22nd October 2013

DEVELOPMENT SECURITIES PLC - INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31st August 2013
Positioned for further growth as positive momentum continues across portfolio

Development Securities PLC ("Development Securities" or the "Company"), the leading property development and investment company, today announces interim results for the six months ended 31st August 2013.

Highlights:

- NAV increased by two per cent and earnings increased to 5.9 pence per share (28th February 2013: 2.0 pence per share) after payment of 2013 final dividend
- Investment portfolio valuations stable and set to recapture value – increasing confidence in recovery in secondary market supports asset management and enhancement activities within portfolio
- Development and trading gains of £13.3 million – diversified portfolio of assets continuing to generate steady profits with risk spread across multiple opportunities – on track to generate further gains in second half of year and beyond
- Seven planning consents secured since year end predominantly for foodstore anchored mixed-use developments – underwrites further value across the portfolio
- Four new opportunities secured in the period – recycling an element of realised gains into real estate assets where we can create value through regeneration
- Strong progress to release cash from legacy assets – £11.4 million of cash received through sale of Broughton residential land in the period and planning consent secured at 399 Edgware Road
- Interim dividend of 2.4 pence per share declared

Commenting on these results, Chief Executive, Michael Marx said:

"I am pleased to report a profitable performance during a busy period in which we made good progress across our diverse property portfolio. In the period we realised £13.3 million of development and trading gains building on those delivered in the past couple of years, with good visibility on additional gains in the near- to medium-term. Valuations in our investment portfolio which comprises good quality, higher yielding secondary assets, were stable in the period and are set to recapture value as the economy strengthens and investor appetite in this sub sector continues to grow.

This enhanced financial performance has further strengthened our Balance Sheet and positions us well to deliver significant value to shareholders over the medium-term. We are confident that our strategy of creating value by regenerating redundant or obsolete real estate is the correct one at this point in the economic cycle."

Financial summary:
unaudited for the six months ended 31st August 2013

	31st August 2013 unaudited £ million	31st August 2012 unaudited £ million	28th February 2013 audited £ million
Profit/(loss) before income tax	8.1	(0.7)	0.8
Net assets attributable to Shareholders	312.6	304.4	306.6
EPRA adjusted net assets	320.5	317.4	317.5
Net debt*	(143.0)	(147.1)	(146.8)
Basic and diluted profit/(loss) per share (pence)	5.9	(1.4)	2.0
Basic net assets per share** (pence)	255	249	251
EPRA adjusted net assets per share** (pence)	262	259	260
Dividends declared per share** (pence)	2.4	2.4	4.8

* Refer notes 10 and 17
** Refer note 17

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Chairman's statement

It is pleasing to report a pre-tax profit of £8.1 million for the six months to 31st August 2013, as compared to a loss of £0.7 million for the six months to 31st August 2012. After accounting for the 2013 final dividend of £2.9 million, net assets attributable to shareholders increased in the period by £6.0 million to £312.6 million from £306.6 million at 28th February 2013, equivalent to 255 pence per share as compared to 251 pence per share at 28th February 2013.

During the period, we realised development and trading gains of £13.3 million compared to the realised gains of £11.9 million in the equivalent period last year. We remain confident that significant gains will continue to be generated in the second half of the current financial year and beyond. The Directors have declared an interim dividend of 2.4 pence per share payable on 29th November 2013 to Shareholders on the register on 1st November 2013.

Market overview

There is evidence over recent months that some of the lights are coming back on within the UK economy. Whilst GDP is expected to continue to recover over the next few years, it is still some way off from stabilising at the trend growth rate. A weaker Sterling exchange rate, improving consumer sentiment and Government initiatives to resuscitate the housing market have largely driven this upturn. London, with its population growth and status as a leading global city, has benefited from positive GDP growth for some time now and, with a steady influx of foreign capital and further infrastructure improvements, this seems set to continue. Outside of London, however, concerns remain as to whether this incipient economic recovery is sustainable. Productivity improvement, which is important if we are to raise UK living standards and move to a sustainable cyclical recovery, is still not in evidence and indeed productivity is currently five per cent below its pre-recession peak. In the investment property market, investor sentiment is improving within the secondary sector and we have begun to see this reflected within our property investment portfolio where valuations have stabilised in the last six months.

Major developments

With the economy showing signs of recovery and demand strengthening in fringe locations of Central London, we now anticipate an increased focus on large-scale office developments.

The significant realisation in the period under review arose from the successful conclusion of our involvement in PaddingtonCentral following the disposal by our funding partner, Aviva Investors, of its interests in the scheme. In a number of ways it was sad to withdraw from our 15-year involvement in this significant and successful 1.2 million sq. ft. 'place making' project. We have received a total payment of £12.1 million by way of a concluding agreement including our initial £5.0 million equity investment, generating net development and trading gains of £6.4 million.

Having reached practical completion at 10 Hammersmith Grove in June 2013, and with five floors, representing 58 per cent, of the building under offer, we are encouraged by the level of interest in the remainder of the space. This 110,000 sq. ft. prime office building is the first of two buildings in Hammersmith town centre. Given our progress, we are now priming the second phase, 12 Hammersmith Grove, a 165,000 sq. ft. grade A office building for commencement in early 2014. As with 10 Hammersmith Grove, this speculative development will be forward-funded with an institutional partner prior to commencing construction.

In September 2013, we secured an option agreement on Algarve House, a derelict office building adjacent to Southwark underground station for £8.2 million for the development of an office-led regeneration project. The option agreement will be paid in phases over the next 18 months with an initial payment of £2.3 million having been made.

Development and trading properties

Disposals

We have continued to make good progress in our strategy of realising value through the regeneration of derelict or otherwise redundant real estate. Further gains have been realised from within the Chrome portfolio and from a number of other development and trading assets. Since 31st August 2013, we have released all of our initial equity investment in the Chrome portfolio through the disposal of the underlying real estate assets. The period under review also saw us successfully conclude the disposal of the final assets within the Rock portfolio, acquired in October 2010, and which has generated cumulative total profits of £8.4 million.

Planning progress

An important part of our development business model is to create value through the planning process via change of use or improved planning consents. Planning consents achieved since 28th February 2013 include:

- Barnstaple, Devon – Resolution to Grant Planning for a phased mixed-use development. The first phase is anchored by a 78,000 sq. ft. foodstore for which a conditional pre-sale has been agreed with ASDA.

- Launceston, Cornwall – Resolution to Grant Planning for a phased mixed-use development. The first phase comprises a 51,000 sq. ft. foodstore for which a site sale has been agreed with Morrisons.

- Cross Quarter, Abbey Wood – Resolution to Grant Planning for an £85 million mixed-use regeneration scheme comprising 220 private and affordable homes, an 80-bed hotel, 5,000 sq. ft. of commercial space and an 81,000 sq. ft. anchor foodstore, pre-let to Sainsbury's.

- Marsh Mills, Plymouth - Resolution to Grant Planning for a retail and leisure scheme comprising 84,500 sq. ft. of bulky goods retail space and 12,800 sq. ft. of café and restaurant space. We are already in discussions with pre-let interest which will be the pre-cursor to securing third party funding.

- North Sprowston and Old Catton, Norwich - Resolution to Grant outline planning for a major mixed-use urban extension including up to 3,520 homes delivered in phases over the next 15 to 20 years. A start on site is anticipated in late 2015 for the first phase of residential-led development comprising 590 new homes.

We are also pleased to report significant progress in respect of Shepherds Bush Market, a six-acre regeneration project which will include up to 212 apartments, 14,000 sq. ft. of retail space and a revitalised market at its core. The Judicial Review hearing took place in July 2013 and a final favourable decision was handed down by the judge in October. In mid-September, the CPO Inquiry opened, upon which full vacant possession of the site is contingent, and we are hopeful of this being confirmed in early 2014 enabling us then to start on site. In the interim, we have continued our process of land assembly in order to advance our position, notably, securing the conditional exchange on the purchase of the market from TfL.

New real estate opportunities
At this stage in the economic cycle, we are actively seeking opportunities to recycle an element of our capital into further real estate opportunities where we can add value through the process of regeneration. In addition to securing an option to acquire Algarve House, Southwark, we secured three new opportunities during the period within our development and trading portfolio which offer strong potential for value growth.

In July 2013, we acquired Tollgate House and Market Place, a 104,400 sq. ft. mixed-use, town centre opportunity in Romford, Greater London, for £8.3 million. The acquisition comprises three real estate assets with potential to increase value through development, asset management and enhancement. We are now on site and carrying out the construction of the second phase at Market Place where we have fully let the commercial space, with 22 apartments to be rented or sold upon practical completion which is anticipated in Q2 2014.

In October 2013, we acquired a 0.25-acre, derelict site, in one of Dublin's prime residential locations for €2.4 million with a local partner. The site has planning permission for a mixed-use development comprising twelve high quality apartments, 4,700 sq. ft. of restaurant and retail space and 6,500 sq. ft. of office space. Capital expenditure of €5.0 million is required to develop the scheme which will be funded through a mixture of equity and external bank debt.

At a ten-acre site in Essex, we have entered into a joint venture agreement with a development partner to bring forward a mixed-use project. Conditional contracts have been agreed with the current landowners for the acquisition of the site and a conditional pre-lease, subject to planning, has been agreed with a national retailer for a 76,000 sq. ft. foodstore to anchor the development. A detailed planning application is currently being progressed which will be submitted early next year.

Real estate loan portfolios
We have noticed a more progressive stance being taken by some banks in response to the improved investment market conditions. Building on the experience gained from the two significant real estate loan portfolio transactions that we undertook in 2012, we are hopeful of securing additional transactions in the near- to medium-term. These are likely to be similar in nature to those deals undertaken to date and involve consensual re-structurings of bi-lateral loans.

Investment Portfolio

After the disposal of our residential land at Broughton for £11.4 million, the valuation of our directly held investment portfolio at 31st August 2013 was £208.0 million as compared to £220.1 million as at 28th February 2013. Our investment portfolio including our share of joint venture assets benefitted from a valuation increase of £0.5 million at 31st August 2013.

We are pleased to report that values within our investment portfolio including our share of joint venture assets have largely stabilised as investment and banking demand spills out from Central London to seek the higher yielding, good quality secondary assets that our portfolio comprises. Competitive bidding for these assets is returning, reflecting improved investor sentiment and increasing availability of debt. Assuming the market remains disciplined, the outlook is for the weight of money to increase in this market, leading to yield tightening across most sub-markets. We are hopeful that not only will values remain stable, but that we will be able to recapture value in the second half of the year as the economy strengthens further and secondary yield compression returns. The strengthening market place is encouraging us to accelerate our program of recycling an element of our investment portfolio.

In October 2013, in joint venture with Patron Capital, we were pleased to announce the sale of the Phones 4u arena for £82.1 million to a fund of Mansford Real Estate LLP. The sale of the arena, in which we owned a 30 per cent share, will generate in excess of £10.0 million of cash to Development Securities before finalising with Patron Capital our promote entitlements.

We continue to proactively manage our investment portfolio to increase occupancy and in turn extract maximum value from our assets. During the period, void rates decreased to 6.3 per cent from 9.7 per cent at 28th February 2013 and rental income remained constant at £15.4 million (28th February 2013: £15.5 million).

At our 112-unit east London residential scheme, Wick Lane Wharf, in joint venture with Realstar Group we have exchanged or completed on the sale of 26 of the 30 apartments which were surplus to the core business plan. It is pleasing to report that these sales have been achieved at an average of 14.0 per cent above appraisal values.

At Atlantic Village, Bideford, as part of our medium-term development proposition, we have continued to retain occupiers and secure new brands to boost footfall. We are certain that over time, this is the correct route to enhancing value as increased occupancy will be beneficial to all traders. However, in the short-term, this has placed further pressure on the asset's capital value and resulted in a further £1.4 million loss over the first six months of the year. Whilst negative yield creep has ceased and capitalisation rates stabilised, incentives and rents to retain and attract tenants have softened. We will continue to enhance critical mass at this location through continued lettings and the development activity at both the second phase of Atlantic Village and also Atlantic Park where during the period, we secured Resolution to Grant planning for a new leisure development.

Legacy assets

Good progress has been achieved during the current financial year on two of our three significant non-income producing legacy assets. In May 2013, we were pleased to complete the sale of our most significant remaining land holding at Broughton to a housebuilder for £11.4 million thus capitalising on the planning consent we obtained during the previous financial year.

At 399 Edgware Road, we have now secured planning consent for our reconfigured mixed-use regeneration scheme which will comprise an 80,000 sq. ft. foodstore, pre-let to Morrisons, 183 residential units and 50,000 sq. ft. of additional space dedicated to Oriental food and retail. This is a key milestone for us in realising cash from this site.

Outlook

With investment valuations set to improve as the economy strengthens and with a steady flow of gains continuing to be generated across our portfolio, we are confident that our strategy will continue to create value and growth for your Company.

It remains for me to thank our management team and staff for their application, expertise and team work in a period during which much progress has been achieved.

D S Jenkins
Chairman

Financial review

Total comprehensive income for the six months was a profit of £8.9 million, (31st August 2012: £2.9 million loss, 28th February 2013: £2.2 million profit). After the final dividend for the year to 28th February 2013 of £2.9 million, net asset value attributable to shareholders increased by £6.0 million to £312.6 million (31st August 2012: £304.4 million, 28th February 2013: £306.6 million).

Profits from development and trading operations were £13.3 million as realisations continued from the previous year (31st August 2012: £11.9 million, 28th February 2013: £28.1 million). These were generated both from direct real estate holdings, amounting to £11.0 million recognised within gross profit, and from indirect holdings, with £2.3 million arising in joint ventures.

Net revaluation of our investment assets, including those within our share of joint ventures, was an increase of £0.5 million. This comprised: negative revaluations in our directly held investment portfolio of £1.0 million (31st August 2012: £7.3 million loss, 28th February 2013: £16.3 million loss), resulting in an increased operating profit of £8.8 million (31st August 2012: £0.9 million, 28th February 2013: £2.2 million); and a revaluation uplift of £1.5 million in respect of our investment assets held in joint venture.

Net finance costs were £5.1 million (31st August 2012: £5.8 million, 28th February 2013: £10.1 million), including £0.7 million of mark-to-market gain in respect of currency and interest rate swaps. In addition, we have benefited from a mark-to-market gain of £2.2 million in respect of the currency and interest rate swap reported in Other comprehensive income.

During the period we secured new bank finance of £6.6 million from Royal Bank of Scotland plc in respect of the acquisition and development of our project in Romford. In October 2013, we completed the repayment of the loan from HSBC in respect of our Chrome loan portfolio joint venture with Pears Group.

Net debt as at 31st August was £143.0 million, representing gearing of 45.7 per cent (31st August 2012: £147.1 million and 48.3 per cent, 28th February 2013: £146.8 million and 47.9 per cent). In addition our share of net debt in joint ventures reduced to £33.7 million, increasing our effective gearing to 56.5 per cent (31st August 2012: 67.7 per cent, 28th February 2013: 63.9 per cent). The weighted average maturity of our debt is 7.6 years, with a weighted average interest rate of 5.7 per cent. The proportion of our portfolio which is subject to fixed interest rates has reduced to 87.3 per cent. If our share of debt in joint ventures is included, weighted average maturity is 6.7 years, the average interest rate is 5.5 per cent, and the proportion of fixed rate debt is 81.0 per cent.

Our Annual Report to 28th February 2013 describes our risk profile and our approach to managing our principal risks. These principal risks remain unchanged as at 31st August 2013. With regard to the second half of the year, whilst acknowledging the signs of recovery currently being shown, the Board remains cautious in its view of UK macro-economic prospects, as set out in the Chairman's Statement. We maintain a strong focus on potential tenant defaults and other counterparty risks.

Portfolio analysis

Tenant profile

1	FTSE 100	0.6%
2	Government	3.0%
3	PLC/Nationals	63.1%
4	Regional Multiples	12.6%
5	Local Traders	20.7%

Location profile

1	London	11.1%
2	South East	47.6%
3	South West	16.7%
4	Midlands	3.7%
5	North	11.5%
6	Wales	9.4%

Lease profile

1	0-5 years	32.8%
2	5-10 years	39.6%
3	10-15 years	11.1%
4	15-20 years	7.1%
5	20 years+	9.4%

Analysis by sector

1	Retail	78.6%
2	Office	4.1%
3	Mixed	5.8%
4	Industrial	10.5%
5	Residential	1.0%

Income generating properties as at 31st August 2013

Top five occupiers		**31st August 2013**
	Annual rent £'m	% of contracted rent
Waitrose	2.1	13.4
Primark Stores	0.5	3.2
Sportsworld	0.5	3.1
Martin McColl Ltd	0.5	3.1
Brausch & Co	0.4	2.7

Top five occupiers		**28th February 2013**
	Annual rent £'m	% of contracted rent
Waitrose	1.8	11.8
Primark Stores	0.5	3.2
Sportsworld	0.5	3.1
Martin McColl Ltd	0.5	3.1
Brausch & Co	0.4	2.7

Income generating properties – Like-for-like rental income received				**31st August 2013**
	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	7.7	–	–	7.7
Development and trading properties	1.0	0.7	–	1.7
Joint ventures	1.6	0.3	–	1.9
	10.3	1.0	–	11.3

				31st August 2012
	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million

Investment properties	8.0	–	–	8.0
Development and trading properties	0.8	–	0.6	1.4
Joint ventures	1.6	–	–	1.6
	10.4	–	0.6	11.0

Investment property – key statistics

	Portfolio value £ million	Contracted rent £ million	Number of assets held No.	New lettings in period £ million/ '000 sq.ft.	Initial yield in period* %	Equivalent yield* %	Voids* %	Rate of rent collections within 30 days %
31st August 2013	208.0	15.4	42	£0.4m/21 sq.ft.	7.5	7.8	6.3	95.3
28th February 2013	220.1	15.5	42	£0.4m /40 sq.ft.	7.5	7.9	9.7	96.3
31st August 2012	231.4	15.2	42	£0.6m / 40 sq.ft.	7.5	7.6	8.3	95.3

* Based on the core investment property assets only.

Consolidated statement of comprehensive income unaudited for the six months ended 31st August 2013

	Notes	Six months to 31st August 2013 unaudited £ million	Six months to 31st August 2012 unaudited £ million	Year ended 28th February 2013 audited £ million
Revenue	2	**32.5**	56.7	99.7
Direct costs	2	**(15.6)**	(41.8)	(69.0)
Gross profit	2	**16.9**	14.9	30.7
Operating costs	2	**(6.5)**	(6.7)	(13.0)
(Loss)/gain on disposal of investment properties	2	**(0.6)**	–	0.9
Loss on revaluation of property portfolio	2	**(1.0)**	(7.3)	(16.4)
Operating profit		**8.8**	0.9	2.2
Other income	2	**0.3**	0.3	0.6
Share of post-tax profits of joint ventures	2	**4.0**	3.9	7.6
Income from financial asset	2	**–**	–	0.5
Profit from sale of investment	2	**0.1**	–	–
Profit before interest and income tax	2	**13.2**	5.1	10.9
Finance income	3	**1.5**	1.1	2.1
Finance costs	3	**(6.6)**	(6.9)	(12.2)
Profit/(loss) before income tax		**8.1**	(0.7)	0.8
Income tax	4	**(0.9)**	(1.0)	1.5
Profit/(loss) after income tax for the period		**7.2**	(1.7)	2.3
Profit/(loss) attributable to:				
Owners of the parent		**7.2**	(1.6)	2.4
Non-controlling interest		**–**	(0.1)	(0.1)
		7.2	(1.7)	2.3
Other comprehensive income:				
Profit/(loss) for the period		**7.2**	(1.7)	2.3
Change in value of available-for-sale financial assets		**–**	1.3	0.8
Gain/(loss) on valuation of cross-currency interest rate swap		**2.2**	(2.8)	(1.0)
Deferred income tax (charge)/credit	4	**(0.5)**	0.3	0.1
Total comprehensive income for the period		**8.9**	(2.9)	2.2
Attributable to:				
Owners of the parent		**8.9**	(2.8)	2.3
Non-controlling interest		**–**	(0.1)	(0.1)
		8.9	(2.9)	2.2
Basic profit/(loss) per share	6	**5.9p**	(1.4)p	2.0p
Diluted profit/(loss) per share	6	**5.9p**	(1.4)p	2.0p

Notes 1 to 17 form an integral part of these condensed Consolidated set of financial statements

Consolidated balance sheet
unaudited as at 31st August 2013

	Notes	31st August 2013 unaudited £ million	31st August 2012 unaudited £ million	28th February 2013 audited £ million
Non-current assets				
Direct real estate interests				
Investment properties	7	**208.0**	231.4	220.1
Operating property		**0.7**	0.9	0.7
Trade and other receivables		**10.7**	5.0	5.1
		219.4	237.3	225.9
Indirect real estate interests				
Investments in associates	9	**4.3**	4.3	4.3
Investments in joint ventures	9	**45.1**	44.4	40.1
Intangible assets – goodwill		**0.2**	1.3	0.2
Development participation rights		–	5.0	5.0
Loans to joint operations	9	**20.5**	20.4	19.2
Loans to other real estate businesses		**8.6**	8.5	8.6
		78.7	83.9	77.4
Other non-current assets				
Other plant and equipment		**3.0**	3.4	3.1
Deferred income tax assets		**0.3**	2.6	1.8
		3.3	6.0	4.9
Total non-current assets		**301.4**	327.2	308.2
Current assets				
Inventory – development and trading properties	8	**169.5**	147.1	153.4
Other financial assets		**1.7**	4.0	1.7
Trade and other receivables		**17.8**	18.2	21.7
Monies held in restricted accounts and deposits		**15.9**	13.5	11.5
Cash and cash equivalents		**53.1**	40.7	47.7
		258.0	223.5	236.0
Total assets		**559.4**	550.7	544.2
Current liabilities				
Trade and other payables		**(27.0)**	(29.6)	(24.4)
Current income tax liabilities		**(0.6)**	(1.6)	(0.2)
Borrowings	10	**(14.9)**	(5.9)	(2.0)
Provisions for other liabilities and charges	11	**(0.1)**	–	(0.2)
		(42.6)	(37.1)	(26.8)
Non-current liabilities				
Trade and other payables		**(3.7)**	–	–
Borrowings	10	**(197.1)**	(195.4)	(204.0)
Derivative financial instruments		**(0.7)**	(8.3)	(3.2)
Deferred income tax liabilities		–	(2.6)	(0.7)
Provisions for other liabilities and charges	11	**(2.7)**	(2.8)	(2.8)
		(204.2)	(209.1)	(210.7)
Total liabilities		**(246.8)**	(246.2)	(237.5)
Net assets		**312.6**	304.5	306.7
Equity				
Share capital	12	**61.2**	61.2	61.2
Other reserves		**145.4**	142.6	143.7
Retained earnings		**106.0**	100.6	101.7
Equity attributable to the owners of the Parent		**312.6**	304.4	306.6
Non-controlling interests		–	0.1	0.1
Total equity		**312.6**	304.5	306.7
Basic/diluted net assets per share attributable to owners of the Parent	6	**255p/255p**	249p/249p	251p/251p

Notes 1 to 17 form an integral part of these condensed Consolidated set of financial statements.

Consolidated statement of changes in equity unaudited as at 31st August 2013

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million	Non-controlling interest £ million	Total £ million
At 1st March 2012	61.2	144.0	106.1	311.3	1.9	313.2
Loss for the six months ended 31st August 2012	–	–	(1.6)	(1.6)	(0.1)	(1.7)
Other comprehensive income:						
Change in value of available-for-sale financial assets	–	1.3	–	1.3	–	1.3
Loss on valuation of cross-currency interest rate swap	–	(4.8)	–	(4.8)	–	(4.8)
Exchange gain on valuation of cross-currency interest rate swap	–	2.0	–	2.0	–	2.0
Deferred income tax credited directly to equity	–	0.3	–	0.3	–	0.3
Total comprehensive loss for the six month period ended 31st August 2012	–	(1.2)	(1.6)	(2.8)	(0.1)	(2.9)
Purchase of treasury shares	–	(0.2)	–	(0.2)	–	(0.2)
Final dividend relating to 2012	–	–	(3.9)	(3.9)	–	(3.9)
Total contributions by and distributions to owners of the Company	–	(0.2)	(3.9)	(4.1)	–	(4.1)
Transactions with non-controlling interest	–	–	–	–	(1.7)	(1.7)
Balance at 31st August 2012	61.2	142.6	100.6	304.4	0.1	304.5
Profit for the six months ended 28th February 2013	–	–	4.0	4.0	–	4.0
Other comprehensive income:						
Change in value of available-for-sale financial assets	–	(0.5)	–	(0.5)	–	(0.5)
Gain on valuation of cross-currency interest rate swap	–	4.9	–	4.9	–	4.9
Exchange loss on valuation of cross-currency interest rate swap	–	(3.1)	–	(3.1)	–	(3.1)
Deferred income tax charged directly to equity	–	(0.2)	–	(0.2)	–	(0.2)
Total comprehensive income for the six month period ended 28th February 2013	–	1.1	4.0	5.1	–	5.1
Interim dividend relating to 2012	–	–	(2.9)	(2.9)	–	(2.9)
Total contributions by and distributions to owners of the Company	–	–	(2.9)	(2.9)	–	(2.9)
Balance at 28th February 2013	61.2	143.7	101.7	306.6	0.1	306.7
Profit for the six months ended 31st August 2013	–	–	7.2	7.2	–	7.2
Other comprehensive income:						
Gain on valuation of cross-currency interest rate swap	–	1.8	–	1.8	–	1.8
Exchange gain on valuation of cross-currency interest rate swap	–	0.4	–	0.4	–	0.4
Deferred income tax charged directly to equity	–	(0.5)	–	(0.5)	–	(0.5)
Total comprehensive income for the six month period ended 31st August 2013	–	1.7	7.2	8.9	–	8.9
Final dividend relating to 2013	–	–	(2.9)	(2.9)	–	(2.9)
Total contributions by and distributions to owners of the Company	–	–	(2.9)	(2.9)	–	(2.9)
Transactions with non-controlling interest	–	–	–	–	(0.1)	(0.1)
Balance at 31st August 2013	61.2	145.4	106.0	312.6	0.0	312.6

Notes 1 to 17 form an integral part of these condensed Consolidated set of financial statements.

Consolidated cash flow statement unaudited for the six months ended 31st August 2013

	Notes	Six months to 31st August 2013 unaudited £ million	Six months to 31st August 2012 unaudited £ million	Year ended 28th February 2013 audited £ million
Cash flows from operating activities	13	**(8.4)**	27.6	36.8
Cash used in operations:				
Interest paid		**(6.2)**	(6.0)	(12.3)

Income tax paid	**(0.2)**	(0.2)	(0.2)
Net cash (used in)/generated from operating activities	**(14.8)**	21.4	24.3
Cash flows from investing activities:			
Interest received	**0.2**	0.4	1.0
Proceeds on disposal of investment properties	**15.3**	–	0.3
Purchase of other plant and equipment	**(0.2)**	(0.3)	(0.4)
Purchase of investment properties	**(0.2)**	(1.3)	(2.9)
Cash outflow to joint ventures and associates	**(1.5)**	(14.2)	(15.7)
Cash inflow from joint ventures and associates	**0.9**	0.5	8.0
Investment in financial assets	**(0.9)**	(9.9)	(11.0)
Cash inflow from financial assets	**5.0**	10.1	13.0
Net cash generated from/(used in) investing activities	**18.6**	(14.7)	(7.7)
Cash flows from financing activities:			
Dividends paid	–	–	(6.8)
Purchase of treasury shares	–	(0.2)	(0.2)
Repayments of borrowings	**(1.5)**	(9.0)	(21.2)
New bank loans raised (net of transaction costs)	**7.6**	9.8	23.3
Equity repayment from non-controlling interest	–	(1.7)	(1.6)
(Increase)/decrease in monies held in restricted accounts and deposits	**(4.4)**	1.1	3.1
Net cash generated from/(used in) financing activities	**1.7**	0.0	(3.4)
Net increase in cash and cash equivalents	**5.5**	6.7	13.2
Cash and cash equivalents at the beginning of the period	**47.7**	34.4	34.4
Exchange (losses)/gains on cash and cash equivalents	**(0.1)**	(0.4)	0.1
Cash and cash equivalents at the end of the period	**53.1**	40.7	47.7
Cash and cash equivalents comprise:			
Cash at bank and in hand	**53.1**	40.7	47.7
Bank overdrafts	–	–	–
Cash and cash equivalents at the end of the period	**53.1**	40.7	47.7

	Notes	Six months to 31st August 2013 unaudited £ million	Six months to 31st August 2012 unaudited £ million	Year ended 28th February 2013 audited £ million
Net debt comprises:				
Monies held in restricted accounts and deposits		**15.9**	13.5	11.5
Cash and cash equivalents		**53.1**	40.7	47.7
Financial liabilities:				
Current borrowings	10	**(14.9)**	(5.9)	(2.0)
Non-current borrowings	10	**(197.1)**	(195.4)	(204.0)
Net debt		**(143.0)**	(147.1)	(146.8)

Notes 1 to 17 form an integral part of these condensed Consolidated set of financial statements.

Notes to the interim financial information unaudited for the six months ended 31st August 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) General information

These condensed Consolidated set of financial statements for the six months ended 31st August 2013 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 21st October 2013.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Portland House, Bressenden Place, London, SW1E 5DS.

The condensed Consolidated set of financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 28th February 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union, were approved by the board of directors on 1st May 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These Consolidated interim financial statements have been reviewed, not audited.

b) Basis of preparation of half-year report

These condensed Consolidated set of financial statements for the six months ended 31st August 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed Consolidated set of financial statements should be read in conjunction with the Group's financial statements for the year ended 28th February 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern basis

The Group has considerable financial resources. Rental income continues to be robust, with the risk of significant default assessed by the Directors as low. Development and trading activities are well diversified across regions and sectors. Debt finance is secured for appropriate periods and the Group is comfortable with its covenant positions. As a result the Directors believe that the Group is well placed to manage its business risks successfully, despite the continuing uncertain economic outlook. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

c) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed Consolidated set of financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated financial statements for the year ended 28th February 2013.

d) Accounting policies

The accounting policies applied in these condensed Consolidated set of financial statements are consistent with those of the Group's financial statements for the year ended 28th February 2013, as described in those financial statements.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption).

The accounting policies adopted are consistent with those of the previous financial year except as described below.

IFRS 13, 'Fair Value Measurement'. IFRS 13 measurement and disclosure requirements are applicable for the 28th February 2014 year end. The Group has included the disclosures required by IAS 34.

e) Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed Consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as at 28th February 2013.

There have been no changes in risk management or in any risk management policies since the year end.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31st August 2013:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	20.5	20.5
Total assets	–	–	20.5	20.5
Liabilities				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	(0.7)	–	(0.7)
Total liabilities	–	(0.7)	–	(0.7)

The following table presents the Group's assets and liabilities that are measured at fair value at 31st August 2012:

	Level 1	Level 2	Level 3	Total

	£ million	£ million	£ million	£ million
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	25.4	25.4
Total assets	–	–	25.4	25.4
Liabilities				
Derivative financial instruments:				
Cross-currency interest rate swap	–	(6.8)	–	(6.8)
Derivative financial instruments at fair value through profit or loss	–	(1.5)	–	(1.5)
Total liabilities	–	(8.3)	–	(8.3)

The following table presents the Group's assets and liabilities that are measured at fair value at 28th February 2013:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	24.2	24.2
Total assets	–	–	24.2	24.2
Liabilities				
Derivative financial instruments:				
Cross-currency interest rate swap	–	(1.8)	–	(1.8)
Derivative financial instruments at fair value through profit or loss	–	(1.4)	–	(1.4)
Total liabilities	–	(3.2)	–	(3.2)

In the period there have been no significant changes in business circumstances that affect the fair value of the Group's financial assets and financial liabilities. Continued uncertainty in the Eurozone has continued to cause volatility on the Group's cross-currency interest rate swap.

There have been no reclassifications of financial assets during the period.

Level 2 cross-currency interest rate swap and derivative financial instruments comprise a forward foreign exchange contract and a number of interest rate swaps and caps. The cross-currency interest rate swap has been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps and caps are valued using forward interest rates extracted from observable yield curves taking account of the risk of default of either counterparty to the financial instrument. The effects of discounting are generally insignificant for level 2 derivatives.

A review of the fair value of financial assets is performed at each reporting date with any significant changes in value reported to the Executive Board and Audit Committee. Level 3 assets consist of loans to associates or joint ventures. Each receivable is reviewed as to its recoverability. If recoverability is in doubt an appropriate provision for impairment would be made based on the best estimate of the loan recoverable. The Board have concluded that there are no financial assets recognised where the loan amount is not the best evidence of fair value.

2. SEGMENTAL ANALYSIS

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

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

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom. All revenue arises from continuing operations.

	Six months to 31st August 2013 (unaudited)			
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	7.7	22.8	2.0	32.5
Direct costs	(1.2)	(11.8)	(2.6)	(15.6)
Segment result	6.5	11.0	(0.6)	16.9
Operating costs	(1.9)	(4.6)	–	(6.5)
Loss on disposal on investment properties	(0.6)	–	–	(0.6)
Loss on revaluation of investment property portfolio	(1.0)	–	–	(1.0)
Operating profit/(loss)	3.0	6.4	(0.6)	8.8
Other income	0.2	0.1	–	0.3

Share of post-tax profits of joint ventures	1.9	2.1	–	4.0
Profit from sale of investment	–	0.1	–	0.1
Profit/(loss) before interest and income tax	5.1	8.7	(0.6)	13.2
Finance income	0.8	0.7	–	1.5
Finance costs	(4.4)	(2.2)	–	(6.6)
Profit/(loss) before income tax	1.5	7.2	(0.6)	8.1
Income tax				(0.9)
Profit after income tax				7.2
Assets and liabilities				
Segment assets	259.4	255.2	4.4	519.0
Unallocated assets				40.4
Total assets				559.4
Segment liabilities	(157.5)	(77.7)	(3.5)	(238.7)
Unallocated liabilities				(8.1)
Total liabilities				(246.8)
Revenue				
Rental income	7.7	1.7	–	9.4
Serviced office income	–	–	2.0	2.0
Project management fees	–	0.1	–	0.1
Trading property sales	–	1.5	–	1.5
Other trading property income	–	1.5	–	1.5
Development proceeds	–	18.0	–	18.0
	7.7	22.8	2.0	32.5

	Six months to 31st August 2012 (unaudited)			
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	8.0	46.7	2.0	56.7
Direct costs	(1.6)	(37.6)	(2.6)	(41.8)
Segment result	6.4	9.1	(0.6)	14.9
Operating costs	(1.9)	(4.8)	–	(6.7)
Loss on revaluation of investment property portfolio	(7.3)	–	–	(7.3)
Operating (loss)/profit	(2.8)	4.3	(0.6)	0.9
Other income	0.2	0.1	–	0.3
Share of post-tax profits of joint ventures	2.4	1.5	–	3.9
(Loss)/profit before interest and income tax	(0.2)	5.9	(0.6)	5.1
Finance income	0.5	0.6	–	1.1
Finance costs	(2.7)	(4.2)	–	(6.9)
(Loss)/profit before income tax	(2.4)	2.3	(0.6)	(0.7)
Income tax				(1.0)
Loss after income tax				(1.7)
Assets and liabilities				
Segment assets	281.9	241.2	4.7	527.8
Unallocated assets				22.9
Total assets				550.7
Segment liabilities	(147.1)	(76.0)	(3.7)	(226.8)
Unallocated liabilities				(19.4)
Total liabilities				(246.2)
Revenue				
Rental income	8.0	1.4	–	9.4
Serviced office income	–	–	2.0	2.0
Project management fees	–	0.6	–	0.6
Trading property sales	–	16.1	–	16.1
Other trading property income	–	1.4	–	1.4
Construction contract revenue	–	8.2	–	8.2
Development proceeds	–	17.3	–	17.3
Other	–	1.7	–	1.7
	8.0	46.7	2.0	56.7

Year ended 28th February 2013 (audited)

	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	16.1	79.7	3.9	99.7
Direct costs	(4.0)	(60.0)	(5.0)	(69.0)
Segment result	12.1	19.7	(1.1)	30.7
Operating costs	(4.0)	(9.0)	–	(13.0)
Gain on disposal on investment properties	0.9	–	–	0.9
Loss on revaluation of property portfolio	(16.3)	–	(0.1)	(16.4)
Operating (loss)/profit	(7.3)	10.7	(1.2)	2.2
Other income	0.4	0.2	–	0.6
Share of post-tax profits of joint ventures	2.8	4.8	–	7.6
Income from financial asset	–	0.5	–	0.5
(Loss)/profit before interest and income tax	(4.1)	16.2	(1.2)	10.9
Finance income	1.0	1.1	–	2.1
Finance costs	(8.9)	(3.3)	–	(12.2)
(Loss)/profit before income tax	(12.0)	14.0	(1.2)	0.8
Income tax				1.5
Profit after income tax				2.3
Assets and liabilities				
Segment assets	268.9	237.6	4.5	511.0
Unallocated assets				33.2
Total assets				544.2
Segment liabilities	(152.4)	(73.9)	(3.5)	(229.8)
Unallocated liabilities				(7.7)
Total liabilities				(237.5)
Revenue				
Rental income	16.0	2.6	–	18.6
Serviced office income	–	–	3.9	3.9
Project management fees	–	0.8	–	0.8
Trading property sales	–	24.4	–	24.4
Other trading property income	–	2.6	–	2.6
Construction contract revenue	–	8.0	–	8.0
Development proceeds	–	27.6	–	27.6
Other property income	–	13.7	–	13.7
Other income	0.1	–	–	0.1
	16.1	79.7	3.9	99.7

3. FINANCE INCOME AND COSTS

	Six months to 31st August 2013 unaudited £ million	Six months to 31st August 2012 unaudited £ million	Year ended 28th February 2013 audited £ million
Finance income			
Interest receivable	0.7	0.9	1.7
Other finance income	0.1	0.2	0.3
Fair value gain on financial instruments – interest rate swaps, caps and collars	0.7	–	–
Exchange gains on cash and cash equivalents	–	–	0.1
Total finance income	1.5	1.1	2.1
Finance costs			
Interest on bank loans and other borrowings	5.1	4.8	9.9
Interest on debenture	1.1	1.1	2.2
Amortisation of transaction costs	0.3	0.5	0.8
Fair value loss on financial instruments – interest rate swaps, caps and collars	–	0.9	0.8
Exchange loss on cash and cash equivalents	0.1	0.4	–
	6.6	7.7	13.7
Capitalised interest on development and trading properties	–	(0.8)	(1.5)
Total finance costs	6.6	6.9	12.2

In addition the Group recorded a gain of £2.2 million (31st August 2012: loss of £2.8 million and 28th February 2013: loss of £1.0 million) in respect of a cross-currency interest rate swap. This amount is reported in Other comprehensive income in the period.

4. INCOME TAX

Income tax charge/(credit) is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 28th February 2014 is 23.1 per cent (the estimated tax rate for the six months ended 31st August 2012 was 24.2 per cent).

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	Six months to 31st August 2013 unaudited £ million	Six months to 31st August 2012 unaudited £ million	Year ended 28th February 2013 audited £ million
Current tax charge/(credit)	0.7	0.7	(0.6)
Deferred tax charge/(credit)	0.2	0.3	(0.9)
Total income tax	0.9	1.0	(1.5)

A £0.5 million deferred income tax credit (31st August 2012: £0.7 million credit, 28th February 2013: £0.2 million credit) has been recognised directly in reserves in respect of the fair value of cross-currency interest rate swap movement. As at 31st August 2012 and 28th February 2013, a further £0.4 million and £0.1 million deferred income tax charge respectively has been recognised directly in reserves in respect of a change in value of available-for-sale financial assets.

5. DIVIDENDS

	Six months to 31st August 2013 unaudited £ million	Six months to 31st August 2012 unaudited £ million	Year ended 28th February 2013 audited £ million
Amounts recognised as distributions to equity holders in the period	2.9	3.9	6.8
Proposed dividend	2.9	2.9	2.9
	Pence	Pence	Pence
Interim dividend per share	2.40	2.40	2.40
Final dividend per share	–	–	2.40

The final dividend of £2.9 million for the year to 28th February 2013 is payable on 25th October 2013 to ordinary shareholders on the register at the close of business on 27th September 2013.

An interim dividend was declared by the Board on 18th October 2013 and has not been included as a liability or deducted from retained earnings as at 31st August 2013. The interim dividend is payable on 29th November 2013 to Ordinary shareholders on the register at the close of business on 1st November 2013. The interim dividend in respect of the six month period to 31st August 2013 will be recorded in the financial statements for the year ending 28th February 2014.

6. PROFIT/(LOSS) PER SHARE AND NET ASSETS PER SHARE

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

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

	Six months to 31st August 2013 unaudited	Six months to 31st August 2012 unaudited	Year ended 28th February 2013 audited
Profit/(loss)			
Profit/(loss) for the purposes of basic and diluted loss per share (£ million)	7.2	(1.6)	2.4
Revaluation (surplus)/deficit (including share of joint venture revaluation surplus)	(0.5)	4.4	12.9
Loss/(gain) on disposal of investment properties	0.6	–	(0.9)
Gain on disposal of trading properties	(0.3)	(3.0)	(4.5)
Impairment of development and trading properties	–	–	2.2
Mark-to-market adjustment on interest rate swaps, caps and collars (including share of joint venture mark-to-market adjustment)	(0.8)	0.9	0.7
EPRA adjusted profit from continuing activities attributable to owners of the Company	6.2	0.7	12.8
Number of shares (million)			
Weighted average number of Ordinary shares for the purposes of basic profit/(loss) per share	122.4	122.4	122.4
Effect of dilutive potential Ordinary shares:			
– Share options	–	–	–
Weighted average number of Ordinary shares for the purpose of diluted profit/(loss) per share	122.4	122.4	122.4

Basic profit/(loss) per share (pence)	5.9	(1.4)	2.0
Diluted profit/(loss) per share (pence)	5.9	(1.4)	2.0
EPRA adjusted profit per share (pence)	5.1	0.6	10.5
EPRA adjusted diluted profit per share (pence)	5.1	0.6	10.5

Basic and diluted net assets per share and EPRA basic, diluted and triple net assets per share have been calculated as follows:

	Six months to 31st August 2013 unaudited	Six months to 31st August 2012 unaudited	Year ended 28th February 2013 audited
Net assets (£ million):			
Basic net assets per share attributable to the owners	312.6	304.4	306.6
Cumulative mark-to-market adjustment on interest rate swaps	7.9	13.0	10.9
EPRA adjusted net assets	320.5	317.4	317.5
Cumulative mark-to-market adjustment on interest rate swaps	(7.9)	(13.0)	(10.9)
Fair value of debt	(4.7)	(17.4)	(9.9)
EPRA adjusted triple net assets	307.9	287.0	296.7
Effect of dilutive potential Ordinary shares	0.5	1.5	1.5
Diluted net assets	313.1	305.9	308.1
EPRA diluted net assets	321.0	318.9	319.0
EPRA diluted triple net assets	308.4	288.5	298.2
Number of shares (million):			
Number of shares in issue at the balance sheet date	122.4	122.4	122.4
Effect of dilutive potential Ordinary shares	0.2	0.5	0.5
Diluted number of shares in issue at the balance sheet date	122.6	122.9	122.9
Basic net assets per share (pence)	255	249	251
Diluted net assets per share (pence)	255	249	251
EPRA adjusted net assets per share (pence)	262	259	260
EPRA diluted net assets per share (pence)	262	259	260
EPRA adjusted triple net assets per share (pence)	252	235	243
EPRA diluted triple net assets per share (pence)	252	235	243

In calculating EPRA triple net assets per share the Directors have not included an estimate of the fair value of the development and trading portfolio given the uncertainty of the timing and amount related to future sales.

7. INVESTMENT PROPERTIES

	Freehold £ million	Long leasehold £ million	Total £ million
At valuation 1st March 2012	228.9	9.0	237.9
Additions:			
– capital expenditure	0.7	0.1	0.8
Deficit on revaluation	(6.8)	(0.5)	(7.3)
At valuation 31st August 2012	222.8	8.6	231.4
Additions:			
– acquisitions	0.7	–	0.7
– capital expenditure	0.4	0.5	0.9
Disposals	(3.9)	–	(3.9)
Deficit on revaluation	(8.1)	(0.9)	(9.0)
At valuation 28th February 2013	211.9	8.2	220.1
Additions:			
– capital expenditure	0.3	–	0.3
Disposals	(11.4)	–	(11.4)
Deficit on revaluation	(1.0)	–	(1.0)
At valuation 31st August 2013	199.8	8.2	208.0

The Group's investment properties have been valued at 31st August 2013 by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Completed investment properties have been valued by DTZ Debenham Tie Leung, Chartered Surveyors, Ryden LLP, Commercial Property Consultants, GVA Grimley Limited and Savills Commercial Limited, Chartered Surveyors at a value of £189.9 million (31st August 2012: £200.9 million, 28th February 2013: £205.4 million).

Also included within investment properties are freehold land and buildings representing investment properties under development, amounting to £18.1 million (31st August 2012: £30.5 million, 28th February 2013: £14.7 million), which have been valued by the Directors. These properties comprise buildings and land holdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8.2 million (31st August 2012: £7.7 million, 28th February 2013: £7.7 million) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

8. INVENTORY – DEVELOPMENT AND TRADING PROPERTIES

	Development properties £ million	Trading properties £ million	Total £ million
At 1st March 2012	71.9	83.3	155.2
Additions:			
– acquisitions	0.4	–	0.4
– development expenditure	11.3	1.3	12.6
Disposals	(9.3)	(11.8)	(21.1)
At 31st August 2012	74.3	72.8	147.1
Additions:			
– acquisitions	1.4	1.4	2.8
– development expenditure	14.9	1.0	15.9
– transfer from investment in joint venture	2.7	–	2.7
Disposals	(7.1)	(5.8)	(12.9)
Write-down of trading properties to net realisable value	–	(2.2)	(2.2)
At 28th February 2013	86.2	67.2	153.4
Additions:			
– acquisitions	1.4	10.4	11.8
– development expenditure	12.4	1.5	13.9
Disposals	(8.6)	(1.0)	(9.6)
At 31st August 2013	91.4	78.1	169.5

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £43.1 million (31st August 2012: £49.0 million, 28th February 2013: £42.9 million).

9. INVESTMENTS

	Investments in associates £ million	Investments in joint ventures £ million
At 1st March 2012	4.3	26.6
Additions	–	14.1
Share of profit of joint venture	–	1.0
Share of revaluation surplus of joint venture	–	2.9
Share of results of joint ventures	–	3.9
Capital distribution	–	(0.2)
At 31st August 2012	4.3	44.4
Additions	–	1.7
Share of profit of joint venture	–	3.0
Share of revaluation surplus of joint venture	–	0.6
Share of mark-to-market adjustment on interest rate swaps	–	0.1
Share of results of joint ventures	–	3.7
Transfer to subsidiaries	–	(2.5)
Capital distribution	–	(7.2)
At 28th February 2013	4.3	40.1
Additions	–	1.5
Share of profit of joint venture	–	2.4
Share of revaluation surplus of joint venture	–	1.5
Share of mark-to-market adjustment on interest rate swaps	–	0.1
Share of results of joint ventures	–	4.0
Capital distribution	–	(0.5)
At 31st August 2013	4.3	45.1

Included within Loans to joint operations of £20.5 million is £5.0 million which represents funding provided to our Curzon Park Limited joint venture.

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

Should the value of the site, together with any compensation received, be insufficient to repay the bank loan, the Group may incur further charges in respect of its obligations to the joint venture and the bank (refer note 14).

10. BORROWINGS

	31st August 2013 unaudited £ million	31st August 2012 unaudited £ million	28th February 2013 audited £ million
Non – current	197.1	195.4	204.0
Current	14.9	5.9	2.0
	212.0	201.3	206.0

Movements in loans and borrowings are analysed as follows:

	£ million
At 1st March 2012	203.1
New borrowings drawn down	10.0
Repayment of borrowings	(9.0)
Foreign currency movement of Euro denominated loans	(2.1)
Movement on overdraft balances	(1.2)
Movement in unamortised transaction costs	0.5
At 31st August 2012	201.3
New borrowings drawn down	13.7
Repayment of borrowings	(12.4)
Foreign currency movement of Euro denominated loans	3.2
Movement in unamortised transaction costs	0.2
At 28th February 2013	206.0
New borrowings drawn down	7.8
Repayment of borrowings	(1.5)
Foreign currency movement of Euro denominated loans	(0.4)
Movement in unamortised transaction costs	0.1
At 31st August 2013	212.0

Bank loans, loan notes and overdrafts comprise:

	Maturity	31st August 2013 unaudited £ million	31st August 2012 unaudited £ million	28th February 2013 audited £ million
£5.4 million variable rate loan	4 Feb 2013	–	4.1	–
£9.0 million variable rate loan	2 Jun 2014	9.0	–	9.0
£6.8 million variable rate loan	29 Jun 2014	–	3.4	–
£3.0 million variable rate loan	8 Jul 2014	3.0	3.0	3.0
£5.7 million variable rate loan	24 Nov 2014	5.2	5.5	5.4
£1.5 million variable rate loan	24 Nov 2014	1.4	1.5	1.5
£1.0 million variable rate loan	8 Feb 2015	0.9	0.6	0.9
£2.5 million variable rate loan	10 Jul 2015	2.2	–	1.0
£6.2 million variable rate loan	12 Jul 2015	5.6	6.2	5.9
£1.6 million variable rate loan	9 Aug 2015	1.5	1.6	1.5
£4.5 million variable rate loan	6 Oct 2015	4.2	4.4	4.2
£1.5 million variable rate loan	6 Oct 2015	1.5	1.5	1.5
£10.0 million variable rate loan	20 Dec 2015	6.6	–	–
£20.0 million first mortgage debenture	6 Jan 2016	20.0	20.0	20.0
£38.0 million variable rate loan	16 Dec 2016	37.9	37.9	37.9
£57.6 million fixed rate loan	12 Mar 2025	54.3	55.5	54.9
£22.5 million fixed rate loan	12 Mar 2025	21.4	21.9	21.7
€47.0 million variable rate loan notes	25 Oct 2027	40.1	37.3	40.5
		214.8	204.4	208.9
Unamortised transaction costs		(2.8)	(3.1)	(2.9)
		212.0	201.3	206.0

The Group remains in compliance with its various banking covenants as at 31st August 2013.

a) Cash balances shown on the Balance sheet at 31st August 2013 include £15.9 million (31st August 2012: £13.5 million, 28th February 2013: £11.5 million) of cash held as security against borrowings.

b) At 31st August 2013, 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. Whilst the replacement basis provides a consistent method for valuation of fixed rate debt, such financing facilities are in place to provide continuing funding for the Group's activities. The valuation is therefore only an indication of a notional effect on the net asset value of the Group as at 31st August 2013 and may be subject to daily fluctuations in line with money market movements.

The fair value compared to the carrying amounts of the Group's fixed rate financial liabilities as at 31st August 2013 is analysed below:

31st August 2013	31st August 2012	28th February 2013

	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
First Mortgage Debenture 11% due 2016	20.0	23.6	20.0	25.5	20.0	24.6
Fixed rate term loan due 2025	54.3	61.1	55.5	68.2	54.9	65.2
Fixed rate term loan due 2025	21.4	22.9	21.9	25.5	21.7	24.3
	95.7	107.6	97.4	119.2	96.6	114.1

The fair value difference of £11.9 million (31st August 2012: £21.8 million, 28th February 2013: £17.5 million) represents approximately 12.5 per cent of gross, fixed rate borrowings (31st August 2012: 22.3 per cent, 28th February 2013: 18.2 per cent). The effect on net assets per share after tax of this adjustment would be a decrease of 7.5 pence after tax (31st August 2012: 13.1 pence, 28th February 2013: 10.9 pence).

A further £91.1 million of borrowings have appropriate swaps or caps in place providing certainty over future interest obligations. These instruments are marked to market at each balance sheet date with any gain or loss reflected in profit or loss.

11. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	£ million
At 1st March 2012	2.7
Charged to profit or loss in the period	0.2
Utilised during the period	(0.1)
At 31st August 2012	2.8
Charged to profit or loss in the period	0.5
Utilised during the period	(0.4)
Amortisation of discount	0.1
At 28th February 2013	3.0
Provisions written back to profit or loss in the period	(0.1)
Utilised during the period	(0.2)
Amortisation of discount	0.1
At 31st August 2013	2.8

	31st August 2013 unaudited £ million	31st August 2012 unaudited £ million	28th February 2013 audited £ million
Analysis of provisions:			
Non-current	2.7	2.8	2.8
Current	0.1	–	0.2
	2.8	2.8	3.0

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

Further information relating to provisions can be found in the Group's financial statements as at 28th February 2013.

12. SHARE CAPITAL

	31st August 2013 unaudited £ million	31st August 2012 unaudited £ million	28th February 2013 audited £ million
Issued, called up and fully paid:			
122,352,504 Ordinary shares of 50 pence (31st August 2012 and 28th February 2013: 122,352,504 Ordinary shares of 50 pence)	61.2	61.2	61.2

The Company currently holds 123,397 Treasury shares and has the right to re-issue these shares at a later date. All shares are fully paid.

13. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	Six months to 31st August 2013 unaudited £ million	Six months to 31st August 2012 unaudited £ million	Year ended 28th February 2013 audited £ million
Profit/(loss) before income tax	8.1	(0.7)	0.8
Adjustments for:			
Loss/(gain) on disposal of investment properties	0.6	–	(0.9)
Net loss on revaluation of property portfolio	1.0	7.3	16.4

Other income	(0.4)	(0.3)	(0.6)
Share of post-tax profits of joint ventures and associates	(4.0)	(3.9)	(7.6)
Income from financial assets	–	–	(0.5)
Finance income	(1.5)	(1.1)	(2.1)
Finance costs	6.6	6.9	12.2
Depreciation of property, plant and equipment	0.4	0.4	0.7
Amortisation of goodwill	–	–	1.1
Operating cash flows before movements in working capital	10.8	8.6	19.5
(Increase)/decrease in development and trading properties	(16.1)	9.0	7.5
(Increase)/decrease in receivables	(6.1)	9.9	10.1
Increase/(decrease) in payables	3.2	–	(0.7)
(Decrease)/increase in provisions	(0.2)	0.1	0.4
Cash flow from operating activities	(8.4)	27.6	36.8

14. CONTINGENT LIABILITIES

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £4.7 million (31st August 2012: £nil, 28th February 2013: £4.7 million). The performance of obligations under various leases guaranteed by Group companies amount to £0.3 million per annum (31st August 2012: £0.4 million, 28th February 2013: £0.3 million).

The Group has guaranteed its share of the capital and interest payable by Curzon Park Limited, a joint venture, in respect of the company's borrowings of £11.0 million (refer note 9).

The Group has also guaranteed its share of interest up to a maximum of £0.6 million in respect of the £26.0 million loan in Notting Hill Gate KCS Limited.

15. RELATED PARTIES

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

Transactions entered into and balances outstanding at 31st August 2013, 31st August 2012 and 28th February 2013 with related parties are set out below. Only Directors are considered to be key management personnel. There were no transactions with Directors other than remuneration. Details of remuneration for the year ended 28th February 2013 are set out in the Remuneration report on pages 62 to 68 of the 2013 Annual Report.

	Finance income from related parties £ million	Amounts owed by related parties £ million
Joint ventures		
31st August 2013	1.4	29.2
31st August 2012	0.6	34.3
28th February 2013	2.3	27.1
Associates		
31st August 2013	0.4	16.9
31st August 2012	0.7	17.8
28th February 2013	1.2	16.3

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of the interim dividend proposed are given in note 5.

At 31st August 2013, the Group had unconditionally exchanged contracts for sale for a number of assets. All transactions have since successfully completed.

In October 2013, the Group, in joint venture with Patron Capital, completed the sale of the Phones 4u arena, Manchester. The Group also acquired a development site in Ireland.

17. GLOSSARY

Operating profit: stated after (loss)/gain on disposal of investment properties and the revaluation of the Investment property portfolio and before the results of associates, jointly controlled entities and finance income and costs.

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

Total Shareholder Return: movement in share price over the period plus dividends paid as a percentage of the opening share price.

Net debt: total debt less cash and short-term deposits, including cash held in restricted accounts.

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

Adjusted gearing: expressed as a percentage, is calculated by deducting from net debt the current fair value of the subordinated loan notes and adding back relevant restricted cash balances and transaction costs.

Loan to value gearing: expressed as a percentage of net debt as a proportion of total property assets, including shares of properties and net debt in all projects in partnership.

Basic earnings/(loss) per share: calculated by dividing the profit/(loss) for the period attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the period.

Diluted earnings/(loss) per share: calculated by dividing the profit/(loss) attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the period plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

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

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

EPRA: European Public Real Estate Association.

EPRA earnings: profit after taxation excluding investment property revaluations (including revaluations of joint venture investment properties), (losses)/gains on disposals of investment and trading properties, impairment of development and trading properties and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation.

EPRA net assets (EPRA NAV): Balance Sheet net assets excluding the mark-to-market adjustment on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations, and diluting for the effect of those shares potentially issuable under employee share schemes.

EPRA NAV per share: EPRA NAV divided by the number of Ordinary shares at the balance sheet date.

EPRA triple net assets: EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors of Development Securities PLC are listed in the Development Securities PLC Annual Report of 28th February 2013. A list of the current Directors is maintained on the Development Securities PLC website: www.developmentsecurities.com.

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

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

M H Marx
Chief Executive
22nd October 2013

Independent review report to Development Securities PLC

Introduction

We have been engaged by the Company to review the condensed Consolidated set of financial statements in the half-yearly financial report for the six months ended 31st August 2013, which comprises the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed Consolidated set of financial statements in the half-yearly financial report for the six months ended 31st August 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
22nd October 2013