

24th August 2010

DEVELOPMENT SECURITIES PLC - INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30th JUNE 2010
More capital available for emerging real estate opportunities

Development Securities PLC ("Development Securities" or the "Company"), the leading property development and investment company, today announces interim results for the six months ended 30th June 2010.

Highlights:

- Profit of £0.8 million pre-tax for the six months to 30th June 2010 (30th June 2009: £19.1 million loss)
- Net assets decline as a result of swap revaluations and dividends by 2.3 per cent to £238.5 million (31st December 2009: £244.0 million), equivalent to 290p per share (31st December 2009: 297p per share)
- Successful equity fund raising in July 2010 of £100.2m provides the ability to take advantage of viable opportunities that require skills and the capital otherwise largely unavailable from banks, as well as to co-invest in large-scale developments
- Development programme remains on track at PaddingtonCentral, St Bride Street, London EC4 and Heart of Slough. New developments commenced at West Quay, Southampton and Hale Barns, Manchester
- Acquisition of the Manchester Evening News Arena Complex, Europe's largest indoor venue, for £62.2 million completed with asset management initiatives already under way
- Other acquisitions in excess of £100.0 million completed since the July 2009 equity raising
- Investment portfolio recorded an increase of 3.1 per cent to 30th June 2010 (compared with a 5.9 per cent capital return on the All Property IPD Index), but this figure primarily reflects a portfolio focus outside Central London and does not include the Group's share of the uplift in value of the MEN Arena
- Interim dividend maintained at 2.4p (30th June 2009: 2.4p)

Financial summary:

unaudited for the six months ended 30th June 2010

	30th June 2010 unaudited £ million	30th June 2009 unaudited £ million	31st Dec 2009 audited £ million
Profit/(loss) before income tax	0.8	(19.1)	(11.4)
Net assets	238.5	143.0	244.0
Net debt*	(107.3)	(116.2)	(45.7)
Basic and diluted loss per share (pence)	(0.5)	(45.4)	(17.5)
Basic net assets per share [#] (pence)	290	352	297
Dividends per share declared [#] (pence)	2.4	2.4	4.8

* Refer notes 11 and 19

[#] Refer note 19

For further enquiries:

Michael Marx/Graham Prothero
Development Securities PLC

020 7828 4777

Mallika Basu/Lucy Grimble
The Communication Group plc

020 7630 1411

Chairman's statement

Whilst it seems the recent low point of the market is now behind us, there are undoubtedly issues still to resolve as far as the UK economy is concerned, in particular with regard to the flow of capital to a substantial part of the still somewhat beleaguered property market. There would appear to be a not inconsiderable amount of institutional, retail and sovereign wealth money seeking to enter the prime real estate market and insufficient opportunities to satisfy this appetite. Banks are no longer able or willing to provide the necessary finance to many participants in the more secondary sector of the physical real estate market, which is constraining their ability to capitalise on real estate projects and creating a number of opportunities for Development Securities to deploy its skills and capital.

In this context, it is pleasing to report a profit of £0.8 million pre-tax for the six months to 30th June 2010, compared to a loss of £19.1 million for the equivalent period last year. Swap revaluations and dividends lowered net assets by 2.3 per cent to £238.5 million from £244.0 million at 31st December 2009, equivalent to 290p per share as compared to 297p per share at 31st December 2009. As announced on 22nd July, the Directors have declared an interim dividend of 2.4p per share, payable on Thursday 9th September 2010 to those Shareholders on the register on Friday 30th July 2010 in respect of those shares in issue prior to the Placing and Rights Issue.

Whilst we have seen commercial property values rise by 15 per cent since the low point in July 2009, this still leaves the market some 30 per cent below the June 2007 peak. Realistically, given the somewhat challenging economic prospects ahead of us in the medium-term, it is going to be some time before those upper levels will be tested again. In our view, property is fairly priced as against the main competing asset classes of equities and bonds and in absolute terms property seems fairly priced against its historic ten-year average initial yield. On the one hand, it is comforting to note that rental declines have slowed recently to an almost negligible level. On the other, it is difficult in the near-term to see significant, sustained rental growth appearing in the general economy. It would appear that the market lacks momentum both on a rental and capital basis. We will need to generate our own momentum.

It was against the background of a restricted flow of capital to a significant element of the real estate market that your Company raised £100.2 million last month by way of a Placing and Rights Issue at a modest discount of 8.8 per cent to the then market price. Net of expenses, the £94.1 million proceeds of this capital raising are available to be introduced into viable opportunities denied capital from the banks. As with the £100.0 million that we raised in July 2009, we plan to co-invest in potential large-scale development projects, secure more modest sized real estate on our own account where we are able to identify development or other added value opportunities, secure property to be traded in the near-term, as well as acquire existing loans from banks which are secured on sound property collateral.

It has been an active year for us so far. In May we commenced the second phase of development at West Quay, Southampton being a 57,600 sq. ft., 155-key hotel, let to Premier Inn and pre-sold to AMEC Pension Fund. The project is proceeding on time and on budget, and scheduled for completion early in 2011. At PaddingtonCentral, we secured the grant of planning permission in respect of 350,000 sq. ft. of office space that will represent the final phase at PaddingtonCentral and also let the remaining 27,000 sq. ft. at One Kingdom Street to MWB Business Exchange Plc. Practical completion at Two Kingdom Street was achieved in February and three floors (75,000 sq. ft.) have been let to AstraZeneca. The other active significant development scheme is at St Bride Street, London EC4 which reached practical completion in January this year and which is now being marketed in respect of the 56,000 sq. ft. of prime office accommodation. We continue to pursue, in conjunction with institutional partners, active involvement in a number of Central London large-scale developments. Outside London, following our land swap arrangement with Slough Borough Council, concluded in February, construction of the new bus station by the Local Authority is scheduled for completion in 2011. After this we can take possession of our site, which will provide 350,000 sq. ft. of prime office accommodation.

Our investment property portfolio recorded a revaluation uplift of £4.9 million over the six months, being 3.1 per cent as compared to the 5.9 per cent capital return of the All Property IPD Index, the shortfall against the index primarily reflecting the focus of our portfolio outside Central London. However, not included in this figure is the Group's share of the uplift in value in the Manchester Evening News Arena of £2.8 million as at 30th June, which represented an increase of 15.4 per cent on the Group's share of the consideration for the purchase in the same month. At 30th June, the annual rent passing on the portfolio was £13.2 million representing a yield of 6.9 per cent compared to the reversionary rental level of £15.4 million, giving a yield of 8.1 per cent. The current vacancy rate is 7.1 per cent.

The Manchester Evening News Arena complex was the largest acquisition made by your Company, utilising funds made available from last year's £100.0 million equity issue. The Arena is the largest indoor venue in Europe by seating capacity, attracting over one million visitors a year, and the second largest by ticket sales. It offers various asset management opportunities, one of which, the re-gear of the lease to the Arena operator, has already been achieved and which improves the asset to institutional quality. There are further initiatives for us to undertake and we hope to have most of these resolved by the end of next year. The acquisition was made in partnership with investors Patron Capital Partners, and the joint venture arrangement was formalised in August, with your Company retaining a 30.0 per cent share.

In January, we acquired a retail property in Crewe for £3.4 million, yielding 7.25 per cent. The property lies within a designated regeneration area and has clear optionality. Also in January, we acquired a leisure facility in Hampstead,

London NW3 for £3.2 million yielding 7.8 per cent. This property is within a prime residential location and has potential scope for conversion to residential use at some stage in the future.

In February, we acquired a mixed-use property in the prime retail core of Nottingham for £9.1 million, yielding 9.5 per cent. We have since commenced refurbishment and letting of the vacant office accommodation and are optimistic about generating a further enhanced income stream.

In March, we acquired a shopping precinct and car park in the centre of Hale Barns, an affluent suburb of Manchester. The site has planning permission for a comprehensive redevelopment comprising a 28,000 sq. ft. foodstore, 18,500 sq. ft. of further retail units and 51 residential apartments. Discussions with a foodstore anchor are well advanced. The property yielded 4.9 per cent on acquisition, reflecting the development potential. We intend to submit a revised planning application shortly and hope to commence building works in 2011.

In May, we entered into a joint venture to fund the planning and land acquisition costs to facilitate a 350,000 sq. ft. mixed-use retail, office and residential development in west London. Initially, we will fund costs to a maximum of £4.1 million. An assessment of our options for this development will be made once planning consent has been granted.

In June, we acquired a mixed-use property in Victoria, London SW1 for £10.1 million yielding income of 6.8 per cent. The property, Westminster Palace Gardens, is a Grade II listed mansion block comprising retail, office and residential accommodation. We plan to convert most of the office suites to apartments to meet what we assess as rising prime Central London residential demand.

In July, we acquired Airport House, Croydon for £7.75 million from the LPA Receivers appointed on behalf of the Bank of Ireland. We aim to improve the income yield to a double digit level after a comprehensive refurbishment programme. Also in the same month, we acquired a 100,000 sq. ft. office and warehouse property in Littlehampton reflecting an initial yield of 9.0 per cent. The property has clear potential for redevelopment.

Since 30th June the Group has made progress in selling three investment properties. The sale of the Genesis Centre in Warrington was completed in July for £10.0 million, slightly above its book value as at 30th June. The sales of Bank Hey Street in Blackpool and Victoria Street West in Grimsby are both under offer.

In March, we refinanced certain of the acquisitions made since July 2009 together with some properties that we have held for a few years with a new £58.2 million 15-year term debt facility with Aviva Commercial Finance Limited. The facility carries a fixed interest rate of 6.2 per cent.

The proceeds of the recent Placing and Rights Issue mean we are in a stronger position to access projects and properties in the market place where our skills should generate strong rates of return. Our experience in the last twelve months indicates clearly that the ready availability of cash from our previous equity issue enabled us to improve the terms of trade on those transactions in which we engaged. We anticipate that the benefit of further capital will continue what we feel is a competitive advantage and perhaps enable us to broaden our access into the property market. Other than our focus in the United Kingdom's commercial real estate sector, we do not regard ourselves as restricted to any particular sub-group or geographical location. We believe that the turbulence from the crisis in the financial markets will bring forward a healthy selection of opportunities for your Company's consideration.

Once again, I am pleased to thank, on your behalf, all of the management and staff of Development Securities for their unstinting efforts, commitment and professionalism in supporting the strategic objectives that we have set.

D S Jenkins
Chairman
24th August 2010

Financial review

The reduction in net asset value over the period may be summarised as follows. Our operations generated a profit before interest and income tax of £6.5 million (30th June 2009: £15.5 million loss, 31st December 2009: £4.6 million loss), which was outweighed by net interest costs of £4.5 million, foreign currency translation differences of £0.5 million and net losses on the fair value of interest rate swaps (including amounts charged directly to reserves) of £4.7 million. After the dividend payment of £2.0 million, net assets reduced by £5.5 million, to £238.5 million.

With project management fees continuing at a minimal level, trading and development profit of £1.0 million principally reflected the sale of Canon House, Wallington, acquired from a bank in August 2009.

Net revenue from our investment portfolio increased to £4.5 million (six months ended 30th June 2009: £2.3 million, year ended 31st December 2009: £5.5 million), the increase principally reflecting acquisitions made over the last twelve months. The revaluation of the portfolio as at 30th June 2010 produced an uplift of £4.9 million (30th June 2009: £12.2 million deficit, 31st December 2009: £3.7 million surplus).

Levels of default in the portfolio remain low, with equivalent annual rental losses of only £0.1 million due to tenant administration. As at 23rd August 2010, arrears in excess of 30 days stood at £0.3 million.

The Statement of comprehensive income also includes £2.8 million in respect of the Group's share of the uplift in value of the Manchester Evening News Arena complex, purchased in June 2010. The Arena was acquired on behalf of a joint venture with Patron Capital Partners, and is shown in the Balance sheet as an asset held for sale (to the joint venture entity).

Net debt as at 30th June was £107.3 million, representing gearing of 45.0 per cent (30th June 2009: £116.2 million and 81.3 per cent, 31st December 2009: £45.7 million and 18.7 per cent). Following the drawdown of the £58.2 million facility from Aviva in March 2010, the weighted average maturity of our debt is 9.9 years. Of total debt of £175.3 million, £114.9 million is at fixed rates, resulting in an average rate of 5.9 per cent. If the Group's share of debt held in or on behalf of joint ventures is included, gearing rises to 54.3 per cent. On that basis weighted average debt maturity falls to 9.1 years and the average rate reduces to 5.4 per cent. In the current environment of extraordinarily low rates across the curve, our risk averse management of debt, with a concentration on fixed rates for longer term facilities, results in the significant fair value charges mentioned above.

Our 2009 Annual Report sets out our risk profile and our approach to managing our principal risks. With regard to the second half of the current year, the Board is alert to downside risks in the wider economy, and is not factoring general rental or capital growth into its investment decisions. We will continue to exercise caution in selecting future projects, paying particular attention to the covenant strength of tenants and other relevant counterparties, and to the potential for value creation from our own asset management and development capabilities.

Portfolio analysis

Tenant profile

1	FTSE 100	1%
2	Government	1%
3	PLC/Nationals	79%
4	Regional Multiples	7%
5	Local Traders	12%

Lease profile

1	0-5 years	25%
2	5-10 years	32%
3	10-15 years	16%
4	15-20 years	12%
5	20 years+	15%

Location profile

1	London	12%
2	South East	29%
3	North	33%
4	South West	26%

Analysis by sector

1	Retail	76%
2	Office	2%
3	Mixed	11%
4	Industrial	10%
5	Residential	1%

Income generating properties as at 31st July 2010

PRINCIPAL PROPERTIES

Retail

Kingsland Shopping Centre, Thatcham, Berkshire
131 The Broadway, Bexleyheath, Kent
The Furlong Centre, Ringwood, Hampshire
Swanley Shopping Centre, Swanley, Kent
Atlantic Village, Bideford, Devon
Victoria Street, Grimsby
Crown Glass Shopping Centre, Nailsea
89-107 Queen Street, Cardiff

Offices

Pearl Assurance House, Nottingham

Industrial

Great West Trading Estate, Brentford, Middlesex
The Wick Site, Littlehampton

Mixed use

Manchester Evening News Arena complex

Consolidated statement of comprehensive income
 unaudited for the six months ended 30th June 2010

	Notes	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Revenue	2	14.3	18.9	35.1
Direct costs	2	(9.5)	(18.0)	(30.9)
Gross profit	2	4.8	0.9	4.2
Operating costs	2	(5.4)	(4.7)	(12.8)
Loss on disposal of investment properties	2	(0.1)	–	–
Gain/(loss) on revaluation of investment property portfolio	2	4.9	(12.2)	3.7
Increase in fair value of asset held for sale	2	2.8	–	–
Operating profit/(loss)		7.0	(16.0)	(4.9)
Share of post-tax losses of joint ventures		(0.1)	–	–
Provision for impairment of joint ventures		(0.4)	–	(0.4)
Income from financial assets		–	0.5	0.5
Profit on sale of investments		–	–	0.2
Profit/(loss) before interest and income tax	2	6.5	(15.5)	(4.6)
Finance income	4	0.7	1.3	2.0
Finance costs	4	(6.4)	(4.9)	(8.8)
Profit/(loss) before income tax		0.8	(19.1)	(11.4)
Income tax	5	(1.2)	0.6	0.7
Loss after income tax for the period		(0.4)	(18.5)	(10.7)
Other comprehensive income:				
Loss on revaluation of operating properties	8(a)	(0.2)	(0.3)	(0.3)
(Loss)/gain on valuation of cross-currency interest rate swap		(4.0)	2.4	2.7
Deferred income tax credit/(charge)	5	1.1	(0.7)	(0.7)
Total comprehensive income for the period attributable to equity shareholders of the parent		(3.5)	(17.1)	(9.0)
Basic loss per share	7	(0.5)p	(45.4)p	(17.5)p
Diluted loss per share	7	(0.5)p	(45.4)p	(17.5)p

Notes 1 to 20 form an integral part of this condensed Consolidated interim financial information.

Consolidated balance sheet
unaudited as at 30th June 2010

	Notes	30th June 2010 unaudited £ million	30th June 2009 unaudited £ million	31st Dec 2009 audited £ million
Non-current assets				
Property, plant and equipment				
– Operating properties	8(a)	1.3	1.6	1.6
– Other plant and equipment	8(b)	4.7	3.8	4.2
– Investment properties	8(c)	204.2	123.2	181.1
Intangible assets - goodwill	9	2.2	–	–
Other financial assets	10	24.4	15.1	16.8
Investments in associates		1.5	–	1.5
Investments in joint ventures		–	0.7	–
Trade and other receivables		2.6	2.4	2.3
Deferred income tax assets		3.8	0.9	3.9
Derivative financial instruments		0.4	5.5	7.5
		245.1	153.2	218.9
Current assets				
Inventory – development and trading properties		112.6	65.2	78.6
Assets classified as held for sale	8(d)	70.1	0.6	–
Other financial assets		0.5	10.3	10.6
Trade and other receivables		12.2	56.7	22.9
Cash and cash equivalents	11(a)	68.0	32.2	80.6
		263.4	165.0	192.7
Total assets		508.5	318.2	411.6
Current liabilities				
Trade and other payables		(30.5)	(17.0)	(28.2)
Liabilities classified as held for sale	8(d)	(50.0)	–	–
Borrowings	11	(3.9)	(30.5)	(12.7)
		(84.4)	(47.5)	(40.9)
Non-current liabilities				
Borrowings	11	(171.4)	(117.9)	(113.6)
Derivative financial instruments		(2.8)	(2.3)	(2.1)
Deferred income tax liabilities		(3.8)	(0.9)	(3.9)
Provisions for other liabilities and charges	12	(7.6)	(6.6)	(7.1)
		(185.6)	(127.7)	(126.7)
Total liabilities		(270.0)	(175.2)	(167.6)
Net assets		238.5	143.0	244.0
Equity				
Share capital	13	41.1	20.3	41.1
Other reserves		146.6	155.5	149.7
Retained earnings		50.8	(32.8)	53.2
Equity attributable to equity shareholders of the parent		238.5	143.0	244.0
Basic net assets per share	7	290p	352p	297p
Diluted net assets per share	7	290p	352p	297p

Notes 1 to 20 form an integral part of this condensed Consolidated interim financial information.

Consolidated statement of changes in equity
unaudited as at 30th June 2010

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million
At 1st January 2009	20.3	154.0	(13.3)	161.0
Loss for the six months to 30th June 2009	–	–	(18.5)	(18.5)
Other comprehensive income:				
Net loss on revaluation of operating properties	–	(0.3)	–	(0.3)
Fair value of cross-currency interest rate swap	–	2.4	–	2.4
Deferred income tax charged directly to equity	–	(0.7)	–	(0.7)
Total comprehensive income for the period ended 30th June 2009	20.3	155.4	(31.8)	143.9
Transactions with owners:				
Share based payments	–	0.1	–	0.1
Final dividend relating to 2008	–	–	(1.0)	(1.0)
Balance at 30th June 2009	20.3	155.5	(32.8)	143.0
Profit for the six months ended 31st December 2009	–	–	7.8	7.8
Other comprehensive income:				
Fair value of cross-currency interest rate swap	–	0.3	–	0.3
Total comprehensive income for the year ended 31st December 2009	20.3	155.8	(25.0)	151.1
Net proceeds of issue of new shares	20.8	(6.1)	79.2	93.9
Interim dividend relating to 2009	–	–	(1.0)	(1.0)
Balance at 31st December 2009	41.1	149.7	53.2	244.0
Loss for the six months to 30th June 2010	–	–	(0.4)	(0.4)
Net loss on revaluation of operating properties	–	(0.2)	–	(0.2)
Fair value of cross-currency interest rate swap	–	(4.0)	–	(4.0)
Deferred income tax credited directly to equity	–	1.1	–	1.1
Total comprehensive income for the period ended 30th June 2010	41.1	146.6	52.8	240.5
Final dividend relating to 2009	–	–	(2.0)	(2.0)
Balance at 30th June 2010	41.1	146.6	50.8	238.5

Notes 1 to 20 form an integral part of this condensed Consolidated interim financial information.

Consolidated cash flow statement
unaudited for the six months ended 30th June 2010

	Notes	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Net cash flow from operating activities	15	(14.1)	(31.4)	(4.3)
Investing activities:				
Interest received		0.5	0.4	0.7
Proceeds on disposal of investment properties		1.3	–	–
Purchase of plant and equipment		(1.0)	(0.6)	(1.3)
Purchase of investment properties		(19.7)	(1.3)	(43.3)
Purchase of investments		–	(0.1)	(1.5)
Purchase of net assets held for sale		(64.8)	–	–
Purchase of subsidiary, net of cash acquired		(2.3)	–	–
Investment in financial assets		(8.9)	(0.1)	(3.2)
Cash (outflow)/inflow from joint ventures		(0.5)	–	–
Net cash flow used in investing activities		(95.4)	(1.7)	(48.6)
Financing activities:				
Dividends paid		–	–	(1.9)
Issue of new shares		–	–	94.0
Repayments of borrowings		(16.3)	(8.1)	(36.5)
New bank loans raised		65.3	13.3	18.1
New bank loans raised held for sale		47.5	–	–
Net cash flow from financing activities		96.5	5.2	73.7
Net decrease in cash and cash equivalents		(13.0)	(27.9)	20.8
Cash and cash equivalents at the beginning of the period		80.6	60.4	60.3
Net foreign currency differences arising on re-translation of cash and cash equivalents		(0.5)	(0.8)	(0.5)
Cash and cash equivalents at the end of the period		67.1	31.7	80.6
Cash and cash equivalents comprise:				
Cash at bank and in hand		45.1	11.2	63.2
Pledged cash held as security against financial liabilities	11(a)	22.9	21.0	17.4
Cash and short-term deposits		68.0	32.2	80.6
Bank overdrafts		(0.9)	(0.5)	–
Cash and cash equivalents at the end of the period		67.1	31.7	80.6
	Notes	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Net debt comprises:				
Cash and short-term deposits		68.0	32.2	80.6
Financial liabilities:				
Current borrowings	11	(3.9)	(30.5)	(12.7)
Non-current borrowings	11	(171.4)	(117.9)	(113.6)
Net debt		(107.3)	(116.2)	(45.7)

Notes 1 to 20 form an integral part of this condensed Consolidated interim financial information.

Notes to the interim financial statements unaudited for the six months ended 30th June 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) General information

The condensed set of Financial statements in the half-yearly report of the Group for the six months ended 30th June 2010 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 24th August 2010.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The condensed Consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31st December 2009, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union, were approved by the Board of Directors on 22nd March 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This Consolidated interim financial information has been reviewed, not audited.

b) Basis of preparation of half-year report

The condensed Consolidated interim financial information for the six months ended 30th June 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed Consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

c) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and amounts reported in the Statement of comprehensive income and the Balance sheet. The principal risks and uncertainties affecting the business activities of the Group are summarised in note 1(c) of the 2009 Annual Report, and remain broadly the same as those at 31st December 2009.

d) Accounting policies

Except as described below, the accounting policies applied in these condensed Consolidated interim financial statements are consistent with those of the Group's annual financial statements for the year ended 31st December 2009, as described in those financial statements.

The following standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. There has been no impact of IAS 27 (revised) on the current period, as none of the non-controlling interests has a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

The following standards, amendments and interpretations effective in 2010 but are not relevant to the Group's operations:

- IFRIC 17 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1st July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18 'Transfers of assets from customers', effective for transfer of assets received on or after 1st July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1st January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1st January 2010.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2010 and have not been early adopted. The financial impact of the new standards, new interpretations and amendments to standards and interpretations are not expected to be material.

- IFRS 9. 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group has not recognised any gains in other comprehensive income. The Group has not yet decided when to adopt IFRS 9.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1st January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1st February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1st January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1st July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1st January 2010.

2. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into three operating divisions, whose principal activities are as follows:

Investment	– management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management;
Trading and Development	– managing the Group's development projects. Revenue is received from project management fees, development profits from development properties and the disposal of inventory from trading properties; and
Operating	– serviced office operations. Revenue is principally received from short-term licence fee income.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom, except assets of £0.6 million (30th June 2009: £0.8 million, 31st December 2009: £0.6 million), which are located in France and The Netherlands. All revenue arises from continuing operations.

2. SEGMENTAL ANALYSIS continued

	Six months to 30th June 2010 (unaudited)			
	Investment	Trading and	Operating	Total
	£ million	development	£ million	£ million
		£ million	£ million	£ million
Segment revenue	7.3	5.1	1.9	14.3
Direct costs	(2.8)	(4.1)	(2.6)	(9.5)
Segment result	4.5	1.0	(0.7)	4.8
Operating costs	(2.3)	(3.1)	–	(5.4)
Loss on disposal of investment properties	(0.1)	–	–	(0.1)
Gain on revaluation of investment property portfolio	4.9	–	–	4.9
Increase in fair value of asset held for sale	2.8	–	–	2.8
Operating profit/(loss)	9.8	(2.1)	(0.7)	7.0
Share of post-tax losses of joint ventures	–	(0.1)	–	(0.1)
Provision for impairment of joint ventures	–	(0.4)	–	(0.4)
Profit before interest and income tax				6.5
Finance income	0.4	0.3	–	0.7
Finance costs	(4.9)	(1.5)	–	(6.4)
Profit before income tax				0.8
Income tax				(1.2)
Loss after income tax				(0.4)
Assets and liabilities				
Segment assets	312.4	164.2	7.1	483.7
Unallocated assets				24.8
Total assets				508.5
Segment liabilities	(197.9)	(59.1)	(2.9)	(259.9)
Unallocated liabilities				(10.1)
Total liabilities				(270.0)
Revenue				
Rental income	7.3	–	–	7.3
Operating property income	–	–	1.9	1.9
Project management fees	–	0.1	–	0.1
Development proceeds	–	5.0	–	5.0
	7.3	5.1	1.9	14.3

2. SEGMENTAL ANALYSIS continued

	Six months to 30th June 2009 (unaudited)			
	Investment	Trading and	Operating	Total
	£ million	development	£ million	£ million
		£ million	£ million	£ million
Segment revenue	4.2	13.0	1.7	18.9
Direct costs	(1.9)	(13.6)	(2.5)	(18.0)
Segment result	2.3	(0.6)	(0.8)	0.9
Operating costs	(1.6)	(3.1)	–	(4.7)
Loss on revaluation of investment property portfolio	(12.2)	–	–	(12.2)
Operating loss	(11.5)	(3.7)	(0.8)	(16.0)
Income from financial assets	0.5	–	–	0.5
Loss before interest and income tax				(15.5)
Finance income	1.1	0.2	–	1.3
Finance costs	(3.2)	(1.7)	–	(4.9)
Loss before income tax				(19.1)
Income tax				0.6
Loss after income tax				(18.5)
Assets and liabilities				
Segment assets	154.2	143.7	6.7	304.6
Unallocated assets				13.6
Total assets				318.2
Segment liabilities	(94.9)	(73.3)	(2.5)	(170.7)
Unallocated liabilities				(4.5)
Total liabilities				(175.2)
Revenue				
Rental income	4.2	–	–	4.2
Operating property income	–	–	1.7	1.7
Project management fees	–	0.5	–	0.5
Construction contract revenue	–	11.6	–	11.6
Development proceeds	–	0.9	–	0.9
	4.2	13.0	1.7	18.9

2. SEGMENTAL ANALYSIS continued

	Year ended 31st December 2009 (audited)			
	Investment £ million	Trading and development £ million	Operating £ million	Total £ million
Segment revenue	10.1	21.4	3.6	35.1
Direct costs	(4.6)	(21.4)	(4.9)	(30.9)
Segment result	5.5	–	(1.3)	4.2
Operating costs	(5.1)	(7.7)	–	(12.8)
Gain on revaluation of investment property portfolio	3.7	–	–	3.7
Operating profit/(loss)	4.1	(7.7)	(1.3)	(4.9)
Provision for impairment of joint ventures	–	(0.4)	–	(0.4)
Income from financial assets	–	0.5	–	0.5
Profit on sale of investments	–	0.2	–	0.2
Loss before interest and income tax				(4.6)
Finance income	1.7	0.3	–	2.0
Finance costs	(6.9)	(1.9)	–	(8.8)
Loss before income tax				(11.4)
Income tax				0.7
Loss after income tax				(10.7)
Assets and liabilities				
Segment assets	217.5	148.6	7.1	373.2
Unallocated assets				38.4
Total assets				411.6
Segment liabilities	(103.7)	(48.3)	(2.6)	(154.6)
Unallocated liabilities				(13.0)
Total liabilities				(167.6)
Revenue				
Rental income	10.0	–	–	10.0
Operating property income	–	–	3.6	3.6
Project management fees	–	1.0	–	1.0
Construction contract revenue	–	20.4	–	20.4
Other income	0.1	–	–	0.1
	10.1	21.4	3.6	35.1

3. OPERATING PROFIT/(LOSS)

The following items have been charged to operating profit/(loss) during the period:

	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Cost of development and trading properties recognised in direct cost	2.4	11.5	17.7
Write-down of development and trading properties to net realisable value	–	0.8	2.4

4. FINANCE INCOME AND COSTS

	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Finance income			
Interest receivable	0.7	0.6	1.0
Other finance income	-	-	0.1
Fair value gain on financial instruments – interest rate swaps, caps and collars	-	0.7	0.9
Total finance income	0.7	1.3	2.0

	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Finance costs			
Interest on bank loans and other borrowings	3.9	3.5	6.9
Interest on debenture	1.1	1.1	2.2
Amortisation of transaction costs	0.2	0.3	0.5
Fair value loss on financial instruments – interest rate swaps, caps and collars	0.7	-	-
Net foreign currency differences arising on re-translation of cash and cash equivalents	0.5	0.8	0.6
Total finance cost	6.4	5.7	10.2
Capitalised interest on development and trading properties	-	(0.8)	(1.4)
Finance costs	6.4	4.9	8.8

In addition the Group recorded a charge of £4.0 million (30th June 2009: credit of £2.4 million and 31st December 2009: credit of £2.7 million) in respect of a cross-currency interest rate swap. This amount is reported as a movement in other reserves in the period.

5. TAXATION

Corporation tax for the interim period is charged at 28.0 per cent (30th June 2009 and 31st December 2009: 28.0 per cent).

	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
UK corporation tax	(0.1)	-	-
Deferred tax (charge)/credit	(1.1)	0.6	0.7
	(1.2)	0.6	0.7

A £1.1 million deferred income tax credit (30th June 2009: £0.7 million charge and 31st December 2009: £0.7 million charge) has been booked directly in reserves in respect of the fair value of cross-currency interest rate swap movement.

Payments of £0.1 million, relating to prior period corporation tax liabilities, have been made in the period.

6. DIVIDENDS

	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Amounts recognised as distributions to equity holders in the period	2.0	1.0	2.0
Proposed dividend	2.0	1.0	2.0
	Pence	Pence	Pence
Interim dividend per share	2.40	2.40	2.40
Final dividend per share	-	-	2.40

An interim dividend was declared by the Board on 22nd July 2010 and has not been included as a liability or deducted from retained earnings as at 30th June 2010. The interim dividend is payable on 9th September 2010 to Ordinary shareholders on the register at the close of business on 30th July 2010, and will be recorded in the financial statements for the year ended 31st December 2010.

7. LOSS PER SHARE AND NET ASSETS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (EPRA) adjusted net assets per share and earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance and to assist comparison between European property companies.

The calculation of basic and diluted loss per share and EPRA loss per share is based on the following data:

	Six months to 30th June 2010 unaudited	Six months to 30th June 2009 unaudited	Year ended 31st Dec 2009 audited
Loss			
Loss for the purposes of basic and diluted loss per share (£ million)			
	(0.4)	(18.5)	(10.7)
(Gain)/loss on revaluation of investment property portfolio	(4.9)	12.2	(3.7)
Increase in fair value of asset held for sale	(2.8)	–	–
Impairment of development land	–	0.8	2.4
Mark-to-market adjustment on interest rate swaps	0.7	(0.7)	(0.9)
EPRA adjusted earnings from continuing activities attributable to equity holders of the Company	(7.4)	(6.2)	(12.9)
Number of shares (million)			
Weighted average number of Ordinary shares for the purposes of basic loss per share	82.3	40.6	61.1
Effect of dilutive potential Ordinary shares: – Share options	–	–	–
Weighted average number of Ordinary shares for the purpose of diluted loss per share	82.3	40.6	61.1
Basic loss per share (pence)	(0.5)	(45.4)	(17.5)
Diluted loss per share (pence)	(0.5)	(45.4)	(17.5)
EPRA adjusted loss per share (pence)	(9.0)	(15.1)	(21.1)
EPRA adjusted diluted loss per share (pence)	(9.0)	(15.1)	(21.1)

Net assets per share and diluted net assets per share and EPRA net assets per share and EPRA diluted net assets per share have been calculated as follows:

	Six months to 30th June 2010 unaudited	Six months to 30th June 2009 unaudited	Year ended 31st Dec 2009 audited
Net assets (£ million):			
Basic net assets	238.5	143.0	244.0
Cumulative mark-to-market adjustment on interest rate swaps	8.2	4.0	3.5
EPRA adjusted net assets	246.7	147.0	247.5
Effect of dilutive potential Ordinary shares	1.4	1.3	1.4
Diluted net assets	239.9	144.3	245.4
EPRA diluted net assets	248.1	148.3	248.9
Number of shares (million):			
Number of shares in issue at the balance sheet date	82.3	40.6	82.3
Effect of dilutive potential Ordinary shares	0.4	0.4	0.4
Diluted number of shares in issue at the balance sheet date	82.7	41.0	82.7
Basic net assets per share (pence)	290	352	297
Diluted net assets per share (pence)	290	352	297
EPRA adjusted net assets per share (pence)	300	362	301
EPRA diluted net assets per share (pence)	300	362	301

8. PROPERTY, PLANT AND EQUIPMENT

a) Operating properties

	Long leasehold £ million
At valuation 1st January 2009	2.3
Deficit on revaluation	(0.3)
At valuation 30th June 2009	2.0
Deficit on revaluation	-
At valuation 31st December 2009	2.0
Deficit on revaluation	(0.2)
At valuation 30th June 2010	1.8
Accumulated depreciation:	
At valuation 1st January 2009	0.3
Charge for the period	0.1
At valuation 30th June 2009	0.4
Charge for the period	-
At valuation 31st December 2009	0.4
Charge for the period	0.1
At valuation 30th June 2010	0.5
Net book amount 30th June 2010	1.3
Net book amount 31st December 2009	1.6
Net book amount 30th June 2009	1.6

b) Other plant and equipment

	Fixtures and fittings £ million	Motor vehicles and other fixed assets £ million	Total £ million
At cost 1st January 2009	6.3	0.4	6.7
Additions	0.6	-	0.6
Disposals	(0.1)	-	(0.1)
At cost 30th June 2009	6.8	0.4	7.2
Additions	0.7	0.1	0.8
Disposals	-	(0.1)	(0.1)
At cost 31st December 2009	7.5	0.4	7.9
Additions	0.9	0.1	1.0
Disposals	(0.4)	(0.1)	(0.5)
At cost 30th June 2010	8.0	0.4	8.4
Accumulated depreciation:			
At cost 1st January 2009	3.0	0.2	3.2
Charge for the period	0.2	-	0.2
At cost 30th June 2009	3.2	0.2	3.4
Charge for the period	0.2	0.1	0.3
At cost 31st December 2009	3.4	0.3	3.7
Charge for the period	0.2	-	0.2
Disposals	(0.1)	(0.1)	(0.2)
At cost 30th June 2010	3.5	0.2	3.7
Net book amount 30th June 2010	4.5	0.2	4.7
Net book amount 31st December 2009	4.1	0.1	4.2
Net book amount 30th June 2009	3.6	0.2	3.8

c) Investment properties

	Freehold £ million	Long leasehold £ million	Total £ million
At valuation 1st January 2009	132.0	2.1	134.1
Additions:			
– capital expenditure	1.3	–	1.3
Deficit on revaluation	(12.2)	–	(12.2)
At valuation 30th June 2009	121.1	2.1	123.2
Additions:			
– acquisitions	41.7	–	41.7
– capital expenditure	0.3	–	0.3
Surplus on revaluation	15.7	0.2	15.9
At valuation 31st December 2009	178.8	2.3	181.1
Additions:			
– acquisitions	16.7	–	16.7
– capital expenditure	3.0	–	3.0
Transfer from long leasehold to freehold properties	0.5	(0.5)	–
Disposals	(1.5)	–	(1.5)
Surplus/(deficit) on revaluation	5.0	(0.1)	4.9
At valuation 30th June 2010	202.5	1.7	204.2

The Group's investment properties have been valued at 30th June 2010 by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Completed investment properties have been valued by DTZ Debenham Tie Leung, Chartered Surveyors, Ryden LLP, Commercial Property Consultants, Savills Commercial Limited, Chartered Surveyors and Knight Frank LLP at a value of £174.6 million (30th June 2009: £97.0 million, 31st December 2009: £153.9 million).

Land held as an investment property has been valued by Colliers CRE, Chartered Surveyors at £10.0 million (30th June 2009: £10.0 million, 31st December 2009: £10.0 million).

Also included within investment properties are freehold land and buildings representing investment properties under development, amounting to £19.6 million (30th June 2009: £16.2 million, 31st December 2009: £17.1 million), which have been valued by the Directors. These properties comprise buildings and land holdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £9.2 million (30th June 2009: £7.9 million, 31st December 2009: £8.7 million) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost.

d) Assets classified as held for sale

On 15th June 2010, the Group acquired 100 per cent of an investment property and its associated assets for £70.1 million. The initial transaction was made by the Group on behalf of a joint venture entity that the Group had agreed to form with a third party opportunity fund. The agreement for the formal joint venture, in which the Group holds a 30 per cent stake, was signed on 6th August 2010. Accordingly the assets and associated liabilities have been classified as held for sale.

The Group's 30 per cent holding has been recognised at its fair value as at 30th June 2010. This has resulted in a fair value uplift of £2.8 million, which has been credited to the Statement of comprehensive income.

On acquiring the joint venture property, the Group entered into a loan agreement on behalf of the joint venture for £47.5 million. This loan, together with other liabilities acquired, is held for sale with a fair value of £50.0 million as at 30th June 2010.

9. INTANGIBLE ASSETS - GOODWILL

Reconciliation of the carrying amount of goodwill at the beginning and the end of the reporting period:

	£ million
Goodwill	
At 1st January 2010	–
Additions	2.2
At 30th June 2010	2.2

On 29th March 2010, the Group acquired 100 per cent of the issued shares in Henry Davidson Developments Limited (HDD), a property development company specialising in neighbourhood retail schemes (refer note 14). The goodwill of £2.2 million arose as a result of HDD's expected future profits of development projects that were acquired.

10. OTHER FINANCIAL ASSETS

Included within Other financial assets is £5.0 million which represents funding provided to our Curzon Park Limited joint venture, to enable a partial repayment of the bank loan held within the entity. Our joint venture partner also made a similar contribution during the period. These partial repayments reduced the bank's loan to the joint venture entity to £15.6 million. In turn the bank extended the loan for a new five year term, with loan-to-value testing suspended for three years.

The Group acquired a 50 per cent share of the 10.5-acre site, in Birmingham, in November 2006. In March 2010, the Government published a paper outlining the proposed High Speed Rail Link between London and Birmingham (HS2), which indicates that the planned route passes through the site. The Group, together with its joint venture partner, has put on hold plans for development while it awaits the Government's proposals for taking the project forward. The proposed route may restrict development by approximately two-thirds of its original potential.

In view of this uncertainty, the Group is seeking advice in order to protect its position. Should the value of the site, together with any compensation received, be insufficient to repay the bank loan, the Group may incur further charges in respect of its obligations to the joint venture and the bank.

As at 31st December 2009 Other financial assets included £10.1 million in respect of the Group's interests in the projects of HDD (refer note 14).

11. BORROWINGS AND LOANS

	30th June 2010 unaudited £ million	30th June 2009 unaudited £ million	31st Dec 2009 audited £ million
Non – current	171.4	117.9	113.6
Current	3.9	30.5	12.7
	175.3	148.4	126.3

Movements in loans and borrowings are analysed as follows:

	£ million
At 1st January 2009	147.9
New borrowings drawn down	13.3
Repayment of borrowings	(8.1)
Foreign currency movement of Euro denominated loans	(4.8)
Movement on overdraft balances	0.1
At 30th June 2009	148.4
New borrowings drawn down	3.3
Repayment of borrowings	(26.9)
Foreign currency movement of Euro denominated loans	1.6
Movement on overdraft balances	(0.5)
Movement in unamortised transaction costs	0.4
At 31st December 2009	126.3
New borrowings drawn down	65.3
Loans acquired	2.7
Repayment of borrowings	(16.3)
Foreign currency movement of Euro denominated loans	(3.1)
Movement on overdraft balances	0.9
Movement in unamortised transaction costs	(0.5)
At 30th June 2010	175.3

The movements set out above, and the table below, exclude the loan of £47.5 million in respect of Manchester Evening News Arena, which has been classified as a liability held for sale (refer note 8(d)).

Bank loans, loan notes and overdrafts comprise:

	Maturity	30th June 2010 unaudited £ million	30th June 2009 unaudited £ million	31st Dec 2009 audited £ million
£30.0 million variable rate loan	19 Jan 2010	–	20.8	–
£13.0 million variable rate loan	02 Jun 2010	–	9.6	13.0
£1.4 million variable rate loan	31 Jan 2011	1.4	–	–
£25.0 million variable rate loan	31 Mar 2011	–	2.0	2.0
£1.8 million variable rate loan	30 Nov 2011	1.8	–	–
£10.0 million variable rate loan	25 Jun 2012	6.6	–	–
£32.3 million variable rate loan	31 Jan 2013	31.1	34.5	32.3
£13.0 million variable rate loan	31 May 2013	13.0	14.5	13.0
£6.0 million variable rate loan	17 Oct 2014	6.0	8.4	6.0
£20.0 million first mortgage debenture	06 Jan 2016	20.0	20.0	20.0
£58.2 million fixed rate loan	12 Mar 2025	58.1	–	–
€47.0 million variable rate loan notes	25 Oct 2027	38.6	40.1	41.7
Bank overdrafts		0.9	0.5	–
		177.5	150.4	128.0
Unamortised transaction costs		(2.2)	(2.0)	(1.7)
		175.3	148.4	126.3

The Group remains in compliance with the various banking covenants in place as at 30th June 2010.

a) Cash balances shown on the Balance sheet at 30th June 2010 include £22.9 million (30th June 2009: £21.0 million, 31st December 2009: £17.4 million) of cash held as security against borrowings or received in respect of a specific property development funding which cannot be utilised for other purposes.

b) At 30th June 2010, an external valuation, undertaken by J C Rathbone Associates Limited, appraised the market value of the Group's 11% debenture fixed rate debt on a replacement basis, taking into account the difference between fixed interest rates for the debenture and the market value and prevailing interest rates of similar debt instruments, resulting in an excess of fair value over book value of £6.1 million before taxation (30th June 2009: £6.3 million excess, 31st December 2009: £5.4 million excess) at that date. The valuation, which is subject to daily fluctuations in line with money market movements, is only an indication of the notional effect on the net asset value of the Group at 30th June 2010 and is not recognised in the Balance sheet.

12. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	£ million
At 1st January 2009	6.0
Additional provisions	2.0
Unused amount reversed	(0.4)
Utilised during the period	(1.0)
At 30th June 2009	6.6
Additional provisions	1.3
Utilised during the period	(0.8)
At 31st December 2009	7.1
Additional provisions	1.2
Utilised during the period	(0.7)
At 30th June 2010	7.6

Provisions relate to properties and to onerous leases where Group companies act as a guarantor. Onerous lease provisions have been calculated by making assumptions about future lettings, the outcome of which is uncertain. These assumptions are reviewed at the end of each period and the provisions adjusted accordingly.

13. SHARE CAPITAL

	30th June 2010 unaudited £ million	30th June 2009 unaudited £ million	31st Dec 2009 audited £ million
Issued, called up and fully paid:			
82,256,474 Ordinary shares of 50 pence (30th June 2009: 40,603,214 and 31st December 2009: 82,256,474 Ordinary shares of 50 pence)	41.1	20.3	41.1

On 22nd July 2010, the Group announced a fully underwritten share issue to raise gross proceeds of approximately £100.2 million by way of a Placing and Rights Issue. On 28th July 2010, the Placing element of 4,110,000 new ordinary shares of 50 pence was allotted at 250 pence per share and admitted to the Official List of the London Stock Exchange. On 12th August 2010, under the Rights Issue, 35,986,030 new ordinary shares of 50 pence were also allotted at a price of 250 pence per share and admitted to the Official List of the London Stock Exchange. After expenses of the issue, net proceeds were approximately £94.1 million. The new shares rank pari passu in all respects with the existing shares, including the right to receive dividends and other distributions after 22nd July 2010, save for the interim dividend which was declared on 22nd July 2010.

14. BUSINESS COMBINATIONS

On 29th March 2010, the Group acquired 100 per cent of the issued shares in Henry Davidson Developments Limited (HDD), a property development company specialising in neighbourhood retail schemes.

As at 31st December 2009, the Balance sheet value of the Group's interest in this entity was £10.1 million, analysed as Available-for-sale financial assets of £9.9 million and Loans and receivables of £0.2 million.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£ million
Purchase consideration	
- Cash paid	1.6
- Intercompany loan repayment	2.2
Total purchase consideration	3.8

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book value £ million	Fair value adjustments £ million	Provisional fair value £ million
Inventory – development and trading properties	15.9	1.3	17.2
Trade and other receivables	2.2	–	2.2
Trade and other payables	(14.4)	–	(14.4)
Borrowings	(3.4)	–	(3.4)
Net identifiable assets acquired	0.3	1.3	1.6
Provisional goodwill			2.2
			3.8

The goodwill of £2.2 million is attributable to Henry Davidson Development Limited's expertise and reputation and expected future profits of development projects that were acquired. None of the goodwill is expected to be deductible for tax purposes.

(a) Acquisition-related costs

Acquisition-related costs of £0.2 million are included in the Statement of comprehensive income.

(b) Acquired receivables

The fair value of trade and other receivables is £2.2 million and includes trade receivables with a fair value of £nil.

(c) Acquired inventory

The fair value adjustments in respect of inventory relate to specific projects that are due to generate profits in the next six months. The profits have been adjusted for project specific risks and uncertainties that may impact the profit level. These adjustments are provisional and are based on management's best estimates.

(d) Revenue and profit contribution

The acquired business contributed revenues of £nil and a net loss of £0.3 million to the Group for the period from 29th March 2010 to 30th June 2010. If the acquisition had occurred on 1st January 2010, consolidated revenue and consolidated loss for the half-year ended 30th June 2010 would have been £14.3 million and £0.5 million respectively.

15. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	Six months to 30th June 2010 unaudited £ million	Six months to 30th June 2009 unaudited £ million	Year ended 31st Dec 2009 audited £ million
Operating profit/(loss)	7.0	(16.0)	(5.0)
Adjustments for:			
Loss on disposal of investment properties	0.1	–	–
(Gain)/loss on revaluation of investment property portfolio	(4.9)	12.2	(3.7)
Increase in fair value of asset held for sale	(2.8)	–	–
Depreciation of property, plant and equipment	0.3	0.3	0.6
Operating cash flows before movements in working capital	(0.3)	(3.5)	(8.1)
Increase in developments	(3.4)	(5.6)	(19.4)
Increase in trading properties	(13.4)	(0.1)	(1.2)
Decrease/(increase) in receivables	10.4	(10.2)	26.0
(Decrease)/increase in payables	(2.4)	(7.9)	5.2
Increase in provisions	0.5	0.6	1.1
Cash (used in)/generated by operations	(8.6)	(26.7)	3.6
Capitalised interest charged to direct costs	–	–	2.1
Income taxes paid	(0.7)	(0.1)	(0.1)
Interest paid	(4.8)	(4.6)	(9.9)
Net cash flow from operating activities	(14.1)	(31.4)	(4.3)

16. CONTINGENT LIABILITIES

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £0.1 million (30th June and 31st December 2009: £0.1 million). The performance of obligations under various leases guaranteed by Group companies amount to £0.4 million per annum (30th June 2009: £1.5 million, 31st December 2009: £0.4 million).

The Group has provided guarantees in respect of certain obligations of its investees, associates and joint ventures. The Group has guaranteed the payment of £2.7 million in respect of a deferred trading liability of Fiducia Group Limited. The Group considers that this liability will be financed from agreed and intended sales of land by Fiducia Group. The Group has guaranteed its share of the interest payable by Wessex Property Fund in respect of the Fund's borrowings of £17.5 million. The interest liability is currently covered by the Fund's rental income.

The Group has also guaranteed its share of the loan and interest payable by Curzon Park Limited, a joint venture, in respect of the company's borrowings of £15.6 million (refer note 10).

17. RELATED PARTIES

During the period, the Group entered into transactions, in the ordinary course of business, with related parties.

Transactions entered into and balances outstanding at 30th June and 31st December with related parties are set out below. Only Directors are considered to be key management personnel. There were no transactions with Directors other than remuneration. Details of remuneration for the year ended 31st December 2009 are set out in the Remuneration report on pages 92 to 100 of the 2009 Annual Report.

	Sales to related parties £ million	Purchases from related parties £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures				
30th June 2010	–	–	9.0	–
30th June 2009	–	–	8.3	–
31st December 2009	–	–	8.4	–
Associates				
30th June 2010	–	–	13.2	–
30th June 2009	–	–	11.5	–
31st December 2009	–	–	12.1	–

18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As disclosed in note 13, the Group raised additional equity capital in July and August 2010.

Details of the interim dividend proposed are given in note 6.

Since 30th June 2010, the Group has acquired an operating property and a trading property with an aggregate purchase price of £15.4 million. In addition the Group has disposed of an investment property for its book value of £10.0 million. The associated bank loan of £6.0 million was repaid on disposal of the property.

On 6th August 2010, the Group completed the joint venture agreement with an opportunity fund, as described in note 8(d).

19. GLOSSARY

Net debt: total debt less cash and short-term deposits, including pledged cash.

Gearing: expressed as a percentage, is measured as net debt divided by total shareholders' funds.

IPD Index and Total Portfolio Return: total return from the investment property portfolio, comprising net rental income or expenditure and capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial period, as defined and measured by Investment Property Databank Limited, a company that produces independent benchmarks of property returns.

Basic loss per share amounts are calculated by dividing loss for the period/year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the period/year.

Diluted loss per share amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the period/year plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Basic net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date.

Diluted net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date plus the number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Dividends per share: Dividends per share, expressed as an amount in pence per share, is defined as the total dividend declared by the Directors divided by the number of equity shares qualifying for such dividend.

EPRA is the European Public Real Estate Association.

EPRA earnings is the profit after taxation excluding investment property revaluations and gains/losses on disposals, intangible asset movements and their related taxation.

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes. The Directors consider that the adjustment to the fair value of trading and development properties is not material for the purpose of EPRA net assets calculation.

EPRA NAV per share is EPRA NAV divided by the diluted number of shares at the balance sheet date.

20. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' confirm that, to the best of their knowledge, these condensed Consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last Annual Report;

The Directors of Development Securities PLC are listed in the Development Securities PLC Annual Report of 31st December 2009, with the exception of the following changes in the period: P V S Manduca retired on 7th May 2010. A list of the current Directors is maintained on the Development Securities PLC website: www.developmentsecurities.com.

The maintenance and integrity of the Development Securities PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

M H Marx
Chief Executive
24th August 2010

Independent review report to Development Securities PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2010, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1(b), the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
24th August 2010