

DEVELOPMENT SECURITIES PLC – PRELIMINARY RESULTS

Pre-tax profit up to £10.2 million PaddingtonCentral offices 100% pre-let

Development Securities PLC today announced an increase in pre-tax profit to £10.2 million for the year ended 31 December 2001 (2000: £10.0 million). The Company reported excellent progress in its development programme, particularly at PaddingtonCentral in London, as well as exceptional progress in its drive towards completing the restructuring of the investment portfolio.

Shareholders' funds increased nearly 9% to £119.3 million (2000: £109.7 million), equivalent to a net asset value per share of 423 p (2000: 393 p). The Final Ordinary Dividend increased for the sixth successive year to 3.0 p per share (2000: 2.75p), bringing the total distribution to 4.5 p per share.

- **Financial Highlights**

	31 Dec 2001	31 Dec 2000
Profit before tax	£10.2 million	£10.0 million
Earnings per share	24.0p	23.1p
Shareholders' funds	£119.3 million	£109.7 million
Net assets per share	423p	393p
Final ordinary dividend	3.0p	2.75p
Net gearing	24%	12%

PaddingtonCentral – All Phase One office space now let at higher than anticipated rental levels.

Heart of Slough – Selected as preferred development partner for the complete regeneration of Slough town centre.

Royals Business Park – Selected by the London Development Agency to develop the 50 acre Royals Business Park in London's Docklands.

Investment property portfolio – £3.8 million revaluation uplift.

Development Portfolio

The Company's development activities continued to focus on the office market in central London and the business park market in the South East. Current phases of the programme now exceed one million sq ft, with an estimated investment value of £400 million. There is close to an additional three million sq ft in the pipeline for future development.

Substantial schemes such as PaddingtonCentral, Cambourne, the Royals Business Park and Slough Town Centre offer the prospect of a steady flow of projects that suggest a development business can indeed be something other than a series of unconnected opportunities.

PaddingtonCentral

All Phase One office space is now pre-let at rental levels significantly higher than anticipated at the inception of the scheme. On 4 March, Development Securities announced the signing of an agreement with The Prudential Assurance Company Limited to let 39,000 sq ft of office space. This followed letting agreements with WJB Chiltern plc for 51,000 sq ft, Visa International Service Association for 193,000 sq ft, Cannons Group Limited for 25,000 sq ft and Kingfisher plc for 54,000 sq ft, all secured since September. With the entire office component of the first phase of PaddingtonCentral now under contract, Development Securities' profit entitlement in respect of this phase will become payable once the development leases are taken up following practical completion, which is scheduled for August this year.

Heart of Slough

In December, Development Securities was selected, in partnership with Berkeley Homes, as the preferred development partner for the complete regeneration of Slough town centre. The 1.5 million sq ft scheme, which covers a 29 acre site in the centre of Slough, will include a mix of offices, homes, performance and entertainment space as well as other public amenities. Progress is in hand regarding final contract status, following which a further public consultation process will commence.

Offices

In March 2001, the remaining 49,000 sq ft of space at Black Friars Court London EC1 was let to Bechtel Limited. In April, the Company secured forward funding in excess of £70 million with DEKA Immobilien Investment GmbH for the development of 43,000 sq ft of offices and 35,000 sq ft of retail space at 333 Oxford Street, London W1.

Business Parks

The business park portfolio saw £47 million of forward funding secured and continued successes in signing lettings at Globeside Business Park in Marlow and at Cambourne Business Park near Cambridge. In August, the long term development agreement with the London Development Agency was completed to develop the 50 acre Royals Business Park in London's Docklands. The site has outline planning consent for 1.6 million sq ft of office space together with detailed planning consent for the initial 250,000 sq ft building.

Investment Portfolio

The restructuring of the investment property portfolio accelerated during 2001, with capital values increasing by £3.2 million, a strong out-turn for the year given prevailing market conditions. The portfolio is being further repositioned in order that management can focus on key assets and sectors which offer outperformance potential. Additions during the year totalled £33 million and disposals totalled £9 million. At the year end, the initial yield on the investment portfolio was 6.9 per cent rising to 9.2 per cent on reversion to rack rental values. In addition, the valuation uplift of land held for future development amounted to £0.6 million.

Hugh Jenkins CBE, Chairman of Development Securities PLC, commented:

“The Company continues to make great strides in all areas of its business. We are particularly pleased with the progress made at PaddingtonCentral, which shows that despite the downturn in the global economy and the downward pressure on rental values across much of the UK, Development Securities has been able to secure excellent commercial terms with first class tenants across the board. We continue to build on our track record of large and complex developments.”

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Chairman's Statement

Your company delivered a good trading performance in 2001, as well as laying the foundations for the future growth of the business. I am pleased to be able to report a profit before taxation of £10.2 million for the year ended 31st December 2001, in line with our expectations and representing earnings per share of 24 pence.

Total Shareholders' Funds have continued to advance for a sixth consecutive year, to £119.3 million, equivalent to 423 pence per share, compared to £109.7 million and 393 pence per share at the previous year end.

Accordingly, the Board has resolved to recommend the payment of a final dividend of 3 pence per share payable on 3rd July 2002 to shareholders on the register on 31st May 2002. Together with the increased interim dividend already paid, this brings the total distribution for the year to 4.5p per share, an advance of 9.8 per cent from the previous year, setting aside the 5 pence per share special dividend paid in 2001. Last year's special dividend was the first in your Company's history and represented an indication of future distribution policy, whereby we intend to return further amounts to shareholders in the future on a basis consistent with prudent financial management, either by way of enhanced dividend payment or by share buyback, whichever is most appropriate.

STRATEGY

As will be seen from the Review of operations, the achievements secured during 2001 confirm that your Company is now well established as a focused and successful property Group.

Geographically, our development business remains focused in the South East of England, with particular emphasis in Central London, where the size of the market is more likely to create opportunities for our particular skills. In recent years, our considerable experience in Central London has seen an increasing specialisation in urban regeneration projects. Our recent nomination as the preferred developer at Slough Town Centre, when taken together with Paddington Central and the Royals Business Park, expands the pipeline of such work alone to more than four million sq ft. These substantial schemes offer the prospect of a steady flow of phased development over many years, subject as always, to the vagaries of the economic cycle. It would therefore seem that a development business can indeed be something other than a series of unconnected opportunities.

After several years of significant restructuring, the total returns from our investment portfolio during the year under review indicate that it will soon achieve the demanding standards that we have long sought and achieved from our mainstream development activities. Historically, net rental income generated from the property portfolio has gone a significant way to covering our net operational expenses and net debt service costs. The achievement of consistently superior total returns from the portfolio, which demonstrated

significant capital growth in 2001, will presage a further improvement in its financial profile.

Led initially by the United States, 2001 saw the beginning of a global, economic slowdown that is likely to continue through the current year, eventually emerging only in 2003 into a sustained period of stronger growth. The United Kingdom economy outperformed its major, global rivals last year and seems likely to repeat that success again in 2002, albeit that the industrial sector has been particularly badly hit, as have, to a lesser extent, the high-tech and financial services sectors. Given this weakening in the corporate balance sheet in the United Kingdom, rental growth has decelerated and, in some instances, turned negative in the face of declining business optimism and a prudent anxiety about what the future may hold. In this environment, only the better conceived property developments will show attractive returns and, like our PaddingtonCentral and Marlow projects, outperform market expectations.

BOARD COMPOSITION

In August, we were very pleased to appoint Paul Manduca as a Non-executive Director of your Board. Paul is currently Chief Executive of Rothschild Asset Management Limited and a director of Henderson Smaller Companies Investment Trust plc. We look forward to his further contributions to our Board deliberations.

Recently, Paul Willis has indicated that he wishes to step down from the Board at the end of his second three-year term and therefore will not be offering himself for re-election at this year's Annual General Meeting. On behalf of your Board, I would like to thank Paul most sincerely for his exceptional contribution to the progress that Development Securities has made during this pivotal period.

CONCLUSION

2001 was a year in which the business attained a further level of maturity that should provide the impetus for improved shareholder returns in future years. The financial structure of the business is strong, having been significantly cash flow positive in recent years as development earnings crystallised and substantial disposals were made from the investment property portfolio. We expect 2002 to be another year of strong cash flow from our development operations as profitability is realised, in particular at the first phase of PaddingtonCentral. Our selection last year by the London Development Agency to develop the Royals Business Park in London's Docklands, the recent nomination as preferred developer of Slough Town Centre in the Thames Valley, as well as the next phases of PaddingtonCentral and Cambourne Business Park, augur well for the future.

Over a period of some years, we have assembled a talented, experienced and much respected executive management team, without whom none of our achievements would have been possible. On behalf of your Board, I would like to express my sincere

appreciation to all our Directors, management and staff throughout the Group for their untiring efforts in advancing the prosperity and reputation of the Company.

H R Jenkins CBE

Chairman

21st March 2002

Review of Operations

The year began much as the previous year had ended, with everything still seeming to go in our favour, courtesy of strong economic growth and with the market remaining constrained on the supply side, even in the face of strong tenant demand. However, early in the year, the tempo slowed as the previous excesses of US economic growth finally led to an inevitable change of pace that was to impact the European economies shortly thereafter. 2001 ended in a much-subdued atmosphere, as both investors and decision-makers for tenants and funding institutions either sat on the sidelines or took active steps to reduce their exposure to certain sectors of the marketplace.

Throughout the bull market of recent years, we remained within the guidelines of our operational strategy, whereby we carry out substantial, complex developments in a risk averse manner by forward funding our major schemes with institutional partners. Occasionally, at smaller or phased developments such as Cambourne and initially at Black Friars Court, we were prepared to accept a degree of equity risk in order to achieve an element of control. Whilst this undeniably cautious strategy is sometimes less easy to appreciate in a strong market, it has clear attractions when sentiment and economic activity change direction. That is the most critical moment in the trading cycle of any property company, especially for those engaged in property development activity. We are satisfied with the risk profile of your Company through this current, subdued phase of the economic cycle.

Our development activities remain focused on prime offices and business parks in the South East of England with particular emphasis on Central London.

DEVELOPMENT- PADDINGTONCENTRAL

Excellent progress at the upper end of our expectations has been achieved on the first phase of PaddingtonCentral, where the estimated investment value on completion of this 1.7 million sq ft mixed use urban regeneration scheme is in excess of £750 million. The 11-acre site is immediately adjacent to Paddington Railway Station on the western boundary of London's West End.

The marketing campaign for the initial phase of 330,000 sq ft of prime office accommodation and 110,000 sq ft of retail and leisure space commenced in early 2001 and has yielded strong results, with all of the available office space now pre-let. In October, Visa International Service Association signed an agreement to lease 193,000 sq ft on a 20-year term at an average annual rent of £38.50 per sq ft. This followed the agreement to lease, 51,000 sq ft on a 20-year term to WJB Chiltern Group. Early in 2002, we concluded the letting of the office accommodation by signing an agreement to lease 54,000 sq ft to Kingfisher plc, also on a 20-year term at an average rent of £42 per sq ft and an agreement to lease 39,000 sq ft to The Prudential Assurance Company Limited for a term certain of 10 years at a further improved average rent per sq ft. The launch of the marketing campaign in late 2001 for the 110,000 sq ft of retail and leisure

space was soon followed by the signing of an agreement to lease 25,000 sq ft to Cannons Group Limited for an initial period of 25 years in respect of the health and leisure unit.

Practical completion of this first phase, funded by Norwich Union Life and Pensions Limited and The Equitable Life Assurance Society, is scheduled for the summer of 2002, following which we expect the development leases to be taken up on the terms contracted, thus releasing to us an entitlement to our profit participation on this first phase. Due to our success at PaddingtonCentral, as well as progress achieved by others at adjoining sites, there is little doubt that Paddington has now secured its place as London's newest business district, able to offer substantial headquarters buildings with large, well-configured floors.

DEVELOPMENT-BLACKFRIARS COURT

This prime 106,000 sq ft office development was brought to a successful conclusion during the year, both for ourselves and our funding partner, Deutsche Grundbesitz Investmentgesellschaft, with the letting in March 2001, of 49,000 sq ft to Bechtel Limited on a twenty five-year term. The balance of the office space had been pre-let to Rowe & Maw simultaneously with the forward funding of the development in 1999.

DEVELOPMENT-333 OXFORD STREET

Construction is well under way on this 78,000 sq ft development to provide 35,000 sq ft of prime retail space and 43,000 sq ft of prime office space, with practical completion scheduled for December 2002. Together with our funding partners, DEKA Immobilien Investment GmbH, we acquired the site from Sears Group Properties for £38 million in April 2001. Marketing of the retail component of this development, which is located on the corner of New Bond Street and Oxford Street in the heart of London's West End, commenced during the year and has been well received.

DEVELOPMENT-ROYALS BUSINESS PARK

The pipeline of future projects available to your Company extended considerably when, in August, we completed the long-term, performance-related development agreement with the London Development Agency in respect of the 50-acre Royals Business Park site in London's Docklands. This park forms part of the Royal Docks, one of the most important regeneration areas in the UK, which includes the London City Airport and the new ExCel Exhibition Centre. Occupying a one-mile waterside frontage, it is expected to attract high quality tenants drawn by its strategic location and proximity to the City and Canary Wharf, as well as its excellent communications links.

We will be developing a business park of at least 1.6 million sq ft of first-class offices, for which outline planning consent already exists, with an estimated investment value on

completion of some £500 million. In December, detailed planning consent was obtained for the first phase, which comprises a 250,000 sq ft office building, thus enabling us to re-approach the funding market to secure finance. We remain cautiously optimistic that sentiment in the institutional markets will improve later this year as the UK economy emerges from its present, somewhat uncertain phase.

DEVELOPMENT- CAMBOURNE BUSINESS PARK

Activity at our 40-acre Cambourne Business Park site, near Cambridge, was strongest in the early part of the year under review when, in January, together with our funding partners, Morley Fund Management, we commenced construction of the entire 132,000 sq ft, £37 million second phase. Since the first building of 31,000 sq ft was pre-let earlier to Geneva Technology Limited, we were able to reach practical completion of that unit in May, leaving two, further units to be constructed on a speculative basis. Marketing activity is now under way on these buildings, where practical completion was achieved at the turn of the year and, notwithstanding the noticeable slowdown in market momentum, we believe that the quality of product and location will prove attractive.

In October, South Cambridgeshire District Council ratified its decision to relocate its headquarters and Council Chamber, currently in Cambridge city centre to Cambourne Business Park. Construction of this 50,000 sq ft building is anticipated to commence later this year, subject to the fulfilment of certain contractual preconditions. It is testament to the maturity of Cambourne that it is to become the administrative centre for this local authority.

DEVELOPMENT- GLOBESIDE BUSINESS PARK

At Globeside Business Park, near Marlow, in the Thames Valley, the first phase of 115,000 sq ft reached practical completion in April 2001. In spite of the apparent slowdown in tenant demand during the year, we are pleased to have maintained a consistent degree of success in our letting programme on this speculative development. In the summer, 24,000 sq ft was let to BT Cellnet on a 16-year term followed shortly by a letting to Icon (UK) Limited for a prime 33,000 sq ft building at £30 per sq ft. In December, BYK UK Limited, a subsidiary of the German pharmaceutical group Altana, signed a 20-year lease at £30 per sq ft in respect of the 22,000 sq ft office unit, leaving only one unit at this scheme remaining to be let.

The 11-acre site was acquired in August 1999 in partnership with The Equitable Life Assurance Society and will ultimately provide 200,000 sq ft of first-class office and light industrial accommodation. The second phase will commence in a few years time when vacant possession of that element of the development is secured.

DEVELOPMENT-BIRMINGHAM INTERNATIONAL PARK

The successful pre-letting activity at the end of 2000 enabled us to complete, in the following February, the forward funding of the £10 million, 120,000 sq ft industrial phase with Legal & General Assurance Society. Practical completion of this phase was achieved in November, with only one of the three units now remaining to be let.

Practical completion of the current 69,000 sq ft office phase, forward funded with The Prudential Assurance Company Limited, was achieved earlier in the year and there, too, only one building, Washington House, remains to be let. Tenant demand in this micro market has also slowed considerably since early 2001, but we remain hopeful that the quality of the development will generate the results we are seeking.

The final unit under construction at Birmingham International Park is a 24,000 sq ft office building, pre-let to our serviced office provider, Executive Communication Centres Limited. Practical completion of this unit, forward funded in October with United Bank of Kuwait, is scheduled for May 2002.

DEVELOPMENT-FRIMLEY BUSINESS PARK

With detailed planning consent obtained in January 2001, construction is proceeding on schedule at this 200,000 sq ft prime office campus located near junction 4 of the M3 Motorway, 45 minutes from the centre of London. This development, funded in partnership with The Equitable Life Assurance Society, will comprise four prime office buildings. Marketing of the accommodation will commence closer to the anticipated practical completion date in the summer of this year, although here again, tenant demand has noticeably weakened since the spring of 2001.

DEVELOPMENT-SLOUGH TOWN CENTRE

In December, Development Securities, in partnership with Berkeley Homes, was chosen as the preferred development partner for the regeneration of Slough town centre. The initiative, called "Heart of Slough", entails a potential 1.5 million sq ft development on the 29-acre site in the centre of the town. The project will include a mix of housing, office accommodation, library, performance area, enterprise hub and retail space. Once the final contract with Slough Borough Council is executed, a further public consultation process will commence, with the final design of the scheme likely to be the subject of an international architectural design competition.

INVESTMENT AND OPERATING PROPERTY PORTFOLIO

2001 saw an acceleration in the continued restructuring of the portfolio. Capital values increased by £3.2 million overall, which represented an uplift of 2.8%. At the year-end,

the initial yield on the investment portfolio was 6.9 per cent, rising to 9.2 per cent on reversion to rack rental values. In addition, the valuation uplift of land held for future development amounted to £0.6 million.

The portfolio has increasingly been focused to ensure exposure to those sectors offering outperformance potential. The average number of properties is consistently being reduced to allow increased management emphasis on key assets and to enable easier repositioning through the market cycle. The 46 properties currently held represent a decrease of nearly 50 per cent from three years ago. During 2001, 10 properties were sold for £9.3 million, in line with book values and 6 properties were acquired for an aggregate consideration of £32.7 million, reflecting an initial yield of 7.25 per cent. By themselves, these purchases generated a net surplus, after costs of acquisition, of £0.6 million. The void rate in the portfolio was reduced to 6 per cent by the end of the financial year.

Three investment properties held at the beginning of the year accounted for £2.3 million of value creation through active management. At Ulster Terrace, London NW1, we took a surrender of the existing lease and simultaneously re-let the accommodation to the Alliance & Leicester for a 19-year term, at a rent over 50 per cent higher than the previous passing rent, achieving 43 per cent capital growth for this particular asset. The Great West Trading Estate, Brentford, acquired in the previous financial year, generated capital growth of 7.5 per cent, equating to £0.7 million. 2001 saw the re-letting of two units on this Estate at rents over 15 per cent above December 2000 rental values. Finally, at 131 Broadway, Bexleyheath, we completed the letting of the car park to NCP and achieved favourable rent review settlements on the retail units, thereby creating additional value of £0.7 million in 2001.

Our single largest acquisition during the year for £10 million was a 95,000 sq ft multi-let office building at the Genesis Centre, Warrington, offering a high income return and considerable lease re-structuring opportunities. We are undertaking a rolling refurbishment programme as accommodation becomes vacant in order to secure re-lettings at improved rental levels.

Last year, we increased our focus on the creation of a portfolio capable of providing above-average performance. There is still work required before this process is finalised and further disposals of those properties with limited performance potential and of a small lot size should be expected in the near term. The investment market in 2002 is expected to be challenging, with capital values tending downwards as rental growth cools and, in certain locations, becomes negative. However, any possible decline in capital values will be partially underpinned by the availability of low cost finance. Accordingly, we anticipate that income return will be the main driver in 2002, but we continue to seek new acquisitions with the potential to improve value through further active management. We believe that the market still offers opportunities, but pricing does need to be realistic.

EXECUTIVE COMMUNICATION CENTRES

Executive Communication Centres Limited, our serviced office operation, is establishing itself as a separate profit centre within our Group, contributing £0.25 million profit for 2001. With its own management structure based in Vienna House, adjacent to Birmingham International Airport, it now operates five business units, of which two have achieved maturity.

Its operational strategy distinguishes itself from the major market players in this sector in a number of significant ways. Its target market is just below the top line serviced office providers, offering a four, rather than five-star product in units that average only 20,000 sq ft. Consequently, its clients are smaller business concerns that possibly offer more stability of income together with a broader target market, rather than large, multinational organisations amongst whom demand is less easy to predict and risk exposure to any single tenant is possibly greater. The desire to avoid volatility and competitive pressures led Executive Communication Centres to eschew the London market, where the initial excitement was greatest as the sector began to receive a higher profile within the industry.

The rate of growth has been deliberately constrained to one or two centres each year to maximise operational control and limit exposures in this emerging sector. We plan to add a few more centres to the operation as the existing units reach maturity and have no intention at this stage of increasing our exposure to this sector to more than ten centres. Our experience to date indicates to us that this business fits well with our core development and investment activities.

The properties occupied by Executive Communication Centres together with one other property generating licence fee income, have been reclassified as operating properties at the year-end with an aggregate value of £9.7 million.

STEAD & SIMPSON

One of the final challenges inherited from Clayform Properties PLC, the name under which your Company traded for so many years prior to 1993, was its association with Stead & Simpson Limited. This footwear retailing business was formerly a wholly owned subsidiary of the Group which had traded at significant losses in the first half of the 1990's. In spite of severe competition in this retail sector in recent years, which has witnessed a number of high profile casualties, Stead & Simpson has succeeded, under new management, in arresting its previously declining fortunes and has traded at a breakeven level for the last four years. However, it has become clear that disposal of our remaining interests will take a while to accomplish until that company completes its return to full profitability enabling our investment to become income-producing. Accordingly, we have made a £3 million provision against our minority equity interest and loans totalling a combined £3.9 million.

FINANCE

Our financial condition remained strong as gearing levels were increased to a modest 24 per cent by the year-end in anticipation of a general slowdown in economic activity. Resources are available to capitalise on appropriate investment or development acquisitions that might arise. Relationships with our sources of bank finance are sound and maturities in respect of two, largely unutilised, committed lines of credit for £25 million each with HSBC Investment Bank plc and Barclays Bank PLC were extended until 2007 and 2008 respectively. We are cautiously optimistic that cash flow from our development activities will strengthen significantly in 2002 as further development profits are crystallised.

C J Barwick
21st March 2002

M H Marx

Consolidated Profit and Loss Account

for the year ended 31st December 2001 (Unaudited)

	Total 2001 £'000	Total 2000 £'000
Turnover	35,849	39,145
Direct costs	(11,520)	(19,755)
Gross profit	24,329	19,390
Operating expenses	(7,200)	(7,225)
Exceptional item	(3,000)	-
Operating profit	14,129	12,165
(Loss)/profit on disposal of fixed assets	(110)	247
Profit on ordinary activities before interest	14,019	12,412
Net interest payable	(3,867)	(2,383)
Profit on ordinary activities before taxation	10,152	10,029
Tax on profit on ordinary activities	(3,385)	(3,565)
Profit on ordinary activities after taxation	6,767	6,464
Dividends on equity shares	(1,269)	(2,562)
Retained profit for the year	5,498	3,902
Earnings per share	24.0p	23.1p
Diluted earnings per share	23.6p	22.8p

All turnover and profits derive from continuing operations

Consolidated Balance Sheet

31st December 2001 (Unaudited)

	2001		2000
	£'000	£'000	£'000
Fixed assets			
Investment properties	115,311		91,092
Operating properties	9,750		-
Other tangible assets	4,237		3,804
Investments	965		1,995
		130,263	96,891
Current assets			
Land, developments and trading properties	9,512		12,509
Debtors	35,992		26,409
Cash at bank and in hand	45,197		52,630
	90,701		91,548
Creditors: amounts falling due within one year	(29,703)		(14,944)
Net current assets		60,998	76,604
Total assets less current liabilities		191,261	173,495
Creditors: amounts falling due after more than one year			
Borrowings		(71,996)	(63,820)
Net assets		119,265	109,675
Financed by:			
Capital and reserves			
Called up share capital		14,110	13,953
Share premium account		61,692	61,538
Revaluation reserve		1,959	(2,101)
Other reserves		45,299	45,299
Profit and loss account - deficit		(3,795)	(9,014)
Total equity shareholders' funds		119,265	109,675
Net assets per share		423p	393p
Diluted net assets per share		417p	384p

Consolidated Cash Flow Statement

for the year ended 31st December 2001 (Unaudited)

	2001 £'000	2000 £'000
Cash inflow/(outflow) from operating activities	25,988	(6,218)
Returns on investment and servicing of finance	(3,891)	(3,416)
Taxation	(4,030)	(3,643)
Capital expenditure and financial investment	(31,500)	32,003
Equity dividends paid	(2,606)	(1,071)
Cash (outflow)/inflow before financing	(16,039)	17,655
Financing:		
Issue of new shares	804	464
Repayment of debt	(1,284)	(7,843)
Proceeds from new borrowings	9,134	-
Decrease/(increase) in pledged cash	13,137	(29,332)
Increase/(decrease) in cash in the year	5,752	(19,056)

Reconciliation of Net Cash Flow to Movement in Net Debt

for the year ended 31st December 2001 (Unaudited)

	2001 £'000	2000 £'000
Increase/(decrease) in cash in the year	5,752	(19,056)
Cash outflow from reduction in debt	1,284	7,843
Cash inflow from new borrowings	(9,134)	-
Cash (inflow)/outflow from (decrease)/increase in pledged cash	(13,137)	29,332
Change in net debt resulting from cash flow	(15,235)	18,119
Non cash adjustment	(193)	-
Movement in net debt in the year	(15,428)	18,119
Net debt at 1st January	(13,217)	(31,336)
Net debt at 31st December	(28,645)	(13,217)

Reconciliation of Operating Profit to Net Cash Inflow/(Outflow) from Operating Activities

for the year ended 31st December 2001 (Unaudited)

	2001 £'000	2000 £'000
Operating profit	14,129	12,165
Provision against investment and loans	3,000	-
Loss on disposal of tangible fixed assets	50	-
Decrease in developments and trading properties	3,700	2,076
Increase in debtors	(12,264)	(16,645)
Increase/(decrease) in creditors	16,733	(4,257)
Depreciation charges	588	483
Other items - non cash	52	(40)
Net cash inflow/(outflow) from operating activities	25,988	(6,218)

Analysis of Net Debt

for the year ended 31st December 2001 (Unaudited)

	Balance at 1st January 2001 £'000	Cash flow £'000	Other non-cash changes £'000	Balance at 31st December 2001 £'000
Cash at bank and in hand	17,904	5,704	-	23,608
Bank overdraft	(878)	48	-	(830)
		5,752		
Debt falling due within one year	(1,149)	1,284	(1,151)	(1,016)
Debt falling due after more than one year	(63,820)	(9,134)	958	(71,996)
Pledged cash	34,726	(13,137)	-	21,589
		(20,987)		
	(13,217)	(15,235)	(193)	(28,645)

Statement of Total Recognised Gains and Losses
for the year ended 31st December 2001 (Unaudited)

	2001 £'000	2000 £'000
Profit on ordinary activities after taxation	6,767	6,464
Unrealised surplus on revaluation of property portfolio	3,781	45
Total recognised gains for the financial year	10,548	6,509

Reconciliation of Movement in Total Equity Shareholders' Funds
for the year ended 31st December 2001 (Unaudited)

	2001 £'000	2000 £'000
Profit on ordinary activities after taxation	6,767	6,464
Dividends on equity shares	(1,269)	(2,562)
Retained profit for the financial year	5,498	3,902
Purchase of own shares	-	(902)
Issue of new shares	311	773
Surplus on revaluation of property portfolio	3,781	45
Net movement in total equity shareholders' funds	9,590	3,818
Opening total equity shareholders' funds	109,675	105,857
Closing total equity shareholders' funds	119,265	109,675

DEVELOPMENT SECURITIES PLC

BASIS OF PREPARATION

This announcement is prepared on the basis of the accounting policies as stated in the financial statements for the year ended 31st December 2000.

TURNOVER, PROFITS AND NET ASSETS

a) Analysis of turnover and gross profit

All turnover and profits derive from continuing property operations in the United Kingdom, except turnover of £707,000 (2000: £nil) and direct costs of £838,000 (2000: £197,000) in respect of a development property in France.

(b) Analysis of gross profit

	Turnover	Direct costs	2001 Gross profit	Turnover	Direct costs	2000 Gross profit
	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income	9,174	(2,235)	6,939	7,606	(1,885)	5,721
Project management fee income	1,681	-	1,681	1,354	-	1,354
Land, developments and trading properties	24,994	(9,285)	15,709	30,185	(17,870)	12,315
	35,849	(11,520)	24,329	39,145	(19,755)	19,390

c) Operating profit

	2001 £'000	2000 £'000
The operating profit is stated after charging:		
Depreciation	588	483
Impairment - equity investment	1,000	500
- loans	2,000	-
Operating leases in respect of land and buildings	309	226
Auditors' remuneration - current year	101	100
- prior year	35	-

Auditors' remuneration in respect of non-audit work amounted to £88,000 (2000: £94,500).

d) Exceptional item

The exceptional item of £3,000,000 represents an impairment in the book value of the equity investment in, and the majority of the loans to, Stead & Simpson Group Limited, arising from a Directors' evaluation of the amounts recoverable from this investment and associated loans which, prior to such provision for impairment, were stated at an aggregate of £3,883,000. The taxation effect of the exceptional item, included in the tax on profit on ordinary activities for the year, is a credit of £300,000.

The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 31st December 2001 and 31st December 2000. The financial information for the year ended 31st December 2000 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified and did not contain a statement under sections 237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31st December 2001 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Annual General Meeting.