

29 September 2004

## DEVELOPMENT SECURITIES PLC – INTERIM RESULTS

Development Securities PLC, the leading property development and investment company, today announces a profit before tax of £0.4 million for the six months to 30 June 2004, versus a loss of £1.5 million in the comparable period last year.

In August, £30 million was raised by the issue of 8,333,332 New Ordinary Shares at an issue price of 360 pence per share through a Firm Placing and a Placing and Open offer. The net proceeds will be used by Development Securities to seek to capitalise on opportunities early in the property development cycle.

In addition to profits of £0.8m arising from the group's developments, including those at the Royals and Cambourne business parks, realised gains from the property investment portfolio contributed profits of £0.6m. Associated company, Stead & Simpson also performed well, with an increased profit contribution of £0.7m.

### Financial highlights

	<b>30 June 2004</b>	30 June 2003
Profit/(loss) before tax	<b>£0.4 million</b>	(£1.5 million)
Earnings/(loss) per share	<b>2.5 pence</b>	(3.9) pence
Dividend	<b>2.0 pence</b>	1.8 pence
	<b>30 June 2004</b>	31 Dec 2003
Shareholders' funds	<b>£125.2 million</b>	£125.1 million
NAV per share	<b>444 pence</b>	444 pence
Net gearing	<b>38%</b>	15%

Roy Dantzie, Chairman, Development Securities PLC, commented,

“The last six months have been encouraging; there has been some return of business confidence in Central London. We are cautiously optimistic for the outlook in both the development and occupational markets over the medium term as indicated by our equity issue, the recent Board and other management appointments, and the increase in dividend for the ninth consecutive year.”

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## **Overview**

### **PaddingtonCentral**

Construction work is expected to commence in the next few months on the Crossrail structural deck. Subject to market conditions, the next phase of office building could be started in 2005, for delivery in 2007.

### **Broughton**

A planning application has been submitted for a new 90,000 sq. ft. Marks & Spencer store and a 26,600 sq. ft. extension for Tesco, together with a new retail parade of shops. Separately, the existing planning application for a business park was replaced by a residential planning application. In September, we announced that this land has been sold to Westbury Homes subject to satisfactory residential planning consent.

### **Business Parks**

The Royals: Practical completion of the 245,000 sq ft first phase of this £500 million development was achieved in July. Marketing of this prime office building to the occupational market has just commenced.

Cambourne: Headquarters and civic building for South Cambridgeshire District Council completed in May. Lettings to Bovis Limited and Cambridge Display Technologies Limited were also completed on Phase 2 of the park in the first half of 2004.

### **Other developments**

The 43,000 sq. ft. office accommodation at 333 Oxford Street was let to Boodle Hatfield, a legal services firm.

In September, we announced the formation of a joint venture with the Genesis Housing Group, to identify mixed-use development sites within Greater London.

### **Investment portfolio**

In spite of the current strength of the property investment market, we have remained committed to our three key principles of sector rotation, stock selection and proactive management. Currently, the investment property portfolio stands at £114 million, with a sector profile of 53 per cent retail, 35 per cent office and 12 per cent industrial.

The average unexpired lease term of the portfolio is 9 years and an increased void rate of 10 per cent has allowed the opportunity to add value through refurbishment and lease restructuring.

### **Stead & Simpson**

Stead & Simpson, the UK shoe retailer, continued to trade well in the first half of 2004, reporting six month unaudited profits of £1.9 million, compared to £0.3 million in the corresponding period last year. By virtue of its 38 per cent equity interest, Development Securities accounted for £0.7m of this profit in the six months to 30 June 2004.

## **Chairman's statement**

I am pleased to report that the financial results for the six months to 30th June 2004 are slightly ahead of our expectations at the start of the year. We recorded a profit before tax of £0.4 million, versus a loss of £1.5m in the comparable period of the previous year. Accordingly, after accounting for an increased interim dividend of 2.0 pence per share, shareholders' funds increased marginally to £125.2 million from £125.1 million at 31st December 2003, with the equivalent value per share remaining unchanged at 444 pence.

In my statement accompanying our annual results for the year to 31 December 2003, I commented that we sensed a return of business confidence in the office occupier market, specifically in Central London. In the light of this, on 28th July, we announced a £30 million Firm Placing and Placing and Open Offer of 8.3 million shares at 360 pence per share, which was completed on 26th August. We were gratified with the firm support from existing shareholders. Participation in development opportunities in the City of London, wider London and provincial markets earlier in the cycle invariably requires an element of equity investment or financing commitment from the developer to secure a development role. Development Securities will use the money raised from the Firm Placing and the Placing and Open Offer to fund modest equity stakes and thereby participate earlier and more significantly in the property development market's expected cyclical recovery.

Partly as a result of the risk-averse business model adopted by the Board in earlier years, your company has remained profitable throughout a period of relatively low activity in property development markets. Consequently, the Board has resolved to increase the interim dividend by 11 per cent to 2.0 pence per share, to be paid on 28th October to shareholders on the register on 8th October 2004. Subscribers to new shares in the Firm Placing and Placing and Open Offer will not receive an interim dividend in 2004 in respect of the new shares so issued.

The strengthening of certain aspects of London's financial services sector in the first half of 2004 and increased occupier demand in the West End of London have contributed to a renewed confidence in the property development and occupier markets. We are cautiously optimistic that our strengthened financial resources will complement our experienced and talented development team. Accordingly, we are well placed to participate in projects where our expertise in complex urban regeneration and mixed-use schemes should help to unlock value for shareholders. The comparative fundamental attractions of property as an investment class remain, notwithstanding rising interest rates

## **Management appointments**

In March, we announced the appointment, as Executive Directors, of Paul Willis, to spearhead the expansion of our development programme, and Matthew Weiner, who has run the property investment portfolio so effectively over the last four years. We have strengthened both the development and investment teams, recruiting five new managers in recent months in preparation for increased activity in all areas of our business.

## **Development portfolio**

### **PaddingtonCentral**

Construction work is expected to commence in the next few months on the structural deck that will form the base of most of the remainder of this development and represent part of the initial preparation for construction of the proposed Crossrail project. Once the work starts on the deck, construction on the Crossrail transport project can continue unimpaired, thereby removing Crossrail as a factor in the delivery of future buildings on this scheme. Subject to market conditions, the next office building could be started in early 2005, for delivery in 2007. It is also encouraging to note the increased interest from prospective retail tenants and we expect to announce further lettings on the retail component of Phase 1 in due course.

## **Broughton**

We have made encouraging progress with both the residential and retail schemes under consideration at Broughton, near Chester. In June, together with Hercules Unit Trust, the owner of the first phase of the retail park developed by ourselves in 1998, we submitted a joint planning application for a new 90,000 sq. ft. Marks & Spencer store and a 26,600 sq. ft. extension for Tesco, an existing tenant, together with a new retail parade of shops and additional car parking, landscaping, road improvements, cycle routes and footpaths. In July, following the redesignation by the Local Authority in their 2003 draft Urban Development Plan of a further 27.7 acres of our land as suitable for housing, we withdrew our existing planning application for a 350,000 sq. ft. business park and submitted a planning application in respect of this land for residential use. In September, we announced that we had entered into an agreement to dispose of this land to Westbury Homes, conditional upon achieving satisfactory planning consent. Whilst we are reasonably confident that planning permission for the residential component can be secured within the next twelve months, the process may not be completed by the end of this financial year. The retail application is inherently more complex and we would not wish, at this early stage, to estimate a timeframe within which planning could be achieved.

## **Royals Business Park**

In July, we achieved practical completion on the 245,000 sq. ft. first phase of this planned £500 million, 50-acre business park. Our cost management and value engineering initiatives on this first phase have resulted in significant construction cost savings for our funding partner, Standard Life Investments. The terms of our development agreement enable us to participate in these cost savings. Infrastructure enhancement works have also continued, opening up the remainder of the site for future development. The marketing of this prime office building to the occupational market began in September.

## **Cambourne Business Park**

The 60,000 sq. ft. turnkey headquarters and civic building for South Cambridgeshire District Council was completed in May. It is testament to the prime location and quality of this projected 750,000 sq. ft. business park that South Cambridgeshire District Council sought to relocate its new civic centre within this newly created environment. The completion of improvements to the adjacent A428 dual carriageway has further enhanced accessibility to the location and we were pleased that lettings to Bovis Limited and Cambridge Display Technologies Limited were completed on Phase 2 of the scheme in the first half of 2004. We have also begun to see increased interest from prospective tenants, potentially indicating steps to a recovery in the high technology sector in and around Cambridge.

## **Heart of Slough**

Together with Slough Borough Council, we are in advanced negotiations with English Partnerships as an additional partner in this joint venture. English Partnerships would fund the infrastructure works, including reconfiguration of the A4 and adjacent highways to create a pedestrian-friendly precinct with enhanced public realm. The involvement of a regeneration agency will have the effect of reducing the risk carried by the development partners. As part of the funding negotiations, the masterplan is being reviewed, probably resulting in some increase in the residential element at the expense of offices, reflecting current market conditions. We are hopeful that these negotiations will be completed in early 2005, thus enabling a planning application to be submitted.

## **Other developments**

At 333 Oxford Street, our prime 78,000 sq. ft. retail and office development in the West End of London, we witnessed the successful conclusion of the letting of the 43,000 sq. ft. office accommodation to Boodle Hatfield, a long-established legal services business, on a 15-year term at a rent in excess of £45 per sq.ft. Whilst we accrue no profit due to the length of time taken to secure a tenant on satisfactory terms in respect of the office accommodation, it is a further indication of the recovery of the West End occupational market.

In September, we announced the formation of a joint venture with the Genesis Housing Group, the United Kingdom's fourth largest housing association, to identify mixed-use development sites within Greater London. In view of the affordable housing requirements on commercial development sites across London, we see this relationship as a natural progression to secure projects of mutual interest.

## **Investment portfolio**

We have remained committed to our three key principles of sector rotation, stock selection and proactive management. Consequently, we have focused on assets with active management potential, avoiding properties where values are largely determined by medium-term interest rates, which have moved upwards in the last six months by nearly a half of one per cent. Despite this movement in interest rates, there has been no negative adjustment to investment values; in fact quite the contrary. The current, extended dislocation between investment yields and the occupational market is unprecedented over the last 20 years.

The strength of the investment market has made appropriate reinvestment of our funds challenging, but not insurmountable. We were pleased to announce in March the £20.3 million acquisition of a shopping scheme in Dewsbury. The centre provides the dominant retail offer in the town and generates a solid income return with attractive asset management opportunities. In April, we completed the acquisition of a 6.5-acre site in Liverpool with existing planning permission for either a food store or non-food retail use. We are currently assessing a number of initiatives to maximise returns on this scheme. This acquisition represents a further refinement to our investment acquisition strategy and reflects increasing confidence in our stock selection skills and recognition that we possess the core development abilities to produce attractive returns from such investments.

Despite fears of a slowdown in consumer expenditure, we are confident that our recent acquisitions, focused on the value and convenience sectors of the retail market that generally do not provide a fashion based retail offer, provide a number of asset management opportunities and will continue to attract robust tenant demand, the driver for medium-term investment performance.

We announced in March the acquisition of a vacant 110,000 sq. ft. distribution centre located in Redditch for £3.6 million. The property is currently under refurbishment and will provide a modern industrial or warehouse facility in an established location.

We also continued to rebalance the investment portfolio during the first six months, with the completion of £6.0 million of disposals, including the Atrium, Ashford and an industrial property in Worcester. Since the end of June, we have disposed of Hammersley House, a West End office property, at a substantial profit. Whilst we believe that a strong recovery is under way in rental levels for Grade A Central London stock, we remain cautious about the prospects for the secondary office market, particularly when building obsolescence remains an important factor. We feel that the disposal of this West End property, at an initial yield of 5.9 per cent, captured a significant amount of prospective future performance and that proceeds can be reinvested into more attractive opportunities.

As is evidenced by our first half activity, we continue to favour the retail and industrial sectors ahead of office buildings. However, we have begun to see a deepening of the recovery in occupational demand within the core South East office market, signifying that a cautious return to this sector may be considered over the coming twelve months.

The investment property portfolio stands at £114 million, with a sector profile of 53 per cent retail, 35 per cent office and 12 per cent industrial. The average unexpired lease term of the portfolio is 9 years and an increased void rate of 10 per cent has allowed the opportunity to add value through refurbishment and lease restructuring.

### **Stead & Simpson**

Stead & Simpson, the UK shoe retailer, in which the group holds a 38 per cent equity stake, continued to trade well in the first half of 2004, with six month unaudited profits of £1.9 million, compared to £0.3 million in the corresponding period last year. By virtue of our equity stake in the business, we accounted for £0.7 million of those profits in the six months to 30 June 2004. In addition, we released £0.3 million of negative goodwill to the credit of our profit and loss account for the same period. Traditionally, the second half of the year has generated the majority of the annual profits of Stead & Simpson.

### **Outlook**

The outlook in both the development and occupational markets is encouraging for the medium-term and our recent equity issue, Board and other management appointments and the increase in dividend all reflect this cautious confidence. In the investment market, the all-property Investment Property Databank total return reached an annualised rate of 16.6 per cent to August 2004, reflecting property's increasing favour as an asset class. Whilst this rate may prove unsustainable, we believe that our portfolio activity will continue to produce above market returns.

R M Dantzie  
Chairman  
29 September 2004

**Consolidated profit and loss account**  
**unaudited for the six months ended 30th June 2004**

	Not e	Six months to  30th June 2004 unaudite d  £'million	Six months to  30th June 2003 unaudite d  £'million	Year ended 31st Dec 2003  audited  £'million
<b>Turnover: continuing operations</b>		9.9	8.4	32.3
Direct costs		(5.6)	(4.5)	(22.9)
<b>Gross profit</b>	2	4.3	3.9	9.4
Operating expenses		(3.4)	(3.1)	(7.8)
Exceptional item		-	-	2.0
<b>Total operating expenses</b>		(3.4)	(3.1)	(5.8)
<b>Operating profit: continuing operations</b>		0.9	0.8	3.6
Share of operating profit of associate		1.1	-	0.5
Income from other fixed asset investments		-	-	0.5
Profit/(loss) on disposal of fixed assets		0.6	(0.1)	1.2
<b>Profit on ordinary activities before interest</b>		2.6	0.7	5.8
Net interest payable		(2.2)	(2.2)	(4.6)
<b>Profit/(loss) on ordinary activities before taxation</b>		0.4	(1.5)	1.2
Tax on profit/(loss) on ordinary activities	3	0.3	0.4	-
<b>Profit/(loss) on ordinary activities after taxation</b>		0.7	(1.1)	1.2
Dividends on equity shares	4	(0.6)	(0.5)	(1.5)
<b>Retained profit/(loss) for the period</b>		0.1	(1.6)	(0.3)
<b>Earnings/(loss) per share</b>	5	2.5p	(3.9)p	4.2p
<b>Diluted earnings/(loss) per share</b>	5	2.5p	(3.9)p	4.2p
<b>Dividends per share</b>	4	2.0p	1.8p	5.4p

**Consolidated balance sheet**  
**unaudited as at 30th June 2004**

	Note	30th June 2004 unaudited £'million	30th June 2003 unaudited £'million	31st Dec 2003 audited £'million
<b>Fixed assets</b>				
Investment properties	6a	133.9	119.8	115.3
Operating properties	6b	8.2	7.2	7.0
Other tangible assets		4.0	4.0	3.8
Investments		4.2	0.9	3.1
		<b>150.3</b>	131.9	129.2
<b>Current assets</b>				
Land, developments and trading properties		21.7	12.6	15.3
Debtors		16.3	22.0	13.9
Cash at bank and in hand		43.5	44.4	56.3
		<b>81.5</b>	79.0	85.5
<b>Creditors:</b> amounts falling due within one year		<b>(16.6)</b>	<b>(16.5)</b>	<b>(14.6)</b>
<b>Net current assets</b>		<b>64.9</b>	62.5	70.9
<b>Total assets less current liabilities</b>		<b>215.2</b>	194.4	200.1
<b>Creditors:</b> amounts falling due after more than one year				
Borrowings		<b>(90.0)</b>	<b>(76.5)</b>	<b>(75.0)</b>
<b>Net assets</b>		<b>125.2</b>	117.9	125.1
<b>Financed by:</b>				
<b>Capital and reserves</b>				
Called up share capital		14.1	14.0	14.1
Reserves		114.4	109.6	114.7
Profit and loss account		<b>(3.3)</b>	<b>(5.7)</b>	<b>(3.7)</b>
<b>Total equity shareholders' funds</b>	<b>8</b>	<b>125.2</b>	117.9	125.1
<b>Net assets per share</b>		<b>444p</b>	420p	444p
<b>Diluted net assets per share</b>		<b>440p</b>	416p	441p

**Consolidated cash flow statement**  
**unaudited for the six months ended 30th June 2004**

	<b>Six months to 30th June 2004 unaudited £'million</b>	<b>Six months to 30th June 2003 unaudited £'million</b>	<b>Year ended 31st Dec 2003 audited £'million</b>
Cash (outflow)/inflow from operating activities	<b>(8.2)</b>	<b>(4.9)</b>	0.7
Returns on investment and servicing of finance	<b>(2.2)</b>	<b>(2.9)</b>	<b>(5.2)</b>
Taxation	-	<b>(0.5)</b>	0.7
Capital expenditure and financial investment	<b>(18.2)</b>	<b>(15.2)</b>	<b>(4.0)</b>
Equity dividends paid	-	<b>(8.0)</b>	<b>(9.4)</b>
Cash outflow before financing	<b>(28.6)</b>	<b>(31.5)</b>	<b>(17.2)</b>
Financing	<b>18.9</b>	13.2	7.1
Decrease in cash in the period	<b>(9.7)</b>	<b>(18.3)</b>	<b>(10.1)</b>

**Reconciliation of net cash flow to movement in net (debt)/funds**  
**unaudited for the six months ended 30th June 2004**

	<b>Six months to 30th June 2004 unaudited £'million</b>	<b>Six months to 30th June 2003 unaudited £'million</b>	<b>Year ended 31st Dec 2003 audited £'million</b>
Decrease in cash in the period	<b>(9.7)</b>	<b>(18.3)</b>	<b>(10.1)</b>
Cash outflow from reduction in debt	-	13.9	17.1
Cash inflow from new borrowings	<b>(15.1)</b>	<b>(6.0)</b>	<b>(7.6)</b>
Cash inflow from movement in pledged cash	<b>(3.8)</b>	<b>(23.3)</b>	<b>(18.6)</b>
Movement in net debt in the period	<b>(28.6)</b>	<b>(33.7)</b>	<b>(19.2)</b>
Net funds/(debt) at 1st January	<b>(18.9)</b>	0.3	0.3
Net debt at 30th June/31st December	<b>(47.5)</b>	<b>(33.4)</b>	<b>(18.9)</b>

## Reconciliation of operating profit to net

cash flow from operating activities  
 unaudited for the six months ended 30th June 2004

	Six months to 30th June 2004 unaudited £'million	Six months to 30th June 2003 unaudited £'million	Year ended 31st Dec 2003 audited £'million
Operating profit	1.2	0.8	3.6
Release of provisions against preference shares and loans in associated undertaking	-	(0.5)	(2.0)
Loss on disposal of tangible fixed assets	-	-	0.2
Capitalised interest charged to direct costs	-	-	0.2
Increase in development and trading properties	(6.4)	(2.3)	(5.0)
(Increase)/decrease in debtors	(3.9)	0.8	8.0
Increase/(decrease) in creditors	0.4	(4.1)	(5.2)
Depreciation	0.5	0.4	0.9
Cash (outflow)/inflow from operating activities	(8.2)	(4.9)	0.7

Analysis of net debt  
 unaudited for the six months ended 30th June 2004

	Balance at 1st January 2004 audited £'million	Cash flow £'million	Balance at 30th June 2004 unaudited £'million
Cash at bank and in hand	47.4	(9.1)	38.3
Bank overdraft	(0.1)	(0.6)	(0.7)
		(9.7)	
Debt falling due within one year	(0.1)	(0.1)	(0.2)
Debt falling due after more than one year	(75.0)	(15.0)	(90.0)
Pledged cash	8.9	(3.8)	5.1
		(18.9)	
	(18.9)	(28.6)	(47.5)

**Notes to the interim financial information**  
 unaudited for the six months ended 30th June 2004

- 1 The results for the year ended 31st December 2003 are an abridged version of the full financial statements for that year which received an unqualified audit report from the auditors and which have been filed with the Registrar of Companies. The results for the six months to 30th June 2004 and 2003 are unaudited and do not constitute the Group's statutory accounts.

The results have been prepared using accounting policies consistent with those adopted for the financial statements for the year ended 31st December 2003.

- 2 Analysis of gross profit:

	<b>Six months to 30th June 2004</b>	Six months to 30th June 2003	Year ended 31st Dec 2003
	<b>unaudited</b>	unaudited	audited
	<b>£'million</b>	£'million	£'million
Net rental income	<b>3.4</b>	3.3	6.1
Net operating property income	<b>(0.1)</b>	-	0.3
Project management fee income	<b>0.2</b>	0.4	0.9
	<b>3.5</b>	3.7	7.3
Land, developments and trading properties	<b>0.8</b>	0.2	2.1
	<b>4.3</b>	3.9	9.4

- 3 The tax credit for the period is £0.3 million, representing a deferred tax asset arising on tax losses of £1.0 million.
- 4 The Board has declared an interim dividend of 2.0 pence (30th June 2003: 1.8 pence, 31<sup>st</sup> December 2003: 5.4 pence) per Ordinary share, payable on 28<sup>th</sup> October 2004 to Ordinary shareholders on the register at the close of business on 8<sup>th</sup> October 2004. Holders of shares from the Firm Placing and Placing and Open Offer announced on 28<sup>th</sup> July 2004 will not be entitled to an interim dividend in 2004.

- 5 Earnings per share and diluted earnings per share have been calculated based on the profit/(loss) on ordinary activities after taxation divided by the weighted average number of shares in issue during the period:

	<b>Six months to 30th June 2004</b>	Six months to 30th June 2003	Year ended 31st Dec 2003
	<b>unaudited</b>	unaudited	audited
Earnings/(loss) (£' million, basic and diluted)	<b>0.7</b>	<b>(1.1)</b>	1.2
Weighted average no. of shares (million, basic)	<b>28.2</b>	28.1	28.1
<b>Earnings/(loss) per share (pence, basic)</b>	<b>2.5</b>	<b>(3.9)</b>	4.2
Weighted average no. of shares (million, diluted)	<b>28.2</b>	28.2	28.2
<b>Earnings/(loss) per share (pence, diluted)</b>	<b>2.5</b>	<b>(3.9)</b>	4.2

6 a) Investment Properties

Investment properties at 30th June 2004 are stated at the valuations incorporated within the financial statements for the year ended 31st December 2003 or at cost where acquired subsequently. The movement in investment properties for the six month period ended 30th June 2004 was:

	Freehold £'million	Long Leasehold £'million	Total £'million
At 1st January 2004	102.4	12.9	115.3
Additions	23.8	-	23.8
Disposals	<b>(5.0)</b>	<b>(0.2)</b>	<b>(5.2)</b>
<b>At 30th June 2004</b>	<b>121.2</b>	<b>12.7</b>	<b>133.9</b>

Interest of £0.3m million has been capitalised in the six months ended 30th June 2004 (six months to 30<sup>th</sup> June 2003: £0.3 million).

## b) Operating Properties

Operating properties at 30th June 2004 are stated at the valuations incorporated within the financial statements for the year ended 31st December 2003, or at cost where acquired subsequently, less depreciation where material. The movement in operating properties for the six month period ended 30th June 2004 was:

	Freehold £'million	Long Leasehold £'million	Short Leasehold £'million	Total £'million
At 1st January 2004	4.0	1.5	1.5	7.0
Additions	1.3	-	-	1.3
Depreciation charge for the period	(0.1)	-	-	(0.1)
<b>At 30th June 2004</b>	<b>5.2</b>	<b>1.5</b>	<b>1.5</b>	<b>8.2</b>

7 At 30<sup>th</sup> June 2004, 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 a negative fair value adjustment before tax of £11.7 million (30<sup>th</sup> June 2003: £16.2 million, 31<sup>st</sup> December 2003: £13.0 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 30<sup>th</sup> June 2004 and is not recognised in the balance sheet.

8 The reconciliation of movement in total equity shareholders' funds is set out below:

	<b>Six months to 30th June 2004  unaudited £'million</b>	Six months to 30th June 2003  unaudited £'million	Year ended 31st Dec 2003  audited £'million
Profit/(loss) on ordinary activities after taxation	<b>0.7</b>	(1.1)	1.2
Dividends on equity shares	<b>(0.6)</b>	(0.5)	(1.5)
Profit/(loss) for the financial period	<b>0.1</b>	(1.6)	(0.3)
Surplus on revaluation of the property portfolio	-	-	5.6
Purchase of own shares	-	(2.0)	(2.0)
Issue of new shares	-	-	0.3
Net movement in total equity shareholders' funds	<b>0.1</b>	(3.6)	3.6
Opening total equity shareholders' funds	<b>125.1</b>	121.5	121.5
Closing total equity shareholders' funds	<b>125.2</b>	117.9	125.1

9 Statement of total recognised gains and losses for the six months ended 30<sup>th</sup> June 2004:

	<b>Six months to 30th June 2004  unaudited  £'million</b>	Six months to 30th June 2003  unaudited  £'million	Year ended 31st Dec 2003  audited  £'million
Profit/(loss) on ordinary activities after taxation	<b>0.7</b>	<b>(1.1)</b>	1.2
Unrealised surplus on revaluation of property portfolio	-	-	5.6
Total recognised gains and losses for the period	<b>0.7</b>	<b>(1.1)</b>	6.8

10 The interim report will be sent to all holders of the Company's listed securities and will be available to members of the public at the Company's registered office.

**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 2004, which comprises the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement, reconciliation of movement in total equity shareholders' funds, statement of total recognised gains and losses and related notes 1 to 10. 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.

The report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are 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 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 United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

**Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30<sup>th</sup> June 2004.

**Deloitte & Touche LLP**  
Chartered Accountants  
London  
29<sup>th</sup> September 2004