CANARY WHARF
GROUP PLC

30 June 2010 Interim Report

Contents

Highlights

- On 22 September 2010, the Company declared an interim dividend of 11.736p per share totalling £75.0m (Note (i)).
- Adjusted NAV per share increased by 21p or 6.1% from £3.47 at 31 December 2009 to £3.68 (Note (ii)).
- Net assets increased from £1,925.0m at 31 December 2009 to £2,055.4m at 30 June 2010, an increase of £130.4m or 6.8%, primarily as a result of the increase in value of the property portfolio (Note (ii)).
- The market value of the investment property portfolio increased by 4.3% to £4,782.0m. After allowing for capital expenditure and adjustments for lease incentives, the carrying value of the investment portfolio increased by 4.7% (Note (iii)).
- The benchmark initial yield for the office portfolio was 5.6% at 30 June 2010, an improvement of 15 bps since 31 December 2009 (Note (iii)).
- The weighted average equivalent yield for the office portfolio was unchanged at 5.7% at 30 June 2010. The weighted average equivalent yield for the retail portfolio was 5.7%, an improvement of 60 bps since 31 December 2009 (Note (iii)).
- Including development sites, the market value of the property portfolio to be retained was £5,044.5m at 30 June 2010, against £4,808.0m at 31 December 2009 (Note (iii)).
- Operating profit for the six months ended 30 June 2010 reduced to £69.3m from £146.2m. The profit before tax excluding exceptional items was £12.7m (six months ended 30 June 2009 – profit of £35.1m) (Note (iv)).
- The Group's investment portfolio totalling 8.0m sq ft was 96.4% let including the Lehman building (31 December 2009 – 8.0m sq ft of which 96.2% let) (Note (v)).
- At 30 June 2010 the weighted average lease term for the retained investment portfolio was 15.8 years (or 14.8 years assuming the exercise of break options) (Note (v)).
- The Group restructured existing leases and granted new leases to Barclays Capital over a total of 1,152,000 sq ft, consolidating the occupation of Barclays Capital from three into two buildings on the Estate (Note (vi)).
- Letting completed of approximately 187,000 sq ft of space to Shell. The Group also concluded lettings over an additional 31,000 sq ft during the period (Note (vi)).
- The Group acquired 1 Park Place, a building located adjacent to the Estate for £17.5m with two alternative planning permissions for 214,000 sq ft or 950,000 sq ft (Note (vii)).
- The sale of 5 Churchill Place was completed for a gross consideration of £208.0m reflecting a yield of 5.9% (Note (iii)) and the associated construction loan was repaid.
- The Group acquired the substantial majority of the drawn balance under the Drapers Gardens construction loan facility for £112.8m. Subsequent to the period end, in August 2010, contracts were exchanged to sell Drapers Gardens for a total consideration of £242.5m reflecting a yield of 5.2% (Note (viii)).
- The administrator of Lehman ceased paying rent on 25 Bank Street in the period and Nomura has exercised a break option to vacate the building on 30 September 2010. The Group has the benefit of an arrangement with AIG which provides for drawings of an amount equal to any contracted rent shortfall in the event of default for a period of 4 years which had not been utilised at the date of approving this Interim Report (Note (ix)).
- The remaining interests in Heron Quays West were acquired in June 2010, a site which has planning consent for office space of 1.3m sq ft (Note (vii)).

Note:
(i) See Note 14.
(ii) Refer to 'Business Review – Balance Sheet and Key Performance Indicators'.
(iii) Refer to 'Business Review – Valuations' for a comparison with the carrying value for accounts purposes.
(iv) Refer to 'Business Review – Operating Results'.
(v) Refer to 'Business Review – Property Portfolio'.
(vi) Refer to 'Business Review – Leasing'.
(vii) Refer to 'Business Review – Development'.
(viii) Refer to 'Business Review – Drapers Gardens'.
(ix) Refer to 'Business Review – Lehman'.

Results in Brief

	Note	**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
Rental income	1	**153.5**	157.2
Exceptional item:			
– Write down of Lehman incentives	1	**(53.6)**	–
Operating profit		**69.3**	146.2
Exceptional items:			
– share of associates' operating losses	2	**(0.9)**	(5.2)
– net (loss)/gain arising from repurchase of securitised debt	3	**(9.8)**	68.4
– breakage costs on interest rate swap	3	**(15.9)**	–
(Loss)/profit on ordinary activities before tax		**(67.5)**	98.3
Profit before tax excluding exceptional items	1	**12.7**	35.1
Tax	4	**(7.7)**	(30.4)
(Loss)/profit for the financial period after tax		**(75.2)**	67.9
Basic and diluted (losses)/earnings per share	5	**(11.8)p**	10.6p

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 half year ended 30 June 2010 has been a period of continued progress for Canary Wharf Group plc ("the Company"), particularly when set against a background of uncertainties affecting the UK and world economy. It is notable that the number of people working at Canary Wharf has returned to 2008 levels of around 93,000 and as at 30 June 2010, 96.4% of the properties owned by the Company were leased.

During the period new occupants such as Moody's were welcomed to the Estate together with KPMG who have moved into their new global headquarters. Shell International's decision to take a lease of 187,000 sq ft at Canary Wharf underscores the demand for space currently being experienced and confirms diversification on the Estate beyond the financial sector. Various other lettings totalling 31,000 sq ft were also concluded in other buildings in the first six months of the year to tenants such as FSA and Samsung Electronics. The continued expansion of Estate tenants is best illustrated by the commitment to new space and longer leases by Barclays Capital who have contracted for 1,152,000 sq ft of space at Canary Wharf until 2032. Rents for office space have remained stable during the period.

In January the sale of 5 Churchill Place for £208.0m was completed. Also, the Company acquired the property at 1 Park Place for £17.5m which has two alternative planning consents for 0.2m sq ft up to 0.95m sq ft; consideration is now being given as to the most appropriate development for this site. In July the Company completed land assembly of the 1.3m sq ft Heron Quays site by acquiring the last two outstanding units.

In the central London market a rapid improvement emerged for investment in prime property during the second half of 2009 and continued into the first half of 2010, albeit at a slower pace. Property investment yields generally tightened during the period and investment values at Canary Wharf have improved in the six months with the benchmark initial investment yield for the office portfolio being 5.6% at 30 June 2010, a reduction of 15 bps. We anticipate that high quality properties enjoying the benefit of long leases with strong covenants will continue to attract investment demand.

Financial

Net assets have increased from £1,925.0m at 31 December 2009 to £2,055.4m at 30 June 2010, reflecting the increase of 4.3% in the value of the property portfolio to £4,782.0m (after capital expenditure and adjustments for lease incentives, the increase in value of the investment portfolio was 4.7%).

Adjusted NAV per share increased from £3.47 to £3.68, an increase of 6.1%.

Turnover excluding exceptional items, income recognised on construction contracts and termination of leases was £177.6m for the first half of 2010, in comparison with £174.5m for the first half of 2009. The profit before tax for the first six months of 2010, excluding exceptional items, was £12.7m compared with £35.1m for the first half of 2009. The reduction from the previous year was in part attributable to the completion of the contracts to build 15 Canada Square and 30 North Colonnade, which resulted in a reduction of £15.9m in profits recognised on long term contracts. In addition, net income from termination of leases was £8.4m lower than in the previous year.

At 30 June 2010, the Group had unsecured cash deposits of £718.1m. The weighted average cost of debt in the period was 6.3% and the average maturity was 14.0 years.

Reflecting the strong position of the Company, the Board has declared an interim dividend of £75.0m, equivalent to 11.736p per share, which will be payable to shareholders on 4 October 2010.

The results for the period are covered in more detail in the 'Business Review – Operating Results'.

Operations

Development activities have continued successfully as demonstrated by the completion and letting of the Drapers Gardens office development in the City of London to BlackRock. The Company was Development Manager on this project in which it has a 20.0% interest and, earlier this year, the Company also acquired the majority of the Drapers Gardens debt. On completion, the announced sale of this development for £242.5m will, mark a successful conclusion to this project and sets a benchmark yield of 5.2% illustrating that there is steady investment demand for prime office space in Central London.

Amongst the Company's strategic objectives is the extension of its development activities to other commercial developments in London. Reflecting this, the Company is in discussions with Land Securities on a joint venture for the development of the 20 Fenchurch Street site in the City.

At 25 Bank Street, the administrators of Lehman ceased paying rent in the first quarter of 2010 and Nomura intend to vacate at the end of September. This means, however, that the Company can regain control of this building. Management is now actively seeking the best means of dealing with this space whilst having the benefit of the AIG facility which provides for the shortfall in contracted rent for four years.

In construction, the infrastructure work on the Riverside South site which was sold to J.P. Morgan in November 2008 has continued. As already known, J.P. Morgan have the option of not proceeding further with the construction of the building, in which case the Company would be paid for completed work and retain £76.0m as developer's profit, a substantial proportion of which has already been received. A decision is expected by J.P. Morgan in the next few months.

Construction of the Canary Wharf Crossrail station, which the Company has contracted to do, continues successfully. New ground has been broken in both technology and speed of execution by the Company so that construction of the Crossrail station at Canary Wharf is on time and on budget.

Retail

The Company's retail portfolio has had a successful six months increasing in value by 15.8% from £475.0m to £550.0m.

The Company continues to adopt an active asset management approach and has been able to introduce a number of new retailers to Canary Wharf. This has been particularly the case in Cabot Place. By restructuring the space in the central atrium, sought after fashion brands Aquascutum and Hackett have opened in this area. Further openings include high profile jeweller Tiffany & Co and Jaeger. Future asset management initiatives include extending a number of Canada Place tenants into space reclaimed from the Canada Square Car Park following on from the success of Gap at the beginning of this year. The active asset management policy has resulted in increased rents being secured and this, with the tightening of yields, are reflected in the increased capital value.

Canary Wharf has been able to expand its range of restaurants and satisfy the latent demand of our office workers and visitors. The opening of the Park Pavilion late 2009 showcasing Roka and several other restaurants has proven to be a popular destination with tenants and visitors alike. The restaurant offer will be further enhanced next year when Scottish restaurant, Boisdale, opens its 12,000 sq ft flagship restaurant in January 2011.

Conclusion

Canary Wharf is now a prime office and retail destination and this, with its desirability as a place for employees to work has become ever more widely recognised. The Company's office properties enjoy one of the longest average unexpired leases in the sector of 15.8 years with upwards only rent reviews. This is coupled with a successful retail estate which has become one of the prime retail destinations in London. The Company has the financial resources, a substantial development pipeline, a strong balance sheet and the skilled human resources needed to ensure that it is well placed to undertake further development when supported by demand.

We and the whole Board would like to thank all our staff for their continued and dedicated work, which has been essential to the continued progress achieved during the first half of 2010.

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 2010 as well as summarising significant events which have occurred subsequent to this date.

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

Property Portfolio

The Group is engaged in property investment and 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 2010 the investment property portfolio comprised 17 completed properties (out of the 35 constructed on the Estate) totalling approximately 8.0m sq ft of NIA.

Substituting the original term of the Lehman lease with the 4 years' cover provided by AIG (see 'Lehman' below), the weighted average unexpired lease term for the office investment property portfolio as at 30 June 2010 was approximately 15.8 years, or 14.8 years assuming the exercise of outstanding break options (31 December 2009 – 15.8 years and 14.8 years respectively). Of the square footage under lease, 67.5% does not expire or cannot be terminated by tenants during the next 10 years.

At 30 June 2010 the investment property portfolio was 96.4% let including the 1,023,000 sq ft at 25 Bank Street originally let to Lehman (31 December 2009 – 96.2%). This building has been treated as fully let because of the 4 years' cover provided by AIG.

As well as the rental income generated from the properties owned by the Group, income is generated from managing the entire Estate. This includes a further 18 completed properties totalling 7.9m sq ft which are in other ownerships.

Lehman

In September 2008 Lehman went into administration and the Administrator continued to pay rent on 25 Bank Street until the first quarter of 2010. Following Lehman's administration Nomura sub-leased approximately 420,000 sq ft from Lehman on a 2 year sub-lease, subject to a break option in September 2010, which has now been exercised. An additional 90,000 sq ft is sub-let until 2013 to Jones Lang LaSalle and NYSE Euronext.

At 31 December 2009 lease incentives included £53.6m attributable to Lehman's lease at 25 Bank Street. As the Administrator ceased paying rent on the building with effect from 31 March 2010 the remaining Lehman incentives have been written off to the profit and loss account and treated as an exceptional item.

A facility with AIG provides for payment of up to the full amount of the contracted rent at the election of the Group in the event of default for a period of 4 years from the date of first drawdown following rental default. No such election had occurred at the date of this Interim Report. Any amounts drawn down under this facility are repayable from any recoveries received from the Administrator, from Lehman's parent company guarantee, or from rentals in the property which exceed the contracted rents that would have been received from Lehman under its lease.

Under this facility AIG is obliged to maintain a certain credit rating. Following the fall in its credit rating in 2008, AIG posted cash collateral of approximately £224.0m in respect of 25 Bank Street. This collateral is held in AIG bank accounts with the Bank of New York Mellon, London branch and AIG 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.

Leasing

In addition to the Barclays Capital restructuring and new leases in respect of 1,152,000 sq ft completed in January 2010, the terms of which were summarised in the 2009 Report & Financial Statements, the Group completed letting transactions totalling 218,000 sq ft in the first half of the year, as detailed below.

In June 2010 the Group completed the letting of approximately 187,000 sq ft of space to Shell in 40 Bank Street. Shell has taken a lease on 10 floors for a term of 15 years (subject to a tenant break option at the expiry of year 10) at a rent of £37.50 psf for the office space. With the exception of one floor, all of the 187,000 sq ft is in shell and core condition and has a rent free period of 42 months. The leases have a

12 month penalty if the break at year 10 of the term is exercised. This space was previously occupied by Barclays Capital. A further 95,000 sq ft occupied by Barclays Capital in 40 Bank Street will be leased back to the Group with effect from October 2010 as a result of its lease of the former Morgan Stanley space in 20 Cabot Square.

In addition to the Shell letting, the following leases were completed in the period in respect of space in One Canada Square:

- FSA took an additional 27,900 sq ft on level 25 bringing its current occupancy to over 136,000 sq ft in the building.
- Samsung Electronics took a lease of 1,844 sq ft on level 34.
- Knight Frank renewed its lease of 981 sq ft on level 6.

In February 2010 KPMG exercised break options in relation to its leases over 4 floors in One Canada Square totalling approximately 109,800 sq ft and in addition exercised an option to sub-lease to the Group (for the remaining term of approximately 6.75 years) a further floor in the building comprising 28,600 sq ft. The options to determine these leases were granted in connection with KPMG's relocation to a new headquarters building constructed at 15 Canada Square. The leases on the 5 floors terminated on 30 June 2010.

In addition, break options over 50,400 sq ft in One Canada Square have been exercised by other tenants, of which 22,100 sq ft was with effect from March 2010 and the remainder from June 2010 or later.

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

Floor	Previous tenant	Status
27	State Street	Re-let to FSA until 2018
26	State Street	Re-let to FSA until 2018, tenant break at year 5
25	JP Morgan/State Street	Re-let to FSA until 2018, tenant break at year 5
24	State Street	Re-let to FSA on short term basis (to be vacated by end of 2010)
29 (part)	Hartford Life	To be refurbished to Cat A
31	JP Morgan	Refurbished to Cat A – marketing floor
7–9/38-39	KPMG	To be stripped to shell and core
50	JP Morgan	To be refurbished to Cat A

All options to sub-let space back to the Group have now been exercised. At 30 June 2010, the estimated net present value of sub-let liabilities was approximately £53.2m discounted at 6.3%, being the Group's weighted average cost of debt (31 December 2009 – £72.9m, discounted at 6.4%). These sub-let commitments have been reflected in the market valuation of the Group's properties. The reduction in sub-let liabilities reflects the letting to Shell of 187,000 sq ft of space in 40 Bank Street previously occupied by Barclays Capital.

Development Properties

In January 2010 the Group acquired a long leasehold interest in 1 Park Place for £17.5m. This site which is located adjacent to the Estate benefits from two alternative planning consents for (approximately) 214,000 sq ft or 950,000 sq ft of development. Although the Group has yet to announce plans for the site it offers a significant opportunity for future development.

In addition, in June 2010 the Group acquired the remaining interests at Heron Quays West and as a result the Group has secured full control of this important development site with consent for office space of 1.3m sq ft. Consent has also been granted on the adjacent Newfoundland site for 0.2m sq ft of mixed use development.

Of the remaining development sites, 25 Churchill Place can accommodate up to approximately 0.5m sq ft of new development and North Quay has planning consent for 2.4m sq ft.

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

	NIA m sq ft
Based on existing planning permissions:	
– 25 Churchill Place	0.5
– North Quay	2.4
– Heron Quays West	1.3
– Newfoundland	0.2
– Crossrail retail	0.1
	4.5
Acquired in the current period:	
– 1 Park Place (maximum development capacity)	0.9
	5.4
Sold to JP Morgan:	
– Riverside South (the Company acting as development and construction manager)	1.9
	7.3
Wood Wharf (25.0% share of 4.6m sq ft)	1.2

The site at Riverside South was acquired by JP Morgan in November 2008 and JP Morgan has instructed the Group to complete on its behalf the design and infrastructure works for a new European headquarters building. Should JP Morgan decide to proceed with full construction, the Group will act as development and construction manager. If construction is postponed, or deferred altogether, the Group will retain £76.0m representing a portion of the developer's profit related to the development, of which £68.5m had been received by 30 June 2010. If JP Morgan proceeds with full construction, additional fees will be due.

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

Drapers Gardens

Practical completion was achieved on Drapers Gardens in November 2009. The scheme comprises approximately 290,000 sq ft of prime commercial office space. The Group has a 20.0% equity interest in the property and acted as development manager with responsibility for the day to day management of the scheme. In January 2010 the Group purchased for a cash consideration of £112.8m the substantial majority of the drawn balance under the Drapers Gardens construction loan facility. The Group then provided funding under the terms of this facility for the remaining costs of completing the project.

In February 2010 the Group announced that BlackRock had taken a lease on the whole of Drapers Gardens for a term of 25 years at a rent of £49.00 psf on the office accommodation, with a rent free period of 36 months. The rent is subject to open market reviews on every fifth anniversary of the term commencement and, in the case of the first rent review, subject to a floor of 2.5% and a cap of 4.5% compounded annually over the preceding 5 years. The net annual rent on the property will be £12.8m on the expiry of the rent free period in March 2013.

In August 2010 the joint venture entities which own the Drapers Gardens property exchanged contracts to sell the property and completion is due by the end of October 2010. The gross aggregate consideration was £242.5m, reflecting an initial yield of 5.2%, prior to a deduction for the rent free period granted to BlackRock.

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. The Group will bear 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 which may be required as part of proposed alterations to the London Plan. Accordingly, costs incurred on construction of the station are allocated to the Group's properties held for development.

Construction commenced on the Crossrail station at Canary Wharf in May 2009 and costs incurred to the end of June 2010 totalled £92.8m. 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 2010, were £2,055.4m. In arriving at this total:

(i) properties held as investments were carried at £4,625.2m, which represents the market value of those properties of £4,782.0m at that date as determined by the Group's external valuers, CBRE, Savills or Cushman, less an adjustment of £156.8m for tenant incentives; and

(ii) the properties held for development were carried at £294.0m, representing their cost to the Group.

In January 2010 the Group completed the sale of 5 Churchill Place for a gross consideration of £208.0m. The carrying value of the building at 31 December 2009 was £177.7m which was calculated by reference to the gross aggregate consideration adjusted for a fit-out allowance and rental support to be provided by the Group in respect of 2 unlet floors of £2.2m per annum for 5 years.

The valuation of the investment portfolio (adjusting for the sale of 5 Churchill Place) on the basis of market value increased by £195.0m or 4.3% over the period. After allowing for capital expenditure and adjustments in respect of lease incentives, the carrying value of the investment portfolio increased by £205.6m or 4.7% over the period. This increase was primarily driven by a reduction in initial yields of approximately 15 bps, reducing the benchmark initial yield on rack rented properties from 5.75% to 5.6%. At 30 June 2010 the weighted average equivalent yield for the office portfolio, which takes into account the valuers' forecast of future rental values, was unchanged at 5.7%, while for the retail portfolio the weighted average equivalent yield reduced from 6.3% to 5.7%.

CBRE and Savills have provided a joint opinion as at 30 June 2010 that the market value of sites held for development, comprising North Quay, Heron Quays West, Newfoundland, 1 Park Place, 25 Churchill Place and the Crossrail station retail, was £262.5m. This compares with a carrying value for accounts purposes of £294.0m, including £68.6m (31 December 2009 – £57.0m) of costs allocated in respect of Crossrail. 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 £262.5m represents a reduction of 1.9%, after additions, over the market value at 31 December 2009 and is £31.5m 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. On this basis the directors have concluded that no provision for impairment is required as at 30 June 2010.

The carrying value of the entire property portfolio to be retained, net of additions, increased by £206.6m or 4.4% over the period. This increase in value was driven by the factors referred to earlier.

The market value of the entire property portfolio increased by £236.5m or 4.9% for the six months ended 30 June 2010.

The valuations are based on assumptions which include future rental income, anticipated void costs, the appropriate discount rate or yield and, in the case of development properties, the estimated costs to completion. The valuers also make reference to market evidence of transaction prices for similar properties on the Estate.

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

		30 June 2010		31 December 2009		30 June 2009	
	Note	**Carrying value £m**	**Market value in existing state £m**	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Investment properties	1	**4,625.2**	**4,782.0**	4,406.8	4,587.0	4,040.6	4,247.5
Investment property held for sale/under construction	2	**–**	**–**	177.7	192.0	142.9	170.0
		4,625.2	**4,782.0**	4,584.5	4,779.0	4,183.5	4,417.5
Properties held for development		**294.0**	**262.5**	247.5	221.0	221.7	186.0
		4,919.2	**5,044.5**	4,832.0	5,000.0	4,405.2	4,603.5
Property under construction held for sale	3	**72.0**	**124.9**	56.8	115.1	126.7	329.5
		4,991.2	**5,169.4**	4,888.8	5,115.1	4,531.9	4,933.0

Note:

1 The carrying value of investment properties represents market value in existing state less an adjustment for UITF 28. The UITF 28 adjustment attributable to investment properties at 30 June 2010 was £156.8m (31 December 2009 – £180.2m, 30 June 2009 – £206.9m).

2 Investment property held for sale comprised 5 Churchill Place which was sold in January 2010. The market value at 31 December 2009 was calculated by reference to the total proceeds of £208.0m less adjustments for a fit-out allowance and provisions for rent free and rental support commitments. The UITF 28 adjustment attributable to the property at 31 December 2009 was £14.3m. At 30 June 2009 this property was under construction and carried at historical cost.

3 At 30 June 2010 and 31 December 2009 the property under construction held for sale comprised Riverside South. At 30 June 2009 this caption comprised Riverside South and 30 North Colonnade. The carrying value in the balance sheet at 30 June 2010 is stated net of £51.9m transferred to cost of sales (31 December 2009 – £40.2m, 30 June 2009 – £120.7m) and £20.1m transferred to payments on account (31 December 2009 – £16.6m, 30 June 2009 – £9.5m) and £nil (31 December 2009 – £nil, 30 June 2009 – £3.5m) of costs accrued in accordance with SSAP 9. The market value in existing state at 30 June 2010 comprised the present value of the minimum developer's profit which will be generated from the development of the Riverside South site assuming JP Morgan does not proceed with full build out, discounted at 6.3%, being the Group's weighted average cost of debt, and excludes the profit already recognised in the profit and loss account on the disposal of the site in 2008.

Operating Results

The following review of the Group's operating results relates to the six months ended 30 June 2010. The comparatives relate to the six months ended 30 June 2009.

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. Before exceptional items, turnover for the six months ended 30 June 2010 was £190.8m, against £240.6m for the six months ended 30 June 2009, of which rental income was £132.1m (six months ended 30 June 2009 – £126.6m). The impact of UITF 28 (excluding the exceptional write off of Lehmans incentives) was to reduce rental income by £21.4m in the six months ended 30 June 2010 (six months ended 30 June 2009 – £30.6m). Excluding the impact of UITF 28, rental income decreased from £157.2m to £153.5m, a fall of 2.4%, primarily attributable to the exercise of break options.

In the first quarter of 2010 the Administrator ceased paying rent on 25 Bank Street. Lease incentives attributable to Lehman's lease were previously being amortised over the period to the first open market rent review in November 2013 but, following the Administrator ceasing to pay rent, the remaining incentives, totalling £53.6m, have been written off to the profit and loss account and treated as an exceptional item.

Service charge income fell from £36.3m to £34.5m and miscellaneous income, including insurance rents, reduced from £11.6m to £11.0m over the period, primarily as a result of lower insurance premiums. In the six months ended 30 June 2010 the Group also recognised £1.5m of income in connection with the termination of certain leases on the Estate compared with £14.9m in 2009.

The six months ended 30 June 2010 included £11.7m 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 2009 – £51.2m). The reduction in turnover from this source was due to the completion of 15 Canada Square and 30 North Colonnade in 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 £48.4m in comparison with £46.1m for the six months ended 30 June 2009. Taking into account service charge and miscellaneous income totalling £45.5m for the six months ended 30 June 2010 (six months ended 30 June 2009 – £47.9m), a deficit on property management of £2.9m was recorded (six months ended 30 June 2009 – a surplus of £1.8m). The deficit in the current period was attributable to space vacated by tenants, including Lehman and Barclays Capital, where service charges were not recoverable.

The six months ended 30 June 2010 also included £1.5m of dilapidations and other costs attributable to the termination of leases in the period, compared with £6.5m in the six months ended 30 June 2009. Provisions of £0.8m were released in the six months ended 30 June 2010 relating to certain rent support commitments and other obligations. This compares with a release of £1.5m in the six months ended 30 June 2009.

Cost of sales for the six months ended 30 June 2010 also included £6.7m (six months ended 30 June 2009 – £30.3m) of costs on construction of properties held for sale, net of the release of £5.0m of surplus accruals relating to properties that were completed in prior years. No profit has been recognised on the long term contract entered into in connection with the sale of Riverside South although the potential surplus has been taken into account in calculating adjusted NAV (see 'Balance Sheet and Key Performance Indicators'). The six months ended 30 June 2009 included £20.9m of profit recognised on pre-sold properties.

For the six months ended 30 June 2010 gross profit (net property income) was £81.4m, a reduction of £77.8m in comparison with the six months ended 30 June 2009. This reduction was primarily attributable to the write off of Lehman incentives of £53.6m, the reduction of £15.9m in profit recognised on pre-sold properties and a reduction of £8.4m in net income from lease surrenders.

Administrative expenses for the six months ended 30 June 2010 were £16.1m in comparison with £13.7m for the six months ended 30 June 2009. This increase was primarily attributable to expenses associated with property lettings during the period.

Other operating income was £4.0m for the six months ended 30 June 2010 (six months ended 30 June 2009 – £0.7m). During the period the Group earned additional fees in connection with one of the properties completed in 2009.

Operating profit for the period was £69.3m, in comparison with £146.2m for the six months ended 30 June 2009. The reduction in operating profit of £76.9m was largely attributable to the factors impacting on gross profit detailed above.

In the six months ended 30 June 2010, a net charge of £0.9m was recognised in relation to the impairment of the Group's investment in its associates. This amount has been treated as an exceptional item.

Net interest payable for the six months ended 30 June 2010 excluding exceptional items was £110.2m, against £111.1m for the six months ended 30 June 2009. The reduction was attributable to interest income recognised by the Group on the Drapers Gardens construction loan.

The loss on ordinary activities after interest for the six months ended 30 June 2010 was £67.5m in comparison with a profit of £98.3m for the six months ended 30 June 2009. The results for the six months ended 30 June 2010 included a number of exceptional items comprising: the write off of unamortised lease incentives of £53.6m in respect of the Lehman lease; a charge of £0.9m in respect of the investment in associates; a charge of £9.8m in respect of the movement in fair value of the hedges deemed uneconomic following the acquisition of certain Notes in 2009; and a charge of £15.9m in relation to closing out the interest rate swap on the Group's construction loan facility following the sale of 5 Churchill Place. Excluding exceptional items, the profit on ordinary activities after interest for the six months ended 30 June 2010 was £12.7m in comparison with £35.1m for the six months ended 30 June 2009. The reduction in pre-exceptional profit of £22.4m was largely attributable to the prior year recognition of profit on pre-sold properties and lease surrenders.

Tax for the six months ended 30 June 2010, which comprised corporation tax of £3.6m and a deferred tax charge of £4.1m, has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2010. During the six months ended 30 June 2009 the Group recognised deferred tax on EZAs and timing differences arising from profit recognition on long term contracts which resulted in a charge of £17.6m in the period, in addition to a corporation tax charge of £12.8m.

The loss for the financial period after tax for the six months ended 30 June 2010 was £75.2m in comparison with a profit of £67.9m for the six months ended 30 June 2009.

The basic and diluted losses per share for the six months ended 30 June 2010 was 11.8p (six months ended 30 June 2009 – earnings of 10.6p) (Note 4).

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

Adjusted earnings per share for the six months ended 30 June 2009, excluding exceptional items, was 3.3p, calculated by reference to 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. 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 2010 or 30 June 2009.

Tax

If the Group was to dispose of its property portfolio at the market value disclosed in this 'Business Review', a tax liability of £87.7m would arise (31 December 2009 – £78.0m). 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 2010 were £2,055.4m in comparison with £1,925.0m at 31 December 2009. The increase in NAV was primarily attributable to the revaluation surplus on investment properties of £205.6m, partly offset by the loss after tax of £75.2m.

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 2010 is set out in the table below which, for comparison purposes, also includes adjusted NNNAV per share.

	Note	**30 June 2010 £m**	31 December 2009 £m
Net assets per statutory balance sheet		**2,055.4**	1,925.0
Add back deferred tax		**74.1**	70.0
Net assets prior to deferred tax		**2,129.5**	1,995.0
Revaluation of property portfolio:			
– investment properties	1	**200.0**	190.0
– properties held for development	2	**(31.5)**	(26.5)
– properties under construction to be sold	3	**52.9**	58.3
Adjusted net assets		**2,350.9**	2,216.8
Fair value adjustments in respect of financial assets and liabilities less tax relief at 28.0%	4	**(147.4)**	69.3
Contingent tax on property disposals	5	**(87.7)**	(78.0)
Undiscounted deferred tax	6	**(89.6)**	(91.2)
Adjusted NNNAV		**2,026.2**	2,116.9
Adjusted net assets per share	7	**£3.68**	£3.47
Adjusted NNNAV per share	7	**£3.17**	£3.31

Note:

1 The market value of 25-30 Bank Street included in the balance sheet at 30 June 2010 of £350.0m (31 December 2009 – £360.0m) excludes the benefit of the arrangement with AIG which provides for the payment of up to 4 years' contracted rent upon default by Lehman, as the arrangement cannot be transferred to a purchaser of the property. The market value of this building adjusted to include the arrangement with AIG is £550.0m (31 December 2009 – £550.0m). 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 Uplift to market value on pre-sold properties under construction of £52.9m (31 December 2009 – £58.3m), refer to 'Business Review – Valuations'.

4 Refer to Note 8(8).

5 Refer to 'Business Review – Tax'.

6 Refer to Note 3.

7 Calculated by reference to the closing number of shares in issue of 639.0m (31 December 2009 – 639.0m). There were no dilutive instruments at either date.

Adjusted NAV per share increased by 6.1% from £3.47 at 31 December 2009 to £3.68 at 30 June 2010, primarily as a result of the revaluation of the Group's property portfolio.

In arriving at the adjusted NAV 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.

Borrowings

At 30 June 2010 net debt (after cash in hand and cash collateral) stood at £2,897.2m, up from £2,843.1m at 31 December 2009, and comprised:

	30 June 2010 £m	31 December 2009 £m
Securitised debt	**2,453.6**	2,484.7
Loans	**1,271.9**	1,276.4
Finance lease obligations	**41.2**	41.2
Construction loan	**–**	123.4
Total borrowings	**3,766.7**	3,925.7
Less:		
– cash collateral for borrowings	**(132.3)**	(139.4)
– cash collateral for construction	**(5.1)**	(18.3)
– other cash collateral	**(14.0)**	(10.0)
	3,615.3	3,758.0
Less: cash deposits	**(718.1)**	(914.9)
Net debt	**2,897.2**	2,843.1

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 on the following page. For all of its loans the Group was in compliance with its lending covenants at 30 June 2010 and throughout the period then ended.

In January 2010 the Group sold 5 Churchill Place and repaid the drawn balance of £123.5m under its construction loan facility. At the same time the Group broke the interest rate swap associated with this facility at a cost of £15.9m.

The decrease in total borrowings from £3,925.7m to £3,766.7m reflects the repayment of the Group's construction loan facility and scheduled amortisation. The reduction in cash and term deposits from £1,082.6m to £869.5m is primarily as a result of acquiring the Drapers Gardens construction loan, capital expenditure in the period and the repayment of the Group's construction loan facility, offset by proceeds from the sale of 5 Churchill Place.

The weighted average maturity of the Group's borrowings at 30 June 2010 was 14.0 years (31 December 2009 – 14.0 years).

At 30 June 2010 the fair value adjustment in respect of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was an unrecognised liability of £204.7m before tax (31 December 2009 – asset of £96.2m).

The Group's weighted average cost of debt at 30 June 2010 was 6.2% excluding credit wraps or 6.3% including credit wraps (31 December 2009 – 6.3% excluding credit wraps or 6.4% including credit wraps). The Group borrows at both fixed and floating rates and uses interest rate swaps or caps to modify exposure to interest rate fluctuations. All of the Group's facilities are fixed after taking account of interest rate hedging and cash deposits held as cash collateral.

Loan Covenants

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

(i) CWF II securitisation, encompassing 7 investment properties representing 60.2% of the investment property portfolio by value. Including the Notes repurchased in April 2009, but held by another group company, the principal amount outstanding at 30 June 2010 was £2,490.8m.

Maximum LMCTV ratio of 100%. Based on the valuations at 30 June 2010, the LMCTV ratio at the interest payment date in July 2010 would have been 82.4%, excluding the £224.0m of cash collateral posted by AIG in respect of the 25 Bank Street facility, and 74.8% 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 £572.2m secured against One Churchill Place, representing 14.4% of the investment property portfolio by value.

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

(iii) Loan of £353.0m secured against 10 Cabot Square and 20 Cabot Square, representing 12.9% of the investment property portfolio by value.

Maximum LTV ratio of 85.0%. Based on the valuations at 30 June 2010 the LTV ratio at the interest payment date in July 2010 would have been 57.1%.

This facility is also subject to a minimum ICR test of 100%. The Group anticipates that the restructuring of the Barclays Capital leases 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 the ICR or LTV covenants by depositing cash.

(iv) Loan of £350.0m secured against the principal retail and parking properties of the Group, representing 12.5% of the investment property portfolio by value.

Maximum LTV ratio of 70.0%. Based on the valuations at 30 June 2010 the LTV was 58.4%.

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

Cash Flow

The net cash inflow from operating activities for the six months ended 30 June 2010 was £92.8m in comparison with £217.8m for the six months ended 30 June 2009. There was a net cash outflow on properties in the course of construction held for sale of £0.9m in the six months ended 30 June 2010 in comparison with net cash received of £62.4m for the six months ended 30 June 2009. Excluding the impact of such cash flows, operating cash inflows decreased from £155.4m to £93.7m. This decrease was primarily attributable to changes in working capital.

Returns on investments and servicing of finance resulted in an outflow of £127.0m for the six months ended 30 June 2010 compared with £128.0m for the six months ended 30 June 2009. The six months ended 30 June 2010 included £15.9m of swap breakage costs (six months ended 30 June 2009 – £8.1m).

Capital expenditure and financial investment for the six months ended 30 June 2010 resulted in a cash outflow of £12.0m, compared with £90.0m for the six months ended 30 June 2009. The six months ended 30 June 2010 included £76.4m of development expenditure incurred on properties to be retained by the Group (six months ended 30 June 2009 – £85.6m). Funding of the Group's equity investment in and loans to associated undertakings totalled £125.5m (six months ended 30 June 2009 – £4.3m). The six months ended 30 June 2010 also included net proceeds of £190.0m on the completion of the sale of 5 Churchill Place.

The financing cash outflow for the six months ended 30 June 2010 was £163.7m compared with £28.9m for the six months ended 30 June 2009. The six months ended 30 June 2010 included £123.5m relating to repayment of the outstanding balance owed under the Group's construction loan whereas the six months ended 30 June 2009 included £17.4m drawn down under this facility. The six months ended 30 June 2009 also included £35.5m incurred on the partial buy back of the Group's Notes. There were no such cash outgoings in 2010.

Principal Risks and Uncertainties

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

For further details relating to these risks and uncertainties and the way in which the Group manages such matters, refer to 'Principal Risks and Uncertainties' and 'Treasury Objectives' in the 'Business Review' section of the 2009 Report and Financial Statements of the Group.

Unaudited Consolidated Profit and Loss Account

for the six months ended 30 June 2010

Audited Year ended 31 December 2009 £m		Note	**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
	Turnover:			
481.3	– before exceptional item		**190.8**	240.6
	Exceptional item:			
–	– write off of Lehman incentives	7	**(53.6)**	–
(164.3)	Cost of sales		**(55.8)**	(81.4)
317.0	**Gross profit**		**81.4**	159.2
(38.4)	Administrative expenses		**(16.1)**	(13.7)
2.8	Other operating income		**4.0**	0.7
281.4	**Operating profit**		**69.3**	146.2
	Exceptional item:			
13.8	– share of associates' operating losses	6	**(0.9)**	(5.2)
14.2	Interest receivable	2	**15.1**	9.9
	Interest payable before exceptional items:	2		
(242.7)	– Group		**(121.3)**	(120.8)
(0.3)	– associates		**(4.0)**	(0.2)
	Exceptional items:			
68.4	– net (loss)/gain arising from repurchase of securitised debt	2	**(9.8)**	68.4
–	– breakage costs on interest rate swap	2	**(15.9)**	–
(174.6)			**(151.0)**	(52.6)
134.8	**(Loss)/profit on ordinary activities for the financial period before tax**		**(67.5)**	98.3
(47.8)	Tax	3	**(7.7)**	(30.4)
87.0	**(Loss)/profit for the financial period after tax**	11	**(75.2)**	67.9
13.6p	Basic and diluted (losses)/earnings per share	4	**(11.8)p**	10.6p

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

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

The interim results for the six months ended 30 June 2010 were approved by the Board on 22 September 2010.

Unaudited Consolidated Statement of Total Recognised Gains and Losses

for the six months ended 30 June 2010

Audited Year ended 31 December 2009 £m		Note	**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
	(Loss)/profit for the financial period after tax:			
73.5	– Group		**(70.3)**	73.3
13.5	– share of losses of associates		**(4.9)**	(5.4)
173.7	Unrealised movements on revaluation of investment properties	5	**205.6**	(217.9)
260.7	**Total recognised gains and losses relating to the period**		**130.4**	(150.0)

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

Unaudited Consolidated Note of Historical Cost Profits and Losses

for the six months ended 30 June 2010

Audited Year ended 31 December 2009 £m		**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
134.8	Reported (loss)/profit on ordinary activities for the financial period before tax	**(67.5)**	98.3
–	Realisation of property revaluation gains on previous periods	**45.5**	–
134.8	**Historical cost (loss)/profit for the financial period before tax**	**(22.0)**	98.3
87.0	**Historical cost (loss)/profit for the financial period retained after tax**	**(29.7)**	67.9

Unaudited Consolidated Balance Sheet

at 30 June 2010

Audited 31 December 2009 £m		Note	**Unaudited 30 June 2010 £m**	Unaudited 30 June 2009 £m
	Fixed assets			
4,584.5	Investment properties	5	**4,625.2**	4,040.6
–	Properties under construction		**–**	142.9
247.5	Properties held for development	5	**294.0**	221.7
1.5	Other tangible fixed assets		**1.3**	1.7
37.4	Investments	6	**168.4**	19.9
4,870.9			**5,088.9**	4,426.8
	Current assets			
194.5	Debtors: due in more than one year	7	**156.8**	210.0
53.2	Debtors: due within one year	7	**44.7**	54.2
1,082.6	Cash at bank and in hand	8	**869.5**	1,145.8
1,330.3			**1,071.0**	1,410.0
(377.0)	Creditors: Amounts falling due within one year	9	**(343.4)**	(373.1)
953.3	**Net current assets**		**727.6**	1,036.9
5,824.2	**Total assets less current liabilities**		**5,816.5**	5,463.7
(3,811.5)	Creditors: Amounts falling due after more than one year	8	**(3,650.3)**	(3,849.6)
(87.7)	Provisions for liabilities	10	**(110.8)**	(99.8)
1,925.0	**Net assets**		**2,055.4**	1,514.3
	Capital and reserves			
6.4	Called up share capital		**6.4**	6.4
	Reserves:			
146.2	– share premium	11	**146.2**	146.2
1,695.6	– revaluation reserve	11	**1,855.7**	1,304.0
0.7	– capital redemption reserve	11	**0.7**	0.7
264.8	– special reserve	11	**264.8**	264.8
(188.7)	– profit and loss account	11	**(218.4)**	(207.8)
1,925.0	**Shareholders' funds**	12	**2,055.4**	1,514.3

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

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2010

Audited Year ended 31 December 2009 £m		Note	**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
331.4	**Net cash inflow from operating activities**		**92.8**	217.8
(242.0)	Returns on investments and servicing of finance		**(127.0)**	(128.0)
(112.9)	Capital expenditure and financial investment		**(12.0)**	(90.0)
(14.8)	Tax		**(3.2)**	(8.9)
(369.7)			**(142.2)**	(226.9)
(38.3)	**Cash outflow before management of liquid resources and financing**		**(49.4)**	(9.1)
4.8	Management of liquid resources		**16.3**	26.0
(62.9)	Financing		**(163.7)**	(28.9)
(96.4)	**Decrease in cash in the period**	8	**(196.8)**	(12.0)

Audited Year ended 31 December 2009 £m		**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
	Reconciliation of operating profit to operating cash flows		
281.4	Operating profit	**69.3**	146.2
0.6	Depreciation charges	**0.3**	0.3
(1.8)	Decrease/(increase) in debtors	**8.1**	(4.0)
6.0	(Decrease)/increase in creditors	**(58.2)**	(15.6)
(0.6)	Expenditure charged to provisions	**(1.2)**	(0.6)
(1.5)	Movements in provisions	**0.4**	(1.5)
51.2	Amortisation of lease incentives[1]	**75.0**	30.6
141.1	Long term contract proceeds	**23.0**	114.5
(39.8)	Long term contract profits	**(5.0)**	(20.9)
(105.2)	Long term contract costs	**(18.9)**	(31.2)
331.4	**Net cash inflow from operating activities**	**92.8**	217.8

Note:

(1) For the six months ended 30 June 2010, operating profit is stated net of an exceptional write off of Lehman incentives totalling £53.6m (Note 7). There were no pre-operating profit exceptional items in either of the comparative periods.

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

Unaudited Consolidated Cash Flow Statement continued

for the six months ended 30 June 2010

Audited Year ended 31 December 2009 £m		**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
	Returns on investments and servicing of finance		
16.5	Interest received	**4.9**	11.2
(244.3)	Interest paid	**(115.9)**	(129.1)
(0.2)	Interest element of finance lease rentals	**(0.1)**	(0.2)
(12.7)	Financing expenses on loans drawn down	**–**	(0.5)
–	Swap breakage costs[(1)]	**(15.9)**	(8.1)
(1.3)	Financing expenses on repurchase of securitised debt[(2)]	**–**	(1.3)
(242.0)	**Net cash outflow**	**(127.0)**	(128.0)
	Capital expenditure and financial investment		
(90.8)	Additions to properties	**(42.4)**	(78.1)
(7.5)	Acquisition of property interests	**(34.0)**	(7.5)
–	Sale of property	**190.0**	–
(9.2)	Acquisition of shares in parent company	**–**	–
(0.2)	Purchase of tangible fixed assets	**(0.1)**	(0.1)
(5.2)	Investment in associated undertakings[(3)]	**(125.5)**	(4.3)
(112.9)	**Net cash (outflow)/inflow**	**(12.0)**	(90.0)
	Financing		
(15.7)	Repayment of secured debt	**(9.9)**	(7.3)
(32.2)	Repayment of securitised debt	**(30.3)**	(3.5)
20.5	Draw down of construction loan	**–**	17.4
(35.5)	Repurchase of securitised debt[(4)]	**–**	(35.5)
–	Repayment of construction loan	**(123.5)**	–
(62.9)	**Net cash outflow**	**(163.7)**	(28.9)

Note:

(1) In January 2010 the Group repaid the construction loan secured against 5 Churchill Place upon the sale of the building. As a result the Group paid £15.9m to cancel the liability under the associated swap arrangement which was recognised as an exceptional item in the profit and loss account.

(2) 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. The six months ended 30 June 2010 includes an increase of £9.8m in the fair value adjustment for the derivative instruments deemed to be uneconomic as a result of this transaction which has been recognised as an exceptional item in the profit and loss account. This increase in provision has not resulted in an additional cash outflow in the period (Note 2).

(3) The increase in impairment of the Group's investment in associated undertakings has resulted in a charge to the profit and loss account of £0.9m (year ended 31 December 2009 – release of £13.8m, six months ended 30 June 2009 – £5.2m) which has been treated as an exceptional item.

(4) In April 2009 the Group repurchased securitised debt to 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 in that year.

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

Notes to the Interim Report

for the six months ended 30 June 2010

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 2009, which were prepared in accordance with UK GAAP, and which the Group intends to use in preparing the next annual Financial Statements. Having made the requisite enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Interim Report for the six months ended 30 June 2010.

The financial information relating to the six months ended 30 June 2010 has been reviewed but is unaudited and was approved by the Board on 22 September 2010.

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. 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 498(2) or (3) of the Companies Act 2006.

2 Interest

Audited Year ended 31 December 2009 £m		**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
14.2	Interest receivable and similar income	**15.1**	9.9
	Payable:		
(158.9)	Notes and debentures	**(78.2)**	(80.7)
(76.7)	Bank loans and overdrafts	**(42.0)**	(39.8)
(1.6)	Finance lease charges	**(0.2)**	(0.3)
(10.3)	Construction loan	**(0.9)**	(5.1)
(0.3)	Share of associates	**(4.0)**	(0.2)
(247.8)		**(125.3)**	(126.1)
4.8	Less: Interest at 6.5% on the construction loan transferred to properties under construction	**–**	5.1
(243.0)	**Total interest payable**	**(125.3)**	(121.0)
	Exceptional item:		
83.0	Net gain on repurchase of securitised debt	**–**	83.0
(14.6)	Uneconomic hedges provision (Note 10)	**(9.8)**	(14.6)
–	Breakage costs on interest rate swap	**(15.9)**	–
68.4		**(25.7)**	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 Notes are amortised over the term of the debt.

The Group's £155.0m construction loan, which was secured on 5 Churchill Place, was repaid in January 2010 upon the sale of this building. As a result the Group paid £15.9m to cancel its liability under the associated interest rate swap arrangement. There was no deferred tax arising as a result of this transaction.

During the six months ended 30 June 2009 the Group repurchased certain of its Notes which gave rise to a gain of £83.0m.

The repurchased Notes remain in issue and are held by another group company. Accordingly, as the Notes remain in issue, the associated interest rate hedging instruments remain in place. For the purposes of the consolidated accounts, the Group is required to treat the interest rate swaps held in connection with the repurchased Notes as uneconomic hedges. At 30 June 2009, the mark to market adjustment for such deemed uneconomic hedges was £14.6m and this was deducted against the gain on repurchase.

At 30 June 2010, the mark to market adjustment for the hedges deemed uneconomic was £24.4m, resulting in a charge to the profit and loss account for the six months ended 30 June 2010 of £9.8m. This amount has also been treated as an exceptional item. The charge to the profit and loss account in the six months ended 30 June 2010 has resulted in the recognition of a deferred tax asset of £0.7m after discounting (six months ended 30 June 2009 – £1.9m).

3 Tax

Audited Year ended 31 December 2009 £m		**Unaudited Six months ended 30 June 2010 £m**	Unaudited Six months ended 30 June 2009 £m
	Current tax:		
(30.7)	UK corporation tax	**(3.6)**	(12.8)
	Deferred tax:		
(19.5)	Origination and reversal of timing differences	**(0.5)**	(18.1)
2.4	Net effect of discount	**(3.6)**	0.5
(17.1)	Total deferred tax	**(4.1)**	(17.6)
(47.8)	Total tax on profit on ordinary activities	**(7.7)**	(30.4)

	Unaudited 30 June 2010 £m	Audited 31 December 2009 £m
Deferred tax:		
Accelerated capital allowances claimed	**(72.9)**	(65.7)
Other timing differences	**(16.7)**	(25.5)
Undiscounted deferred tax liability	**(89.6)**	(91.2)
Discount	**15.5**	21.2
Discounted deferred tax liability	**(74.1)**	(70.0)

	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2009 £m
At start of period	**(70.0)**	(52.9)
Deferred tax charge in the profit and loss account for the period	**(4.1)**	(17.1)
At end of period	**(74.1)**	(70.0)

The net deferred tax position is stated on a discounted basis. The deferred tax liability of £89.6m (31 December 2009 – £91.2m), stated net of a discount of £15.5m (31 December 2009 – £21.2m), has been recognised at 30 June 2010 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 £82.0m (31 December 2009 – £68.4m), reduced from £88.5m (31 December 2009 – £75.2m) by EZA balancing allowances.

The Finance Act 2010, which provides for a reduction in the main rate of corporation tax from 28.0% to 27.0% effective from 1 April 2011, was substantively enacted on 21 July 2010. As it was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting post balance sheet event.

The impact of the rate reduction, which will be reflected in the next reporting period, is estimated to reduce the deferred tax liability provided at 30 June 2010 by £1.5m.

The Government has also indicated that it intends to enact future reductions in the main tax rate of 1.0% each year down to 24.0% by 1 April 2014. The future 1.0% main tax rate reductions are expected to have a similar impact on the financial statements as outlined above, however, the actual impact will be dependent on the deferred tax position at that time.

4 Basic and Diluted (Losses)/Earnings per Share

Basic and diluted earnings per share are calculated by reference to the loss for the financial period after tax attributable to ordinary shareholders of £75.2m (year ended 31 December 2009 – profit of £87.0m, six months ended 30 June 2009 – profit of £67.9m) and on the weighted average of 639.0m shares in issue for each period.

There were no outstanding dilutive instruments at 30 June 2010 or either of the comparative period ends.

5 Investment Properties, Properties held for Development and Property under Construction

Freehold properties held as tangible fixed assets:

	Investment properties £m	Properties held for development £m
1 January 2010 (pre-adjustment for UITF 28)	4,779.0	247.5
Adjustment for UITF 28	(194.5)	–
1 January 2010	4,584.5	247.5
Additions	63.4	46.5
Transfer to tenant incentives	(51.6)	–
Disposal of property	(176.7)	–
Revaluation	205.6	–
30 June 2010	**4,625.2**	**294.0**
Adjustment for UITF 28 (Note 7)	156.8	
Market value at 30 June 2010	**4,782.0**	
Of which, subject to lease and finance leaseback arrangements	76.6	
Historical cost	2,636.8	
Pre-sold property under construction:		
Additions		15.2
Transferred to cost of sales		(11.7)
Transferred to payments on account		(3.5)
30 June 2010		**–**

Additions to properties for the six months ended 30 June 2010 totalled £125.1m, of which £51.6m has been transferred to tenant incentives (Note 7).

In January 2010 the Group acquired the long leasehold interest in 1 Park Place, a site adjoining the Canary Wharf Estate. The site was acquired for £17.5m plus fees and currently benefits from two alternative planning consents.

In January 2010 the Group completed the disposal of 5 Churchill Place for a gross aggregate consideration of £208.0m. The carrying value of the property at 31 December 2009 was £192.0m and the UITF 28 adjustment attributable to the property was £14.3m. Allowing for adjustments in construction costs recognised in the period of £1.0m, the carrying value at the date of sale was £176.7m.

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 2010 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 surplus arising on the valuations at 30 June 2010 of £205.6m has been transferred to the revaluation reserve.

Properties held for development at 30 June 2010, which are to be retained by the Group, are carried at their fair value at the time of acquisition of CWHL in December 1995, less subsequent disposals plus additions at cost, subject to any provision for impairment.

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 transport Section 106 contributions for certain agreed development sites on the Estate which may be required as part of the London Plan. At June 2010 such costs totalled £92.8m of which £24.2m was allocated to Riverside South and £68.6m to development properties.

6 Investments

Audited 31 December 2009 £m		**Unaudited 30 June 2010 £m**	Unaudited 30 June 2009 £m
27.8	Associates	**158.8**	19.5
9.4	Shares	**9.4**	0.2
0.2	Other investments	**0.2**	0.2
37.4		**168.4**	19.9

In June 2007 the Group entered into a joint venture with MSREF V and Omega to undertake the redevelopment of Drapers Gardens. At 31 December 2009 the Group had invested £11.1m and incurred fees of £0.7m in consideration for a 20.0% stake in the joint venture. In the current period £2.1m of this amount was reclassified as a subordinated loan.

The property reached practical completion in November 2009 and in February 2010 it was announced that the building had been let in its entirety to BlackRock.

In June 2007 the Drapers Gardens entities entered into a £172.5m construction loan facility with Lehman which was subsequently syndicated to certain other banks resulting in Lehman retaining a minority share. Following Lehman being placed into administration there was an interruption to the funding being provided by Lehman and the Group provided loans 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. Funding for the project was then provided by one member of the syndicate on a super senior loan basis.

In January 2010 the Group purchased for a consideration of £112.8m the substantial majority of the drawn balance under the Drapers Gardens construction loan facility. From January 2010 to April 2010, the Group provided funding for the project on a super senior loan basis. Subsequently, the project loan has been funded by way of subordinated loans from the Group to the Drapers Gardens Unit Trust. The total carrying value of loans made by the Group was £137.2m at 30 June 2010.

Subsequent to the period end, in August 2010, the joint venture entities which own the Drapers Gardens property exchanged contracts to sell the property for £242.5m, excluding a deduction for the rent free period granted to BlackRock and completion is due by the end of October 2010.

The carrying value of the Group's investment in the Drapers Gardens joint venture at 30 June 2010 has been determined by reference to the anticipated net sale proceeds of the property and the anticipated repayment date and terms of the loans. The Group's investment in the joint venture was written down at 30 June 2010 by £7.1m, including £3.2m for the Group's share of the mark to market adjustment on an interest rate swap. There was no deferred tax arising as a result of this adjustment.

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 provided WWLP with interest free long term redeemable loan notes totalling £25.7m (31 December 2009 – £25.0m) 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 bank loan facility of £9.0m, of which £5.8m had been drawn down at 30 June 2010 (31 December 2009 – £5.8m). The loan matured in February 2010 and the lender has agreed, in principle, to a rollover of £5.8m drawn under the facility. The bank loan must first be repaid before the loan provided to WWLP by the Group can be repaid. All loans must be repaid in full prior to any dividends being declared.

The investment in WWLP includes an initial entry premium and expenses 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 a further £1.6m to £18.9m at 30 June 2010 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. The total provision at 30 June 2010 was £7.2m. There was no deferred tax as a result of this impairment.

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

For the six months ended 30 June 2010

	Drapers Gardens £m	WWLP £m	**Total £m**
Profit and loss account:			
Profit/(loss) before interest and tax	2.9	(6.7)	**(3.8)**
Interest receivable	–	0.1	**0.1**
Interest payable	(19.4)	(0.5)	**(19.9)**
Loss after interest and tax	(16.5)	(7.1)	**(23.6)**
Group share	(3.2)	(1.7)	**(4.9)**
Balance sheet:			
Net assets at 30 June 2010	12.1	75.4	**87.5**
Group share	2.4	18.9	**21.3**

7 Debtors

Due within one year:

Audited 31 December 2009 £m		**Unaudited 30 June 2010 £m**	Unaudited 30 June 2009 £m
5.4	Trade debtors	**5.4**	6.3
17.5	Other debtors	**13.6**	20.2
25.6	Prepayments and accrued income	**21.0**	25.4
4.7	Amounts recoverable on long term contracts	**4.7**	2.3
53.2		**44.7**	54.2

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. 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.

In the first quarter of 2010 the Administrator ceased paying rent on 25 Bank Street. Lease incentives attributable to Lehman's lease were previously being amortised over the period to the first open market rent review in November 2013 but, following the Administrator ceasing to pay rent, the remaining incentives, totalling £53.6m, have been written off to the profit and loss account and treated as an exceptional item. There was no deferred tax arising as a result of this adjustment.

	Rent free periods £m	Other tenant incentives £m	Total lease incentives £m
1 January 2010	95.5	99.0	194.5
Recognition of rent during rent free periods	3.3	–	3.3
Write off relating to sale of property	(6.4)	(7.9)	(14.3)
Transferred from historic cost of property	–	51.6	51.6
Amortisation of rent	(11.4)	(13.3)	(24.7)
Write off of Lehman incentives	(40.1)	(13.5)	(53.6)
30 June 2010	**40.9**	**115.9**	**156.8**

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 2010	2,484.7	123.4	1,276.4	41.2	3,925.7
Deferred financing expenses	0.4	–	1.9	–	2.3
Accrued finance charges	(1.2)	0.1	3.5	–	2.4
Repaid in period	(30.3)	(123.5)	(9.9)	–	(163.7)
30 June 2010	**2,453.6**	**–**	**1,271.9**	**41.2**	**3,766.7**
Payable within one year or on demand	86.2	–	30.2	–	116.4
Payable in more than one year	2,367.4	–	1,241.7	41.2	3,650.3
	2,453.6	–	1,271.9	41.2	3,766.7

(1) At 30 June 2010 the Group held sterling cash deposits totalling £869.5m (31 December 2009 – £1,082.6m) comprising deposits placed on the money market at call and term rates. Cash deposits included £132.3m at 30 June 2010 (31 December 2009 – £139.4m) held by third parties as cash collateral for the Group's borrowings, £5.1m (31 December 2009 – £18.3m) charged to third parties in connection with the Group's construction obligations and a further £14.0m (31 December 2009 – £10.0m) charged to third parties as security for the Group's other obligations. Unsecured cash deposits totalled £718.1m at 30 June 2010 (31 December 2009 – £914.9m).

(2) At 30 June 2010 the following Notes issued by CWF II were outstanding:

Class	Principal £m	Interest	Repayment
A1	1,164.4	6.455%	By instalment from 2009 to 2030
A3	400.0	5.952%	By instalment from 2030 to 2035
A7	222.0	Floating	In 2035
B	200.4	6.800%	By instalment from 2005 to 2030
B3	104.0	Floating	In 2035
C2	275.0	Floating	In 2035
D2	125.0	Floating	In 2035
	2,490.8		

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 Notes repurchased have not been cancelled, remain in issue and, in accordance with the requirements of the securitisation, continue to be fully hedged. The repurchase was accounted for as an extinguishment of debt. The gain on the transaction of £68.4m, 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, was taken to the profit and loss account and treated as an exceptional item in 2009.

Interest on the floating rate Notes is at 3 month LIBOR plus a margin. The margins on the Notes are: A7 Notes – 0.19% p.a., increasing to 0.475% in January 2017; B3 Notes – 0.28% p.a., increasing to 0.7% in January 2017; C2 Notes – 0.55% p.a., increasing to 1.375% in April 2014; and D2 Notes – 0.84% p.a., increasing to 2.1% in April 2014.

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

The principal amount outstanding at 30 June 2010 was £2,490.8m or £2,371.1m 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 an amount equal to 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 first drawdown. The amounts claimed would be repayable by the Group if subsequent recoveries arise in respect of amounts claimed or if subsequent rentals in the properties exceed the rents that would have been received from Lehman. AIG 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 3 year construction loan facility secured on 5 Churchill Place. Interest was charged at LIBOR plus a margin of 0.9%, hedged at 5.625%. At 31 December 2009 £123.4m including interest had been drawn down under this facility. Practical completion of the building was achieved in August 2009 and the loan was repaid in January 2010 upon completion of the sale of the building.

(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, £5.9m was repaid in accordance with the terms of the facility and at 30 June 2010 the outstanding principal was £353.0m.

(5) The Group has entered into a £350.0m loan facility secured against the Group's principal retail properties and its car parking interests.

The loan facility carries interest at LIBOR plus a margin of 2.75%. The Group has entered into an arrangement whereby the exposure to the movement in 3 month LIBOR rates in the facility is fully hedged with fixed interest rate swaps at a weighted average including margins of 7.2%. The loan is repayable in March 2014.

(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 2010 £4.0m of the loan was repaid in accordance with the loan agreement reducing the principal at 30 June 2010 to £572.2m.

(7) The movement in net debt for the six months ended 30 June 2010 was as follows:

	1 January 2010 £m	Cash flow £m	Other non-cash changes £m	**30 June 2010 £m**
Cash at bank	1,082.6	(213.1)	–	**869.5**
Amounts on deposit not available on demand	(167.7)	16.3	–	**(151.4)**
	914.9	(196.8)	–	**718.1**
Debt due after 1 year	(3,770.3)	139.4	21.8	**(3,609.1)**
Debt due within 1 year	(114.2)	80.4	(82.6)	**(116.4)**
Finance lease due after 1 year	(41.2)	0.1	(0.1)	**(41.2)**
	(3,925.7)	219.9	(60.9)	**(3,766.7)**
Amounts on deposit not available on demand	167.7	(16.3)	–	**151.4**
Net debt	(2,843.1)	6.8	(60.9)	**(2,897.2)**
Decrease in cash				**(213.1)**
Decrease in debt and lease financing				**219.9**
Change in net debt resulting from cash flows				**6.8**
Non-cash movement in net debt				**(60.9)**
Movement in net debt				**(54.1)**
Net debt at 1 January 2010				**(2,843.1)**
Net debt at 30 June 2010				**(2,897.2)**

(8) At 30 June 2010 the fair value adjustment in respect of the Group's financial assets and liabilities (excluding debtors and creditors falling due within one year) calculated in accordance with FRS 13 was an unrecognised liability of £204.7m before tax, or £147.4m after tax (31 December 2009 – asset of £96.2m and £69.3m respectively).

9 Creditors: Amounts Falling Due Within One Year

Audited 31 December 2009 £m		**Unaudited 30 June 2010 £m**	Unaudited 30 June 2009 £m
114.2	Borrowings (Note 8)	**116.4**	114.8
24.6	Trade creditors	**19.7**	24.0
5.2	Tax and social security costs	**0.9**	1.6
24.8	Corporation tax	**26.5**	12.7
13.5	Other creditors	**13.2**	18.2
69.8	Accruals	**95.5**	69.5
102.5	Deferred income	**41.0**	77.3
22.4	Payments on account	**30.2**	55.0
377.0		**343.4**	373.1

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

	Riverside South £m
1 January 2010	22.4
Recorded as turnover	(11.7)
Advances received	23.0
Work in progress transfer	(3.5)
30 June 2010	**30.2**

10 Provisions for Liabilities

	Leasehold properties £m	Other lease commitments £m	Deferred tax £m	Uneconomic hedges £m	Total £m
1 January 2010	1.0	2.1	70.0	14.6	87.7
Initial provision	–	9.6	–	–	9.6
Increase/(release) in provision	–	0.8	4.1	9.8	14.7
Utilisation of provision	–	(1.2)	–	–	(1.2)
30 June 2010	**1.0**	**11.3**	**74.1**	**24.4**	**110.8**

Leasehold properties

At 30 June 2010 the provision for the estimated net liability in respect of leasehold properties, discounted at 6.3% (31 December 2009 – 6.4%), being the Group's weighted average cost of debt at that date, was stated at £1.0m (31 December 2009 – £1.0m). A break notice was served on the landlord in respect of the leasehold property and as a result this lease was determined in July 2009.

Other lease commitments

In connection with the sale of 5 Churchill Place the Group has agreed to pay rents and other costs incurred on 2 unlet floors for a period of 5 years from the date of sale. The Group recognised a provision of £9.6m discounted at 6.4% which was deducted from the profit on disposal of the building. At 30 June 2010 this provision totalled £9.1m discounted at 6.3% with the movement reflecting a combination of changes in potential future letting assumptions and the discount unwind.

In connection with the sale of certain properties during 2005, the Group agreed to provide rental support and recognised a provision in respect of these commitments at the dates of disposal. The remaining provision at 30 June 2010 was £2.2m calculated on the basis of a discount rate of 6.3% (31 December 2009 – £2.1m discounted at 6.4%).

Deferred tax

Movements in deferred tax are disclosed in Note 3.

Uneconomic hedges

The provision in respect of uneconomic hedges arises from the repurchase of securitised debt in April 2009 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 2010	146.2	1,695.6	0.7	264.8	(188.7)	1,918.6
Revaluation of investment properties	–	205.6	–	–	–	205.6
Transfer of revaluation surplus	–	(45.5)	–	–	45.5	–
Retained loss for the financial period	–	–	–	–	(75.2)	(75.2)
30 June 2010	**146.2**	**1,855.7**	**0.7**	**264.8**	**(218.4)**	**2,049.0**

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.

The transfer to the profit and loss account from the revaluation reserve represents the realised revaluation surplus in respect of the sale of 5 Churchill Place.

12 Reconciliation of Movement in Shareholders' Funds

	£m
Loss for the financial period	(75.2)
Revaluation movement	205.6
Net movement in shareholders' funds	130.4
1 January 2010	1,925.0
30 June 2010	**2,055.4**

13 Contingent Liabilities and Financial Commitments

Commitments of the Group for future expenditure

	30 June 2010 £m	31 December 2009 £m
Crossrail station	**57.2**	80.0
Other construction projects	**36.5**	99.0

The commitments for future expenditure relate to the completion of construction works where construction was committed at 30 June 2010. Any costs accrued or provided for in the balance sheet at 30 June 2010 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 was taken into account in the market valuation of the Group's properties at 30 June 2010 and 31 December 2009.

14 Post Balance Sheet Events

On 22 September 2010, the Company declared an interim dividend of 11.736p per share totalling £75.0m payable to shareholders on 4 October 2010.

In August 2010 the joint venture entities which own the Drapers Gardens property, including the Group, exchanged contracts to sell this property with completion due by the end of October 2010. The purchase price for the property is £242.5m which reflects an initial yield of 5.2% excluding a deduction for the rent free period granted to BlackRock. The net annual rent on the property will be £12.8m on expiry of such rent free period in March 2013.

Independent 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 2010 which comprises the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profits and Losses, the Consolidated Cash Flow Statement and related notes 1 to 14. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the Interim Reports.

This report is made solely to the Company 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. 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'.

As disclosed in Note 1, the financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The financial information included in the Interim Report has been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

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 2010 is not prepared, in all material respects, in accordance with the United Kingdom Accounting Standards Board's Statement 'Half-Yearly Financial Reports'.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

22 September 2010

Definitions

Administrator	Price Waterhouse Coopers, Administrator of Lehman Brothers Limited (in Administration)
AIG	American International Group, Inc
Ballymore	Ballymore Properties Limited
BlackRock	BlackRock Investment Management (UK) Limited
Board	Board of directors of Canary Wharf Group plc
bn	billion (thousand million)
bps	basis points
BWB	British Waterways Board
Cat A	Category A fit-out
City	The City of London
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
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
FRS 13	Financial Reporting Standard 13 (Derivatives and other financial instruments)
FRS 19	Financial Reporting Standard 19 (Deferred tax)
FRS 21	Financial Reporting Standard 21 (Events after balance sheet date)
FRS 22	Financial Reporting Standard 22 (Earnings per share)
FSA	Financial Services Authority
Group	Canary Wharf Group plc and its subsidiaries
ICR	Interest Cover Ratio
Land Securities	Land Securities Group PLC
Lehman	Lehman Brothers Limited (in administration)
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
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
psf	per square foot/feet
Savills	Savills Commercial Limited
Shell	Shell International Limited
Songbird	Songbird Estates plc
sq ft	Square foot/square feet
SSAP 9	Statement of Standard Accounting Practice 9 (Stocks and long term contracts)
TfL	Transport for London
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#

Peter Anderson
Managing Director, Finance#

Non-Executive Directors
Sir Martin Jacomb+
Non-Executive Chairman and Independent Non-Executive Director

Ahmad Mohamed Al-Sayed

Robert Falls*#

Brian Niles*+

Sam Levinson*#+

Alex Midgen+

Richard Archer (alternate director to George Iacobescu, appointed 1 July 2010)

Russell Lyons (alternate director to Peter Anderson, appointed 1 July 2010)

* Audit Committee
\# Operating Committee
\+ Remuneration Committee

Company Secretary
John Garwood

Registered office and number

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

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
Limited Liability Partnership
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