CANARY WHARF GROUP PLC

Extracted from the Interim Report of the Group for the six months ended 30 June 2012. The Interim Report for the half year ended 30 June 2012 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

Development programme pipeline progressing well

- **25 Churchill Place** – concrete core completed and funding secured for building completion (Note (i)).
- **Crossrail station** – construction within budget and platform level handed over to CRL to enable access for tunnelling machines (Note (i)).
- **Retail expansion** – 44,000 sq ft expansion of Jubilee Place mall on schedule and work commenced on the 100,000 sq ft mall above the Crossrail station (Note (i)).
- **Joint ventures:**
  - **20 Fenchurch Street** – on schedule to be topped out by the end of 2012. First letting secured for 51,000 sq ft at a rent of £65.00 psf. 23.7% let or in solicitors' hands (Note (i)).
  - **Shell Centre** – planning application to be submitted by year end (Note (i)).
- **Land assembly** – 100.0% ownership of Wood Wharf secured and a new master plan for the site being developed (Note (i)).
- **Existing sites** – planning consents for sites at One Park Place, Heron Quays West and Newfoundland being reviewed to maximise value (Note (i)).

Continued leasing activity and secure income stream

- Weighted average lease term 14.6 years assuming exercise of all break options (Note (i)).
- Lease extension signed with Bank of New York Mellon on over 152,000 sq ft in One Canada Square at £42.50 psf (10.4% ahead of built ERV) (Note (i)).
- Further lettings of approximately 20,000 sq ft, including leases with rents in the range £40.00 – £43.00 psf (Note (i)).

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

- Retail portfolio performing well – valuation up 4.3% in the half year (Note (i)).
- Office portfolio valuation stable (Note (i)).
- Benchmark initial yield unchanged at 5.35% (Note (i)).
- Market value of investment portfolio up by 0.7% over the period (Note (i)).
- Including land, portfolio valuation up 1.8% over the period, adjusting for the acquisition of Wood Wharf (Note (i)).

Secure financial position underpins the Group's strategy

- Unrestricted cash of £811.7m at 30 June 2012 (Note (ii)).
- £190.0m construction loan facility secured against 25 Churchill Place (Note (i)).
- Scheduled loan amortisation of £33.2m paid in the period (Note (iii)).
- Average loan maturity of 13.4 years in line with weighted average lease term assuming the exercise of outstanding break options (Note (i)).

Financial summary

- Dividend paid of 4.0p per share totalling £25.6m (Note (iv)). Dividend of 14p per share totalling £89.5m declared on 13 September 2012 and payable on 25 September 2012 (Note (v)).
- Net assets £2,457.0m at 30 June 2012, an increase of £19.1m or 0.8% from £2,437.9m at 31 December 2011, net of the £25.6m dividend paid in April 2012 (Note (i)).
- Adjusted net assets per share £4.15 compared with £3.99 at 31 December 2011 as restated, an increase of 4.0% (Note (i)).
- Profit before tax £3.2m (6 months ended 30 June 2011 – loss of £8.2m) (Note (i)).
- Profit after tax £5.9m (6 months ended 30 June 2011 – £19.9m) (Note (i)).

Note:
(i) Refer to Business Review.
(ii) Refer to Note 8.
(iii) Refer to Note 10.
(iv) Refer to Note 12.
(v) Refer to Note 15.

RESULTS IN BRIEF

	Note	**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
Rental income	(i)	**130.3**	124.6
Operating profit		**103.5**	92.3
Exceptional item:			
– movement in uneconomic hedge provision	(ii)	**0.4**	1.8
Profit/(loss) on ordinary activities before tax		**3.2**	(8.2)
Profit/(loss) before tax excluding exceptional items	(i)	**2.8**	(10.0)
Tax	(iii)	**2.7**	28.1
Profit for the financial period after tax		**5.9**	19.9
Basic and diluted earnings per share	(iv)	**0.9p**	3.1p

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S OPERATIONAL REVIEW

Introduction

There has been steady progress across the business in the first 6 months of 2012, with continuing leasing and construction activity, material impetus in the Group's 11.3m sq ft development pipeline, in particular with the acquisition of full control of Wood Wharf, an impressive performance from our retail portfolio and further efforts to diversify our activities and tenant base.

Although leasing activity in London has remained subdued, at Canary Wharf during the period the Group signed a lease extension on 152,000 sq ft at One Canada Square with Bank of New York Mellon and a series of smaller lettings at rents in excess of £40.00 psf. After the period ended we have seen continued lettings momentum. Nearly a quarter of the joint venture project at 20 Fenchurch Street is now prelet or in solicitors' hands. Although this fast climbing tower in the heart of London's insurance district is not due to be completed until the first quarter of 2014, it continues to attract interest from potential tenants and we are confident of concluding further prelets there in the short to medium term.

During the period, a series of steps have also been made to progress our demand led development pipeline. The developments at 25 Churchill Place in Canary Wharf and 20 Fenchurch Street in the City, are both on budget and well ahead of schedule. On the Wood Wharf site adjacent to Canary Wharf, a full development review is underway subsequent to securing full control of the site and we are delighted to announce the appointment of architects Terry Farrell & Partners to develop the master plan for this site. The joint venture with Qatari Diar for the mixed use redevelopment of the 5.25 acre Shell Centre site situated on London's bustling South Bank has progressed well as scheduled and it is anticipated that, following the conclusion of an extensive public consultation process, the full planning application will be lodged later this year. In addition, the developments at Canary Wharf, Wood Wharf and Shell Centre will all provide a significant element of high quality residential accommodation.

The Group's excellent retail performance has continued into 2012 and there is strong demand for the 144,000 sq ft of additional retail space currently under construction at Canary Wharf in the Jubilee Place extension and also above the new Crossrail station. The working population of more than 100,000 at Canary Wharf and the growing residential population of East London will both be well served by these developments. The high level of interest in our retail space further underpins the status of Canary Wharf as an attractive retail and leisure destination and dynamic business hub.

Although our main business remains the provision of high specification, bespoke office accommodation, diversifying our development offering and hence our tenant base is an integral element of our long term strategy. This has progressed further with the appointment of Eric Van Der Kleij, technology entrepreneur and Chief Executive of Tech City Investment Organisation, as a specialist adviser to help shape the Group's vision for future development and also to accommodate occupiers in the technology, media and telecommunications sectors.

Although the London 2012 Olympic and Paralympic Games fell outside the reporting period, the proximity of Games' venues and record numbers of visitors to East London drove up Canary Wharf visitor numbers. The transport infrastructure coped extremely well and our facilities comfortably accommodated the influx of people. At Canary Wharf, for the first time, we were pleased to welcome a large number of sailing boats which were hosting Olympics' visitors. The Games themselves shone a bright spotlight on all of London and highlighted particularly the positive changes which have taken place in the East part of the city. We expect this to prove beneficial in the coming months and years as London's centre of gravity continues to move eastwards and, with the arrival of Crossrail, inner East London is seen as an increasingly desirable place to work and live.

Financial Review

The Group continues to enjoy a secure financial position, underpinning our growth strategy. In reflection of this performance, the Board declared a dividend of 4p per share (totalling £25.6m) in April and a further dividend of 14p per share (totalling £89.5m) today.

The Group's net assets totalled £2,457.0m at 30 June 2012, representing an increase of 0.8% or £19.1m from £2,437.9m at 31 December 2011. This increase was due to the revaluation surplus on investment properties of £38.8m and the profit after tax of £5.9m, and is stated net of the dividend of £25.6m paid in April.

The portfolio valuation remains resilient notwithstanding the difficult economic backdrop. Retail continues to perform particularly well, with the retail portfolio valuation up 4.3% over the year, reflecting continued growth in passing rents. The valuation of the office portfolio was stable with the benchmark initial yield remaining at 5.35%. Overall, the market value of the investment portfolio has grown marginally over the period by 0.7% to £4,734.0m, while including land the portfolio valuation is up 1.8% to £5,243.5m. This increase reflects the benefit of consolidating and revaluing Wood Wharf for the first time subsequent to the acquisition of the stakes previously held by Ballymore and BWB.

Profit before tax for the period was £3.2m in comparison with a loss before tax in the previous year of £8.2m. The improvement in the first half result was primarily attributable to an increase in rental income and a reduction in service charge voids and administrative expenses.

Adjusted NAV per share was £4.15 per share at 30 June 2012 compared to £3.99 (restated) per share at 31 December 2011, an increase of 16p or 4.0%. The weighted average cost of debt was unchanged at 6.2% and the weighted average maturity was 13.4 years. This compares with the weighted average unexpired lease term of 14.6 years assuming exercise of all break options.

Operational review

Leasing

Bank of New York Mellon extended its lease on over 152,000 sq ft in One Canada Square for a term of 9 years at £42.50 per sq ft. Further lettings totalling approximately 20,000 sq ft, including leases with rents in the range of £40.00 – £43.50 psf, were concluded at Canary Wharf during or shortly after the period. Occupancy levels in our investment portfolio at Canary Wharf stood at 95.6% at 30 June 2012.

Since the end of the period, there has been further leasing progress. At 20 Fenchurch Street, 3 prelets have now been completed or are in solicitors' hands equivalent to around a quarter of the floor space in the building. The first letting was completed in July 2012 to Markel for 51,000 sq ft on levels 26 and 27 and this has just been followed up with a letting of 78,000 sq ft to Kiln Group.

The working population at Canary Wharf passed 100,000 for the first time in the summer of 2012. According to Financial Times research, there are now more financial sector workers employed in Canary Wharf than any other business district in Europe. Furthermore, more than 35.0% of the office space at Canary Wharf is occupied by non financial sector tenants and we continue to take steps to ensure the diversification of our current and future tenant portfolio. We have already established one of London's leading technology, media and telecommunications clusters, with over 1.0m sq ft occupied by TMT companies at Canary Wharf including Thomson Reuters, Infosys, Ogilvy & Mather, Trinity Mirror, McGraw Hill, China Unicom, The Economist, Instinet, Ricoh UK and Sungard. These companies directly employ over 7,000 people at Canary Wharf and, coupled with many thousands of additional technology professionals working at adjacent financial services companies, it is one of the world's most technology intensive districts. Ultimately, we aim to help London enhance its position as the digital capital of Europe and complement existing successful digital clusters elsewhere in London's City Fringe, West End and South Bank.

In contrast to the wider retail market, all retail units at Canary Wharf are fully let or in solicitors' hands. We are seeing a high level of interest in the 44,000 sq ft extension of retail space under construction at Jubilee Place at Canary Wharf where 9 of the 29 units are either let or in solicitors' hands. Negotiations are already under way on over 40.0% of the 100,000 sq ft of new retail space being developed above the Crossrail station at Canary Wharf. There is also strong interest in the other units in this development which is due to open on a phased basis between 2015 and 2018. This demand reflects the robust market generated by the over 100,000 people working at Canary Wharf, those living in the borough and other visitors from further afield.

Construction and development pipeline

Demand for high grade office space in central London has remained subdued due to the broader economic uncertainties, but we remain confident that the timing of our current construction projects is correct and they will complete in a market in which supply remains constrained.

At Canary Wharf, the concrete core has been completed on 25 Churchill Place and steel work has reached level 8. This building is 50.0% let to the European Medicine Agency on a 25 year lease and we are actively marketing the remainder of it to other tenants. In March 2012, the Group also completed construction of the lowest 2 levels of the Canary Wharf Crossrail Station and handed them over to Crossrail 5 months ahead of schedule. The station box is now ready to receive the tunnelling machines in 2013 and work has commenced on the 100,000 sq ft of retail above the station. Crossrail is due to become operational in 2018 and will be a new engine for growth in this area of London, bringing a further 1.5m people within a 60 minute commute time from the centre of London.

We have increased our stake from 25.0% to 100.0% in the Wood Wharf scheme, which gives us full control over the timing and design of this 8.1 hectare site. Following an international competition conducted in the spring of 2012, architects Terry Farrell & Partners have been appointed to develop a new master plan for the scheme. This master plan will target London's expanding business sectors including creative media, technology, telecommunications, consumer goods and health. The development strategy will focus on establishing Wood Wharf as a new creative district for London with a significant residential element drawing on the strength of Canary Wharf's amenities, employment and transport infrastructure and the growth of East London as the destination for technology and creative media firms and the new creative heart of London.

The scheme is expected to optimize value by increasing the proportion of new residential units to approximately 3,000, and will include 2.15m sq ft of commercial office space, in buildings ranging from 64,500 to 538,000 sq ft (NIA), and 236,800 sq ft of retail, cultural and community uses. An application for planning permission is anticipated for the second quarter of 2013. It is expected that the scheme will be completed in phases over 8–10 years with Phase I commencing on site in 2014.

Designs for One Park Place, Heron Quays West and Newfoundland, all at Canary Wharf, are also being reviewed to ensure we maximise value at these sites.

Outside Canary Wharf, the joint venture with Land Securities at 20 Fenchurch Street, EC3 for which the Group is acting as construction manager and joint development manager, is on schedule, with the concrete core now completed and steel work due for completion by year end. Construction is on target to be completed in the first quarter of 2014. This architecturally impressive building is in the heart of London's insurance market and will be a significant addition to the City's skyline.

The master planning and design process for the Shell Centre situated on London's vibrant South Bank is progressing according to plan. The masterplan for the office and residential led mixed use scheme is being prepared by Squire and Partners. 7 new buildings will be arranged around the retained Shell Tower. Up to 800 residential apartments benefitting from superb views of the Thames and around 500,000 sq ft of offices, will be located close to the busy hub of Waterloo Station. Ground floor retail space will complement the premium public realm which will enjoy much improved connections between Waterloo Station and the River Thames. The high quality design of the scheme, which includes the use of stone in a number of the buildings in order to remain sympathetic to the heritage of the area, will help to redefine perceptions of the Waterloo area. The planning and related applications will be submitted towards the end of 2012 and have been informed by extensive and innovative public and stakeholder consultation.

Conclusion

The eyes of the world were on the Olympic Games and there is no doubt that the event has reminded people of the status of London as dynamic and exciting, and helped to emphasise its role as a global economic power house. The Games leave behind a reinvigorated energy in an area of London in which Canary Wharf Group has been pioneering for 2 decades. The pull of East London has never been stronger and we believe it will continue to grow, attracting new tenants and sectors for decades to come.

The Group's land bank and current projects give us the flexibility and diversity to continue to attract potential occupiers across office, residential and retail space, underpinning our growth plans. Canary Wharf Group has built its reputation over the last 20 years through its ability to develop high quality space working hand in hand with current and future occupiers in order to meet their specific requirements, an approach we will continue to take whilst also looking to diversify our offering. Looking to the future, there are exciting opportunities to use this ability to maximize our development pipeline and we are now laying the foundations for future growth.

BUSINESS REVIEW

The following Business Review is intended to provide shareholders with an overall summary of the business of the Group, both during the 6 months ended and as at 30 June 2012, as well as, where applicable, summarising significant events which have occurred subsequent to this date.

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

Property Portfolio

The Group is engaged in property investment and development and is primarily focused on the development of the Estate. Elsewhere in London, the Group is involved through joint ventures in the redevelopment of 20 Fenchurch Street and the Shell Centre.

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

At 30 June 2012, the Group's investment portfolio comprised 16 completed properties (out of the 35 constructed on the Estate) totalling approximately 6.9m sq ft of NIA. The weighted average unexpired lease term for the investment property portfolio at 30 June 2012 was approximately 16.0 years, or 14.6 years assuming the exercise of outstanding break options (31 December 2011 – 16.2 years or 14.9 years respectively).

The investment property portfolio was 95.6% let at 30 June 2012 (31 December 2011 – 96.5%). 76.3% of the square footage under lease does not expire or cannot be terminated by tenants during the next 10 years.

As well as the rental income generated from the properties owned by the Group, income is generated from managing the Estate which, in addition to the 16 completed properties owned by the Group, includes 19 properties totalling 8.7m sq ft in other ownerships.

Leasing

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

- In January 2012, the Group renewed leases with Bank of New York Mellon on 152,226 sq ft for a term of 8 years from 1 January 2014 at a rent of £42.50 psf (10.4% ahead of built ERV) subject to an 18 month rent free period. There will be tenant only break options over 2 floors totalling 56,249 sq ft in January 2019 subject to a 10 month rent penalty. This lease compares with the valuers' headline ERV of £38.50 psf for lettings greater than 100,000 sq ft of existing space.

- In April 2012, Metlife took an additional 12,900 sq ft on level 34 at a rent of £43.00 psf subject to a 15 month rent free period. The lease term is 9 years subject to a break option in October 2018. A further rent free period of 6 months will be granted in the event the break option is not exercised. Metlife's break option in July 2012 over its lease of 10,784 sq ft on level 28 was not exercised and this lease now runs through to expiry in January 2015.

- Novartis renewed its lease over 1,995 sq ft on level 34 for a further 3 years at a rent of £40.00 psf.

Subsequent to the period end, Doyle Clayton Solicitors Limited took 1,066 sq ft on level 10 for a term of 5 years at a rent of £42.50 psf subject to a 6 month rent free period. There is a break option at the expiry of the third year and if the option is not exercised an additional 4 month rent free period will be granted. In addition, Maypole Energy Limited has taken 3,553 sq ft on level 19 of 40 Bank Street for a term of 5 years at a rent of £42.50 psf subject to a rent free period of 4 months. There is a break option upon expiry of the third year of the lease and if the option is not exercised an additional 4 month rent free period will be granted.

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

All options to sublet space back to the Group have been exercised and at 30 June 2012 the estimated net present value of sublet liabilities was approximately £30.0m discounted at 6.2%, being the Group's weighted average cost of debt (31 December 2011 – £31.0m discounted at 6.2%). These sublet commitments have been reflected in the market valuation of the Group's properties.

Retail

Retail and restaurants at Canary Wharf have benefitted from the growing working population with the majority of outlets enjoying strong sales despite the general UK retail economic downturn. New occupiers who opened in the first 6 months of 2012 include Alfred Dunhill, Blink Brow and L'Entrecote. Rental growth has been achieved in most locations and demand remains strong.

In the first half of 2012, footfall in the Canary Wharf retail malls was 1.05% up on 2011, which compares with a national benchmark reduction of 2.7%. There has been a noticeable increase in tourists visiting the Estate as a result of the Olympic and Paralympic games.

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

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

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

Construction

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

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

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

Crossrail

Construction commenced on the Crossrail station in May 2009 and the Group has now fulfilled its funding obligations to the project. CRL will pay a fixed price of £350.0m and the Group bears the risk for the difference between actual costs and the fixed price payable by CRL. Construction of the station box continued to plan and the box was completed in March 2012, 5 months ahead of schedule. This enabled the platform level to be handed over to CRL to enable access for the tunnelling machines. The project is performing well against budget. The first trains are due to run in 2018 when Crossrail opens for passenger service. Planning permission has also been granted for a 100,000 sq ft retail mall above the station which will be subject to a long lease to the Group (see Business Review – Retail).

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 have been allocated to these development properties.

Wood Wharf

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

The Group secured 100.0% ownership of Wood Wharf by combining its original 25.0% effective interest with the 75.0% interests acquired from its joint venture partners, BWB and Ballymore. It also agreed the restructuring of BWB's ongoing participation as freeholder of Wood Wharf. As a result, the Group now has control over the timing and design of the scheme.

BUSINESS REVIEW (Continued)

Wood Wharf will be a new mixed use development scheme adjacent to the existing Estate. In May 2009, the current master plan received planning consent for 4.6m sq ft net. This consent, which was renewed in 2012 and represents an area almost one third of the size of the Estate, currently comprises approximately 1.25m sq ft of residential, 3.1m sq ft of offices, 0.2m sq ft of retail and a 0.2m sq ft hotel. Detailed consent was granted on the 3 office buildings closest to the Estate totalling 1.5m sq ft net in July 2009. Having secured full control of the scheme the best uses for the site are being reviewed, potentially altering the mix of uses in favour of residential, reducing the size of individual office buildings to appeal to new target sectors and to integrate and connect this new district to the existing Estate.

The acquisition of Ballymore's interest was completed in December 2011, for a consideration of £38.0m. The consideration for the subsequent acquisition of BWB's 50.0% interest in Wood Wharf in January 2012 was £52.4m together with a restructured 250 year lease that will see an annual ground rental payment to BWB increasing to £6.0m by 2016. For the remainder of the lease, this ground rent will be subject to upwards only reviews linked to the passing rent achieved on the office buildings and the ground rents paid by purchasers of the residential apartments built in the scheme. The £52.4m payment comprises an upfront payment of £4.4m and a series of 4 annual payments up to and including 2015.

Other development sites

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

Heron Quays West has consent for an office scheme of over 1.3m sq ft. However, a number of alternative development options, both for office and also mixed office and residential use, are being considered.

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

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

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

	NIA m sq ft
Based on existing planning permissions:	
– North Quay	2.39
– Heron Quays West	1.33
– Newfoundland	0.23
– Crossrail retail	0.10
– One Park Place (proposed development)	0.65
– Wood Wharf	4.60
	9.30
Sold to J.P. Morgan:	
– Riverside South (the Group acting as development and construction manager)	1.90

The site at Riverside South was acquired by J.P. Morgan in November 2008 and the 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 the Group to proceed with the next phase of infrastructure works and these have now commenced on site with completion targeted for the last quarter of 2013.

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

20 Fenchurch Street

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

Planning consent for a 37 storey building was granted in October 2009. The building will provide approximately 690,000 sq ft of world class space in floor plate sizes of 14,000 sq ft to 28,000 sq ft, with a sky garden on the top 3 floors. Construction commenced on site in January 2011 and is progressing on schedule and within budget. The building is expected to be topped out by the end of 2012 with completion expected in April 2014.

BUSINESS REVIEW (Continued)

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

Approximately 23.7% of the building is either let or under offer. In June 2012, the joint venture announced the first letting in the building for 51,000 sq ft on levels 26 and 27 to Markel at a rent of £65.00 psf. Subsequently, in September 2012, Kiln Group Limited leased 78,000 sq ft. The joint venture is also in advanced negotiations with other potential occupiers of the building.

Shell Centre

In July 2011, 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 and have committed to contributing £150.0m each to the joint venture to secure the 5.25 acre site on a 999 year lease. The Group's contribution is being met from existing corporate resources. The aggregate £300.0m payment for the site is conditional on planning permission being received for the project within 3 years. The Group will act as construction manager for the project and will also be joint development manager with Qatari Diar. The joint development manager fees generated from the transaction are being apportioned between the parties.

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

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

Valuations

The net assets of the Group, as stated in its Consolidated Balance Sheet as at 30 June 2012, were £2,457.0m. In arriving at this total:

(i) properties held as investments were carried at £4,639.0m, which represents the market value of those properties of £4,734.0m at that date as determined by the Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £95.0m for tenant incentives;

(ii) the property under construction was carried at £87.3m, representing its cost to the Group; and

(iii) properties held for development were carried at £361.4m, representing their cost to the Group.

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

	30 June 2012 %	31 December 2011 %
Office portfolio:		
Weighted average initial yield	**5.1**	5.1
Weighted average equivalent yield	**5.5**	5.4
Retail portfolio:		
Weighted average initial yield	**5.0**	5.1
Weighted average equivalent yield	**5.2**	5.2

The retail portfolio again performed strongly with market value increasing by 4.3%. The market value of the office portfolio increased by 0.1% over the period. The benchmark initial yield for rack rented office properties remained at 5.35%.

Taking office and retail together, the market value of the investment portfolio increased by £33.5m or 0.7% in the first half of 2012. After allowing for additions and adjustments in respect of tenant incentives, the carrying value of the investment portfolio increased by £38.8m or 0.8%.

BUSINESS REVIEW (Continued)

The valuers have also provided their opinions of the market value for sites held for development. During the period the Group achieved full ownership of Wood Wharf which has now been transferred from Investments to Development properties (see Business Review – Wood Wharf). 25 Churchill Place, which was previously classified as a Development property, was transferred to Property under construction on commencement of shell and core works (see Business Review – 25 Churchill Place). The other development sites, owned throughout the period, comprised North Quay, Heron Quays West, Newfoundland, Crossrail retail and One Park Place. These sites were valued in aggregate at £413.5m at 30 June 2012.

25 Churchill Place was valued at £96.0m in comparison with £80.0m at 31 December 2011, reflecting construction progress over the 6 months.

The market value of certain of the development sites was 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 Board has concluded that no provision for impairment is required as at 30 June 2012.

The market value of the entire property portfolio after adjusting for the acquisition of Wood Wharf and other additions, increased by £94.7m or 1.8%. This increase in value was driven by the factors stated previously.

The valuations at 30 June 2012 are based on assumptions which include future rental income, anticipated void costs, the appropriate discount rate or yield and, in the case of development properties, the estimated costs of completion. In addition the valuations allow for letting, disposal, marketing and financing costs. The valuers also make reference to market evidence of transaction prices for similar properties on the Estate. In valuing the sites held for development and property 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 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 2012		31 December 2011		30 June 2011	
	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)	**4,639.0**	**4,734.0**	4,590.9	4,700.5	4,601.7	4,726.5
Property under construction	(ii)	**87.3**	**96.0**	–	–	–	–
Properties held for development	(ii)	**361.4**	**413.5**	303.2	293.5	302.3	280.0
		5,087.7	**5,243.5**	4,894.1	4,994.0	4,904.0	5,006.5
Sold property:							
Property under construction at Riverside South	(iii)	**67.1**	**134.9**	75.6	133.7	76.0	131.7
		5,154.8	**5,378.4**	4,969.7	5,127.7	4,980.0	5,138.2

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 2012 was £95.0m (31 December 2011 – £109.6m, 30 June 2011 – £124.8m). Market value in existing state is shown prior to this adjustment.

(ii) Properties held for development at 31 December 2011 and 30 June 2011 included 25 Churchill Place which has been reclassified as under construction following commencement of shell and core works in February 2012.

(iii) The carrying value in the balance sheet at 30 June 2012 is stated net of £61.1m transferred to cost of sales (31 December 2011 – £61.0m, 30 June 2011 – £58.2m) and £6.0m transferred to payments on account (31 December 2011 – £14.6m, 30 June 2011 – £17.8m). Market value in existing state includes the present value of the minimum 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 and excludes the profit already recognised in the profit and loss account on the disposal of the site in 2008.

BUSINESS REVIEW (Continued)

Operating Results

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

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 under long term contracts and fees earned from construction and development management agreements.

Turnover for the 6 months ended 30 June 2012 was £164.4m, against £158.8m for the 6 months ended 30 June 2011. Of this amount, recognised rental income was £115.7m for 2012 compared with £109.2m for 2011. The impact of UITF 28 was to reduce rental income by £14.6m in the 6 months ended 30 June 2012 (6 months ended 30 June 2011 – £15.4m). Excluding the impact of UITF 28, rental income increased from £124.6m to £130.3m, an increase of £5.7m partly attributable to the expiry of rent free periods and partly as a result of increased retail rents.

Service charge income increased from £38.8m to £40.1m and miscellaneous income, including insurance rents, the provision of tenant specific services outside the standard service charge and fees recognised on the provision of development and construction management services, increased from £8.2m to £8.5m over the period.

In the 6 months ended 30 June 2011, turnover and cost of sales included £2.6m in respect of the long term contract for Riverside South in comparison with £0.1m for the first half of 2012. No profit has been recognised on this long term 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 and property management costs, movements on provisions for certain lease commitments, as well as costs allocated to cost of sales on construction contracts. Property management costs were £46.3m in comparison with £48.8m for the 6 months ended 30 June 2011. Taking into account service charge and miscellaneous property income totalling £47.5m for the 6 months ended 30 June 2012 (6 months ended 30 June 2011 – £45.6m), a surplus on property management of £1.2m was recorded (6 months ended 30 June 2011 – deficit of £3.2m).

An increase in provisions of £0.4m before any adjustment for discounting was recognised in the 6 months ended 30 June 2012 relating to certain rent support commitments and other obligations. This compared with an increase of £1.6m in the 6 months ended 30 June 2011. Cost of sales for the 6 months ended 30 June 2012 also included £1.4m of ground rent payable in relation to Wood Wharf.

For the 6 months ended 30 June 2012, gross profit (net property income) was £116.2m, an increase of £10.4m in comparison with the 6 months ended 30 June 2011. This increase was mainly attributable to the increase in rental income after adjusting for UITF 28 of £6.5m and the reduction in service charge voids of £4.4m.

Administrative expenses for the 6 months ended 30 June 2012 were £13.4m in comparison with £14.4m for the 6 months ended 30 June 2011. This reduction was primarily attributable to the accounting costs recognised in 2011 in connection with an allocation of shares which vested in June 2011.

Including other operating income of £0.7m for the 6 months ended 30 June 2012 (6 months ended 30 June 2011 – £0.9m), operating profit for the period was £103.5m, in comparison with £92.3m for the 6 months ended 30 June 2011. The increase in operating profit of £11.2m was largely attributable to the factors impacting on gross profit detailed above.

Net interest payable for the 6 months ended 30 June 2012 excluding exceptional items was £100.7m, against £102.3m for the 6 months ended 30 June 2011. Interest payable for the 6 months ended 30 June 2012 is stated net of £2.4m which has been capitalised and transferred to the property under construction within fixed assets in accordance with FRS 15. This amount is the finance charge relating to the Group's general borrowings which are deemed to have been utilised in financing the costs incurred on building the property under construction. Prior to this allocation, the small increase in net interest payable was attributable to the £92.3m loan facility secured against 50 Bank Street which was drawn down in June 2011, partly offset by scheduled amortisation of loans.

In April 2009, the Group repurchased an aggregate principal amount of £119.7m of certain securitisation Notes. These Notes remain in issue and continue to be fully hedged in accordance with the terms of the securitisation. However, from the perspective of the consolidated accounts the hedges relating to the repurchased Notes are deemed to be uneconomic and are therefore carried at fair value. The gain associated with the movement in the mark to market of the hedges in the 6 months ended 30 June 2012 of £0.4m (6 months ended 30 June 2011 – £1.8m) has been treated as an exceptional item (Note 2).

The profit on ordinary activities after interest for the 6 months ended 30 June 2012 was £3.2m in comparison with a loss of £8.2m for the 6 months ended 30 June 2011. Excluding the exceptional item, profit on ordinary activities after interest for the 6 months ended 30 June 2012 was £2.8m in comparison with the loss of £10.0m for the 6 months ended 30 June 2011. The improvement in profit on ordinary activities was largely attributable to the increase in rental income, the reduction in administrative expenses and the factors disclosed above.

BUSINESS REVIEW (Continued)

Tax for the 6 months ended 30 June 2012 comprised a deferred tax charge of £0.5m and a corporation tax credit of £3.2m which has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2012. During the 6 months ended 30 June 2011, the Group recognised a deferred tax credit of £33.7m and a corporation tax charge of £5.6m. The deferred tax release in the previous period was attributable to the expiry of the period in which EZAs could potentially have been clawed back on certain properties on the Estate.

The profit for the financial period after tax for the 6 months ended 30 June 2012 was £5.9m in comparison with a profit after tax of £19.9m for the 6 months ended 30 June 2011.

The basic and diluted earnings per share for the 6 months ended 30 June 2012 was 0.9p (6 months ended 30 June 2011 – earnings of 3.1p) (Note 4).

Excluding the exceptional item, the adjusted earning per share was unchanged at 0.9p, calculated by reference to the profit after tax excluding the movement in the mark to market of the deemed uneconomic hedges. This compares with earnings per share of 2.8p calculated on the same basis for the 6 months ended 30 June 2011.

Tax

If the Group was to dispose of its property portfolio at the market value disclosed in this Business Review, a tax liability of £130.5m would arise (31 December 2011 – £96.5m). 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 tax loss balances brought forward and 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 NNNAV.

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 2012 were £2,457.0m in comparison with £2,437.9m at 31 December 2011. The increase in net assets of £19.1m, or 0.8%, was primarily attributable to the revaluation surplus on investment properties of £38.8m and the profit after tax for the 6 months of £5.9m and is stated after the dividend of £25.6m paid in April 2012.

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 Board, is for the most part unlikely to crystallise.

BUSINESS REVIEW (Continued)

Adjusted NAV per share at 30 June 2012 is set out in the table below which, for comparison purposes, also includes adjusted NNNAV per share.

	Note	**30 June 2012 £m**	Restated[iv] 31 December 2011 £m
Net assets per consolidated balance sheet		**2,457.0**	2,437.9
Add back:			
– deferred tax		**12.0**	11.5
– provision for uneconomic hedge	(i)	**45.2**	45.6
Net assets prior to deferred tax		**2,514.2**	2,495.0
Revaluation of property portfolio:			
– properties held for development	(ii)	**52.1**	(9.7)
– property under construction	(ii)	**8.7**	–
– properties under construction held for sale	(iii)	**67.8**	58.1
Group's share of revaluation of associate's property under construction	(iv)	**8.7**	7.6
Adjusted NAV		**2,651.5**	2,551.0
Fair value adjustments in respect of financial assets and liabilities less tax thereon	(v)	**(381.7)**	(322.1)
Contingent tax on property disposals	(vi)	**(130.5)**	(96.5)
Undiscounted deferred tax	(vii)	**(11.6)**	(11.1)
Uneconomic hedge	(i)	**(45.2)**	(45.6)
Adjusted NNNAV		**2,082.5**	2,075.7
Adjusted net assets per share	(viii)	**£4.15**	£3.99
Adjusted NNNAV per share	(viii)	**£3.26**	£3.25

Note:
(i) Adjusted NAV is calculated after adding back the provision in respect of uneconomic hedges (Note 11) of £45.2m (31 December 2011 – £45.6m). These hedges relate to certain Notes which were repurchased by the Group in 2009 but remain in issue and continue to be fully hedged by the issuing subsidiary and are deemed to be uneconomic. As the Board does not consider this to be a liability of the Group that will crystallise, for the purposes of calculating adjusted NAV the adjustment for the uneconomic hedge provision has been added back. In calculating adjusted NNNAV per share, the full provision in respect of uneconomic hedges has been deducted.
(ii) Revalued to market value in existing state.
(iii) Deferred profit on construction of Riverside South (refer to Business Review – Valuations).
(iv) Adjusted NAV and adjusted NNNAV have now been calculated including the Group's share of the revaluation surplus recognised in its associates and joint ventures. Prior to this restatement, adjusted NAV per share at 31 December 2011 was £3.98 and adjusted NNNAV per share was £3.24.
(v) Refer to Note 10(10).
(vi) Refer to Business Review – Tax.
(vii) Refer to Note 3.
(viii) Calculated by reference to the closing number of shares in issue of 639.0m at each balance sheet date. There were no dilutive instruments at either date.

Adjusted NAV per share increased by 16p from £3.99 at 31 December 2011 to £4.15 at 30 June 2012, an increase of 4.0%, primarily as a result of the revaluation of the Group's property portfolio, the profit after tax for the period and net of the £25.6m dividend payment in April 2012.

In arriving at the adjusted NAV per share, the deferred tax provision recognised in accordance with FRS 19 has been added back. 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 (Continued)

Borrowings

At 30 June 2012, net debt (after cash in hand and cash collateral) stood at £2,447.1m, up from £2,380.2m at 31 December 2011, and comprised:

	30 June 2012 £m	31 December 2011 £m
Securitised debt	**2,335.8**	2,365.0
Loans	**1,005.5**	1,003.7
Wood Wharf loan notes	**76.0**	–
Total borrowings	**3,417.3**	3,368.7
Less:		
– cash collateral for borrowings	**(141.3)**	(116.7)
– cash collateral for construction	**(2.3)**	(3.9)
– other cash collateral	**(14.9)**	(14.4)
	3,258.8	3,233.7
Less: cash deposits	**(811.7)**	(853.5)
Net debt	**2,447.1**	2,380.2

In December 2011, the Group entered into a £190.0m development loan facility to fund construction of a new building at 25 Churchill Place. The facility carries interest at 3 month LIBOR plus a margin of 300 bps until rent commencement, following which the margin may drop to 250 bps, or to 225 bps, subject to satisfaction of certain interest cover tests. The loan is also subject to a maximum LTV covenant of 65.0% and is repayable in December 2016. Finance costs incurred on this loan during the construction of the building, comprising interest payable and fees, will be capitalised and included as part of the cost of construction. First drawings under the facility are anticipated prior to the year end.

The 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 the Loan Covenants section of this Business Review. For all of its loans the Group was in compliance with its lending covenants at 30 June 2012 and throughout the period then ended.

Borrowings increased from £3,368.7m to £3,417.3m primarily as a result of the issue of loan notes in connection with the acquisition of Wood Wharf. The reduction in cash and term deposits from £988.5m to £970.2m is primarily attributable to construction and development expenditure and the investment in associates and joint ventures, including the acquisition of BWB's 50.0% interest in Wood Wharf, together with the interim dividend of £25.6m paid in April 2012.

The weighted average maturity of the Group's borrowings at 30 June 2012 was 13.4 years (31 December 2011 – 13.9 years).

At 30 June 2012, 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 £502.3m before tax (31 December 2011 – £435.3m).

The Group's weighted average cost of debt at 30 June 2012 was 6.2% including credit wraps (31 December 2011 – 6.2%). The Group borrows at both fixed and floating rates and uses interest rate swaps 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.

Cash Flow

The net cash inflow from operating activities for the 6 months ended 30 June 2012 was £164.1m in comparison with an inflow of £113.4m for the 6 months ended 30 June 2011. The increase of £50.7m was partly attributable to the £11.2m increase in operating profit and the balance attributable to changes in working capital.

Returns on investments and servicing of finance resulted in an outflow of £101.5m for the 6 months ended 30 June 2012 compared with £105.0m for the 6 months ended 30 June 2011.

BUSINESS REVIEW (Continued)

Capital expenditure and financial investment for the 6 months ended 30 June 2012 resulted in a cash outflow of £59.0m, compared with £34.5m for the 6 months ended 30 June 2011. The 6 months ended 30 June 2012 included £31.0m (6 months ended 30 June 2011 – £30.9m) of development expenditure. Funding of the Group's equity investment in and loans to associated and joint venture undertakings totalled £7.1m including the payments made to secure 100% ownership of Wood Wharf, whereas the 6 months ended 30 June 2011 was limited to loans to associated and joint venture undertakings of £3.6m.

The financing cash outflow for the 6 months ended 30 June 2012 was £1.6m compared with an inflow of £59.3m for the 6 months ended 30 June 2011. The 6 months ended 30 June 2011 included proceeds of £92.3m drawn down under the loan facility secured against 50 Bank Street.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2012

Audited Year ended 31 December 2011 £m		Note	**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
323.0	Turnover		**164.4**	158.8
(108.5)	Cost of sales		**(48.2)**	(53.0)
214.5	**GROSS PROFIT**		**116.2**	105.8
(42.0)	Administrative expenses		**(13.4)**	(14.4)
7.6	Other operating income		**0.7**	0.9
180.1	**OPERATING PROFIT**		**103.5**	92.3
(0.2)	Share of associates' operating losses		**–**	–
7.9	Interest receivable	2	**4.0**	3.5
	Interest payable before exceptional items:	2		
(213.8)	– Group		**(104.7)**	(105.7)
(0.1)	– associates		**–**	(0.1)
	Exceptional item:			
(25.5)	– movement in uneconomic hedge provision	2	**0.4**	1.8
(239.4)			**(104.3)**	(104.0)
(51.6)	**PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX**		**3.2**	(8.2)
74.2	Tax	3	**2.7**	28.1
22.6	**PROFIT FOR THE FINANCIAL PERIOD AFTER TAX**	12	**5.9**	19.9
3.5p	Basic and diluted earnings per share	4	**0.9p**	3.1p

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 15 form an integral part of this Interim Report.

The interim results for the 6 months ended 30 June 2012 were approved by the Board on 13 September 2012.

UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2012

Audited Year ended 31 December 2011 £m		Note	**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
	Profit for the financial period after tax:			
22.9	– Group		**5.9**	20.0
(0.3)	– share of losses of associates		**–**	(0.1)
72.3	Unrealised movements on revaluation of investment properties	5	**38.8**	95.4
0.1	Reserves movement for share allocation		**–**	0.1
95.0	**TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD**		**44.7**	115.4

The Notes numbered 1 to 15 form an integral part of this Interim Report.

UNAUDITED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2012

Audited 31 December 2011 £m		Note	**Unaudited 30 June 2012 £m**	Unaudited 30 June 2011 £m
	FIXED ASSETS			
4,590.9	Investment properties	5	**4,639.0**	4,601.7
303.2	Properties held for development	5	**361.4**	302.3
–	Properties under construction	5	**87.3**	–
0.5	Other tangible fixed assets		**0.5**	0.8
120.8	Investments	6	**63.7**	56.9
5,015.4			**5,151.9**	4,961.7
	CURRENT ASSETS			
109.6	Debtors: due in more than one year	7	**95.0**	124.8
47.7	Debtors: due within one year	7	**35.8**	100.1
988.5	Cash at bank and in hand	8	**970.2**	1,125.6
1,145.8			**1,101.0**	1,350.5
(394.4)	Creditors: Amounts falling due within one year	9	**(419.7)**	(391.5)
751.4	**NET CURRENT ASSETS**		**681.3**	959.0
5,766.8	**TOTAL ASSETS LESS CURRENT LIABILITIES**		**5,833.2**	5,920.7
(3,262.4)	Creditors: Amounts falling due after more than one year	10	**(3,310.3)**	(3,336.7)
(66.5)	Provisions for liabilities	11	**(65.9)**	(80.7)
2,437.9	**NET ASSETS**		**2,457.0**	2,503.3
	CAPITAL AND RESERVES			
6.4	Called up share capital		**6.4**	6.4
	Reserves:			
146.2	– share premium	12	**146.2**	146.2
2,220.3	– revaluation reserve	12	**2,259.1**	2,243.4
0.7	– capital redemption reserve	12	**0.7**	0.7
264.8	– special reserve	12	**264.8**	264.8
(200.5)	– profit and loss account	12	**(220.2)**	(158.2)
2,437.9	**SHAREHOLDERS' FUNDS**	13	**2,457.0**	2,503.3

The Notes numbered 1 to 15 form an integral part of this Interim Report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

Audited Year ended 31 December 2011 £m		Note	**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
258.5	**Net cash inflow from operating activities**		**164.1**	113.4
(208.3)	Returns on investments and servicing of finance		**(101.5)**	(105.0)
(2.1)	Tax		**5.3**	–
(90.9)	Capital expenditure and financial investment		**(59.0)**	(34.5)
(45.0)	Equity dividends paid		**(25.6)**	–
(346.3)			**(180.8)**	(139.5)
(87.8)	**Cash outflow before management of liquid resources and financing**		**(16.7)**	(26.1)
78.3	Management of liquid resources		**(23.5)**	27.9
(16.1)	Financing		**(1.6)**	59.3
(25.6)	**(DECREASE)/INCREASE IN CASH IN THE PERIOD**	8	**(41.8)**	61.1
	Reconciliation of operating profit to operating cash flows			
180.1	Operating profit		**103.5**	92.3
0.5	Depreciation charges		**–**	0.2
25.4	(Increase)/decrease in debtors		**(2.8)**	(30.5)
14.3	Increase in creditors		**48.3**	28.5
(3.2)	Expenditure charged to provisions		**(1.5)**	(1.8)
1.8	Movements in provisions		**0.4**	1.6
2.3	Accrued share option costs		**0.8**	2.5
30.6	Amortisation of lease incentives		**14.6**	15.4
11.4	Long term contract proceeds		**1.1**	7.5
(4.7)	Long term contract costs		**(0.3)**	(2.3)
258.5	**Net cash inflow**		**164.1**	113.4

The Notes numbered 1 to 15 form an integral part of this Interim Report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012 (Continued)

Audited Year ended 31 December 2011 £m		**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m
	Returns on investments and servicing of finance		
7.2	Interest received	**3.5**	3.2
(210.4)	Interest paid	**(105.0)**	(106.7)
(0.2)	Interest element of finance lease rentals	**–**	(0.1)
(4.9)	Financing expenses	**–**	(1.4)
(208.3)	**Net cash outflow**	**(101.5)**	(105.0)
	Capital expenditure and financial investment		
(22.7)	Additions to properties	**(31.0)**	(30.9)
–	Acquisition of property interests	**(20.9)**	–
(7.3)	Acquisition of shares in parent company	**(0.1)**	–
(60.9)	Investment and loans to associated undertakings	**(7.0)**	(3.6)
(90.9)	**Net cash outflow**	**(59.0)**	(34.5)
	Financing		
(8.5)	Repayment of secured debt	**(4.4)**	(4.2)
(57.5)	Repayment of securitised debt	**(28.8)**	(28.8)
–	Wood Wharf loan notes	**32.6**	–
(42.4)	Repayment of finance lease	**–**	–
92.3	Drawdown of secured loan	**–**	92.3
–	Payment of Wood Wharf deferred consideration	**(1.0)**	–
(16.1)	**Net cash (outflow)/inflow**	**(1.6)**	59.3

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