


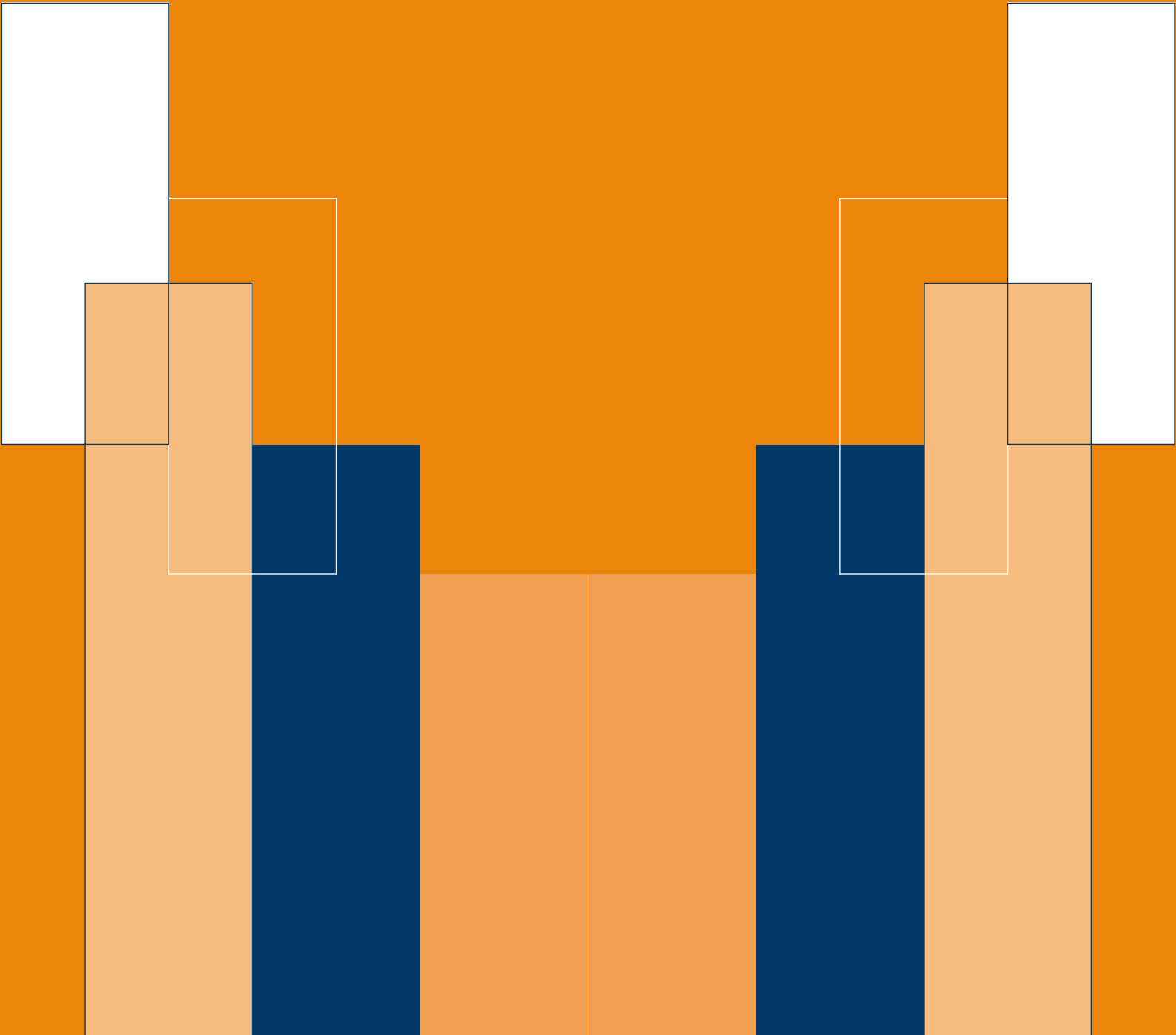
PRIVATE AND CONFIDENTIAL

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Financial highlights

for the six months ended 30th June 2000

	30th June 2000 £ million	30th June 1999 £ million	31st Dec 1999 £ million
Net assets	107.7	105.5	105.9
Net borrowings	(5.9)	(31.4)	(31.3)
Net assets per share (pence)	385	378	379
Profit before tax	3.0	14.8	19.6
Earnings per share (pence)	7.9	42.1	50.1
Interim dividend per share (pence)	1.35	1.2	3.7

2000 and the future, at a glance	Inside flap
Chairman's statement	1-3
Consolidated profit and loss account	4
Consolidated balance sheet	5
Consolidated cash flow statement	6
Reconciliation of net cash flow to net debt	6
Reconciliation of operating profit to net cash flow	7
Analysis of net debt	7
Notes to the interim financial information	8-9
Independent review report	10
Officers, committees and advisors	11
Property portfolio analysis	12

Creating the space for a better future

2000 and the future, at a glance

Development Securities PLC is a property development and investment company. Its principal objective is to carry out substantial, complex developments in a risk averse manner with a view to adding maximum value for its shareholders. All of the Company's major development schemes have been forward funded with a number of different institutional partners; such funding, quite apart from the significant reduction of downside risk, enables Development Securities to benefit in a material way from any strong improvement in specific letting markets.



Cambourne Business Park

2000

Bishopsbridge, Paddington

Comprises four phases of 1,900,000 sq. ft of commercial, residential and retail accommodation. Site acquisition and first phase of development fully forward funded by The Equitable Life Assurance Society and Norwich Union Life and Pensions Limited.

Cambourne Business Park

Construction commenced on the first two phases of this 750,000 sq. ft business park near Cambridge, with pre-lets for three of the six units on these phases.

Black Friars Court

Construction well advanced on 106,000 sq. ft prime office space in the City of London. Fully forward funded and 50 per cent pre-let to Rowe & Maw.

Birmingham International Park

Located adjacent to Birmingham International Airport, detailed planning permission was obtained for the next phases of 109,000 sq. ft office complex and 50,000 sq. ft distribution centre. Construction in progress on these schemes, both of which have been forward funded.

What makes us special

Strategy

To establish and maintain a soundly based property group with focused expertise in development, which is able to create, manage and benefit from large, complex projects, generating a reliable earnings stream for the benefit of shareholders.

Focus

Our skills and resources are primarily focused on the UK market, with particular reference to the Central London and business park work place sectors.

Teamwork

The depth of talent and the weight of experience in our management team is considerable. During their time in the development business each senior member of the team has been at the forefront of many successful and challenging large scale developments.

Funding

Relationships with our forward funding partners extend from those in the UK to a range of European, North American and Far Eastern institutions.



Bishopsbridge, Paddington

the future

Bishopsbridge, Paddington

All four phases of the 1,900,000 sq. ft development of commercial, residential and retail accommodation.

Cambourne Business Park

Five further phases of the 750,000 sq. ft business park near Cambridge.

Globeside Business Park, Marlow

Construction of all the forward funded phases at the 11 acre, 170,000 sq. ft business park, to provide first class office and light industrial accommodation. Completion of the initial phase expected in 2001.

Frimley, Surrey

166,000 sq. ft business park near Chobham, Surrey. Forward funded and due for completion in 2002.

Dolcis House, Oxford Street, W1

78,000 sq. ft fully forward funded office and retail development.

Broughton Park

Further phases of the land, presently without planning permission, held adjoining the 297,000 sq. ft regional shopping centre completed in 1999.

Chairman's statement

We enter the new millennium with a transitional year. Our fundamental policy of risk averse development remains unchanged. However, whereas in the past few years our efforts have been concentrated on a very limited number of high profile projects, our recent objective has been to extend the scope and range of our development activities. In this regard, I am pleased to be able to report that your Company has again made excellent progress in the six months ended 30th June 2000. Profit before tax for this period was £3.0 million, with a further increase in Shareholder's Funds to £107.7 million, equivalent to 385 pence per share. Reflecting the current nature of the Company's core development business, where earnings have been received in uneven tranches, profits, as anticipated, have dipped this year as we commence a number of new substantial projects. Nevertheless, we remain quietly confident that, with the scale of the development pipeline now in place, earnings can promptly and consistently achieve the level of returns to shareholders that we have generated in recent years.

Our development programme now exceeds 1 million sq. ft with an estimated, completed investment value of circa £1 billion. We are, today, on site in four locations, building in excess of 400,000 sq. ft net, due for completion prior to June 2001. By early next year we plan to have started in excess of a further 700,000 sq. ft net. At current pricing levels, we estimate the completed investment value of this part of our programme at £500 million. Similar values can be estimated for the combined subsequent phases of our development programme, including those at Cambourne and Paddington. It is noteworthy that the project management fees earned on this expanding portfolio were 66 per cent higher in the six months ended 30th June 2000 than for

the full year ended 31st December 1999. These fees, together with net rental income from our investment portfolio effectively continue to cover our operating expenses and net debt service costs, permitting our development earnings to flow through to pre-tax profits.

Dividends and cash return to shareholders

In view of this satisfactory outcome, the Board is pleased to declare a 12.5 per cent increase in the interim dividend to 1.35 pence per share to be paid on 26th October 2000 to shareholders on the Register at 29th September 2000. This reflects the fifth consecutive increase in interim distributions since the Board recommended the recommencement of dividend payments in 1994.

We recognise our obligations to you, our Shareholders, and, having completed a detailed appraisal of our future business requirements, have determined to recycle to you such cash as is considered surplus to likely present and future needs. In view of the improving outlook for future development activity, the strengthening balance sheet and reduced level of gearing, the Board has authorised the purchase of our shares up to a value of £3 million. It is the present intention to implement share purchases in the future on a basis consistent with prudent financial management.

Development – Bishopsbridge, Paddington

In May, we concluded unconditional contractual arrangements for the acquisition of a £77.3 million, 11 acre site at Bishopsbridge Road, Paddington, London W2, as well as the forward funding, not only of the site, but also of the first phase of development. The overall 1,900,000 sq. ft mixed use scheme will be the largest project with which your Company has been associated.

With our joint development partners, Norwich Union Life and Pensions Limited and The Equitable Life Assurance Society, we have submitted an application for detailed planning permission in respect of the first phase of this development, to include 460,000 sq. ft of prime offices, retail and leisure accommodation together with 200 apartments. Completion of this first phase is anticipated towards the end of 2002. In July, we announced the disposal of the residential component of the site, for over £20 million, to St. George North London Limited, who will be developing two high quality, ten storey apartment buildings adjacent to the Grand Union Canal.

Development – Dolcis House, Oxford Street, W1

Earlier this month, we announced the completion of a conditional contract for the acquisition and forward funding of Dolcis House, located in a prime position in London's West End, at the junction of Oxford Street and New Bond Street for £38 million. This £80 million, high quality development will create a significant investment property for our funding partner, Despa, comprising 35,000 sq. ft of retail and 43,000 sq. ft of office accommodation. Work on site is expected to commence in early 2001, with completion anticipated two years thereafter.

Development – Black Friars Court

Elsewhere in Central London, construction is well underway at our 106,000 sq. ft prime office development at Black Friars Court, close to St. Paul's Cathedral in the City of London, where completion is scheduled for spring of next year. Forward funded with Deutsche Grundbesitz Investmentgesellschaft, 50 per cent of the available accommodation has been pre-let to Rowe & Maw, the prominent law firm.

Development – Frimley, Surrey

Quite apart from substantial Central London projects, the other main area of our current focus and expertise is the business park sector, primarily in the South East of the UK where, together with our joint venture partner, The Equitable Life Assurance Society, we secured our third recent major project with the acquisition in June of a 7.6 acre site at Frimley, Surrey for an amount in excess of £20 million, to provide 166,000 sq. ft of office accommodation. Work is scheduled to commence on site in early 2001, with the entire construction phase anticipated to be completed by mid 2002.

Development – Cambourne Business Park

Elsewhere in the business park sector, activity continues apace on our 750,000 sq. ft development at Cambourne Business Park, near Cambridge, where we completed the forward funding of the £25 million first phase with University Superannuation Scheme Limited, to provide 100,000 sq. ft of office accommodation. The first two buildings were both let prior to their practical completion earlier this year, with the third, a building of some 42,000 sq. ft, anticipated to be available for occupation by the autumn of this year. In view of the evident strength of demand in the Cambridge office market, we recently commenced the 120,000 sq. ft second phase at Cambourne Business Park and shortly thereafter, secured a pre-let on the initial 30,000 sq. ft office building.

Development – Globeside Business Park and Birmingham International Park

At the 170,000 sq. ft office and light industrial development at Globeside Business Park, Marlow, construction is well underway on the 116,000 sq. ft first

phase where completion is expected in the first half of next year. In April, at Birmingham International Park, adjacent to Birmingham International Airport, we completed the forward funding of International Square, the next phase of development, which comprises 69,000 sq. ft of first class office accommodation. In May, practical completion was reached on the first building of this phase, which was pre-let to Executive Communication Centres, our own serviced office suite provider. Construction of the second and third buildings has now commenced, with completion anticipated in early 2001.

Investment Portfolio

With the benefit of strong cash flow that was derived last year from our development operations, considerable progress has been made in the restructuring of our investment portfolio. Not only have 20 properties aggregating \$41 million been disposed of at figures closely in line with book value, but £10 million of the proceeds have also been reinvested into the acquisition of the 160,000 sq. ft distribution facility at Great West Trading Estate, Brentford, West London, from which we intend to derive returns more akin to those which we are presently achieving in our development activities. I am also pleased to report that Matthew Weiner will be joining us in October as Director of Investments, after completing seven years service with both AXA Real Estate Investment Managers Limited and Legal and General Property Limited. We very much look forward to the expertise and energy that I know he will bring to the Company.

Balance Sheet and Gearing

Our Balance Sheet is now stronger than ever due to continuing strong cash flow from our development

programme, which, together with our strategic asset disposals, has reduced net gearing to 6 per cent at 30th June 2000, down from a level of 30 per cent at 31st December 1999. Currently, subsequent to recent activity on both the development and investment portfolios, our net gearing has risen to circa 20 per cent. The platform has been established for the next stage of your Company's strategic development.

Management

In June, I was pleased to announce that Julian Barwick was appointed Joint Managing Director, alongside Michael Marx. Amongst his existing duties and responsibilities, Julian takes the lead role in our development activities. The executive team has made outstanding progress in the last two years in creating a quality development programme and Julian is to be congratulated on his very significant contribution to those achievements. I would like to thank Lord McAlpine and Sir David Rowe-Beddoe, both of whom recently stepped down as non-executive directors after some six years in office, for their service on your behalf.

Finally, it would be remiss of me to close without thanking all our directors and staff for their unstinting commitment to your Company. They are the true resource needed to maintain and enhance our well regarded and successful profile.

H R Jenkins CBE
Chairman
13th September 2000

Consolidated profit and loss account

unaudited for the six months ended 30th June 2000

	Notes	Six months to 30th June 2000 unaudited £ million	Six months to 30th June 1999 unaudited £ million	Year ended 31st Dec 1999 audited £ million
Turnover: continuing		10.9	25.5	37.8
Direct costs		(4.2)	(3.7)	(5.3)
Gross Profit	2	6.7	21.8	32.5
Net operating expenses		(2.6)	(4.3)	(7.9)
Operating profit: continuing		4.1	17.5	24.6
Loss on disposal of fixed assets		–	–	(0.5)
Profit on ordinary activities before interest		4.1	17.5	24.1
Net interest payable		(1.1)	(2.7)	(4.5)
Profit on ordinary activities before taxation		3.0	14.8	19.6
Tax on profit on ordinary activities	3	(0.8)	(3.1)	(5.6)
Profit on ordinary activities after taxation		2.2	11.7	14.0
Dividends on equity shares	4	(0.4)	(0.3)	(1.0)
Retained profit for the period		1.8	11.4	13.0
Earnings per share	5	7.9p	42.1p	50.1p
Diluted earnings per share	6	7.8p	41.9p	49.7p
Dividends per share		1.35p	1.2p	3.7p

Consolidated balance sheet

unaudited as at 30th June 2000

	Notes	30th June 2000 unaudited £ million	30th June 1999 unaudited £ million	31st Dec 1999 audited £ million
Fixed assets				
Investment properties	7	86.9	119.0	123.7
Other tangible assets		3.7	2.5	2.8
Investments		3.0	3.1	3.0
		93.6	124.6	129.5
Current assets				
Land, developments and trading properties		11.9	20.8	14.5
Debtors		19.8	17.9	10.1
Cash at bank and in hand		59.1	47.3	42.5
		90.8	86.0	67.1
Creditors: amounts falling due within one year		(12.5)	(33.5)	(19.5)
Net current assets		78.3	52.5	47.6
Total assets less current liabilities		171.9	177.1	177.1
Creditors: amounts falling due after more than one year				
Borrowings		(64.2)	(71.6)	(71.2)
Net assets		107.7	105.5	105.9
Financed by:				
Capital and reserves				
Called up share capital		14.0	14.0	14.0
Reserves		102.8	96.6	97.9
Profit and loss account		(9.1)	(5.1)	(6.0)
Total equity shareholders' funds		107.7	105.5	105.9
Net assets per share		385p	378p	379p

Consolidated cash flow statement

unaudited for the six months ended 30th June 2000

	Six months to 30th June 2000 unaudited £ million	Six months to 30th June 1999 unaudited £ million	Year ended 31st Dec 1999 audited £ million
Cash (outflow)/inflow from operating activities	(5.9)	41.1	53.2
Returns on investment and servicing of finance	(3.3)	(3.5)	(5.0)
Taxation	(1.5)	(0.1)	(3.0)
Capital transactions and financial investment	36.2	(5.6)	(12.1)
Equity dividends paid	-	-	(1.0)
Cash inflow before financing	25.5	31.9	32.1
Financing	(37.2)	(2.1)	(8.4)
(Decrease)/increase in cash in the period	(11.7)	29.8	23.7

Reconciliation of net cash flow to movement in net debt

unaudited for the six months ended 30th June 2000

	Six months to 30th June 2000 unaudited £ million	Six months to 30th June 1999 unaudited £ million	Year ended 31st Dec 1999 audited £ million
(Decrease)/increase in cash in the period	(11.7)	29.8	23.7
Cash outflow from reduction in debt	8.0	1.2	7.2
Cash outflow from increase in pledged cash	29.3	-	0.4
Change in net debt resulting from cash flow	25.6	31.0	31.3
Non cash adjustment	(0.2)	(0.2)	(0.4)
Movement in net debt in the period	25.4	30.8	30.9
Net debt at 1st January 2000	(31.3)	(62.2)	(62.2)
Net debt at 30th June 2000	(5.9)	(31.4)	(31.3)

Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

unaudited for the six months ended 30th June 2000

	Six months to 30th June 2000 unaudited £ million	Six months to 30th June 1999 unaudited £ million	Year ended 31st Dec 1999 audited £ million
Operating profit	4.1	17.5	24.6
Decrease/(increase) in development and trading properties	2.7	(2.2)	4.8
(Increase)/decrease in debtors	(9.7)	13.0	20.7
(Decrease)/increase in creditors	(3.2)	11.9	2.7
Depreciation	0.2	0.2	0.4
Other items – non cash	-	0.7	-
Net cash (outflow)/inflow from operating activities	(5.9)	41.1	53.2

Analysis of net debt

unaudited for the six months ended 30th June 2000

	Balance at 1st January 2000 audited £ million	Cash flow £ million	Other non cash changes £ million	Balance at 30th June 2000 unaudited £ million
Cash at bank and in hand	37.1	(12.7)		24.4
Bank overdraft	(1.1)	1.0		(0.1)
		(11.7)		
Debt falling due within one year	(1.5)	1.6	(0.8)	(0.7)
Debt falling due after more than one year	(71.2)	6.4	0.6	(64.2)
Pledged cash	5.4	29.3		34.7
		37.3		
	(31.3)	25.6	(0.2)	(5.9)

Notes to the interim financial information

unaudited for the six months ended 30th June 2000

1 The results for the year ended 31st December 1999 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 2000 and 1999 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 1999.

2 Analysis of gross profit:

	Six months to 30th June 2000 £ million	Six months to 30th June 1999 £ million	Year ended 31st Dec 1999 £ million
Net rental income	2.9	4.3	8.7
Project management fees	0.5	0.2	0.3
	3.4	4.5	9.0
Trading and development profits	3.3	17.3	23.5
Gross profit	6.7	21.8	32.5

3 The tax charge of £0.8m is low in relation to the profit for the period due to the impact of timing differences.

4 The Board has declared an interim dividend of 1.35p per Ordinary share, payable on 26th October 2000 to Ordinary shareholders on the register at the close of business on 29th September 2000.

5 Earnings per share have been calculated based on the profit on ordinary activities after taxation of £2.2 million divided by the weighted average number of shares in issue during the period of 27.9 million.

6 Diluted earnings per share, based on the profit on ordinary activities after taxation of £2.2 million, have been calculated as set out below:

	Earnings £ million	Weighted average number of shares million	Earnings per share pence
Basic	2.2	27.9	7.9
Effect of dilutive shares	–	0.3	–
Diluted	2.2	28.2	7.8

7 The investment properties at 30th June 2000 are stated at the valuations incorporated within the financial statements for the year ended 31st December 1999 or at cost where acquired subsequently. The movement in investment properties for the six month period ended 30th June 2000 was:

	Freehold £ million	Long Leasehold £ million	Total £ million
At 1st January 2000	102.0	21.7	123.7
Additions	3.8	–	3.8
Disposals	(40.1)	(0.5)	(40.6)
At 30th June 2000	65.7	21.2	86.9

Interest of £0.6 million has been capitalised in the six months ended 30th June 2000 (six months to 30th June 1999: £0.8million).

8 At 30th June 2000, 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 at that date of £10.9 million (31st December 1999: £11.5 million). The valuation is only an indication of the notional effect on the net asset value of the Group at 30th June 2000 and is subject to daily fluctuations in line with money market movements.

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

	Six months to 30th June 2000 unaudited £ million	Six months to 30th June 1999 unaudited £ million	Year ended 31st Dec 1999 audited £ million
Profit on ordinary activities after tax	2.2	11.7	14.0
Dividends on equity shares	(0.4)	(0.3)	(1.0)
Retained profit for the financial year	1.8	11.4	13.0
Purchase of own shares	–	(0.8)	(0.8)
Issue of new shares	–	0.5	0.5
Currency translation differences of foreign currency investment	–	–	(0.1)
Unrealised net deficit on revaluation of properties	–	–	(1.1)
Net movement in equity shareholders' funds	1.8	11.1	11.5
Opening total equity shareholders' funds	105.9	94.4	94.4
Closing total equity shareholders' funds	107.7	105.5	105.9

10 Statement of total recognised gains and losses for the six months ended 30th June 2000:

	Six months to 30th June 2000 unaudited £ million	Six months to 30th June 1999 unaudited £ million	Year ended 31st Dec 1999 audited £ million
Profit on ordinary activities after taxation	2.2	11.7	14.0
Currency translation differences on foreign currency investment	–	–	(0.1)
Unrealised net deficit on revaluation of properties	–	–	(1.1)
	2.2	11.7	12.8

11 The interim report will be sent to all holders of the Company's listed securities and 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 set out on pages 4 to 9 and 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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the UK Listing Authority require that the accounting policies and presentation applied to the interim figures should be 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 guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. 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 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 30th June 2000.

Deloitte & Touche

Chartered Accountants
13th September 2000
Hill House
1 Little New Street
London EC4A 3TR

Officers and committees

Directors

H R Jenkins, Chairman*
M H Marx, Joint Managing Director and Finance Director
C J Barwick, Joint Managing Director
Lord Gowrie PC*
M D Wigley*
M R Landau*
P J Willis*
W Grant*
A Th Meijer*

*Non-executive

Secretary

S A Lanes FCA

Remuneration committee

W Grant, Chairman*
M D Wigley*

Audit committee

H R Jenkins, Chairman*
M D Wigley*
W Grant*
M R Landau*

Nomination committee

H R Jenkins, Chairman*
M H Marx, Joint Managing Director and Finance Director
W Grant*

Advisors

Registered Office

Portland House
Stag Place
London SW1E 5DS
Telephone 020 7828 4777
Facsimile 020 7828 4999

Registered Number

1528784

Auditors

Deloitte & Touche

Principal Bankers

Barclays Bank PLC
HSBC Property Finance Midland Bank plc
Bank of Scotland
Norwich Union Mortgage Finance Limited

Merchant Bankers

HSBC Investment Bank plc

Corporate Solicitors

Linklaters

Stockbrokers

HSBC Securities

Registrars and Transfer Office

Capita IRG Plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone 020 8639 2000

Property portfolio analysis

31st August 2000

Portfolio location profile

Wales	9%
Scotland	2%
North	7%
Midlands	12%
South East	30%
West End	3%
City	12%
London	25%

Portfolio analysis by sector

Mixed	3%
Industrial	16%
Retail	32%
Office	49%

Principal properties

Retail

131 The Broadway, Bexleyheath, Kent DA76 7HE

Pricebusters Building, Bank Hey Street, Blackpool, Lancashire FY 4QZ

Riverside Quay, Haverfordwest, Pembrokeshire SA61

Offices

43 Fetter Lane, London EC4A 1NA

31/35 Park Row, Nottingham NG1 6FQ

St Nicholas House, St Nicholas Road, Sutton SM1 1EL

Milton House, Charter Row, Sheffield S1 4HR

Portfolio tenant profile

Government	12%
FTSE 100	11%
PLC/National Multiples	48%
Regional Multiples	18%
Local Businesses	11%

Portfolio lease profile

0-5 Years	20%
5-10 Years	6%
10-15 Years	38%
15-20 Years	26%
20+ Years	10%

Industrial

Great West Trading Estate, Great West Road, Brentford Middlesex

Principal properties represent those properties valued in excess of £5 million. The analyses exclude undeveloped freehold land.