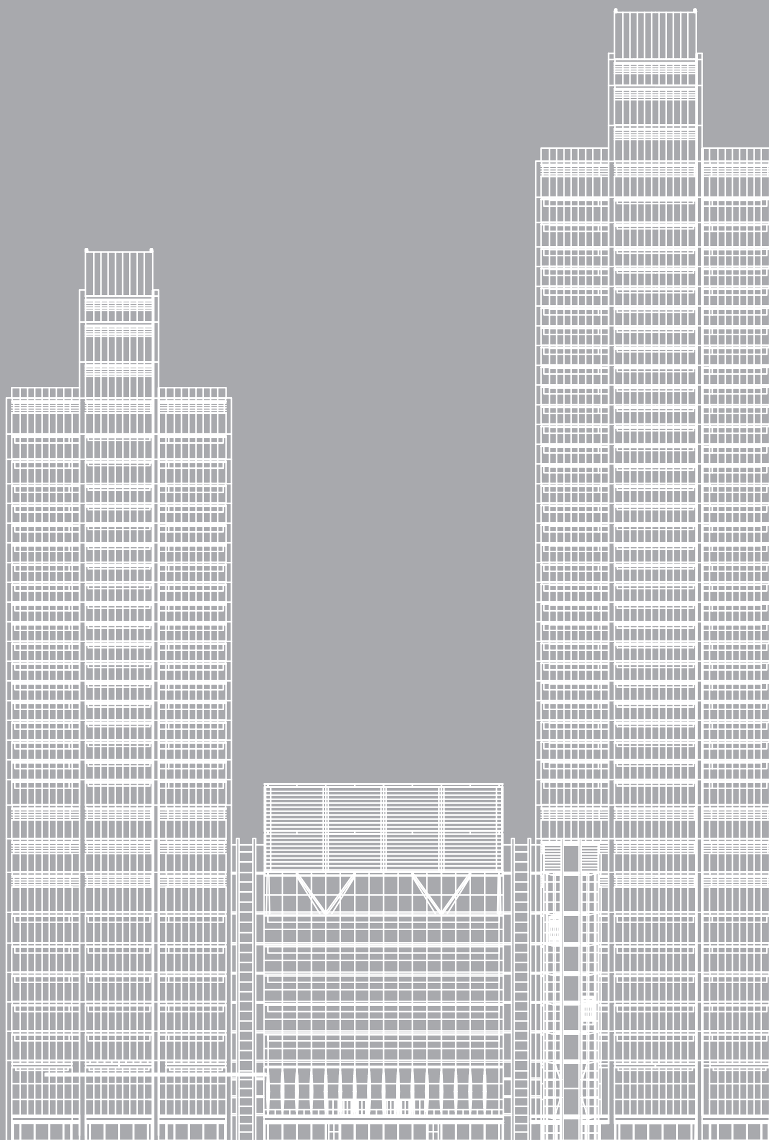
CANARY WHARF
GROUP PLC



30 June 2009 Interim Report

Front cover: Illustration of proposed office development at Riverside South.

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Highlights

- At 30 June 2009 the Group's investment portfolio totalling 8.0m sq ft was 97.7% let including the Lehman building (31 December 2008 – 7.9m sq ft of which 99.7% was let) (Note (i)).
- At 30 June 2009 the weighted average lease term for the investment portfolio was 16.9 years (or 14.7 years assuming the exercise of break options) (Note (i)).
- Operating profit for the six months ended 30 June 2009 decreased to £146.2m from £178.8m as a result of the completion of work on two pre-sold properties. Profit before tax was £98.3m (six months ended 30 June 2008 – £82.9m).
- The weighted average initial yield for the office portfolio valuation was 7.3% at 30 June 2009, up by 40 bps since 31 December 2008. The equivalent yield for the retail portfolio valuation was 7.2% up by 60 bps in the period (Note (ii)).
- Including development sites, the market value of the property portfolio to be retained was £4,603.5m at 30 June 2009 against £4,925.5m at 31 December 2008, a reduction of 7.5% adjusting for additions (Note (ii)).
- Net assets fell from £1,664.3m at 31 December 2008 to £1,514.3m at 30 June 2009, a reduction of £150.0m or 9.0%, primarily as a result of the fall in the value of the property portfolio (Note (iii)).
- Adjusted NAV per share reduced by £0.44 or 13.3% from £3.32 at 31 December 2008 to £2.88 and adjusted NNNAV per share reduced by £0.34 or 10.0% from £3.38 to £3.04 over the period (Note (iii)).
- At 30 June 2009 the weighted average maturity of the Group's borrowings was 14.1 years (31 December 2008 – 14.8 years) and the weighted average cost of debt at both dates was 6.0% (or 6.2% including credit wraps).
- Practical completion was achieved on 15 Canada Square, a 0.4m sq ft building pre-sold to KPMG (Note (iv)).
- At 30 June 2009 construction continued on 0.6m sq ft of which 0.3m sq ft had been pre-sold. Subsequent to the period end, practical completion was achieved on 5 Churchill Place, a 0.3m sq ft building of which 83.0% is leased to J.P. Morgan Markets Limited (Note (iv)).
- Practical completion was also achieved subsequent to the period end on the retail expansion projects at Churchill Place and Park Pavilion (Note (iv)).
- Construction commenced on the Crossrail station at Canary Wharf (Note (v)).

Note:

(i) Refer to 'Business Review – Property Portfolio'.

(ii) Refer to 'Business Review – Valuations' for a comparison with the carrying value for accounts purposes.

(iii) Refer to 'Business Review – Balance Sheet and Key Performance Indicators'.

(iv) Refer to 'Business Review – Construction'.

(v) Refer to 'Business Review – Crossrail'.

Results in Brief

	Note	**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
Rental income	1	**157.2**	139.7
Operating profit		**146.2**	178.8
Exceptional items:			
– share of associates' operating losses	2	**(5.2)**	–
– net gain on repurchase of securitised debt	3	**68.4**	–
Profit on ordinary activities before tax	1	**98.3**	82.9
Profit before tax excluding exceptional items	1	**35.1**	82.9
Tax	4	**(30.4)**	78.5
Profit for the financial period		**67.9**	161.4
Basic and diluted earnings per share	5	**10.6p**	25.3p

Note:

1 Refer to 'Business Review – Operating Results'.

2 Refer to Note 6.

3 Refer to Note 2.

4 Refer to Note 3.

5 Refer to Note 4.

Chairman's and Chief Executive's Statement

The first half of 2009 saw continuing difficult market conditions which in retrospect may prove to have been the bottom of the Real Estate cycle. Meanwhile Canary Wharf Group has remained well positioned. Contributing to this are its long average unexpired leases with upwards only rent reviews, high occupancy levels, relatively resilient average rental levels and an excellent retail offering. These factors combined with a healthy balance sheet, substantial cash reserves and the lack of speculative development have provided stability to the company.

Following the period end, as general market conditions have continued to ease and global capital markets have improved, there has been some transactional evidence of stabilisation in values and an improvement in yields in the property sector.

This improvement has been evidenced by the current valuation of Canary Wharf properties conducted as at 14 September 2009 as part of the refinancing exercise of Songbird. This valuation reflects an overall increase of £17.5 million (0.5%) in the office portfolio and an increase of £20.0 million (4.9%) in retail since 30 June 2009.

The recently announced substantial investment in Songbird led by two of the world's largest investors, Qatar Investment Authority and China Investment Corporation, will provide the Group with a stable financial shareholder base. The investment is a vote of confidence in London as a global financial centre, in the Estate and in the company's management.

As other signs of confidence returning to the financial and real estate sectors appear, there is increasing activity in these sectors and the Group is well positioned to take advantage of an upturn in the property cycle. The Group has the advantage of a large, unleveraged land bank with the benefit of planning permission, construction speed, quality and cost efficiencies which will enable buildings to be provided rapidly when they are needed at Canary Wharf. The company is ready and able to exploit development opportunities as they are identified given its proven expertise and skilled team backed by a strong financial position.

Property Valuations and Rental Levels

Prime office rents in Docklands have fallen 17.0% over the first six month period to 30 June 2009 and by 21.9% in the 12 month period since 30 June 2008. However these reductions in the Canary Wharf area are less than those which are reflected in the Central London Prime Index, which is down by 31.4% over the same 12 month period and the City of London Prime Index, which is down by 21.1% over the same six month period and 30.9% over the same 12 month period (Source: CBRE Prime Rent Index.)

The Group's asset valuations fell 5.5% over the six month period to 30 June 2009 and 25.1% in the 12 months to 30 June 2009 (or 20.0% over the 12 months if the Lehman building at 25 Bank Street is excluded). This compares with the IPD All Office (-13.7% and -31.4%) and City Office (-13.7% and -34.0%) indices in the same six month and 12 month periods to 30 June 2009 (Source: IPD).

Financial

Net assets fell from £1,664.3m at 31 December 2008 to £1,514.3m at 30 June 2009, a reduction of £150.0m. The reduction was attributable to the fall in the value of the Group's investment properties over the period, partly offset by the profit after tax for the six months of £67.9m.

The first half of 2009 saw a further increase in initial yields of approximately 40 bps, taking the weighted average initial yield for the office portfolio to 7.3% (31 December 2008 – 6.9%). This movement in initial yields was reflected in the reduction in the market value of the company's property portfolio which at the half year was £4,603.5m in comparison with £4,925.5m at the end of 2008, a decline of 7.5% (See 'Business Review – Valuations').

Turnover excluding construction contracts for the first six months of 2009 was £189.4m, in line with the first half of the previous year (2008 – £189.7m). Gross profit excluding construction contracts for the period was £138.3m in comparison with £137.8m for 2008.

The weighted average cost of debt of the period remained 6.2% and the weighted average maturity of debt is now 14.1 years.

On a like-for-like basis, pre-tax profit before exceptional items and the profit on construction contracts was £14.2m, against £24.1m for the previous year. The reduction was mainly attributable to a significant reduction in interest receivable as a result of the fall in market rates of interest witnessed over the last year.

The total profit before tax for the period of £98.3m compared with a profit for the six months ended 30 June 2008 of £82.9m. The profit for this period included a gain of £68.4m attributable to the repurchase of certain of the Group's floating rate notes in April 2009 and an exceptional charge of £5.2m in relation to the write-down of the investment in Wood Wharf. Excluding these exceptional items, the profit for the period was £35.1m in comparison with £82.9m for the previous year, a reduction of £47.8m mainly attributable to the timing of profit recognition on pre-sold properties which in turn is dictated by the timing of the works completed. For the six months ended 30 June 2009 £20.9m of profit was recognised on such long term contracts in comparison with £58.8m for the first half of 2008. This reduction was attributable to the completion of 20 Churchill Place in December 2008 and 15 Canada Square in April 2009.

Profit after tax for the six months ended 30 June 2009 was £67.9m in comparison with £161.4m for the previous year which included a deferred tax credit of £78.5m. For 2009 the tax charge of £30.4m comprised corporation tax of £12.8m and deferred tax of £17.6m.

Adjusted net asset value per share at 30 June 2009 was £2.88 in comparison with £3.32 at 31 December 2008, a reduction of £0.44. Adjusted NNNAV per share fell by £0.34 to £3.04.

Office

Design, planning and infrastructure work, including excavation and piling, continues on a new European headquarters for J.P. Morgan at Riverside South. This site was sold to J.P. Morgan in November 2008 and has planning consent for up to 1.9m net sq ft.

During the period practical completion was achieved on 15 Canada Square, a 400,000 sq ft building pre-sold to KPMG. Fit out is underway and occupancy is expected in 2010. Subsequent to the period end, practical completion was achieved on 5 Churchill Place, a 314,000 sq ft building of which 262,000 sq ft is pre-let to J.P. Morgan Markets Limited. Practical completion is expected on 30 North Colonnade, a 330,000 sq ft building pre-sold to Fimalac for occupation by Fitch Ratings, in September 2009.

Morgan Stanley served notice in January 2009 to exercise a break option over their lease of six floors in 20 Cabot Square with effect from 1 February 2010, while still continuing to occupy or lease more than 1.0m sq ft in other buildings at Canary Wharf.

Drapers Gardens, the 300,000 net sq ft development in the City of London, is nearing practical completion on time and on budget. The Group is the Development Manager for the project and a 20.0% joint venture partner. Discussions are underway with potential occupants of this space.

The Group is a 25.0% joint venture partner in Wood Wharf immediately adjacent to the East of the Estate. Outline planning permission has already been received for 4.6m net sq ft of mixed, commercial, retail and residential development. During the period of review, detailed planning applications have been lodged for three office buildings on the northern side of the seven hectare site with floor space of 1.5m net sq ft.

The Group's investment portfolio was 97.7% let at 30 June 2009 with a weighted average lease term of 16.9 years or 14.7 years assuming all breaks are exercised.

In September 2008 Lehman, which leases 25 Bank Street from the Group, went into administration. Occupation by the Lehman Administrator continues under the terms of the lease, with the contracted rent currently continuing to be paid. Nomura sub-leases from the Administrator 350,000 sq ft out of the 1,023,000 sq ft leased by Lehman, with an additional 90,000 sq ft sub-let to other companies. After the reported period ended Nomura announced it was taking 541,000 sq ft of space in Watermark Place to complement its existing space at Nomura House. We anticipate that Nomura is likely to move to Watermark Place at the expiry of their sub-lease at the end of 2010/early 2011.

An arrangement with AIG, supported by cash collateral, provides, at the request of the Group, payment of the contracted rent due under the Lehman lease for a period of four years in the event of, and as from, whole or partial default on rental payments due under the lease. The four years of rent cover, which has yet to be triggered, gives the Group more flexibility and time to complete an occupational transaction on the building, especially given the potential upturn in the economy and constriction of supply of office space in Central London after 2010.

Retail

Retail tenant demand on the Estate remains robust with a 98.0% occupancy level, despite difficult retail trading conditions in the wider economy and weekend closures on the Jubilee Line and DLR. These closures will result in significant upgrades to both lines and are likely to end in early 2010. Two new retail precincts, Churchill Place and the Park Pavilion totalling 37,500 sq ft reached practical completion subsequent to the period end. These are now fully let and opening on schedule this year, with tenants such as Jamie's Italian, Barclays, Wahaca, the parlour, Drake & Morgan and Rocket. Other new tenant signings include Charles Tyrwhitt, Kurt Geiger, Lloyds TSB and Brown's Florists.

The Group's retail tenants will further benefit from KPMG, State Street, Fitch Ratings and Moody's opening new office space at Canary Wharf in 2009 and 2010, bringing approximately 7,000 additional workers to the Estate on a daily basis.

Transport Developments

Construction of the Crossrail project started in May 2009 when work began on the Canary Wharf Crossrail station. The station is being designed and constructed by the Group for a fixed price of £500.0m (of which the Group is contributing £150.0m). Above the station the Group has received planning permission for 100,000 sq ft of retail space, a roof-top park and community facilities. This space will be retained by the Group after completion of construction of the Crossrail station.

Crossrail will benefit all of London, including Canary Wharf, bringing an additional 1.5m people within a 60 minute commute of Central London.

Work has been underway throughout the first half of 2009 on other transport improvements in the East London area, which will significantly enhance accessibility to Canary Wharf. These works will lead to increased capacity of 33.0% on the Jubilee Line; and 50.0% increased capacity on the Bank-Lewisham DLR line.

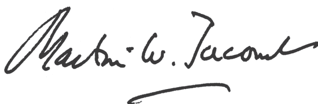
The other improvements underway in the local area include the DLR being extended to Woolwich, refurbishment of the East London Line, which reopens in 2010, and the recent agreement to include the Thames Clippers boat service on the Oyster Card system and to run increased services between London Bridge and the Canary Wharf Pier.

Outlook

Despite the continued challenging economic climate, the Group is well positioned for the next property cycle, as land for development is held debt free and with most planning permissions in place. Moreover, as stated above, reports suggest a contraction in the supply of office space in Central London after 2010 (Source: CBRE Central London ViewPoint, July 2009).

Staff

We and the whole board would like to thank all our staff for their dedicated work during this challenging period.



SIR MARTIN JACOMB
Chairman

GEORGE IACOBESCU CBE
Chief Executive

Business Review

The following 'Business Review' is intended to provide shareholders with an overall summary of the business of the Group both during the six months ended, and as at, 30 June 2009.

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

Property Portfolio

The Group is engaged in property investment and property development and is currently focused on the development of the Estate. The Group is also separately involved, through joint ventures, in the development of Wood Wharf and the redevelopment of Drapers Gardens. At 30 June 2009 the investment property portfolio comprised 16 completed properties (out of the 32 constructed on the Estate) totalling approximately 8.0m sq ft of NIA.

The properties of the Group are under lease to high quality tenants. At 30 June 2009 the weighted average unexpired lease term for the office investment property portfolio was approximately 16.9 years, including 25 Bank Street let to Lehman, or 14.7 years assuming the exercise of outstanding break options (31 December 2008 – 18.0 years or 15.2 years respectively). Of the square footage under lease, 65.9% does not expire or cannot be terminated by tenants during the next ten years.

At 30 June 2009 the investment property portfolio was 97.7% let including the 1,023,000 sq ft at 25 Bank Street occupied by the Administrator of Lehman, Nomura and certain other tenants (31 December 2008 – 99.7%). As noted under 'Leases', a number of tenants have exercised options to determine their leases at various dates in the next year and if all such leases are taken into account the vacancy rate would rise to 6.9% prior to any reletting.

As well as the rental income generated from properties, income is generated from managing the entire Estate. This is in addition to the completed properties owned by the Group, and includes a further 16 completed properties totalling 7.0m sq ft which are in other ownerships.

Lehman

In September 2008 Lehman went into administration. However, occupation of Lehman's building at 25 Bank Street by the Administrator has continued. Nomura has taken a two year sub-lease of 350,000 sq ft of the 1,023,000 sq ft leased by Lehman which will expire in March 2011, subject to breaks in September and December 2010. An additional 90,000 sq ft is sub-let to tenants such as Jones Lang LaSalle and NYSE Euronext. An arrangement with AIG supported by cash collateral provides for payment of up to the full amount of the contracted rent in the event of whole or partial default on rental payments due under the lease for a period of four years from the date of any draw down on this arrangement following rental default. No such default had occurred at the date of this Interim Report.

Leases

The Group has received notice from Morgan Stanley of the exercise, with effect from 1 February 2010, of the break option relating to the lease of 20 Cabot Square. Morgan Stanley currently occupies approximately 345,500 sq ft over six floors at 20 Cabot Square and will continue to lease this space until February 2010 in accordance with the terms of its lease. Morgan Stanley will also continue 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 has 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 sub-lease to the Group (for the remaining term of approximately nine years) one floor in One Canada Square, totalling approximately 26,200 sq ft, which was sub-leased from another tenant in the building. The options to determine these leases were granted 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, J.P. Morgan has determined its leases over two floors in One Canada Square totalling approximately 48,000 sq ft. J.P. Morgan continues to occupy leases over three floors in One Canada Square totalling approximately 87,000 sq ft on leases which have a tenant break in April 2013. J.P. Morgan also has a short term lease over a further 22,100 sq ft.

In addition, breaks over 15,800 sq ft in One Canada Square have been exercised by other tenants, of which 2,400 sq ft is with effect from September 2009 and the remainder from January 2010. The Group is in negotiations to renew the leases on the majority of this space.

All options to sub-let space back to the Group have now been exercised. At 30 June 2009 the estimated net present value of sub-let liabilities was approximately £23.5m discounted at 6.2% being the Group's weighted average cost of debt (31 December 2008 – £20.6m, discounted at 6.2%). These sub-let 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. KPMG currently occupies 138,000 sq ft in One Canada Square on leases which are subject to break options exercisable on a maximum of four months' notice.

Construction continued on the following properties at 30 June 2009:

Property address	NIA sq ft	Expected/Actual completion date	Status
5 Churchill Place	314,000	August 2009	Completed on schedule. 262,000 sq ft pre-let to J.P. Morgan Markets Limited.
30 North Colonnade	330,000	September 2009	Pre-sold to Fimalac for occupation by Fitch.
	644,000		

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

Development

The site at 25 Churchill Place can now accommodate approximately 515,000 sq ft of new development. At North Quay, planning consent has been granted for 2.4m sq ft. There is also 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 0.2m 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
Sold to J.P. Morgan:	
– Riverside South	1.9
	6.4
Wood Wharf (25% share of 4.6m sq ft)	1.2

The site at Riverside South was acquired by J.P. Morgan in November 2008 and J.P. Morgan has instructed the Group to complete on its behalf the design and infrastructure works for a new European headquarters building. Should J.P. 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 receives £76.0m representing a portion of the developer's profit related to the development. If J.P. Morgan proceeds with full construction, additional fees are 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.

Construction work has also continued on Drapers Gardens. The scheme comprises approximately 300,000 sq ft of prime commercial development scheduled for completion in November 2009. The Group acquired 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.

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 will design and construct the Crossrail station for a fixed price of £500.0m, of which £350.0m will be met from Crossrail's £15.9bn budget with the Group bearing the risk in relation to costs above the fixed price limit. 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 will be allocated to the Group's properties held for development.

Construction commenced on the Crossrail station at Canary Wharf in early 2009. The station box is expected to be completed and handed over to CLRL by summer 2012. 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 as at 30 June 2009, were £1,514.3m. In arriving at this total:

(i) properties held as investments were carried at £4,040.6m, which represents the market value of those properties of £4,247.5m at that date as determined by the Group's external valuers, CBRE, Savills and Cushman less an adjustment of £206.9m for tenant incentives;

(ii) the properties held for development were carried at £221.7m, representing their cost to the Group; and

(iii) the property under construction to be retained by the Group was carried at £142.9m, representing its cost to the Group.

Adjusting for additions, the valuation of the investment portfolio on the basis of market value reduced by £248.5m or 5.5% over the six months ended 30 June 2009. After allowing for adjustments in respect of lease incentives, the carrying value of the investment portfolio reduced by £217.9m over the period. This reduction was primarily driven by an increase in initial yields of approximately 40 bps as a result of which the weighted average initial yield of the office portfolio increased from 6.9% to 7.3%. At 30 June 2009 the weighted average equivalent yield for the office portfolio, which takes into account the valuers' forecast of future rental values, was 6.3% (31 December 2008 – 6.5%) and for the retail portfolio 7.2% (31 December 2008 – 6.6%). The directors are of the view that the low vacancy rate on the Estate, together with long unexpired average lease terms, position the Group to take advantage of any improvement in the economic outlook as and when it comes.

CBRE and Savills have provided a joint opinion as at 30 June 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 £186.0m. This compares with a carrying value for accounts purposes of £221.7m. In valuing the properties held for development, the valuers have allowed for estimated costs to complete, including an allowance for fit-out. In addition they have allowed for letting, disposal, marketing and financing costs. The market value of £186.0m represents a reduction of 34.0%, after additions, over the market value at 31 December 2008 and is £35.7m below the carrying value of the sites. In assessing the requirement for an impairment provision the directors have had regard to the net realisable value of the sites as supplied by the external valuers. On this basis the directors have concluded that no provision for impairment is required as at 30 June 2009.

The valuers also provided an opinion as at 30 June 2009 that the market value of the property under construction to be retained by the Group was £170.0m, in comparison with an historical cost of £142.9m. The market value of properties under construction to be sold was £329.5m, in comparison with the historical cost of £126.7m.

The market value of the property portfolio to be retained reduced by £374.1m or 7.5% over the period adjusting for additions. This reduction in value was driven by the factors referred to above.

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 on the opposite page, 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	30 June 2009 Carrying value £m	30 June 2009 Market value in existing state £m	31 December 2008 Carrying value £m	31 December 2008 Market value in existing state £m
Investment properties	1	**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		**221.7**	**186.0**	199.8	260.0
		4,405.2	**4,603.5**	4,571.0	4,925.5
Properties under construction held for sale	2	**126.7**	**329.5**	222.5	536.6
		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 30 June 2009 was £206.9m (31 December 2008 – £237.5m).

2 The carrying value in the balance sheet at 30 June 2009 is stated net of £120.7m (31 December 2008 – £229.1m) transferred to cost of sales, £9.5m (31 December 2008 – £0.4m) transferred to payments on account of pre-sold properties and £3.5m (31 December 2008 – £6.9m) of costs accrued in accordance with SSAP9. The market value in existing state also includes the present value of the minimum developer's profit which will be generated from Riverside South, discounted at 6.2% (31 December 2008 – 6.2%) being the Group's weighted average cost of debt. This amount excludes the profit already recognised in the profit and loss account on disposal of the site.

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.

Operating Results

The following review of the Group's operating results relates to the six months ended 30 June 2009. The comparatives relate to the six months ended 30 June 2008.

The turnover of the Group is generated primarily by the rents and service charges earned from its property interests on the Estate, together with the recognition of amounts in respect of work performed on long-term contracts. Turnover for the six months ended 30 June 2009 was £240.6m, against £327.8m for the six months ended 30 June 2008, of which rental income after UITF 28 was £126.6m (six months ended 30 June 2008 – £119.5m). The impact of UITF 28 was to reduce rental income by £30.6m in the six months ended 30 June 2009 (six months ended 30 June 2008 – £20.2m). Excluding the impact of UITF 28, rental income increased from £139.7m to £157.2m, an increase of 12.5%, primarily attributable to the benefit of rent reviews and fixed stepped rental increases. In the six months ended 30 June 2009 the Group recognised £14.9m of income in connection with the termination of certain leases on the Estate compared with £23.4m in 2008.

Service charge income increased from £33.5m to £36.3m and miscellaneous income, including insurance rents, reduced from £13.3m to £11.6m over the period, primarily as a result of lower insurance premiums.

The six months ended 30 June 2009 also included £51.2m recognised on the construction of development properties that have been pre-sold (Note 9) and are accounted for as long-term contracts in accordance with SSAP 9 (six months ended 30 June 2008 – £138.1m). The reduction in turnover from this source was accounted for by the completion of 20 Churchill Place for State Street in December 2008 and 15 Canada Square for KPMG in April 2009.

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 £46.1m in comparison with £44.4m for the six months ended 30 June 2008. Taking into account service charge and miscellaneous income totalling £47.9m for the six months ended 30 June 2009 (six months ended 30 June 2008 – £46.8m), a surplus on property management of £1.8m was achieved (six months ended 30 June 2008 – a surplus of £2.4m).

The six months ended 30 June 2009 also included £6.5m of dilapidations and other costs attributable to the termination of leases in the period compared with £7.7m in the six months ended 30 June 2008. Provisions of £1.5m were released relating to a vacant leasehold property, rent support commitments and certain other obligations in the six months ended 30 June 2009. This compares with a release of £0.2m in the six months ended 30 June 2008.

Cost of sales for the six months ended 30 June 2009 also included £30.3m (six months ended 30 June 2008 – £79.3m) of costs on construction of properties held for sale resulting in £20.9m of profit being recognised on such contracts (six months ended 30 June 2008 – £58.8m).

For the six months ended 30 June 2009 gross profit, or net property income, was £159.2m, a decrease of £37.4m against the six months ended 30 June 2008, attributable to the factors referred to above.

Administrative expenses for the six months ended 30 June 2009 were £13.7m in comparison with £18.8m for the six months ended 30 June 2008. The reduction in administrative expenses was primarily attributable to a reduction in leasing expenses and staff costs. Operating profit for the period was £146.2m, in comparison with £178.8m for the six months ended 30 June 2008. The decrease in operating profit of £32.6m was largely attributable to the decrease in profit recognised on pre-sold properties as a result of the completion of 20 Churchill Place and 15 Canada Square.

In the six months ended 30 June 2009, a charge of £5.2m was recognised in relation to the impairment of the Group's investment in WWLP. This amount has been treated as an exceptional item.

Net interest payable for the six months ended 30 June 2009 excluding exceptional items was £111.1m against £95.9m for the six months ended 30 June 2008. The increase was attributable to lower rates of interest earned on the Group's cash balances. 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 8(2)). 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 totalling £14.6m, the Group recognised a gain of £68.4m (Note 2) on the repurchase which has been treated as an exceptional item.

Finance costs incurred on the Group's outstanding construction loan of £5.1m were capitalised as part of the construction cost of 5 Churchill Place (six months ended 30 June 2008 – £2.1m).

The profit on ordinary activities after interest for the six months ended 30 June 2009 was £98.3m in comparison with £82.9m for the six months ended 30 June 2008. The results for the six months ended 30 June 2009 included an exceptional profit on the buy back of Notes described above and an exceptional charge in relation to the write-down of the investment in Wood Wharf. Excluding these items, the profit on ordinary activities after interest for the six months ended 30 June 2009 was £35.1m in comparison with £82.9m for 30 June 2008. The reduction in pre-exceptional profit of £47.8m was largely attributable to the timing of profit recognition on pre-sold properties and lower interest receivable.

Tax for the six months ended 30 June 2009, which comprised corporation tax of £12.8m and a deferred tax charge of £17.6m, has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2009. During the six months ended 30 June 2009 the Group has recognised a deferred tax liability on the repurchase of Notes of £14.5m net of discounting and deferred tax assets on the provision for uneconomic hedges. During the six months ended 30 June 2008 the Group recognised deferred tax assets on unclaimed EZAs and timing differences arising from profit recognition on long term contracts which resulted in a credit of £78.5m in the period.

The profit for the financial period after tax for the six months ended 30 June 2009 was £67.9m in comparison with £161.4m for the six months ended 30 June 2008, the reduction being attributable to the matters outlined above.

Basic and diluted earnings per share for the six months ended 30 June 2009 was 10.6p (six months ended 30 June 2008 – 25.3p) (Note 4).

Adjusted earnings per share for the six months ended 30 June 2009, excluding exceptional items, was 3.3p, calculated on the profit after tax excluding the exceptional gain on the repurchase of certain Notes, the deferred tax charge thereon and the exceptional charge in relation to the Group's investment in Wood Wharf. There were no exceptional items in the six months ended 30 June 2008. In both periods, earnings per share was calculated by reference to the weighted average of 639.0m shares in issue. There were no instruments which gave rise to a dilution of earnings as defined by FRS 22 at either 30 June 2009, 31 December 2008 or 30 June 2008.

Tax

In 2008 EZAs were utilised to shelter most of the Group's taxable profits and gains arising. EZAs will continue to shelter a small part of taxable profits until they are abolished in April 2011 due to a change in law. This abolition of EZAs will result in approximately £6.2m of lost tax relief (31 December 2008 - £6.2m).

If the Group was to dispose of its property portfolio at the market value disclosed in this 'Business Review', a tax liability of £38.8m 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 30 June 2009 were £1,514.3m in comparison with £1,664.3m at 31 December 2008. The reduction in net asset value was primarily attributable to the revaluation deficit on investment properties of £217.9m partly offset by the profit after tax of £67.9m.

The Group's main objective is to maximise net assets through managing its property investment and development activities, although the Group is impacted by movements in the wider property market. The board considers that the most appropriate indicator of the Group's performance is the movement in adjusted NAV per share prior to the payment of dividends. 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 30 June 2009 is set out in the table below, which for comparison purposes also includes NNNAV per share.

	Note	**30 June 2009 £m**	31 December 2008 £m
Net assets per statutory balance sheet		**1,514.3**	1,664.3
Add back deferred tax		**70.5**	52.9
Net assets prior to deferred tax		**1,584.8**	1,717.2
Revaluation of property portfolio:			
– investment properties	1	**175.0**	155.0
– properties held for development	2	**(35.7)**	60.2
– property under construction to be retained	3	**27.1**	56.8
– properties under construction to be sold	4	**87.3**	130.2
Adjusted net assets		**1,838.5**	2,119.4
Fair value adjustments in respect of financial assets and liabilities less tax relief at 28.0% (31 December 2008 – 28.0%)	5	**230.8**	188.7
Contingent tax on property disposals	6	**(38.8)**	(78.5)
Undiscounted deferred tax	7	**(90.1)**	(67.8)
Adjusted NNNAV		**1,940.4**	2,161.8
Cumulative dividends paid since completion of the offer process	8	**1,104.2**	1,104.2
Adjusted NNNAV before dividends		**3,044.6**	3,266.0
Adjusted net assets per share	9	**£2.88**	£3.32
Adjusted net assets per share before dividends	9	**£4.61**	£5.04
Adjusted NNNAV per share	9	**£3.04**	£3.38
Adjusted NNNAV per share before dividends	9	**£4.76**	£5.11

Note:

(1) The market value of 25-30 Bank Street included in the balance sheet at 30 June 2009 of £375.0m (31 December 2008 – £410.0m) excludes the benefit of the arrangement with AIG which provides for the payment of up to four 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 (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 to market value in existing state. As noted under 'Business Review – Valuations' the directors have not recognised a provision for impairment in the Group's statutory balance sheet as the net realisable value of these properties exceeds the carrying value.

(3) Revalued to market value in existing state.

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

(5) Refer to Note 8(8).

(6) Refer to 'Business Review – Tax'.

(7) Refer to Note 3.

(8) The company paid interim dividends as follows: 8 September 2005 – 65p (£407.7m); 30 December 2005 – 45p (£287.6m); 7 November 2006 – 48p (£306.7m) and 9 April 2008 – 16p (£102.2m).

(9) Calculated by reference to the closing number of shares in issue of 639.0m (31 December 2008 – 639.0m). There were no dilutive instruments at either date.

In arriving at the adjusted net asset value per share the deferred tax 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 and any contingent tax payable in the event of disposing of the property portfolio.

Borrowings

At 30 June 2009 net debt (after cash in hand and cash collateral) stood at £2,818.6m, down from £2,900.8m at 31 December 2008, and comprised:

	30 June 2009 £m	31 December 2008 £m
Securitised debt	**2,513.7**	2,637.5
Loans	**1,290.2**	1,305.6
Finance lease obligations	**41.4**	41.6
Construction loans	**119.1**	99.9
Total borrowings	**3,964.4**	4,084.6
Less:		
– cash collateral for borrowings	**(125.8)**	(135.0)
– cash collateral for construction	**(13.4)**	(25.1)
– other cash collateral	**(7.3)**	(12.4)
	3,817.9	3,912.1
Less: cash deposits	**(999.3)**	(1,011.3)
Net debt	**2,818.6**	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 below. For all of its loans, the Group was in compliance with its lending covenants at 30 June 2009 and throughout the period then ended.

The decrease in total borrowings from £4,084.6m to £3,964.4m reflects the repurchase of securitised debt (Note 8(2)) and scheduled amortisation, partially offset by an additional £18.7m drawn down under the Group's construction loan facility. The reduction in cash and term deposits from £1,183.8m to £1,145.8m is primarily as a result of the funding of construction costs and the repurchase of securitised debt, partly offset by receipts in the period under the long-term contracts in relation to Riverside South and 15 Canada Square.

The weighted average maturity of the Group's borrowings at 30 June 2009 was 14.1 years (31 December 2008 – 14.8 years).

At 30 June 2009 the fair value adjustment in respect of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was an unrecognised asset of £320.6m before tax (31 December 2008 – asset of £262.1m).

The Group's weighted average cost of debt at both 30 June 2009 and 31 December 2008 was 6.0% excluding credit wraps (or 6.2% including credit wraps).

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 64.6% of the investment property portfolio by value. Including the Notes repurchased, the principal amount outstanding at 30 June 2009 was £2,548.4m.

Maximum ratio of 100%. Based on the valuations at 30 June 2009, the LMCTV ratio at the interest payment date in July 2009 would have been 90.7%, excluding the £224.0m of cash collateral posted by AIG in respect of the 25 Bank Street facility, and 82.6% 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 £580.0m secured against One Churchill Place, representing 14.5% 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 £363.5m secured against 10 Cabot Square and 20 Cabot Square, representing 10.1% of the investment property portfolio by value.

Maximum LTV ratio of 85.0%. Based on the valuations at 30 June 2009 the LTV ratio at the interest payment date in July would have been 83.8%.

This facility is also subject to a minimum ICR test of 100%. During the period 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%. At this reduced interest rate, the ICR covenant was satisfied throughout the period and the board anticipates that this restructuring will enable the Group to meet its 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 parking properties of the Group, representing 10.8% of the investment property portfolio by value.

Maximum LTV ratio of 75.0%, reducing to 70.0% from March 2010. In order to avoid a potential breach of covenant at the test date in April 2009 additional uncharged properties were added to the facility. In September 2009, the Group deposited cash collateral totalling approximately £8.0m. Reflecting this deposit, and based on the valuations at 30 June 2009, the LTV was 74.9%.

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

(v) Construction loan facility of £155.0m secured against 5 Churchill Place of which £119.4m was drawn down at 30 June 2009.

Maximum LTV ratio of 80.0% calculated on the value of the property at any time prior to conversion to an investment loan, reducing to 70.0% on conversion six months following practical completion with a requirement to cash collateralise any rent-free period at that time. Based on the valuation at 30 June 2009 the LTV was 70.2%. The Group has the ability to remedy a breach of covenant by depositing cash.

The loan will be subject to a minimum ICR of 110.0% from the date six months following practical completion of the property and has a final maturity of August 2012.

Cash Flow

Net cash inflow from operating activities for the six months ended 30 June 2009 was £217.8m in comparison with £54.0m for the six months ended 30 June 2008. Net cash received on properties in the course of construction held for sale was £62.4m in the six months ended 30 June 2009 in comparison with net expenditure of £117.2m for the six months ended 30 June 2008. Excluding the impact of such cash flows, operating cash inflows decreased from £171.2m to £155.4m. This decrease was primarily attributable to changes in working capital.

Returns on investments and servicing of finance resulted in an outflow of £128.0m for the six months ended 30 June 2009 compared with £89.5m for the six months ended 30 June 2008. The six months ended 30 June 2009 included £8.1m of swap breakage costs. No such costs were incurred for the six months ended 30 June 2008.

Capital expenditure and financial investment for the six months ended 30 June 2009 resulted in a cash outflow of £90.0m, compared with £78.5m for the six months ended 30 June 2008. The six months ended 30 June 2009 included £85.6m (six months ended 30 June 2008 – £74.9m) of development expenditure incurred on properties to be retained by the Group and funding of the Group's investment in associated undertakings of £4.3m (six months ended 30 June 2008 – £3.6m).

The financing cash outflow for the six months ended 30 June 2009 was £28.9m compared with an inflow of £24.8m for the six months ended 30 June 2008. The six months ended 30 June 2009 included £17.4m (excluding interest) drawn down under the Group's construction loan facility (six months ended 30 June 2008 – £31.8m). The six months ended 30 June 2009 also included £35.5m incurred on the partial buy back of the Group's Notes.

Risks and Uncertainties

The key risks and uncertainties identified by the Group continue to include the cyclical nature of the property market, financing risk, concentration risk and policy and planning risk. There is a risk that further softening of yields could put pressure on the loan to value covenants in the Group's facilities as detailed in 'Business Review – Loan Covenants'.

For further details relating to these risks and uncertainties and the way in which the Group manages such matters, refer to 'Risks and Uncertainties' and 'Treasury Objectives' in the 'Business Review' section of the 2008 Report and Financial Statements of the Group.

Unaudited Consolidated Profit and Loss Account

for the six months ended 30 June 2009

Audited Year ended 31 December 2008 £m		Note	**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
697.2	Turnover		**240.6**	327.8
(288.9)	Cost of sales		**(81.4)**	(131.2)
408.3	**Gross profit**		**159.2**	196.6
(40.2)	Administrative expenses		**(13.7)**	(18.8)
1.5	Other operating income		**0.7**	1.0
369.6	**Operating profit**		**146.2**	178.8
	Exceptional items:			
(23.2)	– share of associates' operating losses		**(5.2)**	–
118.6	– profit on sale of development property		**–**	–
47.0	Interest receivable	2	**9.9**	25.0
	Interest payable before exceptional item:			
(242.6)	– Group		**(120.8)**	(120.6)
(0.5)	– associates	2	**(0.2)**	(0.3)
	Exceptional item:			
–	– net gain on repurchase of securitised debt	2	**68.4**	–
(243.1)			**(52.6)**	(120.9)
268.9	**Profit on ordinary activities for the financial period before tax**		**98.3**	82.9
(19.4)	Tax	3	**(30.4)**	78.5
249.5	**Profit for the financial period after tax**	11	**67.9**	161.4
39.0p	Basic and diluted earnings per share	4	**10.6p**	25.3p

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

The notes numbered 1 to 13 form an integral part of this Interim Report.

The interim results for the six months ended 30 June 2009 were approved by the board on 23 September 2009.

Unaudited Consolidated Statement of Total Recognised Gains and Losses

for the six months ended 30 June 2009

Audited Year ended 31 December 2008 £m		Note	**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Profit for the financial period after tax:			
273.2	– Group		**73.3**	161.7
(23.7)	– share of losses of associates		**(5.4)**	(0.3)
(1,689.9)	Unrealised movements on revaluation of investment properties	5	**(217.9)**	(548.8)
(1,440.4)	**Total recognised gains and losses relating to the period**		**(150.0)**	(387.4)

Unaudited Consolidated Balance Sheet

at 30 June 2009

Audited 31 December 2008 £m		Note	**Unaudited 30 June 2009 £m**	Unaudited 30 June 2008 £m
	Fixed assets			
4,245.5	Investment properties	5	**4,040.6**	5,380.1
125.7	Properties under construction	5	**142.9**	92.4
199.8	Properties held for development	5	**221.7**	276.9
1.9	Other tangible fixed assets		**1.7**	0.8
22.7	Investments	6	**19.9**	28.0
4,595.6			**4,426.8**	5,778.2
	Current assets			
243.7	Debtors: due in more than one year	7	**210.0**	287.0
80.4	Debtors: due within one year	7	**54.2**	92.7
1,183.8	Cash at bank and in hand	8	**1,145.8**	944.1
1,507.9			**1,410.0**	1,323.8
(372.4)	Creditors: Amounts falling due within one year	9	**(373.1)**	(414.5)
1,135.5	**Net current assets**		**1,036.9**	909.3
5,731.1	**Total assets less current liabilities**		**5,463.7**	6,687.5
(3,995.4)	Creditors: Amounts falling due after more than one year	8	**(3,849.6)**	(3,949.2)
(71.4)	Provisions for liabilities	10	**(99.8)**	(21.0)
1,664.3	**Net assets**		**1,514.3**	2,717.3
	Capital and reserves			
6.4	Called up share capital		**6.4**	6.4
	Reserves:			
146.2	– share premium	11	**146.2**	146.2
1,521.9	– revaluation reserve	11	**1,304.0**	2,663.0
0.7	– capital redemption reserve	11	**0.7**	0.7
264.8	– special reserve	11	**264.8**	264.8
(275.7)	– profit and loss account	11	**(207.8)**	(363.8)
1,664.3	**Shareholders' funds**	12	**1,514.3**	2,717.3

The notes numbered 1 to 13 form an integral part of this Interim Report.

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2009

Audited Year ended 31 December 2008 £m		Note	**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
184.8	**Net cash inflow from operating activities**		**217.8**	54.0
(186.7)	Returns on investments and servicing of finance		**(128.0)**	(89.5)
59.2	Capital expenditure and financial investment		**(90.0)**	(78.5)
(102.2)	Equity dividends paid		**–**	(102.2)
(229.7)			**(218.0)**	(270.2)
(44.9)	**Cash outflow before management of liquid resources and financing**		**(0.2)**	(216.2)
–	Tax		**(8.9)**	–
107.3	Management of liquid resources		**26.0**	61.1
93.2	Financing		**(28.9)**	24.8
155.6	**(Decrease)/increase in cash in the period**	8	**(12.0)**	(130.3)

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Reconciliation of operating profit to operating cash flows		
369.6	Operating profit	**146.2**	178.8
0.6	Depreciation charges	**0.3**	0.1
(6.2)	Future receipts under lease termination agreements	**–**	–
22.4	(Decrease)/increase in debtors	**(4.0)**	2.0
(10.2)	Decrease in creditors	**(15.6)**	(27.4)
(4.6)	Expenditure charged to provisions	**(0.6)**	(2.5)
(0.1)	Movements in provisions	**(1.5)**	(0.1)
0.2	Amortisation of share option costs	**–**	–
45.5	Amortisation of lease incentives	**30.6**	20.2
74.3	Long term contract proceeds	**114.5**	15.1
(155.6)	Long term contract profits	**(20.9)**	(58.8)
(151.1)	Long term contract costs	**(31.2)**	(73.4)
184.8	**Net cash inflow from operating activities**	**217.8**	54.0

Unaudited Consolidated Cash Flow Statement continued

for the six months ended 30 June 2009

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Returns on investments and servicing of finance		
53.7	Interest received	**11.2**	30.1
(237.4)	Interest paid	**(129.1)**	(119.1)
(2.5)	Interest element of finance lease rentals	**(0.2)**	(0.5)
(0.5)	Financing expenses on loans drawn down	**(0.5)**	–
–	Swap breakage costs	**(8.1)**	–
–	Financing expenses on repurchase of securitised debt[1]	**(1.3)**	–
(186.7)	Net cash outflow	**(128.0)**	(89.5)

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 2).

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Capital expenditure and financial investment		
(167.1)	Additions to properties	**(78.1)**	(74.9)
(1.3)	Acquisition of property interests	**(7.5)**	–
(1.6)	Purchase of tangible fixed assets	**(0.1)**	–
237.9	Sale of development property[2]	**–**	–
(8.7)	Investment in associated undertakings	**(4.3)**	(3.6)
59.2	Net cash (outflow)/inflow	**(90.0)**	(78.5)

Note:

(2) In the second half of 2008 the Group received payment of £237.9m from the sale of Riverside South 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. This was treated as an exceptional item.

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Financing		
(9.5)	Repayment of secured debt	**(7.3)**	(3.5)
(6.9)	Repayment of securitised debt	**(3.5)**	(3.5)
50.0	Draw down of securitised debt	**–**	–
59.6	Draw down of construction loan	**17.4**	31.8
–	Repurchase of securitised debt[3]	**(35.5)**	–
93.2	Net cash (outflow)/inflow	**(28.9)**	24.8

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.

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

Notes to the Interim Report

for the six months ended 30 June 2009

1 Basis of Preparation

This Interim Report has been prepared having regard to the guidance in the non-mandatory statement issued by the Accounting Standards Board, 'Half-Yearly Financial Reports' on a going concern basis, and on the basis of the accounting policies set out in the Group's financial statements for the year ended 31 December 2008, which were prepared in accordance with UK GAAP.

The financial information relating to the six month periods ended 30 June 2009 and 30 June 2008 is unaudited.

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

2 Interest

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
47.0	Bank interest receivable	**9.9**	25.0
47.0		**9.9**	25.0
	Payable:		
(161.8)	Notes and debentures	**(80.7)**	(80.8)
(78.2)	Bank loans and overdrafts	**(39.8)**	(38.6)
(2.6)	Finance lease charges	**(0.3)**	(1.2)
(5.6)	Construction loan	**(5.1)**	(2.1)
(0.5)	Share of associates	**(0.2)**	(0.3)
(248.7)		**(126.1)**	(123.0)
5.6	Less: Interest at 6.5% on the construction loan transferred to properties under construction	**5.1**	2.1
(243.1)	**Total interest payable**	**(121.0)**	(120.9)
	Exceptional item:		
–	Net gain on repurchase of securitised debt	**83.0**	–
–	Uneconomic hedge provision (Note 10)	**(14.6)**	–
–		**68.4**	–

Financing costs relating to the inception of the Group's borrowings 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 Financial Reporting Standard 4 (Capital Instruments). In addition, premia on the issue of securitisation Notes are amortised over the term of that debt.

As a result of repurchasing certain of the Group's securitisation Notes during the six months ended 30 June 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 8(2)), the effect of which is included in the calculation of the effective interest rate of the Notes. At the date of the 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 securitisation Notes remain in issue and are held by a Group company. The associated derivatives have not therefore been varied. As a result, the interest rate swaps held in connection with the repurchased Notes are 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 has been 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 £14.5m after discounting.

3 Tax

Audited Year ended 31 December 2008 £m		**Unaudited Six months ended 30 June 2009 £m**	Unaudited Six months ended 30 June 2008 £m
	Current tax:		
(8.8)	UK corporation tax	**(12.8)**	–
	Deferred tax:		
7.7	Origination and reversal of timing differences	**(18.1)**	77.7
(18.3)	Net effect of discount	**0.5**	0.8
(10.6)	Total deferred tax	**(17.6)**	78.5
(19.4)	Total tax on profit on ordinary activities	**(30.4)**	78.5

	Unaudited 30 June 2009 £m	Audited 31 December 2008 £m
Deferred tax:		
Accelerated capital allowances claimed	**(74.1)**	(74.7)
Other timing differences	**(16.0)**	6.9
Undiscounted deferred tax liability	**(90.1)**	(67.8)
Discount	**19.6**	14.9
Discounted deferred tax liability	**(70.5)**	(52.9)

	Unaudited Six months ended 30 June 2009 £m	Audited Year ended 31 December 2008 £m
At start of period	**(52.9)**	(42.3)
Deferred tax charge in the profit and loss account for the period	**(17.6)**	(10.6)
At end of period	**(70.5)**	(52.9)

The net deferred tax position is stated on a discounted basis. The deferred tax liability of £90.1m (31 December 2008 – £67.8m), stated net of a discount of £19.6m (31 December 2008 – £14.9m), has been recognised at 30 June 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 5 the amount of tax payable, over and above that already provided for in the accounts by the Group, would have been £12.8m (31 December 2008 – £13.4m), reduced from £19.8m (31 December 2008 – £20.8m) by EZA balancing allowances.

4 Basic and Diluted Earnings per Share

Basic and diluted earnings per share are calculated by reference to the profit for the financial period after tax attributable to ordinary shareholders of £67.9m (year ended 31 December 2008 – £249.5m, six months ended 30 June 2008 – £161.4m) and on the weighted average of 639.0m shares in issue at each period end.

There were no outstanding dilutive instruments at 30 June 2009 or either of the comparative period ends.

5 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	13.0	21.9	17.2
Revaluation	(217.9)	–	–
30 June 2009	**4,040.6**	**221.7**	**142.9**
Adjustment for UITF 28 (Note 7)	206.9		
Market value at 30 June 2009	**4,247.5**		
Of which, subject to lease and finance leaseback arrangements	72.5		
Historical cost	2,604.2		
Pre-sold properties under construction:			
Additions			42.5
SSAP 9 accrual			(3.1)
Transferred to cost of sales			(30.3)
Transferred to payments on account			(9.1)
30 June 2009			–

Additions to properties for the six months ended 30 June 2009 totalled £94.6m.

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 7).

The Group's investment properties have been revalued externally at 30 June 2009 on the basis of market value. The valuation of office investment properties was undertaken by either CBRE or Savills. 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, 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 deficit arising on the valuations at 30 June 2009 of £217.9m has been transferred from the revaluation reserve.

Properties held for development at 30 June 2009, which are to be retained by the Group, are carried at their fair value at the time of acquisition of Canary Wharf Holdings Limited in December 1995, less subsequent disposals plus additions at cost, subject to any provision for impairment.

On 30 April 2009, the Group achieved practical completion of 15 Canada Square, a 400,000 sq ft building which was pre-sold to KPMG in November 2006. Profits have been recognised over the period of construction in accordance with SSAP 9.

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 the Crossrail 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 sq ft 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 the London Plan.

At 30 June 2009, properties under construction held for investment included £13.2m in respect of financing costs (31 December 2008 – £8.1m).

6 Investments

Audited 31 December 2008 £m		**Unaudited 30 June 2009 £m**	Unaudited 30 June 2008 £m
22.3	Associates	**19.5**	27.4
0.2	Shares	**0.2**	0.4
0.2	Other investments	**0.2**	0.2
22.7		**19.9**	28.0

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 £11.0m (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 for the period have been derived from its management accounts to 30 June 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 with Lehman retaining an 18.9% share. Following Lehman being placed into administration there was an interruption to the funding being provided by Lehman and the Group has 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. Subsequently, funding for the project has been provided by one member of the syndicate on a super senior loan basis. The Group is continuing to re-negotiate the loan facility and secure funding for the project beyond practical completion.

The Group's investment in the Drapers Gardens joint venture has been written down by £11.7m to £nil by reference to a market valuation of the development and at 30 June 2009 a provision of £11.5m (31 December 2008 – £13.2m) was carried in respect of the Group's share of the joint venture's losses (Note 10).

Under the terms of the joint venture agreement for Drapers Gardens, the Group has a liability to contribute a maximum of £1.0m (31 December 2008 – £2.7m) in respect of the costs to complete the development. In addition the Group has contingent liabilities on Drapers Gardens, totalling £5.1m (Note 13). The amount provided for the Group's share of losses is in excess of these sums.

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 £24.1m (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, repayable in February 2010 of which £5.8m had been drawn down at 30 June 2009 (31 December 2008 – £6.3m). This 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 £5.2m to £19.5m at 30 June 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 latest available management accounts of the associated undertakings are as follows:

For the six months ended 30 June 2009

	Drapers Gardens £m	WWLP £m	**Total £m**
Profit and loss account:			
Loss before interest and tax	–	(13.7)	**(13.7)**
Interest receivable	–	0.4	**0.4**
Interest payable	–	(0.7)	**(0.7)**
Loss after interest and tax	–	(14.0)	**(14.0)**
Group share	–	(3.5)	**(3.5)**
Balance sheet:			
Net assets/(liabilities) at 30 June 2009	(66.0)	77.9	**11.9**
Group share	(13.2)	19.5	**6.3**

7 Debtors

Due within one year:

Audited 31 December 2008 £m		Unaudited 30 June 2009 £m	Unaudited 30 June 2008 £m
6.4	Trade debtors	**6.3**	3.8
8.7	Other debtors	**20.2**	16.6
–	Deferred tax	**–**	36.2
29.5	Prepayments and accrued income	**25.4**	36.1
35.8	Amounts recoverable on long term contracts (Note 9)	**2.3**	–
80.4		**54.2**	92.7

Due in more than one year:

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. The cost of other lease incentives is included within debtors due in more than one year and spread on a straight line basis over the same period. Accordingly the external valuation of investment properties has been reduced for these incentives.

At 30 June 2009 lease incentives included £59.0m (31 December 2008 – £63.8m) attributable to the lease with Lehman which is being amortised over the period to the first open market rent review in November 2013. The agreement with AIG provides for the payment of four years contracted rent, following election by the Group, upon default by Lehman.

	Rent-free periods £m	Other tenant incentives £m	Total lease incentives £m	Lease termination agreements £m	Total £m
1 January 2009	112.1	125.4	237.5	6.2	243.7
Recognition of rent during rent-free periods	3.2	–	3.2	–	3.2
Amortisation	(14.2)	(19.6)	(33.8)	–	(33.8)
Transferred to debtors due within one year	–	–	–	(3.1)	(3.1)
30 June 2009	**101.1**	**105.8**	**206.9**	**3.1**	**210.0**

8 Net Debt

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Construction loan £m	Secured loans £m	Finance lease obligation £m	Total £m
1 January 2009	2,637.5	99.9	1,305.6	41.6	4,084.6
Drawn down in period	–	17.4	–	–	17.4
Deferred financing expenses	(1.0)	0.5	(7.4)	–	(7.9)
Accrued finance charges	0.4	1.3	(0.7)	(0.2)	0.8
Repaid in period	(3.5)	–	(7.3)	–	(10.8)
Repurchase of securitised debt	(119.7)	–	–	–	(119.7)
30 June 2009	**2,513.7**	**119.1**	**1,290.2**	**41.4**	**3,964.4**
Payable within one year or on demand	86.7	–	28.1	–	114.8
Payable in more than one year	2,427.0	119.1	1,262.1	41.4	3,849.6
	2,513.7	119.1	1,290.2	41.4	3,964.4

(1) At 30 June 2009 the Group held sterling cash deposits totalling £1,145.8m (31 December 2008 – £1,183.8m) comprising deposits placed on the money market at call and term rates. Cash deposits included £125.8m at 30 June 2009 (31 December 2008 – £135.0m) held by third parties as cash collateral for the Group's borrowings, £13.4m (31 December 2008 – £25.1m) charged to third parties in connection with the Group's construction obligations and a further £7.3m (31 December 2008 – £12.4m) charged to third parties as security for the Group's other obligations. Unsecured cash deposits totalled £999.3m at 30 June 2009 (31 December 2008 – £1,011.3m).

(2) 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 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.

Interest on the floating rate Notes is at three month LIBOR plus a margin. The margins on the Notes are: B3 Notes – 0.28% p.a., increasing to 0.7% in January 2017; C2 Notes – 0.55% p.a., increasing to 1.375% in April 2014; and D2 Notes – 0.84% p.a., increasing to 2.1% in April 2014.

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

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 £16.4m net of discounting, has been recognised.

In addition to the three classes of floating rate Notes referred to above, the following classes of fixed rate Notes remained outstanding at 30 June 2009, carrying the interest rates stated:

£1,215.0m of A1 Notes – 6.455%; £400.0m of A3 Notes – 5.952%; £207.4m of B Notes – 6.800%.

A further class of floating rate Notes was also outstanding, comprising £222.0m of A7 Notes, carrying a rate of interest of LIBOR plus a margin of 0.19% increasing to 0.475% in January 2017 and hedged at 5.1135%.

The principal amount outstanding at 30 June 2009 was £2,548.4m or £2,428.7m excluding the Notes repurchased. The Notes are secured on certain property interests of the Group and the rental income stream therefrom. The final maturity date of the securitisation is 2035, subject to earlier amortisation on certain classes.

The 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 4 years from a payment default by Lehman. 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.

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

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

(3) In February 2007 the Group entered into a £155.0m three year construction loan facility secured on 5 Churchill Place. Interest is charged at LIBOR plus a margin of 0.9%, hedged at 5.625%. At 30 June 2009 £119.4m including interest had been drawn down under this facility (31 December 2008 – £100.7m). Upon completion of the building, the construction loan may be rolled into a 3 year investment loan with a final maturity of August 2012. Practical completion of the building was achieved in August 2009.

(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 swap facility, 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 period £3.5m was repaid in accordance with the terms of the facility and at 30 June 2009 the outstanding principal was £363.5m.

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

The loan facility carries interest at LIBOR plus a variable margin rate subject to, prevailing LTV and ICR tests. The Group has entered into an arrangement whereby the exposure to the movement in three month LIBOR rates in the facility is fully hedged with fixed interest rate swaps at a weighted average including margins of 6.1%. The loan is repayable in March 2011.

(6) A bank loan comprising an initial principal of £608.8m is secured against One Churchill Place. The loan amortises with a balloon payment of £155.0m on maturity in July 2034. The loan carries a hedged interest rate of 5.82%. In the first half of 2009 £3.8m of the loan was repaid in accordance with the loan agreement reducing the principal at 30 June 2009 to £580.0m.

(7) The movement in net debt for the six months ended 30 June 2009 was as follows:

	1 January 2009 £m	Cash flow £m	Other non-cash changes £m	**30 June 2009 £m**
Cash at bank	1,183.8	(38.0)	–	**1,145.8**
Amounts on deposit not available on demand	(172.5)	26.0	–	**(146.5)**
	1,011.3	(12.0)	–	**999.3**
Debt due after 1 year	(3,953.8)	26.7	118.9	**(3,808.2)**
Debt due within 1 year	(89.2)	54.3	(79.9)	**(114.8)**
Finance lease due after 1 year	(41.6)	0.2	–	**(41.4)**
	(4,084.6)	81.2	39.0	**(3,964.4)**
Amounts on deposit not available on demand	172.5	(26.0)	–	**146.5**
Net debt	(2,900.8)	43.2	39.0	**(2,818.6)**
Decrease in cash				**(38.0)**
Decrease in debt and lease financing				**81.2**
Change in net debt resulting from cash flows				**43.2**
Non-cash movement in net debt				**39.0**
Movement in net debt				**82.2**
Net debt at 1 January 2009				**(2,900.8)**
Net debt at 30 June 2009				**(2,818.6)**

(8) At 30 June 2009 the fair value adjustment in respect of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was an unrecognised asset of £320.6m before tax, or £230.8m after tax (31 December 2008 – £262.1m and £188.7m respectively).

9 Creditors: Amounts Falling Due Within One Year

Audited 31 December 2008 £m		**Unaudited 30 June 2009 £m**	Unaudited 30 June 2008 £m
89.2	Borrowings (Note 8)	**114.8**	62.8
36.3	Trade creditors	**24.0**	26.1
6.9	Tax and social security costs	**1.6**	3.7
8.8	Corporation tax	**12.7**	–
15.5	Other creditors	**18.2**	10.0
97.6	Accruals	**69.5**	80.6
83.8	Deferred income	**77.3**	91.4
34.3	Payments on account	**55.0**	139.9
372.4		**373.1**	414.5

Payments on account comprise the amounts received in respect of the pre-sale of the following freehold properties:

	Completed properties £m	30 North Colonnade £m	Riverside South £m	Total £m
1 January 2009	–	34.1	0.2	34.3
Recorded as turnover	(13.5)	(35.7)	(2.0)	(51.2)
Advances received	47.0	18.1	49.4	114.5
Work in progress transfer	–	–	(9.1)	(9.1)
Transferred from debtors	(33.5)	–	–	(33.5)
30 June 2009	**–**	**16.5**	**38.5**	**55.0**

10 Provisions for Liabilities

	Leasehold properties £m	Other lease commitments £m	Losses of associates £m	Deferred tax £m	Uneconomic hedge £m	Total £m
1 January 2009	3.0	2.3	13.2	52.9	–	71.4
Utilisation of provision	(0.5)	(0.1)	(1.7)	–	–	(2.3)
(Release)/increase in provision	(1.5)	–	–	17.6	14.6	30.7
30 June 2009	**1.0**	**2.2**	**11.5**	**70.5**	**14.6**	**99.8**

Leasehold Properties

At 30 June 2009 the provision for the estimated net liability in respect of leasehold properties, discounted at 6.2% (31 December 2008 – 6.2%), being the Group's weighted average cost of debt at that date, was stated at £1.0m (31 December 2008 – £3.0m). 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 30 June 2009 the remaining provision was £2.2m calculated on the basis of a discount rate of 6.2% (31 December 2008 – £2.3m discounted at 6.2%).

Deferred Tax

Movements in deferred tax are disclosed in Note 3.

Losses of Associates

The Group has provided £11.5m in respect of its share of losses on Drapers Gardens as explained in Note 6.

Uneconomic Hedge

The provision in respect of uneconomic hedges arises from the repurchase of securitised debt during the period as explained in Note 2.

11 Reserves

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Special reserve £m	Profit and loss account £m	Total £m
1 January 2009	146.2	1,521.9	0.7	264.8	(275.7)	1,657.9
Revaluation of investment properties	–	(217.9)	–	–	–	(217.9)
Retained profit for the financial period	–	–	–	–	67.9	67.9
30 June 2009	**146.2**	**1,304.0**	**0.7**	**264.8**	**(207.8)**	**1,507.9**

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.

12 Reconciliation of Movement in Shareholders' Funds

	£m
Profit for the financial period	67.9
Revaluation movement	(217.9)
Net movement in shareholders' funds	(150.0)
1 January 2009	1,664.3
30 June 2009	**1,514.3**

13 Contingent Liabilities and Financial Commitments

Commitments of the Group for future expenditure:

	30 June 2009 £m	31 December 2008 £m
Crossrail station	**115.0**	140.0
Other construction projects	**88.0**	162.0

The commitments for future expenditure relate to the completion of construction works where construction was committed at 30 June 2009. Any costs accrued or provided for in the balance sheet at 30 June 2009 have been excluded.

Sub-let Commitments:

Under the terms of certain lease agreements the Group has committed to take back certain space on the basis of short term sub-leases 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 sub-let space.

The existence of the sub-let commitments has been taken into account in the market valuation of the Group's properties at 30 June 2009 and 31 December 2008.

Drapers Gardens:

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 banks 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 banks, 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, which is anticipated to occur in November 2009. The maximum amount payable under the guarantee, should it be called, is estimated at £2.8m.

Indepedent Review Report to Canary Wharf Group plc

Introduction

We have been engaged by the company to review the financial information in the Interim Report for the six months ended 30 June 2009 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated statement of total recognised gains and losses, the consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the United Kingdom Accounting Standards Board's Statement 'Half-Yearly Financial Reports'.

Our Responsibility

Our responsibility is to express to the company a conclusion on the financial information in the Interim Report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the Interim Report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the United Kingdom Accounting Standards Board's Statement 'Half-Yearly Financial Reports'.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

23 September 2009

Definitions

Administrator	Price Waterhouse Coopers
AIG	American International Group, Inc
Ballymore	Ballymore Properties Limited
bn	billion
board	Board of directors of Canary Wharf Group plc
bps	Basis points
BWB	British Waterways Board
CBRE	CB Richard Ellis Limited, Surveyors and Valuers
CLRL	Cross London Rail Links Limited
company	Canary Wharf Group plc
Cushman	Cushman & Wakefield, Real Estate Consultants
CWF II	Canary Wharf Finance II plc
CWHL	Canary Wharf Holdings Limited
DLR	Docklands Light Railway
Drapers Gardens	Drapers Gardens scheme in the City of London
Estate	Canary Wharf Estate including Heron Quays West, Riverside South and North Quay
EZAs	Enterprise Zone Allowances
Fimalac	F Marc de Lachariere
Fitch	Fitch Ratings Limited
FRS 13	Financial Reporting Standard 13 (Derivatives and other financial instruments)
FRS 19	Financial Reporting Standard 19 (Deferred tax)
FRS 22	Financial Reporting Standard 22 (Earnings per share)
Group	Canary Wharf Group and its subsidiaries
HMRC	Her Majesty's Revenue and Customs
ICR	Interest Cover Ratio
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
Morgan Stanley	Morgan Stanley & Co Limited
MS	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
Omega	Omega Land Holding II BV
Prudential	Prudential Retirement Income Limited
Savills	Savills Commercial Limited
Songbird	Songbird Estates plc
sq ft	Square feet/square foot
SSAP 9	Statement of Standard Accounting Practice 9 (Stocks and long term 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
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

Brian Carr*#+

Sam Levinson*#+

Alex Midgen+

Robert Falls*#

* Audit Committee
\# Operating Committee
\+ Remuneration Committee

Company Secretary

John Garwood

Registered Office and Number

Registered Number: 4191122
One Canada Square
Canary Wharf
London E14 5AB
Telephone: 020 7418 2000
Facsimile: 020 7418 2222

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA
Telephone: 0870 162 3100*
Facsimile: 020 8639 2342
E-mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

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

This Interim Report and other information on the company and the Estate are available from the company's website, www.canarywharf.com

Advisers

Auditors

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Bankers

Barclays 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
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

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CANARY WHARF

GROUP PLC

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