23rd October 2012

DEVELOPMENT SECURITIES PLC - INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31st August 2012
Trading gains strengthening as further results of strategy are secured

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 2012.

Key financials:

- Net assets attributable to shareholders of £304.4 million (29th February 2012: £311.3 million), a reduction of £6.9 million (2.2 per cent) after:
  - £3.9 million final dividend in respect of the 14-month period to 29th February 2012
  - £3.7 million of negative interest rate swap valuations
  - £4.4 million of negative valuation movements in investment portfolio including our share of joint venture investment assets

- £11.9 million of gains from development and trading portfolio increased over prior periods (29th February 2012: £8.6 million, 31st December 2010: £5.0 million) – further profits to be generated in the next twelve months and in the medium-term

- Progress made to realise cash from legacy assets:
  - Planning consent achieved at 19-acre residential land in Broughton
  - Planning application submitted for mixed-use scheme anchored by Morrisons foodstore at 399 Edgware Road

- Realised gains recycled into further selected real estate opportunities. Acquisitions (including those in joint venture) of £161.1 million in the year to date including two bank loan portfolios at £103 million and £40 million

- Net debt of £147.1 million representing gearing of 48.3 per cent (29th February 2012: £152.9 million and 48.8 per cent)

- Interim dividend of 2.4 pence per share (30th June 2011: 2.4 pence per share)

Financial summary:
unaudited for the six months ended 31st August 2012

	31st August 2012 unaudited £ million	30th June 2011 unaudited £ million	29th February 2012* audited £ million
Loss before income tax	(0.7)	(1.3)	(10.1)
Net assets attributable to Shareholders	304.4	329.6	311.3
Net debt**	(147.1)	(128.5)	(152.9)
Basic and diluted loss per share (pence)	(1.4)	(0.9)	(10.3)
Basic net assets per share*** (pence)	249	269	254
Dividends per share declared*** (pence)	2.4	2.4	5.6

* 14-month period to 29th February 2012
** Refer notes 10 and 17
*** Refer note 17

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Chairman's statement

It is pleasing to report that in the six months to 31st August 2012, we have realised gains of £11.9 million within our development and trading portfolio. These profits are an increase over the £8.6 million of gains that we reported in the 14-month period to 29th February 2012 and also the £5.0 million of gains reported in the year to 31st December 2010. We remain confident that we will unlock a series of further gains in the next twelve months and in the medium-term through disposals of selected assets. As anticipated, the results of our strategy are coming towards fruition. Notwithstanding, against the backdrop of weak economic activity and continued downward pressure on capital returns across the majority of the market, your Company reports a pre-tax loss of £0.7 million for the six months to 31st August 2012, reduced from the loss of £1.3 million for the six months to 30th June 2011.

Net assets attributable to Shareholders reduced by £6.9 million to £304.4 million from £311.3 million at 29th February 2012, equivalent to 249 pence per share as compared to 254 pence per share as at 29th February 2012. As well as the approved 2012 final dividend of £3.9 million, the main components to this reduction were negative valuation movements of £4.4 million in our investment portfolio including our share of joint venture investment assets, and £3.7 million negative interest rate swap valuations. The Directors have declared an interim dividend of 2.4 pence per share payable on 30th November 2012 to those shareholders on the register on 2nd November 2012 bringing the total dividends approved since the August 2009 equity raise to £16.7 million or 15.2 pence per share.

Market overview

The UK economy entered double-dip recession earlier this year in the face of continuing uncertainty within the euro-zone and a gradually slowing global economy. This recession, together with the accompanying record low level of interest rates, effectively triggered the valuation adjustments within both our investment portfolio and interest rate hedging strategy and thus hindered our ability to report a growth in net assets in this period. It is our belief that in due course both of these valuation adjustments will unwind in our favour as and when economic growth emerges.

We believe that our strategy is the right one for the current market. In an economy which is not generating GDP growth, let alone a double-dip recession, it would be unrealistic to expect any significant rental growth to emerge on a consistent basis from the property sector. With government policy now holding interest rates at an all-time low, the prospect of any further yield shift to sustain or grow property values is almost non-existent. Accordingly, we will continue to identify those assets where we can apply our real estate expertise to drive capital growth and deliver strong returns. These gains will be secured both by capturing the value uplift created by repositioning redundant or functionally obsolete real estate into sectors where demand is in evidence and by taking advantage of other pricing inefficiencies in the market via trading activity.

Disposals

A number of realisations were achieved during the six months to 31st August 2012 as we recycled cash from those development and trading assets acquired since July 2009. In particular, the sales of the residential and retail components at Westminster Palace Gardens were completed for £21.9 million, realising an additional profit of £1.5 million. At the Wick Site, Littlehampton, we disposed of the property to Morrisons for £12.5 million realising £2.4 million of profit. Sales within the Rock portfolio, which was acquired in 2010 from a bank, continued on plan with the disposal of the 42,000 sq. ft. retail park in Burnley for £6.5 million, realising a profit of £0.9 million. 66 per cent by value of the Rock portfolio has now been sold, generating cumulative revenue and profits of £30.0 million and £6.4 million respectively. In July 2012, at The MVMNT in Greenwich town centre, the £110 million mixed-use scheme in joint venture with Cathedral Group, we sold the residential land element to Willmott Dixon for £16.2 million and disposed of the 358 bed student village component to McLaren for £9.0 million, enabling us to report an initial gain of £1.3 million.

Legacy assets

Good progress has also been achieved at two of our significant 'legacy' assets, at our residential land in Broughton, near Chester and at 399 Edgware Road, North London. In September, we were advised by the Welsh Minister for Environment, Sustainability and Housing that planning consent had been granted in respect of the 19-acre residential development site in Broughton. In the interim, the land had been marketed for sale and is now under offer to a house builder at a price in line with our expectations. At 399 Edgware Road, we have recently submitted a planning application for a mixed-use regeneration scheme following positive feedback from our public consultation. The scheme will be anchored by an 80,000 sq. ft. food store pre-let to Morrisons subject to planning.

Planning and letting activity

Further progress was achieved at Cross Quarter, Abbey Wood in South East London where we signed an agreement with Sainsbury's for a 25-year lease, subject to planning, for a 46,000 sq. ft. net sales area foodstore. A planning application is scheduled for submission in Q1 2013 following a recent positive public consultation process.

At Eastgate Quarter, Llanelli, the 72,000 sq. ft. edge of town leisure scheme, letting interest has been strong and the scheme is now 72 per cent pre-let with a further 12 per cent of space under offer. It is particularly gratifying to note that the quality of this new development was able to secure such a strong line-up of tenants prior to practical completion in November 2012. Accordingly, we anticipate a disposal early in 2013.

At The Old Vinyl Factory in Hayes, West London, we submitted in July 2012 a planning application for a 1.5 million sq. ft. mixed-use scheme following positive public consultation. Determination of the planning application is anticipated later this year.

In April 2012, we entered into a joint venture with Realstar for the acquisition of a vacant East London residential building adjacent to the Olympic Park for £15.7 million. Wick Lane Wharf comprises 112 units over 116,000 sq. ft. and an additional 12,000 sq. ft. of retail/employment space. The residential apartments have been refurbished and mostly let. We have been able to secure rental tones significantly better than our expectation, enabling us to create a successful en bloc rental investment.

Acquisitions

In August 2012, we entered into a joint venture with Pears Group to acquire from NAMA (National Asset Management Agency), a portfolio of loans for £103 million. The loans, which were secured against 39 investment and development assets, comprise a majority in the Central London residential market, with the remainder incorporating a number of neighbourhood retail schemes anchored by Tesco convenience stores. Some disposals of property have already been achieved and the loans repaid to the joint venture. The remaining properties will either be sold or actively repositioned through change of use, refurbishment and other asset management initiatives by the end of 2013.

In September 2012, in partnership with Cathedral Group, the Company announced that it had acquired a 2-acre freehold and 17-acre leasehold interest with 32 years remaining in a regeneration site, Morden Wharf, on the Greenwich Peninsula. The partnership will develop a masterplan to bring forward the development of a residential-led, mixed-use scheme on the site which has 500 metres of Thames frontage and is adjacent to the O2 Arena. Previously a glucose factory developed by Tate and Lyle in the 1960s, the 19-acre site has been cleared and remediated, and is vacant except for an office building and two warehouses totalling circa 128,000 sq. ft.

Earlier this month, we completed the acquisition of a £40 million portfolio of bank loans, secured against 17 investment and development assets. These assets are located in London and the South East of England and comprise 76 per cent commercial and 24 per cent residential assets. The Company expects to realise the repayment of the loans through the sale of all of the assets as rapidly as markets will allow. The Company anticipates that returns generated from the realisation of these loans will approximate to those normally achieved within its current risk adjusted return parameters.

Investment portfolio

During the period, our investment portfolio, including our share of joint venture investment assets, declined by £4.4 million, approximating to a reduction of 1.7 per cent. This compared positively against the 2.4 per cent decline in the 6-month universal IPD index which includes representation of Central London, out of town shopping centres and leisure, sectors which showed a predominant positive capital movement in the period. Void rates in our directly held investment portfolio decreased to 8.3 per cent in the period from 11.4 per cent as at 29th February 2012.

The reduction in the value of our investment portfolio was largely a result of declining yields in the secondary retail sector where capital falls in excess of 5 per cent have been the norm. In addition, the performance was impacted by valuation falls on certain assets as a result of specific property events such as the administration of Clinton Cards which affected our properties in Nailsea, Ringwood and Carmarthen. As our experience of the Peacocks CVA has confirmed earlier this year, it is possible to see values rebound as and when re-lettings are secured post-administration. We remain committed to our principles of stock selection and active asset management across our investment assets and we believe that this will continue to enable us to offset some of the valuation declines affecting areas of our portfolio.

Finance

Our net debt at 31st August 2012 was £147.1 million, representing gearing of 48.3 per cent. Including our share of joint ventures, it was £206.1 million, representing 67.7 per cent against our net asset value as at that date, with the weighted average maturity of our borrowings being a respectable 7.4 years.

During June and July 2012, the Group purchased 123,397 of its own ordinary shares at an average price of 137.4 pence per share, which are now held as Treasury shares. This reduced the balance of shares with voting rights to 122,229,107 shares.

People

On 19th June 2012, we notified the market that Graham Prothero, Finance Director, will be leaving to join the board of Galliford Try plc. We are pleased to announce that a new Group Finance Director has now been appointed, Marcus Shepherd, who will join the board on a date to be advised in due course. Marcus will join Development Securities from Aviva Investors where he has been Finance Director (Global Real Estate) since January 2009.

We were sorry to see both Victoria Mitchell and Michael Soames step down from the Board, both after nearly nine years of truly supportive and committed service to your Company. We much appreciated the level of experience and expertise they brought to our Board deliberations for which we must remain in their debt.

It remains for me also to thank our management team, staff and advisors for their commitment, hard work and professionalism during what has been a particularly productive period in the execution of our strategic objectives.

D S Jenkins
Chairman

Financial review

Total comprehensive income for the six months was a loss of £2.9 million, (30th June 2011: £0.6 million loss, 29th February 2012: £15.4 million loss). After the dividend payment of £3.9 million, net asset value attributable to shareholders fell by £6.9 million to £304.4 million (30th June 2011: £329.6 million, 29th February 2012: £311.3 million).

Profits from development and trading operations were £11.9 million as realisations gained momentum (29th February 2012: £8.6 million, 31st December 2010: £5.0 million). These were generated both from direct real estate holdings, amounting to £9.1 million recognised within gross profit, and from indirect holdings, with £1.5 million arising in joint ventures and £1.3 million captured as increases in fair value of financial instruments (both of the latter supported by underlying realised profits).

Net revaluations of our investment assets including those within our share of joint ventures, was a negative £4.4 million. This comprised of: negative revaluations in our directly held investment portfolio of £7.3 million (30th June 2011: £1.3 million gain, 29th February 2012: £4.8 million loss), resulting in a reduced operating profit of £0.9 million (30th June 2011: £1.9 million, 29th February 2012: £1.0 million); and a revaluation uplift of £2.9 million in respect of our investment assets held in joint venture.

Net finance costs were £5.8 million (30th June 2011: £4.0 million, 29th February 2012: £10.6 million) including £0.9 million of mark-to-market change in respect of currency and interest rate swaps. This was compounded by a mark-to-market charge of £2.8 million in respect of the currency and interest rate swap reported in Other comprehensive income.

Following the completion of the residential and retail sales at Westminster Palace Gardens, the partner's share, carried as a minority interest in the Group balance sheet, was settled, which is reflected within equity as a reduction in non-controlling interests to £0.1 million (30th June 2011: £nil, 29th February 2012: £1.9 million).

During the period we secured new bank finance of £62.4 million from HSBC in respect of the £103 million loan portfolio acquisition (in joint venture with Pears Group), and £11.0 million from Royal Bank of Scotland in respect of the acquisition of Wick Lane Wharf, in joint venture with Realstar. We also arranged development finance of £4.0 million in respect of HDD projects. In October we were pleased to conclude a twelve-month extension to our bank facility of £47.5 million with Lloyds Banking Group in respect of the Manchester Arena Complex, taking maturity to June 2014.

Net debt as at 31st August was £147.1 million, representing gearing of 48.3 per cent (30th June 2011: £128.5 million and 39.0 per cent, 29th February 2012: £152.9 million and 48.8 per cent). In addition our share of net debt in joint ventures increased to £59.0 million, increasing our effective gearing to 67.7 per cent (30th June 2011: 47.3 per cent, 29th February 2012: 58.9 per cent). The weighted average maturity of our debt is 8.8 years, with a weighted average interest rate of 6.0 per cent. The proportion of our portfolio which is subject to fixed interest rates has reduced to 87.6 per cent. If our share of debt in joint ventures is included, weighted average maturity is 7.4 years, the average interest rate is 5.4 per cent, and the proportion of fixed rate debt is 73.4 per cent.

Our Annual Report to 29th February 2012 describes our risk profile and our approach to managing our principal risks. These principal risks remain unchanged as at 31st August 2012. With regard to the second half of the year, the Board remains cautious in its view of 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	3%
2	Government	1%
3	PLC/Nationals	62%
4	Regional Multiples	16%
5	Local Traders	18%

Location profile

1	London	13%
2	South East	44%
3	South West	16%
4	Midlands	4%
5	North	15%
6	Wales	8%

Lease profile

1	0-5 years	37%
2	5-10 years	32%
3	10-15 years	14%
4	15-20 years	8%
5	20 years+	9%

Analysis by sector

1	Retail	58%
2	Office	7%
3	Mixed	25%
4	Industrial	9%
5	Residential	1%

Income generating properties as at 31st August 2012

Top five occupiers	**31st August 2012**	
	Annual rent £'m	% of contracted rent
Waitrose	1.82	11.95
Primark Stores	0.49	3.19
Martin McColl Ltd	0.47	3.09
Sportsworld	0.46	2.99
Brausch & Co	0.42	2.75

Top five occupiers	**29th February 2012**	
	Annual rent £'m	% of contracted rent
Waitrose	1.82	12.22
Primark Stores	0.49	3.26
Martin McColl Ltd	0.47	3.16
Sports World	0.46	3.06
Brausch & Co	0.42	2.81

Income generating properties – Like-for-like rental income received **31st August 2012**

	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	7.0	1.0	-	8.0
Development and trading properties	0.9	0.3	0.2	1.4
Joint ventures	0.8	0.8	-	1.6
	8.7	2.1	0.2	11.0

30th June 2011

	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	6.3	-	0.1	6.4
Development and trading properties	1.7	0.1	0.5	2.3
Joint ventures	0.8	-	-	0.8
	8.8	0.1	0.6	9.5

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 (excluding developable land) %	Rate of rent collections within 30 days %
31st August 2012	231.4	15.2	42	£0.6 / 40 sq.ft.	7.5	7.6	8.3	95.3
29th February 2012	237.9	14.9	42	£0.8 / 67 sq.ft.	7.3	7.5	11.4	95.3
31st December 2010	199.2	12.5	37	£1.3 / 101 sq.ft.	6.1	7.3	8.0	92.3
31st December 2009	181.0	11.6	33	£1.3 / 99 sq.ft.	6.8	8.1	7.5	91.9

Consolidated statement of comprehensive income unaudited for the six months ended 31st August 2012

	Notes	Six months to 31st August 2012 unaudited £ million	Six months to 30th June 2011 unaudited £ million	14-month period ended 29th February 2012 audited £ million
Revenue	2	56.7	19.0	80.0
Direct costs	2	(41.8)	(12.2)	(59.6)
Gross profit	2	14.9	6.8	20.4
Operating costs	2	(6.7)	(6.2)	(14.8)
Gain on disposal of investment properties	2	–	–	0.2
(Loss)/gain on revaluation of investment property portfolio	2	(7.3)	1.3	(4.8)
Operating profit		0.9	1.9	1.0
Other income	2	0.3	–	0.7
Exceptional impairment and provision for serviced office segment		–	–	(2.8)
Share of post-tax profits of joint ventures	2	3.9	0.8	1.6
Profit before interest and income tax	2	5.1	2.7	0.5
Finance income	3	1.1	1.3	2.6
Finance costs	3	(6.9)	(5.3)	(13.2)
Loss before income tax		(0.7)	(1.3)	(10.1)
Income tax	4	(1.0)	0.1	(1.9)
Loss after income tax for the period		(1.7)	(1.2)	(12.0)
(Loss)/profit attributable to:				
Owners of the parent		(1.6)	(1.2)	(12.6)
Non-controlling interest		(0.1)	–	0.6
		(1.7)	(1.2)	(12.0)
Other comprehensive income:				
Loss for the period		(1.7)	(1.2)	(12.0)
Loss on revaluation of operating properties		–	–	(0.1)
Change in value of available-for-sale financial assets		1.3	–	–
(Loss)/gain on valuation of cross-currency interest rate swap		(2.8)	0.8	(4.3)
Deferred income tax credit/(charge)	4	0.3	(0.2)	1.0
Total comprehensive income for the period		(2.9)	(0.6)	(15.4)
Attributable to:				
Owners of the parent		(2.8)	(0.6)	(16.0)
Non-controlling interest		(0.1)	–	0.6
		(2.9)	(0.6)	(15.4)
Basic loss per share	6	(1.4)p	(0.9)p	(10.3)p
Diluted loss per share	6	(1.4)p	(0.9)p	(10.3)p

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

Consolidated balance sheet
unaudited as at 31st August 2012

	Notes	31st August 2012 unaudited £ million	30th June 2011 unaudited £ million	29th February 2012 audited £ million
Non-current assets				
Direct real estate interests				
Investment properties	7	**231.4**	210.0	237.9
Operating property		**0.9**	1.2	0.9
Trade and other receivables		**5.0**	4.4	4.3
		237.3	215.6	243.1
Indirect real estate interests				
Investments in associates		**4.3**	2.0	4.3
Investments in joint ventures		**44.4**	22.5	26.6
Intangible assets – goodwill		**1.3**	1.3	1.3
Development participation rights		**5.0**	5.0	5.0
Loans to joint operations	9	**20.4**	16.9	20.9
Loans to other real estate businesses		**8.5**	8.5	8.6
		83.9	56.2	66.7
Other non-current assets				
Other plant and equipment		**3.4**	5.1	3.4
Deferred income tax assets		**2.6**	4.6	3.2
Derivative financial instruments		**–**	6.2	–
		6.0	15.9	6.6
Total non-current assets		**327.2**	287.7	316.4
Current assets				
Inventory – development and trading properties	8	**147.1**	178.8	155.2
Other financial assets		**4.0**	0.2	1.7
Trade and other receivables		**18.2**	24.4	28.8
Monies held in restricted accounts and deposits		**13.5**	15.2	14.6
Cash and cash equivalents		**40.7**	60.4	35.6
		223.5	279.0	235.9
Total assets		**550.7**	566.7	552.3
Current liabilities				
Trade and other payables		**(29.6)**	(26.3)	(26.5)
Current income tax liabilities		**(1.6)**	(0.6)	(1.1)
Borrowings	10	**(5.9)**	(6.5)	(9.9)
		(37.1)	(33.4)	(37.5)
Non-current liabilities				
Borrowings	10	**(195.4)**	(197.6)	(193.2)
Derivative financial instruments		**(8.3)**	–	(2.5)
Deferred income tax liabilities		**(2.6)**	(4.6)	(3.2)
Provisions for other liabilities and charges	11	**(2.8)**	(1.5)	(2.7)
		(209.1)	(203.7)	(201.6)
Total liabilities		**(246.2)**	(237.1)	(239.1)
Net assets		**304.5**	329.6	313.2
Equity				
Share capital	12	**61.2**	61.2	61.2
Other reserves		**142.6**	148.0	144.0
Retained earnings		**100.6**	120.4	106.1
Equity attributable to the owners of the parent		**304.4**	329.6	311.3
Non-controlling interests		**0.1**	–	1.9
Total equity		**304.5**	329.6	313.2
Basic/diluted net assets per share attributable to owners of the parent	6	**249p/249p**	269p/270p	254p/254p
Basic net assets per share based on total net assets	6	**249p**	269p	256p

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

Consolidated statement of changes in equity unaudited as at 31st August 2012

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million	Non-controlling interest £ million	Total £ million
At 1st January 2011	61.2	147.4	124.5	333.1	–	333.1
Loss for the six months ended 30th June 2011	–	–	(1.2)	(1.2)	–	(1.2)
Other comprehensive income:						
Gain on valuation of cross-currency interest rate swap	–	2.9	–	2.9	–	2.9
Exchange loss on valuation of cross-currency interest rate swap	–	(2.1)	–	(2.1)	–	(2.1)
Deferred income tax charged directly to equity	–	(0.2)	–	(0.2)	–	(0.2)
Total comprehensive income for the six month period ended 30th June 2011	–	0.6	(1.2)	(0.6)	–	(0.6)
Final dividend relating to 2010	–	–	(2.9)	(2.9)	–	(2.9)
Total contributions by and distributions to owners of the Company	–	–	(2.9)	(2.9)	–	(2.9)
Balance at 30th June 2011	61.2	148.0	120.4	329.6	–	329.6
Loss for the eight months ended 29th February 2012	–	–	(11.4)	(11.4)	0.6	(10.8)
Other comprehensive income:						
Loss on revaluation of operating properties	–	(0.1)	–	(0.1)	–	(0.1)
Loss on valuation of cross-currency interest rate swap	–	(8.1)	–	(8.1)	–	(8.1)
Exchange gain on valuation of cross-currency interest rate swap	–	3.0	–	3.0	–	3.0
Deferred income tax credited directly to equity	–	1.2	–	1.2	–	1.2
Total comprehensive income for the eight month period ended 29th February 2012	–	(4.0)	(11.4)	(15.4)	0.6	(14.8)
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)
Transactions with non-controlling interest	–	–	–	–	1.3	1.3
Balance at 29th February 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 income 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

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

Consolidated cash flow statement
unaudited for the six months ended 31st August 2012

	Notes	Six months to 31st August 2012 unaudited £ million	Six months to 30th June 2011 unaudited £ million	14-month period ended 29th February 2012 audited £ million
Cash flows from operating activities	13	27.6	(25.1)	(18.9)
Cash used in operations:				
Interest paid		(6.0)	(5.3)	(12.3)
Income tax paid		(0.2)	(0.1)	(0.3)
Net cash generated from/(used) in operating activities		21.4	(30.5)	(31.5)
Cash flows from investing activities:				
Interest received		0.4	0.4	1.0
Proceeds on disposal of investment properties		–	0.1	0.3
Purchase of plant and equipment		(0.3)	(0.7)	(1.2)
Purchase of investment properties		(1.3)	(9.5)	(22.2)
Purchase of investments in joint ventures and associates		(14.2)	(12.1)	(16.9)
Investment in financial assets		(9.9)	(3.2)	(8.7)
Cash inflow from joint ventures		0.5	–	–
Cash inflow from financial assets		10.1	–	2.3
Net cash used in investing activities		(14.7)	(25.0)	(45.4)
Cash flows from financing activities:				
Dividends paid		–	–	(5.9)
Repayments of borrowings		(9.0)	(2.1)	(18.7)
New bank loans raised (net of transaction costs)		9.8	29.3	46.3
Equity repayment from non-controlling interest		(1.7)	–	1.0
Payments to purchase Treasury shares		(0.2)	–	–
Decrease in monies held in restricted accounts and deposits		1.1	11.8	12.4
Net cash generated from financing activities		0.0	39.0	35.1
Net increase/(decrease) in cash and cash equivalents		6.7	(16.5)	(41.8)
Cash and cash equivalents at the beginning of the period		34.4	76.3	76.3
Net foreign currency differences arising on re-translation of cash and cash equivalents		(0.4)	0.3	(0.1)
Cash and cash equivalents at the end of the period		40.7	60.1	34.4
Cash and cash equivalents comprise:				
Cash at bank and in hand		40.7	60.4	35.6
Bank overdrafts		–	(0.3)	(1.2)
Cash and cash equivalents at the end of the period		40.7	60.1	34.4

	Notes	Six months to 31st August 2012 unaudited £ million	Six months to 30th June 2011 unaudited £ million	14-month period ended 29th February 2012 audited £ million
Net debt comprises:				
Cash and short-term deposits		40.7	60.4	35.6
Monies held in restricted accounts and deposits		13.5	15.2	14.6
Financial liabilities:				
Current borrowings	10	(5.9)	(6.5)	(9.9)
Non-current borrowings	10	(195.4)	(197.6)	(193.2)
Net debt		(147.1)	(128.5)	(152.9)

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

Notes to the interim financial information
unaudited for the six months ended 31st August 2012

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) General information
These condensed Consolidated interim financial statements for the six months ended 31st August 2012 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 22nd October 2012.

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 interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the 14-month period ended 29th February 2012, 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 2012 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 interim financial statements for the six months ended 31st August 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed Consolidated interim financial statements should be read in conjunction with the Group's financial statements for the 14-month period ended 29th February 2012, 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 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 interim 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 14-month period ended 29th February 2012.

d) Accounting policies
The accounting policies applied in these condensed Consolidated interim financial statements are consistent with those of the Group's financial statements for the 14-month period ended 29th February 2012, 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). There are no new IFRSs or IFRICs that are effective for the first time for this interim period that would have a material impact on this Group.

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 interim 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 29th February 2012.

There have been no changes in risk management or in any risk management policies since the period 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 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	25.6	25.6
Total assets	–	–	25.6	25.6
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 30th June 2011:

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	6.2	–	6.2
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	21.9	21.9
Total assets	–	6.2	21.9	28.1
Liabilities				
Derivative financial instruments:	–	–	–	–
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Total liabilities	–	–	–	–

The following table presents the Group's assets and liabilities that are measured at fair value at 29th February 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	25.9	25.9
Total assets	–	–	25.9	25.9
Liabilities				
Derivative financial instruments:				
Cross-currency interest rate swap	–	(1.9)	–	(1.9)
Derivative financial instruments at fair value through profit or loss	–	(0.6)	–	(0.6)
Total liabilities	–	(2.5)	–	(2.5)

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 had an adverse effect on the Group's cross-currency interest rate swap.

There have been no reclassifications of financial assets.

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. As at 31st August 2012 all operations occur and all assets are located in the United Kingdom. As at 29th February 2012 the Group held assets of £0.1 million located in The Netherlands and as at 30th June 2011 the Group held assets of £0.3 million located in France and The Netherlands. All revenue arises from continuing operations.

2. SEGMENTAL ANALYSIS continued

	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
Operating property 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

	Six months to 30th June 2011 (unaudited)			
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	6.6	10.4	2.0	19.0
Direct costs	(1.0)	(8.6)	(2.6)	(12.2)
Segment result	5.6	1.8	(0.6)	6.8
Operating costs	(2.1)	(4.1)	–	(6.2)
Gain on revaluation of investment property portfolio	1.3	–	–	1.3
Operating profit/(loss)	4.8	(2.3)	(0.6)	1.9
Share of post-tax profits/(losses) of joint ventures	0.9	(0.1)	–	0.8
Profit/(loss) before interest and income tax	5.7	(2.4)	(0.6)	2.7
Finance income	0.7	0.6	–	1.3
Finance costs	(3.2)	(2.1)	–	(5.3)
Profit/(loss) before income tax	3.2	(3.9)	(0.6)	(1.3)
Income tax				0.1
Loss after income tax				(1.2)
Assets and liabilities				
Segment assets	254.7	249.2	7.3	511.2
Unallocated assets				55.5
Total assets				566.7
Segment liabilities	(149.4)	(73.6)	(3.0)	(226.0)
Unallocated liabilities				(11.1)
Total liabilities				(237.1)

2. SEGMENTAL ANALYSIS continued

Revenue				
Rental income	6.4	2.3	–	8.7
Operating property income	–	–	2.0	2.0
Project management fees	–	0.1	–	0.1
Asset management fees	0.1	0.3	–	0.4
Trading property sales	–	1.5	–	1.5
Other trading property income	–	0.8	–	0.8
Construction contract revenue	–	3.6	–	3.6
Development proceeds	–	1.6	–	1.6
Other income	0.1	0.2	–	0.3
	6.6	10.4	2.0	19.0

	14-month period ended 29th February 2012 (audited)			
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	17.1	58.4	4.5	80.0
Direct costs	(3.7)	(49.9)	(6.0)	(59.6)
Segment result	13.4	8.5	(1.5)	20.4
Operating costs	(4.3)	(10.5)	–	(14.8)
Gain on disposal on investment properties	0.2	–	–	0.2
Loss on revaluation of investment property portfolio	(4.7)	–	(0.1)	(4.8)
Operating profit/(loss)	4.6	(2.0)	(1.6)	1.0
Other income	0.3	0.4	–	0.7
Exceptional impairment and provision for services office segment	–	–	(2.8)	(2.8)
Share of post-tax profits of joint venture	1.5	0.1	–	1.6
Profit/(loss) before interest and income tax	6.4	(1.5)	(4.4)	0.5
Finance income	1.4	1.2	–	2.6
Finance costs	(8.6)	(4.6)	–	(13.2)
Loss before income tax	(0.8)	(4.9)	(4.4)	(10.1)
Income tax				(1.9)
Loss after income tax				(12.0)
Assets and liabilities				
Segment assets	278.1	237.4	4.9	520.4
Unallocated assets				31.9
Total assets				552.3
Segment liabilities	(150.6)	(75.7)	(3.8)	(230.1)
Unallocated liabilities				(9.0)
Total liabilities				(239.1)
Revenue				
Rental income	16.9	4.1	–	21.0
Serviced office income	–	–	4.5	4.5
Project management fees	–	0.4	–	0.4
Trading property sales	–	17.2	–	17.2
Other trading property income	–	2.5	–	2.5
Construction contract revenue	–	16.5	–	16.5
Development proceeds	–	17.7	–	17.7
Other income	0.2	–	–	0.2
	17.1	58.4	4.5	80.0

3. FINANCE INCOME AND COSTS

	Six months to 31st August 2012 unaudited £ million	Six months to 30th June 2011 unaudited £ million	14-month period ended 29th February 2012 audited £ million
Finance income			
Interest receivable	0.9	0.9	2.2
Other finance income	0.2	0.1	0.4
Net foreign currency differences arising on retranslation of cash and cash equivalents	–	0.3	–
Total finance income	1.1	1.3	2.6

3. FINANCE INCOME AND COSTS continued

	Six months to 31st August 2012 unaudited £ million	Six months to 30th June 2011 unaudited £ million	14-month period ended 29th February 2012 audited £ million
Finance costs			
Interest on bank loans and other borrowings	4.8	4.0	10.1
Interest on debenture	1.1	1.1	2.6
Amortisation of transaction costs	0.5	0.2	0.6
Fair value loss on financial instruments – interest rate swaps, caps and collars	0.9	–	0.5
Net foreign currency differences arising on retranslation of cash and cash equivalents	0.4	–	0.1
	7.7	5.3	13.9
Capitalised interest on development and trading properties	(0.8)	–	(0.7)
Total finance costs	6.9	5.3	13.2

In addition the Group recorded a loss of £2.8 million (30th June 2011: gain of £0.8 million and 29th February 2012: loss of £4.3 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 expense 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 29th February 2013 is 24.17 per cent (the estimated tax rate for the six months ended 30th June 2011 was 27.0 per cent). The decrease is mainly due to the Group not recognising deferred tax assets due to uncertainty over the timing of when this would unwind.

	Six months to 31st August 2012 unaudited £ million	Six months to 30th June 2011 unaudited £ million	14-month period ended 29th February 2012 audited £ million
Current tax charge	0.7	–	0.8
Deferred tax charge/(credit)	0.3	(0.1)	1.1
Total income tax	1.0	(0.1)	1.9

A £0.7 million deferred income tax credit (30th June 2011: £0.2 million charge, 29th February 2012: £1.0 million credit) has been recognised directly in reserves in respect of the fair value of cross-currency interest rate swap movement. A further £0.4 million deferred income tax charge 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 2012 unaudited £ million	Six months to 30th June 2011 unaudited £million	14-month period ended 29th February 2012 audited £ million
Amounts recognised as distributions to equity holders in the period	3.9	2.9	5.9
Proposed dividend	2.9	2.9	3.9
	Pence	Pence	Pence
Interim dividend per share	2.40	2.40	2.40
Final dividend per share	–	–	3.20

The final dividend of £3.9 million for the 14-month period to 29th February 2012 is payable on 26th October 2012 to ordinary shareholders on the register at the close of business on 28th September 2012.

An interim dividend was declared by the Board on 15th October 2012 and has not been included as a liability or deducted from retained earnings as at 31st August 2012. The interim dividend is payable on 30th November 2012 to Ordinary shareholders on the register at the close of business on 2nd November 2012. The interim dividend in respect of the six month period to 31st August 2012 will be recorded in the financial statements for the year ended 28th February 2013.

6. 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 loss per share and EPRA loss per share is based on the following data:

	Six months to 31st August 2012 unaudited	Six months to 30th June 2011 unaudited	14-month period ended 29th February 2012 audited
Loss			
Loss for the purposes of basic and diluted loss per share (£ million)	(1.6)	(1.2)	(12.6)
Revaluation deficit/(surplus) (including share of joint venture revaluation surplus)	4.4	(2.0)	4.2
Gain on disposal of investment properties	–	–	(0.2)
Gain on disposal of trading properties	(3.0)	(0.2)	(3.8)
Impairment of development and trading properties	–	–	1.8
Mark-to-market adjustment on interest rate swaps, caps and collars (including share of joint venture mark-to-market adjustment)	0.9	–	0.6
EPRA adjusted profit/(loss) from continuing activities attributable to owners of the Company	0.7	(3.4)	(10.0)
Number of shares (million)			
Weighted average number of Ordinary shares for the purposes of basic 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 loss per share	122.4	122.4	122.4
Basic loss per share (pence)	(1.4)	(0.9)	(10.3)
Diluted loss per share (pence)	(1.4)	(0.9)	(10.3)
EPRA adjusted profit/(loss) per share (pence)	0.6	(2.7)	(8.2)
EPRA adjusted diluted profit/(loss) per share (pence)	0.6	(2.7)	(8.2)

Net assets per share and diluted net assets per share and EPRA net assets per share and EPRA diluted net assets per share have been calculated as follows:

	Six months to 31st August 2012 unaudited	Six months to 30th June 2011 unaudited	14-month period ended 29th February 2012 audited
Net assets (£ million):			
Basic net assets per share attributable to the owners	304.4	329.6	311.3
Cumulative mark-to-market adjustment on interest rate swaps	13.0	3.5	9.2
EPRA adjusted net assets	317.4	333.1	320.5
Cumulative mark-to-market adjustment on interest rate swaps	(13.0)	(3.5)	(9.2)
Fair value of debt	4.4	9.6	6.5
EPRA adjusted triple net assets	308.8	339.2	317.8
Effect of dilutive potential Ordinary shares	1.5	1.4	1.5
Diluted net assets	305.9	331.0	312.8
EPRA diluted net assets	318.9	334.5	322.0
EPRA diluted triple net assets	310.3	340.6	319.3
Basic net assets per share based on total net assets	304.5	329.6	313.2
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	0.5	0.4	0.5
Diluted number of shares in issue at the balance sheet date	122.9	122.8	122.9
Basic net assets per share (pence)	249	269	254
Diluted net assets per share (pence)	249	270	254
EPRA adjusted net assets per share (pence)	259	272	262
EPRA diluted net assets per share (pence)	259	272	262
EPRA adjusted triple net assets per share (pence)	252	277	260
EPRA diluted triple net assets per share (pence)	252	277	260
Basic net assets per share based on total net assets (pence)	249	269	256

7. INVESTMENT PROPERTIES

	Freehold £ million	Long leasehold £ million	Total £ million
At valuation 1st January 2011	197.7	1.5	199.2
Additions:			
– acquisitions	–	7.9	7.9
– capital expenditure	1.6	–	1.6
Surplus on revaluation	1.3	–	1.3
At valuation 30th June 2011	200.6	9.4	210.0
Additions:			
– acquisitions	12.1	0.2	12.3
– capital expenditure	1.6	–	1.6
Transfer from development properties	20.0	–	20.0
Deficit on revaluation	(5.4)	(0.6)	(6.0)
At valuation 29th February 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

The Group's investment properties have been valued at 31st August 2012 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 £200.9 million (30th June 2011: £186.4 million, 29th February 2012: £222.5 million).

Also included within investment properties are freehold land and buildings representing investment properties under development, amounting to £30.5 million (30th June 2011: £15.7 million, 29th February 2012: £15.4 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 £7.7 million (30th June 2011: £8.0 million, 29th February 2012: £7.6 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 January 2011	84.2	73.5	157.7
Additions:			
– acquisitions	5.6	14.4	20.0
– development expenditure	4.2	0.6	4.8
Disposals	(1.3)	(1.2)	(2.5)
Write-down of development and trading properties to net realisable value	(1.1)	(0.1)	(1.2)
At 30th June 2011	91.6	87.2	178.8
Additions:			
– acquisitions	5.3	3.8	9.1
– development expenditure	14.1	1.3	15.4
Disposals	(18.5)	(9.0)	(27.5)
Transfer to investment properties	(20.0)	–	(20.0)
Write-down of development properties to net realisable value	(0.6)	–	(0.6)
At 29th February 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

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £49.0 million (30th June 2011: £47.8 million, 29th February 2012: £49.0 million).

9. LOANS TO JOINT OPERATIONS

Included within Loans to joint operations 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 2012 unaudited £ million	30th June 2011 unaudited £ million	29th February 2012 audited £ million
Non – current	195.4	197.6	193.2
Current	5.9	6.5	9.9
	201.3	204.1	203.1

Movements in loans and borrowings are analysed as follows:

	£ million
At 1st January 2011	175.5
New borrowings drawn down	29.3
Repayment of borrowings	(2.1)
Foreign currency movement of Euro denominated loans	2.1
Movement on overdraft balances	(0.5)
Movement in unamortised transaction costs	(0.2)
At 30th June 2011	204.1
New borrowings drawn down	18.8
Repayment of borrowings	(16.6)
Foreign currency movement of Euro denominated loans	(3.1)
Movement on overdraft balances	0.9
Movement in unamortised transaction costs	(1.0)
At 29th February 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

Bank loans, loan notes and overdrafts comprise:

	Maturity	31st August 2012 unaudited £ million	30th June 2011 unaudited £ million	29th February 2012 audited £ million
£6.6 million variable rate loan	25 Jun 2012	–	6.6	4.7
£5.4 million variable rate loan	4 Feb 2013	4.1	–	2.6
£15.3 million variable rate loan	28 Oct 2013	–	13.8	0.4
£6.8 million variable rate loan	29 Jun 2014	3.4	–	–
£3.0 million variable rate loan	8 Jul 2014	3.0	–	3.0
£5.7 million variable rate loan	24 Nov 2014	5.5	–	5.7
£1.5 million variable rate loan	24 Nov 2014	1.5	–	1.5
£1.0 million variable rate loan	8 Feb 2015	0.6	–	–
£6.2 million variable rate loan	12 Jul 2015	6.2	6.2	6.2
£1.6 million variable rate loan	9 Aug 2015	1.6	–	–
£4.5 million variable rate loan	6 Oct 2015	4.4	–	4.4
£1.5 million variable rate loan	6 Oct 2015	1.5	–	1.5
£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	55.5	57.0	56.1
£22.5 million fixed rate loan	12 Mar 2025	21.9	22.5	22.2
€47.0 million variable rate loan notes	25 Oct 2027	37.3	42.4	39.3
Bank overdrafts		–	0.3	1.2
		204.4	206.7	206.7
Unamortised transaction costs		(3.1)	(2.6)	(3.6)
		201.3	204.1	203.1

10. BORROWINGS continued

The Group remains in compliance with its various banking covenants as at 31st August 2012.

a) Cash balances shown on the Balance sheet at 31st August 2012 include £13.5 million (30th June 2011: £15.2 million, 29th February 2012: £14.6 million) of cash held as security against borrowings.

b) At 31st August 2012, 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 2012 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 2012 is analysed below:

	31st August 2012		30th June 2011		29th February 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	£ million	£ million	£ million	£ million	£ million	£ million
First Mortgage Debenture 11% due 2016	20.0	25.5	20.0	25.3	20.0	25.9
Fixed rate term loan due 2025	55.5	68.2	57.0	60.0	56.1	65.9
Fixed rate term loan due 2025	21.9	25.5	22.5	22.5	22.2	24.6
	97.4	119.2	99.5	107.8	98.3	116.4

The fair value difference of £21.8 million (30th June 2011: £8.3 million, 29th February 2012: £18.1 million) represents approximately 22.3 per cent of gross, fixed rate borrowings (30th June 2011: 8.3 per cent, 29th February 2012: 18.3 per cent). The effect on net assets per share after tax of this adjustment would be a decrease of 13.1 pence after tax (30th June 2011: 4.9 pence, 29th February 2012: 10.9 pence).

A further £83.6 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 January 2011	6.1
Charged to profit or loss in the period	0.2
Provisions written back to profit or loss in the period	(0.8)
Utilised during the period	(4.0)
At 30th June 2011	1.5
Charged to profit or loss in the period	1.1
Utilised during the period	(0.2)
Unwinding of discount	0.3
At 29th February 2012	2.7
Charged to profit or loss in the period	0.2
Provisions written back to profit or loss in the period	(0.1)
At 31st August 2012	2.8

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 29th February 2012.

12. SHARE CAPITAL

	31st August 2012	30th June 2011	29th February 2012
	unaudited	unaudited	audited
	£ million	£ million	£ million
Issued, called up and fully paid:			
122,352,504 Ordinary shares of 50 pence (30th June 2011 and 29th February 2012: 122,352,504 Ordinary shares of 50 pence)	61.2	61.2	61.2

The Group acquired 123,397 of its own shares through purchases on the London Stock Exchange between 20th and 29th June 2012. The total amount paid to acquire the shares, net of income tax, was £0.2 million and has been deducted from shareholder's equity. The shares are held as 'Treasury shares'. The Company has the right to re-issue these shares at a later date. All shares were fully paid.

13. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	Six months to 31st August 2012 unaudited £ million	Six months to 30th June 2011 unaudited £ million	14-month period ended 29th February 2012 audited £ million
Loss before income tax	(0.7)	(1.3)	(10.1)
Adjustments for:			
Gain on disposal of investment properties	–	–	(0.2)
Net loss/(gain) on revaluation of investment property portfolio	7.3	(1.3)	4.8
Other income	(0.3)	–	(0.7)
Share of post-tax profits of joint ventures	(3.9)	(0.8)	(1.6)
Impairment of assets	–	–	1.6
Finance income	(1.1)	(1.3)	(2.6)
Finance costs	6.9	5.3	13.2
Depreciation of property, plant and equipment	0.4	0.4	1.0
Operating cash flows before movements in working capital	8.6	1.0	5.4
Decrease/(increase) in development and trading properties	9.0	(21.1)	(18.4)
Decrease/(increase) in receivables	9.9	0.7	(2.7)
(Decrease)/increase in payables	0.0	(1.2)	0.2
Increase/(decrease) in provisions	0.1	(4.5)	(3.4)
Cash flow from operating activities	27.6	(25.1)	(18.9)

14. CONTINGENT LIABILITIES

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £nil (30th June 2011 and 29th February 2012: £nil). The performance of obligations under various leases guaranteed by Group companies amount to £0.4 million per annum (30th June 2011: £0.4 million, 29th February 2012: £0.5 million).

The Group has guaranteed its share of the interest payable by Wessex Property Fund in respect of the Fund's borrowings of £17.5 million. The interest liability is currently covered by the Fund's rental income.

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 £15.6 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 (Guernsey HoldCo) 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 2012, 30th June 2011 and 29th February 2012 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 14-month period ended 29th February 2012 are set out in the Remuneration report on pages 57 to 64 of the 2012 Annual Report.

	Finance income from related parties £ million	Amounts owed by related parties £ million
Joint ventures		
31st August 2012	0.6	34.3
30th June 2011	–	20.0
29th February 2012	–	23.2
Associates		
31st August 2012	0.7	17.8
30th June 2011	0.4	17.3
29th February 2012	1.3	20.3

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

17. GLOSSARY

Operating profit: stated after 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 and 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.

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.

Net debt: total debt less cash and short-term deposits, including pledged cash.

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit for the period attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the period.

Diluted (loss)/earnings per share amounts are calculated by dividing the (loss)/profit attributable to ordinary equity holders 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 amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date.

Diluted net assets per share amounts are 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 is the European Public Real Estate Association.

EPRA earnings is the profit after taxation excluding investment property revaluations (including revaluations of joint venture investment properties), gains/(losses) on disposals of investment and trading properties, 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) are the 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 is EPRA NAV divided by the diluted number of shares at the period end.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' confirm that, to the best of their knowledge, these condensed Consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. 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 of the financial year 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 of the financial year and 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 29th February 2012. 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
23rd October 2012

Independent review report to Development Securities PLC

Introduction

We have been engaged by the Company to review the condensed Consolidated interim financial statements in the half-yearly financial report for the six months ended 31st August 2012, which comprises the interim Consolidated statement of comprehensive income, the interim Consolidated balance sheet, the interim Consolidated statement of changes in equity, the interim 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 Services 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 has 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 Services 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 set of financial statements in the half-yearly financial report for the six months ended 31st August 2012 is 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 Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
23rd October 2012