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**£30 MILLION EQUITY FUNDRAISING FOR NEW DEVELOPMENT OPPORTUNITIES**

**Firm Placing of 4,166,666 New Ordinary Shares  
Placing and Open Offer of 4,166,666 New Ordinary Shares  
Notice of Extraordinary General Meeting**

Development Securities plc, the property development and investment company ("Development Securities" or the "Company"), announced today that it intends to raise £30 million (before expenses) by the issue of 8,333,332 New Ordinary Shares at an issue price of 360 pence per New Ordinary Share by way of a firm placing (the "Firm Placing") and a placing and open offer (the "Placing and Open Offer"), both fully underwritten by the Company's brokers Collins Stewart (except in relation to certain Committed Open Offer Shares).

The issue price of 360 pence per New Ordinary Share represents a 7.3 per cent. discount to yesterday's closing middle market price of 388.5 pence per Ordinary Share. The Firm Placing and the Placing and Open Offer are each conditional upon (amongst other things) shareholder approval at an Extraordinary General Meeting to be held at noon on 24 August 2004 at One Silk Street, London EC2Y 8HQ.

**Reasons for the Firm Placing and the Placing and the Open Offer**

The net proceeds from the Firm Placing and the Placing and Open Offer will be used by Development Securities to seek to capitalise on opportunities early in the property development cycle. The Board believes that in the first six months of 2004 sentiment has improved in the office occupier market in the City of London and that there is evidence to suggest a sustained revival is in prospect.

However, analysis of the City of London property cycle suggests that it takes two to four years for the market to recover from its lows to a point where returns on development projects start to become attractive to institutional property investors, which have typically funded Development Securities' large development projects.

To participate in development opportunities in the City of London, wider London and provincial office markets earlier in the cycle invariably requires an element of equity investment or financing commitment from the developer to secure a development role.

Development Securities will use the money raised from the Firm Placing and the Placing and Open Offer to fund such investments and thereby participate earlier and more significantly in the property development market's expected cyclical recovery.

Michael Marx, Joint Managing Director at Development Securities, said:

“We believe there will be significant opportunities in the office development market both in and outside of London over the next few years. This fundraising allows our shareholders to participate in the potential upturn in the development cycle.”

## Contact

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*Collins Stewart Limited is acting for Development Securities plc and no one else in connection with the Firm Placing and the Placing and Open Offer and will not be responsible to anyone other than Development Securities plc for providing the protections afforded to clients of Collins Stewart Limited, nor for giving advice in relation to the Firm Placing and the Placing and Open Offer or any other matter referred to herein.*

*THE OPEN OFFER DESCRIBED IN THIS ANNOUNCEMENT IS NOT BEING MADE TO SHAREHOLDERS WITH A REGISTERED ADDRESS IN, OR WHO ARE LOCATED IN ANY EXCLUDED TERRITORY. Neither the New Ordinary Shares nor the Open Offer Entitlements have been, nor will they be, registered under the Securities Act, or under the securities laws of any state of the United States or under the applicable securities laws of any other Excluded Territory. Neither the New Ordinary Shares nor the Open Offer Entitlements may be offered or sold, directly or indirectly, in or into the United States or any other Excluded Territory, or to or for the benefit of any national, resident or citizen of any other Excluded Territory. There will be no public offer of securities in the United States or any other Excluded Territory. Overseas Shareholders are referred to the paragraph headed "Overseas Shareholders" in Part II of the Prospectus.*

*This announcement does not constitute an offer of, or the solicitation of any offer to subscribe for or buy, any of the New Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.*

This announcement includes forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements are not guarantees of future performance and the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

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**£30 MILLION EQUITY FUNDRAISING FOR NEW DEVELOPMENT  
OPPORTUNITIES**

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**1 Introduction**

Development Securities announced today that it intends to raise £30 million (before expenses) by the issue of 8,333,332 New Ordinary Shares at an issue price of 360 pence per New Ordinary Share by way of a firm placing (the "Firm Placing") and a placing and open offer (the "Placing and Open Offer"). The issue price of 360 pence per New Ordinary Share represents a 7.3 per cent. discount to the closing middle market price of 388.5 pence per Ordinary Share on 27 July 2004.

The Firm Placing and the Placing and Open Offer are each conditional upon, amongst other things, the passing of the Resolutions at the Extraordinary General Meeting to be held at noon on 24 August 2004 at One Silk Street, London EC2Y 8HQ. Further details of the conditions of the Firm Placing and the Placing and Open Offer are set out below.

**2 Background to and reasons for the Firm Placing and the Placing and Open Offer**

Development Securities is a property development and investment company operating almost exclusively in the United Kingdom. Its principal objective is to carry out substantial, complex developments in a risk averse manner. In the financial year ending 31 December 2003, profit before tax was £1.2 million and net assets were £125.1 million.

Over the past 5 years, the main contribution to shareholder returns has been generated from commercial development projects rather than property investment. The principal focus for development activity has been the provision of large, high value office buildings in London and the South East, increasingly involving complex urban regeneration and mixed use (e.g. residential, retail, leisure), and this is where the reputation and profile of the Company is highest. The Company intends this focus to continue, given the experience of the senior development management team and the working relationships that have been developed by Development Securities primarily in London with local authorities, commercial property agents, funding partners and banks.

One of London's principal property sub-markets, the City of London property market, has a record of responding to major shifts in both supply and demand within the overall constraints and opportunities of UK and global economic activity. In recent times, the rental cycle peaked in 1987 and then again in 2000. Since 2000 rents have fallen back and there has been a significant reduction in demand. Since 2002 there has been an increase in supply of rental properties. However, the Board believes that the first six months of 2004 have witnessed improving sentiment in the office occupier markets in the City of London and, as supply begins to stabilise, there is evidence to suggest that a period of sustained recovery in this property market cycle is in prospect. Moreover, the Board believes that the much reduced supply of new office buildings to

the City of London market from 2005 will tend to support the recovery in prime rental levels and help to reduce the current high availability levels of office accommodation. In addition, given the long lead times that are of necessity involved in the delivery of new buildings, the Board anticipates that it will be some years before the supply side can respond to any increased demand.

Historical analysis of the City of London property cycle suggests that it takes two to four years from a low point for the market to recover to a point where risks and returns on development projects start to become commercially attractive to institutional property investors. In order for the Company to participate in the early years of this cycle, it needs to secure a development role in the short to medium term. At this relatively early stage, property development frequently requires developers such as Development Securities to provide a higher level of financing or equity commitment compared to subsequent phases. Therefore, in order to take full advantage of the expected upturn in the City of London property market (and, to the extent similar opportunities present themselves, the wider London and provincial property markets), the Group invariably requires additional financial resources to co-invest and secure a participation in these development projects.

In the 10 years since 1994, the Company has not sought additional equity funding and, conversely, for the year ended 31 December 2002 declared a special dividend to shareholders amounting to £7,999,000 in aggregate and bought back 640,000 of the Company's Ordinary Shares at a total cost of £2,029,000. The Company believes that the opportunities outlined above are sufficiently attractive to seek additional equity funding pursuant to the Firm Placing and the Placing and Open Offer.

In addition, the issue of the New Ordinary Shares should allow for an enhanced liquidity in the market for Development Securities' shares, thus providing easier access in the future to institutional investors should they wish to acquire stock.

### **3 Use of proceeds**

The Firm Placing and the Placing and Open Offer is expected to raise approximately £30 million before expenses. The net proceeds from the Firm Placing and the Placing and Open Offer will be used by Development Securities to seek to capitalise on opportunities early in the property development cycle. The Board believes that in the first six months of 2004 sentiment has improved in the office occupier market in the City of London and that there is evidence to suggest a sustained revival is in prospect.

To participate in development opportunities in the City of London, wider London and provincial office markets earlier in the cycle invariably requires an element of equity investment or financing commitment from the developer to secure a development role.

Development Securities will use the money raised from the Firm Placing and the Placing and Open Offer to fund such investments and thereby participate earlier and more significantly in the property development market's expected cyclical recovery. The Directors are currently reviewing a number of development investment opportunities.

Pending investment of the proceeds of the Firm Placing and the Placing and Open Offer as described above, Development Securities will hold the money in bank accounts or, where appropriate, through investment in UK government securities with a maturity of not more than 12 months or similar securities.

#### **4 Current trading and prospects**

Since 31 December 2003, current trading has been in line with the Directors' expectations and the Board continues to believe that the financial and trading prospects of the Group for the current financial year remain positive.

As expected, since January 2004, profits from development activities have been constrained by the softer occupational markets that have been a feature of the Central London markets for the last few years. Although, as described in paragraph 2 above ("*Background to and reasons for the Firm Placing and the Placing and Open Offer*"), the Board believes that there are signs of improving sentiment in the office occupier markets in the City of London, given the long lead times for the completion of development opportunities, the Board believes that it will take two to four years for any upturn in the cycle to impact on the profitability of the Group's property development business.

The financial and trading prospects of the property investment business continue to look positive for the current financial year. The investment property market has continued to strengthen, with the Investment Property Databank monthly capital growth index rising 5.1 per cent. in the first six months of 2004. The same monthly index records a total all property return of 8.6 per cent. for the six month period. The Group's portfolio activity continues to focus on three key principles: proactive management of the portfolio, a low number of assets under ownership allowing a more focused management process and a preference for multi-let assets where more opportunity exists for lease restructuring and other asset management initiatives. The Group has continued to maintain its property investment portfolio in accordance with these principles and announced on 1 March 2004 that it had acquired a shopping centre in Dewsbury and an industrial building in Redditch, and on 29 June that it had acquired a site in Liverpool. The acquisition of the site in Liverpool was financed from the Company's existing internal resources and the other acquisitions were financed using the Company's existing debt facilities.

The Company's associated undertaking, Stead & Simpson Group Limited in which the Company has a 38 per cent. interest in the ordinary share capital, continues to trade well in accordance with expectations.

#### **5 Principal terms of the Firm Placing and the Placing and Open Offer**

##### *(a) Firm Placing*

Collins Stewart, as agent for and on behalf of the Company, has agreed to place firm 4,166,666 New Ordinary Shares at the issue price of 360 pence per New Ordinary Share, or to the extent that it fails to do so, itself subscribe for these Firm Placing Shares. The Firm Placing Shares, which are not being offered to Shareholders under the Placing and Open Offer, comprise 4,166,666 New Ordinary Shares and are being offered directly to certain existing Shareholders.

##### *(b) Placing and Open Offer*

Arrangements have been made with Collins Stewart to invite, as agent for and on behalf of the Company, Qualifying Shareholders to apply to subscribe on a pre-emptive basis for, in aggregate, 4,166,666 New Ordinary Shares at the issue price of 360 pence per New Ordinary Share, on the basis of

#### **1 New Ordinary Share for every 6.765331 Existing Ordinary Shares**

registered in their name as at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held. Qualifying Shareholders may apply for any whole number of New Ordinary Shares up to their maximum entitlement which, in the case of

Qualifying non-CREST Shareholders, is equal to the number of Open Offer Entitlements set out in their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST. Holdings of Existing Ordinary Shares traded on the London Stock Exchange in Certificated and Uncertificated Form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer as will holdings under different designations and in different accounts.

No application in excess of a Qualifying Shareholder's maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for the maximum entitlement only.

Application has been made for the Open Offer Entitlements to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST on 29 July 2004. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements on 29 July 2004 and the Open Offer Entitlements will be enabled for settlement in CREST on 29 July 2004. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Qualifying non-CREST Shareholders will have received an Application Form with the Prospectus which sets out their maximum entitlement to New Ordinary Shares as shown by the number of Open Offer Entitlements allocated to them.

Collins Stewart is seeking to place 4,151,135 New Ordinary Shares (being all the New Ordinary Shares subject to the Open Offer (except the Committed Open Offer Shares)) conditionally with certain existing Shareholders, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer.

For Qualifying non-CREST Shareholders, completed Application Forms and payment in full must be received by 11.00 a.m. on 20 August 2004. For Qualifying CREST Shareholders, the relevant CREST instructions must have settled by no later than 11.00 a.m. on 20 August 2004.

Entitlements to fractions of New Ordinary Shares under the Open Offer will not be allotted and fractional entitlements will be rounded down to the nearest whole number of New Ordinary Shares. Accordingly, Qualifying Shareholders with fewer than 7 Existing Ordinary Shares will not be invited to apply to subscribe any New Ordinary Shares under the Open Offer. The fractional entitlements will be aggregated and included in the Placing with the proceeds being retained for the benefit of the Company.

(c) *Further Information on the Firm Placing and the Placing and Open Offer*

It is expected that Admission will become effective and dealings in the New Ordinary Shares issued pursuant to the Firm Placing and the Placing and Open Offer will commence at 8.00 a.m. on 26 August 2004. The New Ordinary Shares will, when issued and fully paid, rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions (if any) declared, made or paid by Development Securities after the date of issue of the New Ordinary Shares, save for any interim dividend that may or may not be declared when the interim results for the first six months of the 2004 financial year are announced. No temporary documents of title will be issued.

The Firm Placing and the Placing and Open Offer are conditional, amongst other things, upon:

- (i) the passing of the Resolutions at the Extraordinary General Meeting;

- (ii) the Placing Agreement becoming unconditional in all respects (save for Admission) by no later than 8.00 a.m. on 26 August 2004 (or such later date, being no later than 8.00 a.m. on 10 September 2004, as Collins Stewart may agree with the Company) and not having been terminated or rescinded in accordance with its terms; and
- (iii) Admission.

Accordingly if any of the conditions to the Firm Placing and the Placing and Open Offer are not satisfied, neither the Firm Placing nor the Placing and Open Offer will proceed.

The issue of the New Ordinary Shares under the Firm Placing and the Placing and Open Offer has been fully underwritten by Collins Stewart (except the Committed Open Offer Shares), subject to certain conditions set out in the Placing Agreement, further details of which are set out in the Prospectus.

Further details of the Firm Placing and the Placing and Open Offer are set out in the letter from Collins Stewart set out in the Prospectus and, where relevant, in the accompanying Application Form.

## **Contact**

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Development Securities plc

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*THE OPEN OFFER DESCRIBED IN THIS ANNOUNCEMENT IS NOT BEING MADE TO SHAREHOLDERS WITH A REGISTERED ADDRESS IN, OR WHO ARE LOCATED IN ANY EXCLUDED TERRITORY. Neither the New Ordinary Shares nor the Open Offer Entitlements have been, nor will they be, registered under the Securities Act, or under the securities laws of any state of the United States or under the applicable securities laws of any other Excluded Territory. Neither the New Ordinary Shares nor the Open Offer Entitlements may be offered or sold, directly or indirectly, in or into the United States or any other Excluded Territory, or to or for the benefit of any national, resident or citizen of any other Excluded Territory. There will be no public offer of securities in the United States or any other Excluded Territory. Overseas Shareholders are referred to the paragraph headed "Overseas Shareholders" in Part II of the Prospectus.*

*This announcement does not constitute an offer of, or the solicitation of any offer to subscribe for or buy, any of the New Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons into whose possession this announcement comes should*

*inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.*

*This announcement includes forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements are not guarantees of future performance and the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.*

## Appendix I

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2004

Record Date for entitlements under the Open Offer	Close of business on 27 July
Ex-entitlement date for the Open Offer	28 July
Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	by 29 July
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 13 August
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 17 August
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 18 August
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)</b>	<b>11.00 a.m. on 20 August</b>
<b>Latest time and date for receipt of Forms of Proxy</b>	<b>noon on 22 August</b>
Extraordinary General Meeting	noon on 24 August
Admission and commencement of dealings in the New Ordinary Shares issued pursuant to the Firm Placing and the Placing and Open Offer	8.00 a.m. on 26 August
Expected date for crediting of New Ordinary Shares to CREST stock accounts in Uncertificated (paperless) Form	26 August
Despatch of definitive share certificates in respect of New Ordinary Shares in Certificated Form	by 3 September

## Appendix II

### Definitions

The following definitions apply throughout this announcement, unless the context otherwise requires:

“£”, “p”, “pence”, “pounds sterling” or “pounds”	the lawful currency of the United Kingdom
“Admission”	the admission of the New Ordinary Shares to the Official List and to trading on the market for listed securities of the London Stock Exchange and “Admission becoming effective” means its becoming effective in accordance with paragraph 7.1 of the Listing Rules and paragraph 2.1 of the admission and disclosure standards published by the London Stock Exchange
“Application Form”	the application form for applications in respect of the Open Offer by Qualifying non-CREST Shareholders that accompanies the Prospectus
“Board” or “Directors”	the Executive Directors and Non-executive Directors of Development Securities
“Business Day”	a day (other than a Saturday or Sunday) on which banks are generally open in London for the transaction of normal business
“Certificated” or “in Certificated Form”	not in Uncertificated Form
“Collins Stewart”	Collins Stewart Ltd.
“Committed Open Offer Shares”	the New Ordinary Shares which are the subject of the undertaking from Roy Dantzic, Michael Marx, Julian Barwick, William Grant, Victoria Mitchell and Michael Soames referred to in the Prospectus
“CREST”	the relevant system for the paperless settlement of trades and holding of Uncertificated securities operated by CRESTCo in accordance with the Regulations
“CRESTCo”	CRESTCo Limited, the operator of CREST
“dealing day”	a day on which the London Stock Exchange is open for business and shares may be dealt on the London Stock Exchange
“Development Securities” or “the Company”	Development Securities plc
“Development Securities Group” or “Group”	Development Securities and its subsidiaries (as defined in section 736 of the Act) and subsidiary undertakings (as defined in section 258 of the Act) as at the date of the Prospectus
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of Development Securities to be held at One Silk Street, London EC2Y 8HQ on 24 August 2004 at noon, notice of which is set out at the end of the Prospectus, or any adjournment thereof
“enabled for settlement”	in relation to Open Offer Entitlements, enabled for the limited purpose of settlement of claim transactions and unmatched stock event transactions (each as described in the CREST Manual

	issued by CRESTCo
“Excluded Territories”	the United States, Canada, Australia, Japan, New Zealand, the Republic of Ireland and South Africa
“Existing Ordinary Shares”	the ordinary shares of 50 pence each in the capital of Development Securities at the date of the Prospectus
“Firm Placing”	the firm placing of 4,166,666 New Ordinary Shares at an issue price of 360 pence per New Ordinary Share with certain existing Shareholders and pursuant to the Placing Agreement
“Firm Placing Shares”	the 4,166,666 New Ordinary Shares being issued pursuant to the Firm Placing
“Form of Proxy”	the form of proxy accompanying the Prospectus for use by Shareholders in connection with the Extraordinary General Meeting
“Issue Price”	360 pence per New Ordinary Share
“Listing Rules”	the listing rules made by the UK Listing Authority in accordance with section 74 of the Financial Services and Markets Act 2000 (as amended from time to time)
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	new ordinary shares of 50 pence each in the capital of the Company to be issued by the Company pursuant to the Firm Placing and the Placing and Open Offer
“Official List”	the Official List of the UK Listing Authority
“Open Offer”	the invitation to Qualifying Shareholders to subscribe for New Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in the Prospectus and, where relevant, in the Application Form
“Open Offer Entitlement”	an entitlement to apply to subscribe for one New Ordinary Share, allocated to a Qualifying Shareholder pursuant to the Open Offer
“Ordinary Shares”	Existing Ordinary Shares or New Ordinary Shares, as the context requires
“Overseas Shareholders”	Shareholders with registered addresses outside the United Kingdom or who are located in, or are nationals, residents or citizens of countries other than the United Kingdom
“Placing”	the conditional placing by Collins Stewart of 4,151,135 New Ordinary Shares at the Issue Price on the terms and subject to the conditions contained in the Placing Agreement, subject to the right of Qualifying Shareholders to apply for such shares under the Open Offer and as described in the Prospectus
“Placing Agreement”	the agreement dated 28 July 2004 between Development Securities and Collins Stewart in relation to the Firm Placing and the Placing and Open Offer, details of which are set out in the Prospectus
“Prospectus”	the document comprising a prospectus relating to the New Ordinary Shares to be issued pursuant to the Firm Placing and the Placing

	and Open Offer, prepared in accordance with the Listing Rules
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the Record Date are in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the Record Date are in certificated form
“Qualifying Shareholders”	Shareholders on the register of members of Development Securities on the Record Date other than Shareholders with a registered address in any of the Excluded Territories
“Record Date”	close of business on 27 July 2004
“Regulations”	the Uncertificated Securities Regulations 2001, as amended from time to time
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting, as set out in the notice of the Extraordinary General Meeting at the end of the Prospectus
“Securities Act”	the US Securities Act of 1933
“Shareholders”	holders of Ordinary Shares
“UKLA” or “UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“Uncertificated” or “in Uncertificated Form”	recorded on the relevant register or other record of the share or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia