CANARY WHARF

GROUP PLC

2009 Report & Financial Statements

Contents

Highlights

- Adjusted net asset value per share was £3.47 at 31 December 2009, an increase of 59p or 20.5% from £2.88 at 30 June 2009 and an increase of 15p or 4.5% from £3.32 over the year (Note (i)).
- Net assets increased to £1,925.0m at 31 December 2009, an increase of £410.7m or 27.1% from £1,514.3m at 30 June 2009 and by £260.7m or 15.7% from £1,664.3m at 31 December 2008 (Note (i)). The increases were partly attributable to increases in the value of the property portfolio and partly to the profit after tax for the year.
- Adjusted NNNAV per share increased to £3.31 at 31 December 2009, up by 27p or 8.9% from £3.04 at 30 June 2009, and decreased by 7p or 2.1% from £3.38 at 31 December 2008 (Note (i)).
- The market value of investment properties, property under construction and properties held for development totalled £5,000.0m at 31 December 2009, £4,603.5m at 30 June 2009 and £4,925.5m at 31 December 2008 (Note (ii)).
- The weighted average initial yield for the office portfolio valuation was 6.3% at 31 December 2009, an improvement of 100 bps since 30 June 2009 and of 60 bps since 31 December 2008. The initial yield for the retail portfolio was 5.7%, an improvement of 70 bps since 30 June 2009 and 60 bps in the year (Note (ii)).
- The weighted average equivalent yield for the office portfolio valuation was 5.7% at 31 December 2009, an improvement of 60 bps since 30 June 2009 and of 80 bps since 31 December 2008. The equivalent yield for the retail portfolio was 6.3%, an improvement of 90 bps since 30 June 2009 and 30 bps in the year (Note (ii)).
- At 31 December 2009 the Group's retained investment portfolio totalling 8.0m sq ft was 96.2% let including the Lehman building (31 December 2008 – 7.9m sq ft of which 99.7% was let) (Note (iii)).
- At 31 December 2009 the weighted average lease term for the retained investment portfolio was 15.8 years (or 14.8 years assuming the exercise of break options) (Note (iii)).
- Operating profit for 2009 fell to £281.4m from £369.6m as a result of the completion of three pre-sold properties. Profit before tax for the year was £134.8m (2008 – £268.9m).
- In April 2009 the Group repurchased certain securitisation Notes with an aggregate principal amount of £119.7m recognising a gain of £68.4m (Note (iv)).
- In December 2009 the Group exchanged contracts for the sale of 5 Churchill Place for a total consideration of £208.0m reflecting an initial yield of 5.9% (Note (iii)). The transaction completed in January 2010.
- In 2009 leasing transactions over approximately 125,000 sq ft were achieved (Note (v)).
- Practical completion (Note (vi)) was achieved on 15 Canada Square (pre-sold to KPMG); 30 North Colonnade (pre-sold to Fimalac for occupation by Fitch); and 5 Churchill Place (83.0% pre-let to JPMM).
- Substantial progress was made on the Crossrail station which continues to be on schedule and within budget (Note (vii)).
- Subsequent to the year end, in addition to completing the disposal of 5 Churchill Place, the Group:
  - announced the restructuring of leases and grant of new leases to Barclays Capital over 1,152,000 sq ft, consolidating their occupation from three into two buildings on the Estate (Note (viii));
  - acquired 1 Park Place at Canary Wharf for £17.5m with two alternative planning permissions for either 214,000 sq ft or 950,000 sq ft (Note (ix));
  - acquired the substantial majority of the drawn balance under the Drapers Gardens construction loan facility (Note (ix)); and
  - announced the letting of the Drapers Gardens joint venture project of approximately 290,000 sq ft to BlackRock (Note (ix)).

Note:
(i) Refer to 'Business Review – Balance sheet and key performance indicators'.
(ii) Refer to 'Business Review – Valuations' for a comparison with the carrying value for accounts purposes and details of movements in yields.
(iii) Refer to 'Business Review – Property portfolio' for basis of calculation.
(iv) Refer to 'Business Review – Borrowings'.
(v) Refer to 'Business Review – Leasing'.
(vi) Refer to 'Business Review – Construction'.
(vii) Refer to 'Business Review – Crossrail'.
(viii) Refer to 'Business Review – Barclays Capital'.
(ix) Refer to 'Business Review – Development properties'.

Results in Brief

	Note	**2009 £m**	2008 £m
Rental income	(i)	**318.4**	287.5
Operating profit	(i)	**281.4**	369.6
Exceptional items:			
– movement in impairment of investments in associates before interest and tax	(i)	**13.8**	(23.2)
– profit on sale of development property	(i)	**–**	118.6
– net gain on repurchase of securitised debt	(ii)	**68.4**	–
Profit on ordinary activities before tax		**134.8**	268.9
Profit before tax excluding exceptional items	(i)	**52.6**	173.5
Tax	(iii)	**(47.8)**	(19.4)
Profit for the financial year		**87.0**	249.5
Dividend per share	(iv)	**–**	16.0p
Basic and diluted earnings per share	(v)	**13.6p**	39.0p

Note:
(i) Refer to 'Business Review – Operating results'.
(ii) Refer to Note 4 for details of the charges and gains relating to repayment of debt.
(iii) Refer to Note 5.
(iv) Refer to Note 7.
(v) Refer to Note 9.

Chairman's and Chief Executive's Statement

2009 was a productive year for the Company despite adverse market conditions continuing into the first half. Adjusted NAV per share was £3.47 at 31 December 2009, an increase of 20.5% against £2.88 at 30 June 2009 and up by 4.5% against £3.32 at 31 December 2008. At the year end, occupancy levels in property owned by the Group stood at 96.2% and the average length of unexpired leases, all with upwards only rent review provisions, was 15.8 years (after substituting the term of the Lehman lease with the 4 years' cover provided by AIG). Moreover, of the space under lease 68.0% does not expire or cannot be terminated in the next 10 years.

Reflecting these strengths, and the general improvement in the London market for prime property, the net assets of the Company increased by 27.1% to £1,925.0m in the second half of the year and for 2009 as a whole increased by 15.7%. The market value of the property portfolio increased by 7.6% during the second half of 2009 to £5,000.0m, reversing the fall in value during the first half of the year.

Several large transactions under negotiation in 2009 were completed soon thereafter in 2010 including the restructuring of existing leases and a new lease with Barclays Capital, the Drapers Gardens debt acquisition and letting, the purchase of additional land on the Estate at 1 Park Place and the completion of the sale of 5 Churchill Place which all provided an encouraging start to 2010.

The Central London office rental market is generally benefiting from increased demand for high quality space, matched by only a limited supply of appropriate modern buildings in the City of London and Canary Wharf. While many of the leading global and European financial institutions are located at Canary Wharf, over 30% of occupiers come from other sectors. This diversity continues to increase as a range of occupiers are attracted by the Group's ability to provide high quality large floor plates on competitive terms, as well as more flexible space and leases to occupiers with smaller requirements.

Financial review

Net assets increased from £1,514.3m at 30 June 2009 to £1,925.0m at 31 December 2009 an increase of £410.7m, or 27.1%. Over the full year to 31 December 2009, net assets increased by £260.7m from £1,664.3m, an increase of 15.7%. These increases were attributable in part to the rise in the value of the Group's investment portfolio since 30 June 2009 and, in part, to retained profit after tax for the year of £87.0m.

The second half of the financial year witnessed a recovery in both the property investment market and latterly the occupational market. The weighted average initial yield for the office portfolio strengthened from 7.3% at 30 June 2009 to 6.3% at 31 December 2009, whilst the weighted average equivalent yield for offices improved from 6.3% to 5.7%. For the retail portfolio, equivalent yields hardened from 7.2% to 6.3% over the same period. This movement in yields was reflected in an increase in the market value of the retained investment portfolio of 7.5% since June and over the full year the investment portfolio increased in value by £128.2m or 3.0% excluding additions (see 'Business Review – Valuations').

Turnover excluding income recognised on construction contracts was £375.6m, up from £357.4m in the previous year. Gross profit on this basis was £277.2m in comparison with £257.2m for 2008. The total profit before tax for the year was £134.8m compared with £268.9m for the previous year, which reflected the successful completion of long term building contracts on three pre-sold buildings and a resulting decline in both reported annual turnover and operating profits. This is nevertheless a resilient result for 2009 reflecting the health of the underlying portfolio and testament to the strength of the Group's rental income stream from long term leases.

Profit after tax for the year was £87.0m in comparison with £249.5m for the previous year.

The weighted average cost of debt at 31 December 2009 was 6.4% and the weighted average maturity was 14.0 years.

Operational review

The Group made good progress across all its operations during 2009 and also concluded finance orientated transactions such as the repurchase of certain Notes at a discount, generating a recognised gain of £68.4m.

Leasing

Lettings on 125,000 sq ft were achieved during the year to a variety of office tenants in what was generally a difficult letting market. Subsequent to the year end, the Barclays Capital restructuring and a new lease on an aggregate of 1,152,000 sq ft and the letting of approximately 290,000 sq ft at Drapers Gardens were also completed.

Retail space at Canary Wharf remains in strong demand from well respected fashion retailers and restaurants. Occupancy levels remain high with all units in the malls either let or in solicitors' hands. In response to this impressive level of demand, seven new units were opened during 2009 in an approximately 37,500 sq ft expansion of the retail offering. Retail rental levels have also again improved. Reflecting these factors the valuation of the retail portfolio increased 15.5% in the second half of 2009 alone and 5.8% year on year.

Rent due under the lease of the Lehman building, which is partially occupied by the Administrator of that firm, was paid in full during 2009, although the Administrator has indicated it intends to vacate shortly approximately half of the building. The remaining half continues to be occupied by various sub-tenants including Nomura and there is still the full benefit of the 4 year rent guarantee from AIG which can be triggered by the Group when most appropriate.

Construction

During the year practical completion was achieved on the pre-sold buildings at 15 Canada Square, 5 Churchill Place and 30 North Colonnade. Construction is also continuing on the Riverside South site which was pre-sold to JP Morgan in 2008. JP Morgan has the option of not proceeding with further construction on this site following completion of the infrastructure works which Canary Wharf Contractors Limited is undertaking for them. If construction of the Riverside South building does not continue, the Group will be paid for the completed work and also retain £76.0m representing a portion of developer's profits relating to the development (of which £61.0m had been received by the year end).

Construction started on the Crossrail project when work commenced in May 2009 on the Crossrail station at Canary Wharf. The Group is constructing this station which will include around 100,000 sq ft of additional retail space. Work on the station box at Canary Wharf is on budget and on schedule for completion in 2012. On the Jubilee Line, when work is completed, which is expected to be in October 2010, capacity will increase by some 45.0%. Notwithstanding weekend interruptions last year due to service upgrades on the DLR which have now finished, transportation facilities are significantly improved with an additional 50.0% capacity on DLR trains now operating between Canary Wharf and Bank.

Away from Canary Wharf

Off the Estate, the Group has completed the development of Drapers Gardens which is a site in close proximity to the Bank of England and which is 20.0% owned by the Group. Following completion of the development work, the building was let by the Group on behalf of the owning consortium to BlackRock at a rent of £49.00 per sq ft. In January 2009 the significant majority of the undrawn debt for this development was acquired for the sum of £112.8m. It is notable that this project, the first of this type undertaken by the Group away from the Estate, has been completed with a most satisfactory result.

On the Wood Wharf site which adjoins the Estate, detailed consent was secured in July 2009 for three buildings totalling 1.5m sq ft (net). This site already has outline permission for 4.6m sq ft net of office, hotel, residential and retail and is owned through a joint venture in which the Group has a 25.0% interest equivalent to 1.15m sq ft.

Future development

The Company owns land which is available for building and has current planning permission for a combined total of 4.5m sq ft of future development on the Estate itself in addition to the 4.6m sq ft net on the adjoining Wood Wharf site. Subsequent to the year end, the 1 Park Place site was acquired for £17.5m. This site has two alternative planning permissions for either a 214,000 sq ft or for a 950,000 sq ft building. Located at the centre of the Estate, this site offers substantial potential for future development.

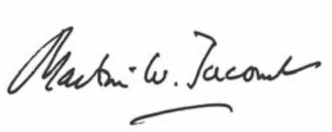
These projects all demonstrate the Group's construction and development capabilities, both within the Estate and beyond.

Conclusion

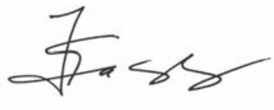
The Group has the resources to undertake projects both on the Estate and beyond to meet future demand as the shortage of good quality central London office space with large floor plates becomes increasingly pronounced. The Group also has significant cash reserves providing financial stability. During the year, the Company's largest shareholder, Songbird Estates plc, underwent a major recapitalisation which attracted significant investment from Qatar Holding and China Investment Corporation, which are two of the world's largest sovereign wealth funds.

Progress over the last year has only been possible in the prevailing conditions with much hard work and with the continuing steadfast commitment of staff at all levels for which the Board expresses its appreciation.

The Board looks forward to further progress in 2010.



SIR MARTIN JACOMB
Chairman



GEORGE IACOBESCU CBE
Chief Executive

The following Business Review aims to provide shareholders with an overall summary of the business of the Group both during the year ended and as at 31 December 2009 as well as summarising significant events which have occurred subsequent to this date.

A list of defined terms used throughout these financial statements is provided in 'Definitions'.

Central London office leasing market overview

The following commentary on the Central London office market was provided by CB Richard Ellis.

Demand and take-up

Leasing activity in the Central London market enjoyed a very strong end to 2009, when 3.6m sq ft was leased in the final quarter, which was the highest level of quarterly take-up since 2008. This pushed annual take-up to 9.0m sq ft, which is a 23.0% fall on 2008. The strong take-up levels continued into the first two months of 2010 with both January and February recording take-up of over 1.0m sq ft which is on par with the long term average.

In the short term, the Central London office market rebound is set to continue as the amount of space under offer, which is a good indicator of leasing activity over the next few months, is 0.3m sq ft above trend at 3.2m sq ft. Over the medium term, the office market is expected to receive support from an improving economy with London forecast to recover from the recession more quickly than the UK. Financial and business services employment, the mainstay of demand in the London office market, will benefit from the recovery.

Supply and development

The strong leasing activity during the last two quarters of 2009 reduced the availability of space quite dramatically. There was 18.5m sq ft available across Central London at the end of 2009, most of which was secondhand. The sharp reduction in supply translated through to vacancy rates. The overall rate for Central London was 7.2%, and the highest rate was in the City where it is 8.5%. These rates are some way off the peaks set during previous market downturns, particularly during the 1990s recession.

Availability is expected to decline over the next few years as take-up erodes the current supply, with declines in new space availability especially pronounced. This will be accentuated by the relatively limited level of development completions anticipated in the next 2 years with 4.1m sq ft of development completions expected during 2010 and just over 1.0m sq ft in the following year.

Rental outlook

Central London rents stabilised and in some instances rose toward the end of 2009. The City and Midtown recorded the first rises in top prime rents since the fourth quarter of 2007. City prime rents rose to £43.50 per sq ft from £42.00 per sq ft with a similar increase in Midtown to £42.50 per sq ft. Rents in the other Central London markets were unchanged.

Meanwhile rent free terms came under pressure as landlords reacted to the improving market conditions, pushing rent free terms on a 10 year lease down slightly to 30-33 months in the City, while rent free terms in the West End were unchanged.

Further tightening in availability over the next 2 years is expected to produce strong rental growth as the supply/demand imbalance intensifies. Reflecting this, City prime rents have risen since the start of the year, while at Canary Wharf, prime rents, which were around £35.00 per sq ft at the year end, have shown signs of increasing over the first quarter of 2010 to around £37.50 per sq ft.

Property portfolio

The Group is engaged in property investment and development and is currently focused on the development of the Estate. The Group is also involved, through joint ventures, in the development of Wood Wharf and the redevelopment of Drapers Gardens, which reached practical completion in November 2009. At 31 December 2009 the retained investment portfolio comprised 18 completed properties (out of the 35 constructed on the Estate) totalling 8.0m sq ft of NIA.

The properties included in the Group's investment portfolio to be retained at 31 December 2009 are shown in the table below.

Property address	NIA sq ft	Leased %	**External valuation £m**	Principal tenants and sub-tenants
One Churchill Place	1,014,400	100.0	**675.0**	Barclays Bank, BGC, LOCOG
10 Cabot Square/ 5 North Colonnade	639,000	100.0	**305.0**	Barclays Capital, WPP Group
20 Cabot Square/ 10 South Colonnade	562,000	99.8	**275.0**	Barclays Capital
One Canada Square	1,236,200	94.7	**629.6**	Bank of New York Mellon, Moody's, JP Morgan, KPMG, Mirror Group Newspapers, State Street, FSA
33 Canada Square	562,700	100.0	**350.0**	Citi
20 Bank Street	546,500	100.0	**400.0**	Morgan Stanley
25-30 Bank Street	1,023,300	98.9	**360.0**	Lehman, Nomura
40 Bank Street	607,400	64.4	**290.0**	Skadden, Allen & Overy, BGC, ANZ, JLL, Euronext
50 Bank Street	209,800	100.0	**142.0**	Northern Trust, Goldenberg Hehmeyer
10 Upper Bank Street	1,000,400	100.0	**665.0**	Clifford Chance, Infosys, FTSE, Total
Cabot Place Retail	139,600	92.0	**129.5**	Boots, Tesco, Zara and various retail tenants
Canada Place Retail	72,200	100.0	**130.0**	HMV, Gap, Next and other retail tenants
Jubilee Place Retail	89,400	100.0	**90.5**	Boots, Marks & Spencer Food, Wagamama and other retail tenants
Churchill Place Retail	22,400	100.0	**15.5**	Barclays Bank, Jamie's Italian and other retail tenants
16-19 Canada Square	211,500	100.0	**55.1**	Waitrose Food & Home, Reebok, Plateau Restaurant
Reuters Plaza	8,900	100.0	**9.8**	Carluccio's, Smollensky's
Park Pavilion	22,000	100.0	**15.0**	Lloyds Bank, Canteen, The Parlour, Roka and Wahaca
Car parks	–	–	**50.0**	
Total	7,967,700	96.2	**4,587.0**	

The principal tenants have been updated to reflect the lease restructuring with Barclays Capital which was completed in January 2010 (see 'Business Review – Barclays Capital').

In addition to the properties shown in the table above, practical completion of 5 Churchill Place was achieved in August 2009 (see 'Business Review – Construction'). Contracts were exchanged for the sale of this property in December 2009 for a total consideration of £208.0m and the transaction completed in January 2010. The sale will be reflected in the accounts for the six months ended 30 June 2010, therefore the building is carried in the balance sheet at 31 December 2009 at the anticipated net proceeds.

At 31 December 2009 the investment property portfolio was 96.2% let allowing for the Morgan Stanley break in 20 Cabot Square and the recently announced restructuring of leases with Barclays Capital (see 'Business Review – Barclays Capital'). In calculating the year end occupancy level, 25 Bank Street has been treated as fully let because of the subleases in the building and the 4 years' cover provided by AIG (see 'Business Review – Lehman').

As well as the rental income generated from completed properties, income is generated from managing the entire Estate which, in addition to the completed properties owned by the Group, includes 17 properties totalling 7.6m sq ft in other ownerships.

The properties of the Group are under lease to a range of tenants. At 31 December 2009 the weighted average unexpired lease term for the office investment portfolio was approximately 18.4 years, or 17.4 years assuming the exercise of outstanding break options (31 December 2008 – 18.0 years or 15.2 years respectively). The calculation of the weighted average lease term takes account of the recently announced restructuring of leases with Barclays Capital, excludes 5 Churchill Place and assumes the 25 Bank Street lease with Lehman remains in place. Substituting the original term of the Lehman lease with the 4 years' cover provided by AIG serves to reduce the weighted average unexpired lease term to 15.8 years (or 14.8 years assuming the exercise of outstanding break options). Of the square footage under lease 68.0% does not expire or cannot be terminated by tenants during the next 10 years.

Lehman

In September 2008 Lehman went into administration. Nomura has taken a 2 year sublease of 358,000 sq ft of the 1,023,000 sq ft leased by Lehman. This sublease will expire in March 2011, subject to breaks in September and December 2010. An additional 115,000 sq ft is sublet to tenants such as Jones Lang LaSalle and NYSE Euronext. An arrangement with AIG, supported by cash collateral, provides for drawings of an amount equal to any contracted rent shortfall, in the event of whole or partial default on rental payments due under the lease for a period of 4 years from the date of first draw down on this facility.

The Administrator acting on behalf of Lehman has advised that as from 1 January 2010 Lehman will pay rent in respect of 290,146 sq ft only, being the area of 25 Bank Street which it currently occupies and not for the whole of the building. The Administrator has also advised that it proposes to move from the building by 31 March 2010 and from that date will cease paying rent. Notwithstanding this, the Group continues to demand full performance of Lehman's obligations under the lease and payment of rent on the whole of 25 Bank Street is being pursued in line with a recent High Court ruling on administrator liability. There has been no draw down under the AIG facility at the date these financial statements were approved. Sub-tenants, including Nomura, will continue to pay rent directly to the CWF II securitisation.

Barclays Capital

Subsequent to the year end, the Group and Barclays Bank concluded a series of transactions to rationalise and consolidate the occupation of Barclays Capital from three into two existing buildings on the Estate.

Barclays Capital will take a lease of 345,953 sq ft in 20 Cabot Square recently vacated by Morgan Stanley. This lease will be on the same lease terms and rental outgoings as the restructured leases referred to below. In return the Group will take back, via subleases, the leases on 301,676 sq ft in 40 Bank Street from Barclays Capital in two tranches. The first tranche of 206,708 sq ft has been leased back with an effective date of 1 November 2009 and the second tranche of 94,968 sq ft will be taken back on 1 October 2010.

Barclays Capital's existing leases in 5 North Colonnade and 10 South Colonnade were restructured and new leases granted such that the rent will be £27.50 per sq ft subject to annual RPI increases with a 0% floor and a 5.0% cap compounded annually over the first 5 years. Subsequently there will be annual RPI increases in rent over the rest of the term until the expiry of the lease in June 2032.

The new lease on 10 Cabot Square is an overriding lease and Barclays Capital will assume responsibility for the space on levels 9 and 10 (103,854 sq ft) which is leased by WPP until 2016. The rent on this space in 2016 will be at the then passing rent under the overriding lease, which is subject to the same RPI uplifts as the restructured leases. As a result of the restructuring, Barclays Capital will eventually occupy approximately 1,152,000 sq ft in two buildings.

The Group will pay a sum of £27.0m to Barclays Capital as a premium for the grant of the take back leases on 40 Bank Street to reflect the tenant fitting out works carried out by Barclays Capital on certain floors. The Group will also pay an inducement to Barclays Capital of approximately £16.0m for the restructuring of the leases on 5 North Colonnade and 10 South Colonnade and a further £11.0m will be paid in relation to construction services to be provided on the former Morgan Stanley space in 20 Cabot Square.

Leasing

In addition to the Barclays Capital restructuring and new leases in respect of 1,152,000 sq ft completed in January 2010, the Group completed letting transactions totalling approximately 125,000 sq ft during 2009.

- The FSA has taken leases on levels 26 and 27 in One Canada Square totalling approximately 55,800 sq ft at a rent of £35.00 per sq ft on terms expiring in 2018. One of the leases has a tenant break clause effective at the end of year 5. In addition the FSA is occupying level 24 on a short term basis pending completion of the fit-out on their new space and has an option on a further floor.
- Euler Hermes restructured its lease for approximately 49,000 sq ft on level 35 and part of level 36, One Canada Square for a term to October 2020.
- Global Sage has taken 2,584 sq ft on part of level 28, One Canada Square.
- MetLife Inc has taken 10,871 sq ft on part of level 28, One Canada Square following expiry of their original lease.
- Novartis has taken 1,995 sq ft on part of level 34, One Canada Square.
- CFA took an additional lease of 1,039 sq ft on part of level 10, One Canada Square.
- Premier FX Investing is taking a lease of 3,553 sq ft on part of level 19, 40 Bank Street.

The above transactions have been concluded on a variety of leases for short to medium terms and at rents of between £29.00 per sq ft (for a 10 year fixed term with 15 months rent free) and £42.00 per sq ft (for a 3 year term with 4 months rent free).

With effect from 1 February 2010, Morgan Stanley exercised its break option relating to the lease of 20 Cabot Square. Until vacating the building in August 2009 Morgan Stanley occupied approximately 345,500 sq ft over six floors at 20 Cabot Square, and continues to lease 546,500 sq ft at 20 Bank Street on a lease expiring in 2028 and to own and occupy the 448,500 sq ft building at 25 Cabot Square.

As part of the agreement with State Street covering the construction of its new headquarters at 20 Churchill Place, State Street exercised options to determine its leases over two floors in One Canada Square totalling approximately 58,000 sq ft. In addition, State Street has exercised an option to sublease to the Group (for the remaining term of approximately 9 years) one floor in One Canada Square, totalling approximately 26,200 sq ft, which was subleased from another tenant in the building. The options to determine these leases were granted in order to provide for the relocation of State Street to 20 Churchill Place, which completed in December 2008. State Street continues to occupy approximately 57,000 sq ft in One Canada Square on leases which expire in 2018.

Following its acquisition of Bear Stearns, JP Morgan has determined its leases over three floors in One Canada Square totalling approximately 70,000 sq ft. JP Morgan continues to occupy a further three floors of One Canada Square totalling approximately 87,000 sq ft on leases which have a tenant break in April 2013.

Subsequent to the year end, in February 2010 KPMG exercised breaks in relation to their leases over four floors in One Canada Square totalling approximately 109,796 sq ft and in addition exercised an option to sublease to the Group (for the remaining term of approximately 6.75 years) a further floor in the building comprising 28,579 sq ft. The options to determine these leases were granted in connection with KPMG's relocation to a new headquarters building constructed at 15 Canada Square (see 'Business Review – Construction'). The leases on the five floors will now terminate on 30 June 2010.

In addition breaks over 40,500 sq ft in One Canada Square have been exercised by other tenants, of which 22,100 sq ft is with effect from March 2010 and 18,400 sq ft is effective from July 2010 or later.

The current status of the floors in One Canada Square referred to above or, where applicable, the proposed work to be carried out, is summarised below.

Floor	Tenancy	Status
27	State Street	Relet to FSA until 2018
26	State Street	Relet to FSA until 2018, tenant break at year 5
25	JP Morgan/State Street	Stripped to shell and core, under option to FSA
24	State Street	Relet to FSA on short term basis
31	JP Morgan	Refurbished to new Cat A – marketing floor
7–9/38–39	KPMG	To be stripped to shell and core
50	JP Morgan	To be refurbished to Cat A

All options to sublet space back to the Group have now been exercised. At 31 December 2009, adjusting for the Barclays lease restructuring, the estimated net present value of sublet liabilities was approximately £72.9m discounted at 6.4% being the Group's weighted average cost of debt (31 December 2008 – £20.6m, discounted at 6.2%). The increase in sublet liabilities reflects the take back of space in 40 Bank Street in connection with the restructuring of the Barclays Capital leases. These sublet commitments have been reflected in the market valuation of the Group's properties.

Construction

In April 2009 the Group completed the construction of a 400,000 sq ft building at 15 Canada Square which was pre-sold to KPMG in November 2006. The profit on sale of this building has been recognised over the period of its construction.

In August 2009 the Group completed the construction of a 314,000 sq ft building at 5 Churchill Place of which 262,000 sq ft had been pre-let to JP Morgan. The Group exchanged contracts for the sale of this property for £208.0m in December 2009 and completed the transaction in January 2010. In accordance with the Group's policy of recognising profit on disposals at the date of completion, no profit was recognised in 2009 and the property was carried as an investment property held for sale at 31 December 2009 at the anticipated net proceeds. In connection with this sale the Group has agreed to provide a fit-out allowance for the unlet floors and rental support in respect of the unexpired rent free period on the JP Morgan space and, for up to 5 years, on the unlet space.

In September 2009 practical completion was achieved on 30 North Colonnade, a 330,000 sq ft building which was pre-sold to Fimalac for occupation by Fitch. The profit on this building has been recognised over the period of its construction.

In addition to the above, practical completion was achieved during the year on the expansion of two of the Group's retail malls, including a new retail building adjoining One Canada Square, Park Pavilion. This expansion has provided approximately 37,500 sq ft of lettable retail space which is fully let to tenants including Barclays, Jamie's Italian, Lloyds, Roka, Wahaca, Canteen and Drake & Morgan.

Development properties

The undeveloped site at 25 Churchill Place can accommodate up to approximately 515,000 sq ft of new development and at North Quay planning consent has been granted for 2.4m sq ft. There is further development capacity at Heron Quays West subject to acquiring the remaining leasehold interests on the site which are outside the control of the Group. Consent has been granted to increase the development of office space on this site to 1.3m sq ft. Consent has also been granted on the adjacent Newfoundland site for 220,000 sq ft of mixed use development.

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	0.5
– North Quay	2.4
– Heron Quays West	1.3
– Newfoundland	0.2
– Crossrail retail	0.1
	4.5
Acquired subsequent to year end:	
– 1 Park Place	1.0
	5.5
Sold to JP Morgan:	
– Riverside South	1.9
	7.4
Wood Wharf (25% share of 4.6m sq ft)	1.2

Subsequent to the year end the Group acquired the long leasehold interests in 1 Park Place for £17.5m. This site benefits from two planning consents for 214,000 sq ft or approximately 950,000 sq ft of development. Although the Group has yet to announce plans for the site, it offers a significant opportunity for future development.

The site at Riverside South was acquired by JP Morgan in November 2008 for £237.9m and the Group recorded a profit on disposal of £118.6m. JP Morgan has instructed the Group to complete on its behalf the design and infrastructure works for a new European headquarters building. Should JP Morgan decide to proceed with full construction, the Group will act as Development and Construction Manager. If construction is postponed, or deferred altogether, the Group will retain £76.0m representing a portion of the developer's profit related to the development, of which £61.0m had been received by 31 December 2009. If JP Morgan proceeds with full construction, additional fees will be due.

The Group has continued to work with Ballymore and BWB on the redevelopment of Wood Wharf. The master plan for the 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. Further design work has been carried out on the first phase of office buildings and related infrastructure, and detailed consent was granted on three buildings totalling 1.5m sq ft in July 2009.

Practical completion was achieved on Drapers Gardens in November 2009. The scheme comprises approximately 290,000 sq ft of prime commercial development. The Group holds 20.0% of the share capital in the companies that own the property and continues to act as Development Manager with responsibility for the day to day running of the scheme. Subsequent to the year end in January 2010 the Group purchased for a cash consideration of £112.8m the substantial majority of the drawn balance under the Drapers Gardens construction loan facility.

In February 2010 the Group announced that BlackRock had taken a lease on the whole of Drapers Gardens for a term of 25 years at a rent of £49.00 per sq ft on the office accommodation with a rent free period of 36 months. The rent is subject to open market reviews on every fifth anniversary of the term commencement and, in the case of the first rent review, subject to a floor of 2.5% and a cap of 4.5% compounded annually over the preceding 5 years.

Crossrail

In December 2008 the Group concluded agreements with the Secretary of State for Transport and TfL's subsidiary, CLRL, to contribute £150.0m towards the cost of the new Crossrail station at Canary Wharf.

The Group has taken responsibility for the design and construction of the Crossrail station bearing the time and cost risks for a fixed price of £500.0m, of which £350.0m will be met from Crossrail's £15.9bn budget. The Group's anticipated contribution of £150.0m will be credited against any transport Section 106 contributions for certain agreed development sites on the Estate (comprising North Quay, Heron Quays West including Newfoundland and Riverside South) which may be required as part of proposed alterations to the London Plan. Accordingly, costs incurred on construction of the station are allocated to the Group's properties held for development.

Construction commenced on the Crossrail station at Canary Wharf in May 2009 and costs incurred to the end of 2009 totalled £70.1m. The station box is expected to be completed and handed over to CLRL by summer 2012 and currently the project is ahead of schedule and on budget. The first trains are due to run in 2017 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.

Valuations

The net assets of the Group, as stated in its consolidated balance sheet at 31 December 2009, were £1,925.0m. In arriving at this total:

(i) properties held as investments were carried at £4,406.8m, which represents the market value of those properties of £4,587.0m at that date as determined by the Group's external valuers, CBRE, Savills and Cushman, less an adjustment of £180.2m for tenant incentives;

(ii) 5 Churchill Place, for which an agreement for sale was entered into in December 2009, was held at £177.7m representing the anticipated net proceeds less an adjustment of £14.3m for tenant incentives; and

(iii) properties held for development were carried at £247.5m, representing their cost to the Group.

In valuing the properties on the Estate the valuers take account of market evidence which included the exchange of contracts in December 2009 to sell 5 Churchill Place, the lettings completed in the second half of the year and the advanced stage of negotiations with Barclays Capital at the balance sheet date on the lease restructurings referred to earlier in this 'Business Review'.

The valuation of the investment portfolio to be retained, on the basis of market value, and adjusting for additions, increased by £319.4m or 7.5% in the second half of the year. After also allowing for adjustments in respect of lease incentives, the carrying value of the investment portfolio increased by £346.1m or 8.5% over the six months. The increase was primarily driven by the reduction in yields in the market by approximately 60 bps. Over the full year, the carrying value of the investment portfolio increased by £128.2m or 3.0%. At 31 December 2009 the weighted average initial yield for the office portfolio was 6.3% (30 June 2009 – 7.3%, 31 December 2008 – 6.9%) and the weighted average equivalent yield was 5.7% (30 June 2009 – 6.3%, 31 December 2008 – 6.5%). The weighted average initial yield for the retail portfolio was 5.7% (30 June 2009 – 6.4%, 31 December 2008 – 6.3%) and the weighted average equivalent yield was 6.3% (30 June 2009 – 7.2%, 31 December 2008 – 6.6%). The directors are of the view that the Group is in a strong position to respond to the anticipated recovery in the occupier market.

CBRE and Savills have provided a joint opinion as at 31 December 2009 that the market value of sites held for development, comprising North Quay, Heron Quays West, Newfoundland, 25 Churchill Place and the Crossrail retail, was £221.0m. This compares with a carrying value for accounts purposes of £247.5m. In valuing the sites held for development, the valuers have allowed for estimated costs to complete, including an allowance for fit-out and developer's profit. In addition they have allowed for letting, disposal, marketing and financing costs. The market value of £221.0m represents a reduction of 28.2%, after additions, over the market value at 31 December 2008 but an increase of 4.3% since 30 June 2009. At 31 December 2009 the market value of these sites was £26.5m below their carrying value which includes an allocation of the Group's contribution to Crossrail incurred to date. 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 31 December 2009.

The investment portfolio also included 5 Churchill Place which was sold in January 2010 for £208.0m less certain adjustments as disclosed in the 'Business Review – Construction'. The consideration reflected an initial yield of 5.9%. After allowing for incentives, rental support and certain other adjustments the Group recognised a revaluation surplus of £45.5m on this property at 31 December 2009 following its completion during the year.

The market value of the entire property portfolio increased by £353.1m or 7.6% in the second half of the year, adjusting for additions. For the full year market value reduced by £21.0m or 0.4%. These movements were driven by the factors referred to above.

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. The valuers also make reference to market evidence of transaction prices for similar properties on the Estate.

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.

	Note	**31 December 2009**		30 June 2009		31 December 2008	
		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
Investment properties	1	**4,406.8**	**4,587.0**	4,040.6	4,247.5	4,245.5	4,483.0
Investment property held for sale	2	**177.7**	**192.0**	–	–	–	–
		4,584.5	**4,779.0**	4,040.6	4,247.5	4,245.5	4,483.0
Property under construction		**–**	**–**	142.9	170.0	125.7	182.5
Properties held for development		**247.5**	**221.0**	221.7	186.0	199.8	260.0
		4,832.0	**5,000.0**	4,405.2	4,603.5	4,571.0	4,925.5
Properties under construction held for sale	3	**56.8**	**115.1**	126.7	329.5	222.5	536.6
		4,888.8	**5,115.1**	4,531.9	4,933.0	4,793.5	5,462.1

Note:

1 The carrying value of investment properties represents market value less an adjustment for UITF 28. Market value in existing state is stated before adjustment for UITF 28. The UITF 28 adjustment attributable to investment properties at 31 December 2009 was £180.2m (30 June 2009 – £206.9m, 31 December 2008 – £237.5m).

2 The investment property held for sale comprises 5 Churchill Place which was sold in January 2010. The market value in existing state is stated before adjustment for UITF 28 and is calculated by reference to the sale price of £208.0m less adjustments for a fit-out allowance and provisions for rent free and rental support commitments. The UITF 28 adjustment attributable to this property at 31 December 2009 was £14.3m (30 June 2009 – £nil, 31 December 2008 – £nil). This building reached practical completion in August 2009.

3 Properties under construction held for sale comprised: at 31 December 2009 – Riverside South; at 30 June 2009 – Riverside South and 30 North Colonnade; and at 31 December 2008 – Riverside South, 30 North Colonnade and 15 Canada Square. The carrying value in the balance sheet at 31 December 2009 is stated net of £42.0m (30 June 2009 – £120.7m, 31 December 2008 – £229.1m) transferred to cost of sales, £14.8m (30 June 2009 – £9.5m, 31 December 2008 – £0.4m) transferred to payments on account and £nil (30 June 2009 – £3.5m, 31 December 2008 – £6.9m) of costs accrued in accordance with SSAP 9. The market value in existing state at 31 December 2009 comprises the present value of the minimum developer's profit which will be generated from the development of the Riverside South site assuming JP Morgan does not proceed with full build out, discounted at 6.4%, being the Group's weighted average cost of debt, 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 year ended 31 December 2009. The comparatives relate to the year ended 31 December 2008.

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. Turnover for 2009 was £481.3m, against £697.2m for 2008, of which rental income was £267.2m (2008 – £242.0m). The impact of UITF 28 was to reduce rental income by £51.2m compared with £45.5m for 2008. Excluding the impact of UITF 28, rental income increased from £287.5m in 2008 to £318.4m in 2009, an increase of 10.7%, primarily attributable to the benefit of rent reviews and fixed rental increases and increased retail rents. During 2009 the Group recognised £13.5m of income in connection with the termination by tenants of certain leases on the Estate (2008 – £24.3m).

Service charge income increased from £67.3m for 2008 to £73.8m for 2009, an increase of £6.5m or 9.7% and miscellaneous income, including insurance rents and the provision of tenant specific services outside the standard service charge, fell from £23.8m for 2008 to £21.1m for 2009.

Turnover for 2009 also included £105.7m recognised on the construction of development properties that have been pre-sold (Note 10) and are accounted for as long term contracts in accordance with SSAP 9 (2008 – £339.8m). The reduction in turnover from this source was accounted for by the completion in 2008 of 20 Churchill Place and by the completion in 2009 of 15 Canada Square and 30 North Colonnade.

Cost of sales includes rents payable and property management costs, movements on provisions for vacant leasehold properties and certain other lease commitments, as well as costs allocated to cost of sales on the construction of pre-sold properties. Rents payable and property management costs were £91.0m for 2009 in comparison with £92.2m for 2008. Taking into account service charge and miscellaneous income totalling £94.9m for 2009, a profit was recorded on property management of £3.9m (2008 – deficit of £1.1m). This profit was attributable to the completion of buildings and fit-out works during the year on space where service charges are now recorded.

Provisions of £1.5m relating to the remaining vacant leasehold property, rent support commitments and certain other obligations were released in 2009 compared with £0.3m in 2008.

Cost of sales for 2009 also included £8.9m of dilapidations and other costs attributable to the termination of leases, as compared with £8.3m in 2008. In addition 2009 included £65.9m of costs relating to long term contracts (2008 – £188.7m), resulting in £39.8m of profit being recognised on such contracts (2008 – £151.1m).

Gross profit for 2009 was £317.0m, a fall of £91.3m over 2008, which was primarily attributable to the fall in profit recognised on long term contracts following the completion of these projects.

Administrative expenses for 2009 were £38.4m in comparison with £40.2m for 2008. The reduction in administrative expenses was primarily attributable to a reduction in leasing expenses.

Operating profit for the year was £281.4m in comparison with £369.6m for 2008. The reduction in operating profit of £88.2m was largely attributable to completion of long term contracts on pre-sold buildings.

In 2009 a net release of £13.8m in the provision against the Group's investment in its associates was recognised in the profit and loss account and treated as an exceptional item (2008 – charge of £23.2m). The release of the provision against the Drapers Gardens project was partly offset by a charge of £5.6m recognised in relation to the Group's investment in WWLP.

In November 2008, the Group sold Riverside South to JP Morgan for an initial consideration of £237.9m. As a result the Group recognised a profit of £118.6m net of historical costs incurred by the Group on the site and selling fees in that year. This has been shown as an exceptional item after operating profit in accordance with FRS 3.

Net interest payable for 2009 excluding exceptional items was £228.8m, against £196.1m for 2008. The increase was attributable to lower rates of interest earned on the Group's cash balances. Finance costs incurred on the construction loan of £4.8m were capitalised as part of the construction cost of 5 Churchill Place (2008 – £5.6m).

In April 2009 the Group repurchased an aggregate principal amount of £119.7m of certain Notes for a consideration, excluding accrued interest, of £35.5m (Note 16(1)). These Notes remain in issue and continue to be fully hedged. However, from the perspective of the consolidated accounts the hedges are deemed to be uneconomic. Accordingly, after allowing for the mark to market on related interest rate swaps at the date of the repurchase totalling £14.6m, the Group recognised a gain of £68.4m (Note 4) which has been treated as an exceptional item. The movement in the mark to market of the hedges since the date of repurchase has been included within interest payable.

The profit on ordinary activities after interest for 2009 was £134.8m in comparison with £268.9m for 2008. The results for both years included certain exceptional profits and losses as described above. Excluding exceptional items, the profit on ordinary activities after interest for 2009 was £52.6m (2008 – £173.5m).

Tax for 2009 comprised a corporation tax charge of £30.7m (2008 - £8.8m) and a deferred tax charge of £17.1m (2008 - £10.6m) (Note (5)).

The profit after tax for 2009 was £87.0m in comparison with £249.5m for 2008. Basic and diluted earnings per share for 2009 were 13.6p in comparison with 39.0p for 2008 (Note 9).

The adjusted basic and diluted earnings per share for 2009 excluding exceptional items was 0.8p (2008 – 24.1p). Adjusted earnings per share for 2009 has been calculated by reference to the profit after tax excluding exceptional items comprising the net provision release of £13.8m in respect of the Group's investment in associates and the net gain of £68.4m on the repurchase of securitised debt. In 2008 exceptional items comprised the profit on disposal of the Riverside South site of £118.6m and the charge of £23.2m in respect of associates. The weighted average number of shares in issue was 639.0m at both 31 December 2009 and 31 December 2008. There were no instruments which gave rise to a dilution of earnings as defined by Financial Reporting Standard 22 (Earnings per share) at 31 December 2009 or 31 December 2008.

Tax

In 2009, and going forward, EZAs and plant and machinery capital allowances will shelter a small part of taxable profits. If the Group were to dispose of its property portfolio at the market value disclosed in this 'Business Review', a tax liability of £78.0m would arise (31 December 2008 –

£78.5m). This liability is stated after taking into account the tax liabilities relating to deferred accounting profits on properties under construction held for sale and the benefit of the remaining EZAs 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 under construction and properties held for development, including land interests.

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 31 December 2009 were £1,925.0m in comparison with £1,514.3m at 30 June 2009 and £1,664.3m at 31 December 2008. The increase in net asset value for the year was primarily attributable to the revaluation surplus on investment properties of £173.7m and the profit after tax for the year of £87.0m.

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

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

Adjusted NAV per share at 31 December 2009 is set out in the table below, which for comparison purposes also includes adjusted NNNAV per share.

	Note	**31 December 2009 £m**	30 June 2009 £m	31 December 2008 £m
Net assets per consolidated balance sheet		**1,925.0**	1,514.3	1,664.3
Add back deferred tax		**70.0**	70.5	52.9
Net assets prior to deferred tax		**1,995.0**	1,584.8	1,717.2
Revaluation of property portfolio:				
– investment property	1	**190.0**	175.0	155.0
– properties held for development	2	**(26.5)**	(35.7)	60.2
– properties under construction to be retained	3	**–**	27.1	56.8
– properties under construction to be sold	4	**58.3**	87.3	130.2
Adjusted net assets		**2,216.8**	1,838.5	2,119.4
Fair value adjustments in respect of financial assets and liabilities less tax relief at 28.0%	5	**69.3**	230.8	188.7
Contingent tax on property disposals	6	**(78.0)**	(38.8)	(78.5)
Undiscounted deferred tax	7	**(91.2)**	(90.1)	(67.8)
Adjusted NNNAV		**2,116.9**	1,940.4	2,161.8
Adjusted net assets per share	8	**£3.47**	£2.88	£3.32
Adjusted NNNAV per share	8	**£3.31**	£3.04	£3.38

Note:

1 The market value of 25-30 Bank Street reflected in the balance sheet at 31 December 2009 of £360.0m (30 June 2009 – £375.0m, 31 December 2008 – £410.0m) excludes the benefit of the arrangement with AIG which provides for the payment of 4 years' contracted rent upon default by Lehman as the arrangement cannot be transferred to a purchaser of the property. The market value of this building, adjusted to include the arrangement with AIG, is £550.0m (30 June 2009 – £550.0m, 31 December 2008 - £565.0m). The valuation uplift does not allow for the ongoing commitment fees payable by the Group to AIG of approximately £3.6m per annum.

2 Revalued at market value in existing state.

3 Revalued at market value in existing state. 5 Churchill Place was completed in the year and transferred to investment properties held for sale.

4 Uplift to market value on pre-sold properties under construction at the balance sheet date of £58.3m (30 June 2009 – £202.8m, 31 December 2008 – £314.1m) less cumulative profit of £nil recognised to 2009 (30 June 2009 – £115.5m, 31 December 2008 – £183.9m) (refer to 'Business Review – Valuations').

5 Refer to Note 16(9).

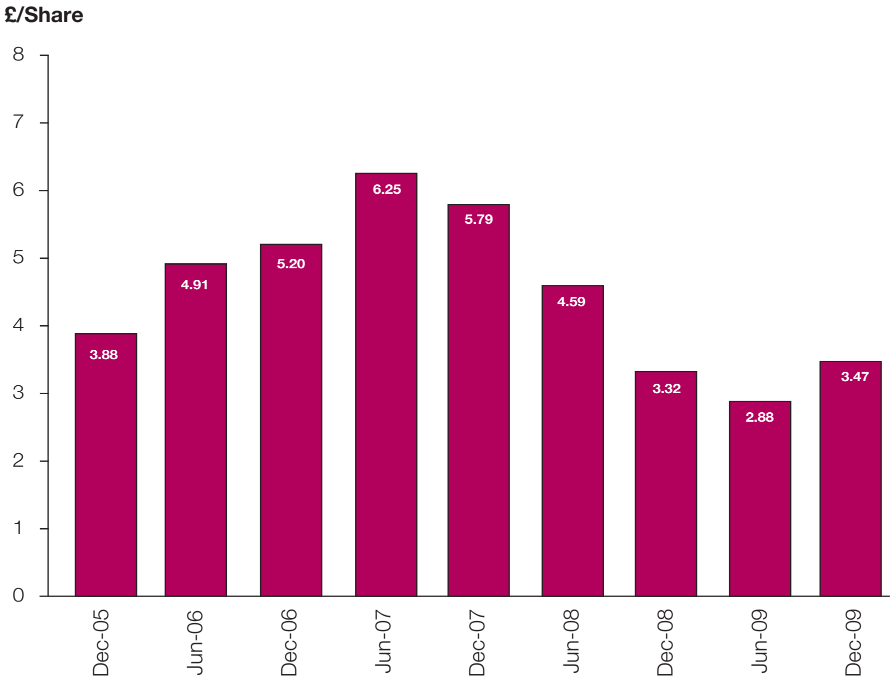
6 Refer to 'Business Review – Tax'.

7 Refer to Note 17.

8 Calculated by reference to the closing number of shares of 639.0m at each balance sheet date. There were no dilutive instruments outstanding at either date.

The movement in net asset value per share from 31 December 2005 to 31 December 2009 is shown in the following chart:

Adjusted NAV per share



In arriving at adjusted NAV per share the provision recognised in accordance with FRS 19 has been added back. FRS 19 requires, inter alia, provision for deferred tax on capital allowances claimed, 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.

Principal risks and uncertainties

The principal risks and uncertainties facing the business are monitored through continuous assessment, regular formal quarterly reviews and discussion at Audit Committee and Board level. Board and Audit Committee discussion focuses on the risks identified as part of the Group's system of internal control which highlights key risks faced by the Group and allocates specific day to day monitoring and control responsibilities as appropriate. The current key risks include the cyclical nature of the property market, financing risk, concentration risk and policy and planning risks. The turmoil in the financial markets during 2008 and the first half of 2009 resulted in an unusually pronounced negative impact on the real estate market.

Cyclical nature of the property market

The valuation of the Group's assets is subject to many external economic and market factors. The turmoil in the financial markets during 2008 and 2009 was reflected in the property market by such factors as the oversupply of available space in the office market, a significant decline in tenant demand for space in London and a change in the market perception of property as an investment resulting in a negative impact on property valuations in general. In the latter half of 2009 and since the year end there have been signs of a tightening of supply which has been reflected in an increase in valuations and a compression in yields. Changes in the financial and property markets are kept under constant review so that the Group can react appropriately and adjust the business plan of the Group accordingly. The impact of the ongoing uncertainty in the financial and property markets continues to be closely monitored.

Financing risk

The broader economic cycle inevitably leads to movements in inflation, interest rates and bond yields. The Group finances its operations largely through a mixture of surplus cash, secured borrowing and debentures. The Group borrows at both fixed and floating rates and uses interest rate swaps to modify exposure to interest rate fluctuations. After taking account of interest rate hedging and cash deposits held as collateral, all of the Group's facilities are fixed long term loans. Further details on the management of treasury risks can be found in the section 'Business Review – Treasury objectives and risks'.

The ongoing uncertainty in financial markets continues to significantly limit the availability of funding. In common with other UK property companies, lack of financing facilities may have an impact on the business of the Group if the lending market remains limited for the foreseeable future.

Concentration risk

The majority of the Group's real estate assets are currently located on or adjacent to the Estate with tenants that are mainly linked to the financial services industry. Wherever possible steps are taken to mitigate or avoid material consequences arising from this concentration. The focus of the Group continues to remain on and around the Estate. However, where value can be added the Group will consider opportunities elsewhere.

Policy and planning risks

All of the Group's assets are currently located within London. Appropriate contact is maintained with local and national government, but changes in governmental policy on planning or tax could limit the ability of the Group to maximise the long term potential of its assets. These risks are being closely monitored in light of the forthcoming general and local elections.

Treasury objectives and risks

The principal objectives of the Group's treasury function are to ensure the availability of finance to meet the Group's current and anticipated requirements and to minimise the Group's cost of capital. The treasury function operates as a cost centre rather than a profit centre and does not engage in trading of financial instruments.

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The Group enters into derivative transactions (principally interest rate swaps) only in order to manage the interest rate risk arising from the Group's variable rate borrowings. The Board reviews and agrees policies for managing the risks associated with the Group's financial instruments and these policies, which have been applied consistently throughout the year, are summarised in the following paragraphs.

Interest rate risk

The Group finances its operations through a mixture of surplus cash, bank borrowings and debentures. The Group borrows in sterling at floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep the majority of its borrowings at fixed rates and at both 31 December 2009 and 31 December 2008 all of the Group's borrowings were fixed after taking account of interest rate hedging and cash deposits held as cash collateral (see Note 16(8)).

Liquidity risk

The Group's policy is to ensure continuity of funding and at 31 December 2009 the average maturity of the Group's debt was 14.0 years (2008 – 14.8 years). Shorter term flexibility is achieved by holding cash on deposit and through construction facilities typically with a term of 3 to 6 years arranged to fund the development of new properties. None of the Group's facilities matures before 2013.

The Group's loan facilities are secured on certain individual properties, are not subject to cross default provisions and are non-recourse.

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 seven investment properties representing 61.2% of the investment property portfolio by value. The principal amount outstanding at 31 December 2009 was £2,519.6m or £2,399.8m excluding the repurchased Notes.

Maximum LMCTV ratio of 100%. Based on the valuations at 31 December 2009, the LMCTV ratio at the interest payment date in January 2010 would have been 83.8%, excluding the £224.0m of cash collateral posted by AIG in respect of the 25 Bank Street facility, and 76.2% including such cash collateral.

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 £576.2m secured against One Churchill Place, representing 14.7% 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.

(iii) Loan of £358.9m secured against 10 Cabot Square and 20 Cabot Square, representing 12.6% of the investment property portfolio by value. Both properties are now primarily let to Barclays Capital.

Maximum LTV ratio of 85.0%. Based on the valuations at 31 December 2009 the LTV ratio at the interest payment date in January 2010 would have been 62.7%.

This facility is also subject to a minimum ICR test of 100%. During the year Morgan Stanley gave notice to break its lease on 20 Cabot Square with effect from February 2010. To prevent the serving of the notice leading to a breach of the minimum ICR test, a portion of the swap was broken at a cost of £8.1m and a new swap entered into which serves to fix the rate of interest at a weighted average, including margin, of 5.6%. The ICR covenant was satisfied throughout the year. Following the restructuring of the Barclays Capital leases the Board anticipates that the Group will be able to meet the ICR covenants for the remaining term of the loan to January 2013.

The Group has the ability to remedy a breach of ICR or LTV covenants by depositing cash.

(iv) Loan of £350.0m secured against the principal retail and infrastructure parking properties of the Group, representing 11.5% of the investment property portfolio by value.

Maximum LTV ratio of 75.0%, reducing to 70.0% from March 2010. Based on the valuations at 31 December 2009, the LTV was 66.8%.

On 7 March 2009 the maximum ICR covenant increased from 110.0% to 120.0%. The maximum ICR covenant was satisfied throughout the year. The Group has the ability to remedy any potential breach of covenant by depositing cash.

On 17 December 2009, the facility repayment date was extended from 7 March 2011 to 17 December 2014. An upfront arrangement fee of £4.0m was paid and the margin on the loan was fixed at 2.75% for the duration of the loan. The negative mark to market valuation on the pre-existing swaps, amounting to £19.97m, was blended into a new 5 year swap, executed at an all-in rate of 4.425%. The interest rate on the loan is therefore fixed at 7.2%.

(v) Construction loan facility of £155.0m secured against 5 Churchill Place of which £123.4m was drawn down at 31 December 2009.

This loan was repaid in January 2010 following the sale of the property.

Credit risk

Swap counter parties of the Group's derivative financial instruments are all rated 'A' or better on the S&P rating system. Cash deposits are placed on the money market for varying periods of time with banks that are all 'A' rated or above, or remain on deposit with major UK clearing banks.

The Drapers Gardens entities entered into a £172.5m construction loan facility with Lehman which was subsequently syndicated to certain other banks with Lehman retaining a minority share. Following Lehman being placed into administration there was an interruption to the funding being provided by Lehman and the Group made additional loans totalling £1.0m (31 December 2008 – £0.7m) to the joint venture to fund its 20.0% share of the shortfall. Lehman subsequently recommenced funding and all of its lending obligations were satisfied up to 31 May 2009. For the remainder of the year, funding for the project was provided by one member of the syndicate on a super senior loan basis. Subsequent to the year end, in January 2010, the Group acquired the substantial majority of the drawn balance of the loan for £112.8m.

Borrowings

At 31 December 2009, net debt (after cash in hand and cash collateral) stood at £2,843.1m, down from £2,900.8m at 31 December 2008, and comprised:

	31 December 2009 £m	31 December 2008 £m
Securitised debt	**2,484.7**	2,637.5
Loans	**1,276.4**	1,305.6
Finance lease obligations	**41.2**	41.6
Construction loan	**123.4**	99.9
Total borrowings	**3,925.7**	4,084.6
Less:		
– cash collateral for borrowings	**(139.4)**	(135.0)
– cash collateral for construction	**(18.3)**	(25.1)
– other cash collateral	**(10.0)**	(12.4)
	3,758.0	3,912.1
Less: cash deposits	**(914.9)**	(1,011.3)
Net debt	**2,843.1**	2,900.8

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 earlier in the loan covenants section of the 'Business Review – Treasury objectives and risks'. For all of its loans, the Group was in compliance with its lending covenants at 31 December 2009 and throughout the year then ended.

The decrease in total borrowings from £4,084.6m to £3,925.7m reflects the repurchase of securitised debt (Note 16(1)) and scheduled amortisation, partially offset by an additional £20.5m drawn down under the Group's construction loan facility. The reduction in cash and term deposits from £1,183.8m to £1,082.6m is primarily as a result of the funding of construction costs and the repurchase of securitised debt, which was partly offset by receipts in the period under the long term contracts relating to Riverside South and 15 Canada Square. The construction loan secured against 5 Churchill Place was repaid in January 2010 upon completion of the sale of the property.

At 31 December 2009 the fair value adjustment in respect of the Group's financial assets and liabilities calculated in accordance with FRS 13 (excluding debtors and creditors falling due within one year) was an unrecognised asset of £96.2m before tax relief (31 December 2008 – asset of £262.1m).

At 31 December 2009, the Group's weighted average cost of debt was 6.3% excluding credit wraps (or 6.4% including credit wraps) in comparison with 6.0% excluding credit wraps (or 6.2% including credit wraps) at 31 December 2008.

Cash flow

Net cash inflow from operating activities for 2009 was £331.4m in comparison with £184.8m for 2008, an increase of £146.6m. This increase was primarily attributable to an increase in the net proceeds from properties in the course of construction which were pre-sold. Excluding this item operating cash inflows increased from £266.1m to £295.5m.

Returns on investments and servicing of finance resulted in an outflow of £242.0m for 2009 compared with £186.7m for 2008. The reduction in returns on investments was primarily attributable to the fall in margins earned on the Group's cash balances. The total for 2009 included £8.1m of swap breakage costs. There were no such costs in 2008.

Capital expenditure and financial investment for 2009 resulted in a cash outflow of £112.9m, compared with an inflow of £59.2m for 2008. 2009 expenditure included £90.8m of development expenditure, excluding expenditure on pre-sold buildings, and funding of the Group's investment in associated undertakings of £5.2m. The 2008 amount included £167.1m of development expenditure incurred on properties excluding pre-sold properties, and funding of the Group's investment in associated undertakings of £8.7m, offset by proceeds from the sale of the Riverside South site of £237.9m.

The financing cash outflow for 2009 was £62.9m compared with an inflow of £93.2m for 2008. The cash outflow for 2009 included £35.5m incurred on the partial buyback of the Notes, which was partly offset by £20.5m drawn down under the Group's construction loan facility. The 2008 cash inflow included £59.6m drawn down under the Group's construction loan facility and £50.0m drawn down under the Group's retail loan facility.

Directors' Report

for the year ended 31 December 2009

The directors present their annual report with the audited financial statements for the year ended 31 December 2009.

Principal activity and business review

The principal activity of the Company is to act as a holding company for a Group which specialises in integrated property development, investment and management. The Group's primary business is the provision of grade 'A' office space and high quality retail facilities on the Estate, which comprises some 97 acres within the Central London property market. The Group's activities also extend to joint venture projects outside of the Estate, such as the Wood Wharf mixed use development with Ballymore and BWB and the redevelopment of Drapers Gardens, which reached practical completion in November 2009.

A detailed review of the business of the Company both during the year and its position at 31 December 2009 can be found in the 'Business Review', which is to be treated as being part of this Directors' Report, and also in the 'Chairman's and Chief Executive's Statement'. The principal risks and uncertainties facing the Group can be found in the 'Business Review – Principal risks and uncertainties', together with a measure of the Group's performance by reference to an appropriate key performance indicator (see 'Business Review – Balance sheet and key performance indicators').

Post balance sheet events

Details of post balance sheet events are shown in Note 27 to the financial statements.

Results and valuations

The results for the year are set out in the consolidated profit and loss account. Changes in the market value of land and buildings during 2009 are reviewed in the 'Business Review – Valuations'.

Dividends and reserves

The profit for the year of £87.0m (2008 – £249.5m) is to be transferred to reserves. A dividend of £102.2m was paid during 2008. No dividend was paid during 2009.

Share capital

There were 639,015,845 ordinary shares of 1p each in issue at 31 December 2009 and 31 December 2008. The interest of Songbird in the Company, through its wholly owned subsidiary SFL, increased from 60.8% at 31 December 2008 to 69.3% at 31 December 2009 by the acquisition during the year of 54,007,620 ordinary shares in the Company.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position (including the principal risks and uncertainties) are set out in the 'Business Review'. The finances of the Group, its liquidity position and borrowing facilities are described in the 'Business Review – Treasury objectives and risks'. This includes reference to the position in respect of the loan covenants under the Group's facilities.

The Group has considerable financial resources and at 31 December 2009 had free cash balances totalling £914.9m. In addition the Group enjoys the benefit of leases with a weighted average unexpired lease term of 17.4 years (including the Lehman lease but assuming the exercise of all breaks) and an average maturity of the Group's debt of 14.0 years. At 31 December 2009 the occupancy level was 96.2% allowing for the Morgan Stanley break in 20 Cabot Square and the recently announced restructuring of the leases with Barclays Capital. Accordingly, the directors believe that the Group is well placed to manage its business risks successfully despite the continuing uncertain economic climate.

Having made the requisite enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

During the year the following directors served on the Board of the Company:

Sir Martin Jacomb
George Iacobescu CBE
A Peter Anderson, II
Ahmad Mohamed Al-Sayed (appointed 16 December 2009)
Brian Carr (appointed 26 June 2009)
John Carrafiell (resigned 23 June 2009)
Robert Falls
Sam Levinson
Alex Midgen
Toby Phelps (alternate director to John Carrafiell and Robert Falls) (resigned 15 May 2009)

In accordance with the Company's articles of association, Peter Anderson and Sam Levinson will retire by rotation at the AGM and, being eligible, will offer themselves for re-appointment. Ahmad Mohamed Al-Sayed was appointed during the year and offers himself for re-appointment at the AGM. With the exception of Peter Anderson all of the other directors standing for re-appointment are non-executive directors and, as such, do not have service contracts. Peter Anderson's service contract with the Company is terminable upon not less than 12 months' notice by either party. In addition Brian Niles will offer himself for appointment as a director of the Company in place of Brian Carr, who intends to resign, at the AGM.

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, and the Group, at the end of the financial year and of the results of the Group for the year then ended. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each company in the Group which enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' and officers' liability insurance

The Company provides an indemnity to all directors (to the extent permitted by law) in respect of liabilities incurred as a result of their office. The Group also has in place liability insurance covering the directors and officers of Group companies. Both the indemnity and insurance were in force during the year ended 31 December 2009 and at the time of the approval of this Directors' Report. However, neither the indemnity nor the insurance provide cover in the event that the director is proven to have acted dishonestly or fraudulently.

Corporate governance

As an unlisted public company the Company is not required to comply with the provisions of the Combined Code on Corporate Governance. The directors are, however, mindful of their responsibilities to all shareholders. The directors are fully aware of their statutory duties under the Companies Act 2006 and, in particular, the core duty to act in good faith and in a way most likely to promote the success of the Company and the Group for the benefit of its shareholders as a whole. The following principles of corporate governance continue to be applied.

- The Board comprises two executive directors and six non-executive directors. As well as being non-executive chairman of the Company, Sir Martin Jacomb is considered to be an independent non-executive director.
- There is a clear division of responsibilities between the chairman and the chief executive. As non-executive chairman, Sir Martin Jacomb is primarily responsible for the strategic direction of the Group and, as chief executive, George Iacobescu is responsible for operational control including implementation of all development, construction and maintenance projects.
- The Board meets at least four times a year and has formally adopted a schedule of powers which are reserved to the Board. The Board has full and timely access to all relevant information to enable it to discharge its duties effectively.
- A formal process has been adopted by the Board to manage directors' conflicts of interest.
- All directors are subject to election by shareholders at the first opportunity following their appointment by the Board. Subsequently they must seek re-appointment at least every three years.
- All directors have direct access to the advice and services of the company secretary and are able to seek independent professional advice at the expense of the Company if required in connection with their duties.
- Independent professional advisers specific to the Company have been appointed.
- Formal arrangements are in place in relation to the provision of services and information to Songbird.
- The Board retains responsibility for the maintenance by the Group of a sound system of internal control and for reviewing its effectiveness. In addition to identifying, managing and mitigating risk across the Group's operations, the system of internal control is designed to ensure effective and efficient operations and compliance with applicable laws and regulations. The Group's

system of internal control is continuously reviewed. All risks identified by this process have been reviewed and amended as appropriate to reflect the current market conditions.

Committees

Audit, Remuneration and Operating Committees have been established with formally delegated duties and responsibilities. Formal terms of reference for all three committees have been adopted by the Board and are reviewed on a regular basis. Both the Remuneration and Audit Committees comprise non-executive directors only. Membership of each of the committees is detailed in 'Shareholders' Information'.

The Audit Committee meets at least four times a year and is chaired by Sam Levinson. The Company's external auditors have direct access to the chairman of the committee.

The Remuneration Committee, chaired by Sir Martin Jacomb, is responsible for reviewing the performance of the executive directors and management team, setting their remuneration packages and agreeing compensation policies for the Group.

Powers not reserved to the Board are delegated to the Operating Committee which is chaired by George Iacobescu.

Conflicts of interest

The Board has adopted a formal process by which to manage directors' conflicts, which provides a framework within which non-conflicted directors can manage circumstances where pre-authorised conflicts occur to safeguard the interests of the Company. This process is operating effectively and annual reviews are conducted of any conflicts disclosed during the preceding 12 months in order to identify any necessary changes required to the process.

Policies

Environmental

The Company is committed to fully understanding the environmental and social impact of development on the Estate and of outside projects as appropriate. As a result, it is also committed to applying environmental best practice wherever practical in the design, construction and management of buildings and their surroundings for the benefit of tenants, employees, the local community, shareholders and the environment. The Company has maintained ISO 14001 accreditation since early 2005 with environmental management being an inherent part of construction since 2002. The Company is a member of the UK Green Building Council, Green500 and the Better Building Partnership Awards and was judged second most environmentally friendly property developer and placed 30 across all business sectors in the 2009 Sunday Times Best Green Companies Awards.

Environmental responsibility

The Board retains overall responsibility for the monitoring and implementation of the Group's environmental policy and is assisted by the Company's EMRG which comprises senior executives of the Group. A clear governance process has been developed and implemented to enable the EMRG, and ultimately the Board, to identify, manage and respond to the environmental and social risks and opportunities that may affect the Group's operations.

The EMRG is responsible for the development and establishment of the EMS throughout the Group which has been developed to focus attention on those objectives and targets where improvements and actions are necessary to meet the monitoring and reporting process formally adopted by the Group. Identified Environmental System Managers have responsibility for the implementation of the EMS throughout their respective business areas. Employee environmental awareness is key to the success of the EMS and as a result is incorporated into the staff induction programme with regular updates via in-house newsletters and presentations.

The Group publishes annually a separate Corporate Responsibility Report which provides details of performance against specified targets and objectives. This report together with additional supporting information and Group publications can be downloaded from the Company's website. The Group's environmental policies are also set out in full on this website.

Employment

The Company has adopted the terms of the Code of Practice for the elimination of discrimination, on all grounds, including disability discrimination. To effect this policy the Company has implemented a continuing programme of action with the aim of providing an equal working environment where all employees are treated with respect and dignity. The Group continues to keep employees informed of events relevant to their employment via 'all staff' communications and an intranet. Staff consultative committees, at which matters raised by employees are considered by management and staff representatives, have been established and meet every two months. The Group's employment policy is regularly reviewed to incorporate changes to legislation and ensure best practice is maintained.

Equal opportunities

The Group is committed to equality of opportunity and it is the policy of the Group to make all employment decisions based on the applicant's ability, experience and qualification without regard to age, sex, race, colour, sexual orientation, ethnic origin, disability or marital status. The Group values the benefits a diverse workforce can bring. The Group embraces diversity as a practical contribution to its business success.

Due consideration is given to the recruitment, promotion, training and working conditions of all employees including those with disabilities. In the event of an employee becoming disabled the Group uses its best endeavours to ensure continuity of employment.

Training and development

The policy of the Group is to continuously develop its workforce with the aim of maximising its success in the marketplace. The training and development of staff is, therefore, integral to the business process. An annual appraisal programme enables the assessment of individual performance, progress and career prospects within the Group.

Health and safety

The Group is committed to ensuring the working conditions of its employees incorporate the best standards of health, safety and welfare that can reasonably be achieved and that all Group premises are maintained as safe environments. Accordingly, adequate resources are made available for these purposes and procedures exist to enable all staff to be informed and consulted on health and safety matters and to make known their views.

When striving to create the best standards of the built environment the Group seeks to promote a safe and healthy environment for its employees, tenants and visitors. The Group's continuing commitment to ensuring such a safe and healthy environment is embodied in the formally adopted Group health, safety and welfare policy. All legislation relating to health and safety is observed both in letter and in spirit.

Treasury

Details of the Group's treasury objectives and policies can be found in the 'Business Review – Treasury objectives' and the fair value of the Group's debt is disclosed in Note 16.

Payment of suppliers

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

The number of days of purchases outstanding for the Group at 31 December 2009 was 29 (31 December 2008 – 27). The Company had no trade creditors outstanding at either 31 December 2009 or 31 December 2008.

Donations

The Group made charitable donations of £686,998 during 2009 (2008 – £1,281,340) primarily in support of local community initiatives. This included £250,000 (2008 – £1,000,000) contributed to the Isle of Dogs Community Foundation under the terms of the Section 106 agreement for Riverside South.

Political donations (as defined by the Companies Act 2006 and which include donations in kind) made by the Group during 2009 comprised £49,218 to the Labour Party and £20,400 to the Conservative Party (2008 – £22,457 to the Labour Party and £19,500 to the Conservative Party). No political expenditure (as defined by the Companies Act 2006) was incurred by the Group during 2009 (2008 – £nil).

Auditors and disclosure of information to auditors

A resolution to re-appoint Deloitte LLP as the Company's auditors will be proposed at the AGM.

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware and each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418(2) of the Companies Act 2006.

Annual general meeting

The AGM will be held at 11:00am on Wednesday 26 May 2010 at 10 Upper Bank Street, Canary Wharf, London E14 5JJ. The Notice of Meeting, together with an explanation of the items of special business to be considered at the meeting, is enclosed with this report.

By order of the Board

JOHN GARWOOD
Secretary
Canary Wharf Group plc
Registered No: 4191122
25 March 2010

Independent Auditors' Report to the Shareholders of Canary Wharf Group plc

We have audited the financial statements of Canary Wharf Group plc for the year ended 31 December 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related Notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the 'Directors' responsibilities' statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Muschamp (Senior Statutory Auditor)
for and on behalf of DELOITTE LLP
Chartered Accountants and Statutory Auditors
London
25 March 2010

Consolidated Profit and Loss Account

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Turnover		**481.3**	697.2
Cost of sales		**(164.3)**	(288.9)
Gross Profit		**317.0**	408.3
Administrative expenses		**(38.4)**	(40.2)
Other operating income		**2.8**	1.5
Operating Profit	2	**281.4**	369.6
Exceptional items:			
– movement in impairment of investments in associates before interest and tax	12	**13.8**	(23.2)
– profit on sale of development property	10	**–**	118.6
Interest receivable	3	**14.2**	47.0
Interest payable:			
– before exceptional item:			
– Group	4	**(242.7)**	(242.6)
– associates	4	**(0.3)**	(0.5)
Exceptional item:			
– gain on repurchase of securitised debt	4	**68.4**	–
		(174.6)	(243.1)
Profit on ordinary activities before tax		**134.8**	268.9
Tax	5	**(47.8)**	(19.4)
Profit for the financial year	19	**87.0**	249.5
Basic and diluted earnings per share	9	**13.6p**	39.0p

The above results relate to the continuing activities of the Group and its share of associates.

The Notes numbered 1 to 27 form an integral part of these financial statements.

Movements in reserves are shown in Note 19 to these financial statements.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Profit for the financial year after tax:			
– Group		**73.5**	273.2
– share of profit/(losses) of associated undertakings		**13.5**	(23.7)
Unrealised movement on revaluation of investment properties	10	**173.7**	(1,689.9)
Total recognised gains and losses relating to the year		**260.7**	(1,440.4)

Consolidated Balance Sheet

at 31 December 2009

	Note	2009 £m	2008 £m
Fixed assets			
Investment properties	10	**4,584.5**	4,245.5
Properties under construction	10	**–**	125.7
Properties held for development	10	**247.5**	199.8
Other tangible fixed assets	11	**1.5**	1.9
Investments	12	**37.4**	22.7
		4,870.9	4,595.6
Current assets			
Debtors: Amounts due in more than one year	13	**194.5**	243.7
Debtors: Amounts due within one year	13	**53.2**	80.4
Cash at bank and in hand	14	**1,082.6**	1,183.8
		1,330.3	1,507.9
Creditors: Amounts falling due within one year	15	**(377.0)**	(372.4)
Net current assets		**953.3**	1,135.5
Total assets less current liabilities		**5,824.2**	5,731.1
Creditors: Amounts falling due after more than one year	16	**(3,811.5)**	(3,995.4)
Provisions	17	**(87.7)**	(71.4)
Net assets		**1,925.0**	1,664.3
Capital and reserves			
Called up share capital	18	**6.4**	6.4
Reserves:			
– share premium	19	**146.2**	146.2
– revaluation reserve	19	**1,695.6**	1,521.9
– capital redemption reserve	19	**0.7**	0.7
– special reserve	19	**264.8**	264.8
– profit and loss account	19	**(188.7)**	(275.7)
Shareholders' funds	20	**1,925.0**	1,664.3

The Notes numbered 1 to 27 form an integral part of these financial statements.

Approved by the Board on 25 March 2010 and signed on its behalf by:

A PETER ANDERSON, II
Managing Director, Finance

Company Balance Sheet

at 31 December 2009

	Note	2009 £m	2008 £m
Fixed assets			
Investments	12	**2,051.1**	1,119.1
Current assets			
Debtors: Amounts due within one year	13	**1,074.8**	1,081.4
Cash at bank and in hand		**0.1**	0.3
		1,074.9	1,081.7
Creditors: Amounts falling due within one year	15	**(4.7)**	(10.3)
Net current assets		**1,070.2**	1,071.4
Total assets less current liabilities		**3,121.3**	2,190.5
Creditors: Amounts falling due after more than one year	16	**(541.5)**	(520.1)
Net assets		**2,579.8**	1,670.4
Capital and reserves			
Called up share capital	18	**6.4**	6.4
Reserves:			
– share premium	19	**146.2**	146.2
– capital redemption reserve	19	**0.7**	0.7
– special reserve	19	**1,671.8**	739.8
– profit and loss account	19	**754.7**	777.3
Shareholders' funds	20	**2,579.8**	1,670.4

The Notes numbered 1 to 27 form an integral part of these financial statements.

Approved by the Board on 25 March 2010 and signed on its behalf by:

A PETER ANDERSON, II
Managing Director, Finance

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Net cash inflow from operating activities	22	**331.4**	184.8
Returns on investments and servicing of finance	23	**(242.0)**	(186.7)
Capital expenditure and financial investment	23	**(112.9)**	59.2
Tax		**(14.8)**	–
Equity dividend paid		**–**	(102.2)
		(369.7)	(229.7)
Cash outflow before management of liquid resources and financing		**(38.3)**	(44.9)
Management of liquid resources	23	**4.8**	107.3
Financing	23	**(62.9)**	93.2
(Decrease)/increase in cash in the year	24	**(96.4)**	155.6

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

The Notes numbered 22 to 24 form an integral part of this cash flow statement.

1 Basis of preparation and principal accounting policies

A summary of the principal accounting policies of the Group, all of which have been applied consistently throughout this and the preceding year, is set out below.

(1) **Accounting convention**
The financial statements have been prepared on a going concern basis as stated in the 'going concern' section of the 'Director's Report' under the historical cost convention, as modified by the revaluation of investment properties in accordance with Note 1(4) below, and in accordance with applicable United Kingdom accounting standards.

(2) **Basis of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiary undertakings at 31 December 2009 and their results for the year then ended.

(3) **Profit and loss account**
Turnover, which is stated net of VAT, comprises rental income and service charges and revenues earned on long term contracts. Marketing and administrative costs which are not development expenses are charged to the profit and loss account when incurred.

Rental income is recognised on a straight line basis over the life of the lease or until each rental review date as appropriate. Service charge income is recognised as it falls due. The Group's policy on the recognition of income on long term contracts is disclosed in Note 1(4) below.

(4) **Property interests**
The Group's property interests comprise investment properties, properties under construction and properties held for development.

Investment properties
Investment properties are revalued at the balance sheet date and, in accordance with SSAP 19, no provision is made for depreciation. This departure from the requirements of the statutory accounting rules (which require all properties to be depreciated) is, in the opinion of the directors, necessary for the financial statements to show a true and fair view. Depreciation is only one of the factors reflected in the annual valuation and the amount attributable to this factor is not capable of being separately identified or quantified. Surpluses or deficits on investment properties are transferred to the revaluation reserve, unless a deficit is expected to be permanent and exceeds previous surpluses recognised on the same property, in which case the excess is charged to the profit and loss account.

Properties under construction and properties held for development
Properties held for development and properties under construction which are to be retained are categorised as fixed assets and included in the consolidated balance sheet at their fair value at the date of acquisition by CWEL in December 1995, together with subsequent additions at cost, less subsequent disposals, subject to any provision for impairment.

Properties under construction which are to be retained are transferred to investment properties on an individual building basis when construction is complete.

Properties under construction, or held for development where the Group has entered into an inter-related agreement for construction and sale, are categorised as current assets and stated at the lower of cost (namely fair value at the date of acquisition plus subsequent additions at cost) and net realisable value. Where the linked construction and sale of such properties is based on significant input to the design of the property from the purchaser the contract is accounted for as a long term contract in accordance with SSAP 9. Turnover on such contracts is calculated by reference to the estimated value of work performed to date as a proportion of the total anticipated cost of the project. Profit is recognised when the final outcome of the project can be assessed with reasonable certainty by including in the profit and loss account turnover and related costs as contract activity progresses.

Where the sale and construction of such properties are capable of operating independently of each other, the sale and construction contracts are accounted for as separate transactions.

Additions to properties under construction or held for development include all expenses of development, including attributable finance costs where appropriate. Finance costs capitalised are calculated by reference to the rate of interest payable on the borrowings drawn down to finance the development.

Disposal of properties
Profits or losses arising from the sale of properties are calculated by reference to the carrying value at the end of the previous year, or, where relevant, the historical cost to the Group on achieving practical completion, adjusted for UITF 28 and subsequent capital expenditure (where applicable) and are included in the profit and loss account as an exceptional item. Such profits or losses are recognised upon completion of sale.

Properties acquired with the intention of re-sale are categorised as current assets and stated at the lower of cost and net realisable value. Profits or losses arising on the sale of such assets are included in the profit and loss account. No such properties were held at 31 December 2009 or 2008.

(5) **Lease incentives**
Lease incentives include rent free periods and other incentives given to lessees on entering into lease agreements. Under UITF 28 the aggregate cost of lease incentives is recognised as an adjustment to rental income, allocated evenly over the lease term or the term to the first open market rent review if earlier. Consideration is also given at each balance sheet date as to whether an adjustment is required to the period for which rentals are expected to be recovered and hence over which incentives should be amortised. The cost of lease incentives is included within debtors due in more than one year. Accordingly the valuation of investment properties is reduced for these incentives.

(6) **Other tangible fixed assets**
Other tangible fixed assets are stated at cost net of depreciation and any provision for impairment. They are depreciated so as to write off the cost in equal annual instalments over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33.0%
Fixtures and equipment	25.0%

(7) **Debt**
Debt instruments are stated initially at the amount of net proceeds. The finance costs of such debt instruments are allocated to periods over the term of the debt at a constant rate on the carrying amount. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt in that period. Finance costs are charged to the profit and loss account, except in the case of development financings where interest and related financing costs are capitalised as part of the cost of development.

The Group uses derivative financial instruments to manage exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument has to be related to a liability and must change the nature of the interest rate by converting a variable rate to a fixed rate. Interest differentials under these swaps are recognised by adjusting interest payable over the period of the liability. If a derivative ceases to act as an economic hedge, a provision is recognised for its out of the money fair value.

(8) **Investments**
Fixed asset investments are stated at cost less any provision for impairment.

Investments in associated undertakings are included in the financial statements using the equity method. In the consolidated balance sheet, investments in associated undertakings are stated at the Group's share of net assets or liabilities. The Group's share of the associated undertakings' profits or losses after tax is included in the consolidated profit and loss account.

(9) **Finance leases**
Sales and leasebacks (where the leaseback is treated as a finance lease as defined by SSAP 21 and FRS 5) are recorded in the balance sheet as assets and as obligations to pay future rentals. Rents payable are apportioned between the finance charge and a reduction in the outstanding obligation for future amounts payable.

The total finance charge, which includes the amortisation of deferred expenses relating to finance leases, is allocated to accounting periods over the lease terms so as to produce a constant periodic charge on the remaining balance of the obligation for each accounting period.

(10) **Vacant leasehold property**

Provision is made for the present value of the anticipated net commitments in relation to leasehold properties where there is a shortfall in rental income receivable against the rent and other costs payable.

(11) **Pensions**

The Group operates three defined contribution pension schemes, however, two of these schemes are currently in the process of being wound up. Pension contributions in respect of the operational scheme are accrued as they fall due.

(12) **Accounting for share options**

All of the options granted under the Deferred Plan have now been exercised. The majority of holders were able to opt for a cash settlement calculated at the end of the vesting period in accordance with the terms of the grant and linked to the market price of the B Shares at that date. For cash settled share options, a liability is recorded based on the market value of the shares at each balance sheet date. The cost of equity settled share options is measured at the grant date and was based on the market value of B Shares at that date. In both cases the associated cost was charged to the same expense category as the employment cost of the relevant employee, spread on a straight line basis over the relevant vesting period.

Songbird shares held by the Company are recorded as a fixed asset investment at historical cost less any provision for impairment.

(13) **Tax**

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the corporation tax return. Under FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued, unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on a sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse. Discount rates of 2.6% to 3.0% have been adopted reflecting the post tax yield to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

2 Operating profit

	Note	2009 £'000	2008 £'000
The operating profit is stated after charging:			
– depreciation	11	**645**	584
– directors' emoluments	8	**9,972**	7,121
– operating lease rentals:			
– land and buildings		**360**	1,259

The operating lease rentals relate to the vacant leasehold properties referred to in Note 17.

Remuneration of the auditors	2009 £'000	2008 £'000
Audit fees:		
– audit fees for the audit of the Company	**52**	51
– audit of subsidiaries pursuant to legislation	**485**	428
Total audit fees	**537**	479
Fees to the auditors for other services:		
– other services pursuant to legislation	**53**	58
– tax	**624**	215
– other services	**43**	100
– pension fund audit	**19**	12
Total non audit fees	**739**	385

Audit fees of £52,000 were incurred by the Company in 2009 out of a total of £537,000 (2008 – £51,000 out of £479,000).

3 Interest receivable

	2009 £m	2008 £m
Bank interest receivable	**14.2**	47.0

4 Interest payable

	2009 £m	2008 £m
Notes and debentures	**158.9**	161.8
Bank loans and overdrafts	**76.7**	78.2
Finance lease charges	**1.6**	2.6
Construction loan	**10.3**	5.6
Share of associated undertakings	**0.3**	0.5
	247.8	248.7
Less:		
Capitalised interest at 6.5% on the construction loan	**(4.8)**	(5.6)
Interest payable before exceptional items	**243.0**	243.1
Exceptional items:		
– net gain on repurchase of securitised debt	**(83.0)**	–
– uneconomic hedge provision (Note 17)	**14.6**	–
	(68.4)	–
Total interest payable	**174.6**	243.1

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

As a result of repurchasing certain of the CWF II Notes in April 2009, the unamortised portion of inception costs relating to the debt repurchased totalling £1.4m was written-off to the profit and loss account. The repurchased Notes have stepped increases in margins (Note 16(1)), the effect of which is included in the calculation of the effective interest rate of the Notes. At the date of repurchase, £1.3m had been accrued in respect of the stepped margins which was released in calculating the profit on repurchase. Fees of £1.3m were incurred on the repurchase.

The repurchased CWF II Notes remain in issue and are held by a group company. The associated interest rate derivatives have not therefore been varied and, as a result, the swaps held in connection with the repurchased Notes have been deemed to be uneconomic for consolidated accounting purposes. At 30 June 2009, the mark to market adjustment for the uneconomic hedges was £14.6m and this was deducted against the gain on repurchase.

The gain of £68.4m recorded on the repurchase of Notes and treated as an exceptional item resulted in a deferred tax charge of £15.9m after discounting.

Interest payable of £4.8m was transferred to properties under construction in 2009 (2008 – £5.6m) (Note 10) representing financing costs associated with the Group's construction loan facility to practical completion of 5 Churchill Place in August 2009.

5 Tax

	2009 £m	2008 £m
Current tax:		
UK corporation tax (see below)	**(30.7)**	(8.8)
Deferred tax:		
Origination and reversal of timing differences:		
– current period	**(19.5)**	7.7
Net effect of discount	**2.4**	(18.3)
Total deferred tax (Note 17)	**(17.1)**	(10.6)
Total tax charge on profit on ordinary activities	**(47.8)**	(19.4)
Tax reconciliation:		
Group profit on ordinary activities before tax	**134.8**	268.9
Tax on profit on ordinary activities at UK corporation tax rate of 28.0% (2008 – 28.5%)	**(37.7)**	(76.6)
Effects of:		
Tax losses, allowances and other timing differences	**8.0**	68.7
Expenses not deductible for tax purposes	**(1.0)**	(0.9)
Current tax charge for the period	**(30.7)**	(8.8)

The 2008 tax rate of 28.5% was calculated by reference to the current corporation tax rate of 28.0% which was in effect for the final three quarters of the year and the previous rate of 30.0% which was in effect for the first quarter of the year.

6 Profit for the financial year

Of the consolidated profit transferred to reserves of £87.0m (2008 – £249.5m) a profit of £909.4m (2008 – loss of £1,653.8m) is dealt with in the Company's financial statements. The Company's profit included £4.1m (2008 – £nil) attributable to subsidiary dividends received and a £932.0m release of the provision against the Company's investment in subsidiaries (2008 – increase of £1,657.0m). As permitted by the Companies Act 2006, no profit and loss account is presented for the Company.

7 Dividends

	2009 £m	2008 £m
Dividends per ordinary share	**–**	102.2

On 9 April 2008 a dividend of 16.0p per share was paid totalling £102.2m. No dividends were declared or paid during 2009.

8 Directors and employees

(1) **Staff costs**

All employees of the Group, including directors:

	2009 £m	2008 £m
Wages and salaries	**59.4**	59.2
Social security costs	**6.5**	6.4
Other pension costs (Note 21)	**4.1**	4.3
	70.0	69.9

A deferred cash incentive plan was established to retain and incentivise the executive directors and senior members of the management team. Payments under this plan were made in 2008 and 2009.

The average monthly number of employees, including directors, of the Group during 2009 was 965 (2008 – 959) as set out below.

	2009	2008
Construction	**208**	238
Property management	**605**	570
Administration	**152**	151
	965	959

(2) **Directors' remuneration**

	2009 £'000	2008 £'000
Emoluments (including bonuses)	**9,972**	7,121

No contributions were made by the Company during 2008 or 2009 to any pension plan for the benefit of the executive directors. Contributions made by the Company during earlier years either remain within the Company's money purchase pension plan or have been transferred into another arrangement at the election of the director.

(3) **Highest paid director**

The amounts set out in (2) above include remuneration in respect of the highest paid director as follows:

	2009 £'000	2008 £'000
Emoluments (including bonuses)	**6,512**	3,837

No contributions were made by the Company during 2008 or 2009 to any pension plan for the benefit of the highest paid director.

(4) **Directors' share options**

No director held any options to subscribe for ordinary shares in the Company during the year. The aggregate emoluments disclosed above do not include any options granted under the Deferred Plan to subscribe for Songbird shares.

(5) **Share based payments**

During the year the Company operated the Deferred Plan in conjunction with the Trust.

The Deferred Plan is a discretionary plan which does not benefit from approved status for income tax purposes. Under the terms of the Deferred Plan, options over Songbird shares are granted to participants at the discretion of the Remuneration Committee. No consideration was payable for the grant of an option and an exercise price of £1.00 was payable upon exercise, in full or in part, of the option. Unless the Remuneration Committee determines otherwise, an option may normally be exercised on or after the first anniversary of the grant date in respect of 50.0% of the Songbird shares to which it relates. The balance of the option was normally exercisable on or after the second anniversary of the grant date. Options normally lapse on the third anniversary of the date of grant unless determined otherwise by the Board. Upon exercise or part-exercise of an option, the participant also receives a distribution equating to any net dividend received on the shares since the date of grant. The trustee of the Trust waived its entitlement to dividends (save for 0.01p per share) on any shares in excess of those required to satisfy outstanding options. Previous terms of the Deferred Plan allowed participants who were granted options on or after December 2005 to elect to take a cash equivalent value in substitution for exercising their options. All of these options have now been exercised.

During the year options over 60,000 B Shares were exercised under the Deferred Plan. At 31 December 2009 there were no options outstanding over the B Shares or any other class of shares.

Date of grant	Exercise period	1 January 2009 B Shares	Exercised B Shares	31 December 2009 B Shares	Aggregate net value[1] of shares at date of exercise or surrender £	Share distributions[2] made by Trustee out of dividend income £
03/05/05	21/05/06 to 22/09/09	60,000	60,000	–	15,599	63,066
		60,000	60,000	–	15,599	63,066

Note:

(1) Market value of shares less cost of exercise.

(2) Dividends received on shares under option are distributed to participants as and when the options are exercised or a cash equivalent value is taken in substitution for exercising the option.

The Trust holds Songbird shares which may be used to satisfy options granted under the Deferred Plan or any other share plan the Company may adopt. The assets of the Trust are held separately from those of the Company and the trustee of the Trust is EES Trustees International Limited.

Where a participant has the right to take a cash alternative sum in substitution for exercising an option the Company has agreed to loan the necessary sum to the trustee and the trustee has agreed to sell such shares as may be necessary to repay the loan unless determined otherwise by the Board.

In September 2009, Songbird announced a proposed placing, compensatory open offer and reorganisation of share capital which was approved by its shareholders on 13 October 2009. As part of this exercise, the Trust took up its entitlement under the compensatory open offer and participated in a rump placing in respect of lapsed open offer entitlements. The Trust's original interest in the B Shares became an interest in 237,626 10p ordinary shares of Songbird. As a result of its participation in the rump placing the Trust also acquired a further 6,804,572 10p ordinary shares in Songbird.

At 31 December 2009, the trustee of the Trust held 7,042,198 10p ordinary shares of Songbird (31 December 2008 – 299,253 B Shares).

9 Earnings per share

The basic and diluted earnings per share for 2009 have been calculated by reference to the profit attributable to ordinary shareholders after tax of £87.0m (2008 – £249.5m) and on the weighted average of 639.0m shares in issue at each year end.

There were no outstanding dilutive instruments at either balance sheet date.

10 Investment properties, properties held for development and properties under construction

Freehold properties held as tangible fixed assets

	Investment properties £m	Properties held for development £m	Properties under construction £m
1 January 2009 (pre-adjustment for UITF 28)	4,483.0	199.8	125.7
Adjustment for UITF 28	(237.5)	–	–
1 January 2009	4,245.5	199.8	125.7
Additions	33.1	47.7	14.7
Transfer to investment property held for sale	140.4	–	(140.4)
Transfer to tenant incentives	(8.2)	–	–
Revaluation	173.7	–	–
31 December 2009	**4,584.5**	**247.5**	**–**
Adjustment for UITF 28 (Note 13)	194.5		
Market value at 31 December 2009	**4,779.0**		
Of which:			
Investment property held for sale (carrying value)	177.7		
Subject to lease and finance leaseback arrangements	74.7		
Historical cost of investment properties	2,764.7		

Pre-sold properties under construction	
Additions	89.0
SSAP 9 accrual	(6.9)
Transferred to cost of sales	(65.9)
Transferred from payments on account (net)	(16.2)
31 December 2009	**–**

In November 2008 the Group entered into an agreement for the sale of the Riverside South site to JP Morgan and received an initial payment of £237.9m which resulted in a profit being recognised on disposal of £118.6m. The historical cost to the Group of the site was £117.7m and fees of £1.6m were incurred on disposal. JP Morgan has appointed the Group to act as Development and Construction Manager in relation to a new European headquarters to be built on the site. Costs incurred in relation to this contract are recoverable from JP Morgan and have been offset against payments received on account (Note 15). If construction is postponed or deferred altogether, the Group is entitled to £76.0m as an advance of the developer's profit, of which £61.0m had been received at 31 December 2009. At 31 December 2009 the carrying value of this project is stated net of amounts taken to cost of sales, or transferred to payments on account in accordance with SSAP 9.

In 2009 the Group achieved practical completion on 15 Canada Square, a 0.4m sq ft building pre-sold to KPMG, and 30 North Colonnade, a 0.3m sq ft building pre-sold to Fimalac for occupation by Fitch. Profits on both of these buildings were recognised over the period of construction in accordance with SSAP 9.

In August 2009 practical completion was achieved on 5 Churchill Place, a 0.3m sq ft building of which 83.0% has been leased to JP Morgan. In December 2009 the Group exchanged contracts for the sale of the building for a gross aggregate consideration of £208.0m. The sale was completed in January 2010. This property was held as an investment property at 31 December 2009. The carrying value of 5 Churchill Place at 31 December 2009 was £192.0m and has been calculated by reference to the gross aggregate consideration of £208.0m adjusted for a fit-out allowance and the rent support to be provided by the Group in respect of two floors of £2.2m per annum for up to 5 years. At practical completion, the cost to the Group of 5 Churchill Place included £12.9m in respect of financing costs (31 December 2008 - £8.1m).

On 24 December 2008 the Group entered into agreements with the Secretary of State for Transport and CLRL for the design and construction of the Crossrail station at Canary Wharf for a fixed price of £500.0m. The Group will contribute £150.0m towards the cost and the balance of £350.0m will be met from Crossrail's budget. The anticipated £150.0m cost to the Group will be accounted for when incurred as additions to development properties and allocated to each development property on a square footage basis. The Group's contribution of £150.0m will be applied against any Section 106 contributions for certain agreed development sites on the Estate which may be required as part of proposed alterations to the London Plan. At 31 December 2009 such costs totalled £70.1m of which £19.0m has been allocated to the Riverside South construction contract and £51.1m to development properties.

Investment properties are recorded at valuation less the cost of unamortised tenant incentives incurred at the balance sheet date in accordance with UITF 28. The unamortised tenant incentives are held within debtors falling due in more than one year in the balance sheet (Note 13).

The Group's investment properties have been revalued externally at 31 December 2009 on the basis of market value. The valuation of office investment properties was undertaken by either CBRE or Savills with the exception of BP2 which is carried at the Directors' valuation based on the net proceeds received upon disposal. The valuation of retail investment properties was undertaken by Cushman. Each property has been valued individually on a free and clear basis and not as part of a portfolio and no account has been taken of any intragroup leases or arrangements. Whilst allowance has been made for any purchaser's expenses, assumed by the valuers to be at rates between 4.6% and 5.2% depending on lot size, no allowance has been made for any seller's expenses of realisation or for any tax which might arise in the event of disposal. The surplus arising on the valuations at 31 December 2009 of £173.7m has been transferred to the revaluation reserve.

The assumptions upon which the valuations are based are summarised in the 'Business Review – Valuations'.

Properties held for development at 31 December 2009, which are to be retained as investment properties, are carried at their fair value at the time of acquisition of the CWHL group in December 1995, less subsequent disposals plus additions at cost, subject to any provision for impairment.

11 Other tangible fixed assets

	Fixtures and equipment £m	Computer equipment £m	Total £m
Cost:			
1 January 2009	14.4	1.1	15.5
Additions	0.2	–	0.2
31 December 2009	**14.6**	**1.1**	**15.7**
Depreciation:			
1 January 2009	(12.5)	(1.1)	(13.6)
Charge for the period (Note 2)	(0.6)	–	(0.6)
31 December 2009	**(13.1)**	**(1.1)**	**(14.2)**
Net book amount:			
31 December 2009	**1.5**	**–**	**1.5**
31 December 2008	1.9	–	1.9

12 Investments

	31 December 2009		31 December 2008	
	Group £m	**Company £m**	Group £m	Company £m
Subsidiary undertakings	**–**	**2,051.1**	–	1,119.1
Associated undertakings	**27.8**	**–**	22.3	–
Shares	**9.4**	**–**	0.2	–
Other investments	**0.2**	**–**	0.2	–
	37.4	**2,051.1**	22.7	1,119.1

In June 2007 the Group entered into a joint venture with MSREF V and Omega to undertake the redevelopment of Drapers Gardens. The Group has invested £11.1m (31 December 2008 – £9.3m) and incurred fees of £0.7m in consideration for a 20.0% stake in the joint venture. Drapers Gardens has a reporting date of 31 December and its results attributable to the Group have been derived from its management accounts to 31 December 2009. Drapers Gardens is structured as a Jersey property unit trust and the unit holders in which the Company has an investment are registered in the Netherlands.

The Drapers Gardens entities entered into a £172.5m construction loan facility with Lehman which was subsequently syndicated to certain other banks resulting in Lehman retaining a minority share. Following it being placed into administration, there was an interruption to the funding being provided by Lehman and the Group made additional loans totalling £1.0m (31 December 2008 – £0.7m) to the joint venture to fund its 20.0% share of the shortfall. Lehman subsequently recommenced funding and all of its lending obligations were satisfied up to 31 May 2009. For the remainder of the year funding for the project was provided by one member of the syndicate on a super senior basis. Subsequent to the year end, in January 2010, the Group purchased for a consideration of £112.8m the substantial majority of the drawn balance of the construction loan facility.

The Group's investment in the Drapers Gardens joint venture was written down by £10.0m to £nil at the previous year end and the Group also recognised a provision of £13.2m at that date in respect of the Group's share of the joint venture's losses at 31 December 2008. The property has subsequently been completed and in February 2010 it was announced that the building had been let in its entirety to BlackRock. A market valuation of the property at 31 December 2009 carried out by CBRE has enabled the investment in the joint venture to be written back up to £7.9m and the remaining provision to be released (Note 17).

Under the terms of the joint venture agreement for Drapers Gardens, the Group has a liability to contribute a maximum of £1.1m (31 December 2008 – £2.7m) in respect of costs to complete the development. In addition there are certain contingent liabilities in relation to Drapers Gardens as detailed in Note 25.

In April 2005 BWB appointed the Group, together with Ballymore, as its partner for the development of Wood Wharf. WWLP is incorporated in the United Kingdom and has been established to oversee the development of an approximately 7.0m sq ft (gross) mixed use scheme in which the Group has a 25.0% effective interest. The Group has subscribed for £2,000 of equity share capital in the partners of WWLP and for interest free long term redeemable loan notes totalling £25.0m (31 December 2008 – £21.6m) to fund the working capital requirements of the partnership, which are redeemable at par in 2030, subject to being repayable out of development profits.

WWLP has entered into a non-recourse loan facility of £9.0m, of which £5.8m had been drawn down at 31 December 2009 (31 December 2008 – £6.3m). The loan matured in February 2010 and discussions with the lender regarding a rollover of the facility are continuing. The Group has also loaned £25.0m (31 December 2008 - £21.6m) to WWLP in the form of redeemable notes which are interest free and redeemable at par. The £9.0m loan must first be repaid before the loan provided to WWLP by the Group can be repaid. All loans must have been repaid in full prior to any dividends being declared.

The investment in WWLP includes an initial entry premium of £1.9m and is stated net of the Group's share of WWLP's losses since acquisition. The investment in WWLP has been written down by £5.6m to £19.9m at 31 December 2009 by reference to a valuation of the development undertaken by CBRE. This has been taken to the profit and loss account and treated as an exceptional item. There was no deferred tax as a result of this impairment.

These investments have been accounted for as investments in associated undertakings. The Group's share of the results and net assets/liabilities of its associates derived from the management accounts of the associated undertakings are as follows:

For the year ended 31 December 2009

	Drapers Gardens £m	WWLP £m	Total £m
Profit/(loss) before interest and tax	96.3	(14.4)	81.9
Interest receivable	–	0.5	0.5
Interest payable	–	(1.8)	(1.8)
Profit/(loss) after interest and tax	96.3	(15.7)	80.6
Group share	19.4	(4.0)	15.4
Net assets	34.8	79.4	114.2
Group share	7.0	19.9	26.9

Additional funding for Drapers Gardens was £0.9m.

The investment in shares represents Songbird 10p ordinary shares held in trust.

	£m
Cost:	
1 January 2009	0.3
Transferred to participants in the Deferred Plan	(0.1)
Additions	9.2
31 December 2009	9.4
Amortised:	
Amounts amortised at 1 January 2009	(0.1)
Transferred to participants in the Deferred Plan	0.1
Amortised at 31 December 2009	–
Net book amount:	
31 December 2009	**9.4**
31 December 2008	0.2

Details of the investment in Songbird shares are disclosed in Note 8(5).

The Group owns 52,079 0.1p B preferred ordinary shares and 112,220 0.1p ordinary shares in HSO, an unlisted company registered in England and Wales, being approximately 13.0% of its nominal share capital. The principal activity of HSO is the provision of broadband telecommunications services. The consideration paid was £2.1m representing the historical cost to the Group including fees. During 2009 the carrying value of the investment was held at £0.2m (after a total provision of £1.9m), based on the net asset value of HSO at 31 December 2009.

The Company holds the entire issued share capital of CWEL comprising 651,778,264 ordinary shares of 1p each. The directors have considered the value of the Company's investment in CWEL at 31 December 2009 and the investment was stated at £2,051.1m, net of a provision of £934.0m (2008 – £1,119.1m, net of a provision of £1,866.0m).

At 31 December 2009 the Company's principal subsidiary undertakings, all of which were incorporated in Great Britain, registered in England and Wales and wholly owned, were as follows:

Name	Description of shares	Principal activities
Directly held by the Company:		
Canary Wharf Estate Limited	£1 Ordinary	Holding company
Canary Wharf Developments Limited	£1 Ordinary	Property development
Indirectly held by the Company:		
Canary Wharf Holdings Limited	£1 Ordinary	Holding company
	£1 Preferred Redeemable	
Canary Wharf Limited	£1 Ordinary	Property development
	£1 Preferred Redeemable	
Canary Wharf Investments Limited	£1 Ordinary	Property investment
	£1 Deferred	
Canary Wharf Contractors Limited	£1 Ordinary	Property construction
Canary Wharf Management Limited	£1 Ordinary	Property management
Heron Quays Properties Limited	£1 Ordinary	Property development
Canary Wharf Finance II plc	£1 Ordinary	Investment company
CW Lending II Limited	£1 Ordinary	Investment company
Canary Wharf Investments (Crossrail) Limited	£1 Ordinary	Investment company
Canary Wharf Finance (Investments) Limited	£1 Ordinary	Investment company

A complete list of the Company's subsidiary undertakings will be attached to the Company's annual return when it is submitted to the Registrar of Companies.

13 Debtors

	31 December 2009		31 December 2008	
	Group £m	**Company £m**	Group £m	Company £m
Due within one year:				
Trade debtors	**5.4**	**0.7**	6.4	0.7
Other debtors	**17.5**	**–**	8.7	–
Amounts owed by subsidiary undertakings	**–**	**174.8**	–	195.2
Loans to subsidiary undertakings	**–**	**899.2**	–	884.7
Prepayments and accrued income	**25.6**	**0.1**	29.5	0.8
Amounts recoverable on contracts (Note 15)	**4.7**	**–**	35.8	–
	53.2	**1,074.8**	80.4	1,081.4

Loans to subsidiary undertakings carry interest at a rate linked to LIBOR and are repayable on demand.

	Rent free periods £m	Other tenant incentives £m	Total £m
Due in more than one year:			
1 January 2009	112.1	125.4	237.5
Recognition of rent during rent free periods	11.3	–	11.3
Amortisation of lease incentives	(27.9)	(34.6)	(62.5)
Transfer from WIP	–	8.2	8.2
31 December 2009	**95.5**	**99.0**	**194.5**

Debtors due in more than one year comprise the cumulative adjustment in respect of lease incentives required by UITF 28 and amounts receivable in more than twelve months in relation to lease termination agreements. Lease incentives include rent free periods and other incentives given to lessees on entering into lease arrangements. Under UITF 28, the aggregate cost of lease incentives is recognised as an adjustment to rental income, allocated evenly over the lease term or the term to the first market rent review if earlier. Accordingly the external valuation of investment properties is reduced for these incentives.

At 31 December 2009 lease incentives included £53.6m attributable to the Lehman lease which is being amortised over the period to the first open market rent review in November 2013.

14 Financial assets

The Group's financial assets comprise short term trade debtors (Note 13) and cash deposits. Cash deposits totalled £1,082.6m at 31 December 2009 (31 December 2008 – £1,183.8m) comprising deposits placed on money market at call and term rates. Total cash deposits included £139.4m (31 December 2008 – £135.0m) held by third parties as cash collateral for the Group's borrowings, £18.3m (31 December 2008 – £25.1m) charged to third parties in connection with the Group's construction obligations, and a further £10.0m (31 December 2008 – £12.4m) charged to third parties as security for the Group's obligations. Unsecured cash deposits totalled £914.9m at 31 December 2009 (31 December 2008 – £1,011.3m).

15 Creditors: amounts falling due within one year

	31 December 2009 Group £m	31 December 2009 Company £m	31 December 2008 Group £m	31 December 2008 Company £m
Borrowings (Note 16)	**114.2**	**–**	89.2	–
Trade creditors	**24.6**	**–**	36.3	0.3
Amounts due to subsidiary undertakings	**–**	**0.4**	–	5.2
Taxation and social security costs	**5.2**	**1.1**	6.9	1.5
Corporation tax	**24.8**	**–**	8.8	–
Other creditors	**13.5**	**–**	15.5	–
Accruals	**69.8**	**3.2**	97.6	3.3
Deferred income	**102.5**	**–**	83.8	–
Payments on account	**22.4**	**–**	34.3	–
	377.0	**4.7**	372.4	10.3

Payments on account comprise the amounts received in respect of the pre-sale of freehold properties and the long term development contract for the construction of Riverside South on behalf of JP Morgan:

	Completed properties £m	Riverside South £m	Total £m
1 January 2009	34.1	0.2	34.3
Amounts received	76.9	64.2	141.1
Recorded as turnover	(79.9)	(25.8)	(105.7)
Work in progress transfer	–	(16.2)	(16.2)
Transferred to debtors (Note 13)	(31.1)	–	(31.1)
31 December 2009	**–**	**22.4**	**22.4**

Amounts recoverable on long term contracts, which comprise the excess of turnover recognised over payments on account, have been transferred to debtors (see Note 13).

16 Creditors: amounts falling due after more than one year

Creditors due after more than one year comprise:

	31 December 2009 Group £m	31 December 2009 Company £m	31 December 2008 Group £m	31 December 2008 Company £m
Securitised debt	**2,396.8**	**–**	2,575.9	–
Construction loans	**123.4**	**–**	99.9	–
Other secured loans	**1,250.1**	**–**	1,278.0	–
Finance lease obligations	**41.2**	**–**	41.6	–
Amounts due to subsidiary undertakings	**–**	**541.5**	–	520.1
	3,811.5	**541.5**	3,995.4	520.1

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Construction loan £m	Other secured loans £m	Finance lease obligations £m	Total £m
1 January 2009	2,637.5	99.9	1,305.6	41.6	4,084.6
Drawn down	–	20.5	–	–	20.5
Deferred financing expenses	0.5	0.8	(9.8)	–	(8.5)
Accrued finance charges	(1.4)	2.2	(3.7)	(0.4)	(3.3)
Repaid in year	(32.2)	–	(15.7)	–	(47.9)
Repurchase of securitised debt	(119.7)	–	–	–	(119.7)
31 December 2009	**2,484.7**	**123.4**	**1,276.4**	**41.2**	**3,925.7**
Payable within one year or on demand	87.9	–	26.3	–	114.2
Payable in more than one year	2,396.8	123.4	1,250.1	41.2	3,811.5
	2,484.7	123.4	1,276.4	41.2	3,925.7

(1) At 31 December 2009 the following Notes issued by CWF II were outstanding:

Class	Principal £m	Interest	Repayment
A1	1,189.7	6.455%	By instalment from 2009 to 2030
A3	400.0	5.952%	By instalment from 2032 to 2035
A7	222.0	Floating	In 2035
B	203.9	6.800%	By instalment from 2005 to 2030
B3	104.0	Floating	In 2035
C2	275.0	Floating	In 2035
D2	125.0	Floating	In 2035
	2,519.6		

In April 2009 the Group repurchased certain floating rate Notes with an aggregate principal amount of £119.7m for an aggregate consideration, excluding accrued interest, of £35.5m.

The repurchase of these Notes comprised:

Class of Notes	Principal £m	Aggregate principal amount repurchased £m	Weighted average offer price per £1,000 principal amount	Aggregate consideration excluding accrued interest £m
B3	104.0	26.1	£468	12.2
C2	275.0	35.3	£303	10.7
D2	125.0	58.3	£216	12.6
		119.7		35.5

The Notes repurchased have not been cancelled, remain in issue and, in accordance with the requirements of the CWF II securitisation, continue to be fully hedged. The repurchase has been accounted for as an extinguishment of debt. The gain on the transaction, being the difference between the aggregate principal amount repurchased and the aggregate consideration paid, adjusting for unamortised deferred fees on issue, stepped interest accruals and the mark to market on related derivatives, has been taken to the profit and loss account and treated as an exceptional item.

After taking into account allocated deferred fees, accruals for stepped interest payments and the mark to market on related derivatives, the repurchase of securitised debt resulted in a gain of £68.4m. As a result of this transaction, a deferred tax charge of £15.9m net of discounting has been recognised.

Interest on the floating Notes is at three month LIBOR plus a margin. The margins on these Notes are: A7 Notes – 0.19% p.a., increasing to 0.475% in January 2017; B3 Notes – 0.28% p.a., increasing to 0.70% p.a. in January 2017; C2 Notes – 0.55% p.a., increasing to 1.375% in April 2014; and D2 Notes – 0.84% p.a., increasing to 2.1% in April 2014.

All of the floating Notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 Notes – 5.1135%; B3 Notes – 5.1625%; C2 Notes – 5.4416%; and D2 Notes – 5.8005%. These swaps expire in 2035 concurrent with the Notes.

In addition to the three classes of floating rate Notes referred to above, the following classes of fixed rate Notes remained outstanding at 31 December 2009, carrying the interest rates stated: £1,189.7m of A1 Notes – 6.455%; £400.0m of A3 Notes – 5.952%; £203.9m of B Notes – 6.800%.

The principal amount of the Notes outstanding at 31 December 2009 was £2,519.6m, or £2,399.9m excluding the Notes repurchased. The Notes are secured on certain property interests of the Group and the rental income stream therefrom.

The CWF II securitisation has the benefit of an agreement with AIG which provides at the election of the Group for the payment of the contracted rent under the lease following a default by Lehman, either in its entirety or to cover any shortfall. The agreement is for a period of four years from the first draw down. The amounts claimed would be repayable by the Group if subsequent recoveries made in respect of amounts claimed or subsequent rentals in the properties exceed the rents that would have been received from Lehman. AIG has posted cash collateral of approximately £224.0m, held in bank accounts in the name of AIG and has granted security over the deposits as collateral for its obligations. The amount initially posted in respect of AIG's obligations is subject to periodic adjustment to reflect movements in interest rates. No amount had been drawn under this agreement at the date of approving this report.

Separately, the securitisation has the benefit of an arrangement with AIG which covers the rent in the event of a default by the tenant of 33 Canada Square, over the entire term of the lease. AIG posted a further £276.3m as cash collateral in respect of this obligation.

The annual fees payable in respect of the above arrangements currently total £7.5m.

CWF II also has the benefit of a £300.0m liquidity facility provided by Lloyds, under which drawings may be made in the event of a cash flow shortage under the securitisation. This facility is renewable annually.

Certain of the A1, A3 and B Notes were issued at a premium which is being amortised to the profit and loss account over the life of the relevant Notes. At 31 December 2009 £63.2m remained unamortised (31 December 2008 – £68.2m).

The weighted average maturity of the debentures at 31 December 2009 was 16.7 years. The debentures may be redeemed at the option of the issuer in an aggregate amount of not less than £1.0m on any interest payment date subject to the current rating of the debentures not being adversely affected and certain other conditions affecting the amount to be redeemed.

(2) In February 2007 the Group entered into a £155.0m 3 year construction loan facility secured on 5 Churchill Place. Interest was charged at LIBOR plus a margin of 0.9% hedged at 5.625%. At 31 December 2009 £123.4m (31 December 2008 – £100.7m) including interest had been drawn down under this facility. Practical completion of the building was achieved in August 2009 and the loan was repaid in January 2010 upon completion of the sale of the building.

(3) The Group has entered into a £350.0m loan facility which was originally secured against the Group's principal retail properties. During the year the Group transferred its car parking interests and certain other retail interests to form part of the security for this loan.

The loan facility carried interest at LIBOR plus a variable margin rate subject to prevailing LTV and ICR tests. The Group originally entered into an arrangement whereby the exposure to the movement in three month LIBOR rates in the facility was fully hedged with fixed interest rate swaps at a weighted average including margins of 6.1%. The loan was repayable in March 2011. In December 2009 the repayment date for the loan was extended to December 2014 for a fee of £4.0m. The fixed interest rate swaps associated with this loan were also extended to December 2014 at a weighted average including margins of 7.2%. The mark to market adjustment for the existing swap instrument has been embedded in the new swap.

(4) A bank loan with an initial principal amount of £369.4m has been secured against 10 Cabot Square and 20 Cabot Square and is repayable in January 2013. The Group entered into an interest rate swap, also to January 2013, at a fixed rate of 5.031%. In March 2009, a portion of the swap was broken at a cost of £8.1m and a new swap entered into which serves to fix the rate of interest at a weighted average, including margin, of 5.6%. During the year £8.1m was repaid in accordance with the terms of the facility and at 31 December 2009 the outstanding principal was £358.9m.

(5) A bank loan comprising an initial principal of £608.8m is secured against One Churchill Place. The loan amortises with a balloon payment of £155.0m on maturity in July 2034. The loan carries a hedged interest rate of 5.82%. In 2009 £7.5m of loan principal was repaid in accordance with the loan agreement reducing the principal at 31 December 2009 to £576.2m.

(6) The Group's obligations under its finance lease are secured by first ranking fixed and floating charges over the property which is the subject of the finance lease and over certain cash deposits (Note 25). The rate of interest implicit in the finance lease was 1.0% at 31 December 2009 (31 December 2008 – 4.9%).

(7) The maturity profile of the loans and finance lease obligations (excluding accrued interest payable) was as follows:

	31 December 2009		31 December 2008	
	Loans £m	**Finance leases £m**	Loans £m	Finance leases £m
In less than one year or on demand	**72.4**	**–**	44.7	–
In more than one year but less than two years	**73.2**	**–**	166.9	–
In more than two years but not more than five years	**1,031.0**	**–**	915.0	–
In more than five years	**2,631.6**	**41.2**	2,871.8	41.6
	3,808.2	**41.2**	3,998.4	41.6

(8) After taking into account interest rate hedging entered into by the Group, the interest rate profile of the Group's financial liabilities at 31 December 2009 (including accrued interest payable) was:

	31 December 2009			31 December 2008		
	Floating £m	**Fixed £m**	**Total £m**	Floating £m	Fixed £m	Total £m
Securitised debt	**–**	**2,484.7**	**2,484.7**	–	2,637.5	2,637.5
Secured loans	**–**	**1,276.4**	**1,276.4**	–	1,305.6	1,305.6
Construction loan	**–**	**123.4**	**123.4**	–	99.9	99.9
Finance leases	**41.2**	**–**	**41.2**	41.6	–	41.6
	41.2	**3,884.5**	**3,925.7**	41.6	4,043.0	4,084.6
Less: Cash collateral for borrowings (Note 14)	**(42.4)**	**(97.0)**	**(139.4)**	(42.4)	(92.6)	(135.0)
	(1.2)	**3,787.5**	**3,786.3**	(0.8)	3,950.4	3,949.6

In respect of the Group's fixed rate financial liabilities:

	31 December 2009		31 December 2008	
	Weighted average interest rate %	**Weighted average period Years**	Weighted average interest rate %	Weighted average period Years
Securitised debt	**6.2**	**16.7**	6.2	17.9
Secured loans	**6.3**	**10.0**	6.2	9.9

(9) The difference between the fair value and the book value of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year other than amounts relating to loans) at 31 December 2009 was an unrecognised asset of £96.2m before tax relief (31 December 2008 – asset of £262.1m) comprising the following:

	31 December 2009		31 December 2008	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
– cash on deposit earning floating rates of interest	**1,082.6**	**1,082.6**	1,183.8	1,183.8
– short term financial liabilities and current portion of long term borrowings	**(114.2)**	**(114.2)**	(89.2)	(89.2)
– long term borrowings	**(3,770.3)**	**(3,455.5)**	(3,953.8)	(3,261.9)
– finance leases	**(41.2)**	**(41.2)**	(41.6)	(41.6)
Derivative financial instruments held to manage interest rate profile:				
– interest rate swaps	**–**	**(218.6)**	–	(429.8)

The fair values of derivative financial instruments have been determined by reference to market values provided by the relevant counterparty. The fair values of sterling denominated fixed rate debt have been determined by reference to prices available on the markets on which they are traded.

(10) Unrecognised gains and losses on instruments used for hedging and the movements thereon are as follows:

	31 December 2009			31 December 2008		
	Gains £m	**(Losses) £m**	**Total net gains/ (losses) £m**	Gains £m	(Losses) £m	Total net gains (losses) £m
Unrecognised gains and losses on hedges at 1 January	**–**	**(429.8)**	**(429.8)**	0.1	(82.1)	(82.0)
Gains and losses arising in previous years that were recognised in the year	**–**	**22.7**	**22.7**	–	–	–
Gains and losses arising before 1 January that were not recognised in the year	**–**	**(407.1)**	**(407.1)**	0.1	(82.1)	(82.0)
Gains and losses arising in the year that were not recognised in the year	**–**	**188.5**	**188.5**	(0.1)	(347.7)	(347.8)
Unrecognised gains and losses on hedges at 31 December	**–**	**(218.6)**	**(218.6)**	–	(429.8)	(429.8)
Of which:						
Gains and losses expected to be recognised in the following year	**–**	**(15.9)**	**(15.9)**	–	(8.1)	(8.1)
Gains and losses expected to be recognised after the following year	**–**	**(202.7)**	**(202.7)**	–	(421.7)	(421.7)

(11) The Group has no material monetary assets or liabilities in currencies other than pounds sterling.

17 Provisions for liabilities

	Leasehold property £m	Other lease commitments £m	Losses of associates £m	Uneconomic hedge £m	Deferred tax £m	Total £m
1 January 2009	3.0	2.3	13.2	–	52.9	71.4
Utilisation of provision	(0.5)	(0.1)	–	–	–	(0.6)
Initial recognition	–	–	–	14.6	–	14.6
(Release)/increase in provision	(1.5)	(0.1)	(13.2)	–	17.1	2.3
31 December 2009	**1.0**	**2.1**	**–**	**14.6**	**70.0**	**87.7**

Vacant leasehold properties

At 31 December 2009 the provision for the estimated net liability under the remaining vacant leasehold property, discounted at 6.4%, being the Group's weighted average cost of debt was £1.0m (31 December 2008 – £3.0m discounted at 6.2%). A break notice was served on the landlord in respect of the final leasehold property and as a result this lease was determined in July 2009.

Other lease commitments

In connection with the sale of certain properties during 2005 the Group agreed to provide rental support in respect of either the unexpired rent free periods or, where there is a fixed uplift in rent, until the next rent review date. The Group recognised a provision in respect of these commitments at the date of disposal and at 31 December 2009 the remaining provision was £2.1m calculated on the basis of a discount rate of 6.4% (31 December 2008 – £2.3m, discounted at 6.2%).

Uneconomic hedge

The provision in respect of uneconomic hedges arises from the repurchase of the securitised debt during the year as explained in Note 16(1).

Deferred tax	**31 December 2009 £m**	31 December 2008 £m
Accelerated capital allowances claimed	**(65.7)**	(74.7)
Other timing differences	**(25.5)**	6.9
Undiscounted deferred tax liability	**(91.2)**	(67.8)
Discount	**21.2**	14.9
Discounted deferred tax liability	**(70.0)**	(52.9)

	31 December 2009 £m	31 December 2008 £m
At 1 January	**(52.9)**	(42.3)
Deferred tax charge in the profit and loss account for the year	**(17.1)**	(10.6)
At 31 December	**(70.0)**	(52.9)

The net deferred tax position is stated on a discounted basis. The deferred tax liability of £91.2m (31 December 2008 – £67.8m), stated gross of a discount of £21.2m (31 December 2008 – £14.9m), is recognised at 31 December 2009, primarily in respect of EZA claims made in prior years. For the most part this liability relates to two finance lessor companies acquired by the Group from a third party in 2006.

In accordance with FRS 19, no provision has been made for deferred tax on gains relating to properties which are revalued in the balance sheet to their market values. If the Group's investment properties had been sold at the balance sheet date at the amounts stated in Note 10, the amount of tax payable over and above that already provided for in the accounts would have been £68.4m (31 December 2008 – £13.4m) reduced from £75.2m (31 December 2008 – £20.8m) by EZA balancing allowances.

18 Share capital

	Authorised		Issued, allotted and fully paid	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Ordinary shares of 1p each	**10.0**	10.0	**6.4**	6.4

The authorised share capital of the Company comprises 1,000,000,000 ordinary 1p shares, of which 639,015,845 were in issue at 31 December 2009. There were no changes to the share capital during the year. No options over the ordinary shares of the Company were outstanding at 1 January or 31 December 2009, nor were any granted during the year.

19 Reserves

	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Special reserve £m	Profit and loss £m	Total £m
Group						
1 January 2009	146.2	1,521.9	0.7	264.8	(275.7)	1,657.9
Revaluation of investment properties	–	173.7	–	–	–	173.7
Profit for the financial year	–	–	–	–	87.0	87.0
31 December 2009	**146.2**	**1,695.6**	**0.7**	**264.8**	**(188.7)**	**1,918.6**

The capital redemption reserve arose from the purchase and cancellation of own shares in previous years.

The special reserve arose from a restructuring of the Group which was completed on 4 December 2001 involving the introduction of a new holding company for the Group by way of a scheme of arrangement in accordance with Section 425 of the Companies Act 1985.

	Share premium £m	Capital redemption reserve £m	Special reserve £m	Profit and loss £m	Total £m
Company					
1 January 2009	146.2	0.7	739.8	777.3	1,664.0
Transfer	–	–	932.0	(932.0)	–
Profit for the financial year	–	–	–	909.4	909.4
31 December 2009	**146.2**	**0.7**	**1,671.8**	**754.7**	**2,573.4**

The directors consider that positive balances on the Company's profit and loss account and special reserve are distributable. Impairments of the Company's investments in its subsidiaries are transferred to the special reserve.

20 Reconciliation of movements in shareholders' funds

	Group £m	Company £m
1 January 2009	1,664.3	1,670.4
Revaluation movement	173.7	–
Profit for the financial year	87.0	909.4
31 December 2009	**1,925.0**	**2,579.8**

21 Pension schemes

The Group operates three defined contribution pension schemes. However, two of these schemes are currently in the process of being wound up. The assets of the operational scheme are held in an independently administered fund. The pension cost, which amounted to £4.1m in the year (2008 – £4.3m) represents contributions payable by the Group to the operational scheme.

22 Reconciliation of operating profit to operating cash flows

	2009 £m	2008 £m
Operating activities		
Operating profit	**281.4**	369.6
Depreciation charges	**0.6**	0.6
Future receipts under lease termination agreement	**–**	(6.2)
(Increase)/decrease in debtors	**(1.8)**	22.4
Increase/(decrease) in creditors	**6.0**	(10.2)
Expenditure charged to provisions	**(0.6)**	(4.6)
Amortisation of share option costs	**–**	0.2
Movements in provisions	**(1.5)**	(0.1)
Amortisation of lease incentives	**51.2**	45.5
Long term contract proceeds	**141.1**	74.3
Long term contract profits	**(39.8)**	(151.1)
Long term contract costs	**(105.2)**	(155.6)
Net cash inflow	**331.4**	184.8

23 Analysis of cash flows

	2009 £m	2008 £m
Returns on investments and servicing of finance		
Interest received	**16.5**	53.7
Interest paid	**(244.3)**	(237.4)
Interest element of finance lease rentals	**(0.2)**	(2.5)
Financing expenses on loans drawn down	**(12.7)**	(0.5)
Financing expenses on repurchase of securitised debt[(1)]	**(1.3)**	–
Net cash outflow	**(242.0)**	(186.7)

Note:
(1) In April 2009 the Group incurred fees of £1.3m in connection with the repurchase of £119.7m of securitised debt on which a net gain of £68.4m was recognised as an exceptional item in the profit and loss account (Note 4).

	2009 £m	2008 £m
Capital expenditure and financial investment		
Additions to properties	**(90.8)**	(167.1)
Acquisition of property interests	**(7.5)**	(1.3)
Acquisition of shares in parent company	**(9.2)**	–
Purchase of tangible fixed assets	**(0.2)**	(1.6)
Sale of development property[(2)]	**–**	237.9
Investment in associated undertakings	**(5.2)**	(8.7)
Net cash (outflow)/inflow	**(112.9)**	59.2

Note:
(2) In 2008 the Group received an initial payment of £237.9m which resulted in a profit being recognised on disposal of £118.6m after allowing for the historical cost to the Group of £117.7m and fees of £1.6m (Note 10). This was treated as an exceptional item.

	2009 £m	2008 £m
Management of liquid resources		
Cash placed on deposit not available on demand	**(30.2)**	(21.0)
Cash withdrawn from deposit accounts	**35.0**	128.3
Net cash inflow	**4.8**	107.3

	2009 £m	2008 £m
Financing		
Repayment of secured debt	**(15.7)**	(9.5)
Repayment of securitised debt	**(32.2)**	(6.9)
Draw down of secured loans	**–**	50.0
Draw down of construction loan	**20.5**	59.6
Repurchase of securitised debt[3]	**(35.5)**	–
Net cash (outflow)/inflow	**(62.9)**	93.2

Note:
(3) In April 2009 the Group repurchased securitised debt in an aggregate principal amount of £119.7m for an aggregate consideration, excluding accrued interest, of £35.5m and recognised an exceptional gain of £68.4m.

24 Analysis and reconciliation of net debt

	1 January 2009 £m	Cash flow £m	Other non cash changes £m	31 December 2009 £m
Cash at bank	1,183.8	(101.2)	–	**1,082.6**
Amounts on deposit not available on demand	(172.5)	4.8	–	**(167.7)**
	1,011.3	(96.4)	–	**914.9**
Debt due after one year	(3,953.8)	27.7	155.8	**(3,770.3)**
Debt due within one year	(89.2)	89.2	(114.2)	**(114.2)**
Finance lease	(41.6)	0.2	0.2	**(41.2)**
	(4,084.6)	117.1	41.8	**(3,925.7)**
Amounts on deposit not available on demand	172.5	(4.8)	–	**167.7**
Net debt	(2,900.8)	15.9	41.8	**(2,843.1)**
Reduction in cash				**(101.2)**
Reduction in debt and lease financing				**117.1**
Change in net debt resulting from cash flows				**15.9**
Non cash movement in net debt				**41.8**
Movement in net debt				**57.7**
Net debt at 1 January 2009				**(2,900.8)**
Net debt at 31 December 2009				**(2,843.1)**

25 Contingent liabilities and financial commitments

At 31 December 2009 certain members of the Group had given fixed and floating charges over substantially all of their assets as security for certain of the Group's borrowings and finance lease obligations as referred to in Note 16. In particular, various members of the Group had, at 31 December 2009, given fixed first ranking charges over cash deposits totalling £157.7m (31 December 2008 – £160.1m).

As security for the issue of £2,519.6m (31 December 2008 – £2,551.8m) of securitised debt (see Note 16(1)) the Company's indirect subsidiary, Canary Wharf Finance Holdings Limited, has granted a first fixed charge over the shares of CWF II and a first floating charge over all of the assets of CWF II.

Commitments of the Group for future expenditure:

	31 December 2009 £m	31 December 2008 £m
Crossrail station	**80.0**	140.0
Other construction projects	**99.0**	162.0

The commitments for future expenditure relate to the completion of construction works where construction was committed at 31 December 2009. Any costs accrued or provided for in the balance sheet at 31 December 2009 have been excluded.

Commitments of the Group for the next financial year in respect of other operating leases on land and buildings are analysed as follows:

	31 December 2009 £m	31 December 2008 £m
Annual commitment for which the leases expire:		
– within one year	**–**	0.3
	–	0.3

The Group entered into an option deed with BWB in November 2007 which allows for the Group to elect for the draw down of a 999 year lease of additional land south of Heron Quays West. The option deed is for a period of 5 years from November 2007. An initial option payment of £2.25m was made and is followed by five annual payments of £250,000 on each anniversary of the option deed. The option may be extended by a further 2 years on payment of £1.2m per annum. If the Group exercises the option, BWB has the right to receive a fixed stream of rental payments throughout the duration of the lease or to commute the rental payments into a capital sum.

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

In relation to the Drapers Gardens joint venture, in which certain Group companies own a 20.0% shareholding, CWHL has entered into a cost overrun guarantee in favour of the construction loan banks. CWHL has guaranteed to the construction lenders the cost of any outstanding cost overruns in proportion to its shareholding, subject to an overall cap of £2.3m. This guarantee is joint and several with the other participants in the joint venture. In addition CWHL has entered into an interest guarantee in favour of the construction lenders, pursuant to which it guarantees 20.0% of the interest due on the construction loan. This guarantee is limited to a maximum period of 12 months' interest following the date of practical completion of the building. The maximum amount payable under the guarantee, should it be called, is estimated at £2.5m. In January 2010, subsequent to the year end, the Group repurchased for a consideration of £112.8m the substantial majority of the drawn balance under this facility. This did not affect the guarantees entered into by CWHL but the beneficiary of those guarantees is another group company. The amounts payable have reduced accordingly.

Sub let commitments

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

The existence of the sublet commitments has been taken into account in the market valuation of the Group's properties at 31 December 2009.

The table below summarises these sublets, including the rent payable for the next financial year, net of any rent receivable updated to reflect the effect of the Barclays Capital lease restructuring, completed in January 2010:

Property	Leaseholder	Original sublet sq ft	Re-let sq ft	Net rent(2) £m	Rent review date	Rent review basis	Term commence-ment	Expiry or first break
10 Upper Bank Street	Clifford Chance	52,100	52,100	0.82	N/A	N/A	Jul 2003	Jul 2013
25-30 Bank Street	Lehman	100,900	90,100(1)	3.29	Nov 2010	Fixed at £56.23p/sf(3)	Jul 2003	Jul 2013
One Churchill Place	Barclays	133,400	133,400	0.55	Jul 2014	OMR up only	Jul 2004	Jul 2019
One Churchill Place	Barclays	129,700	129,700	0.13	N/A	OMR up only	Jul 2004	Jul 2014
40 Bank Street	Skadden	19,500	19,500	0.69	N/A	N/A	Mar 2003	Sep 2010
40 Bank Street	Skadden	19,500	19,500	0.31	N/A	N/A	Mar 2003	Mar 2013
40 Bank Street	Barclays	92,865	–	4.20	Jul 2012	OMR up only	Nov 2009	Jul 2018
40 Bank Street	Barclays	56,516	–	2.68	Jul 2012	OMR up only	Nov 2009	Apr 2020
40 Bank Street	Barclays	57,227	–	2.52	Jul 2012	OMR up only	Nov 2009	Dec 2017
40 Bank Street	Barclays	94,968	–	1.63	Jul 2012	OMR up only	Oct 2010	Dec 2017
One Canada Square	State Street	26,200	26,200(4)	1.24	Jun 2013	OMR up only	May 2009	Jun 2018
Total		**782,876**	**470,500**	**18.06**				

Note:

(1) A call option was granted on 10,800 sq ft of sublet space in 25-30 Bank Street which has not been exercised.

(2) The net annual sublet rental obligations will decrease over time with the expiration of re-letting rent free periods.

(3) Fixed at £56.23 per sq ft followed by annual increases to £59.65 per sq ft in 2012.

(4) Level 24 occupied by the FSA on a short-term basis pending completion of fit-out of floors 26 and 27.

26 Ultimate parent undertaking and related party transactions

At 31 December 2009, the smallest group of which the Company is a member and for which financial statements are drawn up is the consolidated financial statements of the Company. The largest group of which the Company is a member for which Group financial statements are drawn up is the consolidated financial statements of Songbird, the ultimate parent undertaking and controlling party. Copies of the financial statements of both companies may be obtained from the Company Secretary, One Canada Square, Canary Wharf, London E14 5AB.

There were purchases of £155,409 plus VAT from HSO during 2009, a company in which the Group holds an equity investment equivalent to approximately 13.0% of the issued share capital. There were no invoices outstanding at 31 December 2009. During 2009 the Group billed HSO £42,241 plus VAT for access to the Estate's telecommunications infrastructure. At 31 December 2009 there were no invoices outstanding.

During 2009 a Group company billed and received £2,872,232 plus VAT for the provision of development management services to WWLP in which the Group holds a 25.0% effective interest. In addition the Group billed WWLP £145,628 in respect of rent and service charges for office space occupied for part of the year. At 31 December 2009 £5,269 was outstanding. During the year WWLP billed and received payment of £20,605 in respect of a licence agreement for use of part of the Wood Wharf site.

In June 2007 the Group entered into joint venture arrangements with MSREF V and Omega for the redevelopment of Drapers Gardens. During 2009 the Group billed £380,715 for construction management services to Drapers Gardens Unit Trust, in which it holds a 20.0% interest. At 31 December 2009 £50,000 was outstanding.

In December 2004 the Company entered into a provision of services agreement with Songbird (the 'Provision of Services Agreement'). Under the Provision of Services Agreement the Company agreed to provide certain business and corporate administration services to Songbird in consideration of a time based fee for an initial period of twelve months and to continue thereafter until terminated by either party on three months notice. No such notice has been served to date. During 2009 £470,975 plus VAT was charged to, and paid by, Songbird for the provision of services in 2008. In addition, £700,000 plus VAT has been accrued at 31 December 2009.

During 2005 the Group entered into a consultancy services agreement dated 28 April 2005 between the Company and MS under which the Company appointed MS to provide consultancy services in respect of the management of the Estate and the provision of strategic advice in relation to all areas of the Group's business. The fees chargeable under this agreement are calculated on a time spent basis in accordance with daily rates notified to the Company and subject to a maximum limit of £1.0m in aggregate (exclusive of VAT), in any twelve month period. An amount totalling £500,000 was billed and paid under this arrangement in 2009. This agreement was terminated in October 2009.

In November 2008 the Group entered into a letter of engagement appointing Rothschild as financial adviser in connection with the financing of the new Crossrail station at Canary Wharf. Under the terms of this engagement, Rothschild is entitled to receive a monthly retainer fee of £50,000 payable in arrears from February 2008. In addition Rothschild is entitled to a success fee of £350,000 upon agreement of the development agreement and a further success fee of a minimum of £850,000 on agreement of the financing of the project. A total of £900,000 was paid to Rothschild under the terms of this engagement in 2009.

In February 2009 CWF II entered into a retrospective letter of engagement with MS appointing MS as its financial adviser in respect of the consequences on its securitisation arrangements of the rating downgrade of AIG and the insolvency and/or administration of certain members of Lehman Brothers Holdings Inc., including the posting of collateral by AIG in respect of its obligations under the securitisation. Under this letter of engagement, MS received an advisory fee of £500,000 in the year ended 31 December 2009.

In April 2009 Canary Wharf Finance (Investments) Limited and the Company entered into a dealer management agreement and compensation letter with MSI appointing MSI and others as a joint dealer manager in respect of the invitation for offers to sell CWF II Notes made by Canary Wharf Finance (Investments) Limited on 2 April 2009. Under this dealer management agreement and compensation letter, MSI was entitled to a fee in respect of services of 0.75% of the notional amount of purchased Notes that is less than or equal to £200.0m (the 'Threshold Amount') or, in the event the total notional amount of Notes purchased is greater than the Threshold Amount, an amount of £1.5m plus an amount equal to 1.5% of the notional amount purchased in excess of the Threshold Amount. £898,335 was paid to MS under this dealer management agreement and compensation letter during the year ended 31 December 2009.

27 Post balance sheet events

Subsequent to the year end, the Group made a number of announcements concerning post balance sheet transactions.

On 15 January 2010, the Group concluded a series of transactions to rationalise and consolidate the occupation of Barclays Capital from three into two buildings on the Estate (see 'Business Review – Barclays Capital'). Also on 15 January 2010, the Group announced that it had acquired the long leasehold interests in 1 Park Place, a site adjacent to the existing Estate (see 'Business Review – Development properties').

On 20 January 2010, the Group announced that it had purchased, for a consideration of £112.8m, the substantial majority of the drawn balance under the Drapers Gardens loan facility. Subsequently on 4 February 2010, the Group announced the letting of the Drapers Gardens development to BlackRock (see 'Business Review – Development properties').

On 21 January 2010, CWF II announced that the Administrator had advised that from 1 January 2010 Lehman would pay rent in respect of 290,146 sq ft only, being the areas of 25 Bank Street occupied by Lehman and not for the whole building. The Administrator also advised that Lehman intended to vacate the building by 31 March 2010 and would cease paying rent on 25 Bank Street from that date (see 'Business Review – Lehman').

In January 2010 the Group completed the disposal of 5 Churchill Place.

On 26 February 2010, KPMG exercised breaks in relation to their leases over four floors in One Canada Square totalling approximately 109,796 sq ft and in addition exercised an option to sublease to the Group (for the remaining term of approximately 6.75 years) a further floor in the building comprising 28,579 sq ft. The options to determine these leases were granted in connection with KPMG's relocation to a new headquarters building constructed at 15 Canada Square (see 'Business Review – Construction'). The leases on the five floors will now terminate on 30 June 2010.

Definitions

Administrator	Administrator of Lehman Brothers Limited (in administration)
AGM	Annual General Meeting of the Company
AIG	American International Group, Inc
B Shares	Ordinary Class B Shares of 10p each of Songbird
Ballymore	Ballymore Properties Limited
Barclays Bank	Barclays Bank PLC
BlackRock	BlackRock Investment Management (UK) Limited
bn	billion
Board	Board of directors of Canary Wharf Group plc
bps	Basis points
BWB	British Waterways Board
Cat A	Category A fit-out
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
CWEL	Canary Wharf Estate Limited
CWF II	Canary Wharf Finance II plc
CWHL	Canary Wharf Holdings Limited
Deferred Plan	Canary Wharf Group 2004 Deferred Share Plan
Drapers Gardens	Drapers Gardens scheme in the City of London
EMRG	Environmental Management Review Group
EMS	Environmental Management System
Estate	Canary Wharf Estate including Heron Quays West, Riverside South and North Quay
Exemplar	Exemplar Developments LLP
EZAs	Enterprise Zone Allowances
Fimalac	F Marc de Lachariere
Fitch	Fitch Ratings Limited
FRNs	Floating Rate Notes
FRS 3	Financial Reporting Standard 3 (Reporting Financial Performance)
FRS 4	Financial Reporting Standard 4 (Capital Instruments)
FRS 5	Financial Reporting Standard 5 (Substance of Transactions)
FRS 13	Financial Reporting Standard 13 (Derivatives and Other Financial Instruments)
FRS 19	Financial Reporting Standard 19 (Deferred tax)
FRS 25	Financial Reporting Standard 25 (Financial Instruments: Disclosure and Presentation)
FSA	Financial Services Authority
Group	Canary Wharf Group and its subsidiaries
HMRC	Her Majesty's Revenue and Customs
HSO	HighSpeed Office Limited
ICR	Interest Cover Ratio
JPMM	JP Morgan Markets Limited
Lehman	Lehman Brothers Limited (in administration)
Lloyds	Lloyds Banking Group
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
Moody's	Moody's Investor Services Limited
Morgan Stanley	Morgan Stanley & Co Limited
MS	MSREF IV International – GP LLC and Morgan Stanley European Real Estate Special Situations II Offshore Inc.
MSI	Morgan Stanley European Real Estate Special Situations II Offshore Inc
MSREF V	Morgan Stanley Real Estate Fund V
NAV	Net Asset Value
NIA	Net Internal Area
NNNAV	Triple Net Asset Value
Nomura	Nomura International plc
Notes	Notes of the Group's securitisation
Offer Process	The acquisition of 60.8% of the Group's shares by Songbird in June 2004
Omega	Omega Land Holding II BV
p.a.	per annum
S&P	Standard & Poors
Savills	Savills Commercial Limited
SFL	Songbird Finance Limited
Skadden	Skadden Arps Slate Meagher & Flom LLP
Songbird	Songbird Estates plc
sq ft	square feet/square foot
SSAP 9	Statement of Standard Accounting Practice 9 (Stocks and Long Term Contracts)
SSAP 19	Statement of Standard Accounting Practice 19 (Accounting for Investment Properties)
SSAP 21	Statement of Standard Accounting Practice 21 (Accounting for Leases and Hire Purchase Contracts)
TfL	Transport for London
Trust	Canary Wharf Employees' Share Ownership Plan Trust
UITF 28	Urgent Issue Task Force 28 ('Operating Leases')
UKGAAP	United Kingdom Generally Accepted Accounting Practice
VAT	Value Added Tax
WPP	WPP plc
WWLP	Wood Wharf Limited Partnership

Shareholders' Information

Directors

Executive directors
George Iacobescu CBE Chief Executive #

A Peter Anderson II Managing Director, Finance #

Non-executive directors
Sir Martin Jacomb Non-executive Chairman and Independent Non-executive director +

Ahmad Mohamed Al-Sayed

Brian Carr *# +

Robert Falls *#

Sam Levinson * # +

Alex Midgen +

Biographical details on each of the directors are available on the Company's website: www.canarywharf.com

** Audit Committee*
 # Operating Committee
+ Remuneration Committee

Shareholder enquiries

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

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA

Telephone: 0871 664 0300*
Facsimile: 020 8639 2342
e-mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

*Currently calls cost 10p per minute plus network extras.

Other enquiries

If you would like more information about Canary Wharf Group plc please contact John Garwood, Group Company Secretary. This annual report and other information on the Company and the Estate are available from the Company's website: www.canarywharf.com

Registered office and registered number

One Canada Square
Canary Wharf
London E14 5AB
Registered Number: 4191122
Telephone: 020 7418 2000
Facsimile: 020 7418 2222
Website: www.canarywharf.com

Advisers

Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Bankers

Barclays Bank PLC
One Churchill Place
Canary Wharf
London E14 5HP

Leasing Agents

CB Richard Ellis Limited
St Martin's Court
10 Paternoster Row
London EC4M 7HP

Jones Lang LaSalle Limited
10 Gresham Street
London EC2V 7JD

Financial PR Advisers

Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Valuers

CB Richard Ellis Limited
Kingsley House
1 Wimpole Street
London W1G 0RE

Cushman & Wakefield
43-45 Portman Square
London W1A 3BG

Savills Commercial Limited
20 Grosvenor Hill
Berkeley Square
London W1X 3HQ

Printed on 9lives 80 manufactured from 20% FSC virgin fibre and 80% pre and de inked post consumer waste.

Canary Wharf Group plc One Canada Square Canary Wharf London E14 5AB
Tel: +44 (0) 20 7418 2000 Fax: +44 (0) 20 7418 2222

www.canarywharf.com