quarter of 2010 the Administrator ceased paying rent on 25 Bank Street. As a result, the unamortised incentives attributable to the Lehman lease, totalling £53.6m, were written off to the profit and loss account and treated as an exceptional item in the six months ended 30 June 2010.

BUSINESS REVIEW

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

The six months ended 30 June 2011 included £2.6m recognised on the construction of a pre-sold property (Note 9) accounted for as a long term contract in accordance with SSAP 9 (six months ended 30 June 2010 – £11.7m). The reduction in turnover from this source was due to the completion of the initial phase of infrastructure works on the Riverside South site.

Cost of sales includes rents payable and property management costs, movements on provisions for the remaining vacant leasehold properties and certain other lease commitments, as well as costs on the construction of pre-sold properties. Rents payable and property management costs were £48.8m in comparison with £48.4m for the six months ended 30 June 2010. Taking into account service charge and miscellaneous property income totalling £45.6m for the six months ended 30 June 2011 (six months ended 30 June 2010 – £45.5m), a deficit on property management of £3.2m was recorded (six months ended 30 June 2010 – £2.9m).

The six months ended 30 June 2010 also included £1.5m of dilapidations and other costs attributable to the termination of leases in the period. An increase in provisions of £1.6m before any adjustment for discounting was recognised in the six months ended 30 June 2011 relating to certain rent support commitments and other obligations. This compared with a release of £0.8m in the six months ended 30 June 2010.

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

For the six months ended 30 June 2011 gross profit (net property income) was £105.8m, an increase of £24.4m in comparison with the six months ended 30 June 2010. This increase was attributable to the write off of Lehman incentives of £53.6m in the six months ended 30 June 2010, partly offset by the reduction in rental income after adjusting for UITF 28 of £22.9m, together with the reduction of £5.0m in profit recognised on pre-sold properties.

Administrative expenses for the six months ended 30 June 2011 were £14.4m in comparison with £16.1m for the six months ended 30 June 2010. This reduction was primarily attributable to expenses associated with property lettings during the comparative period, partly offset by the accounting cost recognised in connection with the share allocation entered into in December 2010.

Other operating income was £0.9m for the six months ended 30 June 2011 (six months ended 30 June 2010 – £4.0m). The total for the comparative period included certain additional fees earned by the Group in connection with one of the properties completed in 2009.

Operating profit for the period was £92.3m, in comparison with £69.3m for the six months ended 30 June 2010. The increase in operating profit of £23.0m was largely attributable to the factors impacting on gross profit detailed above.

In the six months ended 30 June 2010, the provision for impairment of the Group's investments in associates was £0.9m. This amount was treated as an exceptional item.

Net interest payable for the six months ended 30 June 2011 excluding exceptional items was £102.3m, against £110.2m for the six months ended 30 June 2010. The reduction was attributable to lower interest payable following the repayment of loans secured against the buildings located at 5 Churchill Place and at 10 Cabot Square and 20 Cabot Square. This was partly offset by reduced interest income recognised by the Group following the repayment in October 2010 of the Drapers Gardens construction loan facility which was acquired by the Group in January 2010.

The loss on ordinary activities after interest for the six months ended 30 June 2011 was £8.2m in comparison with a loss of £67.5m for the six months ended 30 June 2010. In the six months ended 30 June 2011 there was an exceptional gain of £1.8m in respect of the movement in fair value of hedges deemed uneconomic following the acquisition of certain Notes in 2009. The results for the six months ended 30 June 2010 included a number of exceptional items comprising: the write off of unamortised lease incentives of £53.6m in respect of the Lehman lease; a charge of £0.9m in respect of the investment in associates; a charge of £9.8m in respect of the movement in fair value of the hedges deemed uneconomic; and a charge of £15.9m in relation to closing out the interest rate swap on the Group's construction loan facility following the sale of 5 Churchill Place. Excluding exceptional items, the loss on ordinary activities after interest for the six months ended 30 June 2011 was £10.0m in comparison with a profit of £12.7m for the six months ended 30 June 2010. The reduction in pre-exceptional profit of £22.7m was largely attributable to the reduction in rental income as a result of the property sales in 2010.

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Tax for the six months ended 30 June 2011 comprised a net deferred tax provision release of £33.7m and a corporation tax charge of £5.6m which has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2011. The deferred tax release was attributable to the expiry of the period in which EZAs could potentially have been clawed back on certain properties on the Estate. During the six months ended 30 June 2010 the Group recognised a deferred tax charge of £4.1m, in addition to a corporation tax charge of £3.6m.

The profit for the financial period after tax for the six months ended 30 June 2011 was £19.9m in comparison with a loss of £75.2m for the six months ended 30 June 2010.

The basic and diluted earnings per share for the six months ended 30 June 2011 was 3.1p (six months ended 30 June 2010 – losses of 11.8p) (Note 4).

Excluding exceptional items, the adjusted earnings per share was 2.8p, calculated by reference to the profit after tax excluding the movement in the mark to market of the deemed uneconomic hedges.

The adjusted loss per share for the six months ended 30 June 2010 was 1.2p, calculated by reference to the loss after tax excluding the exceptional write off of the unamortised Lehman incentives, the share of associates' losses, the exceptional breakage cost of the interest rate swap and the movement in the mark to market of the deemed uneconomic hedges after adjustment for tax thereon.

Tax

If the Group was to dispose of its property portfolio at the market value disclosed in this Business Review, a tax liability of £98.1m would arise (31 December 2010 – £104.8m). This liability is stated after taking into account the tax liabilities relating to deferred accounting profits on properties under construction held for sale and, in the prior year, the benefit of the remaining capital allowances which would be crystallised as a balancing allowance. This amount includes tax on trading profits and net chargeable gains that would arise on the sale of properties held for development, including land interests. This contingent tax liability is included in calculating adjusted NAV.

Balance Sheet and Key Performance Indicators

On the basis of the Group's statutory balance sheet, which does not reflect any revaluation of properties held for development or under construction, net assets at 30 June 2011 were £2,503.3m in comparison with £2,387.9m at 31 December 2010. The increase in NAV was primarily attributable to the revaluation surplus on investment properties of £95.4m, and the profit after tax of £19.9m.

The Group's main objective is to maximise net assets through managing its property investment and development activities, although the Group is impacted by movements in the wider property market. The Board considers that the most appropriate indicator of the Group's performance is the movement in adjusted NAV per share. This measure serves to capture the Board's judgements concerning, inter alia, letting strategy, redevelopment and financial structure.

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

BUSINESS REVIEW

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

	Note	**30 June 2011 £m**	31 December 2010 £m
Net assets per consolidated balance sheet		**2,503.3**	2,387.9
Add back deferred tax		**52.1**	85.8
Net assets prior to deferred tax		**2,555.4**	2,473.7
Revaluation of property portfolio:			
- properties held for development	(i)	**(22.3)**	(31.2)
- properties under construction to be sold	(ii)	**55.7**	52.7
Adjusted net assets		**2,588.8**	2,495.2
Fair value adjustments in respect of financial assets and liabilities less tax relief at 26.0%	(iii)	**(125.7)**	(155.2)
Contingent tax on property disposals	(iv)	**(98.1)**	(104.8)
Undiscounted deferred tax	(v)	**(55.8)**	(89.5)
Adjusted NNNAV		**2,309.2**	2,145.7
Adjusted net assets per share	(vi)	**£4.05**	£3.90
Adjusted NNNAV per share	(vi)	**£3.61**	£3.36

Note:
(i) Revalued to market value in existing state. As noted under Business Review – Valuations the directors have not recognised a provision for impairment in the Group's statutory balance sheet as the net realisable value of these properties exceeds the carrying value.
(ii) Deferred profit on construction of Riverside South. Refer to Business Review – Valuations.
(iii) Refer to Note 8(7).
(iv) Refer to Business Review – Tax.
(v) Refer to Note 3.
(vi) Calculated by reference to the closing number of shares in issue of 639.0m (31 December 2010 – 639.0m). There were no dilutive instruments at either date.

Adjusted NAV per share increased by 3.8% from £3.90 at 31 December 2010 to £4.05 at 30 June 2011, primarily as a result of the revaluation of the Group's property portfolio and the profit for the period.

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

BUSINESS REVIEW

Borrowings

At 30 June 2011 net debt (after cash in hand and cash collateral) stood at £2,315.6m, up from £2,292.3m at 31 December 2010, and comprised:

	30 June 2011 £m	31 December 2010 £m
Securitised debt	**2,393.3**	2,423.7
Loans	**1,006.6**	919.4
Finance lease obligations	**41.3**	41.6
Total borrowings	**3,441.2**	3,384.7
Less:		
- cash collateral for borrowings	**(169.0)**	(194.4)
- cash collateral for construction	**(5.1)**	(5.1)
- other cash collateral	**(11.3)**	(13.8)
	3,255.8	3,171.4
Less: cash deposits	**(940.2)**	(879.1)
Net debt	**2,315.6**	2,292.3

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

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

The increase in borrowings reflects the drawdown of £91.1m net of fees secured against 50 Bank Street, less scheduled amortisation on the Group's securitisation and other facilities. The increase in cash and term deposits from £1,092.4m to £1,125.6m is primarily attributable to the loan drawdown referred to earlier, partly offset by spending on construction, including the Crossrail station.

The weighted average maturity of the Group's borrowings at 30 June 2011 was 14.3 years (31 December 2010 – 14.9 years).

At 30 June 2011 the fair value adjustment in respect of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was an unrecognised liability of £169.9m before tax (31 December 2010 – £215.5m).

The Group's weighted average cost of debt at 30 June 2011 was 6.2% including credit wraps (31 December 2010 – 6.3%). The Group borrows at both fixed and floating rates and uses interest rate swaps or caps to modify exposure to interest rate fluctuations. All of the Group's facilities are fixed after taking account of interest rate hedging and cash deposits held as cash collateral.

Loan Covenants

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

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

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

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

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

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

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

(iii) Loan of £92.3m secured against 50 Bank Street representing 3.2% of the investment property by value.

Maximum LTV ratio of 75%, for the first 3 years of loan, reducing to 72.5% thereafter. Based on the valuations at 30 June 2011 the LTV was 60.5%.

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

(iv) Loan of £563.9m secured against One Churchill Place, representing 15.4% of the investment property portfolio by value.

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

Cash Flow

The net cash inflow from operating activities for the six months ended 30 June 2011 was £113.4m in comparison with £92.8m for the six months ended 30 June 2010. There was a net cash inflow on properties in the course of construction of £5.2m in the six months ended 30 June 2011 in comparison with a net cash outflow of £0.9m for the six months ended 30 June 2010. Excluding the impact of such cash flows, operating cash inflows increased from £93.7m to £108.2m. This increase was primarily attributable to changes in working capital.

Returns on investments and servicing of finance resulted in an outflow of £105.0m for the six months ended 30 June 2011 compared with £127.0m for the six months ended 30 June 2010. The six months ended 30 June 2010 included £15.9m of swap breakage costs.

Capital expenditure and financial investment for the six months ended 30 June 2011 resulted in a cash outflow of £34.5m, compared with £12.0m for the six months ended 30 June 2010. The six months ended 30 June 2011 included £30.9m (six months ended 30 June 2010 – £76.4m) of development expenditure incurred on properties to be retained by the Group. Funding of the Group's equity investment in and loans to associated and joint venture undertakings totalled £3.6m (six months ended 30 June 2010 – £125.5m including the acquisition of the Drapers Gardens construction loan for a consideration of £112.8m). The six months ended 30 June 2010 also included net proceeds of £190.0m on the completion of the sale of 5 Churchill Place.

The financing cash inflow for the six months ended 30 June 2011 was £59.3m compared with an outflow of £163.7m for the six months ended 30 June 2010. The six months ended 30 June 2011 included proceeds of £92.3m drawn down under the loan facility secured against 50 Bank Street, whereas the six months ended 30 June 2010 included a cash outflow of £123.5m relating to repayment of the outstanding balance owed under the Group's construction loan.

Principal Risks and Uncertainties

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

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

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010 £m		Note	**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m
	Turnover:			
374.5	- before exceptional item		**158.8**	190.8
	Exceptional item:			
(53.6)	- write off of Lehman incentives		**–**	(53.6)
320.9			**158.8**	137.2
(109.9)	Cost of sales		**(53.0)**	(55.8)
211.0	**GROSS PROFIT**		**105.8**	81.4
(40.1)	Administrative expenses		**(14.4)**	(16.1)
8.3	Other operating income		**0.9**	4.0
179.2	**OPERATING PROFIT**		**92.3**	69.3
	Exceptional items:			
4.1	- movement in impairment of investments in associates before interest and tax	6	**–**	(0.9)
158.8	- profit on sale of investment property		**–**	–
144.5	- termination of AIG facility		**–**	–
25.8	Interest receivable	2	**3.5**	15.1
	Interest payable before exceptional items:	2		
(236.2)	- Group		**(105.7)**	(121.3)
(4.1)	- associates		**(0.1)**	(4.0)
	Exceptional items:			
(5.5)	- net gain/(loss) arising on repurchase of securitised debt	2	**1.8**	(9.8)
(46.9)	- breakage costs on interest rate swaps and debt	2	**–**	(15.9)
(292.7)			**(104.0)**	(151.0)
219.7	**(LOSS)/PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL PERIOD BEFORE TAX**		**(8.2)**	(67.5)
(51.5)	Tax	3	**28.1**	(7.7)
168.2	**PROFIT/(LOSS) FOR THE FINANCIAL PERIOD AFTER TAX**	11	**19.9**	(75.2)
26.3p	Basic and diluted earnings/(losses) per share	4	**3.1p**	(11.8)p

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

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

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

UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010 £m		Note	**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m
	Profit/(loss) for the financial period after tax:			
168.2	- Group		**20.0**	(70.3)
–	- share of losses of associates		**(0.1)**	(4.9)
369.7	Unrealised movements on revaluation of investment properties	5	**95.4**	205.6
–	Reserves movement for share allocation		**0.1**	–
537.9	**TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD**		**115.4**	130.4

UNAUDITED CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2011

Audited Year ended 31 December 2010 £m		**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m
219.7	Reported (loss)/profit on ordinary activities for the financial period before tax:	**(8.2)**	(67.5)
(82.7)	Realisation of property revaluation movements of previous periods	**–**	45.5
137.0	**HISTORICAL COST (LOSS)/PROFIT FOR THE FINANCIAL PERIOD BEFORE TAX**	**(8.2)**	(22.0)
85.5	**HISTORICAL COST PROFIT/(LOSS) FOR THE FINANCIAL PERIOD RETAINED AFTER TAX**	**19.9**	(29.7)

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

UNAUDITED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011

Audited 31 December 2010 £m		Note	**Unaudited 30 June 2011 £m**	Unaudited 30 June 2010 £m
	FIXED ASSETS			
4,498.3	Investment properties	5	**4,601.7**	4,625.2
299.7	Properties held for development	5	**302.3**	294.0
1.0	Other tangible fixed assets		**0.8**	1.3
53.9	Investments	6	**56.9**	168.4
4,852.9			**4,961.7**	5,088.9
	CURRENT ASSETS			
140.2	Debtors: due in more than one year	7	**124.8**	156.8
69.4	Debtors: due within one year	7	**100.1**	44.7
1,092.4	Cash at bank and in hand	8	**1,125.6**	869.5
1,302.0			**1,350.5**	1,071.0
(371.5)	Creditors: Amounts falling due within one year	9	**(391.5)**	(343.4)
930.5	**NET CURRENT ASSETS**		**959.0**	727.6
5,783.4	**TOTAL ASSETS LESS CURRENT LIABILITIES**		**5,920.7**	5,816.5
(3,279.3)	Creditors: Amounts falling due after more than one year	8	**(3,336.7)**	(3,650.3)
(116.2)	Provisions for liabilities	10	**(80.7)**	(110.8)
2,387.9	**NET ASSETS**		**2,503.3**	2,055.4
	CAPITAL AND RESERVES			
6.4	Called up share capital		**6.4**	6.4
	Reserves:			
146.2	- share premium	11	**146.2**	146.2
2,148.0	- revaluation reserve	11	**2,243.4**	1,855.7
0.7	- capital redemption reserve	11	**0.7**	0.7
264.8	- special reserve	11	**264.8**	264.8
(178.2)	- profit and loss account	11	**(158.2)**	(218.4)
2,387.9	**SHAREHOLDERS' FUNDS**	12	**2,503.3**	2,055.4

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

DEFINITIONS

20 FSLP	20 Fenchurch Street Limited Partnership
Administrator	Price Waterhouse Coopers, Administrator of Lehman Brothers Limited (in Administration)
AIG	American International Group, Inc
Ballymore	Ballymore Properties Limited
Board	Board of directors of Canary Wharf Group plc
BWB	British Waterways Board
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
City	The City of London
CLRL	Cross London Rail Links Limited
Company	Canary Wharf Group plc
Cushman	Cushman & Wakefield, Real Estate Consultants
CWF II	Canary Wharf Finance II plc
CWHL	Canary Wharf Holdings Limited
Drapers Gardens	Drapers Gardens scheme in the City of London
EMA	European Medicines Agency
Estate	Canary Wharf Estate including Heron Quays West, Newfoundland, Park Place, Riverside South and North Quay
EZAs	Enterprise Zone Allowances
FRS 4	Financial Reporting Standard 4 (Capital instruments)
FRS 13	Financial Reporting Standard 13 (Derivatives and other financial instruments)
FRS 19	Financial Reporting Standard 19 (Deferred tax)
Group	Canary Wharf Group plc and its subsidiaries
ICR	Interest Cover Ratio
J.P. Morgan	J.P. Morgan Chase & Co
Land Securities	Land Securities Group PLC
Lehman	Lehman Brothers Limited (in administration)
LIBOR	London Interbank Offered Rate
LMCTV	Loan Minus Cash to Value
London Plan	Mayor of London planning document published by the Greater London Authority
LTV	Loan to Value
m	million
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Notes	Notes of the Group's securitisation
psf	per square foot/feet
Qatari Diar	Qatari Diar Real Estate Investment Company
Savills	Savills Commercial Limited, Chartered Surveyors
Shell	Shell International Limited
Shell Centre	Shell's headquarters on the South Bank, London
Songbird	Songbird Estates plc
Songbird Shares	Ordinary shares of 10p each in Songbird
sq ft	Square foot/square feet
SSAP 9	Statement of Standard Accounting Practice 9 (Stocks and long term contracts)
Trust	Canary Wharf Employee Share Ownership Plan Trust
UITF 28	Urgent Issue Task Force 28 (Operating leases)
UK GAAP	United Kingdom Generally Accepted Accounting Practice
WWLP	Wood Wharf Limited Partnership