

CANARY WHARF GROUP PLC

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HIGHLIGHTS AND RESULTS IN BRIEF

Highlights

- Adjusted fully diluted net asset value per share increased from £3.35 to £4.12 and adjusted fully diluted triple net asset value ('NNNAV') per share increased from £2.99 to £3.79 (Note (i)).
- The market value of the property portfolio at 30 June 2005 was £5,792.6 million against £5,579.2 million at 31 December 2004, an increase of 11.9%, disregarding additions and disposals in the period (Note (ii)).
- During the six months ended 30 June 2005 two properties were sold giving rise to an exceptional profit of £55.7 million, representing an uplift over the market value at 31 December 2004 of 13.8% (Note (iii)). A further property was sold subsequent to the period end (Note (ix)).
- Lettings were achieved totalling in excess of 250,000 sq ft (Note (iv)).
- At 30 June 2005 the group's investment portfolio totalling 0 9.2 million sq ft was 88.6% let (31 December 2004 – 9.9 million sq ft of which 86.5% let). At 30 June 2005 the weighted average unexpired lease term was 20.4 years (31 December 2004 – 21.0 years) (Note (iv)).
- Comprehensive refinancing completed which provides the group with increased flexibility to pursue its strategy of maximising shareholder value by refinancing fixed rate debt with medium term bank debt. Weighted average cost of debt reduced from 6.3% to 5.9% (Note (v)).
- British Waterways selected the group as its preferred development partner (with Ballymore Properties Limited) for the redevelopment of the Wood Wharf site (Note (iv)).
- Subsequent to the period end, on 8 September 2005, an interim dividend of 65p per ordinary share was paid (Note (ix)).

Results in Brief

	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Rental income (Note (vi))	115.1	118.9
Operating profit	97.3	93.2
Exceptional items:		
- profit on sale of properties (Note (iii))	55.7	–
- charges relating to repayment of debt (Note (iii))	(192.8)	–
Loss before taxation	(144.2)	(17.1)
Loss before taxation excluding exceptional items (Note (iii))	(7.1)	(17.1)
Taxation – deferred tax (Note (vii))	51.4	(13.3)
Loss per share:		
Basic and diluted (Note (viii))	(15.2)p	(5.2)p

- (i) Refer to 'Business Review – Balance Sheet' of the accompanying financial information for further details (page 9).
- (ii) Refer to 'Business Review – Valuations' of the accompanying financial information for a comparison with the carrying value for accounts purposes (page 7).
- (iii) Refer to Note 5 of the notes to these financial statements for details of the profit on sale of properties and Note 2 of the notes to these financial statements for details of the charges relating to repayment of debt.
- (iv) Refer to 'Business Review – Property Portfolio' of the accompanying financial information for further details (page 5).
- (v) Refer to 'Business Review – Borrowings' of the accompanying financial information for further details (page 10).
- (vi) Refer to 'Business Review – Operating Results' of the accompanying financial information for further details (page 8).
- (vii) Refer to Note 3 of the notes to these financial statements.
- (viii) Refer to Note 4 of the notes to these financial statements.
- (ix) Refer to Note 14 of the notes to these financial statements.

We are pleased to report that the first six months of 2005 saw continued progress across all activities of the group.

Financial Review

Net assets increased from £1,895.7 million at 31 December 2004 to £2,502.4 million at 30 June 2005, an increase of £606.7 million. The increase in net assets was primarily driven by the revaluation of the group's property portfolio by £578.7 million, reflecting an increase across the portfolio of 11.9%. The increases in valuation are particularly notable given the removal in the March Budget of Stamp Duty relief for disadvantaged areas which reduced valuations by approximately 4%.

Turnover for the six months ended 30 June 2005 was £153.3 million, down from £153.6 million for the six months ended 31 December 2004. The reduction in turnover was attributable to the sale of 20 Canada Square and 15 Westferry Circus during the period, which was partially offset by rent on recently completed properties. The sale of these two properties generated an exceptional profit on disposal of £55.7 million, evidencing the increase in valuation of the portfolio during the period. Details of these transactions are outlined in the 'Business Review – Property Portfolio'. Subsequent to the period end 17 Columbus Courtyard, a 199,500 sq ft building let to CSFB, was sold for £120.5 million to private investors.

During the period the group completed a comprehensive refinancing exercise which included redeeming its first securitisation and refinancing certain finance leases. This refinancing provides the group with increased flexibility in executing its strategy and served to reduce the weighted average cost of debt from 6.3% to 5.9%. Initial net proceeds from the refinancing were approximately £360.0 million net of prepayment and breakage costs of £187.1 million. Such prepayment and breakage costs form the major part of an exceptional refinancing charge of £192.8 million which has been written-off to the profit and loss account for the six months ended 30 June 2005. Excluding the exceptional profit on disposals and the exceptional charges relating to the prepayment of debt, the group recorded a loss before tax for the six months ended 30 June 2005 of £7.1 million in comparison with a loss of £17.1 million for the six months ended 31 December 2004. As a result of the refinancing of debt referred to above and after taking exceptional items into account, the loss per share was 15.2p in comparison with 5.2p for the previous period.

Leasing and Asset Management

The weak office leasing market experienced during much of 2004 gave way to a more encouraging market during the first half of 2005. During the period agreements for lease were signed on over 250,000 sq ft of space, most notably the 100,215 sq ft letting to BGC International ('BGC'), the Cantor Fitzgerald global voice brokerage spin-off, in One Churchill Place, the Barclays group headquarters. At 10 Upper Bank Street, lettings were achieved to FTSE for 26,116 sq ft, Total SA ('Total') for 26,182 sq ft and Infosys Limited ('Infosys') for 25,607 sq ft. In addition The Northern Trust Company Limited ('Northern Trust') agreed to lease a further 35,953 sq ft at 50 Bank Street in addition to the 151,400 sq ft it already occupied in that building.

There is now 586,000 sq ft of retail at Canary Wharf. Retail has continued to perform strongly which has been reflected in the increasing turnover and footfall figures being experienced throughout the Canary Wharf malls. For the six month period ended 30 June 2005 estimated turnover reported by retail tenants increased by over 14% in comparison with the same period in 2004.

In April the group acquired the long leasehold interests in 200/202 Aldersgate Street and the adjoining 20 Little Britain (together 'Aldersgate Street'). This acquisition gives the group greater flexibility in dealing with this property for which the short term leasehold interests had previously been acquired in connection with letting a property at Canary Wharf to Clifford Chance.

Development

Today the completed Canary Wharf business district comprises 14.1 million sq ft and during the period the group made good progress in securing consent for future development of the Canary Wharf estate (the 'Estate'). In June 2005 the local planning authority granted consent for a net 1.8 million sq ft development on the group's Riverside site and subsequent to the period end, in July, the local planning authority resolved to grant conditional planning consent for a net 2.4 million sq ft development on the North Quay site, subject to agreeing a Section 106 Agreement and reaching agreement with Crossrail on the potential utilisation of the site as a staging area. Actual development of these sites will be led by tenant demand. Work on infrastructure for remaining development sites at Canary Wharf which could accommodate approximately 1.5 million sq ft is also underway.

The Crossrail Bill received its second reading on 19 July 2005 and the principles of the project have now been established. The company continues to support the Crossrail project as part of the development of East London and east to west London links.

As already announced in January, following intense competition British Waterways Board ('BWB') selected the company and Ballymore Properties Limited as partners for the redevelopment of the Wood Wharf site which is adjacent to the existing Estate. It is envisaged that the scheme will provide some 5.0 million sq ft gross of residential, commercial and retail development. The company's selection to partner BWB is a clear recognition of Canary Wharf's expertise in development.

During the period Canary Wharf Contractors Limited, a wholly owned subsidiary, was appointed to provide management services on significant projects such as Millharbour and the Battersea Power Station Project. The winning of this business outside Canary Wharf is an encouraging move into a new phase of providing third party development management services and reflects the ability to apply the development and construction expertise of Canary Wharf personnel to new projects.

Staff

The six months under review has been a time of progress across all fronts of the business. This progress would not have been possible without the continued commitment and hard work of staff at all levels and in all areas of the business for which the board remains grateful.

Post June Events

On 23 August 2005 the board declared a dividend of 65p per ordinary share which was paid to all shareholders on 8 September 2005. Whilst payment of this dividend should not be construed as the commencement of a regular dividend programme, it does reflect the continued confidence of the board in the enterprise.

In August agreement was reached with the warrant holder whereby the strike price relating to shares issued upon exercise of the warrants is reduced by the amount of the dividend without any corresponding increase or other adjustment to the number of shares to which the warrants relate; and the expiry date of the warrants has been brought forward to 30 November 2005.

In conclusion we are confident that the company will be able to make continued progress towards its goals and take opportunities to capture shareholder value which may arise over the coming months.

BUSINESS REVIEW**Central London Market Review***Supply and Development*

At 30 June 2005 total availability across the central London office market totalled 24.5 million sq ft, according to Knight Frank, a fall of 6% over the preceding three months. The vacancy rate for central London at that date stood at 11.2%. Of total availability, 8.0 million sq ft is newly built or refurbished, representing a 9% decrease over the previous three months in response to improved take-up levels.

At the end of the second quarter there was 6.2 million sq ft of office accommodation under construction across central London, an increase of approximately 15% on the position at the end of the first quarter. Of this total approximately 40% (2.3 million sq ft) is pre-let. This rise in activity is largely due to work beginning at two major City schemes, 51 Lime Street, EC3 and New Street, EC4, both of which have secured significant pre-lets.

Demand and Take-up

During the second quarter, take-up totalled 3.0 million sq ft, up 43% on that recorded during the previous quarter. It also reflects a total broadly in line with the long-term quarterly average and compares with 2.7 million sq ft in the same period last year. All sub-markets – City, West End and Docklands – experienced an increase reflecting improved market confidence. Furthermore, Knight Frank reported an increase in the volume of unsatisfied requirements, notably amongst the financial and professional business sectors.

Rental Profile

According to Knight Frank prime headline rents in the West End currently stand at £75 per sq ft. Continued reduction in available accommodation, allied to a further strengthening of the occupational market, suggests that positive rental growth should feature during the second half of the year. In the City market, prime headline rents remain unchanged at £45 per sq ft. There are, however, signs that tenant incentives are increasingly coming under pressure as availability continues to decline.

Property Portfolio

The activities of the Canary Wharf Group are focused on the development of the Estate (including Heron Quays and the adjacent sites at Canary Riverside and North Quay) and, through a joint venture with BWB and Ballymore Properties Limited, land adjacent to the Estate known as Wood Wharf. The investment arm comprised 21 completed properties totalling 9.2 million sq ft net internal area ('NIA') of which 88.6% was let (31 December 2004 – 9.9 million sq ft of which 86.5% let). As well as the rental income generated from completed properties, income is generated from managing the entire Estate which, in addition to the completed properties in the ownership of the group, includes 9 properties totalling 4.9 million sq ft which are in other ownerships.

On 11 March 2005 the group completed the sale of 20 Canada Square, a 555,300 sq ft building let to The McGraw-Hill Companies and BP's Integrated Supply and Trading Division ('BP-IST'), for a consideration of £337.5 million. At 31 December 2004 the building was valued at £333.0 million (including tax allowances). Current rent passing at the date of sale was £12.2 million per annum, rising to £20.5 million on the expiry of BP-IST's rent-free period in 2006. In connection with the sale the group is providing rental support of up to £1.8 million per annum for a period of three years. At 31 December 2004 the market value of the property for accounts purposes was £290.0 million and the sale generated a profit of £39.3 million after the write-off of unamortised lease incentives accounted for in accordance with Urgent Issues Task Force Abstract 28 ('Lease Incentives') ('UITF 28') and expenses of sale. In conjunction with the disposal the group repaid a £225.0 million loan secured against the building crystallising net prepayment and breakage costs of £1.5 million and the write-off of deferred financing costs of £2.0 million.

On 25 May 2005 the group completed the sale of 15 Westferry Circus, a 171,300 sq ft building let to Morgan Stanley for a consideration of £134.75 million. At 31 December 2004 the market value of the building was £115.0 million. Current rent passing at the date of sale was £6.6 million per annum which is contracted to rise to £8.2 million from 31 August 2006 (£48 per sq ft). The group is providing rental support of £1.6 million per annum until 31 August 2006. The sale generated a profit on disposal of £16.4 million after the write-off of unamortised lease incentives accounted for in accordance with UITF 28 and expenses of sale.

In April 2005 the group acquired the long leasehold interests in Aldersgate Street, a 473,000 sq ft development in the City of London, for a total consideration of £209.7 million (including fees). Consideration for this acquisition was satisfied in part by the assumption of existing funding of £154.1 million and other net liabilities of £3.0 million, with the balance settled in cash. Previously, in 2003, the group acquired a short leasehold interest in 200/202 Aldersgate Street in connection with the letting of a property at Canary Wharf to Clifford Chance LLP ('Clifford Chance'). In acquiring the long leasehold interest the objective of the group is to provide greater flexibility in managing the group's disposal of the property. A vacant leasehold provision was recognised in respect of the short leasehold interest and at 31 December 2004 this provision stood at £126.0 million. Following the acquisition of the long leasehold interests in the building the balance remaining on the provision at 15 April 2005 of £118.6 million was released.

BUSINESS REVIEW (Continued)

At 30 June 2005 the long leasehold interests in Aldersgate Street were carried as a property held for sale at a carrying value of £97.0 million, representing the vacant possession valuation of the building at the date of acquisition. The difference between the acquisition cost of £209.7 million and the vacant possession valuation of £97.0 million has been recognised as a provision for diminution in value, offset by the release of the vacant leasehold provision of £118.6 million. The net release has been treated as an adjustment to tenant incentives accounted for in accordance with UITF 28 and accordingly has been transferred to debtors falling due in more than one year. The remaining cost of tenant incentives will be amortised to the profit and loss account on a straight-line basis over the period to the first open market rent review.

In July 2005 the group announced the letting of a total in excess of 250,000 sq ft to new and existing tenants. BGC exchanged contracts to lease 100,215 sq ft for a 14 year term on levels 18-20 of One Churchill Place. This space forms part of the space sub-let back to the group by Barclays Bank PLC ('Barclays') as referred to in Note 12. BGC has also exchanged contracts to lease 19,092 sq ft in 40 Bank Street.

Northern Trust has agreed to lease a further 35,953 sq ft at 50 Bank Street, in addition to the 151,400 sq ft it already occupied in that building. The lease on the additional space is for a 17 year term expiring in 2022. At 10 Upper Bank Street, FTSE has agreed to take 26,116 sq ft on level 12 and Total is taking 26,182 sq ft on level 13. Infosys has also leased 25,607 sq ft on level 14. This space forms part of the total sub-let back to the group by Clifford Chance as referred to in Note 12. All three of the sub-tenants are taking short-term leases, expiring in July 2013 (or July 2008 in the case of Infosys), at which point reversionary leases to Clifford Chance will commence.

The Financial Services Authority ('FSA'), which currently occupies 25 The North Colonnade, has also leased 25,191 sq ft of additional space in 25 Bank Street. On expiry of the lease in 2008 the space will revert to Lehman Brothers, the main occupier of the building.

The group's properties are under lease to high quality tenants which provide a diversified income stream. At 30 June 2005 the weighted average unexpired lease term for the total office portfolio was approximately 20.4 years (or 17.7 years assuming the exercise of all outstanding break options) (31 December 2004 – 21.0 years or 18.0 years after exercise of break options). Of the square footage under lease 70.7% does not expire or cannot be terminated by tenants during the next ten years.

The group has continued substructure works on the remaining sites at Canary Wharf as a preliminary to development. As a result buildings DS3 (650,000 sq ft) and BP2 (200,000 sq ft) have been constructed to street level which will reduce the time required to complete development. Infrastructure works have also commenced on sites BP3 and BP4 which are capable of development totalling in excess of 600,000 sq ft.

In the total above, uncommitted development sites on the original Estate could accommodate a total of approximately 1.5 million sq ft of new development. In addition, the group has development sites at North Quay and Riverside. Application was made to increase the permitted density at Riverside to 1.8 million sq ft and in June 2005 the local planning authority resolved to grant planning consent for the new scheme. Application has also been made to increase the permitted density at North Quay to 2.4 million sq ft and in July 2005 the local planning authority resolved to grant consent for the new scheme subject to certain conditions and agreeing the details of a Section 106 Agreement. There is further development capacity on Heron Quays West. Construction of new buildings on these sites will commence as and when market conditions allow.

The following table summarises the development capacity at each of the above sites:

	NIA (million sq ft)
Based on existing planning permissions:	
Canary Wharf (DS3, BP2, BP3, BP4)	1.5
Riverside South	1.8
North Quay	2.4
	<u>5.7</u>
Subject to planning application:	
Heron Quays West	0.6
	<u><u>6.3</u></u>

In January 2005 BWB selected the group, together with Ballymore Properties Limited, as joint venture partners for the redevelopment of the Wood Wharf site which is immediately adjacent to the Estate. The master plan scheme for the development sets a framework for 5.0 million sq ft of mixed commercial, residential and retail development.

Valuations

The net assets of the group, as stated in its consolidated balance sheet as at 30 June 2005, were £2,502.4 million. In arriving at this total:

- (i) properties held as investments were carried at £5,045.8 million, which represents the market value of those properties of £5,477.6 million at that date as determined by the group's external valuers, Savills Commercial Limited, Chartered Surveyors or CB Richard Ellis Limited, Surveyors and Valuers, less an adjustment of £431.8 million for tenant incentives as required by UITF 28; and
- (ii) properties held for development were carried at £251.7 million representing their cost to the group.

As regards properties held for development, the valuers have provided a joint opinion as at 30 June 2005 that the market value was £315.0 million in comparison with a carrying value for accounts purposes of £251.7 million. 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 £315.0 million represents an increase of 23.4% excluding additions from the market value at 31 December 2004, which reflects the benefit of the planning consent agreed during the period on the Riverside site.

Excluding additions in the six months to 30 June 2005, and allowing for the disposal of 20 Canada Square and 15 Westferry Circus, the valuation of the property portfolio on the basis of market value increased by £614.6 million or 11.9%. This increase was driven primarily by a yield shift in the market for properties let on long leases to creditworthy tenants and in part by the benefit of new lettings achieved in the period. These factors served to more than outweigh the impact of the removal of stamp duty relief for disadvantaged areas (see 'Business Review – Taxation').

As noted in the Property Portfolio section, there are a number of properties which are subject to leases back to the group. These are 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 2005		31 December 2004	
	Carrying value	Market value in existing state	Carrying value	Market value in existing state
	£m	£m	£m	£m
Investment properties	5,045.8 ⁽¹⁾	5,477.6 ⁽²⁾	4,844.7 ⁽¹⁾	5,324.2 ⁽²⁾
Properties held for development	251.7	315.0	251.5	255.0
Total	5,297.5	5,792.6	5,096.2	5,579.2

Notes:

(1) The carrying value of investment properties represents market value less an adjustment for UITF 28.

(2) Stated at market value in existing state before adjustment for UITF 28. The UITF 28 adjustment attributable to investment properties at 30 June 2005 was £431.8 million (31 December 2004 - £479.5 million).

Taxation

The market value, summarised in the table above, ignores any potential value attributable to Enterprise Zone Capital Allowances ('EZAs'). The group instructed its valuers to assess the market value of its properties inclusive of EZAs and has been advised that the uplift in the market value of its properties attributable to EZAs is in the region of £237.8 million (31 December 2004 – £296.4 million). The reduced uplift in value at 30 June 2005 in comparison with that at 31 December 2004 is largely attributable to the disposals of 20 Canada Square and 15 Westferry Circus and an internal property restructuring connected to the group's refinancing in the six months ended 30 June 2005.

The uplift in value in comparison with market value represents the valuers' assessment of the additional amount that a third party purchaser would pay for the property recognising that a purchaser would pay more for a building that attracts EZAs compared to a building that does not. In arriving at the market value inclusive of the value of EZAs, the group provided the valuers with details of the quantum of EZAs which it expects to be available on all properties that are completed and held on investment account for tax purposes. The Inland Revenue has not yet agreed the quantum of the allowances in all instances as the EZA claims are still in the process of agreement in the ordinary course of dealing with the group's corporation tax affairs.

In the 2003 Budget the Chancellor gave full stamp duty relief on properties in defined 'disadvantaged areas'. This relief covered all of the properties held by the group on the Estate, regardless of value, and consequently the allowance for purchaser's costs in the valuations was reduced from 5.75% at 31 December 2002 to 1.75% at 30 June 2003 to take account of this relief. This concession was withdrawn with effect from 16 March 2005 and consequently the allowance for purchaser's costs in the valuations at 30 June 2005 has reverted to 5.75%.

If the group was to dispose of its property portfolio at the market value disclosed in this Business Review, which excludes any value attributable to EZAs, a tax liability of £73.3 million (31 December 2004 – £46.2 million) would arise after taking account of available losses and provisions. This amount includes tax on trading profits and net capital gains that would arise on the sale of properties under construction and properties held for development, including land interests. It does not reflect any amount in relation to capital allowance balancing charges. The maximum reversal of allowances would be £1,478.0 million (31 December 2004 – £1,784.0 million). Deferred tax has been provided in respect of this liability and is a component of the £72.0 million deferred tax provision in respect of accelerated capital allowances shown in Note 8. The potential tax liability comprises corporation tax on chargeable gains of £90.6 million (31 December 2004 - £51.9 million) offset by revenue losses of £17.3 million (31 December 2004 – £5.7 million). Capital losses have reduced the corporation tax on chargeable gains by £156.2 million (31 December 2004 – £165.4 million). In line with Financial Reporting Standard 19 ('FRS 19'), the benefit of these losses has not been recognised through the creation of a deferred tax asset in the balance sheet. The total potential tax liability of £73.3 million (31 December 2004 - £46.2 million) differs from that in Note 8 because that note relates solely to buildings that are treated as investment properties for consolidated accounts purposes which have been recognised in the balance sheet at their market value.

If the group was to dispose of its properties at £237.8 million (31 December 2004 - £296.4 million) above their market value, being the market value inclusive of EZAs disclosed above, the potential tax liability would increase by £20.8 million (31 December 2004 – £20.8 million). The potential uplift in value attributable to EZAs net of the associated tax liability is therefore £217.0 million (31 December 2004 - £275.6 million).

Operating Results

The following review of the group's operating results relates to the six months to 30 June 2005. The comparatives relate to the six months ended 31 December 2004.

The group's turnover is generated primarily by the rents and service charges earned from its property interests on the Estate. Turnover for the six months ended 30 June 2005 was £153.3 million, against £153.6 million for the six months ended 31 December 2004. Rental income reduced from £118.9 million to £115.1 million, a reduction of 3.2%. The impact of UITF 28 was to reduce rental income by £21.2 million in the six months ended 30 June 2005 (six months ended 31 December 2004 - increase of £11.7 million). Excluding the impact of UITF 28, rental income increased from £107.2 million to £136.3 million, an increase of 27.2%, attributable to rent reviews and the expiry of rent-free or rent-reduced periods, partially offset by the rent foregone on buildings sold in the period. Service charge income increased from £25.5 million to £27.3 million reflecting increased occupancy on the Estate. Miscellaneous income increased from £9.2 million to £10.9 million over the period, reflecting increased insurance rents and the increased provision of tenant specific services (outside of the standard service charge) as occupancy on the Estate increases.

Rents payable and property management costs for the six months ended 30 June 2005 were £43.0 million in comparison with £42.0 million for the six months ended 31 December 2004. Taking into account service charge and miscellaneous income totalling £38.2 million for the six months ended 30 June 2005 (six months ended 31 December 2004 - £34.7 million), void costs were £4.8 million (six months ended 31 December 2004 - £7.3 million). The reduction in void costs relates to recent lettings and the consequent increase in occupancy on the Estate.

For the six months ended 30 June 2005 gross profits were £110.3 million, a reduction of £1.3 million over the six months ended 31 December 2004, attributable to the factors referred to above.

Administrative expenses for the six months ended 30 June 2005 were £13.6 million in comparison with £19.5 million for the six months ended 31 December 2004. The reduction in administrative expenses was in part attributable to the fact that the six months ended 31 December 2004 included annual performance bonuses. In addition professional fees were lower in the six months ended 30 June 2005.

For the six months ended 30 June 2005 operating profit was £97.3 million, in comparison with a profit of £93.2 million for the six months ended 31 December 2004. The improvement in operating profit of £4.1 million is primarily attributable to the reduction in administrative expenses.

In the six months ended 30 June 2005 the group recorded a net profit of £55.7 million on the disposal of two properties (20 Canada Square and 15 Westferry Circus). The profit on disposal represented an excess over the market value of the properties at 31 December 2004 of 13.8%. This has been shown as an exceptional item after operating profit in accordance with Financial Reporting Standard 3 (Reporting financial performance).

Net interest payable excluding exceptional items for the period to 30 June 2005 was £104.4 million against £110.3 million for the period to 31 December 2004. In addition, for the six months ended 30 June 2005 there were exceptional charges totalling £192.8 million incurred in respect of the early repayment of debt in the period (refer to 'Business Review – Borrowings'). Excluding the exceptional charge, the reduction in net interest payable of £5.9 million was primarily attributable to a lower cost of finance resulting from refinancings during the period.

The loss on ordinary activities after interest for the period was £144.2 million in comparison with £17.1 million for the six months ended 31 December 2004. The result for the six months ended 30 June 2005 included certain exceptional profits and losses as described above. There were no exceptional items in the six months ended 31 December 2004. Excluding exceptional items, the loss on ordinary activities after interest for the six months ended 30 June 2005 was £7.1 million (six months ended 31 December 2004 – £17.1 million).

BUSINESS REVIEW (Continued)

Taxation for the six months ended 30 June 2005, which has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2005, is attributable to a reduction of £51.4 million in the deferred tax provision recognised in respect of EZAs claimed. In the six months ended 31 December 2004 the deferred tax provision recognised in accordance with FRS 19 increased by £13.3 million. The remaining deferred tax provision primarily relates to EZAs claimed by the group to shelter taxable profits.

The loss for the financial period after taxation for the six months to 30 June 2005 was £92.8 million in comparison with a loss of £30.4 million for the six months ended 31 December 2004.

The basic and diluted loss per share for the six months ended 30 June 2005 were 15.2p (six months ended 31 December 2004 – 5.2p) (see Note 4 for further details).

Adjusted basic and diluted earnings per share excluding exceptional items for the six months ended 30 June 2005 were 7.2p and 7.1p respectively (six months ended 31 December 2004 – loss of 5.2p). Adjusted earnings per share, for the six months ended 30 June 2005, has been calculated on the profit after taxation excluding exceptional items of £44.3 million and on the weighted average of 611.5 million shares in issue (31 December 2004 – 585.0 million). In the six months ended 30 June 2005, exceptional items comprised the profit on sale of properties of £55.7 million and the charges relating to repayment of debt of £192.8 million. There were no exceptional items in the six months ended 31 December 2004. The adjusted diluted earnings per share has been calculated by reference to the weighted average number of shares of 615.4 million reflecting the exercise of outstanding warrants

Subsequent to the period end the company declared an interim dividend of 65p per ordinary share (£407.7 million) which was paid on 8 September 2005.

Balance Sheet

On the basis of the group's statutory balance sheet, which does not reflect any revaluation of properties held for development or for sale, net assets at 30 June 2005 were £2,502.4 million in comparison with £1,895.7 million at 31 December 2004. The increase in net asset value was largely attributable to the revaluation surplus of £578.7 million and the subscription for 42,273,251 ordinary shares at 286p each which resulted from the exercise of a warrant by IPC Advisors Limited. The increase in net assets resulting from the above factors was partly offset by the loss for the period of £92.8 million.

Allowing for the revaluation of properties held for development to market value and adjusting for deferred taxation, the adjusted net asset value per share at 30 June 2005 was as set out in the table below.

	30 June 2005	31 December 2004
	£m	£m
Net assets per statutory balance sheet	2,502.4	1,895.7
Add back deferred tax provision	38.0	89.4
Net assets prior to deferred tax provision	2,540.4	1,985.1
Revaluation of property portfolio:		
Properties held for development ⁽¹⁾	63.3	3.5
Adjusted net assets	2,603.7	1,988.6
Fair value adjustments in respect of financial assets and liabilities less tax relief at 30% thereon ⁽²⁾	(282.8)	(300.0)
Contingent tax on property disposals ⁽³⁾	(73.3)	(46.2)
Uplift in market value attributable to EZAs net of contingent tax thereon ⁽³⁾	217.0	275.6
Undiscounted deferred tax ⁽⁴⁾	(71.7)	(157.4)
Adjusted NNAV	2,392.9	1,760.6
Adjusted net assets per share ⁽⁵⁾	£4.15	£3.40
Fully diluted adjusted net assets per share ⁽⁶⁾	£4.12	£3.35
Adjusted NNAV per share ⁽⁵⁾	£3.81	£3.01
Fully diluted NNAV per share ⁽⁶⁾	£3.79	£2.99

Notes:

(1) Stated at market value in existing state.

(2) Refer to Note 7(8).

(3) Refer to 'Business Review – Taxation'.

(4) Refer to Note 8.

(5) Calculated by reference to the closing number of shares of 627.3 million (31 December 2004 – 585.0 million).

(6) Calculation increases adjusted net assets by £21.8 million (31 December 2004 - £150.4 million) and the number of shares by 11.7 million (31 December 2004 – 54.0 million) reflecting the assumed exercise of outstanding warrants.

In arriving at adjusted net asset value per share the provision recognised in accordance with FRS 19 has been added back. FRS 19 requires, inter alia, provision for deferred tax on capital allowances claimed notwithstanding that no tax would become payable unless the related properties were disposed of. In contrast no provision is required for the tax which would become payable if the group were to dispose of its properties at their revalued amount. This inconsistency in the standard has therefore been reversed in calculating the adjusted net asset value 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.

Borrowings

During the six months ended 30 June 2005 the group completed a comprehensive refinancing exercise, the objective of which was to provide increased flexibility in pursuing the group's strategy of maximising shareholder value by refinancing fixed rate debt with medium term bank debt.

In March 2005, the group repaid a £225.0 million loan secured against 20 Canada Square following the sale of that property. As a result of the repayment, net prepayment and breakage costs of £1.5 million were crystallised and deferred financing costs of £2.0 million were written-off.

In September 2003 the group entered into a finance lease transaction in relation to One Churchill Place, a property then under construction. In accordance with the terms of the transaction, following completion of the building in July 2004, the group subsequently completed the sale of a leasehold interest (with a term of 999 years less 10 days) in the building to a wholly owned subsidiary of Barclays. The group then subsequently accepted a 999 year (less 15 days) lease of the building with finance rents payable over a 35 year period. The gross amount of the financing was £753.5 million, of which £743.5 million was received on 30 September 2003 and £10.0 million was received on completion in August 2004. In January 2005 the group drewdown £608.8 million from a separate loan facility (Note 7) which was used in part to provide cash collateral of £545.5 million for the finance lease rents. The finance rents are calculated by reference to a notional rate of LIBID on the notional amount of principal outstanding under the finance lease. At 30 June 2005 the finance lease is stated at £646.5 million (31 December 2004 - £646.5 million) representing the initial net proceeds.

In conjunction with the acquisition of Aldersgate Street in April 2005, the group assumed existing loans totalling £154.1 million comprising a senior tranche of £140.7 million, which carries interest at 6.79%, and a mezzanine tranche of £13.4 million, which carried interest at 9.59%. The fair value of these loans was £157.7 million on the date of acquisition. Subsequent to the period end, in September 2005, the mezzanine tranche was repaid. The remaining senior loan is repayable in 2011.

In May 2005 the group successfully restructured its securitisation loans. The restructuring involved the redemption of all of the group's first securitisation ('CWF1') notes for a consideration of £687.0 million and the restructuring of the group's second securitisation ('CWFII') notes to release certain assets and move One Canada Square from CWF1 to CWFII. As part of the restructuring certain CWFII notes, totalling £135.0 million, were redeemed or cancelled and a total of £360.0 million of new floating rate notes were issued. At the same time as repaying the CWF1 notes, an £85.0 million bank loan facility was also repaid.

The group has entered into a 3 year £750.0 million bridge facility to refinance the assets released from the securitisation restructuring. Interest is payable at 3 month LIBOR plus an initial margin of 100 basis points. The loan contains a ratchet mechanism whereby future interest payable is linked to the prevailing loan to value percentage.

In the six months ended 30 June 2005 the group repaid three finance lease transactions in relation to 20 Cabot Square and 10 Cabot Square, funded from a new credit facility. A total of £369.4 million was drawdown against this new facility. Interest is payable at a rate of 5.82%.

An analysis of net debt is given below. The increase in total borrowings from £4,370.5 million to £5,476.4 million reflects the tap issue on the group's second securitisation and the drawdown under the new bank facilities, partly offset by the repayment of finance leases and outstanding notes under the group's securitisations. The increase in total borrowings was accompanied by an increase in cash and term deposits from £1,101.8 million to £2,372.4 million, primarily as a result of the proceeds from the sale of 20 Canada Square and 15 Westferry Circus and the net cash surplus generated by the refinancings referred to above.

The refinancings completed in the six months ended 30 June 2005 resulted in initial net proceeds of approximately £360.0 million net of prepayment and breakage costs of £187.1 million and other financing expenses. The prepayment and breakage costs, together with the write-off of deferred financing costs, resulted in an exceptional charge to the profit and loss account of £192.8 million. As well as providing the group with increased flexibility in executing its strategy, the refinancings outlined above have resulted in a fall in the group's weighted average cost of debt. At 30 June 2005, the group's weighted average cost (including credit wraps) was 5.9% (or 5.8% excluding credit wraps) in comparison with 6.3% (including credit wraps) at 31 December 2004 (6.1% excluding credit wraps).

At 30 June 2005 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 Financial Reporting Standard 13 (Derivatives and other financial instruments) ('FRS 13') was £404.0 million before tax relief (32 December 2004 - £428.0 million).

BUSINESS REVIEW (Continued)

At 30 June 2005, net debt (after cash in hand and cash collateral) stood at £3,104.0 million, down from £3,268.7 million at 31 December 2004 comprising:

	At 30 June 2005	At 31 December 2004
	£m	£m
Securitised debt	2,584.9	2,814.9
Loans	1,884.4	310.9
Finance lease obligations	1,007.1	1,244.7
Total borrowings	5,476.4	4,370.5
Less: cash collateral for borrowings	(1,102.7)	(458.0)
Less: other cash collateral	(1.4)	(1.6)
	4,372.3	3,910.9
Less: cash deposits	(1,268.3)	(642.2)
Net debt	3,104.0	3,268.7

Cash Flow

Net cash inflow from operating activities for the six months ended 30 June 2005 was £118.9 million in comparison with £98.6 million for the six months ended 31 December 2004. The increase was partly attributable to an increase in operating profit in the period, combined with working capital movements.

Returns on investments and servicing of finance totalled £331.8 million for the six months ended 30 June 2005 compared with £126.0 million for the six months ended 31 December 2004. The six months ended 30 June 2005 included £187.1 million of breakage costs and fees in respect of the restructuring of the group's financing facilities during the period.

Capital expenditure and financial investment for the six months ended 30 June 2005 resulted in a cash inflow of £384.5 million, compared with an outflow of £101.0 million for the six months ended 31 December 2004. The six months ended 30 June 2005 included proceeds of £472.3 million on the disposal of two properties, less development expenditure of £33.0 million and £52.8 million in respect of the acquisition cost of Aldersgate Street in comparison with development expenditure of £101.0 million for the six months ended 31 December 2004.

The financing cash inflow for the six months ended 30 June 2005 was £1,099.0 million compared with an outflow of £8.3 million for the six months ended 31 December 2004. The six months ended 30 June 2005 included a net inflow of £120.9 million in respect of the exercise of warrants and £1,728.2 million resulting from new loans drawdown in the period, partly offset by £1,110.5 million expended on loan repayments. The six months ended 31 December 2004 included a further drawdown under a finance lease of £10.0 million offset by scheduled amortisation payments on securitised debt of £18.3 million.

CANARY WHARF GROUP PLC
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Turnover – rents and service charges		153.3	153.6
Cost of sales:			
- rents and property management costs		(43.0)	(42.0)
GROSS PROFIT		110.3	111.6
Administrative expenses		(13.6)	(19.5)
Other operating income		0.6	1.1
OPERATING PROFIT		97.3	93.2
Exceptional item:			
- net profit on sale of properties	5	55.7	–
Interest receivable	2	44.5	26.8
Interest payable:			
- before exceptional item	2	(148.9)	(137.1)
- exceptional item: charges relating to repayment of debt	2	(192.8)	–
		(341.7)	(137.1)
LOSS FOR THE FINANCIAL PERIOD BEFORE TAXATION		(144.2)	(17.1)
Taxation	3	51.4	(13.3)
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION	10	(92.8)	(30.4)
TRANSFERRED TO RESERVES	10	(92.8)	(30.4)
Losses per share:			
Basic	4	(15.2)p	(5.2)p
Diluted	4	(15.2)p	(5.2)p

The above results relate to the continuing activities of the group.

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

The interim results for the six months ended 30 June 2005 were approved by the Board of Directors on 27 September 2005.

CANARY WHARF GROUP PLC

UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Loss for the financial period after taxation		(92.8)	(30.4)
Unrealised surplus on revaluation of investment properties	5	578.7	222.6
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD		485.9	192.2

NOTE OF HISTORICAL COST PROFITS AND LOSSES

		Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Reported loss on ordinary activities before taxation		(144.2)	(17.1)
Realisation of property revaluation gains of previous years	5	155.9	–
HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		11.7	(17.1)
HISTORICAL COST PROFIT/(LOSS) FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS		63.1	(30.4)

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

CANARY WHARF GROUP PLC
UNAUDITED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2005

	Notes	Unaudited 30 June 2005 £m	Audited 31 December 2004 £m
FIXED ASSETS			
Investment properties	5	5,045.8	4,844.7
Properties held for development	5	251.7	251.5
Other tangible fixed assets		2.5	2.8
Investments		3.2	3.4
		<u>5,303.2</u>	<u>5,102.4</u>
CURRENT ASSETS			
Property held for sale	5	97.0	–
Debtors: due in more than one year	6	431.8	479.5
Debtors: due within one year		42.2	70.8
Cash at bank and in hand	7	2,372.4	1,101.8
		<u>2,943.4</u>	<u>1,652.1</u>
CREDITORS: Amounts falling due within one year		(296.6)	(369.5)
NET CURRENT ASSETS		2,646.8	1,282.6
TOTAL ASSETS LESS CURRENT LIABILITIES		7,950.0	6,385.0
CREDITORS: Amounts falling due after more than one year	7	(5,348.3)	(4,218.8)
Provisions for liabilities and charges	8	(99.3)	(270.5)
NET ASSETS		2,502.4	1,895.7
CAPITAL AND RESERVES			
Called up share capital	9	6.3	5.9
Reserves:			
- Share premium	10	124.5	4.1
- Revaluation reserve	10	2,108.3	1,685.5
- Capital redemption reserve	10	0.7	0.7
- Special reserve	10	264.8	264.8
- Profit and loss account	10	(2.2)	(65.3)
SHAREHOLDERS' FUNDS - EQUITY	11	2,502.4	1,895.7

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

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

Notes	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Net cash inflow from operating activities	118.9	98.6
Returns on investments and servicing of finance	(331.8)	(126.0)
Capital expenditure and financial investment	384.5	(101.0)
	52.7	(227.0)
Cash inflow/(outflow) before management of liquid resources and financing	171.6	(128.4)
Management of liquid resources	(644.5)	108.2
Financing	1,099.0	(8.3)
INCREASE/(DECREASE) IN CASH IN THE PERIOD	626.1	(28.5)
	7	
	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Reconciliation of operating profit to operating cash flows		
Operating profit	97.3	93.2
Depreciation charges	0.5	0.4
Provision against investment	0.1	0.2
Amortisation of share option costs	1.5	1.7
Decrease/(increase) in debtors	33.3	(15.8)
(Decrease)/increase in creditors	(22.3)	40.8
Costs charged to provisions	(12.7)	(10.2)
Amortisation of lease incentives	21.2	(11.7)
Net cash inflow from operating activities	118.9	98.6
	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Returns on investments and servicing of finance		
Interest received	33.8	26.9
Interest paid	(123.4)	(97.9)
Interest element of finance lease rentals	(29.4)	(52.1)
Financing expenses on loans drawdown	(25.7)	(2.9)
Financing expenses and breakage costs on loans repaid ⁽¹⁾	(187.1)	-
Net cast outflow	(331.8)	(126.0)
Note:		
(1) See Note 2 for further details.		
	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Capital expenditure and financial investment		
Additions to properties	(33.0)	(101.0)
Acquisition of property interest	(52.8)	-
Purchase of tangible fixed assets	(0.2)	-
Sale of investment properties ⁽¹⁾	472.3	-
Investment in associated undertaking	(1.8)	-

CANARY WHARF GROUP PLC

Net cash inflow/(outflow)

384.5(101.0)

Note:

(1) The cash inflow on sale of investment properties was in respect of the disposal of properties referred to in Note 5.

CANARY WHARF GROUP PLC**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005
(CONTINUED)**

Financing	Notes	Unaudited Six months ended 30 June 2005 £m	Audited Six months ended 31 December 2004 £m
Issue of ordinary shares		120.9	–
Repayment of securitised debt	7	(553.4)	(18.3)
Issue of securitised debt		360.4	–
Drawdown of secured loans and finance lease premiums		1,728.2	10.0
Repayment of finance leases	7	(245.3)	–
Repayment of secured debt	7	(311.8)	–
Net cash inflow/(outflow)		1,099.0	(8.3)

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

NOTES TO THE INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

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, 'Interim Reports', and on the basis of the accounting policies set out in the group's financial statements for the six months ended 31 December 2004.

The financial information relating to the six months ended 30 June 2005 is unaudited.

The financial information for the six months ended 31 December 2004 has been extracted from the group's financial statements to that date. These financial statements received an unqualified auditors' report and have been filed with the Registrar of Companies. The above financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

2 INTEREST

	Unaudited Six months ended 30 June 2005	Audited Six months ended 31 December 2004
	£m	£m
Receivable:		
Bank interest receivable	44.5	26.8
Total	44.5	26.8
Payable:		
Notes and debentures	90.0	89.8
Bank loans and overdrafts	30.7	10.4
Finance lease charges	28.2	38.0
	148.9	138.2
Less:		
Interest at 4.9% on development financings transferred to development properties	–	(1.1)
Total	148.9	137.1
Exceptional item: Charges relating to early repayment of debt		
- prepayment and breakage costs	187.1	–
- write-off of deferred financing costs and other accounting adjustments	5.7	–
	192.8	–

In the six months ended 31 December 2004 interest payable of £1.1 million was transferred to development properties. The amount transferred was attributable to the cost of funds forming part of the group's general borrowings which were utilised in financing construction. No interest payable was transferred to development properties in the six months ended 30 June 2005.

During the six months ended 30 June 2005 the group incurred prepayment and breakage costs totalling £187.1 million in relation to the prepayment and refinancing of certain loans as detailed in Note 7. These costs have been charged to the profit and loss account as an exceptional item.

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 the premium on the issue of notes has been amortised over the term of that debt. As a result of prepaying certain of the group's borrowings, the unamortised portion of these costs relating to the debt prepaid was written-off to the profit and loss account in the six months ended 30 June 2005. The amount written-off totalling £5.7 million has been taken to the profit and loss account and shown as an exceptional item.

There was no deferred tax as a result of any of these transactions.

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Unaudited Six months ended 30 June 2005	Audited Six months ended 31 December 2004
	£m	£m
Current tax:		
UK corporation tax (see below)	–	–
Deferred tax:		
Origination and reversal of timing differences:		
- current period	51.9	(3.0)
- prior periods	–	(6.3)
Net effect of discount	(0.5)	(4.0)
Total deferred tax (Note 8)	51.4	(13.3)
Total tax on loss on ordinary activities	51.4	(13.3)

In accordance with FRS 19 the group provides for the potential clawback of EZAs claimed in the event of the sale of the property interest to which those claims relate. In connection with certain refinancings during the period, certain property interests were restructured and transferred between companies within the group. As a result of this internal property restructuring, the potential clawback of EZAs has reduced and provisions for deferred tax totalling £86.8 million, net of a discount of £34.8 million, have been released to the profit and loss account.

No provision for corporation tax has been made in the consolidated results of the group for the six months to 30 June 2005 (six months to 31 December 2004 – £Nil) due to the availability of tax losses arising in these periods, the availability of tax losses brought forward from previous periods and other tax reliefs available. It is anticipated that remaining capital losses and other tax reliefs including EZAs will reduce future tax charges.

4 EARNINGS PER SHARE

The basic and diluted loss per share are calculated by reference to the loss for the financial period after taxation attributable to ordinary shareholders of £92.8 million (six months ended 31 December 2004 – £30.4 million) and on the weighted average of 611.5 million shares in issue (December 2004 – 585.0 million).

For the six months ended 30 June 2005 and the six months ended 31 December 2004, the weighted average number of ordinary shares for the purposes of calculating the diluted loss per share is identical to that used for the basic loss per share. This is because the exercise of outstanding warrants would have had the effect of reducing the loss per ordinary share and was therefore not treated as dilutive under the terms of Financial Reporting Standard 14 (Earnings per share).

5 INVESTMENT PROPERTIES, PROPERTIES HELD FOR DEVELOPMENT AND PROPERTY HELD FOR SALE

Freehold properties held as tangible fixed assets:

	Investment properties <u>£m</u>	Properties held for development <u>£m</u>	Property held for sale <u>£m</u>
At 1 January 2005 pre-adjustment for UITF 28	5,324.2	251.5	
Adjustment for UITF 28	(479.5)	–	
As at 1 January 2005	<u>4,844.7</u>	<u>251.5</u>	
Additions (net of adjustment for UITF 28)	1.3	0.2	
Disposal of property	(378.9)	–	
Revaluation	578.7	–	
As at 30 June 2005	<u>5,045.8</u>	<u>251.7</u>	
Adjustment for UITF 28 (Note 6)	431.8		
Market value at 30 June 2005	<u>5,477.6</u>		
Of which, subject to lease and finance leaseback arrangements	1,241.1		
Historical cost	2,756.3		
Long leasehold property held as a current asset: Valuation at acquisition			<u>97.0</u>

Additions to properties for the six months ended 30 June 2005 totalled £3.8 million. In the above table additions are stated net of £2.3 million of tenant works which have been classified as other tenant incentives for the purposes of UITF 28 and included as part of debtors falling due after one year (Note 6).

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 remaining unamortised tenant incentives are held within prepayments in the balance sheet (Note 6).

In the six months ended 30 June 2005 the group disposed of buildings located at 20 Canada Square and 15 Westferry Circus. The sale of 20 Canada Square for a consideration of £337.5 million generated a profit of £39.3 million after the write-off of unamortised lease incentives accounted for in accordance with UITF 28 and expenses of sale. The sale of 15 Westferry Circus for a consideration of £134.75 million resulted in a profit of £16.4 million after the write-off of unamortised lease incentives and expenses of sale. The total profit of £55.7 million relating to property disposals has been shown as an exceptional item in the profit and loss account for the period. The disposals also resulted in a transfer to the profit and loss reserve from the revaluation reserve of £155.9 million representing the realisation of prior year revaluation gains. There is no deferred tax charge as a result of these transactions.

The group's investment properties have been revalued externally as at 30 June 2005 on the basis of market value. These valuations were undertaken by either Savills Commercial Limited or CB Richard Ellis Limited. 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 nor for any taxation which might arise in the event of disposal. The allowance made by the valuers for purchaser's expenses was increased from 1.75% at 31 December 2004 to 5.75% at 30 June 2005 as a result of the removal of stamp duty relief for properties in disadvantaged areas announced in the 2005 Budget. The surplus arising on the valuations at 30 June 2005 of £578.7 million has been transferred to the revaluation reserve.

Properties held for development at 30 June 2005, which are to be retained as investment properties, are carried at their fair value at the time of acquisition of the Canary Wharf Holdings Limited group in December 1995, less subsequent disposals plus additions at cost, subject to any provision for impairment.

Properties held for sale comprise the long leasehold interests in Aldersgate Street which were acquired in April 2005 for a consideration of £209.7 million (including fees). The property is held at the lower of cost and net realisable value. In determining the net realisable value the directors consulted with Jones Lang LaSalle who were instructed to provide a vacant possession valuation of Aldersgate Street, ignoring intragroup leases. The valuation at the date of acquisition on this basis was £97.0 million resulting in a provision against cost of £112.7 million. This has been offset by the release of a vacant leasehold provision of £118.6 million referred to in Note 8. The net release has been treated as an adjustment to tenant incentives accounted for in accordance with UITF 28 and accordingly transferred to debtors: amounts falling due after one year (Note 6).

6 DEBTORS 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 a similar period. Accordingly the external valuation of investment properties is reduced for these incentives.

	Rent free periods £m	Other tenant incentives £m	Total £m
At 1 January 2005	134.7	344.8	479.5
Transfer from properties held as fixed assets (Note 5)	–	2.3	2.3
Recognition of rent during rent-free periods	3.8	–	3.8
Amortisation of lease incentives	(3.8)	(21.2)	(25.0)
Write-off relating to sale of properties in the period	(20.3)	(5.8)	(26.1)
Unwind of discount/release of vacant leasehold and other lease provisions (Note 8)	–	(118.9)	(118.9)
Net cost of acquisition of long leasehold property	–	116.3	116.3
Other changes in provisions and accruals	–	(0.1)	(0.1)
At 30 June 2005	114.4	317.4	431.8

The net cost of acquisition of the long leasehold property comprises the provision of £112.7 million referred to in Note 5 plus the mark to market of debt of £3.6 million referred to in Note 7 (4).

During the six months ended 30 June 2005 20 Canada Square and 15 Westferry Circus were sold. The cumulative UITF 28 adjustment in respect of these properties was £26.1 million. This has been written-off to the profit and loss account and taken into account in computing the net profit on sale of £55.7 million (Note 5).

7 NET DEBT

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Secured loans £m	Finance lease obligations £m	Total £m
At 1 January 2005	2,814.9	310.9	1,244.7	4,370.5
Drawdown in period	360.4	1,885.9	–	2,246.3
Deferred financing expenses	(21.7)	(13.2)	2.6	(32.3)
Accrued finance charges	(15.3)	12.6	5.1	2.4
Repaid in period	(553.4)	(311.8)	(245.3)	(1,110.5)
At 30 June 2005	2,584.9	1,884.4	1,007.1	5,476.4
Payable within one year or on demand	93.0	28.0	7.1	128.1
Payable in more than one year	2,491.9	1,856.4	1,000.0	5,348.3
	2,584.9	1,884.4	1,007.1	5,476.4

- (1) In January 2005 the group drewdown £608.8 million on a loan facility secured against One Churchill Place. The loan is fully amortising with a final maturity in July 2034. The loan was used in part to provide £545.5 million as cash collateral for a finance lease secured against the same building. The balance of the loan proceeds was retained for the general corporate purposes of the group. The loan carries a hedged interest rate of 5.82%. In the six months ended 30 June 2005, £1.8 million of the loan was amortised in accordance with the loan agreement.
- (2) In March 2005, the group repaid a £225.0 million loan secured against 20 Canada Square, following the sale of that building, crystallising net prepayment and breakage costs of £1.5 million and the write-off of deferred financing costs of £2.0 million.

NOTES TO THE INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

- (3) During the six months ended 30 June 2005 the group drewdown £369.4 million under a new bank loan facility to fund the refinancing of three finance leases which had been secured against 10 Cabot Square and 20 Cabot Square. The loan carries interest at a rate of 5.82% and is repayable in 2008. The loan is secured against the group's property interests in 10 Cabot Square and 20 Cabot Square. The refinancing of the finance leases resulted in breakage costs of £47.8 million, primarily as a result of the mark to market of fixed rate debt, the write-off of deferred financing costs of £2.5 million and other costs of £0.8 million. As part of the restructuring of the finance leases, certain cash collateral was released to the group totalling £36.1 million and the contingent requirement to make a further cash deposit of up to £25.0 million was eliminated.
- (4) In connection with the acquisition of Aldersgate Street in April 2005, the group assumed existing loans totalling £154.1 million comprising a senior tranche of £140.7 million, which carries interest at 6.79%, and a mezzanine tranche of £13.4 million, which carried interest at 9.59%. The fair value of these loans was £157.7 million on the date of acquisition and the mark to market of £3.6 million has been taken into account in calculating the net cost of acquisition of the building (Note 6). Subsequent to the period end, on 16 September 2005, the mezzanine tranche was repaid with breakage costs of £0.4 million. The remaining senior loan is repayable in 2011.
- (5) In May 2005, the group completed a refinancing of its securitised properties which involved the repayment of all debt outstanding under its first securitisation, the repayment of a bank loan facility of £85.0 million and repayment of £135.0 million of notes from its second securitisation. These repayments were funded by a new bank loan facility of £750.0 million and a tap issue of £360.0 million on the group's second securitisation.

The repayment of the first securitisation gave rise to prepayment and breakage costs and other fees of £150.2 million partly offset by the release of deferred premia on issue of £10.8 million. In addition deferred financing costs of £8.3 million were written-off, offset by the release of accruals made in accordance with FRS 4 of £9.5 million. The partial prepayment of the second securitisation included the remaining £45.0 million of C notes and £20.0 million of D notes which were held by the group and redeemed in May 2005. Subsequent to the period end, in July 2005, the equivalent of £70.0 million of the A5 (US\$ denominated) notes were repaid.

The group also issued £360.0 million of new notes under its second securitisation in May 2005 comprising:

Tranche	£m	Interest	Repayment
B2	110	Floating	By instalment from issue to 2027
C1	225	Floating	By instalment from 2006 to 2027
D1	25	Floating	By instalment from 2011 to 2030

Interest on the B2 notes is payable at three month LIBOR plus 0.35% and hedged at 5.032%. There is a step up in the margin on the B2 notes to 0.875% in July 2012. Interest on the C1 notes is payable at three month LIBOR plus 0.6% and hedged at 5.278%. There is a step up in the margin to 1.5% in July 2012. Interest on the D1 notes is payable at three month LIBOR plus 0.9% and there is a step up in the margin to 2.25% in July 2012. An interest rate collar on the D notes with a notional principal of £20.0 million, a floor of 5% and a cap of 9% was increased to match the new principal amount of £25.0 million for the D1 notes. This resulted in a payment to the group of £0.4 million from the cap provider.

The new £750.0 million facility carries interest at a rate of LIBOR plus 1% and is repayable in 2008.

- (6) At 30 June 2005 the group held sterling cash deposits totalling £2,372.4 million (31 December 2004 - £1,101.8 million) comprising deposits placed on money market at call and term rates. Total cash deposits included £1,102.7 million (31 December 2004 - £458.0 million) held by third parties as cash collateral for the group's borrowings and £1.4 million (31 December 2004 - £1.6 million) charged to third parties as security for the group's obligations. Unsecured cash deposits totalled £1,268.3 million at 30 June 2005 (31 December 2004 - £642.2 million).

NOTES TO THE INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

(7) The movement in net debt for the six months ended 30 June 2005 was as follows:

	1 January 2005	Cash flow	*Assumed debt	Other non- cash changes	30 June 2005
	£m	£m	£m	£m	£m
Cash at bank	1,101.8	1,270.6	–	–	2,372.4
Amounts on deposit not available on demand	(459.6)	(644.5)	–	–	(1,104.1)
	<u>642.2</u>	<u>626.1</u>	<u>–</u>	<u>–</u>	<u>1,268.3</u>
Debt due after 1 year	(2,974.8)	(1,340.5)	(154.1)	121.1	(4,348.3)
Debt due within 1 year	(151.7)	117.2	–	(93.6)	(128.1)
Finance leases due after 1 year	(1,244.0)	260.1	–	(16.1)	(1,000.0)
	<u>(4,370.5)</u>	<u>(963.2)</u>	<u>(154.1)</u>	<u>11.4</u>	<u>(5,476.4)</u>
Amounts on deposit not available on demand	459.6	644.5	–	–	1,104.1
Net debt	<u>(3,268.7)</u>	<u>307.4</u>	<u>(154.1)</u>	<u>11.4</u>	<u>(3,104.0)</u>

* Part of the consideration for the acquisition of the long leasehold interests in Aldersgate Street during the six months ended 30 June 2005 was the assumption by the group of £154.1 million of debt (Note 7 (4)).

	Six months ended 30 June 2005 £m
Increase in cash in the six months	1,270.6
Increase in debt and lease financing	(963.2)
Change in net debt resulting from cash flows	<u>307.4</u>
Non-cash movement in net debt	11.4
Loans assumed on acquisition of property interests	(154.1)
Movement in net debt in the six months	<u>164.7</u>
Net debt at 1 January 2005	<u>(3,268.7)</u>
Net debt at 30 June 2005	<u><u>(3,104.0)</u></u>

(8) At 30 June 2005 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 £404.0 million before tax relief (31 December 2004 - £428.0 million).

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Vacant leasehold properties	Other lease commitments	Deferred taxation	Total
	£m	£m	£m	£m
At 1 January 2005	155.4	25.7	89.4	270.5
Expenditure charged to provision	(8.7)	–	–	(8.7)
Unwind of discount	2.8	0.8	–	3.6
Release of provision	(120.8)	(1.7)	–	(122.5)
Increase in provision	–	7.8	–	7.8
Credit to profit and loss account	–	–	(51.4)	(51.4)
At 30 June 2005	<u>28.7</u>	<u>32.6</u>	<u>38.0</u>	<u>99.3</u>

Vacant leasehold properties:

On 6 November 2000, the group entered into an Agreement for Lease with Clifford Chance for the lease of 10 Upper Bank Street, which reached practical completion on 31 July 2003. The group also acquired the sub-leasehold interest (with approximately 12 years now unexpired) in 200/202 Aldersgate Street, a 440,000 sq ft office building in the City of London occupied by Clifford Chance until 29 September 2003.

At 31 December 2004 the group held a provision of £126.0 million against the estimated net liability under the lease of 200/202 Aldersgate Street. The provision was stated at present value calculated on the basis of a discount rate of 6.3%, being the group's weighted average cost of debt. The amount provided was treated as part of the incentive package agreed with Clifford Chance and included within the UITF 28 adjustment in respect of 10 Upper Bank Street. Accordingly the provision was being amortised to the profit and loss account over the period to the first open market rent review on 10 Upper Bank Street in 2013. In the period from 1 January 2005 to 15 April 2005 £7.4 million of expenditure was charged to the provision.

On 15 April 2005 the group acquired from a third party long leasehold interests expiring in 2141 in 200/202 Aldersgate Street and the adjoining 20 Little Britain, comprising in total 473,000 sq ft. The consideration for this acquisition was £209.7 million, including fees. As a result of acquiring the reversionary interests in the building the remaining provision of £118.6 million, after charging expenditure of £7.4 million in respect of the period to 15 April 2005, was released offsetting the provision against cost referred to in Note 5. The net release has been treated as an adjustment to tenant incentives accounted for in accordance with UITF 28 (Note 6).

Reuters' leasehold properties:

On 9 February 2004 the group announced that it had signed agreements for lease relating to the pre-let to Reuters of approximately 283,000 sq ft of space in the building at 30 The South Colonnade, previously let to London Underground Limited. As part of this transaction the group agreed to take over three of Reuters' leasehold properties from commencement of the lease on 30 The South Colonnade in May 2005. The terms of the leases to expiration or first break are between three and four years.

At 30 June 2005 the provision for the estimated net liability under these leases, discounted at 5.9%, being the group's weighted average cost of debt at that date, was stated at £28.7 million reflecting utilisation of the provision, offset by the unwind of the discount.

Other lease commitments:

In March 2001 Lehman Brothers signed an agreement for lease in respect of 25-30 Bank Street, comprising 1,023,300 sq ft. The incentive package agreed with Lehman Brothers in connection with this lease included the following elements:

- (1) a contribution of £30 per sq ft towards the cost of refitting the 408,728 sq ft occupied by Lehman Brothers at Broadgate, capped at £12.0 million. This has been accrued for at 30 June 2005.
- (2) a rent support commitment with Lehman Brothers under which the group may contribute a maximum of £10 per sq ft per annum towards the difference between the passing rent payable by Lehman Brothers on its leases at Broadgate and the rent achievable on any sub-lease. For 1 and 2 Broadgate, comprising 311,077 sq ft and where the leases expire in January 2017 and the passing rent is £46.86 per sq ft, rent support is only payable for the life of the first sub-lease; for the remaining space in 6 Broadgate, comprising 97,651 sq ft where the leases expire in September 2013, rent support of up to £5 per sq ft is payable by the group on any second sub-letting, but no further amount is payable thereafter. The passing rent on the space in 6 Broadgate, varies between £44 per sq ft and £52 per sq ft but, on the majority of space it is in the range of £44-£45 per sq ft. The terms of the Lehman Brothers leases prevent it from sub-letting space below market levels and no amount is payable by the group on space which Lehman Brothers does not sub-let.

Absent any sub-lettings the maximum potential liability in respect of rental support would have been £51.0 million (nominal) with a present value of £37.0 million discounting at 6.3%, being the group's weighted average cost of debt at that date. To date Lehman Brothers have sub-let approximately 100,303 sq ft in 1 and 2 Broadgate at a rent higher than the passing rent and therefore it has not been necessary to make any contribution as a result of this sub-lease. Accordingly, the maximum amount payable in respect of the remaining space leased by Lehman Brothers at Broadgate has reduced to £32.4 million (nominal) with a present value of £24.8 million calculated on the basis of a discount rate of 5.9%. This amount has been provided for in full and will be subject to review at each subsequent balance sheet date.

In connection with the sale of 20 Canada Square the group has agreed to provide rental support of up to £1.8 million per annum for a period of three years. Rental support at the rate of £1.6 million per annum until 31 August 2006 is being provided in connection with the sale of 15 Westferry Circus. A provision of £8.2 million in respect of these commitments was recognised at the date of disposal and taken into account in calculating the profit on disposal. The remaining provision at 30 June 2005 was £7.8 million calculated on the basis of a discount rate of 5.9%.

	Unaudited Six months ended 30 June 2005	Audited Six months ended 31 December 2004
	£m	£m
Deferred taxation:		
Accelerated capital allowances claimed	(72.0)	(158.6)
Other timing differences	0.3	1.2
	<u>(71.7)</u>	<u>(157.4)</u>
Undiscounted deferred tax liability		
Discount	33.7	68.0
	<u>(38.0)</u>	<u>(89.4)</u>
	30 June 2005	31 December 2004
	£m	£m
At start of period	(89.4)	(76.1)
Deferred tax charge in the profit and loss account for the period	51.4	(13.3)
	<u>(38.0)</u>	<u>(89.4)</u>

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 by the group would have been in the region of £90.6 million (31 December 2004 - £63.8 million) after taking into account available tax losses and provisions. This amount comprises corporation tax on chargeable gains in relation to the sale of completed properties held by group investment companies of £90.6 million (31 December 2004 - £52.0 million plus corporation tax on development surpluses in relation to completed properties that are held by the group's property development companies - £11.8 million). Capital losses have reduced tax on chargeable gains by £130.9 million (31 December 2004 - £148.1 million). In line with FRS 19, the benefit of these losses has not been recognised in the deferred tax provided in the balance sheet.

No deferred tax asset was provided in prior periods in respect of brought forward trading losses utilised in the period.

The group has received legal advice and is of the opinion that the capital losses brought forward are available to set off against capital gains arising. The benefit of the capital losses has been recognised by reducing the contingent tax liability as disclosed above.

9 SHARE CAPITAL

	At 30 June 2005	At 31 December 2004
	£m	£m
Issued, allotted and fully paid ordinary shares of 1p each	<u>6.3</u>	<u>5.9</u>

On 8 March 2005, IPC Advisors Limited exercised a warrant to subscribe for ordinary shares. As a result of this exercise, on 11 March 2005, a total of 42,273,251 ordinary shares of the company were issued and allotted at a subscription price of £2.86 per share (see also Note 14).

10 RESERVES

	Share premium account	Revaluation reserve	Capital redemption reserve	Special reserve	Profit and loss account	Total
	£m	£m	£m	£m	£m	£m
At January 2005	4.1	1,685.5	0.7	264.8	(65.3)	1,889.8
Revaluation of investment properties	-	578.7	-	-	-	578.7
Issue of share capital (Note 9)	120.4	-	-	-	-	120.4
Transfer of revaluation surplus	-	(155.9)	-	-	155.9	-
Retained loss for the financial period	-	-	-	-	(92.8)	(92.8)
At 30 June 2005	124.5	2,108.3	0.7	264.8	(2.2)	2,496.1

NOTES TO THE INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

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

The transfer to the profit and loss account from the revaluation reserve represents the realised revaluation surplus in respect of 20 Cabot Square and 15 Westferry Circus which were sold in the period.

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Six months ended 30 June 2005
	£m
Loss for the financial period	(92.8)
Issue of share capital	120.8
Revaluation surplus	578.7
Net movement in shareholders' funds	606.7
Opening shareholders' funds	1,895.7
Closing shareholders' funds	2,502.4

12 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

As at 30 June 2005 certain members of the group had given fixed and floating charges over substantially all of their assets as security for certain of the group's borrowings and finance lease obligations as referred to in Note 7. In particular, various members of the group had, at 30 June 2005, given fixed first ranking charges over cash deposits totalling £1,104.1 million.

Sub-let commitments

Under the terms of certain agreements for lease the group 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. Certain of this space has been securitised but insofar as the securitisations are concerned the tenants are contracted to pay rent on the entire amount of space leased, whilst taking the covenant of the group on the sub-let space. The existence of the sub-let commitments has been taken into account in the market valuation of the group's properties at 30 June 2005. The table below summarises these sub-lets, including the rent payable (net of any sub-letting income) for the next financial year.

Property	Leaseholder	Sub-let sq ft	Passing rent £m	Rent review date	Rent review basis	Term commence- ment	Expiry or first break
Options exercised:							
1 Westferry Circus	CSFB	73,300	2.64	Mar 2005	OMR up only	Feb 2003	Feb 2015
One Canada Square	Skadden	27,400	0.52	Jun 2003	OMR up only	Sep 2003	Dec 2005
50 Bank Street	Northern Trust	18,000	0.76	Apr 2007	OMR up only	Apr 2002	Oct 2006 ⁽¹⁾
10 Upper Bank Street	Clifford Chance	52,500	2.23	Jul 2008	Fixed at £49/sf	Jul 2003	Jul 2008 ⁽²⁾
10 Upper Bank Street	Clifford Chance	52,100	2.40	Jul 2008	Fixed at £49/sf	Jul 2003	Jul 2013 ⁽²⁾
25-30 Bank Street	Lehman Brothers	100,800	3.31	Jul 2008	Fixed at £53/sf	Jul 2003	Jul 2008 ⁽³⁾
25-30 Bank Street	Lehman Brothers	102,100	4.18	Jul 2008	Fixed at £53/sf in 2002 ⁽⁴⁾	Jul 2003	Jul 2013 ⁽³⁾
One Churchill Place	Barclays	133,600	5.63	Jul 2009	OMR up only	Jul 2004	Jul 2019 ⁽⁵⁾
One Churchill Place	Barclays	130,300	5.47	Jul 2009	OMR up only	Jul 2004	Jul 2014 ⁽⁵⁾
One Churchill Place	Barclays	66,000	2.75	Jul 2009	OMR up only	Jul 2004	Jul 2009 ⁽⁵⁾
40 Bank Street	Skadden	19,500	0.86	Mar 2008	OMR up only	Mar 2003	Mar 2008 ⁽⁶⁾
40 Bank Street	Skadden	19,500	0.86	Mar 2008	OMR up only	Mar 2003	Sep 2010 ⁽⁶⁾
40 Bank Street	Skadden	19,500	0.86	Mar 2008	OMR up only	Mar 2003	Mar 2013 ⁽⁶⁾
Total		814,600	32.46				

- (1) Assumes break exercised.
- (2) During the six months ended 30 June 2005 the group sub-let 26,116 sq ft to FTSE for a 10 year term, with rent starting on 24 January 2007, 25,607 sq ft to Infosys for 5 years with rent starting on 6 March 2006 and 26,182 sq ft to Total for 10 years with rent starting on 11 February 2008. All sub-leases run for the remaining term of the leases from Clifford Chance.
- (3) On 29 September 2003 Lehman Brothers exercised options to sub-let part of 25-30 Bank Street back to the group: 4 floors (102,100 sq ft) for 10 years and an additional 4 floors (100,800 sq ft) for 5 years. This space has to be handed back to Lehman Brothers at the end of the sub-let term fitted out to Category A standard. On 17 August 2004 the group sub-let 25,200 sq ft of the five year space to Morgan Stanley on a managed office basis. On 14 August 2005 Morgan Stanley's lease was terminated in accordance with a break option exercised by the tenant. On 1 April 2005 the group sub-let a further 25,191 sq ft of the five year space to the FSA for a term of 3 years with rent starting 1 October 2005.
- (4) Followed by annual increases to £59.65 per sq ft in 2012.
- (5) On 31 October 2003 Barclays opted to sub-let 329,900 sq ft of space in One Churchill Place back to the group. Of the total sub-let, 66,000 sq ft is for 5 years, 130,300 sq ft is for 10 years and 133,600 sq ft is for 15 years or more. Subsequent to the period end, on 1 July 2005 the group sub-let 100,215 sq ft to BGC for a term of 14 years with rent commencing 1 December 2005.
- (6) Skadden have opted to lease back floor 24 (19,500 sq ft) for 5 years, floor 25 (19,500 sq ft) for 7.5 years and floor 26 (19,500 sq ft) for 10 years at 40 Bank Street.

13 RELATED PARTY TRANSACTIONS

During the period, the group entered into the following related party agreements:

- (i) a letter of appointment dated 6 January 2005 with Morgan Stanley & Co. Limited ('Morgan Stanley') whereby the group appointed Morgan Stanley as its exclusive financial adviser in connection with the disposal of 20 Canada Square, London E14 ('DS4') for a base fee of 0.4% of the aggregate value of DS4 subject to a maximum aggregate value of £322.0 million (the 'Base Value'). In addition to the base fee, an additional incentive fee of 2% of the incremental aggregate value above the Base Value will be charged for any consideration received in excess of the Base Value. All fees will be capped at a maximum of 0.5% of the aggregate value.
- (ii) a letter of appointment dated 24 January 2005 between the group and Morgan Stanley whereby the group appointed Morgan Stanley as its exclusive financial adviser in connection with the disposal of 15 Westferry Circus, London E14 ('WF9') for a base fee of 0.35% of the aggregate value of WF9 subject to a maximum aggregate value of £118.0 million (the 'Base Value'). In addition to the base fee, an additional incentive fee of 2% of the incremental aggregate value above the Base Value will be charged for any consideration received in excess of the Base Value. All fees will be capped at a maximum of 0.5% of the aggregate value.
- (iii) an agreement dated 11 March 2005 with a subsidiary of Barclays to dispose of its 999 year leasehold interest in a property situated at 20 Canada Square (the 'Property'). Subsequently, the subsidiary of Barclays entered into arrangements with Brascan Corporation, a significant minority shareholder of the group, to dispose of the controlling interest in the Property.
- (iv) a letter of appointment dated 25 May 2005 between Canary Wharf Group and Morgan Stanley whereby the Canary Wharf Group appointed Morgan Stanley as its exclusive financial adviser in connection with the disposal of 17 Columbus Courtyard, London E14 ('B4') for a base fee of 0.4% of the aggregate value of B4 subject to a maximum of 0.425% of the aggregate value.

14 POST BALANCE SHEET EVENTS

On 23 August 2005 the company declared an interim dividend of 65p per share payable to all shareholders on the register as at 24 August 2005. The dividend totalling £407.7 million was paid on 8 September 2005.

On 8 August 2005 agreement was reached between the company and IPC Advisors Limited in relation to the remaining outstanding warrants over the ordinary shares of the company (the '1997 Warrants'). The effect of such agreement is that, as a result of the recent dividend announcement by the company, the subscription price for the 1997 Warrants has been adjusted to 186p per share with no corresponding adjustment to the number of shares to which the 1997 Warrants relate. The number of shares therefore remains at 11,734,369. The Amended 1997 Warrants are exercisable until 30 November 2005, previously 1 April 2006.

On 23 September 2005 the group completed the sale of 17 Columbus Courtyard, a 199,500 sq ft building let to CSFB, for a consideration of £120.5 million. At 30 June 2005 the building was valued at £116.7 million. Current rent passing is £6.4 million per annum. In conjunction with the sale the group repaid £89.2 million of the £750.0 million loan drawdown in May 2005, crystallising the write-off of deferred financing costs of £0.6 million.