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HIGHLIGHTS

- **Net assets increased** from £2,905.3 million at 31 December 2006 to **£3,349.7 million** at 30 June 2007, an increase of **£444.4 million or 15.3%** (Note (i)).
- **Adjusted net asset value per share increased by £1.05 (20.2%)** from £5.20 to **£6.25** and adjusted triple net asset value ('NNNAV') per share **increased by £1.07 (23.4%)** from £4.58 to **£5.65** (Note (i)).
- The **market value of the property portfolio** at 30 June 2007 was **£7,465.0 million** against £6,737.4 million at 31 December 2006, an increase of **9.6%**, disregarding additions in the period (Note (ii)).
- **The profit after tax for the six months ended 30 June 2007 was £19.9 million** (six months ended 30 June 2006 – £2.9 million).
- In the six months ended 30 June 2007 **transactions over 665,000 sq ft were achieved including an agreement for sale** upon completion of a new **320,000 sq ft building** to Fimalac (Note (iii)).
- At 30 June 2007 **the group's investment portfolio** totalling 7.9 million sq ft was **99.5% let** (31 December 2006 – 7.9 million sq ft of which 95.6% was let) (Note (iii)).
- **Further infrastructure work underway on Riverside South** (1.8 million sq ft of potential development) and **staged construction commenced at 25 Churchill Place** (350,000 sq ft of potential development). **Redevelopment of Cabot Place Retail Mall** also underway (Note (iv)).
- The group entered into a **joint venture for the redevelopment of the Drapers Gardens site** in the City of London (Note (iv)).

Notes:

- (i) See 'Business Review – Balance Sheet' for further details.
- (ii) See 'Business Review – Valuations' for a comparison with the carrying value for accounts purposes.
- (iii) See 'Business Review – Property Portfolio' for further details.
- (iv) See 'Business Review – Construction' for further details.

RESULTS IN BRIEF

	Unaudited Six months ended 30 June 2007	Unaudited Six months ended 30 June 2006
	£m	£m
Rental income (Note (i))	119.0	103.4
Exceptional item:		
- deferred proceeds on sale of property (Note (i))	8.3	-
Operating profit	128.3	87.7
Exceptional item:		
- (charges) / gains relating to repayment of debt (Note (i))	(16.9)	123.3
Profit on ordinary activities before taxation	17.0	112.7
Profit / (loss) before taxation excluding exceptional items	25.6	(10.6)
Taxation – deferred tax credit/(charge) (Note (ii))	2.9	(109.8)
Profit after tax	19.9	2.9
Basic and diluted earnings per share (Note (iii))	3.1p	0.5p

Notes:

- (i) See 'Business Review – Operating Results' for further details.
(ii) See Note 3 of the notes to these financial statements.
(iii) See Note 4 of the notes to these financial statements.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Following on from the achievements of 2006 your company performed well in the first six months of 2007. Lettings and sales of new buildings for occupation were concluded over 665,000 sq ft and an increase in both headline and net effective rents was accomplished. This contributed to a 9.6% uplift in the valuation of the property portfolio. As well as these positive developments, sales of buildings at Canary Wharf not owned by your company took place at prices which reflect the quality of the buildings and the environment at Canary Wharf, as well as the strength of the covenants of the lessees of those properties. This has all been positive for both your company and Canary Wharf as a whole. We are confident that the company is well positioned and prudently capitalised for further development both at, and away from, Canary Wharf.

Pre-sales and lettings

At the end of June 2007 terms were agreed with Fimalac for the construction and sale of a new 320,000 sq ft London headquarters for Fitch Ratings Limited ('Fitch') at 30 North Colonnade. Fitch, which currently occupies a number of buildings in the City of London, will move progressively into 30 North Colonnade in 2010.

In addition during the period, approximately 345,000 sq ft of lettings of space in existing properties was agreed, 301,575 sq ft of which is an additional letting to Barclays Capital at 40 Bank Street. Subsequent to the period end, Bear Stearns exercised their option over a further two floors (52,600 sq ft) in 5 Churchill Place.

Recent transactions at Canary Wharf have now established a rental range of £46.50/£47.50 per sq ft in comparison to the low £40s per sq ft in 2006.

Following the latest lettings, the vacancy rate for existing property owned by the group has reduced to 0.5%, while overall the vacancy rate at Canary Wharf now stands at less than 3.0%. As a result, Canary Wharf benefits from the best relationship between supply and demand in its 20 year history.

Development at Canary Wharf

Construction of four new let or pre-sold buildings is now under way. The 300,000 sq ft State Street building at 20 Churchill Place, the 400,000 sq ft KPMG building at 15 Canada Square and the adjacent 320,000 sq ft Fitch building are all progressing well. At 5 Churchill Place, the main core works on the 300,000 sq ft Bear Stearns building are now complete. Construction of three of these buildings is due to be completed during 2009 whilst the fourth will be completed in 2010. Staged construction is under way on a fifth building comprising 350,000 sq ft at 25 Churchill Place. Further infrastructure works are currently underway on Riverside South which will create an additional 1.8 million sq ft of potential development. The completion of these infrastructure works, in advance of agreeing lease terms with an occupier, shortens the construction period by about 24 months once a tenant is identified, something which can be particularly attractive to a potential lessee. The London Borough of Tower Hamlets has agreed to grant approval to a revised planning application for Riverside South, which meets new market demands and also updates the building in line with the Mayor of London's sustainability requirements. During the period consent was also obtained to increase the permitted density on North Quay to 2.4 million sq ft. However, development of North Quay is subject to progress on Crossrail.

The redevelopment of the western end of the Cabot Place Retail Mall commenced in January 2007 with completion anticipated for March 2008. The redevelopment will increase the existing Cabot Place retail area by approximately 41.0% (or 42,600 sq ft) and reflects the current high demand for retail space at Canary Wharf.

Development outside Canary Wharf

The company is also engaged in development outside of Canary Wharf. The planning for development at Wood Wharf is progressing well in cooperation with the group's joint venture partners, British Waterways Board ('BWB') and Ballymore Properties Limited ('Ballymore'). Furthermore, your company is engaged as development manager on the Ballymore projects at Crossharbour and Millharbour. The company has also entered into a joint venture for the redevelopment of the Drapers Gardens scheme in the City of London, in which we have a 20.0% equity holding. This scheme is an approximately 300,000 sq ft prime commercial office development in the heart of the City's financial district close to the Bank of England. We are continuing to look at other projects outside Canary Wharf where the company can add value.

Property valuations

The market value of the property portfolio at 30 June 2007 was £7,465.0 million against £6,737.4 million at 31 December 2006, an increase of 9.6% disregarding additions in the period. The increase in market value was primarily driven by a combination of the benefit of new lettings achieved in the period and an increase in headline rents. There was also some further yield compression over the six months to 30 June 2007 reflecting the successful sale by third party owners of a number of properties on the Estate.

Retail

Retail continues to go from strength to strength both in terms of new lettings and sales volumes. This is reflected in lease terms being agreed with the arrival of prestigious high street names such as Zara, Massimo Dutti, River Island and Leon in the additional retail area to be provided by the redevelopment of the Cabot Place Retail Mall mentioned above. We were delighted when Camille Waxer, Head of Retail at Canary Wharf, won the Business Woman of the Year Award 2007 which reflected a recognition of her contribution to the tremendous success of the retail facilities at Canary Wharf. The attraction of the retail and restaurant facilities is supported by many events as well as seasonal facilities such as the ice rink. Significant effort is put into running these events. Last year over 180 events were held at Canary Wharf all of which proved popular with both the working population and those living in the community near Canary Wharf.

The continuing success of the retail and restaurant facilities, including the many social events held, is an essential part of the diverse environment which has been created at Canary Wharf in the last 20 years, an environment which is highly popular with the 93,000 people who work at Canary Wharf and also many other visitors.

Financial review

Net assets increased from £2,905.3 million at 31 December 2006 to £3,349.7 million at 30 June 2007, an increase of £444.4 million or 15.3%.

Adjusted net asset value per share, which reflects the revaluation to market value of properties held for development and properties under construction, increased by £1.05 from £5.20 to £6.25, an increase of 20.2% (see 'Business Review – Balance Sheet'). Adjusted NNAV per share increased by £1.07 (23.4%) from £4.58 to £5.65.

Rental income for the six months ended 30 June 2007 was up from £103.4 million to £119.0 million after spreading lease incentives in accordance with accounting rules. This reflected the increased occupancy on the Estate and uplifts in rent achieved on review.

Excluding exceptional items, the profit before tax for the six months ended 30 June 2007 was £25.6 million in comparison with a loss for the six months ended 30 June 2006 of £10.6 million. After tax, the profit for the period was £19.9 million (2006 – £2.9 million).

Transport

The group is supportive of the recent improvements made to the existing transport facilities on the East London Line, Thameslink, the DLR and the Jubilee Line. Recent government approval to Phases 1 and 2 of improvements on the DLR will provide a 50% increase in capacity by autumn 2009. Substantial progress has been made by Tubelines on installing a new signalling system on the Jubilee Line which, once completed, will result in increased capacity of 45% by the end of 2009. In addition, your company recognises London's need for Crossrail and is exploring ways of supporting the project with other parties that will benefit from the line.

Conclusion

The board's confidence in the future of Canary Wharf and in the ability of the group to adapt to future circumstances continues. We are fortunate to have a strong and expert team, with core competency throughout the group; we could not have achieved the recent successes without this. We are, moreover, looking forward to new opportunities. The company's strong cash position, the security of long term leases with an average expiry of 19.1 years to generally strong creditworthy tenants, the historically low vacancy rate and the secure nature of the long term borrowings can facilitate taking such opportunities even against the backdrop of a more uncertain market. Whilst it is premature to assess the immediate impact of the current uncertainty in the market, the board remains confident in the long term growth prospects of London, the Canary Wharf business district and of your company in particular.

BUSINESS REVIEW**Property portfolio**

The activities of the group are currently focused on the development of the Canary Wharf estate (the 'Estate') including Heron Quays and the adjacent sites at Riverside South and North Quay. The group is also involved in development through joint ventures relating to land adjacent to the Estate known as Wood Wharf and the Drapers Gardens redevelopment in the City of London. At 30 June 2007 the investment portfolio comprised 16 completed properties (out of the 30 constructed on the Estate) totalling 7.9 million sq ft net internal area ('NIA') of which 99.5% was let (31 December 2006 – 7.9 million sq ft of which 95.6% was let). As well as the rental income generated from properties, income is generated from managing the entire Estate which, in addition to the completed properties owned by the group, includes a further 14 properties totalling 6.3 million sq ft which are in other ownerships.

The group's properties are under lease to high quality tenants which provide a diversified income stream. At 30 June 2007 the weighted average unexpired lease term for the office portfolio was approximately 19.1 years (or 16.3 years assuming the exercise of outstanding break options) (31 December 2006 – 19.8 years or 17.1 years assuming the exercise of break options). Of the square footage under lease, 70.1% does not expire or cannot be terminated by tenants during the next ten years.

During the first half of 2007 the group announced transactions over a total of 665,000 sq ft, including lettings totalling approximately 345,000 sq ft. The lettings concluded comprised the following:

- Barclays Capital agreed to lease a total of 301,575 sq ft in 40 Bank Street on three separate leases expiring in April 2023. Barclays Capital will take up the space on a phased basis over the next 18 months at rents ranging from £44.00 per sq ft to £47.50 per sq ft. In addition Damac Properties and Mirae Asset Global Investment Management took a total of 7,945 sq ft in 40 Bank Street for terms of 5 years and 10 years respectively.
- Bear Stearns took a further 28,780 sq ft in One Canada Square for a 5 year term with break options to coincide with the completion of their new headquarters building at 5 Churchill Place. Subsequent to the period end, Bear Stearns exercised an option over approximately 52,600 sq ft in 5 Churchill Place taking their total occupancy in this building to approximately 259,000 sq ft. Bear Stearns has a further option over the remaining 50,000 sq ft in this building exercisable over the period to completion of the building. During the period Michael Page also took 6,548 sq ft in One Canada Square for a 5 year term.

As a result of these lettings, occupancy in 40 Bank Street increased to 96.3% and vacancy in the group owned completed buildings on the Estate reduced to 0.5%.

On 29 June 2007 terms were agreed with Fimalac for the sale, and an agreement for the construction, of a new £290.0 million headquarters for Fitch Ratings Limited ('Fitch'). The new building to be built at 30 North Colonnade will comprise approximately 320,000 sq ft and is scheduled for completion in the second half of 2010. On exchange, the group received an initial payment of £165.4 million from Fimalac in respect of the site.

All space previously sub-let back to the group has now been re-let or is subject to call options. At 30 June 2007 the estimated net present value of sub-let liabilities had reduced to approximately £34.1 million discounted at 6.0%, the group's weighted average cost of debt at that date (31 December 2006 – £43.8 million, discounted at 6.1%). The remaining sub-let commitments have been reflected in the market valuation of the group's properties.

Construction

Properties under construction at 30 June 2007 comprised the following:

Property address	Approx. NIA (sq ft)	Expected completion date	Status
20 Churchill Place	300,000	September 2008	Pre-sold to Prudential for occupation by State Street.
15 Canada Square	400,000	April 2009	Pre-sold to KPMG on completion.
5 Churchill Place	300,000	May 2009	259,000 sq ft let to Bear Stearns.
30 North Colonnade	<u>320,000</u>	October 2010	Pre-sold to Fimalac for occupation by Fitch.
	1,320,000		

In addition to the construction of new office buildings, the group is currently redeveloping the western end of the Cabot Place Retail Mall, with completion anticipated in March 2008. This redevelopment will increase the existing retail area by approximately 42,600 sq ft and will introduce new retailers to the Estate including Zara, Massimo Dutti, River Island and Leon.

BUSINESS REVIEW (Continued)

The remaining development site on the Estate (known as 25 Churchill Place) could accommodate approximately 350,000 sq ft of new development. Following the sale of 30 North Colonnade to Fimalac, the group has decided to proceed with the staged construction of 25 Churchill Place. In addition, the group has development sites at North Quay and Riverside South. At Riverside South, initial ground works are under way which will accelerate the completion time for the development for any prospective occupant. At North Quay, the local authority granted consent in January 2007 for an increase in the permitted density to 2.4 million sq ft, adding to the 1.8 million sq ft of capacity at Riverside South. There is also further development capacity on Heron Quays West subject to planning consent. Construction of new buildings on these sites will commence as and when market conditions allow.

The following table summarises the development capacity:

	Approx. NIA (million sq ft)
Based on existing planning permissions:	
- Canary Wharf	0.4
- Riverside South	1.8
- North Quay	2.4
	4.6
Subject to planning application:	
- Heron Quays West	0.6
Total	5.2

In addition to the above, the group is working with Ballymore and BWB on the redevelopment of the Wood Wharf site. The master plan for the scheme, in which the group has a 25.0% interest, sets a framework for 6.5 million sq ft gross of mixed commercial, residential and retail development. It is anticipated that a planning application will be submitted later this year.

On 15 June 2007 the group announced an agreement with Morgan Stanley Real Estate Fund V ('MSREF V') and Exemplar Developments LLP ('Exemplar') to undertake the redevelopment of the Drapers Gardens scheme in the City of London. The scheme comprises approximately 300,000 sq ft of prime commercial development and is scheduled for completion in the autumn of 2009. The group acquired 20.0% of the share capital in the companies that own the property and will assume the role as development manager with day to day running of the scheme. This represents the group's first involvement in a scheme away from the Estate, and coupled with involvement as construction manager on Ballymore's Crossharbour and Millharbour projects, will demonstrate that the group's skills are transferable to developments away from the Estate.

Valuations

The net assets of the group, as stated in its consolidated balance sheet as at 30 June 2007, were £3,349.7 million. In arriving at this total:

- (i) properties held as investments were carried at £6,145.6 million, which represents the market value of those properties of £6,470.6 million at that date as determined by the group's external valuers, CB Richard Ellis Limited, Surveyors and Valuers ('CBRE'), Savills Commercial Limited, Chartered Surveyors ('Savills'), or Cushman & Wakefield, Real Estate Consultants ('Cushman'), less an adjustment of £325.0 million for tenant incentives.
- (ii) properties held for development were carried at £210.6 million, representing their cost to the group; and
- (iii) properties under construction to be retained by the group were carried at £36.3 million, representing their cost to the group.

Excluding additions, the valuation of the investment portfolio on the basis of market value increased by £407.0 million or 6.7% over the six months to 30 June 2007. After allowing for adjustments in respect of lease incentives, the carrying value of the investment property portfolio increased by £424.5 million over the period. This increase was primarily driven by the benefit of new lettings achieved in the period and an increase in headline rents. In addition there was some compression in yields in the market for properties let on long leases to creditworthy tenants following the announcement of transactions involving the HSBC and Citigroup headquarters buildings on the Estate.

CBRE and Savills have provided a joint opinion as at 30 June 2007 that the market value of properties held for development was £511.0 million, in comparison with a carrying value for accounts purposes of £210.6 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 £511.0 million represents an increase of 21.3%, excluding additions, over the market value at 31 December 2006, which reflects the continuing strong demand for development sites.

BUSINESS REVIEW (Continued)

The valuers also provided an opinion as at 30 June 2007 that the market value of properties under construction was £418.4 million, in comparison with the historical cost of £141.3 million.

The market value of the entire property portfolio including investment properties, properties held for development and properties under construction, increased by £653.8 million or 9.6% over the six months, excluding additions and transfers. This increase has been driven by the factors referred to earlier.

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 2007		31 December 2006	
	Carrying value £m	Market value in existing state £m	Carrying value £m	Market value in existing state £m
Investment properties	6,145.6 ⁽¹⁾	6,470.6 ⁽²⁾	5,715.9 ⁽¹⁾	6,058.4 ⁽²⁾
Properties under construction	36.3	65.0	46.2	95.0
Properties held for development	210.6	511.0	204.3	415.0
	6,392.5	7,046.6	5,966.4	6,568.4
Properties under construction held for sale	141.3 ⁽³⁾	418.4	69.1 ⁽³⁾	169.0
	6,533.8	7,465.0	6,035.5	6,737.4

Notes:

- (1) The carrying value of investment properties represents market value less an adjustment for Urgent Issues Task Force Abstract 28: Operating Lease Incentives ('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 2007 was £325.0 million (31 December 2006 – £342.5 million).
- (3) Represents historical cost to the group. The carrying value in the balance sheet at 30 June 2007 is stated net of £178.2 million transferred to cost of sales (31 December 2006 – £76.4 million), £5.0 million (31 December 2006 – £2.2 million) transferred from payments on account and £41.9 million (31 December 2006 – £9.5 million) of costs accrued in accordance with Statement of Standard Accounting Practice 9 (Stocks and Long Term Contracts) ('SSAP 9').

Taxation

The group has Enterprise Zone Allowances ('EZAs') available to shelter future operating and taxable profits and gains arising on the sale of properties.

During the year ended 31 December 2006 two finance lessor companies were acquired from a third party. A deferred tax liability of £110.3 million was recognised in respect of the potential clawback of EZAs resulting from claims made by these companies (Note 3).

Substantially all other EZAs available within the group are attached to assets that are now of negligible value following an internal property restructuring in the year ended 31 December 2005. As a result there is no uplift in the value of the group's investment properties attributable to the EZAs available to the group. Whereas the group can claim these EZAs based on the original qualifying expenditure, a third party purchaser would only be able to claim EZAs by reference to the post restructuring values. Furthermore, as these assets to which the EZAs attach are negligible in value, a disposal of the property to which the qualifying expenditure relates would not result in a material clawback of EZAs claimed prior to 30 June 2007. As a result there is no deferred tax liability in respect of these EZAs.

If the group were to dispose of its property portfolio at the market value disclosed in this 'Business Review', a tax liability of £285.5 million would arise (31 December 2006 – £129.1 million). 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 have been 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. In line with Financial Reporting Standard 19 (Deferred tax) ('FRS 19'), the benefit of EZAs has not been recognised through the creation of a deferred tax asset in the balance sheet as there is no certainty as to the time period for the realisation of this asset.

BUSINESS REVIEW (Continued)

Operating results

The following review of the group's operating results relates to the six months ended 30 June 2007. The comparatives relate to the six months ended 30 June 2006.

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 2007 was £282.2 million, against £151.4 million for the six months ended 30 June 2006. Rental income increased from £103.4 million to £119.0 million, an increase of 15.1%. The impact of UITF 28 was to reduce rental income by £19.2 million in the six months ended 30 June 2007 (six months ended 30 June 2006 – £21.3 million). Excluding the impact of UITF 28, rental income increased from £124.7 million to £138.2 million, an increase of 10.8%, primarily attributable to the benefit of rent reviews and the commencement of rent on recently let space. Service charge income increased from £27.4 million to £30.9 million and miscellaneous income (including insurance rents) increased from £11.7 million to £12.3 million over the period. The six months ended 30 June 2007 also included £120.0 million of turnover recognised on the construction of development properties (six months ended 30 June 2006 – £8.9 million) in accordance with SSAP 9.

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 properties held for sale. Rents payable and property management costs were £41.4 million in comparison with £40.5 million for the six months ended 30 June 2006. Taking into account service charge and miscellaneous income totalling £43.2 million for the six months ended 30 June 2007 (six months ended 30 June 2006 – £39.1 million), a profit on estate management of £1.8 million was achieved (six months ended 30 June 2006 – loss of £1.4 million). The reduction in void costs relates to recent lettings and the consequent increase in occupancy on the Estate. Provisions relating to vacant leasehold properties, rent support commitments and certain other obligations increased by £2.6 million in the six months ended 30 June 2007, whereas there was a net release of such provisions totalling £2.8 million in the six months ended 30 June 2006.

In addition, cost of sales for the six months ended 30 June 2007 included £101.8 million (six months ended 30 June 2006 – £8.9 million) of costs on construction of properties held for sale resulting in £18.2 million of profit being recognised on construction contracts (six months ended 30 June 2006 – £nil). Excluding the profit recognised on long term contracts, net property income was £118.1 million (six months ended 30 June 2006 – £104.8 million).

For the six months ended 30 June 2007 gross profit (net property income) was £136.4 million, an increase of £31.6 million over the six months ended 30 June 2006, of which £18.2 million was attributable to the recognition of construction profit.

Administrative expenses for the six months ended 30 June 2007 were £18.4 million in comparison with £17.3 million for the six months ended 30 June 2006. Operating profit for the period was £128.3 million, in comparison with £87.7 million for the six months ended 30 June 2006. The increase in operating profit of £40.6 million was largely attributable to the increase in net property income and £18.2 million of construction profit. In addition, the six months ended 30 June 2007 included £8.3 million of deferred proceeds from the sale of two buildings in 2003 which has been treated as an exceptional item.

Net interest payable excluding exceptional items for the six months ended 30 June 2007 was £94.4 million against £98.3 million for the six months ended 30 June 2006. In the six months ended 30 June 2007, the group restructured its securitised debt resulting in an exceptional charge of £16.9 million (Note 2). In the six months ended 30 June 2006, the group recognised a gain of £123.3 million in connection with the acquisition of three finance leases which was treated as an exceptional item. Excluding these exceptional items, the reduction in net interest payable of £4.8 million was primarily attributable to lower levels of net debt resulting from amounts received on the sale of properties under construction.

The profit on ordinary activities after interest for the six months ended 30 June 2007 was £17.0 million in comparison with a profit of £112.7 million for the six months ended 30 June 2006. The results for the six months ended 30 June 2007 and the six months ended 30 June 2006 included certain exceptional profits and losses as described above. Excluding exceptional items, the profit on ordinary activities after interest for the six months ended 30 June 2007 was £25.6 million (six months ended 30 June 2006 – loss of £10.6 million).

Taxation for the six months ended 30 June 2007, which has been calculated by reference to the anticipated effective tax rate for the year to 31 December 2007, is wholly attributable to deferred tax. In the six months ended 30 June 2006 the increase in the deferred tax provision of £109.8 million primarily arose from the acquisition of finance leases in the period (Note 3).

The profit for the financial period after taxation for the six months ended 30 June 2007 was £19.9 million in comparison with £2.9 million for the six months ended 30 June 2006.

BUSINESS REVIEW (Continued)

Basic and diluted earnings per share for the six months ended 30 June 2007 was 3.1p (six months ended 30 June 2006 – 0.5p) as referred to in Note 4.

The adjusted basic and diluted earnings per share excluding exceptional items and deferred tax for the six months ended 30 June 2007 was 4.5p (six months ended 30 June 2006 – loss of 1.6p). Adjusted earnings per share for the six months ended 30 June 2007 has been calculated on the profit after tax excluding £16.9 million of exceptional charges on the restructuring of debt and the deferred proceeds of £8.3 million from the sale of two properties in 2003, and the weighted average of 639.0 million shares in issue. The adjusted loss per share for the six months ended 30 June 2006 was calculated on the loss after taxation excluding the exceptional gain on the acquisition of finance leases (£123.3 million) and the deferred tax thereon (£110.3 million) and on the weighted average of 639.0 million shares in issue. There were no instruments which gave rise to a dilution of earnings as defined by Financial Reporting Standard 22 (Earnings per share) at 30 June 2007 or 30 June 2006.

Balance sheet

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 2007 were £3,349.7 million in comparison with £2,905.3 million at 31 December 2006. The increase in net asset value was primarily attributable to the revaluation surplus of £424.5 million.

Adjusted net asset value 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 taxation required by accounting standards but which, in the judgement of the directors, is unlikely to crystallise.

	30 June 2007	31 December 2006
	£m	£m
Net assets per statutory balance sheet	3,349.7	2,905.3
Add back deferred tax provision	57.6	60.5
Net assets prior to deferred tax provision	3,407.3	2,965.8
Revaluation of property portfolio:		
- properties held for development ⁽¹⁾	300.4	210.7
- properties under construction ⁽²⁾	287.6	148.7
Adjusted net assets ⁽³⁾	3,995.3	3,325.2
Fair value adjustments in respect of financial assets and liabilities less tax relief at 28% (31 December 2006 – 30%) ⁽⁴⁾	8.6	(159.2)
Contingent tax on property disposals ⁽⁵⁾	(285.5)	(129.1)
Undiscounted deferred tax ⁽⁶⁾	(109.2)	(112.1)
Adjusted NNNAV ⁽³⁾	3,609.2	2,924.8
Cumulative dividends paid since completion of the offer process ⁽⁷⁾	1,002.0	1,002.0
Adjusted NNNAV before dividends	4,611.2	3,926.8
Adjusted net assets per share ⁽⁸⁾	£6.25	£5.20
Adjusted net assets per share before dividends	£7.82	£6.77
Adjusted NNNAV per share ⁽⁸⁾	£5.65	£4.58
Adjusted NNNAV per share before dividends	£7.22	£6.15

Notes:

(1) Revalued to market value in existing state.

(2) Uplift to market value on pre-sold properties under construction of £277.1 million (31 December 2006 – £99.9 million) less profit of £18.2 million recognised in the six months ended 30 June 2007 (31 December 2006 – £nil), together with uplift to market value on properties under construction to be held of £28.7 million (31 December 2006 – £48.8 million).

(3) Excludes the potential value to the group of EZAs (refer to 'Business Review – Taxation').

(4) Refer to Note 8(5).

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

(6) Refer to Note 10.

(7) The Songbird Acquisition Limited offer to acquire the company closed on 15 July 2004. Since that date the company has paid interim dividends as follows: 8 September 2005 – 65p (£407.7 million); 30 December 2005 – 45p (£287.6 million); 7 November 2006 – 48p (£306.7 million).

(8) Calculated by reference to the closing number of shares in issue of 639.0 million (31 December 2006 – 639.0 million). There were no dilutive instruments at either date.

BUSINESS REVIEW (Continued)

In arriving at the 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 was 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. NNNAV per share also factors in the fair value of financial assets and liabilities and any contingent tax payable in the event of disposing of the property portfolio.

Borrowings

In April 2007 the group completed a restructuring of its securitisation involving the redemption of £572.6 million of floating rate notes ('FRNs') and the issue of £726.0 million of new non-amortising FRNs. Additional proceeds of £153.4 million are represented principally by £51.0 million of Class C2 notes, rated A, and £100.0 million of Class D2 notes, rated BBB. All of the new notes issued have a maturity of October 2037.

During the period the group also entered into a £155.0 million 3 year construction loan facility secured on 5 Churchill Place.

At 30 June 2007 net debt (after cash in hand and cash collateral) stood at £2,842.3 million, down from £2,971.0 million at 31 December 2006, and comprised:

	30 June 2007	31 December 2006
	<u>£m</u>	<u>£m</u>
Securitised debt	2,646.4	2,492.5
Loans	1,266.0	1,269.2
Finance lease obligations	41.8	42.0
Construction loans	16.9	–
	<hr/>	<hr/>
Total borrowings	3,971.1	3,803.7
Less: cash collateral for borrowings	(113.4)	(145.2)
Less: cash collateral for construction	(106.4)	(143.0)
Less: other cash collateral	(22.0)	(24.7)
	<hr/>	<hr/>
Less: cash deposits	3,729.3	3,490.8
	(887.0)	(519.8)
	<hr/>	<hr/>
Net debt	2,842.3	2,971.0

The increase in total borrowings from £3,803.7 million to £3,971.1 million reflects the securitisation tap issue completed in April 2007 and drawdowns under the new construction loan facility. The increase in cash and term deposits from £832.7 million to £1,128.8 million is primarily as a result of the net proceeds from the tap issue and the amounts received under the agreement to sell 30 North Colonnade.

At 30 June 2007 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 a gain of £11.9 million before tax relief (31 December 2006 – liability of £227.3 million).

At 30 June 2007 the group's weighted average cost of debt was 5.9% excluding credit wraps (or 6.0% including credit wraps) in comparison with 5.9% excluding credit wraps (or 6.1% including credit wraps) at 31 December 2006.

Cash flow

Net cash inflow from operating activities for the six months ended 30 June 2007 was £268.6 million in comparison with £276.1 million for the six months ended 30 June 2006. This caption now includes cash flows relating to properties in the course of construction which are held for sale. These cash flows served to increase operating cash inflow by £128.7 million in the six months ended 30 June 2007 (six months ended 30 June 2006 – £168.6 million). Excluding the impact of these cash flows, operating cash inflow increased from £107.5 million to £139.9 million. This increase was primarily attributable to increased rental income.

BUSINESS REVIEW (Continued)

Returns on investments and servicing of finance resulted in an outflow of £103.2 million for the six months ended 30 June 2007 compared with £98.6 million for the six months ended 30 June 2006. The six months ended 30 June 2007 included £10.3 million of fees on loans drawdown and repaid in the period compared with £1.7 million of such fees paid during the six months ended 30 June 2006.

Capital expenditure and financial investment for the six months ended 30 June 2007 resulted in a cash outflow of £31.4 million, compared with a cash inflow of £1.0 million for the six months ended 30 June 2006. The six months ended 30 June 2007 included £23.6 million of development expenditure incurred on properties to be retained by the group and funding of the group's investment in associated undertakings of £7.4 million. The six months ended 30 June 2006 included a £27.0 million deferred consideration received in January 2006 from the sale of 30 South Colonnade. This was offset by development expenditure of £12.8 million, property acquisition expenditure of £3.5 million and funding of the group's associated undertakings of £9.7 million.

The financing cash inflow for the six months ended 30 June 2007 was £162.1 million compared with an outflow of £746.7 million for the six months ended 30 June 2006. The six months ended 30 June 2007 included net proceeds of £148.0 million arising from restructuring the group's securitisation and £17.8 million drawdown under the group's construction loan facility. The six months ended 30 June 2006 included £836.6 million expended on the acquisition of finance leases, funded by the removal of restrictions over certain cash collateral accounts totalling £836.7 million. The six months ended 30 June 2006 also included repayment of £203.6 million remaining on the group's £750.0 million loan facility funded by drawdowns under a £300.0 million retail facility.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2007

Audited Year ended 31 December 2006 £m	Notes	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
370.4	Turnover	282.2	151.4
(155.9)	Cost of sales	(145.8)	(46.6)
214.5	GROSS PROFIT	136.4	104.8
(41.7)	Administrative expenses	(18.4)	(17.3)
1.6	Other operating income before exceptional item:	2.0	0.2
–	Exceptional item: - deferred proceeds on sale of property	8.3	–
174.4	OPERATING PROFIT	128.3	87.7
43.4	Interest receivable	21.5	22.4
(236.7)	Interest payable before exceptional item:	(115.8)	(120.6)
(0.3)	- group	(0.1)	(0.1)
123.3	- associated undertakings	(16.9)	123.3
(113.7)	Exceptional item: - (charges) / gains relating to repayment of debt	(132.8)	2.6
104.1	PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL PERIOD BEFORE TAXATION	17.0	112.7
(60.3)	Taxation	2.9	(109.8)
43.8	PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION	19.9	2.9
6.9p	Basic and diluted earnings per share	3.1p	0.5p

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

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

The interim results for the six months ended 30 June 2007 were approved by the board of directors on 25 September 2007.

CANARY WHARF GROUP PLC

UNAUDITED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

Audited 31 December 2006 £m	Notes	Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m
FIXED ASSETS			
5,715.9	5	6,145.6	5,381.8
46.2	5	36.3	–
204.3	5	210.6	261.6
0.4		0.7	2.3
13.3	6	20.6	13.0
<u>5,980.1</u>		<u>6,413.8</u>	<u>5,658.7</u>
CURRENT ASSETS			
342.5	7	325.0	361.4
53.3		60.4	54.7
832.7	8	1,128.8	1,085.9
<u>1,228.5</u>		<u>1,514.2</u>	<u>1,502.0</u>
(438.1)	9	(568.6)	(390.5)
<u>790.4</u>		<u>945.6</u>	<u>1,111.5</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES			
6,770.5		7,359.4	6,770.2
CREDITORS: Amounts falling due after more than one year			
(3,763.8)	8	(3,915.1)	(3,774.0)
(101.4)	10	(94.6)	(156.6)
<u>2,905.3</u>		<u>3,349.7</u>	<u>2,839.6</u>
NET ASSETS			
CAPITAL AND RESERVES			
6.4		6.4	6.4
Called up share capital			
Reserves:			
146.2	11	146.2	146.2
3,032.7	11	3,457.2	2,701.3
0.7	11	0.7	0.7
264.8	11	264.8	264.8
(545.5)	11	(525.6)	(279.8)
<u>2,905.3</u>	12	<u>3,349.7</u>	<u>2,839.6</u>
SHAREHOLDERS' FUNDS - EQUITY			

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

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

Audited Year ended 31 December 2006 £m	Notes	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
471.6	Net cash inflow from operating activities	268.6	276.1
(195.5)	Returns on investments and servicing of finance	(103.2)	(98.6)
(32.2)	Capital expenditure and financial investment	(31.4)	1.0
(306.7)	Equity dividends paid	-	-
(534.4)		(134.6)	(97.6)
	Cash inflow / (outflow) before management of liquid resources and financing	134.0	178.5
(62.8)	Management of liquid resources	71.1	671.3
675.0	Financing	162.1	(746.7)
(758.6)			
(146.4)	INCREASE / (DECREASE) IN CASH IN THE PERIOD	367.2	103.1
	8		
Audited Year ended 31 December 2006 £m	Reconciliation of operating profit to operating cash flows	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
174.4	Operating profit	128.3	87.7
0.2	Depreciation charges	0.1	0.1
0.1	Provision against investment	-	-
0.5	Share option costs	0.1	0.5
(0.2)	Increase in debtors	(7.5)	(7.2)
22.6	Increase in creditors	2.0	14.3
(13.4)	Expenditure charged to provisions	(5.8)	(7.4)
(2.3)	Movements in provisions	3.5	(1.8)
42.0	Amortisation of lease incentives	19.2	21.3
274.8	Long term contract proceeds	181.3	174.6
-	Profit recognised on long term contracts	(18.2)	-
(27.1)	Long term contract costs	(34.4)	(6.0)
471.6	Net cash inflow from operating activities	268.6	276.1
Audited Year ended 31 December 2006 £m	Returns on investments and servicing of finance	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
43.8	Interest received	24.3	21.0
(229.7)	Interest paid	(116.2)	(114.4)
(5.1)	Interest element of finance lease rentals	(1.0)	(3.5)
(4.0)	Financing expenses on loans drawdown	(9.7)	(1.2)
(0.5)	Financing expenses and breakage costs on loans repaid ⁽ⁱ⁾	(0.6)	(0.5)
(195.5)	Net cash outflow	(103.2)	(98.6)

Note:

(i) For the six months ended 30 June 2007, financing expenses and breakage costs on loans repaid included an exceptional charge of £16.9 million in connection with restructuring the group's securitisation (Note 2) of which £0.6 million was paid and £16.3 million related to the write-off of deferred costs.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007
(Continued)

Audited Year ended 31 December 2006 £m	Capital expenditure and financial investment	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
(41.4)	Additions to properties	(23.6)	(12.8)
(7.2)	Acquisition of property interests	-	(3.5)
(0.1)	Purchase of tangible fixed assets	(0.4)	-
27.0	Sale of investment properties ⁽ⁱ⁾	-	27.0
(10.5)	Investment in associated undertakings	(7.4)	(9.7)
<u>(32.2)</u>	Net cash (outflow) / inflow	<u>(31.4)</u>	<u>1.0</u>

Note:

(i) £27.0 million deferred consideration from the sale of 30 South Colonnade in 2005 received in January 2006.

Audited Year ended 31 December 2006 £m	Financing	Notes	Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
(210.1)	Repayment of secured debt	8	(3.7)	(207.0)
(11.9)	Repayment of securitised debt	8	(578.0)	(5.4)
(836.6)	Repayment of finance leases		-	(836.6)
-	Drawdown of securitised debt		726.0	-
300.0	Drawdown of secured loans		-	302.3
-	Drawdown of construction loans	8	17.8	-
<u>(758.6)</u>	Net cash inflow / (outflow)		<u>162.1</u>	<u>(746.7)</u>

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

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

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 year ended 31 December 2006, which are prepared in accordance with UK GAAP.

The financial information relating to the six month periods ended 30 June 2007 and 30 June 2006 is unaudited.

The results for the year ended 31 December 2006 are not statutory accounts. 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 statements under Section 237(2) or (3) of the Companies Act 1985.

2 INTEREST

Audited Year ended 31 December 2006 £m		Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
43.4	Bank interest receivable	21.5	22.4
<u>43.4</u>		<u>21.5</u>	<u>22.4</u>
	Payable:		
(154.6)	Notes and debentures	(76.2)	(78.9)
(78.4)	Bank loans and overdrafts	(38.6)	(37.8)
(4.4)	Finance lease charges	(1.0)	(3.9)
–	Construction loan	(0.9)	–
(0.3)	Share of associated undertakings	(0.1)	(0.1)
<u>(237.7)</u>		<u>(116.8)</u>	<u>(120.7)</u>
0.7	Less: Interest at 6.6% on the construction loan transferred to properties under construction	0.9	–
<u>(237.0)</u>		<u>(115.9)</u>	<u>(120.7)</u>
	Exceptional items:		
123.3	Gains relating to repayment of finance leases	–	123.3
–	Charges relating to early repayment of debt:		
–	- prepayment and breakage costs	(0.6)	–
–	- write-off of deferred financing costs	(16.3)	–
<u>123.3</u>		<u>(16.9)</u>	<u>123.3</u>

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (Continued)

During the six months ended 30 June 2006, the group recognised gains on the acquisition of finance leases totalling £123.3 million. These gains were taken to the profit and loss account as an exceptional item. As a result of the property interests acquired, the group recognised a deferred tax provision of £110.3 million (Note 3).

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 that debt. As a result of prepaying certain of the group's borrowings, the unamortised portion of those costs relating to the debt prepaid was written-off to the profit and loss account. The amount written-off totalled £16.3 million for the six months ended 30 June 2007. There was no deferred tax as a result of the repayment of debt in the period.

3 TAXATION

Audited Year ended 31 December 2006 £m		Unaudited Six months ended 30 June 2007 £m	Unaudited Six months ended 30 June 2006 £m
–	Current tax: UK corporation tax (see below)	–	–
	Deferred tax:		
(60.2)	Origination and reversal of timing differences	1.5	(109.7)
(0.1)	Net effect of discount	1.4	(0.1)
(60.3)	Total deferred tax (Note 10)	2.9	(109.8)
(60.3)	Total tax on profit and loss on ordinary activities	2.9	(109.8)

The charges and credits for the six months ended 30 June 2007 and the comparative periods relate solely to deferred tax.

In the six months ended 30 June 2006 the group acquired property interests where it is possible that a clawback of EZAs may arise in the event that those property interests are sold. In accordance with FRS 19 a provision was recognised in respect of this potential liability of £185.4 million, net of a discount of £75.1 million, resulting in a charge to the profit and loss account of £110.3 million. This was offset by other movements in deferred tax of £0.5 million, resulting in a net charge for the six months ended 30 June 2006 of £109.8 million. Subsequently, as a result of an internal lease restructuring, the potential clawback of EZAs was reduced by £72.7 million, net of a discount of £23.5 million. Other movements in deferred tax of £0.8 million resulted in a total charge to the profit and loss account for the year ended 31 December 2006 of £60.3 million.

No provision for corporation tax has been made in the consolidated results of the group for the six months ended 30 June 2007, the year ended 31 December 2006 or the six months ended 30 June 2006 due to the availability of tax losses and other tax reliefs arising in these periods, the availability of tax losses brought forward from previous periods and other tax reliefs available. It is anticipated that remaining EZAs and other tax reliefs will reduce future tax charges.

4 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by reference to the profit for the financial period after taxation attributable to ordinary shareholders of £19.9 million (year ended 31 December 2006 – £43.8 million, six months ended 30 June 2006 – £2.9 million) and on the weighted average of 639.0 million shares in issue at each period end.

There were no outstanding dilutive instruments at 30 June 2007 or either of the comparative period ends.

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (Continued)

5 INVESTMENT PROPERTIES, PROPERTIES HELD FOR DEVELOPMENT AND PROPERTIES UNDER CONSTRUCTION**Freehold properties held as tangible fixed assets**

	Investment properties	Properties held for development	Properties under construction
	£m	£m	£m
1 January 2007 (pre-adjustment for UITF 28)	6,058.4	204.3	46.2
Adjustment for UITF 28	(342.5)	–	–
1 January 2007	<u>5,715.9</u>	<u>204.3</u>	<u>46.2</u>
Additions (net of adjustment for UITF 28)	5.2	6.3	10.8
Transferred to long term contracts	–	–	(20.7)
Revaluation	424.5	–	–
30 June 2007	<u>6,145.6</u>	<u>210.6</u>	<u>36.3</u>
Adjustment for UITF 28 (Note 7)	325.0		
Market value at 30 June 2007	<u>6,470.6</u>		
Of which, subject to lease and finance leaseback arrangements	107.2		
Historical cost	2,556.0		

Pre-sold properties under construction

Transferred from properties under construction	20.7
Additions	51.5
SSAP 9 accrual	32.4
Transferred to cost of sales	(101.8)
Transferred from payments on account	(2.8)
30 June 2007	<u>–</u>

Additions to properties for the six months ended 30 June 2007 totalled £77.1 million. In the above table additions are stated net of £3.3 million of tenant works which have been classified as other tenant incentives for the purposes of UITF 28 (Note 7).

In June 2007 the group entered into an agreement for the sale of 30 North Colonnade and received £165.4 million which has been treated as a payment on account (Note 9). The historical cost to the group of the site was £20.7 million. This amount has been transferred from properties under construction to pre-sold properties under construction held as a current asset. At 30 June 2007 the carrying value of this, and other properties carried as current assets, is stated net of amounts taken to cost of sales in accordance with SSAP 9.

During the six months ended 30 June 2007 the group also received £8.3 million of deferred proceeds from the sale of properties in 2003.

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 as at 30 June 2007 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 nor for any taxation which might arise in the event of disposal. The surplus arising on the valuations at 30 June 2007 of £424.5 million has been transferred to the revaluation reserve.

Properties held for development at 30 June 2007, 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.

6 INVESTMENTS

Audited 31 December 2006 £m		Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m
12.6	Associated undertakings	19.8	12.1
0.5	Shares	0.6	0.6
0.2	Other investments	0.2	0.3
<u>13.3</u>		<u>20.6</u>	<u>13.0</u>

In June 2007, the group entered into a joint venture with MSREF V and Exemplar to undertake the redevelopment of the Drapers Gardens scheme in the City of London. The group has invested £6.7 million and incurred fees of £0.1 million in consideration for a 20% stake in the joint venture. This investment has been accounted for as an investment in an associated undertaking.

In April 2005, BWB appointed the group, together with Ballymore, as its partner for the development of Wood Wharf, a site adjacent to the Estate. The Wood Wharf Limited Partnership ('WWLP') has been established to oversee the development of an approximately 6.5 million sq ft (gross) mixed use scheme in which the group has a 25.0% effective interest. The group has subscribed £1,000 of equity share capital in the partners of WWLP. The group has in addition provided interest free long term loans totalling £11.5 million to fund the working capital requirements of the partnership, which are repayable out of development profits.

The funding of WWLP has been accounted for as an investment in an associated undertaking. The investment in WWLP comprises an initial entry premium (plus expenses) of £2.1 million together with the group's share of the net assets of WWLP. The results of WWLP attributable to the group have been derived from WWLP's management accounts for the six months ended 30 June 2007. The group's share of the results and net assets of WWLP is as follows:

	Six months ended 30 June 2007 £m
Loss before interest and tax	(0.6)
Interest receivable	0.9
Interest payable	(0.9)
Loss after tax	<u>(0.6)</u>
Group share (25%)	<u>(0.1)</u>
	30 June 2007 £m
Net assets	<u>44.2</u>
Group share (25%)	<u>11.0</u>

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (Continued)

7 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 the same period. Accordingly the external valuation of investment properties has been reduced for these incentives.

	Rent - free periods £m	Other tenant incentives £m	Total £m
1 January 2007	114.7	227.8	342.5
Transfer from freehold properties (Note 5)	–	3.3	3.3
Recognition of rent during rent-free periods	6.1	–	6.1
Amortisation	(3.9)	(21.4)	(25.3)
Other changes in provisions and accruals	–	(1.6)	(1.6)
30 June 2007	116.9	208.1	325.0

8 NET DEBT

The amounts at which borrowings are stated comprise:

	Securitised debt £m	Construction loan £m	Secured loans £m	Finance lease obligations £m	Total £m
1 January 2007	2,492.5	–	1,269.2	42.0	3,803.7
Drawdown in period	726.0	17.8	–	–	743.8
Deferred financing expenses	(8.1)	(1.4)	0.5	–	(9.0)
Accrued finance charges	(2.9)	0.5	–	(0.2)	(2.6)
Repaid in period	(578.0)	–	(3.7)	–	(581.7)
Exceptional charges	16.9	–	–	–	16.9
30 June 2007	2,646.4	16.9	1,266.0	41.8	3,971.1
Payable within one year or on demand	34.9	–	21.1	–	56.0
Payable in more than one year	2,611.5	16.9	1,244.9	41.8	3,915.1
	2,646.4	16.9	1,266.0	41.8	3,971.1

- (1) At 30 June 2007 the group held sterling cash deposits totalling £1,128.8 million (31 December 2006 – £832.7 million) comprising deposits placed on money market at call and term rates. Total cash deposits included £113.4 million (31 December 2006 – £145.2 million) held by third parties as cash collateral for the group's borrowings, £106.4 million (31 December 2006 – £143.0 million) charged to third parties in connection with the group's construction obligations and £22.0 million (31 December 2006 – £24.7 million) charged to third parties as security for the group's other obligations. Unsecured cash deposits totalled £887.0 million at 30 June 2007 (31 December 2006 – £519.8 million).

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (Continued)

- (2) In April 2007 the group completed a restructuring of its securitisation involving the redemption of £572.6 million of FRNs and the issue of £726.0 million of new non-amortising FRNs. The new notes issued comprised £222.0 million of Class A7 ('A7'), £104.0 million of Class B3 ('B3'), £275.0 million of Class C2 ('C2') and £125.0 million of Class D2 ('D2'). All of the notes have a maturity of October 2037.

Interest on the new notes is at three month LIBOR plus a margin. The margins on the notes are: A7 – 0.19% per annum, increasing to 0.475% in January 2017; B3 – 0.28% per annum, increasing to 0.7% per annum in January 2017; C2 – 0.55% per annum, increasing to 1.375% in April 2014; and D2 – 0.84% per annum increasing to 2.1% in April 2014.

All of the notes are hedged by means of interest rate swaps and the hedged rates plus the margin are: A7 – 5.1135%; B3 – 5.1625%; C2 – 5.4416%; and D2 – 5.8005%.

- (3) In February 2007 the group entered into a £155.0 million 3 year construction loan facility secured on 5 Churchill Place. Interest is charged at LIBOR plus a margin of 0.9%, hedged at 5.625%.

- (4) The movement in net debt for the six months ended 30 June 2007 was as follows:

	1 January 2007	Cash flow	Other non- cash changes	30 June 2007
	£m	£m	£m	£m
Cash at bank	832.7	296.1	–	1,128.8
Amounts on deposit not available on demand	(312.9)	71.1	–	(241.8)
	519.8	367.2	–	887.0
Debt due after 1 year	(3,721.8)	(165.8)	14.3	(3,873.3)
Debt due within 1 year	(39.9)	39.9	(56.0)	(56.0)
Finance leases due after 1 year	(42.0)	1.0	(0.8)	(41.8)
	(3,803.7)	(124.9)	(42.5)	(3,971.1)
Amounts on deposit not available on demand	312.9	(71.1)	–	241.8
Net debt	(2,971.0)	171.2	(42.5)	(2,842.3)
Increase in cash				296.1
Increase in debt and lease financing				(124.9)
Change in net debt resulting from cash flows				171.2
Non-cash movement in net debt				(42.5)
Movement in net debt				128.7
Net debt at 1 January 2007				(2,971.0)
Net debt at 30 June 2007				(2,842.3)

- (5) At 30 June 2007 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 a gain of £11.9 million before tax relief (31 December 2006 – liability of £227.3 million).

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors falling due within one year comprise:

Audited 31 December 2006 £m		Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m
39.9	Borrowings (Note 8)	56.0	42.8
13.5	Trade creditors	21.2	7.8
5.3	Taxation and social security costs	3.0	1.2
30.6	Other creditors	39.0	24.4
92.1	Accruals	128.6	104.9
55.1	Deferred income	58.2	55.4
201.6	Payments on account	262.6	154.0
<u>438.1</u>		<u>568.6</u>	<u>390.5</u>

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

	20 Churchill Place £m	15 Canada Square £m	30 North Colonnade £m	Total £m
1 January 2007	149.7	51.9	–	201.6
Amounts received	16.0	–	165.4	181.4
Recorded as turnover	(46.9)	(19.4)	(53.7)	(120.0)
Applied as an offset against long term contract balances	(2.8)	–	–	(2.8)
Deferred interest	1.9	0.5	–	2.4
30 June 2007	<u>117.9</u>	<u>33.0</u>	<u>111.7</u>	<u>262.6</u>

10 PROVISIONS FOR LIABILITIES

	Leasehold properties £m	Other lease commitments £m	Deferred taxation £m	Total £m
1 January 2007	13.8	27.1	60.5	101.4
Expenditure charged to provision	(3.6)	(2.2)	–	(5.8)
Unwind of discount	0.4	0.5	(1.4)	(0.5)
Increase/(release) of provision	0.7	0.3	(1.5)	(0.5)
30 June 2007	<u>11.3</u>	<u>25.7</u>	<u>57.6</u>	<u>94.6</u>

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (continued)

Leasehold properties:

At 30 June 2007 the provision for the estimated net liability in respect of two leasehold properties, discounted at 6.0%, being the group's weighted average cost of debt at that date, was stated at £11.3 million (31 December 2006 – £13.8 million).

Other lease commitments:

In connection with an agreement for lease signed in 2001 the group entered into a rent support commitment under which it may contribute a maximum of £10 per sq ft per annum towards the difference between the passing rent payable by a tenant at its previous premises and the rent achievable on any sub-lease. The maximum amount payable in respect of this commitment at 30 June 2007 had reduced to £24.3 million (nominal) with a present value of £19.3 million calculated on the basis of a discount rate of 6.0%. 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 certain properties during 2005, the group agreed to provide rental support in respect of either the unexpired rent-free periods or, where there is a fixed uplift in rent, until the next rent review date. The group recognised a provision in respect of these commitments at the date of disposal and at 30 June 2007 the remaining provision was £6.4 million calculated on the basis of a discount rate of 6.0%.

Deferred tax:	Unaudited 30 June 2007 £m	Audited 31 December 2006 £m
Deferred taxation:		
Accelerated capital allowances claimed	(109.3)	(112.2)
Other timing differences	0.1	0.1
	<hr/> (109.2)	<hr/> (112.1)
Undiscounted deferred tax liability	51.6	51.6
Discount		
Discounted deferred tax liability	<hr/> (57.6)	<hr/> (60.5)
	Six months ended 30 June 2007 £m	Year ended 31 December 2006 £m
At start of period	(60.5)	(0.2)
Deferred tax credit/(charge) in the profit and loss account for the period	2.9	(60.3)
At end of period	<hr/> (57.6)	<hr/> (60.5)

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 £168.5 million (31 December 2006 – £59.0 million), reduced from £298.8 million (31 December 2006 – £212.5 million) by EZA balancing allowances. There is no corporation tax on development surpluses in relation to completed properties that are held by the group's property development companies (31 December 2006 – £nil).

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (Continued)

11 RESERVES

	Share premium account	Revaluation reserve	Capital redemption reserve	Special reserve	Profit and loss account	Total
	£m	£m	£m	£m	£m	£m
1 January 2007	146.2	3,032.7	0.7	264.8	(545.5)	2,898.9
Revaluation of investment properties	–	424.5	–	–	–	424.5
Retained profit for the financial period	–	–	–	–	19.9	19.9
30 June 2007	146.2	3,457.2	0.7	264.8	(525.6)	3,343.3

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

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£m
Profit for the financial period	19.9
Revaluation surplus	424.5
Net movement in shareholders' funds	444.4
Opening shareholders' funds	2,905.3
Closing shareholders' funds	3,349.7

13 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

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. 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.

At 30 June 2007 the net present value of the remaining sub-let commitments, discounted at 6.0%, being the group's weighted average cost of debt, was £34.1 million. The existence of the sub-let commitments has been taken into account in the market valuation of the group's properties at 30 June 2007.

INDEPENDENT REVIEW REPORT TO CANARY WHARF GROUP PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related Notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999 / 4 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, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999 / 4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP
Chartered Accountants
London

25 September 2007

CANARY WHARF GROUP PLC

MEMBERS' INFORMATION

BOARD OF CANARY WHARF GROUP PLC

Executive Directors:

George Iacobescu CBE[#]
Chief Executive Officer

A Peter Anderson II[#]
Managing Director, Finance

Non-Executive Directors:

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

John Carrafiell^{*##}

Shmuel (Sam) Levinson^{*##}

Alexander (Alex) Midgen⁺

Robert Falls^{}**

Toby Phelps[#] (alternate director to John Carrafiell and Robert Falls)

Company Secretary

John Garwood

* Audit Committee
Operating Committee
+ Remuneration Committee

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Registered Number: 4191122

Registrars:

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The Registry
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Facsimile: 020 8639 2342

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Website: www.capitaregistrars.com

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

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