

Interim Report 2006



Regeneration in partnership

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Development and investment in the community

Mixed-use development

Mixed-use development is fast becoming a major aspect of our business. The environmental pressures to preserve and protect the countryside are demanding that options for brownfield development are explored wherever possible. Invariably, this involves complex, multi-use schemes with an increased density, thus better utilising the relatively scarce land resource in the UK.

Partnership in investment and development

We work in partnership with an ever-increasing number of stakeholders. Our large, complex development projects often require an investment and development partnership with providers of long-term equity capital. Our developments at PaddingtonCentral, The Royals Business Park and Cambourne Business Park are current examples of the scale of these relationships.

With our decision to take development risk across the UK, we are forming local joint ventures whereby we can draw upon specialist expertise suited to specific geographic areas and product sectors.

Finally, we are forming relationships with financial partners with substantial funds and competitive costs of capital. Their involvement permits us to participate on a leveraged basis in certain projects which might otherwise be too large for our own balance sheet, enabling us to undertake a wider range of substantial, complex projects.

Regenerative development

The benefits of urban regeneration are many. It enriches and improves the local communities and environments in which we work.

As part of a balanced development portfolio, we promote mixed-use projects that enable people to live and work close to retail and leisure facilities.

Regeneration creates diverse and balanced communities that reflect the social and economic diversity of the communities in which we work. It requires us to develop successful partnerships with local stakeholders and engage them in our work towards sustainability.

Financial highlights

£8.4m

Profit before taxation up
75% to £8.4 million

£191.3m

Net assets up 2% to
£191.3 million

521p

Net assets per share up
2% to 521 pence

2.25p

Dividends per share up
6% to 2.25 pence

Financial highlights

unaudited for the six months ended 30th June 2006

	30th June 2006	30th June 2005	31st Dec 2005
	unaudited £ million	restated unaudited £ million	restated audited £ million
Profit before taxation	8.4	4.8	23.3
Net assets	191.3	175.4	187.5
Net borrowings*	(29.2)	(68.1)	(31.7)
Earnings per share (pence)	14.2	13.6	54.8
Net assets per share* (pence)	521	478	510
Dividends per share declared* (pence)	2.25	2.12	6.37

*See glossary (refer note 11)

Chairman's statement

I am pleased to report profit before taxation of £8.4 million for the first six months of 2006, a significant increase over the £4.8 million profit achieved on a comparable basis for the same period in 2005.

Shareholders' funds increased to £191.3 million, equivalent to 521 pence per share, from £187.5 million or 510 pence per share at 31st December 2005.

This year is the first in which we have incorporated an investment property valuation review into our Interim Report. Accordingly, we have restated the comparative figures for 2005 on a similar basis.

Our balance sheet exhibits continuing strength, with shareholders' funds only just below their record level. Net borrowings at 30th June 2006 were £29.2 million, with net gearing* a modest 15.3 per cent compared to 16.9 per cent at 31st December 2005. Unutilised bank facilities are in excess of £40 million. Accordingly, your Board has declared an interim dividend of 2.25 pence per share, an increase of 6 per cent over the equivalent dividend paid in 2005, to be paid on 26th October to shareholders on the register on 29th September 2006.

Annual GDP growth in the UK has picked up from the below trend performance of 1.9 per cent in 2005 and is now provisionally estimated to be running at an annual rate of 2.6 per cent in 2006, with service sector growth a notable contributor. Even though this economic performance comfortably exceeded economists' consensus expectations of a year ago, core inflation remains subdued. This favourable economic scenario was reflected in the IPD All

Property Rental Index which reached an annualised growth rate of 3 per cent in June, a level not seen since October 2001. Against this strengthening backdrop, our investment property portfolio again outperformed and our own development activity has begun to gain traction not only at PaddingtonCentral but also in provincial and outer London markets.

PaddingtonCentral

In April 2006, we received the green light to proceed with construction of the second phase, which will incorporate a 250,000 sq. ft. office building and a 206-room Accor hotel. The office building, for which completion is anticipated in January 2008, is jointly funded by our development partners, Morley Fund Management and DIFA Deutsche Immobilien. Construction work on the £30 million 'Crossrail Deck' was completed in March 2006, followed a few months later by the reopening of Bishops Bridge Road which has been widened from two to five lanes, providing direct vehicular access into PaddingtonCentral. This development should benefit from the current strength of the West End market as well as by some of the lettings achieved in the immediate vicinity.

CityPark, Manchester

This mixed-use development site was acquired for £3 million in October 2004. Outline planning exists for 94,000 sq. ft. of hotel accommodation and 177,000 sq. ft. of

*See glossary (refer note 11)

offices. We are pleased to report that terms have been agreed to forward sell the hotel accommodation. The strength of the occupational and investment markets is encouraging us to believe that the office element, which will require an amended planning consent, will also be forward funded prior to the commencement of construction.

Cavendish Walk, Huyton

An excellent result is in prospect at Cavendish Walk Shopping Centre in Huyton, Liverpool. A conditional contract was exchanged in August for the sale of this 110,000 sq. ft. town centre retail scheme which has been under development over the last 12 months. We anticipate that a substantial gain will be generated from the eventual disposal price of approximately £24 million, generating a more than satisfactory return on equity. This out-turn, which we expect to detail more fully in our results for the full year, reflects not only market yield compression, but also the benefit of our focused application of development and investment expertise in a challenging retail environment.

Cambourne Business Park

In July 2006, Global Graphics Software leased 14,500 sq. ft. at Cambourne Business Park, leaving only 30,000 sq. ft. available to let on the second phase of this 750,000 sq. ft. business park development. Located 9 miles from Cambridge City Centre, Cambourne Business Park is an integral part of the new Cambourne settlement, a 1,040-acre scheme of 3,300 houses with town centre, hotel, retail and leisure facilities.

Broughton

In April 2006, Flintshire County Council resolved to grant planning consent for both the 170,800 sq. ft. extension to the Broughton Retail Park and the related highway interchange link from the A55. This welcome decision followed several years of consultation with the Local Authority, the Welsh Assembly, The Welsh Development Agency and the Countryside Council for Wales in respect of a joint planning application by Development Securities and British Land. Realisation and quantification of any profit potential from this phase will await the conclusion of discussions with British Land PLC.

We anticipate that our own residential planning application for the adjacent 19 acres of developable land will be submitted to the Local Authority in the next few months for its consideration.

Colindale, London

We submitted a planning application in June 2006 to the London Borough of Brent for the redevelopment of Oriental City, 399 Edgware Road, Colindale. The proposal for a 1.2 million sq. ft. mixed-use development will include a landmark building and commercial, residential and community space, including 300,000 sq. ft. of retail and 340,000 sq. ft. of private and affordable housing, along with associated retail and residential car parking. In addition, we plan to include an 80,000 sq. ft. primary school for 420 pupils. We are cautiously optimistic that we will receive a favourable outcome to our planning application by the end of this year.

This 7.5-acre property, currently comprising 100,000 sq. ft. of retail accommodation with 750 car park spaces was acquired in June last year for £26.4 million, at a yield in excess of 6 per cent.

Hartfield Road, Wimbledon, London

In February 2006, in a joint-venture with Foinavon Limited, conditional contracts were exchanged to acquire the 1.25-acre development site at Hartfield Road. A planning application has been submitted for a 159,000 sq. ft. scheme to comprise 63,000 sq. ft. of residential accommodation, a 30,000 sq. ft. hotel and 66,000 sq. ft. of retail space together with car parking for 220 vehicles. Practical completion is targeted for 2008.

West Quay Road, Southampton

We are pleased to have signed an Agreement to Lease with Carnival PLC to develop their new 150,000 sq. ft. UK headquarters building at West Quay Road, for which planning consent is awaited. A planning application will be made this year for the second phase of this mixed-use, urban development which is intended to be of equal size and will comprise 50,000 sq. ft. of office accommodation, a 20,000 sq. ft. casino, 75,000 sq. ft. of residential and 5,000 sq. ft. of retail accommodation. Practical completion of both phases is targeted by 2009.

The Royals Business Park

In June 2006, we secured the first letting at Building 1000, the 252,000 sq. ft. new grade A office accommodation completed speculatively in 2004 by Standard Life Investments, the London Development Agency and ourselves. The letting of 10,347 sq. ft. on a ten-year term was to Kelway Limited (UK), the IT solutions provider. We continue to be cautiously optimistic

that discussions with parties interested in some of the remaining accommodation will be successful.

Luneside, Lancaster

A Compulsory Purchase Order has now been confirmed in respect of this 17.5-acre urban regeneration project. Accordingly, we are now progressing a detailed planning application for the first phase, together with a land remediation strategy, with a view to starting on site in the first half of 2007. The development will comprise 350 new homes, 90,000 sq. ft. of new offices and a hotel.

Investment Property Portfolio

The property revaluation review at 30th June 2006 generated a more than satisfactory surplus of £10.4 million, equivalent to capital growth of 9 per cent, some 28 per cent above the equivalent IPD growth of 7 per cent.

Whilst this was an excellent interim result, the pace of yield compression in the property investment market is beginning to slacken, with the long-awaited rebalancing of the market now possibly emerging. Certain occupational markets, most notably prime West End offices, are experiencing levels of rental growth required to support today's demanding investment yields, but this is far from a uniform picture across all sectors. Such rebalancing will undoubtedly take time, with the market exhibiting sufficient momentum to ensure that 2006 generates further attractive property returns. Now, more than ever, with the risk of yields softening, stock selection, stock rotation and the successful implementation of asset management initiatives will be the key drivers to increasing values and delivering shareholder returns.

Whilst we have been cautious on acquisitions so far this year, we have executed a disposal programme focused on those assets where we believe the market has overpriced the quality and potential offered. We have to date this year sold five properties for £39.1million producing a surplus over year-end values of £0.9 million.

Rather than pursue assets with seemingly ever declining yields, our acquisition strategy has increasingly focused on marginally higher risk assets that do not depend on strengthening market momentum to deliver the returns we seek. The acquisition this year and the subsequent refurbishment of Stonecross, Wigan, a 148,000 sq. ft. vacant warehouse unit, is a good illustration of this strategy. Initial letting interest has been positive and we anticipate an attractive valuation uplift, once a letting has been secured.

Our success in redevelopment and other asset initiatives within our portfolio has encouraged us to take an increasingly longer term view, by acquiring assets which not only have an existing investment focus, but which, over the medium term, may offer us significant opportunities. To date this year, we have acquired three such properties and anticipate interim value generation by the end of this financial year. Such extended term projects should allow the portfolio to maintain its long-term performance.

We have continued to implement asset management initiatives at our shopping centre properties, including the acquisition of adjoining land holdings to facilitate further growth in size and quality. At The Furlong Centre, Ringwood, focused

investment and development skills have enabled us to treble rental values as well as attract major convenience and fashion brands such as Café Nero and Fat Face to what is essentially a market town. Having generated a surfeit of retail demand over existing capacity, we will shortly be submitting a planning application for a 30,000 sq. ft. extension to this centre. Similar asset management initiatives are underway at our Thatcham and Swanley shopping centres.

Currently, our investment portfolio sector allocation comprises 76 per cent retail, 9 per cent office, 14 per cent industrial and 1 per cent residential.

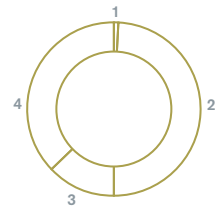
The advent of Real Estate Investment Trusts into the market next year will bring changes to the profile of the UK property industry which we will watch with interest. From our perspective, we are most unlikely to convert your Company to REIT status since we believe it will prove a restrictive environment for a business with such a significant development programme relative to its asset base. In this respect, we continue to pursue a number of interesting and substantial development schemes both in London and the main provincial cities either on our own or in conjunction with regional joint-venture partners.

R M Dantzic
Chairman
19th September 2006

Property portfolio analysis

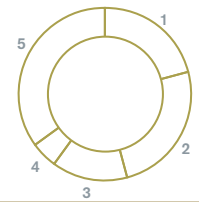
Tenant profile

1	FTSE 100	1%
2	PLC/Nationals	49%
3	Regional Multiples	13%
4	Local Businesses	37%



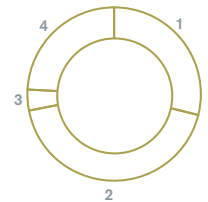
Lease profile

1	0-5 years	21%
2	5-10 years	25%
3	10-15 years	14%
4	15-20 years	5%
5	20 years +	35%



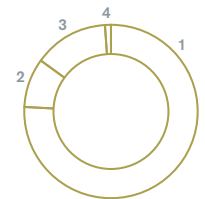
Location profile

1	London	29%
2	South East	43%
3	Midlands	4%
4	North	24%



Analysis by sector

1	Retail	76%
2	Office	9%
3	Industrial	14%
4	Residential	1%



As at 31st August 2006

Principal properties

Retail Kingsland Shopping Centre, Thatcham, Berkshire
131 The Broadway, Bexleyheath, Kent
The Furlong Centre, Ringwood, Hampshire
Swanley Shopping Centre, Swanley, Kent

Offices The Genesis Centre, Birchwood, Warrington, Cheshire

Industrial Great West Trading Estate, Great West Road, Brentford, Middlesex

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Consolidated income statement

unaudited for the six months ended 30th June 2006

	Notes	Six months to 30th June 2006 unaudited £ million	Six months to 30th June 2005 restated unaudited £ million	Year ended 31st Dec 2005 restated audited £ million
Revenue	2	7.2	7.9	25.5
Direct costs	2	(3.8)	(3.6)	(15.2)
Gross profit	2	3.4	4.3	10.3
Operating costs	2	(4.1)	(3.7)	(10.5)
Profit on disposal of investment properties	2	0.9	0.1	3.7
Net gain on revaluation of property portfolio	2	10.4	6.1	17.8
Operating profit	2	10.6	6.8	21.3
Share of results of associate	2	–	0.5	1.5
Income from other fixed asset investments	2	–	0.2	0.1
Profit on disposal of investments	2	–	–	5.8
Profit before interest and taxation	2	10.6	7.5	28.7
Finance income		1.6	1.2	2.3
Finance costs		(3.8)	(3.9)	(7.7)
Profit before taxation		8.4	4.8	23.3
Taxation	3	(3.2)	0.2	(3.2)
Profit for the period attributable to equity holders of the company		5.2	5.0	20.1
Basic earnings per share (pence)	5	14.2p	13.6p	54.8p
Diluted earnings per share (pence)	5	14.1p	13.6p	54.5p
Dividends per share (pence)	11	2.25p	2.12p	6.37p

Consolidated balance sheet
 unaudited as at 30th June 2006

	Notes	30th June 2006 unaudited £ million	30th June 2005 restated unaudited £ million	31st Dec 2005 restated audited £ million
Non-current assets				
Property, plant and equipment				
– Operating properties		9.1	9.1	9.0
– Other non-current assets		8.7	3.7	3.8
Investment properties	6	136.0	167.6	160.2
Investments		1.7	7.0	1.9
Deferred tax asset		2.3	0.4	4.3
		157.8	187.8	179.2
Current assets				
Inventory - land, developments and trading properties		73.9	55.0	56.5
Trade and other receivables		12.4	15.6	10.4
Cash and short-term deposits		61.4	26.0	72.0
		147.7	96.6	138.9
Current liabilities				
Trade and other payables		(13.7)	(14.5)	(17.9)
Borrowings	7	(5.1)	(0.2)	(5.1)
		(18.8)	(14.7)	(23.0)
Net current assets		128.9	81.9	115.9
Total assets less current liabilities		286.7	269.7	295.1
Non-current liabilities				
Borrowings	7	(85.5)	(93.9)	(98.6)
Deferred tax liabilities		(9.9)	(0.4)	(9.0)
Net assets		191.3	175.4	187.5
Financed by				
Capital and reserves				
Called up share capital	8	18.4	18.3	18.4
Other reserves	9	133.9	133.1	133.7
Retained earnings	9	39.0	24.0	35.4
Total equity		191.3	175.4	187.5
Basic net assets per share (pence)	11	521p	478p	510p
Diluted net assets per share (pence)	11	518p	475p	507p

Consolidated statement of recognised income and expense

unaudited as at 30th June 2006

	Six months to 30th June 2006	Six months to 30th June 2005 restated unaudited £ million	Year ended 31st Dec 2005 restated audited £ million
Gains on revaluation of operating properties	–	–	0.3
Net income recognised directly in equity	–	–	0.3
Profit for the period	5.2	5.0	20.1
Total recognised income for the period			
attributable to equity shareholders of the parent company	5.2	5.0	20.4

Consolidated cash flow statement

unaudited for the six months ended 30th June 2006

	Notes	Six months to 30th June 2006 unaudited £ million	Six months to 30th June 2005 restated unaudited £ million	Year ended 31st Dec 2005 restated audited £ million
Net cash from operating activities	10	(28.8)	(35.3)	(32.2)
Investing activities				
Interest received		1.2	1.1	2.1
Dividends received from associated undertaking		–	0.2	0.1
Proceeds from sale of shares in associated undertaking		–	0.3	13.4
Proceeds from redemption of preference shares held in associated undertaking		–	1.5	1.5
Proceeds on disposal of investment properties		38.5	3.4	30.1
Purchase of property, plant and equipment		(0.5)	(0.3)	(0.9)
Purchase of investment properties		(2.9)	(8.2)	(11.8)
Purchase of financial assets		(5.0)	–	–
Purchase of investments		–	–	(1.2)
Net cash from/(used in) investing activities		31.3	(2.0)	33.3
Financing activities				
Dividends paid		–	–	(2.2)
Issue of new shares		0.1	–	0.2
Repayments of borrowings		(13.2)	(5.1)	(5.2)
New bank loans raised		–	16.1	25.8
Net cash (used in)/from financing activities		(13.1)	11.0	18.6
Net (decrease)/increase in cash and short-term deposits		(10.6)	(26.3)	19.7
Cash and cash equivalents at the beginning of the period		72.0	52.3	52.3
Cash and cash equivalents at the end of the period		61.4	26.0	72.0

Analysed as

Cash and short-term deposits at the end of the period	46.6	13.8	48.4
Pledged cash held as security against borrowings	15.8	12.8	24.7
Bank overdrafts	(1.0)	(0.6)	(1.1)
Cash and cash equivalents at the end of the period	61.4	26.0	72.0

Notes to the interim financial information

unaudited for the six months ended 30th June 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

General information

The consolidated interim financial statements of the Group for the six months ended 30th June 2006 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 19th September 2006.

Basis of preparation

The accounting policies applied in these interim consolidated financial statements are consistent with those reported in the Group's annual financial statements for the year ended 31st December 2005.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2005.

The interim report is unaudited and does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985. The statutory accounts for 2005, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ("IFRS"), and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under S237(2) or S237(3) of the Companies Act 1985.

The Directors have made the following revisions to the prior period figures in respect of the following items: The financial statements for the six months ended 30th June 2005 have been restated to include the effect of revaluation of the investment and operating properties at that date, as the Group now revalues its real estate at the interim and year end. The valuation at 30th June 2005 has been calculated by the Directors based principally on the movement in the IPD Capital Growth Index between 31st December 2004 and 30th June 2005, applied to the valuation of those properties held at 30th June 2005. The financial effect of this restatement is to increase by £6.1 million the Net gain on the revaluation of the property portfolio, Profit for the period attributable to equity holders of the company and the value of the investment property portfolio. No adjustment was required to the value of Operating properties.

Comparative figures for the periods ended 30th June 2005 and 31st December 2005 have now been restated to more accurately adopt IFRS requirements in respect of certain leasehold properties. The financial effect of the restatement at 30th June 2005 is a reduction in Operating properties and Other reserves of £1.3 million. For the periods ended 30th June 2005 and 31st December 2005, Profit before tax and Retained profits have increased by £0.4 million as the depreciation charge arising from the Operating properties has been released. The financial effect at 31st December 2005 is a reduction in the value of Operating properties and Other reserves of £1.4 million.

The Directors have corrected an error in the computation of deferred tax in respect of the revaluation gain of an operating property and certain other items at 31st December 2005. Accordingly, the 31st December 2005 balance sheet has been restated to increase deferred tax and other liabilities by £2.9 million with a corresponding reduction in Retained reserves of £2.9 million.

The Directors have also made the following amendments to the presentation of the financial statements: Current deferred tax liabilities have been reclassified to Non-current liabilities. The financial effect of this reclassification is to reduce Current liabilities by £0.3 million and increase Non-current liabilities by £0.3 million as at 31st December 2005. Deferred tax assets and Deferred tax liabilities are now presented gross. The financial effect at 30th June 2005 is an increase in Non-current assets and Deferred tax liabilities of £0.4 million. At 31st December 2005, the financial effect was an increase in Non-current assets and Deferred tax liabilities of £4.3 million.

The presentation of the Cash flow statements at 30th June 2005 and 31st December 2005 has been reviewed to conform with the presentation adopted for 30th June 2006. Bank overdrafts are now included within Cash and short-term deposit balances and not as part of Trade and other payables. The financial effect is to decrease Current assets and Current liabilities by £0.6 million and £1.1 million at 30th June 2005 and 31st December 2005 respectively.

Notes to the interim financial information continued

unaudited for the six months ended 30th June 2006

2. SEGMENTAL ANALYSIS

For management purposes, the Group is currently organised into three operating divisions – Investment; Trading and development; and Operating. These divisions are the basis on which the Group reports its primary segmental information.

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 and development profits; and
- Operating – serviced office operations and retail activities. Revenue is principally received from short-term licence fee income.

	Six months to 30th June 2006 (unaudited)			
	Investment £ million	Trading and development £ million	Operating £ million	Total £ million
Revenue	4.5	0.4	2.3	7.2
Direct costs	(0.7)	(0.6)	(2.5)	(3.8)
Gross profit/(loss)	3.8	(0.2)	(0.2)	3.4
Operating costs				(4.1)
Profit on disposal of investment properties	0.9	–	–	0.9
Net gain on revaluation of investment properties	10.4	–	–	10.4
Operating profit				10.6
Profit before interest and taxation				10.6

	Six months to 30th June 2005 restated (unaudited)			
	Investment £ million	Trading and development £ million	Operating £ million	Total £ million
Revenue	5.2	0.4	2.3	7.9
Direct costs	(0.8)	(0.6)	(2.2)	(3.6)
Gross profit/(loss)	4.4	(0.2)	0.1	4.3
Operating costs				(3.7)
Profit on disposal of investment properties	0.1	–	–	0.1
Net gain on revaluation of investment properties	6.1	–	–	6.1
Operating profit				6.8
Share of results of associate				0.5
Income from other fixed asset investments				0.2
Profit before interest and taxation				7.5

Notes to the interim financial information continued

unaudited for the six months ended 30th June 2006

2. SEGMENTAL ANALYSIS continued

	Year ended 31st Dec 2005 restated (audited)			
	Investment £ million	Trading and development £ million	Operating £ million	Total £ million
Revenue	10.6	9.7	5.2	25.5
Direct costs	(2.0)	(8.4)	(4.8)	(15.2)
Gross profit	8.6	1.3	0.4	10.3
Operating costs				(10.5)
Profit on disposal of investment properties	3.7	–	–	3.7
Net gain on revaluation of investment properties	18.0	–	(0.2)	17.8
Operating profit				21.3
Share of results of associate				1.5
Income from other fixed asset investments				0.1
Profit on disposal of investments				5.8
Profit before interest and taxation				28.7

3. TAXATION

Corporation tax for the interim period is charged at 30 per cent (30th June and 31st December 2005: 30 per cent). The effective tax rate of 34 per cent for the period is high due to chargeable gains arising from disposals of investment properties during the period.

	Six months to 30th June 2006 unaudited £ million	Six months to 30th June 2005 restated unaudited £ million	Year ended 31st Dec 2005 restated audited £ million
UK corporation tax			
Adjustments in respect of prior years	(0.3)	0.2	–
Deferred tax expense	(2.9)	–	(3.5)
	(3.2)	0.2	(3.5)
Restatement in respect of prior year (refer note 1)	–	–	0.3
	(3.2)	0.2	(3.2)
Analysis of tax charge			
Current tax:			
Continuing operations	(0.3)	0.2	–
Deferred tax	(2.9)	–	(3.2)
	(3.2)	0.2	(3.2)

Notes to the interim financial information continued
 unaudited for the six months ended 30th June 2006

4. DIVIDENDS

	Six months to 30th June 2006 unaudited £ million	Six months to 30th June 2005 unaudited £ million	Year ended 31st Dec 2005 audited £ million
Amounts recognised as distributions to equity holders in the period	1.6	1.5	2.3
Proposed dividend	0.8	0.8	1.6
	Pence	Pence	Pence
Interim dividend per share	2.25	2.12	2.12
Final dividend per share	–	–	4.25

The interim dividend was approved by the Board on 18th September 2006 and has not been included as a liability as at 30th June 2006. The interim dividend is payable on 26th October 2006 to Ordinary shareholders on the register at the close of business on 29th September 2006 and will be recorded in the financial statements for the year ending 31st December 2006.

5. EARNINGS PER SHARE

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

	Six months to 30th June 2006 unaudited	Six months to 30th June 2005 restated unaudited	Year ended 31st Dec 2005 restated audited
Earnings for the purposes of basic and diluted earnings per share (£ million)	5.2	5.0	20.1
Number of shares			
Weighted average number of Ordinary shares for the purposes of basic earnings per share (million)	36.7	36.7	36.7
Dilutive effect of potential Ordinary shares:			
– Share options (million)	0.2	–	0.2
Weighted average number of Ordinary shares for the purpose of diluted earnings per share (million)	36.9	36.7	36.9
Basic earnings per share (pence)	14.2	13.6	54.8
Diluted earnings per share (pence)	14.1	13.6	54.5

Notes to the interim financial information continued

unaudited for the six months ended 30th June 2006

6. INVESTMENT PROPERTIES

The movement in investment properties for the period ended 30th June 2006 was:

	Freehold £ million	Long leasehold £ million	Total £ million
At 1st January 2005	151.8	4.8	156.6
Additions	8.2	–	8.2
Disposals	(1.4)	(1.9)	(3.3)
Net surplus on revaluation of investment properties (restated (refer note 1))	6.1	–	6.1
At 30th June 2005 (restated)	164.7	2.9	167.6
Additions	3.6	–	3.6
Disposals	(22.9)	–	(22.9)
Net surplus on revaluation of investment properties (restated (refer note 1))	11.9	–	11.9
At 31st December 2005 (restated)	157.3	2.9	160.2
Additions	2.6	0.3	2.9
Disposals	(34.8)	(2.7)	(37.5)
Net surplus on revaluation of investment properties	10.4	–	10.4
At 30th June 2006	135.5	0.5	136.0

Interest of £0.1 million was capitalised in the six months ended 30th June 2006 (30th June 2005: £0.1 million, 31st December 2005: £0.1 million). The restatement of the surplus on revaluation of investment properties is explained in note 1.

Certain investment properties were independently valued at 30 June 2006 by DTZ Debenham Tie Leung, Chartered Surveyors. The valuations at 31st December 2005 and 30th June 2006 have been carried out in accordance with The Royal Institute of Chartered Surveyors' (RICS) Appraisal and Valuation Standards published in February 2003 ("The Red Book") and the CESR Guidance on property valuations. The remaining investment properties in the sum of £15.4 million (30th June 2005: £167.6 million, 31st December 2005: £15.1 million) were valued by the Directors.

7. BORROWINGS

The Group repaid £13.2 million of debt during the period (30th June 2005: £5.1 million, 31st December 2005: £5.2 million). No new facilities were drawn during the period (30th June 2005: £16.1 million, 31st December 2005: £25.8 million).

At 30th June 2006, an external valuation, undertaken by J C Rathbone Associates Limited, appraised the market value of the Group's fixed rate debt on a replacement basis, taking into account the difference between fixed interest rates for the Group's borrowings and the market value and prevailing interest rates of appropriate debt instruments, resulting in an excess of fair value over book value of £12.4 million before tax (30th June 2005: £15.3 million, 31st December 2005: £15.1 million) 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 2006 and is not recognised in the balance sheet.

Notes to the interim financial information continued
unaudited for the six months ended 30th June 2006

8. SHARE CAPITAL

	30th June 2006 unaudited £ million	30th June 2005 unaudited £ million	31st Dec 2005 audited £ million
Authorised			
50,000,000 Ordinary shares of 50 pence (30th June 2005: 50,000,000 Ordinary shares of 50 pence, 31st December 2005: 50,000,000 Ordinary shares of 50 pence)	25.0	25.0	25.0
Issued, called up and fully paid			
36,792,688 Ordinary shares of 50 pence (30th June 2005: 36,674,869 Ordinary shares of 50 pence, 31st December 2005: 36,722,286 Ordinary shares of 50 pence)	18.4	18.3	18.4

9. RESERVES

	Share premium £ million	Property revaluation reserve £ million	Other reserves £ million	Total £ million
At 1st January 2005 and 30th June 2005	87.4	1.7	45.7	134.8
Restatement in respect of operating leases (refer note 1)	–	(1.7)	–	(1.7)
As restated at 1st January 2005 and 30th June 2005	87.4	–	45.7	133.1
Net proceeds of issue of new shares	0.1	–	–	0.1
VAT recovered on share issue costs	0.1	–	–	0.1
Net surplus on revaluation of operating leases (restated (refer note 1))	–	0.3	–	0.3
Share based payments cost	–	–	0.1	0.1
At 31st December 2005 (restated)	87.6	0.3	45.8	133.7
Net proceeds of issue of new shares	0.1	–	–	0.1
Share based payments cost	–	–	0.1	0.1
At 30th June 2006	87.7	0.3	45.9	133.9

	Retained earnings £ million
At 1st January 2005	20.1
Restatement in respect of operating leases (refer note 1)	0.4
As restated at 1st January 2005	20.5
Retained profit for the period (restated (refer note 1))	5.0
Final dividend 2004	(1.5)
At 30th June 2005 (restated)	24.0
Retained profit for the period (restated (refer note 1))	15.1
Prior year restatement in respect of tax (refer note 1)	(2.9)
Interim dividend 2005	(0.8)
At 31st December 2005 (restated)	35.4
Retained profit for the period	5.2
Final dividend 2005	(1.6)
At 30th June 2006	39.0

Notes to the interim financial information continued
 unaudited for the six months ended 30th June 2006

10. NOTE TO THE CASH FLOW STATEMENT

	Six months to 30th June 2006	Six months to 30th June 2005 restated unaudited £ million	Year ended 31st Dec 2005 restated audited £ million
	unaudited £ million		
Operating profit	10.6	6.8	21.3
Adjustments for			
Gain on disposal of investment properties	(0.9)	(0.1)	(3.7)
Increase in fair value of property portfolio	(10.4)	(6.1)	(17.8)
Share based payments	0.1	–	0.1
Depreciation of property, plant and equipment	0.6	0.5	1.1
Operating cash flows before movements in working capital	0.0	1.1	1.0
Increase in developments and trading properties	(17.1)	(33.8)	(35.2)
(Increase)/decrease in receivables	(1.7)	2.8	7.7
(Decrease)/increase in payables	(3.0)	(1.7)	1.5
Cash generated by operations	(21.8)	(31.6)	(25.0)
Income taxes (paid)/received	(1.9)	0.1	(0.9)
Interest paid	(5.1)	(3.8)	(6.5)
Capitalised interest charged to direct costs	–	–	0.2
Net cash from operating activities	(28.8)	(35.3)	(32.2)

11. GLOSSARY

Net borrowings: Net borrowings are defined as total debt less cash and short-term deposits.

Net gearing: Net gearing, expressed as a percentage, is measured as net borrowings divided by total equity.

Net assets per share: Net assets per share are defined as total equity as shown in the Group's balance sheet, divided by the number of equity shares in issue at the balance sheet date.

Diluted net assets per share: Diluted net assets per share are defined as total equity as shown in the Group's balance sheet and notional equity arising from the exercise of share options, divided by the number of equity shares and the number of equity shares under option in issue at the balance sheet date.

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.

Independent review report to Development Securities PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30th June 2006 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2006.

Ernst & Young LLP
Chartered Accountants
London
19th September 2006

Officers, committees and advisors

Directors

R M Dantzig, Chairman*
M H Marx, Executive Deputy Chairman
and Finance Director
C J Barwick, Joint Managing Director
P J Willis, Joint Managing Director
M S Weiner
W Grant* (retired 11th May 2006)
P V S Manduca*
V M Mitchell*
M S Soames*

Secretary

S A Lanes

Remuneration committee

M S Soames, Chairman*
V M Mitchell*

Audit committee

P V S Manduca, Chairman*
V M Mitchell*

Nomination committee

R M Dantzig, Chairman*
M H Marx, Executive Deputy Chairman
and Finance Director
P V S Manduca*

* Non-executive

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Chartered Accountants

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HSBC Property Finance
Bank of Scotland
Norwich Union Mortgage Finance Limited

Corporate Solicitors

Linklaters

Financial Advisor and Corporate Stockbroker

Collins Stewart Limited

Registrars and Transfer Office

Capita Registrars
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