DEVELOPMENT SECURITIES PLC

MAKING PLACES

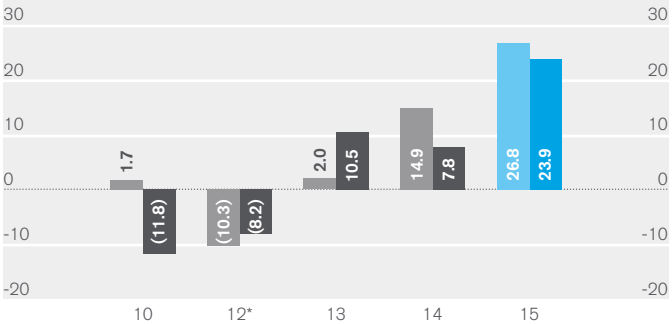
Annual Report 2015

IN THIS REPORT

Cover image
The Movement, Greenwich.
See page 3 for more details.

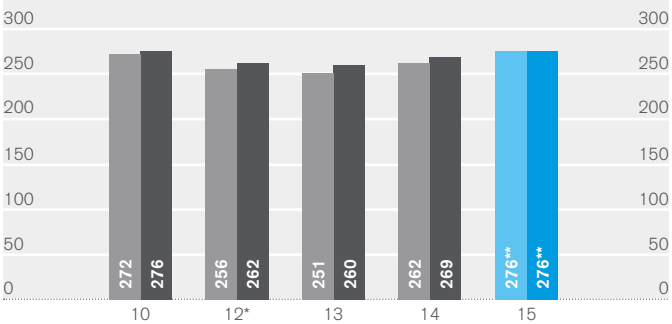
2015 FINANCIAL HIGHLIGHTS

Earnings/(loss) and EPRA earnings/(loss) per share



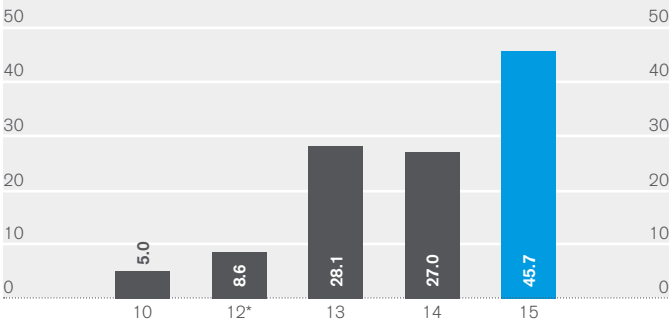
Earnings/(loss) per share (pence) EPRA earnings/(loss) per share (pence)

Net assets and EPRA net assets per share



Net assets per share (pence) EPRA net assets per share (pence)

Development and trading gains



Development and trading gains (£'million)

*14 month period ** After payment of £10.0 million special dividend

£346.4m

Net assets
Net assets grew by 8.1% in the year after the payment of a special dividend of £10.0 million.

36.3%

Gearing
Gearing excluding our share of joint ventures has reduced during the year as a result of asset realisations.

£45.7m

Development and trading gains
The Group has recorded record-level development and trading gains across its direct and indirect portfolio during the year.

13.9p

Dividend per share
This includes an increased final dividend of 3.5 pence per share, a special dividend of 8.0 pence per share and an interim dividend of 2.4 pence.

WHO WE ARE

Development Securities is a property company with a diversified portfolio of projects that are predominantly focussed on regeneration in Greater London and the South East.

Our principal objective is to generate excellent returns by acquiring land and buildings where we can add value through our expertise in planning, development, trading and regeneration. In so doing, we facilitate a process of change that creates value for all of our stakeholders, from residents to retailers, from communities to councils, from shareholders to partners.

This year, the successful execution of our strategic priorities has delivered record-level results, creating a strong platform for continued future growth.

OUR VISION

Our vision is to be a leading property company that generates significant and sustained returns as we unlock value through regeneration. Our aim is to transform places into vibrant communities, delivering true value and legacy for all.

A YEAR OF SIGNIFICANT PROGRESS

April 2014

1. PROPERTY COMPANY OF THE YEAR

Winner of Property Company of the Year at the 2014 Property Awards.

May 2014

2. ACQUISITION OF CATHEDRAL GROUP

Acquisition of Cathedral Group (Cathedral) expands the business, adding greater depth of management and nine new mixed-use regeneration projects to the portfolio.

June 2014

3. EXPANDED PRESENCE IN DUBLIN

Acquisition of a further four properties in Dublin – Burlington House, Donnybrook House, Charlemont Clinic and Robswall – for in excess of £60 million underlines our presence in this key regional market.

December 2014

6. £13.3m OF PROFIT RELEASED FROM RESIDENTIAL LAND SALES

The sale of Telegraph Works in Greenwich and the funding partnership with L&Q at 399 Edgware Road add to the high level of cash profits realised throughout the year generating £10.2 million and £3.1 million of profits respectively. Both of these projects highlight the increasing importance of residential use in generating significant value for the Company.

January 2015

7. CAPITAL RECYCLING WITHIN INVESTMENT PORTFOLIO

Recycling of capital within our investment portfolio continues with the acquisition of two assets in Manchester and Newcastle. Our investment portfolio has been improved and refocussed through the sale of mature assets during the year and their replacement with high yielding convenience retail and alternative assets with asset management potential.

September 2014

4. MAJOR HAMMERSMITH OFFICE DEVELOPMENT FULLY LET

10 Hammersmith Grove is fully let, setting a new benchmark for Hammersmith rents. 10 and 12 Hammersmith Grove demonstrate our expertise in Grade A office development in growth markets outside of core Central London.

September 2014

5. PLANNING CONSENT SECURED AT CIRCUS STREET

Planning consent secured for Circus Street, a complex mixed-use regeneration project in Brighton. Planning is the key driver of value in all of our activities, enabling us to transform redundant land and assets into new places that create value and growth.

Killingworth Shopping Centre, Newcastle

7

February 2015

8. NEW LEADERSHIP FOR THE BUSINESS

Michael Marx announces decision to step down as CEO, with Matthew Weiner to succeed him in this role and Richard Upton, previously Chief Executive of Cathedral, to become Deputy CEO.

March 2015

9. SIGNIFICANT SOUTHWARK PROJECT SECURED

JV signed with TfL for a significant redevelopment project at Southwark Underground station demonstrating our expertise in complex, mixed-use regeneration projects with public sector partners.

8

9

Cover image: The Movement, Greenwich
This mixed-use regeneration project adjacent to Greenwich DLR station was one of the first projects on which we partnered with Cathedral Group. Now complete, it has delivered a vibrant new place, with student accommodation, new homes, new retail space and a hotel.

HOW WE MAKE A PLACE

By understanding what's important to our stakeholders, we can deliver places that add value to people's lives and help to strengthen communities.

The Deptford Project — Page 06

Creating a vibrant new mixed-use living quarter in Deptford in partnership with the London Borough of Lewisham.

St Mark's Square — Page 08

Adding to the life of south Bromley through a leisure-led mixed-use regeneration project in partnership with the London Borough of Bromley.

Circus Street — Page 10

Turning a derelict market in Brighton into a new social and cultural quarter in partnership with Brighton & Hove Council and the University of Brighton.

"THE DEPTFORD PROJECT CAFÉ SHOWED THE POSITIVE ASPECTS OF REGENERATION, BY USING SOMETHING OLD, NEGLECTED AND REJECTED AND HELPING IT BECOME SOMETHING ELSE, MUCH LIKE THE SITE ON WHICH IT STOOD. A LANDMARK WAS CREATED WHICH HELPED PEOPLE TO BECOME MORE AWARE OF DEPTFORD."

REBECCA MOLINA, THE DEPTFORD PROJECT CAFÉ

The Deptford Project

The Deptford Project is a £47 million Public Private Partnership with the London Borough of Lewisham. The project is the result of a considerable level of dialogue and consultation between the Council, the public, developers, stakeholders, the design team and ourselves.

The development, on a derelict two-acre site next to Deptford railway station, was designed to foster social and economic growth bringing the space back into use by the local community. New public realm will reconnect the site with the high street, train station and Deptford's much loved, eclectic markets. Throughout the design and development process, engagement with the local community was important, so that we could deliver a project that everyone would be proud of, which addressed the needs of the local area and repositioned this important gateway to Deptford High Street. We undertook our most extensive public consultation to date, with over 300 people attending and contributing to the process.

Now under construction, once complete, the project will deliver 132 new homes, 14 arch-space workshops, a market yard, seven commercial units, two restaurants and the restoration of a Grade II-listed carriage ramp, London's oldest surviving railway structure. Construction began in April 2014 with completion due in November 2015.

1. Our programme to regenerate the neighbourhood around Deptford High Street started in 2008 when we shipped a 1960s train carriage on to the site and turned it into one of London's most iconic cafés. The Deptford Project Café was run by a local group, led by Rebecca Molina, for five years.

2. Now under construction, the Deptford Project is due to complete in November 2015.

3. In the arches under the 1830s Grade II-listed carriage ramp we gave homes to some of the area's young designer-makers. The site became a central hub for the public consultation and a programme of art and cultural events.

4. Deputy Mayor of Lewisham, Councillor Alan Smith (l), Richard Upton and Mayor of Lewisham Sir Steve Bullock (c) speak to Ardmore apprentices at the construction and apprenticeship event which we organised in partnership with our contractor, Ardmore Group.

2

3

4

HOW WE MAKE A PLACE continued

"THE NEW COMMUNITY GARDEN IS A REAL BOOST TO THE CHURCH. WE ARE VERY GRATEFUL TO THE TEAM FOR IMPROVING THE SPACE WHICH WAS MUCH IN NEED OF A REVAMP. WE ARE LOOKING FORWARD TO SEEING THE GARDEN WELL USED AS THE WARMER MONTHS APPROACH."

THE REVEREND STEVE VARNEY, ST MARK'S CHURCH

1

St Mark's Square, Bromley

We are now well underway with the construction of St Mark's Square, a £90 million mixed-use development at the southern end of Bromley town centre. The former site of the 600-space Westmoreland Road car park, this leisure-led, mixed-use development project is a major catalyst in helping to shape the future direction and prosperity of the town.

The scheme includes a landscaped public square surrounded by a nine-screen multiplex VUE cinema, 25,000 sq. ft. of cafés and restaurants, including PizzaExpress and Prezzo, a 130-bed Premier Inn hotel, 200 private and affordable apartments and a new 400-space secure underground car park. We look forward to reaching practical completion in Autumn 2016.

1. St Mark's Church is one of our closest and dearest neighbours in Bromley. In 2014, we helped to deliver a brand new community garden for the church.

2. In 2011, we turned the former Westmoreland Road car park into a pop-up cinema to kick start public consultation in Bromley. Richard Upton (l) and Leader of Bromley Council, Councillor Stephen Carr (r) are pictured here at the launch event.

3. In July 2011, we parked a specially converted shipping container opposite Bromley's Central Library and welcomed the public in to comment on our scheme. Over 400 local people gave feedback on the scheme.

4. Schoolchildren from neighbouring St Mark's Primary School helped us name the new addresses created by the development.

HOW WE MAKE A PLACE continued

"THIS HAS BEEN A GREAT WEEK AND WE HOPE WE HAVE BEEN ABLE TO HELP MANY MORE PEOPLE IN THE CITY TO GET BACK ON THEIR BIKES – WE'D LIKE TO THANK EVERYONE WHO HAS JOINED IN FOR THEIR PARTICIPATION AND SUPPORT AND ESPECIALLY CATHEDRAL GROUP FOR ITS VISION IN MAKING THIS POSSIBLE."

DUNCAN BLINKHORN, LOVE YOUR BIKE WEEK.

1

Circus Street, Brighton

Circus Street, Brighton, is a £100 million mixed-use Public Private Partnership between Brighton & Hove City Council, the University of Brighton and ourselves. The redevelopment will turn the site of a derelict fruit and vegetable market into a vibrant new quarter of the city, an economically and creatively productive neighbourhood that blends art, culture, modern living and hi-tech start up business.

The regeneration of Circus Street includes many benefits for Brighton & Hove including an estimated gross value add of over £200 million and around 350 new jobs over the next ten years. It will deliver two landmark public buildings: The Dance Space, a new home for South East Dance which will be the hub that connects world class artists to the local community; and a library and teaching building for the University of Brighton.

There will be 142 much-needed sustainable new homes and managed accommodation for up to 450 students to meet the shortage of dedicated student accommodation in the city. The scheme will also deliver a modern office building of over 38,000 sq. ft. of flexible office space to help creative and digital businesses to grow and flourish in the city.

1. Duncan Blinkhorn helped to launch the Circus Street Bike Hub in the market in February 2014, employing organisation Bike Train CIC which uses old metal bike frames and recycled wood to make cargo bikes and trailers to carry goods.

2. In April 2013, over 450 local people attended the consultation we held in the market. To launch the consultation, South East Dance brought performance and dance into the market space and we also gave away plants and seeds to the local community.

3. Caroline Lucas MP came along to Love Your Bike Week in February 2014 to open the Circus Street Bike Hub, created by local organisation Groundwork South.

4. South East Dance hosted a programme of activities, including Urban Playground 'Steam' Parkour dance workshops with local children, in the Circus Street Market.

2


3


4

A YEAR OF RECORD-LEVEL PERFORMANCE

Financial performance
This has been an excellent year for your Company in which the successful execution of our strategic objectives has produced a step-change in the level of performance. I am delighted to report a headline profit before tax of £45.4 million for the year ended 28th February 2015 (2014: £19.5 million), the highest profit ever recorded by your Company. After exceptional items* of £10.6 million, the profit before tax amounted to £34.8 million. The main contributor to our overall profitability was the £45.7 million of development and trading gains realised from a number of asset disposals during the year (2014: £27.0 million), another record-level result for the business.

After the deduction of £17.0 million by way of dividends, including the special dividend, shareholders' funds increased by £26.1 million (8.1 per cent) to £346.4 million from £320.3 million as at 28th February 2014. Net assets per share ended the year at 276 pence per share compared to 262 pence per share at 28th February 2014.

Our level of net debt, excluding our share of debt within joint ventures, remained low at 36.3 per cent compared with 48.0 per cent at 28th February 2014. Given the strength and stability of our Balance Sheet and our prudent business model, the Board has recommended the payment of a final dividend for the year of 3.5 pence per share, payable on 20th August 2015 to shareholders on the register on 24th July 2015. Including the special dividend paid on 7th April 2015, this final dividend will bring the total dividends paid during the year to 13.9 pence per share, more than double the amount paid in the previous year.

The special dividend of £10.0 million (8.0 pence per share) was paid out of both the strong cash flow arising from a number of land and asset sales, and from the successful monetisation of one of our remaining significant legacy assets, 399 Edgware Road. Going forward we will continue to review the efficiency of our Balance Sheet in order to maintain a disciplined capital structure and maximise returns to shareholders.

Acquisition of Cathedral Group
The acquisition of specialist regeneration developer Cathedral Group (Cathedral) in May 2014 was a strategic step-change for your Company, significantly expanding our current portfolio of projects and deepening the strength and experience of our management team. Cathedral's expertise in residential-led mixed-use regeneration projects in Greater London and the South East is complementary to our own, and has expanded our capacity to build our pipeline and market share going forward. It is pleasing to note that the sale in December 2014 of the Cathedral project Telegraph Works, in Greenwich, has already contributed to our strong development and trading gains during the year.

Management changes
In February 2015, we announced that after 21 years of service on the Board, Michael Marx will stand down from his position as Chief Executive at the Annual General Meeting (AGM) on 14th July 2015. Michael will be succeeded by Matthew Weiner as Chief Executive, who has served as a Board Director for 10 years. Richard Upton, formerly Chief Executive of Cathedral and a Board Director of Development Securities, will be appointed as Deputy Chief Executive with Marcus Shepherd continuing as Finance Director. Matthew has been pivotal to the success of the business in recent years and will be supported by a strong management team. I am confident that this team is best placed to deliver the full potential of the business. Following the AGM, Michael will remain on the Board as a Non-executive Director until 29th February 2016. I would like to thank Michael for his outstanding contribution for many years as Chief Executive. Under his leadership, the Company has grown into one of the UK's leading regeneration developers.

In March 2015, Julian Barwick stepped down from the Board in order to reduce his time commitment to the business. Julian retains his position as a Director of our development subsidiary and I have no doubt that he will still contribute significantly to the business in the years ahead with a continued focus on our office-led development projects.

I am also pleased to note again the appointment of Barry Bennett to your Board, previously Chairman of Cathedral, who brings with him significant and relevant experience of residential and mixed-use development.

Outlook
The ongoing economic recovery in the UK is now beginning to manifest itself in real wage growth, job creation and reduced unemployment which I believe will continue to support the increasingly vibrant economy in Greater London and the South East. This provides a healthy backdrop for all of our activities, particularly our ability to create value through regeneration. With such a talented senior management team, a diversified portfolio of projects and deep expertise in regeneration development, we enter 2015 strongly positioned to continue to deliver enhanced shareholder value.

Finally, my thanks to our management team and staff who have continued to apply themselves wholeheartedly and with the utmost professionalism, to create the significant value that we have achieved this year and that we believe we will continue to achieve in the future.

David Jenkins
Chairman
29th April 2015

*exceptional non-recurring items relate to termination of cross currency swap and acquisition costs of Cathedral Group.

David Jenkins, Chairman
Read biography on page 70

Go to page 69 to read the Chairman's introduction to Corporate Governance

AMPLE OPPORTUNITY FOR FURTHER INVESTMENT AND GROWTH

UK economy

UK economic growth has increased over the past twelve months reflecting the impact of improved employment levels, increased levels of housing market activity and a recovery in the availability of credit. Over the past few quarters, UK GDP has grown at an annualised rate of around three per cent and this trend is predicted to continue in 2015 (source: Lazarus Partnership). As indicated by graph 1 opposite, improving real wage growth and increased household cash flows have the potential to support consumption growth in the near- to medium-term. At the same time, UK consumer price inflation is low, at close to zero per cent, having fallen sharply, and we expect interest rates to continue to track at close to zero per cent as they have done for the past few years. The improving economic backdrop is supportive to our activities across the full range of our portfolio.

Strength of Greater London

Greater London and the South East are continuing to lead the UK's recovery, outpacing the rest of the UK in terms of job creation, inward investment and GDP growth. These regions are expected to maintain their positions as the two fastest growing regions in the UK in 2015 (source: PwC, UK economic outlook report Q1 2015). As such, we continue to focus on real estate opportunities in the South East, Greater London and the 'London City Region', those areas directly served and supported by infrastructure and employment links to the capital.

Regeneration opportunities

With the yield spread between prime and secondary property still wide, our focus remains on regeneration opportunities where we can proactively add value through planning betterment, asset enhancement and redevelopment, in essence transitioning secondary property into prime (graph 2). The acquisition of Cathedral, a specialist in Public Private Partnership (PPP) projects, has also opened up further avenues for regeneration projects in partnership with public bodies. Local authorities are estimated to own £170 billion of real estate and land assets offering ample opportunity for us to expand our pipeline of PPP projects (source: Localis).

Residential market

Notwithstanding a slight slowdown in Q1 2015, the housing market shows signs of sustained underlying strength of demand, with the labour market continuing to improve, the rate of mortgage approvals showing an upwards trend since 2008 and a positive outlook going forwards (graph 3). We anticipate that housing demand will continue to improve, particularly in Greater London where the shortage of housing is particularly marked. In addition, demand for mid-market product (£450–£700 per sq. ft.) is strong as demonstrated by graph 4. These trends suggest a positive backdrop for our residential-led activities which are predominantly linked to mixed-use regeneration projects in Greater London and the South East, catering to the affordable end of the residential market.

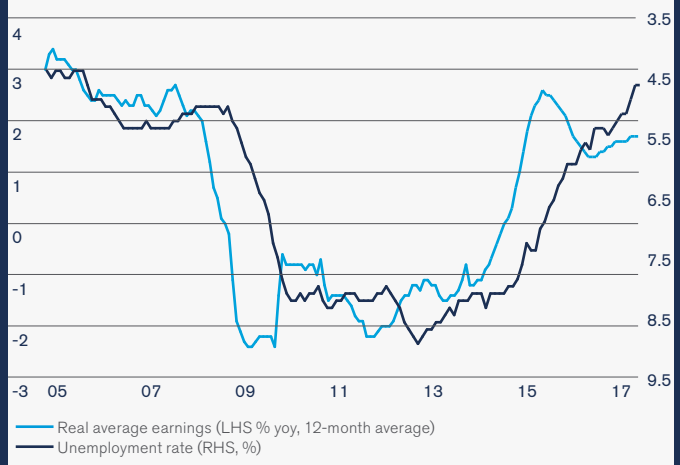
Retail market

The uptick in consumer spending and retail sales (graph 5) supports the potential for retail values and rents within certain markets to improve. Investment activity in regional markets continues to improve as institutional investment spreads beyond London and into key regional cities.

Commercial office market

Office rental values outside of Central London have shown a marked improvement over the past few years (graph 6) and we anticipate that this will continue as office supply remains tight. Our focus in the commercial office market is on well-connected locations outside of Central London's traditional core markets e.g. Hammersmith, Slough, Cambridge and also Dublin, where demand is demonstrable and the pipeline of high-quality office space is limited.

1. Unemployment rate and real average earnings growth



Source: ONS, Lazarus Partnership

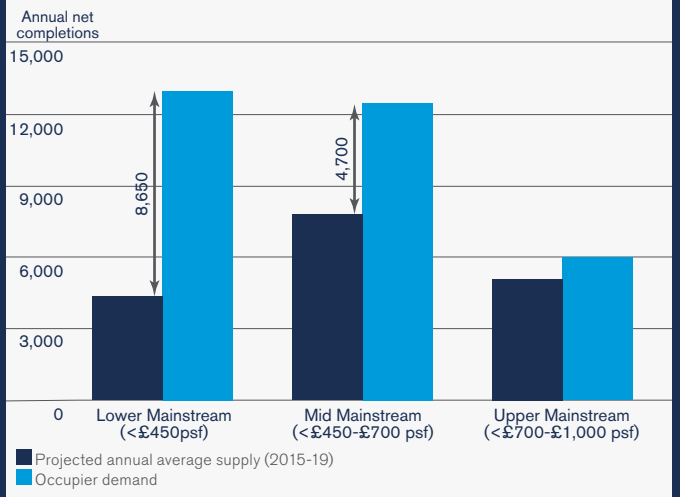
2. Regeneration opportunities – prime/secondary yield spread still wide

Source: Capital Economics

3. Mortgage approvals rate – set to rise

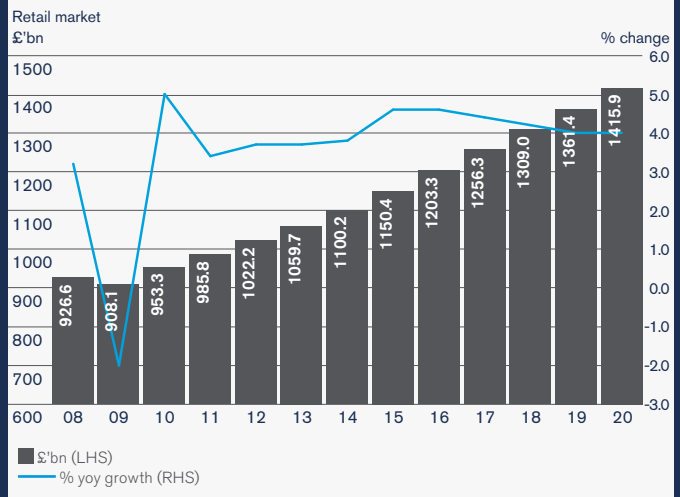
Source: Capital Economics

4. Demand for mid-market residential product



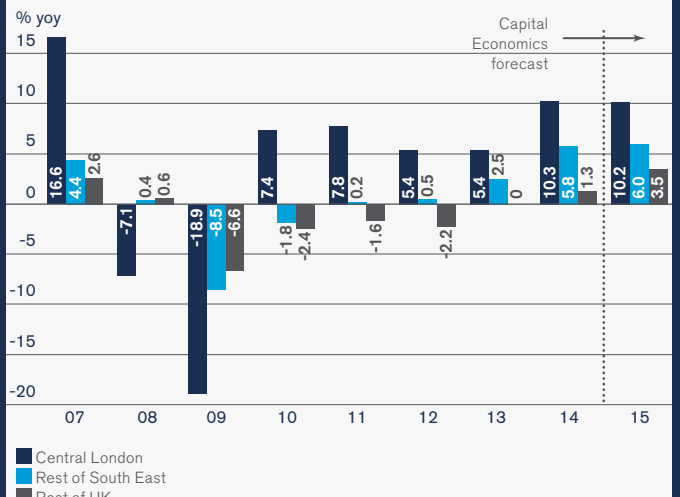
Source: Savills

5. Retail market – total consumer spend



Source: Lazarus Partnership

6. Commercial office market – nominal rental growth



Source: Capital Economics

WELL POSITIONED TO DELIVER STRENGTHENED RETURNS

Our focus

During the year, we have seen an improved financial performance derived from the strategic direction that we set a few years ago. Our focus remains to create value through property regeneration and trading, with planning betterment providing the key to value creation in the majority of our activities. We have expanded the number of regeneration projects on which we are working and are largely focussed within Greater London and the South East region where economic growth is most pronounced. Rather than invest a disproportionate amount of our resources into any one project, we have continued to limit the amount of equity invested by us into any one scheme, thus reducing specific asset pricing risk. As a consequence, deal flow and activity levels have been high and I would expect this to remain unchanged in the medium-term.

Our regeneration activities focus on mixed-use development and placemaking. It is a process whereby we can add significant value as areas of previous dereliction and neglect are radically changed into vibrant new communities with an infrastructure that creates a quality legacy for future generations. Our activities in this area of the market have been significantly enhanced through the acquisition of Cathedral Group (Cathedral), which has brought with it an increase in the number of delivery options available to us, particularly with respect to residential development activity and Public Private Partnership projects.

Our performance

During the financial year, we realised development and trading gains of £45.7 million, a record-level for your Company and the first of what we believe will be many years of heightened profitability. This included significant gains of £4.4 million arising from our main legacy asset, 399 Edgware Road. Other significant contributors to profitability were 10 Hammersmith Grove, our 110,000 sq. ft. prime office development which is now fully let and generated gains of £6.7 million, and the substantial residential development at Telegraph Works, Greenwich, one of Cathedral's projects, which realised an initial profit of £10.2 million.

As one would expect, the realisation of such significant profits, together with the monetisation of the underlying invested equity capital, has released funds for us to reinvest in new projects within our acknowledged area of expertise. Our focus is on opportunities where we can create value through planning gain, regeneration and development. Dublin became an increasing area of interest for us as we took our expertise and experience into an international capital city where development had also been severely constrained since the financial crash and where demand is currently resurging.

Within our investment portfolio, property valuations continued to benefit from the narrowing yield spread between primary and secondary markets. During the year, we successfully recycled in excess of £60 million out of assets where we had maximised added value and reinvested this into convenience retail and alternative assets with robust long-term income streams, more resilient values and attractive income yields. Our investment portfolio is now re-established at its £200 million level.

Our market

The UK economic recovery continues, with GDP growth in the current year likely to equal or even exceed that of 2014. This stable environment is attracting not only inward migration but also a significant flow of funds from overseas investors into London and other big cities. Notwithstanding, the Government has some way yet to go in order to reduce the significant UK budget account deficit, implying that further reductions in Government expenditure are to be anticipated.

Outlook

This has been a year of standout performance for your Company with activity levels now established at an enhanced level as terms of trade remain attractive in the geographic and operational sectors in which we operate. It is especially pleasing to report that the management team has been deepened in both quality and numbers following the Cathedral acquisition. It is this management team that will deliver the promise that lies ahead and in whom I have undoubted confidence.

Michael Marx
Chief Executive
29th April 2015

Michael Marx, Chief Executive (second from left)
Photographed in Howick Place, Victoria, London, the new headquarters office for the Group, with the Executive Board (from left to right): Marcus Shepherd, Matthew Weiner and Richard Upton. Read biographies on pages 70 and 71

HOW WE CREATE VALUE THROUGH DEVELOPMENT, TRADING AND INVESTMENT

We deliver returns through **regeneration**, realising profits by successfully repositioning undervalued land and assets into new places that deliver social and economic value to a wide range of stakeholders.

We use our expertise in **planning** to unlock value, generating profits by developing these places ourselves or through asset sales to specialist funding or delivery partners.

With a 25-year track record in **mixed-use development**, we have the requisite skills to deliver a wide range of projects, either in partnership with long-term capital or, where appropriate, on our own Balance Sheet. In this way, we create a legacy of development that demonstrates quality and commitment to the communities in which we work.

We are also nimble enough to identify value-enhancing **trading deals** that can be executed more swiftly to deliver superior returns.

We seek to employ an **equity-light** approach to development, limiting our financial exposure by pre-funding our development projects or by securing access to development land through **Public Private Partnership** projects with local authorities and other public bodies. This strategy has guided us successfully through many property and economic cycles, reducing downside risk whilst enabling us to build a pipeline of projects with significant upside potential.

We focus on markets in **Greater London and the South East** as well as strong regional cities, including Manchester and Dublin, maintaining a **diversified portfolio** of assets that spreads risk and protects us from specific asset price volatility. In all of our activities, we focus on opportunities where our size and expertise afford us competitive advantage and where we are able to maximise gain.

Our high yielding **investment portfolio** generates an attractive, sustainable cash yield that supports our business activities and sustains our corporate overheads. Our proactive asset management activities drive income and value growth to deliver strong returns.

Our development and trading activities are delivered in a number of ways, allowing us to maintain a disciplined capital structure, low-risk model and maximise our returns. As detailed in the facing diagram, in all of our activities, planning betterment is the key driver to value uplift.

FORWARD-FUNDED DEVELOPMENT

We carry out our large-scale development and regeneration projects in partnership with longer-term capital/delivery partners. This allows us to share financial and project risk, often with institutional partners, whilst ultimately realising gains from land improvement profits and profit share agreements.

Examples from the year: 10 and 12 Hammersmith Grove, 399 Edgware Road, St Mark's Square, Bromley

ON BALANCE SHEET DEVELOPMENT

We have the capacity to deliver modest scale, shorter-lifecycle development projects on our own Balance Sheet taking the project from acquisition, through planning, construction and ultimately to disposal.

Example from the year: The Deptford Project

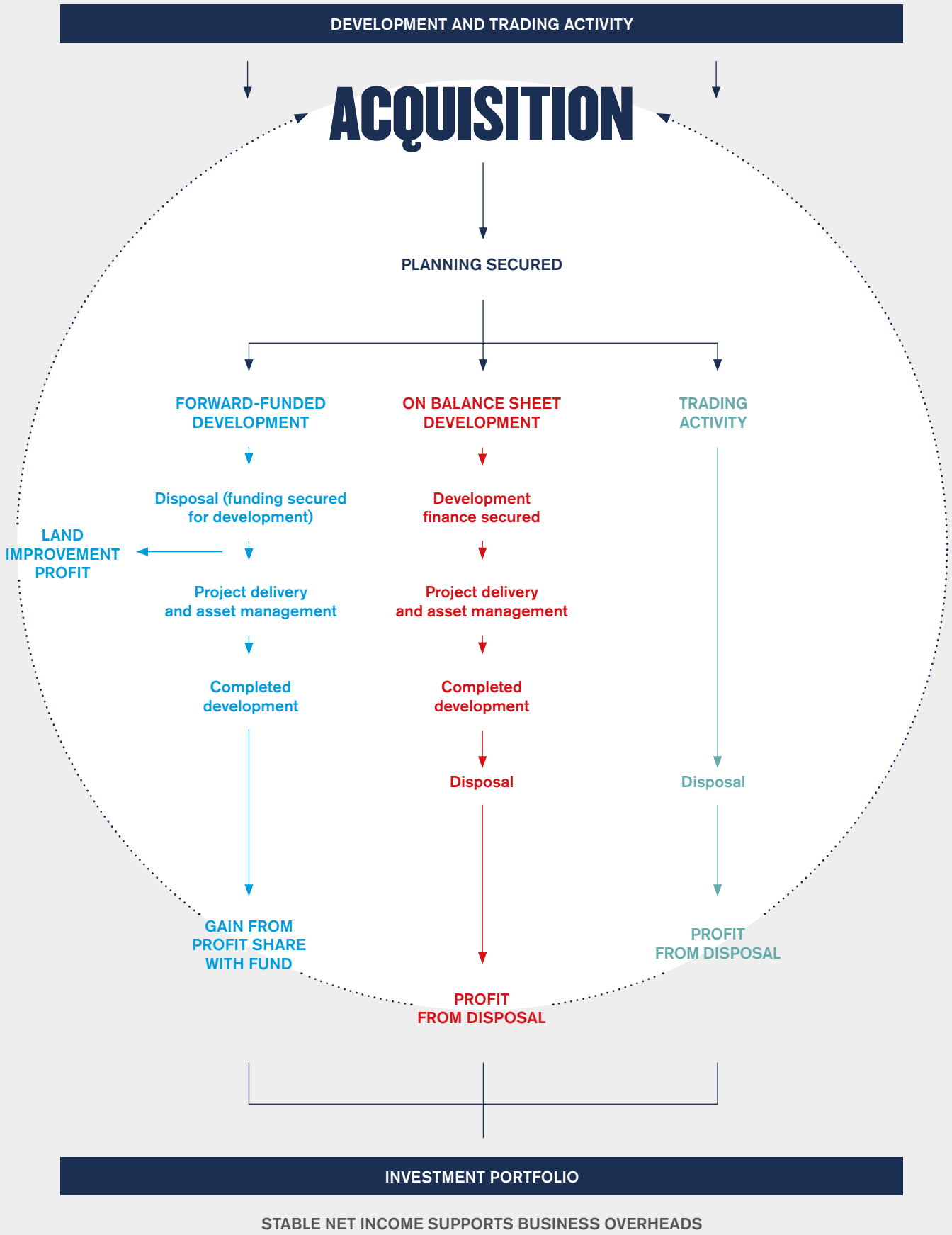
TRADING ACTIVITY

At opportune points in the market, we are able to acquire assets and realise gains over the short-term. Our trading activities are diverse, but focus on opportunities where terms of trade are in our favour and where we see opportunities to add value efficiently.

Examples from the year: North London office portfolio, Romford

Go to page 34 to read our Risk Review

HOW WE CREATE VALUE



STABLE NET INCOME SUPPORTS BUSINESS OVERHEADS

OUR STRATEGIC PRIORITIES FOR THE FULL YEAR 2015

STRATEGIC PRIORITY	PROGRESS*	
1 GROW PIPELINE OF VALUE ENHANCING DEALS	c.£250m of acquisitions, representing 21 new projects in the year	This includes the acquisition of Cathedral Group, adding nine mixed-use regeneration projects in Greater London and the South East.
2 ENHANCE VALUE THROUGH PLANNING	10 planning consents achieved	7 planning applications submitted
3 REALISE GAINS THROUGH ASSET RECYCLING	£45.7m record-level development and trading gains delivered	£230m of real estate disposals
4 CRYSTALLISE VALUE WITHIN LEGACY ASSETS	£6.1m of profit realised from disposal of legacy assets including 399 Edgware Road	
5 ENHANCE VALUE OF INVESTMENT PORTFOLIO, RECYCLING CAPITAL OUT OF MATURE ASSETS INTO NEW OPPORTUNITIES	8 investment assets sold for £60.8 million 12.2% valuation increase in investment portfolio including share of JVs	6 investment assets acquired for £65.7 million

*All since 1st March 2014 to date and including projects in joint venture.

Go to page 32 to read our KPIs
and page 34 for our Risk Review

CASE STUDY		FUTURE OUTLOOK
Preston Barracks, Brighton One of the assets within the Cathedral portfolio, Preston Barracks is a Public Private Partnership (PPP) project with the University of Brighton and Brighton & Hove Council which will create a new mixed-use gateway regeneration for the city. See pages 22-23 to find out more.		We continue to see healthy terms of trade for further acquisitions in the following areas: — regeneration opportunities in Greater London and the South East, key regional cities and Dublin — PPP projects — trading opportunities
Circus Street, Brighton See pages 24-25 to see how we are transforming a derelict fruit and vegetable market on a prime site in Brighton into a new 'Innovation Quarter'.		Planning remains the key value driver within our regeneration activities. We will continue to focus on opportunities where we can transform undervalued land and assets through planning change of use.
Cross Quarter, Abbey Wood, London On a vacant site in Abbey Wood, South East London, we are delivering a mixed-use regeneration project right next to the new Crossrail station. See pages 26-27 to read more about how we are creating value and a new legacy for Abbey Wood.		With a strong pipeline of projects established, we have the capacity to generate strong cash flows from further disposals across our portfolio.
399 Edgware Road, London 399 Edgware Road will create a major new mixed-use community in North London. This year we unlocked £26.0 million of cash (equivalent to book value) with up to £17.0 million of profit to flow from this previously non-income producing scheme. On pages 28-29 you'll find further details on the significant progress we have made this year at this landmark regeneration project.		We have one significant remaining legacy asset at Curzon Street, Birmingham, where development opportunities are impacted by the Government CPO process as a result of the proposed HS2 rail route.
Chill Factor^{e}, Trafford See pages 30-31 to see how we have continued a process of capital recycling within our investment portfolio.		Our investment portfolio continues to generate high cash yields that help to support our business overheads. We will continue to proactively drive income levels and add value across our portfolio through a range of asset enhancement and management strategies.

21
new projects acquired

c.£250m
of new acquisitions

1. GROW PIPELINE OF VALUE ENHANCING DEALS

We have established a diversified pipeline of projects, allowing us to mitigate specific asset risk whilst generating strong cash flows from our development and trading activities. During the year, we acquired a number of new projects which offer us opportunities to apply our expertise in planning, regeneration and development in order to realise value.

Preston Barracks, Brighton
The acquisition of Cathedral Group in May 2014 added nine new projects to our portfolio, the majority of which are residential-led mixed-use regeneration projects in Greater London and the South East. A number of the projects are Public Private Partnerships, such as Preston Barracks in Brighton. Since the Cathedral acquisition, we have exchanged contracts with Brighton & Hove Council and the University of Brighton to bring forward the development of a former army barracks site to the north of the city. Preston Barracks, a £150 million scheme, will create a new gateway development for Brighton that includes 500 student beds, 350 residential units and 25,000 sq. ft. of retail space as well as providing additional space for one of the University's campuses.

In the year ahead, we will be preparing a planning application for this new development for submission in Q4 2015.


Town centre
London Road Brighton
Preston Baracks

10
planning consents secured

2. ENHANCE VALUE THROUGH PLANNING

Planning betterment remains the key driver to value growth in most of our development and trading activities allowing us to reposition undervalued secondary assets into prime markets, capturing the value uplift therein.

Circus Street, Brighton
On the site of a derelict fruit and vegetable market in a prime location in central Brighton, we have secured planning permission for a comprehensive regeneration project which will see this site come to life once again.

Circus Street will deliver a £100 million mixed-use regeneration scheme that will include a new academic building, library and gallery for the University of Brighton and a new dance studio for South East Dance. The development will also include 142 new homes, 450 student bedrooms and 38,000 sq. ft. of office space, and is set to start on site in Q3 2015.


WE DO DANCE WITH ME ?

£45.7m
of development and trading gains delivered

3. REALISE GAINS THROUGH ASSET RECYCLING

This year, we have generated a record-level of profit from our development and trading activities, realising gains through the successful execution of our individual project business plans.

Cross Quarter, Abbey Wood
Cross Quarter, Abbey Wood is a mixed-use regeneration project in South East London comprising an 81,000 sq. ft. foodstore, up to 220 residential units, 5,000 sq. ft. of retail and commercial space and a 100-key hotel.

The foodstore, which is pre-let to Sainsbury's, has been forward-funded by Canada Life and the first phase of residential development, consisting of 32 units, has been pre-sold ahead of completion of construction, which is anticipated in August 2015. These activities allow us to capture land improvement and development profit, enhancing our strong cash flow.

£6.1m
of profit realised from disposal of legacy assets*

4. CRYSTALLISE VALUE WITHIN LEGACY ASSETS

Over the past two years, we have made significant progress to unlock value from the few remaining non-income generating legacy assets within our portfolio. The cash released from this activity has added to our strong cash flow this year and underpinned our ability to pay a £10.0 million special dividend in April 2015.

399 Edgware Road, North London
399 Edgware Road will deliver a significant and prominent regeneration project in North London, creating a major new residential development of 183 homes alongside an 81,000 sq. ft. Morrisons supermarket. The development will also include new public realm and Asian restaurants and shops, creating a vibrant new retail and residential hub for the local community.

During the year, we secured £41.0 million of funding for the Morrisons foodstore from clients of Aberdeen Asset Management and entered into a funding agreement with L&Q to deliver the residential element of the project. These activities have allowed us to dispose of the majority of the site and have released £26.0 million of cash, equivalent to the book value of the entire site. Further profits are anticipated over the next few years upon the successful delivery of these two phases as well as the Asian retail and restaurant element of the project.

*Includes 399 Edgware Road and site in Crawley.

£65.7m
of new acquisitions

12.2%
growth in value
of investment portfolio
including joint ventures

5. ENHANCE VALUE OF INVESTMENT PORTFOLIO, RECYCLING CAPITAL OUT OF MATURE ASSETS INTO NEW OPPORTUNITIES

During the year, we continued to recycle capital within our investment portfolio, exploiting the widening investor demand for good secondary assets. Having disposed of a number of properties during the year where we had maximised value from our asset management activities, we have reinvested £65.7 million into six new investment assets since 1st March 2014 to date. As ever, our focus remains on high yielding investment assets with robust income streams where we can proactively drive value through asset management and enhancement.

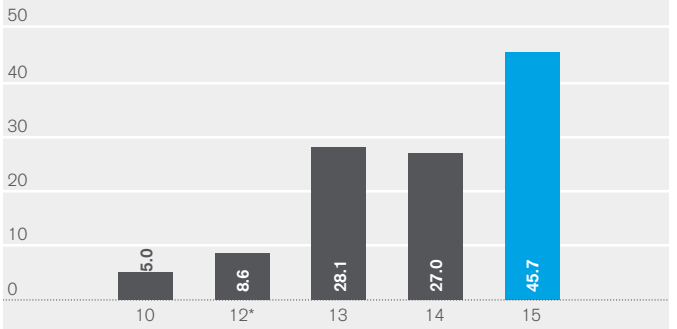
Killingworth Centre, Newcastle and Chill Factor^e, Manchester
In December 2014, we completed the acquisition of two assets, The Killingworth Centre in Newcastle and Chill Factor^e in Manchester. The Killingworth Centre, acquired for £19.2 million, is a convenience retail shopping centre anchored by a Morrisons supermarket (outside of our ownership). The centre benefits from a second anchor, a 70,000 sq. ft. Matalan store, alongside 28 retail units which are fully let, offering a strong tenant mix and stable income stream.

In Manchester, we acquired Chill Factor^e (pictured right), an indoor snowsports venue, for £15.5 million in a joint venture with Pemberstone Investments Limited. The venue, which contains the UK's longest real snow ski slope, is already well-established but offers a number of opportunities to improve footfall, increase customer spend and attract additional tenants in order to build on the current popularity of this destination asset.

THE FOLLOWING KPIs ARE USED TO MEASURE THE SUCCESS OF THE GROUP'S STRATEGIC PERFORMANCE

Key Performance Indicators (KPIs) are important in assessing the overall health and performance of the business. We measure a range of metrics to help manage our long-term performance and achieve our business plans.

Development and trading gains (£'m)



£45.7m
Realised gains

69.4%
Increase from FY2014

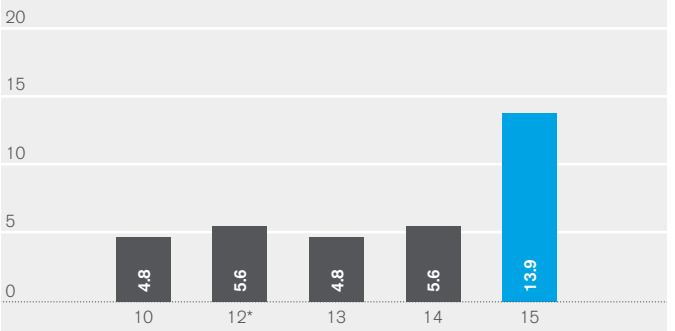
Commentary

Our business strategy requires us to efficiently recycle equity as we add value to projects by either planning betterment or asset management and subsequently dispose of them. As such, development and trading gains are a key measure of the Group's success.

This year we delivered a record-level of development and trading gains building on the success of the past few years and adding significantly to shareholder value.

*14 month period

Dividend per share (pence)



13.9p
Total dividend per share

£10.0m
Special dividend (8.0 pence per share)

148%
Growth

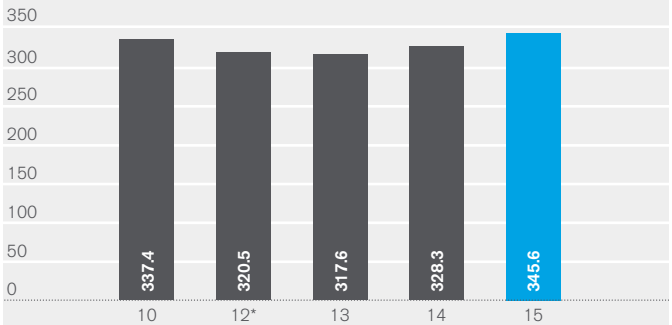
Commentary

In April 2015 we paid a special dividend, reflecting the strong cash profits that were realised during the year. The final dividend of 3.5 pence per share represents a 9.4 per cent increase on 2014.

Our policy has always been that we seek to pay annual dividends at a sustainable level with additional distributions being made when surplus cash is generated in order to maintain the efficiency of our Balance Sheet and a disciplined capital structure.

*14 month period

EPRA net asset value (£'m)



£345.6m
EPRA NAV

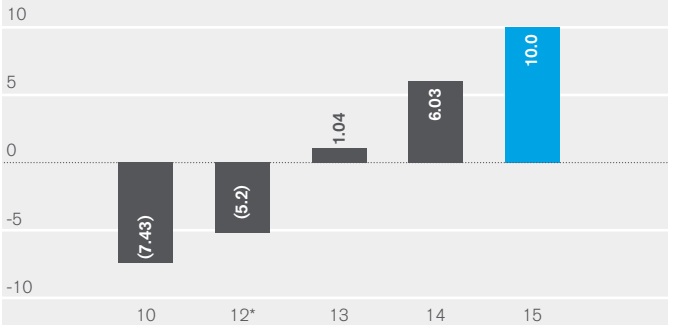
5.3%
Growth

Commentary

The 5.3 per cent growth in our EPRA NAV reflects the strong development and trading profits that we have generated during the year as well as the positive revaluation of our investment portfolio.

*14 month period

Total return (%)



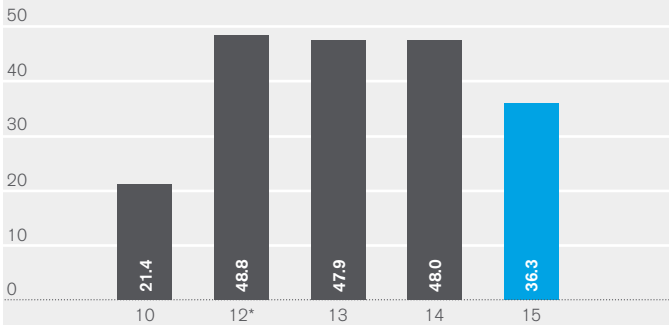
10.0%
Return

Commentary

Total return, the growth in our basic net asset value including dividends, is the most direct way of measuring the returns to shareholders during the year and is aligned with our long term incentive plan.

*14 month period

Gearing (%)



36.3%
(Excluding share of joint ventures)

Commentary

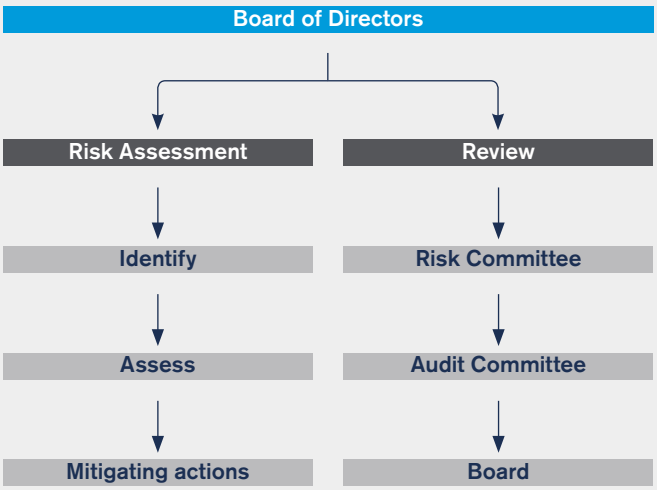
The Group seeks to maintain a conservative level of gearing. This enables us to maintain a low risk financial structure and protect shareholder value throughout the property and economic cycles.

*14 month period

OUR BUSINESS MODEL IS DEFINED BY THE RISKS THE DIRECTORS CONSIDER MATERIAL TO OUR STRATEGY, SIZE AND CAPABILITIES

Risk management structure

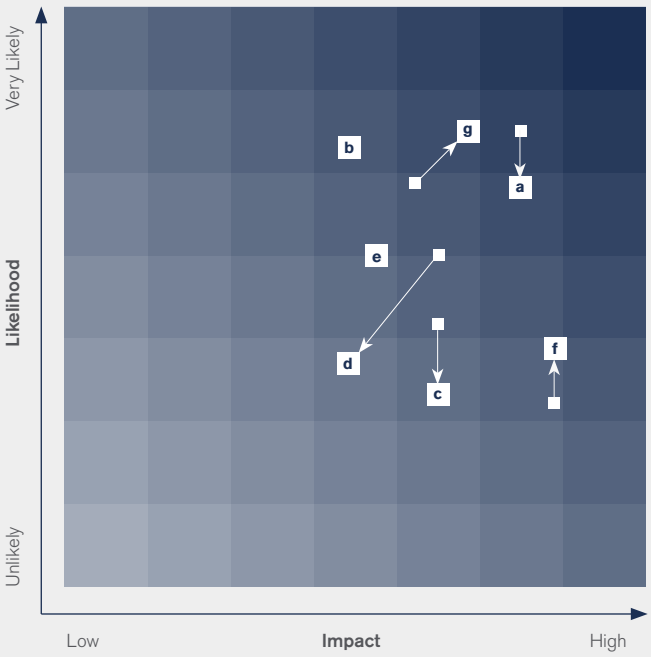
The Group's risk profile is maintained under continual review by its Risk Committee, which meets quarterly, and by the Board.



Mapping our risks

The Group categorises risks according to the likelihood of occurrence and the potential impact on the Group. The Directors consider the following to be the principal risks and uncertainties facing the Group.

These risks have been grouped as either:
- External risks – whose occurrence is beyond the control of the Group; or
- Business risks – which the Directors choose to manage as part of the Group's operations.



Further details of the operation of the Group's Risk Committee can be found on page 77

Key
Change from last year: ▲ Risk exposure increased ► No significant change in risk exposure ▼ Risk exposure reduced

External risks

RISK	IMPACT	MITIGATION	RISK EXPOSURE CHANGE YEAR ON YEAR
a. Market risk The real estate market is closely linked with the health of the local and national economies. Lack of economic growth or recessionary conditions will translate into negative sentiment towards, and performance of, real estate.	— Lack of liquidity available to prospective purchasers of completed projects may delay ability to realise planned disposals or reduce prices, leading to significantly reduced cash inflows. — Higher occupier risk in existing investment properties leading to significantly reduced values. — Lack of occupier demand leading to functional obsolescence in properties.	— Risk averse property development strategy whereby projects are pre-funded, pre-let, or pre-sold. — Long maturities of debt finance facilities. — Moderate level of gearing. — Regular meetings with economic forecasters to gauge economic trends.	▼ General economic conditions have improved during the year leading to stabilisation or increase in values across most sectors, which has meant that market risk has continued to decrease.
b. Scarcity of investment and development opportunities The Group's business is predominantly transactional and requires a flow of opportunities for either development/ regeneration or to acquire for long-term income and capital appreciation. The risk is that the flow of suitably priced opportunities either reduces or stops.	— Inability to source new deals leads to decline in development and trading profits in future years. — Higher pricing of acquisition opportunities leads to reduced ability to add value.	— Flexible approach to market opportunities, seeking out sectors where value can be generated and seeking funding partners with different return requirements. — Stringent deal underwriting procedures with minimum return hurdles. — Maintaining broad industry contacts for acquisitions rather than being dependent upon a single source of opportunity.	► Opportunities continue to be sourced for both development and investment which satisfy Group underwriting criteria.
c. People risk The Group's success depends on the ability and experience of its Directors and key staff.	— Failure to retain key individuals or the failure to attract and retain new talent can result in the loss of core competencies, industry knowledge and networks resulting in a reduction in the number and scale of profitable opportunities.	— The Group aims to motivate and reward its team appropriately and competitively, as described in the Remuneration Policy. — The Board keeps the strength and depth of the team under continual review.	▼ The acquisition of Cathedral Group has expanded the talent pool.
d. Bank funding risk The pressure on a large number of traditional real estate lending banks to reduce their exposure to real estate reduces the capacity and liquidity within the lending market.	— Inability to secure funding for new opportunities. — Inability to refinance existing facilities leading to disposals at the wrong time in business plans and failing to maximise profits. — Unpredictability in cash flows.	— The Group maintains relationships with a wide range of both bank and non-bank lenders, reducing overreliance on any one partner. — The Group is constantly seeking to widen its range of funding sources and liaises with new entrants into the real estate lending market.	▼ The lending market continues to see new entrants. Competitive pressures have led to a reduction in margins and an increase in maturities available.
e. Counterparty risk Transaction counterparties, be they joint venture partners, purchasers under sale contacts or banks in respect of cash deposits or derivative arrangements, may suffer or fail financially.	— Failure of sales transaction counterparties may lead to an inability to produce trading profits. — Failure of financial counterparties may impact on effectiveness of hedging or recoverability of deposits.	— Proof of funding required prior to agreeing sales contracts. — The Board regularly assesses the credit worthiness of financial counterparties prior to placing deposits and hedging transactions.	►

Case study: 12 Hammersmith Grove, London

What risks we had to consider

We secured £92.0 million of forward funding from Aberdeen Asset Management in March 2014, allowing us to transfer the capital risk associated with the delivery of this significant office building to a more appropriate, long-term capital partner. As the developer, and under the terms of our partnership with Aberdeen, we have a cost and time guarantee for the completion of the project, hence, managing construction risk is of the utmost importance to us. With commercial and residential development activity now increasing, predominantly in Greater London, we are seeing a level of cost inflation within the construction industry as contractors are under increased demand and pressure with respect to resource, labour and materials. Keeping our commitment to deliver 12 Hammersmith Grove on time, within budget and to the utmost quality is imperative in order to maximise the potential upside within this project.

How we mitigated the risks

Following on from the success of 10 Hammersmith Grove, we have retained the same excellent professional team to deliver the second building. We have negotiated a fixed price design and build contract with Wates, our contractor, against which they provide regular progress reports. As part of this process, we have agreed to employ the same principal design and build subcontractors securing the same products and fabrication knowledge for both buildings which are of very similar design. The dedicated project manager reports to the Board and also to a divisional board allowing for peer review of any issues each month. In this way, we are able to rigorously monitor potential risks to the project and utilise our depth of experience to manage these risks appropriately.

Business risks

RISK	IMPACT	MITIGATION	RISK EXPOSURE CHANGE YEAR ON YEAR
f. Planning risk Procuring an appropriate and valuable planning consent is often a key element of the creation of value through property development. Securing planning permission in a changing political and regulatory environment is a complex and uncertain process, with applications subject to objection from a wide range of potential stakeholders, and hence is prone to delay, modification and rejection.	— Failure to secure planning consent can render a project unviable/unprofitable and lead to the write off of considerable costs or reduced profit potential.	— The Group retains a team with extensive experience of achieving planning consents and local knowledge, supplemented by advisors and sector specialist partners, to maximise the chance of success and reduce the risks and costs of failure. — An alternative exit strategy is always considered in case of planning failure.	▲ Political risk, general election.
g. Construction risk Real estate construction is subject to the risk of cost overruns, delay and the financial failure of an appointed contractor.	— Reduced profitability or potential loss on individual projects. — Construction work ceasing whilst a suitable replacement contractor is found. — Guarantees being called.	— The Group deploys its own experienced project managers throughout the life of individual projects to ensure that costs are appropriately budgeted, timetables are adhered to and hence the impact of these risks is minimised. — The Group performs appropriate pre-contract due diligence on the capabilities and financial security of its material contractors and key sub-contractors. — The Group continually monitors the financial position of key contractors to anticipate financial difficulties. — The Group also requires its main contractors to report on the financial position of their key sub-contractors.	▲ Several contractors are experiencing difficulties due to the impact of fixed price, low margin contracts entered into during previous years where they are now having to absorb higher material and sub-contractor costs. These positions are being regularly monitored.

SUCCESSFUL BUSINESS IS ABOUT PEOPLE AND RELATIONSHIPS

Overview
We recognise the significant impact that our large-scale property developments can have on a diverse range of groups. Our stakeholders include our employees, shareholders and co-investors, our suppliers, our tenants and their employees, their customers and the communities surrounding our properties.

Our acquisition of Cathedral Group (Cathedral), a specialist Public Private Partnership developer, provides us with further expertise in regeneration projects, where the emphasis is on making places that are both economically and socially successful and sustainable.

As we complete the integration with Cathedral, we aim to review our policies and processes with the ambition to become one of the most sustainable property development companies in the UK.

Our approach
We work constructively within the strong framework of regulation which exists to balance the interests of all these groups. However, there are many situations in which exceeding minimum standards creates economic, social and environmental benefits, contributing to the sustainable success of our company and the maintenance of its reputation.

We continue to work to the same high standards that we have reached to date, and we will continue to prioritise those activities with which we believe we can make a positive impact for our stakeholders.

Our business strategy continues to evolve and with it the diversity of our portfolio and engagement in residential development and mixed-use regeneration.

Each segment of our portfolio presents different challenges and provides specific opportunities. We set out, below, our priorities in each segment.

Our governance system
At the start of each financial year, the Executive Directors set objectives considering the material issues relating to each of our stakeholder groups, including our corporate social and environmental responsibilities.

Performance is regularly assessed by the Executive Directors and new targets are set for the following year.

Consolidated health and safety data is reported regularly to the Board.

Our overall objectives
In all our activities we strive to:
- Achieve and maintain good practice in all aspects of sustainable and responsible development.
- Improve the measurement of what we do and aim for continuous improvement in our performance.

Respect for people:
Raise awareness of our CSR initiatives amongst our staff to see that good practice becomes integral in our way of thinking and general practice.

Maintain a collegiate atmosphere and safe working environment for our employees and encourage and facilitate employee development.

Engage our major suppliers in our sustainable development programmes, share our objectives with them and ensure compliance with health and safety best practice on all of our sites.

Create diverse and balanced developments that reflect the socio-economic diversity of the local communities and contribute to their enrichment through support for youth programmes, skills development, arts projects and environmental projects.

Respect for environment:
Minimise energy and water consumption through considered design, construction site best practice and clear advice to occupants.

Minimise waste from all our operations.

Appoint suitably qualified consultants to advise on all aspects of environmental protection and options for sustainable development.

Respect for our industry:
Contribute to the better working of our industry by participating in debate and publishing research.

Report on progress and highlights of 2014/15

Our people
During the year to 28th February 2015, our corporate operations employed an average of 46 people, based in Central London. Cathedral, acquired during the year, employed an average of 33 staff in the year. We have an additional 41 people working for our subsidiary companies, including Henry Davidson Developments and Executive Communication Centres.

We actively encourage and support all our employees with personal and career development. This year we have financially supported six employees as they work towards professional qualifications in finance and real estate.

A priority in the year has been to begin the process of integrating the employment policies and practices of Development Securities and Cathedral, creating a single, supportive and motivational culture.

We acknowledge the importance of diversity in all its forms and the Board is committed to the principle of equal opportunity in employment. Further information can be found on page 101.

Supporting charities
We are active supporters of charitable activity, and not just with money. Three Executive Directors act as trustees of charities and we have committed internal resource to assist with their initiatives.

We contribute to a wide range of charities and social enterprises. We particularly focus on those serving the needs of the communities in which we work. We continue to support the St Andrew's Boys Club, our main chosen charity, believing they benefit from our long-term commitment.

In 2014/15 we also directly supported Great Ormond Street Hospital charity, Tommy's, Greenwich Starting Blocks Trust, St Christopher's Hospice, the Cancer Trust and Macmillan Cancer Support, and seven others through sponsorship of our employees' efforts in events such as a Tough Mudder Challenge, the Marathon Des Sables and Landaid Day.

Further financial support has been given to the Canal and River Trust and Hammersmith's Lyric Theatre. We also supported a number of fund raising activities associated with our developments at Hammersmith, Hale Barns and Shepherd's Bush.

Construction health and safety
We monitor all our projects for Construction and Design Management (CDM) regulation compliance, and consistent reporting is the basis of useful trend analysis. We contract independent CDM consultants for monitoring and management on all our sites. Our briefing documents are standardised and, where they are able to, our JV partners are encouraged to use the same procedures, reporting to us on a regular basis.

To further improve the quality and consistency of controls and reporting, we have established a framework agreement with a single, preferred CDM consultant.

All reportable incidents are reported to the Board. In the year to 28th February 2015, there were twelve reportable incidents. This represents a ratio of one reportable incident per 210,000 sq. ft. of development.

Every reportable incident is investigated and 'lessons learned' communicated to our contractors.

New CDM regulations are expected in 2015 and we shall review our guidance material when the legislation is approved.

Public consideration
All our contractors report on compliance with environmental legislation and all new developments are registered with the Considerate Contractors scheme where available to do so.

Wherever possible we go beyond the legislative requirements in our public consultations. In the year to 28th February 2015 we carried out engaging public consultations at Brighton, Sittingbourne, South Woodham Ferrers and have further consultation planned for projects at Ilford, Preston Barracks in Brighton and Southwark Station in 2015.

We aim to create places where people want to live, work and play.

For example, at our Circus Street development in Brighton we have operated the old municipal market as a community space housing a wide range of arts and activities including an important William Forsythe art installation for the Brighton Festival.

Our approach to public consultation at Hayes has shown innovation and inclusivity, while involvement with the Lyric Theatre in Hammersmith has strengthened our relations with local interest groups.

Supporting our industry
We believe the property development industry must maintain the highest standards of professionalism and transparency. We contribute actively to industry-wide debate and learning, hosting and participating in many debates and workshops.

We continue to support the Designing Buildings website, a 'wiki' type site dedicated to improving knowledge, standardisation and understanding throughout the industry.

Our Directors have contributed to many seminars and talks, and our company has hosted or chaired events for the British Council of Offices (BCO), Place West London and the West London Chamber of Commerce.

In September 2014, we supported the publication of "Public Land, Public Good", a study into how to maximise the value of public land and property. We have chaired debates at conferences including the BCO in Birmingham, events at MIPIM and others in support of the West London Business forum.

We have continued to support the BCO's research into the property sector and future placemaking and aim to continue to publish research for the benefit of our industry as a whole.

Protecting the environment
Our principal impacts on the wider environment are in the form of CO_2 emissions from construction and use of our properties, and the management of waste from construction. Details of our greenhouse gas emissions for the year ended 28th February 2015 are set out in the Directors' Report on page 102.

All our contractors are required to report on compliance with environmental legislation.

399 Edgware Road

Progress at 10 and 12 Hammersmith Grove, and 399 Edgware Road confirms our ambition to deliver BREEAM 'Excellent' schemes while also minimising construction waste and CO_2 emissions from the design and construction process.

We continue to work with architects and contractors to realise best practice in design and construction. We are committed to delivering the most energy efficient and sustainable buildings possible within the constraints established by the brief.

In our office-based operations, including vehicles, Development Securities reduced overall emissions by 1.7 per cent compared with the previous financial year.

Performance highlights

- Financially supported six staff through professional qualifications in finance and real estate
- Published "Public Land, Public Good", a report on public land and property in association with think tank, Localis
- Reduced overall CO_2 emissions by 1.7 per cent
- Reduced energy consumption across our investment portfolio by five per cent

Development and trading portfolio

We manage the design and construction of these projects from planning application to delivery. At the outset, and throughout the life of each project, we consider the issues of sustainability, from carbon footprint to sustainable transport and community socio-economic development. By doing these things well we will continue to create premium products for responsible owners.

When planning and bidding for development and investment opportunities, the briefing material we give to our consultants outlines our CSR policies and detailed aspirations. Through early consideration in the design process, safety, sustainability, environmental and social considerations become embedded in the project.

Progress at 10 and 12 Hammersmith Grove, and 399 Edgware Road confirms our ambition to deliver BREEAM 'Excellent' schemes while also minimising construction waste and CO_2 emissions from the design and construction process.

Last year we reported that the design and construction of 10 Hammersmith Grove had resulted in six per cent less embedded carbon than the RICS benchmark and 18 per cent less operational carbon. We also stated a reduction in total carbon footprint of six per cent was achieved versus 2 Kingdom Street, our earlier, comparable development. We continue to aim for improvement in all these aspects of development.

For example, at 399 Edgware Road, a mixed-use scheme, we are developing the means to use waste heat from the foodstore to heat residential hot water. We are aiming for Code 4 Sustainable Homes and BREEAM 'Excellent' at this development.

In all such schemes we continue to:

- Explore options for further lifecycle carbon-reduction through the recycling of glass, steel and concrete, the principal construction materials, particularly in the design and construction of structural frames.
- Further explore the use of prefabrication to reduce on-site emissions.
- Design in water and waste efficiency throughout the construction phase.
- Ensure that 'sustainable and renewable' factors are thoroughly explored throughout the design process, and that cost/benefit analyses are rigorously performed.
- Continue to hold post-completion reviews with local stakeholders at all our major developments to obtain feedback within a year of completion.

Investment portfolio

The focus for the management of our property portfolio is on developing and implementing policies for the long-term sustainability of our estate. Our priorities are to communicate our policies to site management and tenants, to monitor energy use and to reduce and recycle waste.

Our managing agents continue to drive best practice throughout our estate, with training and knowledge sharing programmes for site-based staff, and with specific sustainability goals included in their personal objectives. We actively promote the development of a team approach between site management and tenants, seeking continuous engagement and improvement.

We aim to reduce waste sent to landfill from all our sites. We continue to improve monitoring and benchmarking of waste management and to provide training and engagement opportunities for staff and tenants.

One site, Atlantic Village, has already achieved ISO14001 accreditation and we are exploring the options for other sites.

We also continue to make progress on energy management in our properties. Every property now has an Energy Performance Certificate, all rating C or above. In terms of reducing energy use, the focus has initially been on landlord common areas. Many of our sites have specific actions planned to reduce energy consumption, with several sites having already installed new, low-energy lighting systems. Energy contracts have been centralised and all the energy we are responsible for is from renewable sources. As refurbishment and development work is undertaken, reducing energy consumption will be a significant consideration with, for example, planned insulation upgrades.

Early results of these activities in specific areas have shown reductions in energy use of up to five per cent. Eight properties have been identified for further in-depth site-based energy audits aimed at identifying specific targeted and costed recommendations for improving energy efficiency.

The energy audits have been designed to meet the requirements of the Energy Savings Opportunity Scheme (ESOS) as it relates to energy use in buildings.

We are also preparing for compliance with the Heat Metering and Billing Regulations 2014, which requires all district and communal heat networks to register with the regulator by the 30th April as a first step. A significant amount of further work in this respect will be required in the run-up to a deadline in December 2016.

We continue to drive performance and efficiency on all fronts and look forward to further ramping up our programmes over the next twelve months as we seek to make best use of the opportunities offered by the latest legislation.

A YEAR OF SIGNIFICANT PROGRESS ACROSS OUR PORTFOLIO

c.£230m
of real estate disposals realised*

£45.7m
of profit realised from asset disposals

c.£250m
of new assets acquired*

8
projects under construction

£250m
of funding secured on existing schemes*

*Since 1st March 2014 to date and including projects in joint venture.

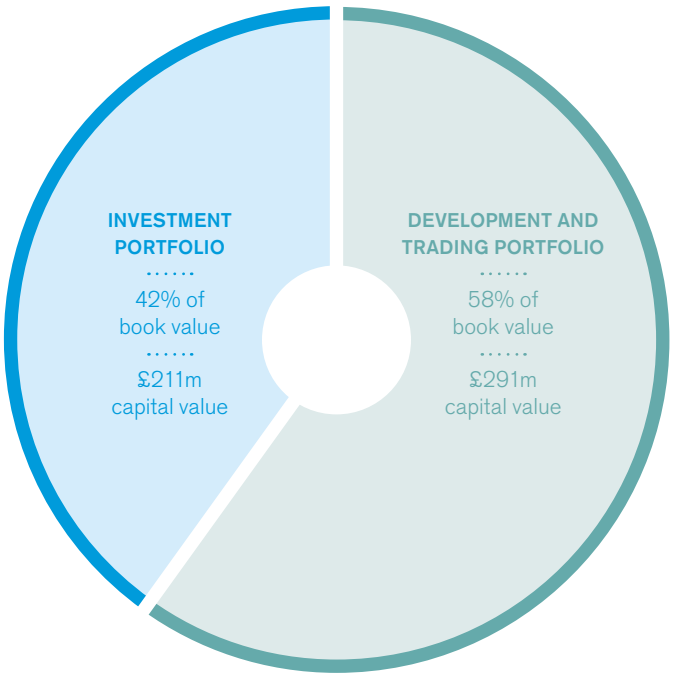
Overview of business

Our business is split between development and trading projects and investment assets (see diagram below). We apply our development and trading expertise across a diversified portfolio of assets, creating value by improving their quality and use, allowing us to capture the upside potential from planning betterment, speculative pre-let and forward-funded development and asset enhancement. In so doing, we create a mix of predictable long-dated profits from our development and regeneration activity, combined with shorter-cycle trading profits. Our investment portfolio provides a steady income stream from a portfolio of high-yielding properties where we are also able to proactively drive value through asset management activities.

Focus on
- High yielding assets
- Asset enhancement opportunities
- Long-term income streams

Key value drivers
- Lease re-structures
- Improve tenant mix and rental tone
- Asset management including development

FY'15 KPIs
- 12.2% valuation increase including share of joint ventures



2 key areas of focus
- Mixed-use regeneration
  - Regeneration projects
  - Public Private Partnerships
  - Office-led developments
- Trading activity

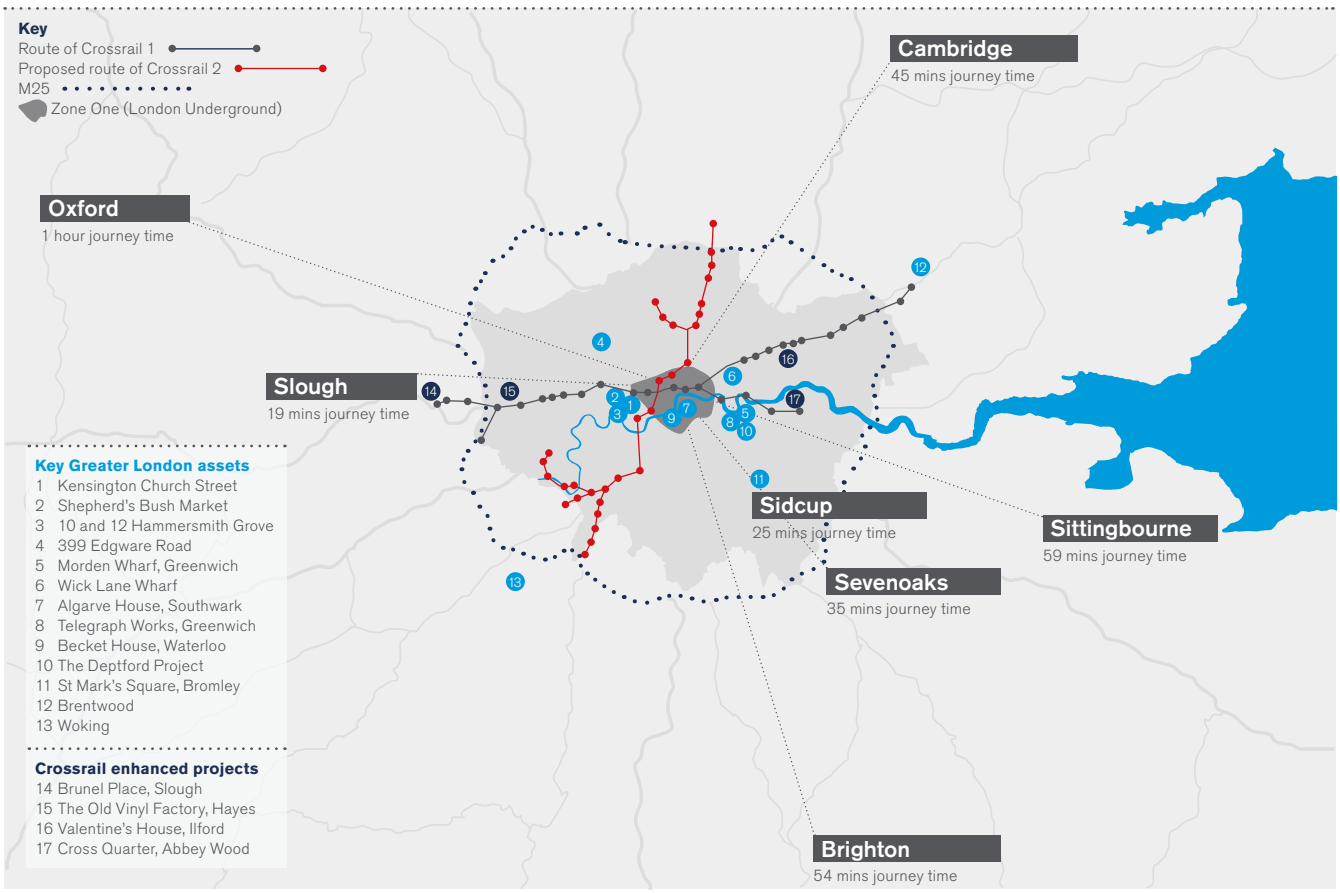
Key value drivers
- Planning gain
- Land improvement profit
- Development profit

Geographic focus
- The 'London City Region' and the South East
- Manchester
- Dublin

FY'15 KPIs
- £45.7m of profits realised
- 8 projects under construction
- 15 new projects acquired

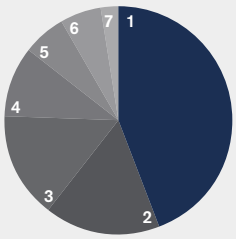
Geographic focus

Within London, we have chosen to focus on property markets outside of prime Central London (Zone One), seeking opportunities where our size and expertise affords us competitive advantage. Our projects are located primarily in suburban/Greater London, in locations with strong existing or planned infrastructure links. For example, we have four assets in Crossrail locations across Greater London. Additionally, we see good potential in markets served by the capital, particularly locations within an hour's journey time of the centre, roughly a 90km catchment, which are well connected and have access to strong labour pools, for example Brighton, Oxford and Cambridge. This larger 'London City Region' has a population of nearly 20 million people and, in our view, can be seen as a functional economic area with strong commuter links in and out of the capital. The majority of our Greater London properties are residential-led mixed-use developments with the residential element of these projects catering to the mid-market (£300–£800 per sq. ft. range) where demand strength continues to improve and supply remains limited.



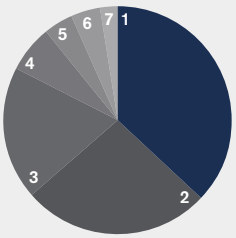
Our development and trading portfolio is focussed in areas of economic strength and demand with a significant weighting in Greater London and the South East. Outside of London, we focus and continue to look for opportunities in Manchester, where we have a considerable track record and reputation, and we also have a growing presence in Dublin, a market where commercial values, occupier demand and investment appetite continue to improve and in which we benefit from early mover advantage. We now have seven assets in Dublin and are successfully replicating our UK model of development, trading and investment in this market.

Development and trading assets by WIP



1. Greater London	44.2%
2. South East	16.4%
3. Republic of Ireland	15.2%
4. South West	9.8%
5. North West	6.2%
6. Midlands	5.8%
7. Others	2.4%

Capital value – location profile



1. South East	37.2%
2. South West	26.5%
3. North	19.0%
4. Wales	6.5%
5. Midlands	4.4%
6. Northern Ireland	4.0%
7. London	2.4%

DEVELOPMENT AND TRADING PORTFOLIO

Disposals

The main contributors to the £45.7 million of development and trading gains realised during the year were the following land and property disposals:

- **10 Hammersmith Grove,** a 110,000 sq. ft. town centre office building which was fully let during the year, realising a development profit of £6.7 million.
- **12 Hammersmith Grove** where we secured funding with Aberdeen Asset Management for the construction of a 167,000 sq. ft. prime office building realising a land improvement profit of £2.7 million.
- **399 Edgware Road** where we secured Aberdeen Asset Management as forward-funding partner for the foodstore and L&Q as joint venture partner for the residential element of this major mixed-use regeneration project. Both of these deals have realised profits of £4.4 million with the potential for significant further profit in the near-term.
- **Telegraph Works, Greenwich,** where our partnership with Weston Homes has realised an initial gain of £10.2 million for a residential development of 256 apartments and 16 townhouses on the Greenwich peninsula.
- **Tollgate House and Market Place, Romford,** where we fully disposed of all of the elements of this town centre mixed-use development, realising profits in the year of £3.8 million.
- **North London office portfolio** which we acquired in February 2014 and fully disposed of during the year generating profits of £6.3 million.

Acquisitions

During the year, we made six acquisitions of development and trading assets worth £160.7 million, the full details of which are disclosed in the property matrix on pages 48 to 59. Notably, we increased our presence within Dublin, acquiring four new development and trading assets: **Donnybrook House**, **Charlemont Clinic**, **Robswall** and **Burlington House**. All of these properties present opportunities for us to add value through a process of planning gain, regeneration and/or development.

Overview

We create value through regeneration, development and trading activity. During the year, we realised profits of £45.7 million (2014: £27.0 million). We are continuing to secure further opportunities to reinvest this realised equity, and terms of trade remain in our favour. Our development and trading portfolio is split into two key areas of activity, mixed-use regeneration development and trading as outlined below.

The acquisition of Cathedral Group (Cathedral) in May 2014 added nine regeneration projects to our portfolio and has enhanced our expertise within the residential-led mixed-use development space. Furthermore, the integration of Cathedral's team and our own, and the knitting together of our complementary skills, is presenting opportunities for us to generate additional value from within our existing portfolio and also to enhance our capacity to secure a strong pipeline of future projects.

The Cathedral team has a strong track record in both the delivery of Public Private Partnership projects and residential-led regeneration. With respect to our activity in the residential market, this is becoming an area of increased focus for us. Cathedral's expertise in this field has added greater optionality in terms of delivery, namely, it now gives us the skill set to build residential for sale on our own Balance Sheet or in partnership with more passive capital. Our view on the residential market is that the shortage of homes within our area of focus will only increase, with forecasts indicating that an additional 2.5 million homes will be required by 2036 in the London City Region. This compares to an estimated supply of 1.5 million and a consequent shortfall of over one million homes up to 2036 or 50,000 homes per annum (source: AECOM). Hence, we see ongoing opportunities to create value as we enable and deliver residential-led projects. Our focus remains in the price range of up to £800 per sq. ft. sales value that is affordable to both rental investors and professional couples.

Mixed-use regeneration

We create value through regeneration. We do this by acquiring secondary or tertiary assets and land, and through planning betterment and redevelopment, transitioning these assets into prime markets in which demand is strong. With the yield between secondary and prime markets still wide, we see continued opportunity to generate value through this process.

£45.7m
realised gains

10
planning consents secured*

8
projects under construction*

£1.6bn
GDV of PPP projects

*Since 1st March 2014 and including projects in joint venture.

The Public Private Partnership model

Public Private Partnership projects (PPP)

This specialist area of development is one in which Cathedral has built a strong reputation and track record that complements our own experience of working with public sector land owners and joint venture partners. The PPP model (see diagram above) applies to development opportunities where a local authority or public sector body is the land owner and we act as their development partner to deliver a shared development vision that creates regeneration, new jobs, community facilities, new homes and ultimately a strong financial return from land improvement and/or development profits. The upfront costs of securing the land for development are typically low or deferred as the public body makes the land available for development at zero or negligible cost in return for the delivery of new public amenity space at no cost to the public purse. It allows us to deliver a mixed-use development that creates vital new public facilities for the local community whilst we realise gains from the delivery of the 'private' elements of the development e.g. residential, student housing and office space. With 40 per cent of brownfield land in the UK currently owned by local authorities, we see ample opportunity to extend our pipeline of PPP projects.

Office-led development

Our portfolio of commercial office developments builds on our lengthy track record and reputation in this sector. Outside of Central London's traditional core market, the tide has undoubtedly been running against office development for some years now, with residential development dominating the market, resulting in a very tight office supply. However, as demand starts to strengthen, the supply shortage is manifesting itself in rising rents, which in turn is increasing the viability of office development in the markets in which we are particularly active.

We have seven office-led projects in Greater London, Cambridge and Dublin of which two are currently under construction. These locations offer competitive advantage and strong underlying fundamentals, namely, proximity to existing or planned transport hubs or major infrastructure networks, access to strong labour pools and tension between supply and demand. The quality of the product that we are known for sets us apart from the competition within these markets, allowing us to outperform with regard to rental values. For example, in Hammersmith, West London, our town centre office development, 10 Hammersmith Grove set a new benchmark for Hammersmith rents at around 25 per cent ahead of the previous rental peak.

Trading activities

Within our portfolio, we seek to balance our longer-term profit flows with projects that have shorter lifecycles, where we can efficiently add value. During the year, we fully exited from two trading projects in Romford and in North London. Both of these projects were acquired by us where the market had mispriced value, allowing us to secure favourable terms of trade. We added value to both of these projects through a process of planning improvement and refurbishment ahead of ultimate disposal, allowing us to maximise their value and best position them for a profitable exit. We will continue to look for further trading opportunities where our size and nimble approach affords us competitive advantage. We anticipate that these opportunities will largely arise from the banks as they continue to delever and from secondary trades of individual assets from within private equity real estate portfolios.

INVESTMENT PORTFOLIO

Investment property – Key statistics

Portfolio value
£203.30m
2014: £202.10m

Contracted rent
£13.77m
2014: £14.14m

Number of assets held
21
2014: 24

Voids*
4.97%
2014: 6.27%

Initial yield* in period
6.87%
2014: 7.21%

Equivalent yield*
7.38%
2014: 7.70%

New lettings in period
£0.29m/
31,400 sq. ft.
2014: £0.43m/34,597 sq. ft.

Rate of central collections within 30 days
98.89%
2014: 98.69%

* Based on the core investment property assets only.

Overview

We maintain an investment portfolio in order to generate a stable income stream that supports the running costs of our business and provides an anchor to our development activities. The majority of our portfolio consists of convenience retail schemes (73.0 per cent of our portfolio) with 37.2 per cent of our portfolio located in the South East of England. We target higher yielding assets with strong, stable income streams where we can improve value through asset management and enhancement activities, including the potential for redevelopment.

During the year, we have continued to proactively drive value within our investment portfolio. Across our portfolio and including our share of joint venture assets, property valuations increased by £11.2 million (2014: £4.8 million). As yields within the secondary, regional markets in which we operate continue to compress, we expect this improved level of performance to continue. Void rates across our portfolio are low at 5.0 per cent (2014: 6.3 per cent) and income levels are at £13.8 million (2014: £14.1 million) as we have recycled capital within our portfolio. We have remained stable throughout the year as we have recycled capital into new assets.

Recycling capital within our portfolio

With liquidity and competitive tension increasing in the markets within which we operate, we have continued to recycle capital within our investment portfolio, disposing of mature assets and acquiring new, well-positioned investment opportunities where we see the potential to add value. Since 1st March 2014 and including joint ventures, we have disposed of seven assets totalling £60.8 million and acquired six assets totalling £65.7 million. Two of these assets (Armagh and Killingworth) benefit from a major foodstore anchor and act as the principal convenience retail destination in their locality driving footfall to the units. The overall size of our investment portfolio is now at £203.3 million (2014: £202.1 million).

Outlook

It appears that yields are unlikely to face any meaningful upward pressure in the medium-term due to the strength of investment demand, continued low base rates and the volume of capital seeking higher yielding opportunities. Hence, we anticipate positive total returns to continue over the coming years in the investment markets in which we focus. In addition, modest rental growth will continue to drive capital values higher. These factors combine to produce a 'sweet spot' for real estate where year on year rents are rising while yields tighten. This strengthening investment market provides a positive backdrop to our investment activities and we will continue to recycle capital within our portfolio in a timely manner, focussing on higher yielding investment assets where we can drive value growth through our asset enhancement and management activities.

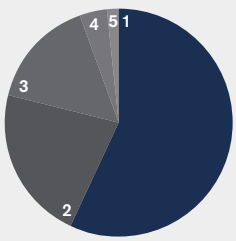
Top five occupiers as at 28th February 2015	Annual rent £'m	% of contracted rent
1. Waitrose	1.5	11.1
2. Matalan	0.7	5.2
3. J Sainsbury	0.5	3.6
4. Sports Direct	0.3	2.5
5. Wilkinson	0.3	2.1

Income generating properties – Like-for-like rental income received

	Property owned throughout the year £'000	Acquisitions £'000	Disposals £'000	Total rental income £'000
				Year ended 28th February 2015
Investment	**9,605**	**1,973**	**1,143**	**12,721**
Development and trading	**1,375**	**3,260**	**192**	**4,827**
Joint ventures	**1,258**	**1,953**	**–**	**3,211**
	12,238	**7,186**	**1,335**	**20,759**
				Year ended 28th February 2014
Investment	9,449	3	5,533	14,985
Development and trading	1,779	682	1,203	3,664
Joint ventures	891	48	1,578	2,517
	12,119	733	8,314	21,166

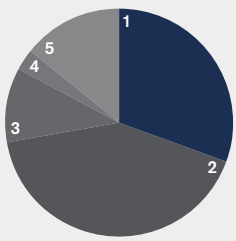
Completed investment portfolio – 28th February 2015

Gross rental income – tenant profile



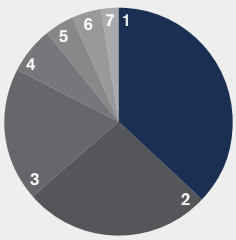
1. PLC/nationals 57.2%
2. Local traders 21.8%
3. Regional multiples 15.5%
4. FTSE 100 3.9%
5. Government 1.6%

Gross rental income – lease term profile



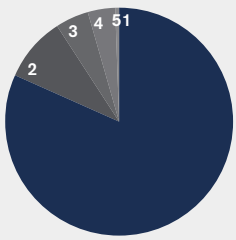
1. 0 – <5 years 30.8%
2. 5 – <10 years 41.5%
3. 10 – <15 years 10.5%
4. 15 – <20 years 3.2%
5. 20 years + 14.0%

Capital value – location profile



1. South East 37.2%
2. South West 26.5%
3. North 19.0%
4. Wales 6.5%
5. Midlands 4.4%
6. Northern Ireland 4.0%
7. London 2.4%

Capital value – sector analysis



1. Retail 81.9%
2. Mixed 9.1%
3. Office 4.7%
4. Residential 3.8%
5. Industrial 0.5%

DEVELOPMENT AND TRADING PORTFOLIO
MIXED-USE REGENERATION

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 CROSS QUARTER, ABBEY WOOD	**Acquired: May 2011** £85 million mixed-use regeneration scheme adjacent to Abbey Wood Crossrail station including: — an 81,000 sq. ft. foodstore, pre-let to Sainsbury's — 220 residential units (188 units previously disposed of to JV partner/landowner) — 100-key hotel **Status: Sales achieved | Under construction**	— Construction of foodstore completed for Sainsbury's — Residential development under construction with practical completion due in August 2015. All 32 units within this phase now pre-sold	— Secure delivery option for final parcel of hotel/residential land
 399 EDGWARE ROAD, LONDON	**Acquired: 2005** Significant mixed-use regeneration project on a seven-acre site in North West London including: — an 81,000 sq. ft. Morrisons supermarket (pre-let and forward-funded) — 183 residential units — 50,000 sq. ft. of restaurant and retail space **Status: Sales achieved | Under construction | Forward-funded**	— £41.0 million funding agreement secured for Morrisons supermarket with clients of Aberdeen Asset Management — Partnership formed with L&Q for development of residential quarter — Construction of entire scheme commenced	— Practical completion of Morrisons foodstore and retail space in Q3 2015 — Start construction of residential quarter in Q3 2015 — Tenant or owner to be secured for restaurant and retail element — Commence residential pre-sales
 TELEGRAPH WORKS, GREENWICH	**Acquired: May 2013** A two-acre site on the Greenwich peninsula in London with planning consent for a development of 256 apartments and 16 townhouses **Status: Acqusition | Sales achieved**	— Partnership secured with Weston Homes to deliver residential quarter releasing an initial £10.2 million of profit — 16 townhouses to be delivered on completion for private sale	— Weston Homes to commence construction in Q1 2016
 VALENTINE'S HOUSE, ILFORD	**Acquired: July 2011** 55,000 sq. ft. office building adjacent to Ilford Crossrail station **Status: Planning submitted**	— Planning application submitted for a mixed-use redevelopment including 122 residential units and 20,000 sq. ft. of retail space	— Obtain planning permission — Commence construction in Q3 2015 — Secure exit for delivery of residential element of scheme

DEVELOPMENT AND TRADING PORTFOLIO
MIXED-USE REGENERATION

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 MORDEN WHARF, GREENWICH	**Acquired: March 2012** A 19-acre development site on the Greenwich Peninsula in London with 500 metres of Thames frontage. The site is cleared and physically vacant bar an office building and two warehouses totalling c.128,000 sq. ft. **Status: Master planning**	— Conditional development agreement signed with Morden College which would allow us to develop the site — Discussions advanced with nearby chemical distribution company, Brenntag, to remove development restrictions linked to historic chemical 'exclusion zone'	— Conclude negotiations with Brenntag — Progress planning application
 THE OLD VINYL FACTORY, HAYES	**Acquired: April 2011** 18-acre development site in Hayes, West London that will deliver a £250 million regeneration scheme including: — up to 642 residential units — 550,000 sq. ft. of new commercial space — a central pedestrianised street running through the development with cafes and restaurants **Status: Under construction | New lettings | Sales achieved**	— Shipping Building now 85 per cent let – 25,000 sq. ft. of space let during the year — Two residential sites sold for £7.9 million with consent for c.240 homes — Terms agreed for the sale of a further site for a 600-pupil University Technical College specialising in music and media studies	— Progress delivery programme for the Record Store building comprising 60,000 sq. ft of Grade A offices and the Central Research Laboratory — Complete delivery of the site-wide infrastructure — Progress design and delivery of the 'Machine Store' and 'Pressing Plant' buildings for mixed residential and commercial occupation
 THE SQUARE, HALE BARNS	**Acquired: March 2010** Retail-led mixed-use redevelopment comprising a 30,000 sq. ft. supermarket (pre-let to Booths), additional retail space and 24 residential units **Status: Practical completion | Sales achieved | New lettings**	— Practical completion achieved in April 2015 and Booths foodstore now open — Residential apartments launched for sale – 22 apartments under offer or exchanged at capital values 7.8% over appraisal values — Retail lettings underway	— Complete retail lettings and sales of apartments to fully exit the scheme
 SHEPHERD'S BUSH MARKET, LONDON	**Acquired: May 2010** Major regeneration of a six-acre site in JV with Orion Land and Leisure that includes the existing Shepherd's Bush market. The mixed-use development will include: — up to 212 residential units — new retail and leisure units — a revitalised market at the heart of the scheme **Status: Under construction**	— CPO confirmed by the Secretary of State which will enable us to secure vacant possession of the whole site — Offsite temporary market constructed for traders to occupy during refurbishment of the current market	— Secure delivery option for residential element of the scheme — Open temporary market for trade — Commence construction of whole scheme

DEVELOPMENT AND TRADING PORTFOLIO
MIXED-USE REGENERATION continued

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 AXIS TOWER, MANCHESTER	Planning consent secured for a 27-storey residential tower in Central Manchester comprising 172 units in JV with Manchester-based developer, Property Alliance Group **Status: Planning secured**	— Apartments launched for pre-sale with reservations secured on over 70% of the units — Planning secured	— Commence construction of the residential tower
 MILL GREEN DESIGNER OUTLET VILLAGE, CANNOCK	A conditional land purchase agreement has been signed with landowner, Cannock Chase District Council, to acquire a vacant 27-acre site in Cannock, near Birmingham. Plans are being progressed for a dominant designer outlet village of c. 300,000 sq. ft. serving the West Midlands with up to 130 designer outlet retail units, restaurants and 2,000 car parking spaces **Status: Planning submitted**	— Masterplan for development progressed in consultation with Cannock District Council and the local community — Planning application submitted	— Secure planning consent — Commence pre-let marketing to attract occupiers
 KENSINGTON CHURCH STREET, LONDON	**Acquired: 2011** — One-acre gateway site in Central London including 14-storey office block, retail units and car park — Acquired in joint venture with Brockton Capital **Status: Master planning**	— Design development progressed in consultation with the Local Authority and local community groups — Income levels maintained across office space	— Submit planning application for residential-led, mixed-use redevelopment

DEVELOPMENT AND TRADING PORTFOLIO
PUBLIC PRIVATE PARTNERSHIP

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 ST MARK'S SQUARE, BROMLEY	**Acquired: September 2010** Mixed-use regeneration project next to Bromley South station in London that includes: — a nine-screen cinema — 25,000 sq. ft. of restaurant space — a 130-bed hotel — 200 private and affordable homes — a 400-space car park **Status: Acquisition | Under construction | Sales achieved | New lettings**	— Construction of entire scheme underway — Retail and leisure elements almost 100 per cent pre-let to a number of tenants including Vue Entertainment Limited, Premier Inn, Las Iguanas, PizzaExpress, Nando's and Prezzo — 62 apartments acquired by Moat Homes Limited for affordable and private homes — 64 additional apartments have exchanged contracts, these have been sold in the UK, Asia and Middle East	— Continue construction process within time and budget – practical completion due in Q3 2016 — Undertake phased sales process for 20 of the remaining 59 residential units
 THE DEPTFORD PROJECT, LONDON	**Acquired: May 2007** A mixed-use, PPP regeneration project on a two-acre site adjacent to Deptford station in London. The development includes: — 132 residential units — 2 restaurants — refurbishment of a Grade II-listed carriage ramp which includes 14 arches totalling 4,000 sq. ft. — Seven commercial units totalling 7,200 sq. ft. — a new market yard **Status: Acquisition | Under construction | Sales achieved**	— Construction of entire scheme underway — 121 residential units pre-sold to IPG — Agreement for Lease exchanged with Peabody to manage 8 affordable units — Full scale marketing of arches to secure retail tenants commenced	— Fully let the commercial space by Q3 2015 — Complete construction works in Q4 2015 — Sell remaining 3 townhouses upon practical completion
 SPIRIT OF SITTINGBOURNE	**Acquired: November 2011** Major PPP regeneration project in Sittingbourne, Kent, that will completely remodel the town centre across two phases providing: — 358 residential units — 28,300 sq. ft. of restaurant space — 42,000 sq. ft. of office space — 71,100 sq. ft. of other commercial space — extensive new public realm **Status: Acquisition | Planning secured**	— Planning consent granted for Phase 1 of development — Contracts exchanged for delivery and sale of 215 apartments to PRS fund	— Secure prelets and forward funding agreement for commercial elements of the project — Commence construction of phase 1 in Q3 2015

DEVELOPMENT AND TRADING PORTFOLIO
PUBLIC PRIVATE PARTNERSHIP continued

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 CIRCUS STREET, BRIGHTON	**Acquired: April 2007** A £100 million mixed-use PPP project in the centre of Brighton that has planning consent for: — 142 new homes — 450 student beds — 38,000 sq. ft. of commercial space — a new library and facility for Brighton university — a new dance studio for South East Dance **Status: Planning secured**	— 100% stake in project acquired following buy out of McLaren's 50% stake in March 2015 — Planning consent secured for comprehensive mixed-use regeneration — Detailed design underway	— Secure an exit for the student accommodation and commercial elements of the project — Tender and appoint main contractor for the project to start construction in Q3 2015
 PRESTON BARRACKS, BRIGHTON	**Acquired: July 2014** A £150 million PPP mixed-use regeneration scheme in Brighton that will create a new gateway to the north of the city. The development will enlarge one of Moulsecoomb university's campuses providing new teaching and academic facilities. It will also deliver: — 350 private houses — 25,000 sq. ft. of retail space — a 55,000 sq. ft. commercial building for start-ups and SMEs — 500 student bed accommodation **Status: Acquisition | Master planning**	— Conditional contracts exchanged with Brighton & Hove Council to purchase the long leasehold for the site — Professional team engaged, planning/feasibility design underway	— Prepare and submit planning application by Q4 2015
 ALGARVE HOUSE, SOUTHWARK	**Acquired: 2013** A mixed-use regeneration of c.225,000 sq. ft. that will transform the area above and around Southwark Underground station. The project would deliver a landmark development on a key site on Blackfriars Road **Status: Master planning**	— JV agreement signed with TfL for this landmark redevelopment in March 2015 — Site assembly underway	— Progress site assembly — Complete design of the scheme in consultation with the local community and submit planning application for redevelopment

DEVELOPMENT AND TRADING PORTFOLIO
PUBLIC PRIVATE PARTNERSHIP continued

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 HARWELL, OXFORD	**Acquired: 2014** Harwell is an internationally renowned science campus, spanning 700 acres and established for over 50 years as a commercial science and research cluster that benefits from over £1 billion of world-leading scientific infrastructure. In joint venture with Harwell Oxford Partners, Development Securities is in a 50:50 partnership with two Government-backed agencies to bring forward the next chapter of development at Harwell. This will include state of the art buildings for commercial science agencies and research bodies within a new mixed-use community including several hundred new homes **Status: Planning submitted | Master planning**	— New building completed for Element Six, a DeBeers facility specialising in industrial diamonds — Planning application submitted for two new buildings: — a quasi-industrial building of c.10,000 sq. ft. which will be pre-let to known occupiers on the campus — a 40,000 sq. ft. innovation centre which will be built speculatively — Site rebranded and marketing campaign underway to raise profile of the site within the commercial research and science market	— Secure planning consent and start construction of two new buildings — Bring forward master plan for first phase of residential

DEVELOPMENT AND TRADING PORTFOLIO
OFFICE-LED DEVELOPMENT

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 10 HAMMERSMITH GROVE	**Acquired: 2009** A prime, town centre office development of 110,000 sq. ft. which reached practical completion in September 2013 and is now fully let **Status: New lettings**	— Public realm completed, repositioning this key town centre site and providing new public amenity space — Office space fully let, setting a new rental benchmark for Hammersmith and achieving capital values 39 per cent ahead of appraisal values	
 12 HAMMERSMITH GROVE	**Acquired: 2009** Following on from the success of 10 Hammersmith Grove, 12 Hammersmith Grove will complete this major town centre development, providing a further 167,000 sq. ft. of prime office space in the heart of Hammersmith **Status: Forward funded | Under construction**	— £92.0 million forward-funding agreement secured with clients of Aberdeen Asset Management — Construction underway with practical completion set for Q1 2016	— Continue construction of the building to time and budget — Commence pre-let marketing campaign to secure occupiers

DEVELOPMENT AND TRADING PORTFOLIO
OFFICE-LED DEVELOPMENT continued

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 BURLINGTON HOUSE, DUBLIN	**Acquired: June 2014** A 172,000 sq. ft. Grade A office development within Dublin's prime commercial core. Burlington House is one of the only new-build office developments in central Dublin, offering some of the best quality commercial space within a market where demand is very strong **Status: Acquisition | Under construction | Marketing for pre-lets**	— Funding secured — Demolition and enabling works complete	— Main contract to be signed imminently with practical completion set for Q4 2016 — Commence pre-let marketing campaign to secure occupiers
 BRUNEL PLACE, SLOUGH	**Acquired: 2006** A 385,000 sq. ft. prime office development less than 100 metres from Slough railway station to be built in three separate buildings, which will act as the commercial element of the wider £400 million Heart of Slough town centre regeneration scheme **Status: Marketing for pre-lets**	— Marketing suite opened as interest in commercial space in Slough improves	— Secure a funding partner for the first phase of development — Commence pre-let marketing campaign to secure occupiers
 DONNYBROOK HOUSE, DUBLIN	**Acquired: December 2014** A vacant office property in a prominent location within Dublin 4 which benefits from existing planning consent for refurbished office space and conversion of the ground floor to retail and leisure space **Status: Acquisition | Marketing for pre-lets**	— Marketing commenced to secure pre-lets for the office and retail space	— Secure pre-lets and commence refurbishment works

DEVELOPMENT AND TRADING PORTFOLIO
OFFICE-LED DEVELOPMENT continued

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 CAMBRIDGE SCIENCE PARK	A 133,000 sq. ft. development on the last three undeveloped plots on the Cambridge Science Park where we are acting as development manager for Trinity Hall College, Cambridge. The development comprises three laboratory and research buildings. One building pre-let to Takeda Cambridge Limited and pre-funded by Biomed and is now under construction **Status: Marketing for pre-lets**	— Construction of the Takeda building underway with practical completion anticipated in Q3 2015	— Complete construction of first building — Secure pre-let occupiers for next phases of development
 CAMBOURNE BUSINESS PARK	A 50-acre business park, situated six miles west of Cambridge, to comprise 750,000 sq. ft. of commercial space and a new settlement of 3,300 homes **Status: Master planning**	— Discussions commenced with local authority to promote the remaining 12 acres of undeveloped land for a residential-led mixed-use phase of development	— Progress planning application and secure consent for final phase of development

DEVELOPMENT AND TRADING PORTFOLIO
TRADING

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 PERCY PLACE, DUBLIN	**Acquired: October 2013** A mixed-use development in central Dublin including: — 12 new apartments — 4,700 sq. ft. of restaurant and retail space — 6,500 sq. ft. of office space **Status: Under construction**	— Construction of entire scheme underway	— Practical completion targeted for Q3 2015 — Apartments to be sold — Commercial space to be let and subsequently sold as an investment
 CHARLEMONT CLINIC, DUBLIN	**Acquired: December 2014** A 0.95-acre vacant development site in Dublin 2 next to the Grand Canal **Status: Acquisition | Planning submitted**	— Planning application prepared for submission for a redevelopment of the site to provide a 182-key hotel and 3 residential units extending to circa 2,800 sq. ft.	— Obtain planning permission — Commence pre-let or pre-sale discussions with operators
 TUBS HILL HOUSE, SEVENOAKS	**Acquired: November 2013** A 64,800 sq. ft. office building acquired for £5.5 million from administrators acting on behalf of Lloyds Banking Group. The office building is 200 metres from Sevenoaks station, a prime commuter location with direct access to London **Status: Planning submitted | Sales achieved**	— Planning application submitted for a residential redevelopment — Sale agreed with Willmott Dixon for an £11.0 million base price with further potential payments to be realised conditional on planning being achieved	— Secure planning consent and change of use for residential development and receive top up payment
 ROBSWALL, NORTH DUBLIN	**Acquired: July 2014** Part of the Robswall housing and apartment scheme, a 300-home development in Malahide, an affluent coastal village 15km north of Dublin. We acquired the freehold interest in 85 units (83 retained) that are currently let on assured shorthold tenancies, with occupancy rates at 98 per cent, generating a net yield of 5.5 per cent **Status: Acquisition | Sales achieved**	— Refurbishment works to residential units completed — First phase of 25 apartments launched for sale to the private market — 13 units sold or under offer	— Complete sale of all residential units

INVESTMENT

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 FURLONG SHOPPING CENTRE, RINGWOOD	**Acquired: March 2003** 85,000 sq. ft. retail centre anchored by Waitrose in an affluent catchment area Key tenants: Jaeger, Hobbs, AGA, Fat Face, Phase Eight, Gerry Weber, Jones Bootmaker, Joules, Waterstones and Crew Clothing	— New letting secured to Jones Bootmaker — Waitrose introduced John Lewis click and collect to their offer — Tenants are trading ahead of 2014 levels **Key metric: Annual footfall increased by 6% year on year**	— Planning application for further phase of 20,000 sq. ft. retail and restaurant units and 10 flats to be submitted — Waitrose rent review to be completed with anticipated uplift
 THE KILLINGWORTH CENTRE, NEWCASTLE	**Acquired: December 2014** The Killingworth Centre is the principal retail destination within Killingworth, a suburban commuter town 5 miles from Newcastle City Centre. The covered shopping centre is the principal retail and leisure destination for the local community, comprising: — 73,000 sq. ft. Morrisons foodstore (not in our ownership), — 70,000 sq. ft. Matalan — 28 further retail units totalling 106,000 sq. ft. which are let to a range of national and local operators Key tenants: Matalan, Poundworld, Wilkinson, Card Factory and Boots	— Acquisition completed in December 2014	— Secure tenants and deliver additional retail floor space facing the car park — Regear those leases with upcoming expiries — Introduce new retailers to broaden tenant mix
 BOROUGH PARADE, CHIPPENHAM	**Acquired: September 2014** A popular local shopping centre in Chippenham, near Bristol Key tenants: Waitrose, New Look, Waterstones, Argos, Café Nero	— 100% occupancy maintained	— Maintain occupancy levels — Secure occupier for vacant unit (currently let on a temporary basis) — Regear those leases with upcoming expiries

INVESTMENT continued

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 CROWN GLASS SHOPPING CENTRE, NAILSEA	**Acquired: September 2009** A local shopping centre in a Bristol suburb anchored by Waitrose (not in ownership) and a mixture of national multiple and local retailers Ownership includes a large car park with development potential for additional retail floorspace Key tenants: WHSmith, JD Wetherspoon, Boots and HSBC	— Conditional disposals agreed for two surplus sites, subject to planning permission — Applications for 28 sheltered retirement apartments and discount foodstore, respectively, have been submitted **Key metric: 14% valuation increase**	— Complete disposal of retirement living and discount foodstore sites — Complete lease to coffee retailer to boost footfall and dwell time — Convert surplus office space to create 7 residential units
 SWANLEY SHOPPING CENTRE	**Acquired: January 2005** An 85,000 sq. ft. town centre retail scheme benefitting from a 100,000 sq. ft. ASDA opposite (not in ownership) and conveniently located off the M25/M20 motorways Key tenants: Wilkinson, Poundland, The Co-operative, Boots, Superdrug and Holland & Barrett	— Scheme fully let during the year following lettings to Costa and Subway — Refurbishment works to residential areas underway **Key metric: 11% valuation increase**	— Consider redevelopment options for part of the site including change of use from offices to residential
 THE MALL SHOPPING CENTRE, ARMAGH	**Acquired: April 2014** A covered shopping centre anchored by a 49,000 sq. ft. Sainsbury's foodstore alongside 12,000 sq. ft. of retail space which is 95.5 per cent let Key tenants: Dominos, SemiChem	— Planning permission granted for 18,000 sq. ft. of additional retail space on adjoining local authority land **Key metric: 96% occupancy**	— Terms for acquisition of land and delivery of units being agreed with local authority — Secure tenants for retail extension — Commence construction of additional retail units

INVESTMENT

PROPERTY	OVERVIEW	PROGRESS IN FY2015	FY2016 TARGET
 ROYAL YORK BUILDINGS, BRIGHTON	**Acquired: February 2014** A Grade II-listed building in the centre of Brighton comprising: — 45,600 sq. ft. youth hostel, let to the YMCA — nine serviced apartments — 3,400 sq. ft. of retail and amenity space	— Planning permission obtained to convert upper floors of building into residential accommodation — YHA refurbishment completed and youth hostel opened **Key metric: 16% valuation increase since acquisition**	— Market the residential units for private sale. All units to be sold by Q4 2015
 WICK LANE WHARF, LONDON	**Acquired: April 2012** 112-unit residential block in Hackney Wick, East London of which 82 units are rental apartments. Held in JV with Realstar	— 100% occupancy maintained throughout the year with a 4% average uplift in rental values **Key metric: 30% valuation increase**	— Commence disposal process of the 82 remaining units, gaining vacant possession and selling on the open market. — Target to complete the disposal of these units by Q3 2016
 CHILL FACTOR^{e}, TRAFFORD	**Acquired: January 2015** A 167,000 sq. ft. ski and activity centre in Trafford that includes the UK's longest indoor real snow ski slope as well as restaurants and retail outlets. Held in JV with Pemberstone Investments Limited Key tenants: Nando's, Snow and Rock, Evans Cycles, JD Wetherspoon	— 'Snow' side operating company trading ahead of original forecasts — Terms agreed with tenant to take one of the two vacant retail units **Key metric: 18% projected 1 year cash on equity return**	— Drive additional income through naming rights/branding/sponsorship opportunities — Complete letting of vacant retail unit to maximise income

RECORD PERFORMANCE FOR THE YEAR

Marcus Shepherd
Finance Director

See page 70 for Marcus Shepherd's biography

Review of the Year

The past year has been one of the most significant in the history of the Group. Set against a backdrop of recovery in the UK economy, primarily in our core market of London and the South East, together with improving debt markets and continued inflows of overseas capital, we have been able to deliver record levels of trading and development gains as well as announce a special dividend to distribute surplus capital back to shareholders.

The most significant event during the year was the acquisition of Cathedral Group in May 2014 for £22.9 million comprising nine projects in Greater London and the South East representing over 5 million sq. ft. of residential-led mixed-use development and a 28 strong team with considerable experience in this area.

The consideration paid was structured into a number of elements. The initial consideration of £20.4 million comprised:

- £17.0 million payable upon completion of the acquisition comprising £11.0 million in cash from existing resources and £6.0 million in new Ordinary shares (Consideration Shares) at 233.5 pence per share, equating to 2.6 million shares. The Consideration Shares are locked up for a 42-month period (subject to limited customary exceptions) following completion.
- Deferred consideration of £3.4 million which will be paid in instalments of £1.2 million in May 2015, comprising £0.9 million of loan notes and £0.3 million of cash, and £2.2 million in May 2016, comprising £2.1 million loan notes and £0.1 million cash.
- £2.5 million of contingent consideration, relating to the signing of the sale and purchase agreement for the Preston Barracks project, which was paid in cash in July 2014.

In addition, contingent consideration of £4.0 million may be payable in respect of two of the projects, Preston Barracks and Morden Wharf, dependent both on the performance of these projects and the overall returns generated from across the portfolio of Cathedral projects now acquired. The Board will continue to review the likelihood of this consideration becoming payable.

The Company considered various funding options for the acquisition and decided that funding the purchase from a mixture of shares and existing cash resources would be in the best interest of shareholders.

With the two Groups combined we are now starting to see additional benefits accrue. The partial disposal of The Telegraph Works site in Greenwich has been at a higher than anticipated profit and, utilising the Group's banking relationships, we have been able to refinance the development funding at the Deptford Project at a significantly lower cost, saving an estimated £0.8 million over the life of the project.

In March, we restructured our €47.0 million floating rate loan notes and associated hedging and cash collateralisation arrangements, shortening the maturity of the loan from 13 to seven years. This has reduced our combined interest, hedging and transaction costs by £0.8 million per annum. The restructure is finance cost neutral in the year to February 2015 as previously capitalised costs have been written off, with annual savings of £0.8 million delivered thereafter.

The loan restructure released cash collateral of £9.5 million. The renegotiation of the terms of these loan notes has helped to increase the efficiency of our Balance Sheet and reduce our overall finance costs going forward as well as releasing capital to reinvest in to further opportunities.

In our major development activities we have continued to produce successful returns from our schemes in Hammersmith Grove. We completed the letting of 10 Hammersmith Grove and also secured funding of £92.0 million from Aberdeen Asset Management in March 2014 to fund the build out of a further 167,000 sq. ft. at 12 Hammersmith Grove. Overall during the course of the year we have generated £9.4 million of profits and also repatriated our equity investment via the funding agreement.

In our development and trading portfolio we have successfully exited from two schemes which were acquired in the previous financial year. At Market Place Romford, after concluding our asset management programme, we disposed of the separate elements of this mixed-use town centre scheme to deliver profits of approximately £3.8 million. In addition, we have exited from the North London office portfolio during the course of the year, generating £6.3 million of profit in less than twelve months.

By utilising our extensive contact base within the market as well as our structuring skills we continue to seek out similar opportunities to acquire assets capable of short term value enhancement through either asset management or planning betterment.

In a similar vein, we have also been able to acquire a stake in a joint venture to own Chill Factor[e] and the associated retail and leisure assets. The ability to structure this complex deal means that we are in a position to bring our property expertise to a previously under-managed operational business and also produce a high level of net income return which will be beneficial to our Group profits.

We have continued to expand our activities in Dublin as we capitalise on our early mover advantage and wide contact base to source development, trading and investment opportunities. At 28th February 2015 we had £26.5 million of equity invested in seven schemes. We continue to monitor our Euro exposure on a regular basis. Our current Balance Sheet equity exposure is more than offset by our Euro denominated loan notes. Our net foreign exchange gains during the year have been £2.3 million.

As highlighted above in terms of financing, we continue our efforts to drive efficiency in our Balance Sheet and capital strategy. The restructuring of historic loans, realisation of non-income producing legacy assets such as 399 Edgware Road and release of pledged cash collateral have enabled us to generate sufficient surplus cash to pay a special dividend of £10.0 million (8.0 pence per share) in April 2015. We have further refinancings of historic debt due in the current year, such as our £20.0 million, 11.0 per cent debenture which should enable us to drive further savings in finance costs.

As at 28th February 2015, our weighted average debt maturity was 5.4 years (5.0 years including share of joint ventures), compared with 6.8 years as at 28th February 2014 (6.4 years including share of joint ventures).

As at 28th February 2015, net debt, including share of joint ventures, stood at £172.5 million, a decrease from £181.9 million at 28th February 2014. This represents gearing of 49.8 per cent, just outside our normal target level of 50-60 per cent, which is as expected given the number of realisations during the year. As at 29th April 2015, net debt had increased to £208.9 million, representing gearing of 60.3 per cent.

If joint ventures are excluded, the Group's gearing was 36.3 per cent as at 28th February 2015, compared with 48.0 per cent a year earlier. The Group's overall loan to value ratio, calculated as net debt divided by total property assets, was 34.4 per cent (2014: 44.7 per cent).

As a result of the level of profits achieved during the year, the Group has been able to pay a special dividend of 8.0 pence per share in April 2015. After accounting for this, our net asset value has increased to 276 pence per share (2014: 262 pence). Prior to the special dividend, the NAV per share would have been 284 pence.

Capital structure and liquidity management

The Group's strategy for capital structure and liquidity management is to maintain a conservative balance between equity and debt appropriate to the nature and profile of our asset portfolio, achieving both certainty and flexibility. This takes into consideration our operational strategy and our intention for each asset, together with our expectations for the availability and cost of alternative sources of finance.

In particular we operate within a structure which limits the level of our equity exposure to any particular asset and also the level of external debt which can be applied.

Our cash resources and overall liquidity are managed at Group level, with each asset or project monitored according to its own specific risk profile.

All development and trading assets have business plans which include timetables for realisation. The Group always retains a £20.0 million cash buffer to ensure that delays in planned asset realisations do not impact upon the normal operation of the business.

Where we enter into debt facilities, secured against assets, we do so in a way that matches debt profile against asset business plan.

We have a number of long-term fixed rate debt facilities which are used to fund long-term investment assets. In respect of shorter-term trading assets, we fund these with asset specific debt which is structured to support the individual asset business plan.

Within our debt portfolio we maintain a mix of fixed and variable interest rates, with a preference for fixing of both larger and longer-term borrowings so as to significantly mitigate our interest rate risk. For shorter maturity facilities our preference is to cap our interest rates exposure rather than to fix it.

The Group does not usually take development risk on large scale major development projects. This risk is mitigated in several ways, including the completed forward sale of the land and project assets through to the contracted sale of the completed development with appropriate guarantees of completion. Where direct development is undertaken on more modest schemes, this is funded by way of Group equity and medium-term bank facilities, providing the necessary flexibility of funding for both site assembly and construction.

Investments in joint ventures and associates are funded directly with equity. Any gearing is deployed within the ventures themselves.

Responsibility for the management of cash and liquidity risk rests with the Board. The executive team has systems in place for the monitoring and management of this key area of our business. Daily review of this area is delegated to the Finance Director. The executive team consider this on a weekly basis and the Board formally reviews the position at its meetings, which occur at least eight times per year.

The principal tools utilised for the management of cash and liquidity are:
— 15-month risk-analysed cash flow forecast
— Schedule of all debt facilities and amounts drawn against them
— Summary of net debt, including derivative instruments
— Summary of current cash deposits including liquidity thereof
— Formal commentary on the above by the Finance Director prepared for each Board meeting.

Short-term liquidity requirements are fairly predictable and are managed out of existing cash resources. Cash requirements are monitored on a weekly and monthly basis. Cash buffers are retained to ease cash flow management.

Medium-term liquidity is provided through a mix of the Group's equity and its debt facilities. The Group has strong long-term relationships with a diversified range of major lenders and as such has not been restricted in its ability to raise new debt for investment, trading or development projects.

Longer-term liquidity and the Group's capital structure are reviewed on a regular basis by the Directors, taking account of relevant factors including the real estate cycle, changes in the nature and liquidity of the Group's asset portfolio, forthcoming risks and opportunities and the markets for debt and equity finance. This is formally considered at least twice a year by the Group's Risk Committee, which reports to the Board, as a part of the annual strategy review and also as appropriate at each Board meeting.

As at 28th February 2015, restricted cash balances were £19.4 million (2014: £27.3 million). The decrease is as a result of investment property acquisitions, predominantly in the second half of the year.

Cash management

Group cash resources are managed in accordance with our policy, which prioritises security, liquidity and counterparty risk ahead of absolute returns, with limits set by the Board in respect of minimum credit ratings for, and maximum exposures to, individual counterparties.

Cash may be invested across a range of instruments including instant access and term deposits, money market funds and commercial paper. As at 28th February 2015, the Group had £79.3 million of cash held with ten different counterparties.

Current bank facilities and borrowings

The Group's bank facilities are set out in the table opposite. As at 28th February 2015, the Group had borrowings of £205.0 million (2014: £221.1 million). Cash balances were £79.3 million (2014: £67.3 million), including amounts of £19.4 million held as restricted deposits, giving net debt of £125.7 million and gearing of 36.3 per cent (2014: £153.8 million and gearing of 48.0 per cent).

The Group's share of net debt in joint ventures was £46.8 million (2014: £28.1 million); if this is aggregated with Group balances then net debt rises to £172.5 million and gearing to 49.8 per cent (2014: £181.9 million and 56.8 per cent).

During the year, the Group, together with its joint venture partners, has drawn new borrowings of £185.4 million. Included within this have been new facilities as follows:

€47.0 million	refinancing of long dated Euro denominated loan notes
£10.2 million	refinancing and extension of Element Six building at Harwell (JV – 25 per cent ownership)
£57.0 million	acquisition of Becket House (JV – 15 per cent ownership)
€24.3 million	acquisition of land and housing at Robswall
€35.0 million	acquisition of Burlington House, Dublin (Associate – 20 per cent ownership)
£25.0 million	refinancing of development funding at Deptford
£10.5 million	acquisition of Chill Factor[e] (JV – 80 per cent ownership)

We have continued to expand our sources of debt to ensure that not only do we have a wide range of trusted debt providers but we can also ensure that we are not over reliant on any specific source of funding.

The Group has also repaid £106.3 million of borrowings, including joint ventures, as individual assets have been disposed of or facilities re-negotiated including:

£10.5 million	disposal of North London portfolio
£9.6 million	disposal of Romford
£9.0 million	disposal of Llanelli
£8.0 million	disposal of Bexleyheath
£5.6 million	disposal of Colston Tower
£5.1 million	disposal of Chorlton-cum-Hardy
£5.3 million	refinancing of Airport House
€47.0 million	refinancing of long dated Euro denominated loan notes

Group's bank facilities

Facility type	Notes	Total facility £'000	Utilised as at 28th Feb 2015 £'000	Interest rate	Maturity	Principal financial highlights: Loan to value ratio	Interest[1] cover ratio	Minimum[1] net worth £'000
Loans financing longer-term assets								
Term loan		£3,300	£3,250	Variable	31-Jul-15	–	–	–
Term loan		£1,550	£1,425	Hedged	09-Aug-15	70%	120%	–
Term loan		£5,000	£1,552	Variable	18-Dec-15	–	–	–
Term loan	3	£14,000	£14,000	Hedged	04-Aug-16	55%	140%	100,000
Revolving credit		£38,000	£29,036	Hedged	16-Dec-16	70%	105%	–
Term loan	3	£10,580	£10,580	Variable	10-Jan-20	73%	160%	–
Loan notes	2	€47,000	~£34,112	Variable	24-Apr-21	–	–	–
Term loan		£57,565	£52,192	Fixed	12-Mar-25	80%	110%	–
Term loan		£22,470	£20,536	Fixed	12-Mar-25	80%	110%	–
Debenture		£20,000	£20,000	Fixed	06-Jan-16	66%	–	–
Loans financing development and trading assets								
Term loan	4	£7,810	£7,810	Variable	31-Mar-15	–	–	–
Term loan	3	£15,610	£4,110	Variable	08-May-15	–	–	–
Term loan	3	£26,000	£26,000	Hedged	31-Dec-15	60%	125%	100,000
Term loan		£25,100	£3,982	Variable	19-Jun-16	53%	–	–
Term loan		€5,430	~£1,297	Variable	30-Jun-16	65%	–	–
Term loan	5	£9,500	£10,567	Variable	31-Mar-18	–	–	–
Term loan	5	£5,500	£5,794	Variable	31-Mar-18	–	–	–
Term loan		€24,307	~£16,533	Variable	01-Aug-18	73%	110%	–
Term loan		£24,500	–	Fixed	31-Jan-19	–	–	–
Term loan	3	£44,100	£26,556	Fixed	24-Feb-19	–	–	–
Term loan	3	£57,000	£56,525	Variable	07-Mar-19	–	–	–
Term loan	3	£10,225	£10,175	Hedged	01-Sep-21	50%	120%	–
Term loan	3	£5,295	£4,915	Variable	18-Sep-26	65%	150%	–

1 Interest cover ratios are specific to the loan and the relevant property. Minimum net worth refers to the net asset value of the Group per its latest Balance Sheet (28th February or 31st August).
2 These unsecured, variable rate loan notes are denominated in Euros, with a nominal value of €47 million. The Group has entered into an option to acquire €25,000,000 in April 2017 in order to limit its € exposure. An interest rate cap is also in place to limit the Group's exposure to movements in the EURIBOR rate.
3 Loans relating to Joint Ventures represent the total loan facility and not the Group's share.
4 This facility is currently being refinanced and will be repayable in 2018.
5 The facilities have the provision to allow interest to be rolled into the loan.
~ Represents the amount of the Group's liability in Sterling as at the balance sheet date.

Gross committed facilities as at 29th April 2015 total £223.9 million with a weighted average term of 4.9 years, the earliest maturity arises in July 2015. Unutilised facilities are £55.3 million.

The Directors keep bank covenants (typically loan to value and interest cover ratios) under review, and are content with the current position. The aim is to agree loan to value covenants at levels which provide sufficient headroom for foreseeable changes in either the general market or specific assets. We also incorporate cure mechanisms into facility agreements such that we have an appropriate opportunity to restore covenant compliance by making cash deposits or repayment as required.

Interest rate risk and hedging

As at 28th February 2015, the summary of the Group's interest rate exposure was as follows:

	Excluding share of joint ventures %	Including share of joint ventures %
Fixed rate	44.6	42.5
Floating rate, swapped into fixed	14.6	12.8
Floating rate with cap	16.4	18.5
Floating rate	24.4	26.2

The weighted average interest rate payable was 5.4 per cent, 5.7 per cent including joint ventures (2014: 5.8 per cent and 5.7 per cent respectively).

Facilities with variable rates of interest, in particular longer-term facilities, expose the Group to the risk of interest rate fluctuations. This risk is constantly reviewed by the Directors who regularly consider the possibility and likely cost of extending interest rate hedging.

Currently a mix of fixed and variable rates is maintained in order to provide a degree of certainty, whilst at the same time benefitting from historically low absolute levels of rates. Longer-term facilities tend to be structured with fixed rates.

A key element in all hedging arrangements is counterparty risk, i.e. the potential failure of the counterparty to the transaction. The Group mitigates this risk by only transacting with major banks and institutions. There is currently no indication that any of the Group's hedge counterparties may be unable to settle its obligations.

Interest rate derivatives are marked-to-market in the Balance Sheet, giving rise to the risk of fair value movements in the instrument and a consequent impact on net asset value.

Development and trading portfolio

The principal financial instrument risks in these assets are the credit risk of transaction counterparties. Given the nature of these assets, the amounts owed to the Group can be significant. These arrangements are monitored very closely both before contracts are exchanged as part of our due diligence procedures and throughout the execution period.

As at 28th February 2015 the Group had no material, unsecured debtors in respect of the sales of development and trading assets.

In respect of certain transactions, the Group contracts to provide funding for the development of either individual phases or whole schemes. The Directors are satisfied that the combination of the Group's risk averse approach to development funding, its rigorous selection of development partners and its focussed and active management of each project provide appropriate comfort over the risks of these financial exposures.

Investment portfolio

The principal financial instrument risk in the investment portfolio is the credit risk implicit in potential tenant failure which, over recent years has been heightened in some sectors, and most notably amongst retail tenants. The Group maintains the portfolio under continual review. The portfolio is managed by local agents, with active involvement by the Group's Investment Team. The Board receives at each of its meetings, analyses of tenant profile (including the concentration of credit risk, both by sector and by entity), existing and anticipated voids, overdue rents, and future and outstanding rent reviews, as well as a formal commentary by the investment team. The current profile of the portfolio and comments on performance in the year are set out in the Portfolio Review on pages 42 to 59.

Projects in partnership

The Group conducts a number of projects in partnership with others, where the Group brings both development expertise and funding. These interests are carried in a number of balance sheet categories, and are summarised in note 28 to the Group financial statements.

The financial instrument risks in respect of projects in partnership are the credit risk implicit in the financial strength and integrity of the operating partner, the contractual risk in the partnership arrangements and the operating success of the venture. The Group manages these risks by securing appropriate rights in each case over the use of the Group's invested capital and by active participation in the joint strategic and operating control of the ventures.

Contingent liabilities

Contingent liabilities are described in note 24 to the Group financial statements. The Directors ensure that these risks are appropriately documented and monitored, and that the risk of actual liabilities arising is restricted so far as is possible.

Foreign currency risk

The Group's operations are conducted predominantly in the UK, however the Group has continued to invest in the Republic of Ireland. The Group's principal exposure to foreign currency movements is in its €47.0 million Euro-denominated loan notes and Euro-denominated property assets.

The details of the Group's sensitivity to exchange rate movements are set out in note 18(d) to the Group financial statements.

Outside of the UK, the Group conducts business activities in Dublin and as such is exposed to foreign currency risk on its Euro-denominated property investments. At 28th February 2015, the Group had Euro-denominated investments of £44.0 million. The Directors actively monitor the overall Group exposure to Euro-denominated assets and liabilities and the associated currency risk.

Maximum credit risk exposure

The Directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 28th February 2015.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 20 and 21, in the Chief Executive's Statement on page 16 and Portfolio Review on pages 42 to 59. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial instrument risks are described in the Financial Review on pages 60 to 68, which also covers the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. Note 18(c) to the financial statements gives further information about the Group's financial instruments and hedging activities.

The Group has considerable financial resources. The Directors maintain a risk averse capital structure, with gearing typically in the range of 50-60 per cent and long average debt maturities, with borrowings spread across a number of lenders. The Group continues to enjoy access to bank finance, as demonstrated by loans arranged during the year. Banking covenants are regularly monitored and appropriate cure mechanisms are incorporated in facility documents.

The Directors are alert to potential liquidity risk in the Group's cash flow forecasts. The Directors keep both short- and medium-term cash flows under continual review, and moderate outflows according to the level of this uncertainty. The model preserves a cash liquidity buffer at all times to protect against delays in asset realisations.

The Group's rental income is also subject to risk of delay or non-payment. This risk is mitigated by proactive asset management, which includes close monitoring of tenant resilience, and a strong focus on actual and potential voids.

As a consequence of the above, the Directors believe that the Group is well-placed to manage its business risks successfully. In addition, by closely monitoring the Group's forecasts and projections, 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 in preparing the financial statements.

Result for the year

Headline profit before tax for the year ended 28th February 2015 was £45.4 million (2014: £19.5 million) before non-recurring exceptional items of £10.6 million. The exceptional items relate to costs associated with the acquisition of Cathedral (£2.7 million) and the termination of the Euro denominated interest rate swap £7.9 million). After dividend payments of £17.0 million, the Group's share of net assets increased by £25.5 million to £345.7 million (2014: £320.2 million), representing an increase of 14.0 pence per share to 276 pence per share (2014: 262 pence per share).

Investment property valuation gains for the year, including our share of joint ventures, totalled £11.2 million (2014: £4.8 million). This has been a reflection of the gradual improvement in secondary yields as detailed below and discussed in more detail in the Portfolio Review on pages 42 to 59.

Net rental income

Gross rental income from the investment portfolio for the year ended 28th February 2015 was £12.7 million. After direct costs of £2.7 million, the net rental income for the year was £10.0 million, which is an 18.9 per cent decrease when compared to the £12.3 million for the previous year. A number of significant acquisitions have been made in the second half of the year which will provide a positive contribution to net rental income going forward.

The Group also earned net rental income of £2.6 million from the development and trading portfolio, a slight decrease from the £2.8 million earned in the year ended 28th February 2014.

Development and trading profits

During the year under review, across its direct and joint venture holdings, the Group made development and trading profits of £45.7 million (2014: £27.0 million).

Development and trading profits can be analysed as follows:

	2015 £m	2014 £m
Development and trading segment result	**43.8**	16.4
Share of results of joint ventures	**(0.4)**	7.5
Provision against legacy assets	**–**	0.2
Other income	**0.4**	–
Interest from financial asset	**1.9**	–
Performance fee	**–**	2.9
	45.7	27.0

Further details of development and trading activities can be found in the Portfolio Review on pages 42 to 59.

Operating costs

Operating costs of £17.9 million for the year were 27.4 per cent ahead of the equivalent figure of £14.0 million for the previous year. This reflects the operating costs of the Cathedral Group which was acquired in May 2014.

Net finance costs

Finance costs for the year were £12.8 million, compared to £13.5 million for the previous year. This reflects a higher amount of interest being capitalised during the last year on development and trading properties net of the impact of the restructure of the Euro denominated loan notes.

Investment portfolio

During the course of the year, the investment property portfolio has increased to £203.3 million from £202.1 million at 28th February 2014. The Group disposed of a number of investment assets during the year but following a period of reinvestment, the Group has acquired £47.6 million of new investment property assets.

At 28th February 2015, the valuation of the investment property portfolio increased by £11.2 million (2014: increase of £4.8 million), including our investment properties held under joint venture.

Further details of acquisitions, disposals and valuation movements are set out in note 10 to the financial statements, and further analyses of the performance and management of the portfolio are given in the Portfolio Review on pages 42 to 59.

Inventory – development and trading properties

After allowing for continued investment in and development of the portfolio, the portfolio stood at £217.5 million at 28th February 2015 (2014: £192.5 million). This includes £65.0 million of development assets following the acquisition of the Cathedral Group. Further details are contained within the Portfolio Review on pages 42 to 59.

Associates and joint ventures

Reflecting our strategy of working with partners and other equity sources, investments in associates and joint ventures has continued during the year. The Group's interests in projects in partnerships are structured in a number of different accounting categorisations. Note 28 to the financial statements summarises the position.

The current carrying values of associates and joint ventures are analysed in note 14.

During the year we have entered into new associate and joint venture arrangements including:

- Becket House in London, where we have a 15 per cent stake in an £87.0 million office building totalling 146,000 sq. ft. bought in conjunction with Proprium Capital Partners
- A 1.7 acre development site in Dublin with planning consent for a 172,000 sq. ft. Grade A office building. The site was acquired in joint venture with Colony Capital LLC and local partners for €40.5 million with the company having a 20 per cent share
- The acquisition of Chill Factor[e] and associated retail and leisure units for £15.5 million in joint venture with Pemberstone Investments Limited, with the company having an 80 per cent property shareholding.

Financial assets and financial liabilities

Financial assets and financial liabilities are analysed in note 18 to the Group's financial statements.

Derivative financial instruments

The Group's Euro-denominated loan notes and the related currency and interest rate hedges are carried as separate instruments in the Balance Sheet. During the year, Sterling strengthened against the Euro, decreasing the Sterling liability of the loan by £4.6 million to £34.1 million.

Other financial assets

Other financial assets include loans to a number of joint operations and associate companies which reflects the way in which the Group invests in these activities.

The largest loan is to Northpoint Developments Limited which, together with accrued interest at 28th February 2015, totals £18.2 million (2014: £17.0 million).

Cash and borrowings

Details of the Group's borrowings and cash management are set out in note 18(b) and (d) to the financial statements and in the Financial Review on pages 62 to 64.

		2015	2014
Group net debt and gearing			
Gross debt	£m	**(205.0)**	(221.1)
Cash and cash equivalents	£m	**79.3**	67.3
Net debt	£m	**(125.7)**	(153.8)
Net assets	£m	**346.4**	320.3
Gearing	%	**36.3**	48.0
Weighted average debt maturity	years	**5.4**	6.8
Weighted average interest rate	%	**5.4**	5.8
Including joint ventures:			
Share of net debt in joint ventures	£m	**(46.8)**	(28.1)
Gearing	%	**49.8**	56.8
Weighted average debt maturity	years	**5.0**	6.4
Weighted average interest rate	%	**5.7**	5.7

The gross debt figure includes the €47.0 million 2021 Unsecured Subordinated Loan Note facility, stated in Sterling at the current value of £34.1 million (2014: £38.7 million, 2027 Loan Notes).

Loan to value gearing

Net debt expressed as a proportion of total property assets (including shares of properties and net debt in all projects in partnerships) was 34.4 per cent (2014: 44.7 per cent).

Taxation

The net current tax charge in the Statement of Comprehensive Income was £4.1 million, principally in respect of tax on trading profits in excess of group relief. The Group has significant potential deferred tax asset balances and the Directors previously restricted recognition to the amount of corresponding deferred tax liabilities, as uncertain market conditions did not offer sufficient probability of profits in the foreseeable future. This year, however, the Group has recognised an additional deferred tax charge of £0.3 million on certain profits projected in future accounting periods which can be forecast with a high enough degree of certainty. The Group's deferred tax treatment falls within the criteria of IAS 12.

In conjunction with our overall business strategy, the Group pursues a tax strategy that is principled, transparent and sustainable in the long-term. The Group has established ethics regarding its tax policy which have been ratified by the Board; these include the following key points:

- A commitment to ensure full compliance with all statutory obligations including full disclosure to all relevant tax authorities
- Any tax planning strategy entered into is done after full consideration of the risks and those findings are recorded in any relevant structuring document
- The maintenance of good relationships with tax authorities and the interaction between tax planning and the Group's wider corporate reputation
- Management of tax affairs in a manner that seeks to maximise shareholder value whilst operating within the parameters of existing tax legislation.

The Group has certain operations in jurisdictions that have been dictated to us by our majority joint venture partners and under most circumstances the Group does not enjoy any fiscal advantage of being in these jurisdictions. The Group has also recently undertaken a Transfer Pricing review to ensure that all cross-border services provided are conducted at the appropriate arm's length market rate.

The suitability of our tax strategy is kept under constant review to ensure compliance with the fiscal needs of the Group and constant evolution of tax legislation.

Dividends

On 24th February 2015 the Board approved the payment of a special dividend of 8.00 pence per share to be paid on 7th April 2015 to Ordinary shareholders on the register at the close of business on 6th March 2015.

The Board will recommend to shareholders at the Annual General Meeting on 14th July 2015 a final dividend of 3.5 pence per share (2014: 3.2 pence per share) to be paid on 20th August 2015 to shareholders on the register on 24th July 2015. This final dividend, amounting to £4.4 million, has not been included as a liability at 28th February 2015, in accordance with IFRS. Including the 8.0 pence per share special dividend, total dividend for the year is 13.9 pence per share (2014: 5.6 pence per share).

Earnings per share

Basic and diluted earnings per share for the year represented earnings of 26.8 pence (2014: 14.9 pence). After removing the unrealised revaluation of the investment portfolio, the gain on the disposal of investment properties and impairment of development and trading properties, the EPRA adjusted earnings per share was 23.9 pence (2014: 7.8 pence).

Performance measures

Key performance indicators are set out below:

		2015	2014
Net asset value movement	%	**8.1**	4.4
Gearing	%	**36.3**	48.0
Loan to value gearing	%	**34.4**	44.7
Development and trading gains	£m	**45.7**	27.0
Total shareholder return	%	**10.0**	6.0

Five year summary

		2015	2014	2013	2012†	2010
Revenue	£m	**203.7**	79.3	99.7	80.0	44.4
Profit/(loss) before taxation	£m	**34.8**	19.5	0.8	(10.2)	2.6
Net assets	£m	**346.4**	320.3	306.7	313.2	333.1
Earnings/(loss) per share	Pence	**26.8**	14.9	2.0	(10.3)	1.7
EPRA earnings/(loss) per share	Pence	**23.9**	7.8	10.5	(8.2)	(11.8)
Net assets per share	Pence	**276**	262	251	256	272
EPRA net assets per share	Pence	**276**	269	260	262	276

† 14-month period.

The Strategic Report from page 1 to 68 was approved by the Board of Directors and signed on its behalf by:

Marcus Shepherd
Finance Director
29th April 2015

'DELIVERING FIRST CLASS PERFORMANCE AND MAXIMISING SHAREHOLDER VALUE WITHIN A TRANSPARENT AND ROBUST CULTURE'

David Jenkins
Chairman

See page 70 for David Jenkins' biography

Dear Shareholder,

As your Chairman, I am pleased to present Development Securities PLC's Corporate Governance Report for the year ended 28th February 2015. It is my responsibility to ensure that your Board operates efficiently, effectively and transparently, and seeks to uphold high standards of good corporate governance that underpin the values of the Company. The Board is accountable to you, our shareholders, for implementing a framework of good governance and we are committed to discharging our duties in your best interests whilst, at the same time, understanding the obligations we have to our various stakeholders. The principal corporate governance rules which applied to the Company in the year under review were the provisions of the UK Corporate Governance Code (the Code).

As I discuss in my statement on page 12, the year ended 28th February 2015 and the current year have been, and will continue to be, years of significant change for the Board. Richard Upton and Barry Bennett joined the Board in an Executive and a Non-executive capacity respectively on the acquisition of Cathedral in May 2014. Julian Barwick resigned from the Board with effect from 1st March 2015, however he still continues to work for the business, and, after 21 years of service on the Board, Michael Marx announced his decision to step down as Chief Executive Officer at the conclusion of the forthcoming 2015 AGM.

I believe that it is critically important for the future success and growth of the business that we have a Board in place with the ability and experience to lead the Company forward through the significant changes that have taken place in 2014/15 and on to the next stage of its evolution. I was therefore delighted that Matthew Weiner and Richard Upton agreed to accept the roles of Chief Executive Officer and Deputy Chief Executive Officer respectively. These roles will commence when Michael stands down as Chief Executive Officer after the 2015 AGM.

The Nomination Committee and the Board were unanimous that Matthew and Richard have the required skills, experience, credibility and knowledge of the Company, and the industry, to successfully shape the future direction of the Company and drive the business forward. To facilitate this transition, Michael has agreed to remain as a Non-executive Director from 14th July 2015 until 29th February 2016.

As Chairman, it is my strong belief, and one that is echoed by the Board, that an overriding culture of good governance and transparency, beginning with the Board and continuing throughout the Group and its business practices, will underpin the future prosperity of the Company.

The Code contains a number of additional requirements applicable to FTSE 350 companies. At the date of this Report the Company is not a member of the FTSE 350 indices, however, to further demonstrate its support of the principles of good corporate governance, and as we act in shareholders' interests, it is right that shareholders have the opportunity to vote on the re-election of every Director on an annual basis. The Board has therefore voluntarily implemented provision B.7.1 of the Code requiring all Directors to seek re-election by shareholders on an annual basis.

The Company has built on the 2014 Report with the aim of providing clear and transparent information to our stakeholders. The Corporate Governance Report on pages 72 to 79 sets out in more detail how the Company has applied the main provisions of the Code.

David Jenkins
Chairman
Development Securities PLC

THE RIGHT TEAM TO DELIVER OUR STRATEGY

1. David Jenkins – Non-executive Chairman
Appointed: 1st February 2007
Period of service on the Board: 8 years, 3 months

Experience: David is a Fellow of the Institute of Chartered Accountants in England and Wales. He was previously a partner in Deloitte LLP, London, and was managing partner of their Real Estate Practice until his retirement in May 2004. David is currently Senior Independent Director of Mitie Group PLC and Non-executive Director of Renewable Energy Systems Holdings Ltd. He is also advisor to several companies.

Committees: Chairman of the Nomination Committee, member of the Remuneration and Audit Committees.

2. Michael Marx – Chief Executive
Appointed: 1st September 1994
Period of service on the Board: 20 years, 8 months

Experience: Michael is a Fellow of the Institute of Chartered Accountants in England and Wales and was a Member of the UK Listing Authority Advisory Committee 2004 to 2007. He is Non-executive Chairman of Nationwide Accident Repair Services PLC.

Michael confirmed his intention to stand down as Chief Executive of the Company at the close of the 2015 AGM, and will assume the position of Non-executive Director until 29th February 2016.

Committees: Member of the Nomination Committee.

3. Marcus Shepherd – Finance Director
Appointed: 18th February 2013
Period of service on the Board: 2 years, 2 months

Experience: Marcus is a member of the Institute of Chartered Accountants in England and Wales. His previous roles included Finance Director (Global Real Estate) at Aviva Investors, Chief Financial Officer (Europe) for Valad Property Group and Group Finance Director of Teesland PLC.

4. Matthew Weiner – Executive Director
Appointed: 18th March 2004
Period of service on the Board: 11 years, 1 month

Experience: Matthew is a Member of the Royal Institution of Chartered Surveyors. He joined Development Securities PLC in November 2000 as Director of Investments.

As announced on 24th February 2015, Matthew will be appointed Chief Executive of the Company from the close of the 2015 AGM.

5. Richard Upton – Executive Director
Appointed: 19th May 2014
Period of service on the Board: 11 months

Experience: Richard was the founder and Chief Executive Officer of the specialist regeneration real estate developer Cathedral Group, which was acquired by Development Securities PLC in May 2014. He was previously a founding director of Mount Anvil, a leading London house builder, and is a member of the London Advisory Committee for English Heritage.

As announced on 24th February 2015, Richard will become Deputy Chief Executive of the Company at the close of the 2015 AGM.

6. Sarah Bates – Non-executive Director, Senior Independent Director
Appointed: 15th January 2010
Period of service on the Board: 5 years, 3 months

Experience: Sarah is currently Chairman of St James's Place PLC, JP Morgan American Investment Trust plc and Witan Pacific Investment Trust plc; she is a Non-executive Director of Polar Capital Technology Trust plc, Witan Pacific Investment Trust plc and Worldwide Healthcare Trust Plc. Sarah sits on, or is advisor to, various pension fund and charitable investment committees including that of the Universities Superannuation Scheme.

Committees: Chairman of the Audit Committee, member of the Remuneration and Nomination Committees.

7. Nick Thomlinson – Non-executive Director
Appointed: 3rd January 2012
Period of service on the Board: 3 years, 4 months

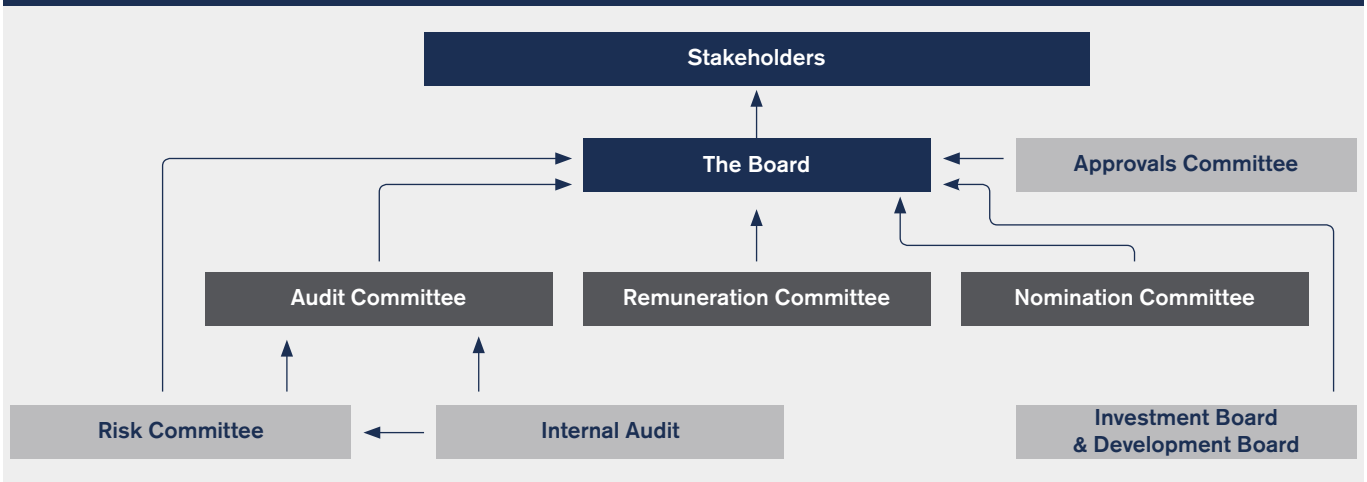
Experience: Nick is a member of the Royal Institution of Chartered Surveyors. He is a former senior partner and Chairman of the Knight Frank Group.

Committees: Chairman of the Remuneration Committee, member of the Audit Committee.

8. Barry Bennett – Non-executive Director
Appointed: 19th May 2014
Period of service on the Board: 11 months

Experience: Barry is a chartered accountant with significant experience in the financial and property sectors, and is a Fellow of the Institute of Chartered Accountants in Ireland. Barry was previously a founding director of Mount Anvil, a London house builder, and in 2002 founded specialist regeneration real estate developer Cathedral Group with Richard Upton.

Governance structure



UK Corporate Governance Code

Development Securities PLC Ordinary shares are listed on the Official List of the UK Listing Authority and, as such, the Company is required to state whether it has complied with the provisions contained within the UK Corporate Governance Code (the Code).

The Board confirms that in its view the Company has applied the main principles and has complied with all of the provisions set out in the Code during the financial year under review with the exception of Code provision B.2.1 regarding the composition of the Nomination Committee; further details are provided on page 78. The full Code can be found at *www.frc.org.uk*.

The interaction between the Board, its Committees and the management of the Company is detailed in the chart above.

Stakeholders

Directors engage in constructive dialogue between the Company and its stakeholders, which they believe contributes to investor confidence. The Company's governance principles have been, and will continue to be, kept under review as the Directors believe that a sound corporate governance framework is key to achieving the Company's objectives and discharging its legal and regulatory responsibilities. The Company continues to maximise shareholder value creation whilst at the same time appropriately managing risks.

Relations with shareholders

Communication with shareholders is a high priority for the Board. The Executive Directors have regular dialogue with institutional shareholders, where a wide range of issues are discussed within the constraints of the information already known to the market. In particular, in 2014/15, discussions were held with institutional shareholders around the acquisition of Cathedral and the changes to Executive Directors. The Company's annual results are also presented to institutional shareholders and analysts. A copy of the presentation is available on the Company's website, *www.developmentsecurities.com.*

Copies of key sell-side broker analysts' notes on the Company are circulated to all Directors, as are summaries of non-attributable shareholder comments collated by the Company's joint brokers, financial PR advisors and other corporate advisory providers, which assist the Board in developing their understanding of the views of major shareholders. Additional feedback is regularly sought by financial PR advisors. From time to time, the Company arranges for key shareholders to visit a number of development sites, accompanied by Executive Directors. The Board also ensures that investors are provided with regular announcements of the Group's significant transactions to enhance shareholder understanding of the Company's execution of its business strategy.

The Chairman, Senior Independent Director and Non-executive Directors are available at any time to meet with shareholders. The role of Senior Independent Director continues to be performed by Sarah Bates.

The Company ensures that the Board has an up to date perspective on the views and opinions of shareholders and the investment market. An investor relations report summarising share price performance compared to the market, changes to the shareholder register and feedback from shareholders, is produced for each Board meeting.

The Company's Annual General Meeting (AGM) provides an opportunity to respond to shareholders' questions, and the information necessary for informed participation is made available with as much notice as possible. Directors are introduced to shareholders at the AGM, including the identification of Non-executives and Committee Chairs. More information regarding the 2015 AGM, including the resolutions being put to the meeting, can be found on pages 99 to 101. The Company's website is updated at the same time as the Regulated Information Service, to provide additional information dissemination for shareholders. Shareholders are also invited to free subscription of the Company's e-mail news alert service on the Company's website.

The Board

The Board is collectively responsible to the Company's shareholders for the long-term success of the Company and, in this capacity, has put in place a formal schedule of reserved matters which require its approval that include, but are not limited to, those set out below:

Matters Reserved for the Board

- strategy;
- executive performance and retention;
- remuneration and succession;
- financial performance;
- the issue of any securities;
- significant borrowing facilities;
- development opportunities;
- dividend policy;
- authorisation of significant transactions over a certain threshold;
- investment portfolio acquisitions and disposals;
- corporate reputation and communication; and
- internal control and risk management and the Board's own effectiveness.

In carrying out its responsibilities, the Board takes into account the size and complexity of the Group, and internal control measures employed, to determine those formal matters reserved to the Board and those delegated to its various Committees or the Executive Directors.

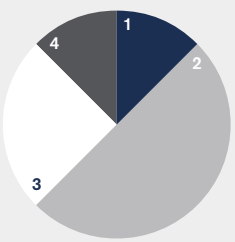
The Board met formally nine times during the year. One of these meetings was entirely focussed on the strategy of the business. An additional eight meetings were called at short notice for specific project approval, and did not necessarily require full attendance, although all Directors were given the opportunity to attend, or comment on each proposal. Where a Director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key items of business ahead of time, in order that these can be presented at the meeting and can influence the debate. The Chairman and the Non-executive Directors met on one occasion during the year without Executive Directors in attendance. The Non-executive Directors also met on one occasion during the year without the Executive Directors or Chairman present.

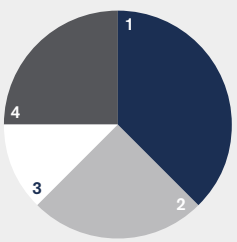
Key areas of focus during the year

The year ended 28th February 2015 was one of considerable change for the Company. The Board focussed a significant amount of time on the Cathedral acquisition and its subsequent smooth integration into the Group. This was assisted by Richard Upton and Barry Bennett joining the Board as detailed below. Other areas of focus included reviewing and approving property investment and development acquisitions and disposals, Board succession planning, an evaluation of the Board's effectiveness, financial review and planning, reviewing analyst reports and shareholder feedback, as well as approving an interim and special dividend and recommending a final dividend to shareholders. An additional separate meeting devoted entirely to business strategy was also convened during the year.

Board composition

Board composition as at 28th February 2015





Composition of the Board

1. Chairman	1
2. Executive Directors	4
3. Independent Non-executive Directors	2
4. Non-executive Directors (not independent)	1

Period of Service on the Board

1. Under 3 years	3
2. 3-6 years	2
3. 6-9 years	1
4. 9 years+	2

Details of gender diversity on the Board can be found on page 101.

At the beginning of the financial year, the Board consisted of four Executive Directors, a Non-executive Chairman and two Independent Non-executive Directors. On 19th May 2014, subsequent to the acquisition of Cathedral, Richard Upton joined the Board as an Executive Director and Barry Bennett joined the Board as a Non-executive Director. Julian Barwick resigned as an Executive Director of the Company with effect from close of business on 28th February 2015. Julian continues to work with the Company as an employee. The Company announced on 24th February 2015 that Michael Marx would be stepping down as Chief Executive Officer of the Company with effect from the close of the AGM scheduled to be held on 14th July 2015. Michael will continue as a Director of the Company in a Non-executive capacity until he stands down from the Board on 29th February 2016. It was further announced on 24th February 2015 that Matthew Weiner would be appointed to the position of Chief Executive Officer to replace Michael, and that Richard Upton would be appointed Deputy Chief Executive Officer with effect from the close of the 2015 AGM. Biographical information for the Directors in office at the date of this Report is set out on pages 70 and 71.

The Chairman and Chief Executive

There is a clear division of responsibilities between the Chairman, who is responsible for the leadership and governance of the Board and ensuring its effectiveness, and the Chief Executive, who is responsible for the running of the Company's business and the successful planning and implementation of the business strategy. The Chairman and Chief Executive are in regular contact to discuss current material matters. The roles and remit of the Chairman and the Chief Executive are set out in writing and agreed by the Board. There were no significant changes to the Chairman's other commitments during the year.

The Non-executive Directors

The Non-executive Directors bring external perspectives and insight to the deliberations of the Board and its Committees, providing a wide range of knowledge and business experience from other sectors and businesses. They play an important role in the formulation and progression of the Board's agreed strategy, and review and monitor the performance of the executive management in the implementation of this strategy. The Non-executive Directors also perform a valued role by challenging aspects of executive decisions to produce a considered and independent outcome to Board deliberations, ensuring that no one individual has unfettered decision-making powers.

The independence of each Non-executive Director has been assessed during the year, in line with the independence criteria contained within provision B.1.1 of the Code. The Company considers all the Non-executive Directors to be independent with the exception of Barry Bennett who was the co-founder of the Cathedral Group. The Chairman was considered independent on appointment. The current ratio of Executive and Independent Non-executive Directors is permissible for a smaller company under Code provision B.1.2.

The Senior Independent Director

Sarah Bates is currently, and has throughout the year been, the Senior Independent Director. Shareholders can bring matters to her attention if they have concerns which have not been resolved through the normal channels of Chairman, Chief Executive or Group Finance Director, or if these channels are not deemed appropriate. The Senior Independent Director is responsible for leading the Non-executive Directors in the annual performance evaluation of the Chairman as well as acting as a sounding board for the Chairman and serving as an intermediary for other Directors where necessary.

The Company Secretary

The Company Secretary is responsible, under direction from the Chairman, for ensuring the appropriate information flows to the Board and its Committees to facilitate their discussions and allow fully informed decisions to be made. The Company Secretary also ensures the Non-executive Directors have access to the senior management where required, as well as ensuring an appropriate induction process and ongoing training is in place for Executive and Non-executive Directors, and facilitating the Board evaluation process set out below. The Company Secretary advises the Board and its Committees on all governance matters. Helen Ratsey stood down from the position of Company Secretary on 1st September 2014. Marcus Shepherd took the position of interim Company Secretary from 1st September to 11th November 2014. Chris Barton was appointed Company Secretary on 11th November 2014.

Board effectiveness

As in previous years, the Board has undertaken a formal performance evaluation of the Board as a whole and its Committees to ensure they continue to be effective, and that individual Directors demonstrate commitment to their respective roles and have sufficient time to meet their commitment to the Company. The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement. Consideration was given to whether the evaluation should be externally facilitated. The Board maintained that the current arrangements were appropriate, but will keep this area under review. Sarah Bates chaired a meeting of the Non-executive Directors without the Chairman or Executive Directors present, at which the performance of the Chairman was reviewed. The outcome was then discussed by the Chairman and Senior Independent Director. The evaluation was carried out through a detailed questionnaire, the responses to which were collated by the Company Secretary. The evaluation focussed on the Board as a whole, its composition and working, as well as on the Committees and on individual Directors. The responses were considered by the Chairman, or the Senior Independent Director in relation to the Chairman's performance. Suggestions for improvements were discussed by the Board and, where considered relevant, have been implemented as detailed below.

The 2014 Board evaluation highlighted the potential benefit of adding an additional Non-executive Director to the Board. Barry Bennett was appointed to the Board as a new Non-executive Director on 19th May 2014 as part of the Cathedral acquisition. No major issues were identified in the 2015 evaluation which focussed on Company strategy, as well as highlighting that an additional Non-executive Director may be beneficial. In addition to Michael Marx taking the position of Non-executive Director on 15th July 2015, the recruitment of an additional 'independent' Non-executive Director will be under consideration by the Board during the year.

All Directors have access to the services of the Company Secretary and may seek independent professional advice as necessary, at the Company's expense, and subject to the consent of the Chairman. Upon election, or re-election, Non-executive Directors are invited to serve for three-year fixed terms, subject to annual re-election by shareholders. All Non-executive Directors have confirmed that they have sufficient time to dedicate to their role. The terms of their appointment are available from the Company Secretary and details of the Non-executive Directors' letters of appointment are detailed in the Remuneration Report on page 88.

Directors undergo a formal induction process on joining the Company and receive appropriate training whilst in office. The Chairman agrees with each Director their training and development needs as and when required.

Board Committees

The Board delegates responsibility for certain matters to Standing Committees, which report back to the Board. These Committees operate within defined terms of reference, as determined by the Board. Board Committee terms of reference are available upon request from the Company Secretary and are also published on the Company's website, *www.developmentsecurities.com*. The Company Secretary acts as secretary to each of the Committees.

Board and Committee attendance

The following table sets out the attendance of the Directors at the scheduled meetings of the Board and the Audit, Nomination and Remuneration Committees held during the financial year under review.

				Number of meetings
	Board	Audit Committee	Nomination Committee	Remuneration Committee
D S Jenkins	9/9	3/3	2/2	4/5
M H Marx	9/9	–	1/2	–
M O Shepherd	9/9	–	–	–
C J Barwick	9/9	–	–	–
R Upton[1]	7/7	–	–	–
M S Weiner	9/9	–	–	–
S C Bates	9/9	3/3	2/2	5/5
N H Thomlinson	9/9	3/3	–	5/5
B Bennett[1]	6/7	–	–	–

[1]R Upton and B Bennett joined the Board on 19th May 2014.

Audit Committee

Sarah Bates
Chairman of the Audit Committee

"*With the continued growth of the business during the year, the Committee's role in advising the Board as to the integrity of the Group's audit, assurance and risk processes is key to delivering long-term, sustainable value to shareholders.*"

Audit Committee composition

The Audit Committee comprises the following Directors:

Director	
Sarah Bates	Chairman
David Jenkins	
Nick Thomlinson	

The Committee consists of the two independent Non-executive Directors, and the Company's Chairman David Jenkins, who was considered independent on appointment. The Board has determined that David Jenkins, as a qualified accountant with considerable experience, has significant 'recent and relevant financial experience' for the purposes of the Code. The Company's Chief Executive, Finance Director and Financial Controller attend the Audit Committee meetings by invitation, as does Barry Bennett, a Non-executive Director who is also a chartered accountant. To help the Committee review and challenge the integrity of the Company's financial reporting, representatives from the external and internal auditors attend appropriate parts of the meetings.

The Audit Committee's principal role as set out in its terms of reference includes:

- monitoring the integrity of the Company's financial statements;
- reviewing the Company's internal financial controls;
- reviewing the internal control and risk management systems;
- assessing the performance and independence of the external auditors;
- selecting the external auditor and making appropriate recommendations through the Board to permit shareholder consideration at the Annual General Meeting;
- assessing the effectiveness of the external audit process;
- acting as a conduit between the Board and the external and internal auditors;
- reporting to the Board on how it has discharged its responsibilities;
- monitoring the effectiveness of the Company's internal audit function; and
- reviewing any incidents of whistleblowing occurring within the Group and ensuring adequate review, investigation and conclusion.

Annual activities of the Audit Committee

The Committee met three times during the year. One meeting was held to agree the external audit terms of engagement, the auditors' scope and proposed approach, and the fees of the annual audit. As is standard each year, two of the meetings take place prior to the issue of the preliminary full-year and interim results in order to review audit recommendations and consider any significant issues arising from the audit and review processes. The Committee also reviews the performance of the internal and external auditors.

Significant judgements

Before recommending the interim and annual financial statements to the Board for approval, the Committee considered, amongst other things, the following matters and significant judgements:

- Direct property investments, the development and trading portfolios and the valuation of the investment properties: The Committee challenged executive management in respect of both independent external valuations and Directors' valuations across the entire property portfolio. In addition, the Committee challenged the external auditors in respect of the work they had conducted in connection with the internal and external valuations. The Committee was satisfied that there were no significant areas of contention and that the valuation procedures and methodologies used and the valuations themselves were appropriate. In respect of impairment charges recognised, the Committee was satisfied that, where applicable, the written down values reflected the assets' net realisable value.
- Indirect property investments, accounting for investments in property secured loans and recoverability of financial assets: The Committee again discussed with executive management the valuation and recoverability of these assets along with the external auditor's as to the work they had conducted. As a result, the Committee concluded that the assets were appropriately recognised in the Group's financial statements.
- Other reporting matters: Internal controls environment, management oversight of indirect property investments and accounting and regulatory developments.

One of the significant requirements of the Code is that the Board confirms that the Annual Report presents a fair, balanced and understandable assessment of the Company's performance, business model and strategy. The task of assessing this has been delegated to the Audit Committee. With this in mind, the Committee considered management's analysis and were content to confirm and recommend this to the Board. The Board's statement to this effect is set out below in the Statement of Directors' Responsibility on page 79.

The Committee also met without Executive Directors present and Sarah Bates, as Chairman of the Committee, met separately with the external auditors, PricewaterhouseCoopers LLP and internal auditors, HW Fisher & Company.

The non-audit services policy as adopted by the Committee during the last financial year was adhered to throughout the year, providing additional control measures around the instruction of the auditors to undertake non-audit work. The policy requires that all non-audit fee work be reported to the Audit Committee and that all non-audit fee work falling into certain categories and above certain thresholds be reported prior to the work being undertaken as detailed below:

- Up to £25,000: Approval required by the Finance Director, or Chief Executive in his absence;
- In excess of £25,000 and up to £100,000: Approval required by the Finance Director and Chairman of the Audit Committee; and
- In excess of £100,000: Approval required from the full Audit Committee.

In addition, the policy prohibits the auditors from being considered for providing the following services: internal audit; bookkeeping services; and the design and implementation of financial information systems.

An analysis of the non-audit fees can be found in note 4 to the financial statements. The Committee scrutinises these payments, but recognises that due to the nature of the business and complexity of deals there are certain assurance and advisory services that may be best performed by the external auditors as a result of their unique knowledge of the Company, without compromising their independence or objectivity. The total value paid during the year for tax advice and planning services amounted to £228,000, and advice and services in relation to the acquisition of Cathedral amounted to £124,000 and other sundry services of £18,000.

It is within the Committee's remit to recommend the appointment of the external auditors PricewaterhouseCoopers LLP. Additional scrutiny was placed on the independence and objectivity of PricewaterhouseCoopers LLP. In accordance with professional and regulatory standards, the lead audit partner is rotated at least every five years in order to protect audit independence and objectivity. Julian Jenkins was the lead audit partner for the financial year under review and has been lead audit partner for the Company for two years. The Audit Committee was satisfied as to PricewaterhouseCoopers LLP's independence and effectiveness and, following a review of their tenure, quality and fees, recommended their re-appointment as auditors. This was subsequently ratified by the Board and accordingly the re-appointment of PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting. PricewaterhouseCoopers LLP has been the independent auditor of Development Securities PLC since 2008, which is the last time the audit went out to tender.

Internal control

The Directors acknowledge their responsibility for reviewing the effectiveness of the Group's system of internal control to safeguard shareholders' investments and protect the Company's assets. The Directors acknowledge that they are responsible for determining the nature and extent of the significant risks the Company is willing to take in achieving its strategic objectives. The operational, financial and compliance risk controls are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board, through the Risk Committee, has conducted a thorough risk assessment of the business, identifying risks, their potential impact, likelihood of occurrence, controls and mitigating actions, together with early warning systems and further actions which need to be implemented. Detailed below is a description of the Group's internal control and risk management used in the process of preparing the Consolidated financial statements. The key features of the system of internal control include:

— a comprehensive system of financial reporting and business planning with appropriate sensitivity analysis;
— a detailed authorisation process which ensures that no material commitments are entered into without competent and extensive approval;
— a defined schedule of matters reserved for the Board and clear defined roles of the Chairman and Chief Executive;
— an organisational structure with clearly defined levels of authority;
— formal documentation procedures;
— the close involvement of the Executive Directors in all aspects of the day to day operations, including regular meetings with senior management to review all operational aspects of the business and risk management systems;
— a review of the Group strategy and progress on developments at each scheduled Board meeting;
— a comprehensive insurance programme; and
— a formal whistleblowing policy.

Internal auditors

HW Fisher & Company was appointed as the Company's internal auditors in 2010. The Committee reviews the internal auditor's plan for the year and makes amendments as required. In this capacity, HW Fisher & Company report to the Audit Committee. They attend meetings of the Risk Committee, and from these meetings, and discussions with management, they identify areas of potential weakness or possible improvement in the Group's financial controls. They propose an agenda of work to the Audit Committee, at least annually, and devise and implement appropriate work programmes, independently of management. During the year, internal audits were carried out on a number of business processes, including:

— Subsidiary governance;
— High level review of the existing bonus schemes;
— Gifts and entertaining; and
— Consumer Credit Licences

These reviews and the implementation of the recommendations arising from them are overseen by the Audit Committee.

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 28th February 2015, and to the date of this Report, and considers that there is a sound system of internal control which accords with the Turnbull Report, 'Internal Control: Guidance for Directors on the Combined Code'. The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the Group's significant risks including financial, operational and compliance controls and that it is regularly reviewed.

Going concern

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Directors considered the Group's cash balances, its debt maturity profile and guarantees and indemnities given. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the forseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The Company's going concern statement can be found in the Financial Review on page 65 and is incorporated here by reference.

Sarah Bates
Chairman of the Audit Committee

Risk Committee

Risk Committee composition

The regular process of identifying, evaluating and managing significant corporate risks has been delegated by the Board to a Risk Committee. The Committee comprises the following Directors and senior managers with one Non-executive Director in attendance at each meeting:

M H Marx	Chair & Chief Executive Officer
M O Shepherd	Finance Director
M S Weiner	Executive Director
R Upton	Executive Director
C J Barwick	Executive Director (to 1st March 2015)
M A Wood	Senior Manager
R C McCubbine	Senior Manager
D A K Trench	Senior Manager
S Whittle	In house Legal Counsel
Non-executive Director	One Non-executive Director will attend each meeting

The Committee's principal role as set out in its terms of reference includes:

- advising the Board on the Company's risk appetite, tolerance and strategy, taking into account the current and prospective macro-economic and financial environment;
- reviewing the Company's risk register, including identification of new risks, continuous assessment, and identification of early warning factors and mitigating actions and controls;
- reviewing the effectiveness of the Company's internal financial controls, internal controls and risk management systems; and
- reviewing the Company's procedures for detecting fraud and prevention of bribery.

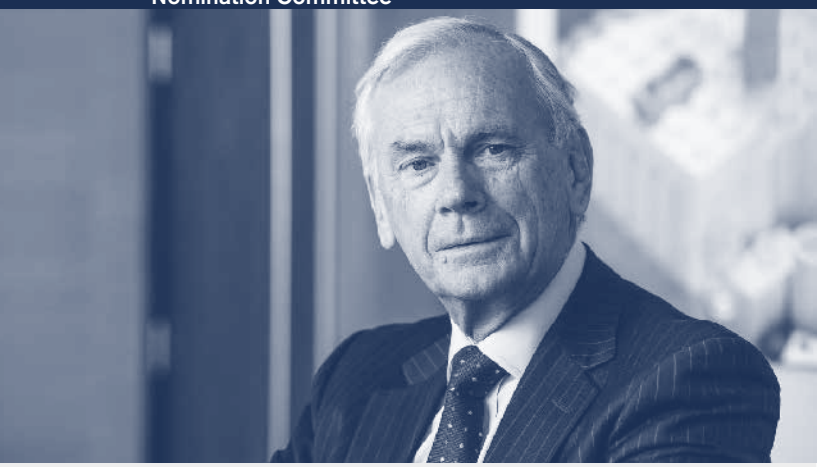
Annual activities of the Risk Committee

The Committee meets quarterly during the year to ensure that the Group's risk management procedures are comprehensive and appropriate for the current economic climate, regulatory requirements and business operations.

During the year, the Committee reviewed the risk register and agreed that cyber security should continue to have an increased focus. Consequently, the Company changed its IT provider to ensure that a service is provided that is in line with the Company's security needs. The Company is also promoting staff awareness to further assist in mitigating this risk.

The Committee's remit includes all of the Group's subsidiaries and those joint ventures and associates which are administered by the Company. Risks arising from externally managed joint ventures are managed at the boards of the joint venture companies. The minutes of the Committee's deliberations are reviewed by the Audit Committee. In addition to the activities of the Risk Committee, a risk evaluation on each significant prospective development, investment or joint venture opportunity is evaluated by the Board and, for development opportunities, the risks are evaluated by an internal independent Project Review Committee. The Executive Directors regularly evaluate the Group's risk-weighted development exposure, which is then considered by the Board. All necessary actions have been or are being taken to remedy any weaknesses acknowledged from the quarterly reviews. No significant failings were identified over the year.

Nomination Committee



David Jenkins
Chairman

"*The year to 28th February 2015 and the current year have been, and continue to be, ones of substantial change at Board level. The Nomination Committee continues to be focussed on the key issue of succession planning of the Board, ensuring the necessary skills, experience and leadership qualities are present, both now and in the future, to enable the business to be driven forward whilst at the same time focussing on delivering long-term, sustainable value to our shareholders.*"

Nomination Committee composition

The Nomination Committee comprises the following Directors:

Director	
David Jenkins	Chairman
Michael Marx	
Sarah Bates	

The Company acknowledges that the composition of the Committee does not comply with the requirements of the Code provision B.2.1 as the Committee does not have a majority of independent Non-executive Directors. The Company continues to believe that, particularly in light of the overall size of the Board, the Chairman, Senior Independent Director and Chief Executive are best placed to make decisions concerning nominations to the Board. The Board believes that the Committee has an appropriate composition to discharge its duties effectively. This will continue to be kept under review.

Role of the Nomination Committee

The Committee is responsible for making recommendations to the Board, within its agreed terms of reference, on appointments to the Board which are fulfilled through an effective search, interview and evaluation process based upon objective criteria.

The Committee's role as set out in its terms of reference includes:
- evaluating the structure, size and composition of the Board as a whole;
- succession planning for Executive Directors, Non-executive Directors, and the roles of the Chairman and Chief Executive;
- considering the balance of skills, knowledge, experience, time commitment required and gender on the Board;
- recommending suitable candidates for the role of Senior Independent Director;
- devising descriptions of the role and capabilities required for a particular appointment; and
- providing recommendations on the composition of the Audit and Remuneration Committees, in consultation with the Chairs of those Committees.

Activities of the Nomination Committee

The Nomination Committee meets as necessary. The Committee met once during the year to discuss and recommend to the Board the appointment of Matthew Weiner and Richard Upton as Chief Executive and Deputy Chief Executive in the event that Michael Marx declared his intention to step down from the role of Chief Executive Officer. The services of an external search firm had been used previously to consider a range of potential external candidates, and an external facilitation company was used to discuss internal succession. The Committee met once after the end of the financial year under review to discuss the re-election of all Directors and recommend to the Board that each Director being eligible should opt for annual election. The Board approved this recommendation and each Director shall retire and seek re-election at the forthcoming Annual General Meeting in line with provision B.7.1 of the Code. The Company believes that sufficient biographical details and other relevant information about the Directors seeking annual re-election is provided in this Annual Report to enable shareholders to make an informed decision. During the year, Richard Upton and Barry Bennett were appointed to the Board as Executive and Non-executive Directors. Their appointments were approved by the full Board as part of the wider acquisition of the Cathedral Group. Neither an external search consultancy nor open advertising was used in the appointment of these Directors.

Directors standing for re-election

All Directors will stand for re-election at the 2015 Annual General Meeting. Following the annual Board performance reviews of individual Directors, the Chairman considers that each Director continues to operate as an effective member of the Board and has the skills, knowledge and experience that enable them to discharge their duties properly. On the advice of the Committee, the Board therefore recommends the re-election of each Director at the 2015 Annual General Meeting. The dates of appointment and length of service on the Board are set out in their biographies on pages 70 and 71.

The Committee regularly reviews the Company's policy on diversity. The Board recognises the benefits of diversity in its broadest sense and the value this brings to the organisation in terms of skills, knowledge and experience. The policy reflects the commitment to objectively assess, recruit and reward based on merit. Details of gender diversity of the Board and across the Company are set out on page 101.

As detailed above, the Committee gave consideration to succession planning for Executive Directors during the year. It will continue to review the requirement for an additional Independent Non-executive Director which had been discussed as part of the Board evaluation as being of potential benefit to the Board.

Many of the matters within the Committee's remit are addressed with all Board members present or taken as specific items at full Board meetings.

The Nomination Committee has reviewed the size, structure and composition of the Board and concluded that it is appropriate.

David Jenkins
Chairman of the Nomination Committee

Remuneration Committee

The Remuneration Committee comprises the following Directors:

Director	
Nick Thomlinson	Chairman
David Jenkins	
Sarah Bates	

The Committee seeks advice from remuneration consultants Deloitte LLP, and legal support from Linklaters LLP. Representatives of Deloitte LLP attended one meeting of the Committee by invitation. More information on their appointment can be found on page 95 of the Remuneration Report.

Role of the Remuneration Committee and remuneration policy
The Committee is authorised to determine remuneration policy, details of which can be found in the Remuneration Report on pages 81 to 96, along with a detailed description of the work of the Remuneration Committee.

Approvals Committee
The Approvals Committee comprises any two Executive Directors and a minimum of two Non-executive Directors.

Its remit is to permit the approval of transactions between £2.0 million and £5.0 million, which are then reported to the Board. Transactions below £2.0 million are delegated to the relevant Executive Directors responsible, and those above £5.0 million fall under the remit of the Board.

Investment and Development Boards
The Investment Board and Development Board comprise of Executive Directors and senior managers, and are chaired by Michael Marx and Julian Barwick respectively. These Boards meet on a regular basis during the year to discuss, review and approve property transactions. These include any proposed sale and purchase transactions and proposed capital expenditure. The decisions are then ratified by the Board if expenditure is above a defined limit. The Non-executive Directors are invited to attend the Investment and Development Boards to enable them to meet with the broader management team.

Takeover Directive
Details of the required disclosure under the Takeover Directive can be found in the Directors' Report on pages 98 to 102 and the Remuneration Report on pages 80 to 97 and are incorporated herein by cross reference.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 99 of the Directors' Report, confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and Company; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the Company's website, *www.developmentsecurities.com*. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Chris Barton
Company Secretary
29th April 2015

OUR REMUNERATION FRAMEWORK IS DESIGNED TO PROMOTE LONG-TERM GROWTH THROUGH SUSTAINABLE PERFORMANCE

Nick Thomlinson
Chairman of the Remuneration Committee

See page 71 for Nick Thomlinson's biography

Dear Shareholder,
I am pleased to present our Remuneration Report for the year ended 28th February 2015.

Following a comprehensive review of our remuneration framework, we put our Policy to a binding shareholder vote last year. This was effective from 1st March 2015 to ensure alignment with the first award under our new Long-Term Incentive Plan (LTIP). The 2015/16 financial year is therefore the first year of operation. The approved Policy has been included for reference.

In line with the revised UK Corporate Governance Code, we are strengthening our recovery provisions by implementing clawback on all variable pay arrangements. As a Committee, we believe that this is a positive change which strengthens the link between remuneration and risk.

Linking remuneration to strategy
Our Policy is well placed to maximise alignment between Executive Directors and shareholders, with an emphasis on the key strategic priorities of the Group as follows:

- **Simplicity:** taking into account shareholder feedback, we are transitioning from operating a number of profit-based plans to one simplified long-term share plan that is directly linked to shareholder value creation.
- **Longer-term time horizons:** the first awards under our new LTIP will be made during the 2015/16 financial year. This plan is structured such that the combined performance and holding period is up to five years. This ensures that our Executive Directors consider the longer-term impacts of their decisions on the business.
- **Net asset value per share (NAVps) performance:** performance is assessed over the longer term by considering Group NAVps growth, a key measure of our success as we aim to deliver enhanced shareholder value through our diversified portfolio of projects.

Remuneration out-turns
Development Securities has achieved record levels of performance during the 2014/15 financial year, realising our highest ever profit before tax of £34.8m. Net assets per share ended the year at 276 pence compared to 262 pence at 28th February 2014.

As noted in both the Chief Executive's and Chairman's statements at the beginning of the Annual Report, this outstanding performance is a result of the management team successfully executing the strategic objectives that were set a few years ago.

In terms of remuneration out-turns, we have only made increases to Executive Directors' salaries where there has been a change in role.

The transitional arrangements for the profit plans, which were approved by shareholders, are described in more detail in this Report. The Executive Directors who are focussed on development and trading activities have received payouts under the Development Profit Plan during the year. These relate to awards granted in previous years and reflect the successful realisation of profits for the Company (above a return on equity threshold) from these projects. There were no payouts under the Strategic Profit Plan or the Investment Growth Plan.

Annual bonus payments were made in respect of the financial year ended 28th February 2015 taking into account the Committee's assessment of performance against the bonus criteria.

An assessment of the performance condition for the award made under the Performance Share Plan on 29th May 2012 resulted in 0 per cent vesting.

Board changes
As mentioned in the Chairman's statement, a number of changes to the Board have been announced.

With effect from the close of our Annual General Meeting on 14th July 2015, Matthew Weiner will succeed Michael Marx as Chief Executive. Richard Upton will be appointed as Deputy Chief Executive. To reflect the increased scope of their roles, from 14th July, the salaries for Matthew and Richard will be £375,000 and £350,000 respectively.

Following the Annual General Meeting, Michael will remain on the Board as a Non-executive Director until 29th February 2016.

On 1st March 2015, Julian Barwick stepped down from the Board. He will retain his position as a Director of Development Securities (Projects) Limited, the main development subsidiary of the Group and will be continuing his employment in that capacity on a reduced time basis.

I would like to add my thanks to Michael Marx for his outstanding contribution during his tenure as Chief Executive of Development Securities PLC.

We are fully committed to an ongoing dialogue with our shareholders and I hope to receive your support for our Annual Report on Remuneration at our forthcoming Annual General Meeting.

Nick Thomlinson
Chairman of the Remuneration Committee
Development Securities PLC

The key objectives of the Company's Remuneration Policy are as follows:
- To ensure that Executive Directors and senior managers are rewarded in a way that attracts, retains, motivates and rewards management of the highest quality;
- To operate incentive plans designed to encourage Executive Directors and senior managers to align their long-term career aspirations with the long-term interests of the Company and shareholders' expectations;
- To promote the attainment of both individual and corporate achievements, measuring against performance criteria required to deliver the long-term growth and sustainability of the business; and
- To encourage sustained performance over the medium and long term without taking undue risk.

The total pay framework is based on a mixture of fixed and variable elements considered on a meritocratic basis at individual and Group level, taking into account the remuneration awarded to employees in the Group. The balance between fixed and variable pay is considered appropriate given that the various incentive plans/schemes ensure a significant proportion of a key individual's remuneration package is performance related, thereby aligning with the strategic aims of the business and the performance of the Company.

Remuneration Policy

The Remuneration Policy (the Policy) was approved by our shareholders at the Annual General Meeting in July 2014 and applies from 1st March 2015. Since no changes to the Policy are proposed for the year ahead, this part of the report will not be subject to a shareholder vote at our 2015 Annual General Meeting. As this is the first year of operation, we have included the full approved Policy below, except that the scenario charts have been updated, references to 2014 salaries and 2014/15 bonuses have been removed and details of service contracts have been updated.

Policy table for Executive Directors

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Salary Core element of remuneration set at a level to attract and retain individuals of the calibre required to shape and execute the Company's strategy.	Contractual fixed cash amount paid monthly. Typically, salary levels are reviewed on an annual basis. The Committee takes into account a number of factors when setting base salary, including: — Size and scope of the role; — Skills and experience of the individual; — Performance of the Company and individual; — Appropriate market data; and — Pay and conditions elsewhere in the Company.	Salary increases may be applied taking into account the factors outlined in this table. During review, consideration will also be given to increases applied to the wider employee population. In certain circumstances such as an increase in the size and scope of the role or increased experience where an individual has been hired on a lower salary initially, higher increases may be given. There is no maximum salary opportunity.	None.
Benefits To provide Executive Directors with market competitive benefits consistent with the role.	Executive Directors currently receive the following benefits: — Cash in lieu of company car; — Private medical insurance; — Income protection insurance; and — Life assurance. Other benefits that are consistent with the role may be provided if the Committee considers it appropriate. Payments may be made to Executive Directors in lieu of any unutilised holiday allowance. The Committee may permit additional holiday in lieu of remuneration. Relocation and expatriate benefits may also be provided, if an existing or new Executive Director is required to relocate. The Executive Directors may participate in any all employee share plans adopted by the Company on the same basis as other employees.	The cost of benefits may vary from year to year depending on an individual's circumstances and the varying cost of benefits premiums. There is no maximum benefits value.	None.

Policy table for Executive Directors continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Retirement benefits To provide Executive Directors with retirement benefits consistent with the role.	Defined contribution pension arrangements are provided. Pension benefits are provided through a Group Personal Pension Plan, non-pensionable cash supplement or contribution to a Personal Pension arrangement.	17.5 per cent of salary per annum.	None.
Annual bonus Incentivises and rewards Executive Directors for the successful delivery of strategic objectives on an annual basis.	Payments are based on performance in the relevant financial year. Payments up to 50 per cent of the maximum opportunity ('Target' performance) are made in cash. Any bonus above 50 per cent of the maximum opportunity will be paid in shares which the Director is expected to hold for at least two years.	150 per cent of salary per annum. Executive Directors, excluding the Chief Executive, will have a lower maximum opportunity than the percentage stated above.	The annual bonus is determined principally with reference to the four main drivers of the creation of shareholder value in our business: — Accurate reading of the economic and market cycles in which we operate; — Pipeline of future development projects; — Active management of the investment portfolio; and — Maintenance of the standards of excellence that are embedded within the Company's culture. The Committee reviews the basis of performance measurement under the annual bonus from time to time and may review and amend the measures as it considers appropriate. 50 per cent of the maximum bonus opportunity will be payable for 'Target' performance.

Policy table for Executive Directors continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Long-Term Incentive Plan (LTIP) Incentivises and rewards Executive Directors for delivery of the Company's strategic plan of building shareholder value.	Awards of nil-cost options or conditional shares. The awards vest subject to the achievement of performance targets set by the Committee. 50 per cent of the award is based on performance measured over three years, with the remaining 50 per cent based on performance measured over four years. Following vesting, the awards will normally be subject to an additional holding period, for at least two-thirds of the award, of up to two years such that the combined performance and holding period will, for this portion, not be less than five years in total. Dividend equivalents may be paid on awards. Awards may be subject to malus and therefore may be reduced or forfeited at the discretion of the Committee if an exceptional event occurs which has a material adverse impact on the Group including, but not limited to, reputational damage or a material failure of risk management. In addition, awards may be reduced or forfeited if results announced for any period have been restated or subsequently appeared materially financially inaccurate or misleading.	Three times base salary per annum.	The primary performance measure will be net asset value per share growth (including dividends). No less than 50 per cent of an award will be based on this measure. The Committee retains the flexibility to introduce additional measures. For threshold levels of performance, no more than 25 per cent of the award vests with 100 per cent of the award vesting for maximum performance.

Legacy arrangements and transition

The Committee undertook a review of incentive arrangements in the financial year ended 28th February 2014. Following this review the new Long-Term Incentive Plan will replace a number of plans. The following table sets out plans under which no further awards will be made or where awards will be made for a short period as part of the transitional arrangements. Any subsisting awards for legacy plans will continue in accordance with the relevant plan rules.

Policy table for Executive Directors continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Shareholding guidelines To align Executive Directors with the shareholder experience.	The Company operates shareholding guidelines for Executive Directors.	Not applicable.	Not applicable.
Development Profit Plan (DPP) Incentivises and rewards Executive Directors for the performance of their portfolio of projects.	Awards are made in respect of each development project. No awards will be made to Executive Directors for projects which commence following 1st March 2015. Awards may pay out once a project makes a realised profit. No payments will be made after 1st March 2018. 50 per cent of the payment is made in cash or shares at the time profit is realised. The remaining 50 per cent is deferred until the end of the financial year and paid in cash or shares at this point.	The maximum aggregate pool available for distribution to Executive Directors and the wider team is 10 per cent of the realised profit above a hurdle for each development project.	Payments are only made under this plan once profit has been realised on a development above a threshold return (a notional cost of equity). Losses attributable to other projects in which a Director has been made an award are also taken into account when calculating payments to ensure that participants are incentivised to mitigate losses while maximising project profits. This calculation is at the Committee's discretion and will not apply in respect of certain legacy awards and projects. Where unrealised losses are deducted in the calculation but a profit is subsequently recognised a balancing payment may be made.

Policy table for Executive Directors continued

PURPOSE OF COMPONENT AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE MEASURES
Additional profit plans Designed to incentivise all Executive Directors in the principal activities of the Group, namely development and the investment portfolio.	There are no subsisting awards under either the Strategic Profit Plan or the Investment Growth Plan. No further awards will be made to Executive Directors under these two plans.		
Performance Share Plan (PSP) Incentivises and rewards Executive Directors for the sustainable creation of shareholder value over the longer term.	An award of nil-cost options or contingent shares made on an annual basis. No awards will be made to Executive Directors under the Performance Share Plan from 1st March 2015. The awards vest subject to the achievement of performance targets over a three year performance period. Dividend equivalents may be paid on awards up to the point of vesting.	200 per cent of base salary as set out in the plan rules. In practice, awards of 75 per cent of salary and 50 per cent of salary have been made to the Chief Executive and other Executive Directors respectively.	Awards vest based on relative TSR performance and NAV per share growth over the performance period. The performance measures are equally weighted for all outstanding awards. The Committee may change or waive a performance condition in accordance with its terms or if anything happens which causes the Committee reasonably to consider it appropriate to do so. For threshold levels of performance, 25 per cent of the award vests with 100 per cent of the award vesting for maximum performance.

Notes to the policy table

Application of Policy

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy set out above where the terms of the payment were (i) agreed before the Policy came into effect; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and an award of shares or cash is 'agreed' at the time the award is granted.

Discretion

The Committee will operate the LTIP, PSP and DPP in accordance with the relevant plan rules. In particular, the Committee retains discretion on the operation and administration of these plans as follows:

- Dividend equivalents may be paid on awards up to the point of vesting including on a reinvested basis;
- While LTIP and PSP awards will normally be delivered in shares, the Committee may settle an award in cash; and
- In the event of a variation of the Company's share capital, a demerger, special dividend or distribution or any other corporate event which, in the Committee's opinion might affect the current or future value of awards, the Committee may adjust the number of shares, the exercise price and the performance condition.

Awards may be amended in accordance with the rules approved by shareholders.

Payment in shares

Where cumulative payments under the Development Profit Plan exceed £1.0m in one financial year, two-thirds of the payments above £1.0m will be made in shares which the Director is expected to hold for at least two years. This will apply if the Director's shareholdings are less than two times salary.

The Committee may increase the level of share deferral for incentives at any time.

Takeover or other corporate event

For outstanding LTIP and PSP awards, on a takeover or other corporate event, generally the performance period will end on the date of the event. The Committee will determine vesting having regard to the extent to which performance conditions have been achieved at this point taking into account any other factors they consider relevant. Awards will generally vest on a time pro-rata basis taking into account the shortened performance period, unless the Committee determines otherwise. Awards subject to a holding period will be released as part of the transaction.

Alternatively, outstanding LTIP and PSP awards may be subject to rollover, with the agreement of the acquiring company.

Other corporate events may include (but are not limited to) a demerger, delisting, distribution (other than an ordinary dividend), reverse takeover and merger by way of dual listing.

Under the DPP, on a takeover, the Committee can bring forward award payments. The amount of the payments will not exceed the bonus pool and, subject to that, are determined by the Committee on the basis of estimated profits.

Minor changes

The Committee may make minor amendments to the Policy set out in this Report (for example for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for the amendment.

Performance measures and target setting

Annual bonus

The Committee has always taken a somewhat different approach to the annual bonus compared to our competitors, in that the annual bonus has never been formulaically driven by the annual financial results but reflects a measure of annual performance in the context of the length of the property cycle. The annual bonus is designed to reward Executive Directors for the successful execution of the four main drivers of shareholder value creation.

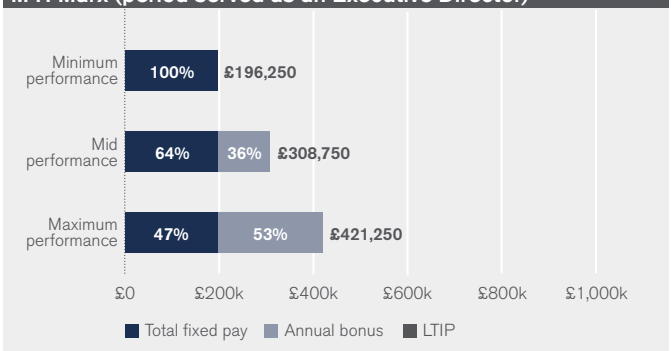
Long-term incentive plan

The Company's overarching objective is to build shareholder value over the long-term. Following a review of our incentive arrangements, for awards made in 2015, the Long-Term Incentive Plan will measure the Company's NAV per share growth over three and four years. This will ensure that Directors are closely aligned to the shareholder experience as our NAV per share growth performance is a key indicator of the performance of the business and is closely related to share price performance.

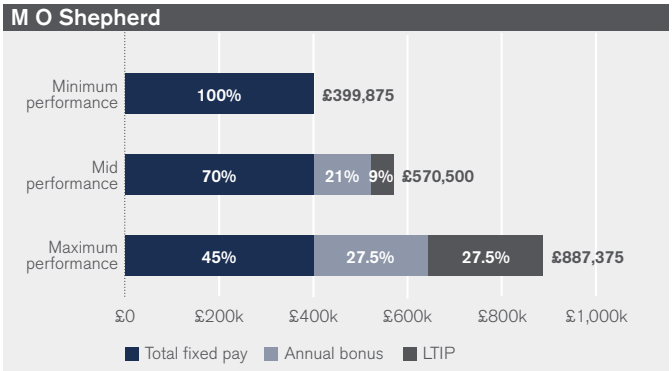
Targets are positioned at a level which the Committee considers to be stretching but which do not incentivise a change in our risk approach.

Illustrations of Remuneration Policy.
Illustrations of the Remuneration Policy applying from 1st March 2015 are provided below. These reflect the intended operation of the new policy in the first year.

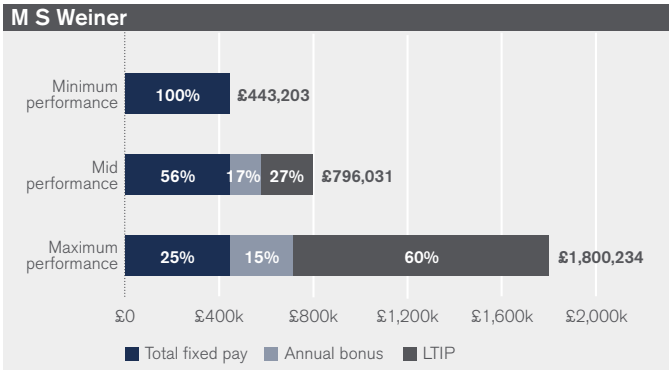
M H Marx (period served as an Executive Director)



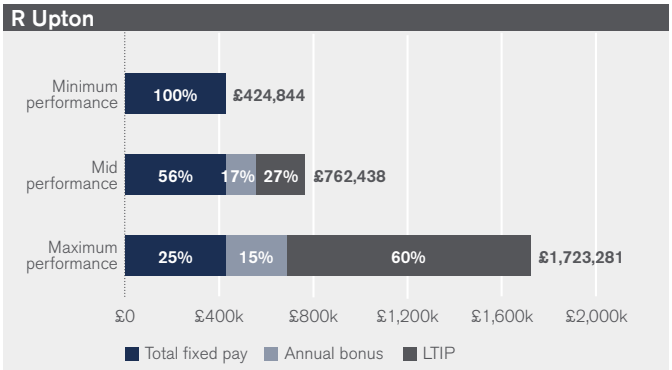
M O Shepherd



M S Weiner



R Upton



The assumptions used for these charts are as follows:

	LEVELS OF PERFORMANCE	ASSUMPTIONS
Fixed pay	All scenarios	— Total fixed pay comprises base salary, benefits and pension. — Base salary – for the 2015/16 financial year. — Benefits – amount received by each Executive Director for the financial year ended 28th February 2015 as per single figure table on page 91. — Pension – 17.5 per cent base salary pension contributions.
Variable pay	Minimum performance	— No payout under the annual bonus. — No vesting under the Long-Term Incentive Plan.
	Mid performance	— 50 per cent of the maximum payout under the annual bonus. — 20 per cent vesting under the Long-Term Incentive Plan.
	Maximum performance	— 100 per cent of the maximum payout under the annual bonus. — 100 per cent vesting under the Long-Term Incentive Plan.

LTIP awards have been shown at face value with no dividend, share price growth or discount rate assumptions. Payments relating to legacy DPP and PSP awards made in respect of previous financial years are also excluded.

Award levels reflect a 300 per cent of salary award for M S Weiner and R Upton and a 75 per cent of salary award for M O Shepherd.

Differences in Remuneration Policy for Executive Directors compared with other employees
As for our Executive Directors, a sizeable proportion of employee pay is dependent on Company, team and individual performance. All employees participate in the annual bonus, with the weighting of individual and corporate measures dependent on an individual's role and their ability to directly influence the Company's results.

Individuals below the Board who are involved in the organisation and management of our development and trading projects may be invited to participate in the DPP as appropriate. While this plan is to be discontinued for Executive Directors with effect from 1st March 2015, it is intended that it will continue to operate below the Board to ensure that individuals at this level are rewarded for profit realisation from development projects.

Policy table for Non-executive Directors

COMPONENT	THE COMPANY'S APPROACH
Chairman fees	— Comprises an all-inclusive fee for all Board and Committee responsibilities. — Determined by the Remuneration Committee and approved by the Board.
Non-executive Director fees	— Comprises a basic fee in respect of their Board duties. — Further fees may be paid in respect of additional Board or Committee duties. — Recommended by the Chairman and Chief Executive and approved by the Board.

Expenses incurred in the performance of Non-executive Directors' duties may be reimbursed or paid for directly by the Company, including any tax due on those expenses.

No Director plays a role in determining their own remuneration. Fees for all Non-executive Directors are set at a level sufficient to attract and retain individuals with the required skills, experience and knowledge to allow the Board to carry out its duties. The fees set out above are the sole element of Non-executive Director remuneration. They are not eligible for participation in the Company's incentive or pension plans.

The fees are set within the aggregate limits set out in the Company's Articles of Association and approved by shareholders.

Approach to remuneration on recruitment

The Committee will apply the following principles on the recruitment of a new Executive Director:

— Although the Company operates in a highly competitive market for talent, the Committee is mindful of the need to avoid paying more than is necessary on recruitment;
— The package of a new Executive Director would, so far as practical, be aligned with the Policy set out in the table on pages 81 to 85;
— Salaries would reflect the skills and experience of the individual, and may be set at a level to allow future salary progression to reflect performance in the role. For interim positions a cash supplement may be paid rather than salary (for example a Non-executive Director taking on an executive function on a short-term basis);
— It would be expected that the structure and quantum of the variable pay elements would reflect those set out in the policy table on pages 81 to 85. However, at recruitment, the Committee may flex the balance between annual and long-term incentives and the measures used to assess performance; and
— Variable pay on recruitment (excluding buy-outs) would be subject to the maximums in line with the ongoing incentive policy maximums set out in the policy table on pages 81 to 85 being 150 per cent of salary for annual bonus and 300 per cent of salary for the LTIP.

In the event that an individual is internally promoted to the Board (including if an Executive Director is appointed following an acquisition or merger), the Company would normally honour all legacy arrangements in line with their original terms.

Buy-outs

To facilitate recruitment, the Committee may make compensatory payments and/or awards for any remuneration arrangements subject to forfeit on leaving a previous employer. Any buy-out would take into consideration the terms of the arrangement being forfeited and would take into account all relevant factors such as the form, expected value, performance conditions, anticipated vesting and timing of the forfeited remuneration. There is no limit on the value of such awards, but the Committee's intention is that the value awarded would be no more than the commercial value forfeited.

Recruitment of Non-executive Directors

On the appointment of a new Chairman or Non-executive Director, remuneration arrangements will be consistent with the Policy set out in this Report.

Service contracts – Executive Directors

The dates of the current contracts in place for the Executive Directors are as follows:

Executive Director	Date of contract
M H Marx	24th June 1994
M O Shepherd	8th October 2012
M S Weiner	17th March 2004
R Upton	19th May 2014

The Executive Directors' service contracts do not specify an expiry date and may be terminated upon twelve months' notice by either the Director or the Company.

In the event of early termination, a payment in lieu of notice may be made which may include salary, pension and benefits.

The Company's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual provisions, the circumstances of termination and any applicable duty to mitigate.

An Executive Director may be hired on a contract that has a longer notice period (up to 18 months) during an initial pre-determined period.

The Chairman and Non-executive Directors have letters of appointment rather than service contracts. Details of the dates of appointment are set out below:

Non-executive Director	Date of appointment
D S Jenkins	1st February 2007
S C Bates	15th January 2010
N H Thomlinson	3rd January 2012
B Bennett	19th May 2014

The Non-executive Directors' appointments are terminable at the will of the parties but are envisaged to establish an initial term of three years, after which they will be reviewed annually.

The notice periods are currently twelve months in the case of the Chairman and six months for other Non-executive Directors.

The Executive Directors' service contracts and the Non-executive Directors' letters of appointment are available at the Company's registered office from the Company Secretary.

Policy on payment for loss of office

Where an Executive Director leaves employment, the Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- The Committee's objective is to find an outcome which is in the best interests of both the Company and its shareholders while taking into account the specific circumstances of cessation of employment;
- The Company may make a contribution towards an Executive Director's legal fees in connection with advice on the terms of their departure;
- The Committee may make an annual bonus payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual and the Company's performance up to cessation. Any such payment is at the discretion of the Committee;
- The treatment of outstanding share awards will be governed by the relevant plan rules as set out in the table below. For the purposes of this table, good leaver reasons include (but are not limited to) cessation due to ill-health, redundancy, retirement, death and any other reason at the discretion of the Committee; and
- If awards are made on recruitment (such as buy-outs) the treatment on leaving would be determined, at that time.

Ongoing plans

PLAN	TREATMENT ON CESSATION OF EMPLOYMENT
Long-Term Incentive Plan	— Unvested awards will normally lapse in full unless a participant is a good leaver. — If the Committee determines that a participant is a good leaver, it will determine the proportion of the award that vests to the extent that any performance condition is satisfied on the vesting date and it will take into account the time elapsed between the start of the performance period and cessation of employment unless it determines otherwise. — The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest early upon cessation of employment or at a later date. In the event of death, awards vest on cessation. — Where options are granted, vested options will typically remain exercisable for twelve months from the date of vesting. In the event of death awards remain exercisable for 24 months. — Where an individual leaves during the holding period of an award, the award will usually be released at the normal time, except in the case of death or if the Committee dis-applies the holding period. In the event of an individual's dismissal for misconduct during the holding period, all awards will lapse.
LEGACY PLANS	
Development Profit Plan	— Awards will normally lapse in full unless a participant is a good leaver. — If a participant is treated as a good leaver and ceases employment before the bonus is paid, the Committee may decide that some, or all, of the participant's bonus is paid to him at the same time as they are paid to other participants.
Performance Share Plan	— Awards will normally lapse in full unless a participant is a good leaver. — If the Committee determines that a participant is a good leaver, it will determine the proportion of the award that vests, normally taking into account the achievement of the relevant performance conditions at the vesting date and the time elapsed between the date of grant and cessation of employment. — The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment. — Where options are granted, vested options will typically remain exercisable for twelve months from the date of vesting. — On death, an award will vest in full on the date of death.
HMRC approved all employee share plans	— In line with the HMRC approved plan rules.

The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations from 1st March 2015 (i) not being in contradiction with the Policy set out in this Report, or (ii) if so, not having been entered into on a date later than 27th June 2012 , in accordance with the relevant legislation.

Consideration of pay and employment conditions elsewhere in the Company

The Committee considers pay and employment conditions elsewhere in the Company when developing policies for Executive Directors. The Committee does not view formal comparison metrics when considering policy. However, the Committee is kept updated and has input into the remuneration decisions for the wider employee population. For example, the Committee will typically review the annual bonuses for all employees.

Consideration of shareholder views

The Committee takes an active interest in shareholder views on remuneration. The Remuneration Policy presented to shareholders has been shaped by dialogue with our shareholders who universally requested that we simplify arrangements and align them more closely with overall Company results. We consulted with many of our major shareholders during 2013, and in 2014 we undertook a significant consultation exercise prior to implementing our new Long-Term Incentive Plan. The proposed structure of our policy is a result of that process.

ANNUAL REMUNERATION REPORT

The remainder of this report provides details of the remuneration for the financial year ended 28th February 2015 and how our Policy will be implemented for the financial year commencing 1st March 2015.

Implementation of Remuneration Policy in the financial year commencing 1st March 2015

The financial year beginning on 1st March 2015 is the first year for which our approved Policy applies. The table below provides an overview of the components of the remuneration framework for all Executive Directors:

Fixed pay	+	Annual bonus	+	LTIP

Transitional arrangements are in place for legacy plans:

- No further awards will be made under the Development Profit Plan. Payments in relation to legacy awards may be made until 1st March 2018.
- No further awards will be made under the Performance Share Plan. Outstanding PSP awards will vest in line with the original time frames, subject to the achievement of performance conditions.

Salary

The salaries which will apply for the financial year beginning 1st March 2015 are set out below:

	1st March 2015 £'000	1st March 2014* £'000	% increase
M H Marx	**400**	400	0.0
M O Shepherd	**325**	325	0.0
M S Weiner	**340**	340	0.0
R Upton	**340**	340	0.0

*or appointment if later

Michael Marx will be stepping down as Chief Executive Officer at the AGM on 14th July, at which point he will become a Non-executive Director of the Company. The salary set out in the table above will therefore be pro-rated up to the close of the AGM. Further information is set out on page 93.

Matthew Weiner will become CEO at the close of the AGM on 14th July, his salary at this time will rise to £375,000.

Richard Upton will become Deputy CEO at the close of the AGM on 14th July, his salary at this time will rise to £350,000.

Retirement benefits

The existing money purchase pension scheme is now closed to future contributions and new joiners. Pensions are provided via a Group Personal Pension Plan. The contribution structure for Executive Directors remains unchanged at 17.5 per cent of salary for the financial year commencing 1st March 2015.

Annual bonus

The annual bonus is based on the performance of the Company during the year, team achievements and the specific contribution of individuals concerned. Payouts are determined principally by the four main drivers for the creation of shareholder value in our business: namely, accurate reading of the economic and market cycles in which we operate; the pipeline of future development projects; active management of the investment portfolio; and the maintenance of the standards of excellence that are embedded within the Company's culture.

The rationale for any bonus payments in respect of the 2015/16 financial year will be explained in the 2016 Remuneration Report.

Annual bonus opportunities for the financial year beginning 1st March 2015 are shown below. Bonus amounts above target are held as shares for a period of two years.

	On-target bonus for year as percentage of salary %	Maximum bonus for year as a percentage of salary %
M H Marx	75.0	150.0
M O Shepherd	37.5	75.0
M S Weiner	37.5	75.0
R Upton	37.5	75.0

Michael Marx's bonus will be pro-rated to reflect his time served as an Executive Director during the financial year.

Long-Term Incentive Plan

The financial year commencing 1st March 2015 will be the first year that awards will be made under our new LTIP which was approved by shareholders at our 2014 AGM.

Awards of 300 per cent of salary will be made to Matthew Weiner and Richard Upton. Marcus Shepherd will receive an award of 75 per cent of salary in the year 2015/16, which is intended to increase to 100 per cent in 2016/17 to reflect an increased scope in responsibilities.

Awards will be subject to Development Securities PLC's NAVps growth (including dividends), 50 per cent measured over a three year period and 50 per cent measured over a four year period as outlined below:

	Targets at year three and four	Three year cumulative targets	Four year cumulative targets
Threshold vesting (20% of maximum)	5.0% p.a.	15.8%	21.6%
Maximum vesting (100% of maximum)	12.0% p.a.	40.5%	57.4%

Pro-rated vesting will occur for performance between these points.

Two-thirds of the award will be subject to an additional holding period, increasing the total of the performance and holding period to five years.

Awards will be subject to a risk underpin. For awards to vest, the Committee must be satisfied that performance has not been achieved as a result of inappropriate financial risk (e.g. very high levels of gearing), and that the level of financial and business risk is in line with the Company's stated strategy.

Clawback and malus

In line with the revised UK Corporate Governance Code, incentive awards made in respect of 2015/16 onwards will be subject to both malus and clawback provisions.

Clawback and/or malus provisions may be applied at the discretion of the Committee if an exceptional event occurs, such as a material misstatement of results, serious misconduct or an error/material misstatement resulting in overpayment.

Malus provisions may also be applied in the event of serious reputational damage to the Company or a material failure of risk management.

Clawback provisions will apply to the annual bonus for up to two years following the payment of cash/shares. For LTIP awards, malus and clawback provisions may be applied for up to five years post-grant.

Transitional arrangements

The new remuneration framework applying from 1st March 2015 involved a significant departure from our historical approach which has been focussed on cash-based profit plans.

As reported last year, to balance fairness to participants and shareholders as well as reflect legacy contractual entitlements, transitional arrangements will apply as outlined below.

Development Profit Plan

While no new awards will be made under this plan, payments in respect of outstanding awards may be made up to 1st March 2018.

Awards become payable once profits have been realised on a development project. The maximum bonus pool available for distribution to Executive Directors and the wider team is 10.0 per cent of the realised profit for each development. This is calculated once a notional cost of equity of 12.5 per cent is deducted, so that the pool generated only relates to profits over and above a threshold return.

In 2013, the concept of netting off was introduced for all projects from August 2009 so that any realised and unrealised losses in respect of an Executive Directors' portfolio will be taken into account when a profit is realised on a project. Projects prior to 2009 and certain other legacy projects are excluded.

Performance Share Plan

Historical awards made under the PSP will continue to run and will vest on their normal vesting date subject to the satisfaction of the required performance conditions.

No further awards will be made to Executive Directors under the PSP.

Savings-related option scheme

The renewal of our Save As You Earn Option Plan was approved by shareholders at our 2014 Annual General Meeting.

Non-executive Directors' fees

Fees for the financial year commencing 1st March 2015 are set out in the table below:

	1st March 2015 £'000	1st March 2014 £'000
Chairman	**105.0**	90.0
Basic fee	**40.0**	40.0
Chairman of Audit or Remuneration Committee	**7.5**	7.5
Membership of Audit or Remuneration Committee	**5.0**	2.5
Senior Independent Director	**5.0**	5.0

Single total figure of remuneration (audited)

Executive Directors		Fees and salary	Benefits*	Pension**	Annual bonus	DPP	PSP	Total
M H Marx	2015	400	20	62	520	–	–	1,002
	2014	400	21	61	400	–	–	882
M O Shepherd	2015	325	18	55	163	–	–	561
	2014	325	18	56	122	–	–	521
C J Barwick	2015	325	19	57	–	51	–	452
	2014	325	19	57	–	424	–	825
M S Weiner	2015	340	18	57	170	1,589	–	2,174
	2014	340	18	58	128	1,328	–	1,872
R Upton***	2015	268	14	47	135	–	–	464
(appointed 19th May 2014)	2014	–	–	–	–	–	–	–
Non-executive Directors								
D S Jenkins (Chairman)	2015	99	–	–	–	–	–	99
	2014	90	–	–	–	–	–	90
S C Bates	2015	56	–	–	–	–	–	56
	2014	55	–	–	–	–	–	55
N H Thomlinson	2015	51	–	–	–	–	–	51
	2014	50	–	–	–	–	–	50
B Bennett****	2015	32	2	–	–	–	–	34
(appointed 19th May 2014)	2014	–	–	–	–	–	–	–

* Benefits received during the year include motor vehicles, cash in lieu of motor vehicle, fuel and medical insurance.
** Pension contributions received during the year include contributions to the Company's approved scheme, cash supplements or waived for additional holiday entitlement.
*** Salary, benefits and pension pro-rated from 19th May 2014 – based on annual salary of £340,000 and 17.5% pension contribution.
**** Non-executive Director fee pro-rated from 19th May 2014 – based on an annual fee of £40,000. Benefit figure relates to the provision of private medical insurance in accordance with a legacy agreement with Cathedral. This benefit is no longer provided.

Incentive out-turns

Annual bonus

The Committee has always taken a balanced and robust approach to the assessment of the annual bonus. The Executive Directors' annual bonuses are determined principally by the four main drivers for the creation of shareholder value in our business namely; accurate reading of the economic and market cycles in which we operate; the pipeline of future development projects; active management of the investment portfolio; and the maintenance of the standards of excellence that are embedded within the Company's culture. The table below provides details of the performance during the year with respect to the four drivers of shareholder value creation which were taken into account in determining bonus awards for 2014/15:

Accurate reading of economic and market cycles

- This was an excellent year for the company, where the successful execution of strategic objectives produced a record level of performance.
- Profit before tax of £34.8 million was achieved, a 78 per cent increase on the prior year and a record level for the Company.
- Activity levels are now considered to be established at an enhanced level with terms of trade attractive in the geographic and operational sectors in which the Company operates.
- During the year, we continued to review the balance sheet to maintain a disciplined capital structure. The level of net debt remained low at 36.3 per cent (excluding share of debt with joint ventures).

Pipeline of future development projects

- The acquisition of Cathedral was a strategic step change for the Company.
- Cathedral significantly expanded Development Securities PLC's portfolio of projects as well as enhanced our activities and increased our delivery options (particularly in residential development and public private partnerships).
- This acquisition expanded our capacity to strengthen our pipeline and market share.
- Successful acquisition of six development and trading projects during the year.
- This is in addition to the c.40 development and trading projects that are currently being developed.

Active management of the investment portfolio

- Portfolio now re-established at the £200 million level.
- During the year, we recycled in excess of £40 million out of assets where we had maximised added value and re-invested it into assets with robust long-term income streams, more resilient values and attractive income yields.

Maintenance of standards of excellence

- Leadership following the acquisition of Cathedral to deliver a successful integration of the business.
- Development of the culture and values of the reshaped organisation.

When determining annual bonuses and awards under the DPP there is no 'double-counting'. The contribution of any team or individual performance which leads to awards under the DPP is disregarded for the purpose of the annual bonus.

The annual bonus payments made to Executive Directors in respect of the financial year ended 28th February 2015 are set out in the table below.

	28th March 2015 £'000	28th March 2015 % of maximum
M H Marx	**520.0**	**86.7**
M O Shepherd	**162.5**	**66.7**
C J Barwick	**–**	**–**
M S Weiner	**170.0**	**66.7**
R Upton	**134.5***	**66.7**

* A bonus award of £170,000 was made to Richard Upton pro-rated for the 9.5 months since appointment.

100 per cent of any annual bonus awarded which is above Target will be paid in shares which the recipient must hold for at least two years.

Development Profit Plan

Under the rules of the Development Profit Plan, the following projects realised a profit during the financial year and so payments were made as follows, after netting off as appropriate. Each project was subject to a 12.5 per cent notional cost of equity threshold.

Project	C J Barwick £'000	M S Weiner £'000
Awards granted in previous years that resulted in an award		
Chrome Portfolio*	–	1,099
Rock Portfolio*	–	24
10 Hammersmith Grove*	51	–
Barnstaple – Phase 1**	–	9
Romford (Tollgate House & Market Place)**	–	159
North London office portfolio**	–	199
Tubs Hill House, Sevenoaks***	–	99

* 50% of the award was paid during 2014/15, with the remaining 50% due in 2015/16 following completion of the Group audit.

** Profits were realised towards the end of the 2014/15 financial year. 50% of the award was paid in March 2015. The remaining 50% will be paid in 2016/17 following completion of the Group audit.

*** Profits were realised towards the end of the 2014/15 financial year. 50% of the award was paid in April 2015. The remaining 50% will be paid in 2016/17 following completion of the Group audit.

Performance Share Plan (PSP)

Awards were made under the PSP in 2012 subject to the Company's relative TSR performance and growth in NAV per share over the period 1st March 2012 to 28th February 2015. Development Securities PLC's TSR performance was below the median of the comparator group, the Company's NAVps growth was below the required threshold, therefore the 2012 PSP award lapsed in full.

Awards granted during the year

Development Profit Plan (audited)

The table below sets out awards granted during the year. As explained above, as part of the transitional arrangements, payments may be made under this plan up to 1st March 2018.

Project	M S Weiner % Award
Axis Tower Manchester	6.0
Barnstaple – Phase 1	3.0
Barnstaple – Phase 2	2.0
Barwood – BDSL	7.0
Barwood – BLEL	7.0
Beyond Green – Norwich	6.0
Beyond Green – Pincents Hill	7.0
Burlington House	6.5
Charlemont Clinic	6.5
Colston Tower	5.0
Donnybrook House	6.5
Moreton Woods	3.0
Pembroke Road	5.0
Robswall	5.5
Cathedral Projects	5.0
Chill Factor[e], Manchester	5.0
Rembrandt House, Watford	6.0
Wessex – Marsh Mills	5.0
Wessex – Launceston	2.0
Wind Farms	5.0
Woking	3.5

Performance Share Plan (audited)

On 22nd May 2014, awards were made under the Performance Share Plan as follows:

	Type	Number of shares (% of salary)*	Face value (% of salary)*	Performance conditions	End of performance period	% vesting at threshold
M H Marx	Conditional share award	122,951	75.0	50% relative TSR 50% NAVps growth	28th February 2017	25.0
M O Shepherd		66,598	50.0			

* The face value has been calculated based on the share price at 21st May 2014 of 244p pence per share.

Impact of directorate changes

On 24th November, we announced that Julian Barwick would be stepping down from the Board of Development Securities PLC with effect from 1st March 2015. He will retain his position as a Director of Development Securities (Projects) Ltd, the main development subsidiary of the Group, and will be continuing his employment in that capacity on a reduced time basis.

No payments for loss of office are being made.

From 1st March 2015, Julian will work the equivalent of a three-day week for which he will receive a salary. He will not receive any benefits or pension payments and will not participate in the LTIP. Whilst employed by Development Securities, he may participate in cash incentives on the same basis as other employees.

The treatment of outstanding incentive awards reflects that he continues to be employed by Development Securities, details are set out below:

- No bonus payment will be made in respect of the financial year ending 28th February 2015.
- The existing PSP award granted in May 2013 will continue, subject to the rules of the plan, vesting at the normal vesting date.
- Julian Barwick has some outstanding DPP awards which were made in respect of assets acquired by Development Securities in previous financial periods. Payments are only made under this plan once profits are realised on these assets to ensure alignment with the value delivered to shareholders. As such, payments for legacy DPP awards will be made at the same time as they are made to other participants. In line with our approved Policy, no payments will be made post 1st March 2018.

On 24th February, we announced that Michael Marx will stand down as Chief Executive Officer of the Company with effect from the close of the 2015 Annual General Meeting scheduled to take place on 14th July 2015. Michael will continue in a role as a Non-executive Director of the Company until 29th February 2016, when he will retire as a Director of the Board. From 15th July 2015, Michael will be paid an annual fee of £40,000 pro-rated, which is equivalent to our other Non-executive Directors.

No payments for loss of office are being made.

On 24th February, the Company also announced that Matthew Weiner will replace Michael Marx as Chief Executive Officer of the Company, and Richard Upton will become Deputy Chief Executive of the Company with both changes taking effect from the close of the 2015 Annual General Meeting. At this point, their salaries will rise to £375,000 and £350,000 respectively. No other changes are being made to their remuneration packages.

Executive Directors' shareholdings (audited)

Executive Directors are subject to a shareholding requirement of one half of basic salary within two years of appointment, rising to an amount equivalent to one-times basic salary after four years.

All Directors had met the shareholding threshold under this requirement at the date this report was approved, with the exception of Marcus Shepherd who held 94 per cent of the required threshold. Marcus will be in excess of the required threshold upon completion of the Group audit for the year ended 28th February 2015, when a percentage of his outstanding bonus award will be paid in shares.

From 1st March 2012, the Company introduced an additional shareholding requirement, which operates where significant success is achieved and rewarded via the Company's focussed profit plans. Where payments under the profit plans exceed £1.0 million in a financial year, two-thirds of the payment above £1.0 million will be made in shares. This will apply if the Director's shareholding is less than two-times salary. The amount paid in shares will be subject to a two-year retention period.

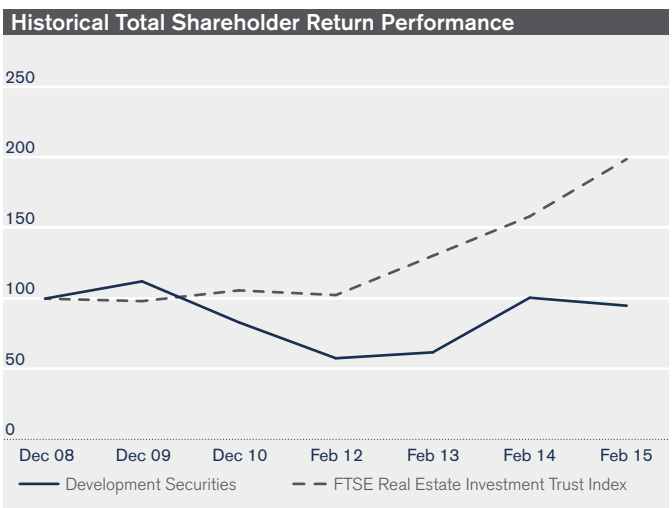
The interests of all the Directors (together with interests held by his or her connected persons), all of which are beneficial, in the share capital of the Company, are:

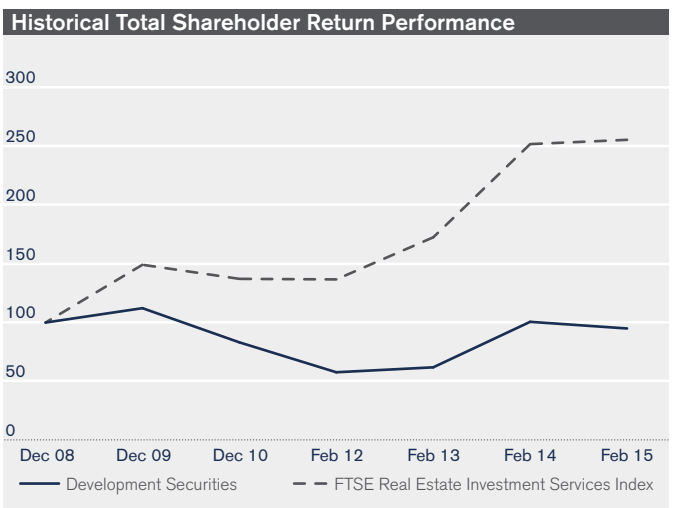
Executive Directors	**Shares owned outright as at 28th February 2015***	% of shareholding guideline achieved**	Interest in shares/options subject to performance	Interest in shares/options subject to continued employment only
M H Marx	**577,031**	364	279,201	–
M O Shepherd	**60,390**	94	151,233	10,044
C J Barwick	**272,399**	211	84,635	–
M S Weiner	**171,933**	127	88,542	10,044
R Upton	**2,745,716**	4,070	–	–
Non-executive Directors				
D S Jenkins	**34,325**	–	–	–
S C Bates	**45,000**	–	–	–
N H Thomlinson	**20,000**	–	–	–
B Bennett	**15,000**	–	–	–

* Including shares held by connected persons.
** Calculation derived from the market value of 252 pence per share as at 28th February 2015.

Historical Total Shareholder Return performance

The graphs below demonstrate the Company's TSR performance over six financial periods as represented by share price growth plus reinvested dividends, against both the FTSE Real Estate Investment Trust Index and the FTSE Real Estate Investment Services Index. The Company is a constituent of the FTSE Real Estate Investment Services Index, but a number of constituents of the FTSE Real Estate Investment Trust Index are also considered as within the Company's peer group.





Chief Executive Officer's remuneration for previous five years

The table below shows the total remuneration figure for the Chief Executive Officer for the same six year period as the TSR charts on page 94. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum opportunity.

	2009	2010	2012*	2013	2014	**2015**
Single total figure of remuneration (£'000)	767	865	714	487	882	**1,002**
Annual bonus (% of maximum)	80	63	21	–	67	**86.7**
LTIP vesting (% of maximum)	–	–	–	–	–	**–**

* As a result of the change in the Company's year-end, amounts shown for 2012 are in respect of a 14-month period ending 29th February 2012, whereas all the other amounts are in respect of a twelve month financial period.

Percentage change in Chief Executive Officer's remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus, the percentage change in remuneration of the Chief Executive Officer compared to the wider workforce.

	Chief Executive % change	Wider workforce % change
Salary	0.0	7.4
Taxable benefits	3.1	(0.5)
Annual Bonus	25.0	35.5

Relative importance of spend on pay

The following table sets out the overall expenditure on pay and total dividends and share buybacks paid in the year.

	2015	2014	% change
Dividends[1]	**6,989**	5,868	19.1
Special Dividend[1]	**9,995**	–	–
Overall expenditure on pay[2]	**11,926**	8,465	40.89

1 These figures have been extracted from Note 8 to the Accounts on page 125.
2 These figures have been extracted from Note 5 to the Accounts on page 124.

Role and constitution of the Committee

The Committee's full terms of reference are set out on the Company's website *www.developmentsecurities.com* and are available on request from the Company Secretary. Its principal role is to determine the total remuneration of the Executive Directors and to ensure that senior management remuneration is consistent with corporate policy.

Advisors

The Committee sought professional advice from external remuneration consultants Deloitte LLP (who are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting).

The Committee is satisfied that the advice it receives is objective and independent. Deloitte's fees for providing advice to the Remuneration Committee amounted to £90,400. Representatives of Deloitte LLP attended one meeting of the Committee by invitation during the year. Deloitte LLP provided no other services to the Company during the year. In addition, legal support was provided by Linklaters LLP. Linklaters fees for providing advice to the Committee amounted to £21,780. Linklaters LLP are also the Group's principal legal advisor.

Michael Marx, Chief Executive Officer provided advice in respect of the remuneration of the other Executive Directors but was not in attendance when his own remuneration was discussed.

The Remuneration Committee as constituted by the Board

The Committee met five times in the year under review.

Committee members	Considered Independent Non-executive Director	Meetings attended
Nick Thomlinson – Chairman	Yes	5/5
David Jenkins*	–	4/5
Sarah Bates	Yes	5/5

* David Jenkins absented himself from a meeting in respect of the Chairman's fees

Following the Board evaluation process, the effectiveness of the Committee was reviewed and the Committee was considered to be operating effectively. No member has any personal financial interest in the matters to be decided.

Statement of voting at the last AGM

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out the actual voting in respect of the binding and advisory votes to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 16th July 2014:

Resolution	Votes for	% of Vote	Votes against	% of Vote	Votes Withheld
Approve Remuneration Report	100,143,871	97.1	2,991,127	2.9	9,336,271
Approve Remuneration Policy	96,066,754	85.5	16,327,899	14.5	76,616

Incentive awards outstanding at year-end

Details of incentive awards outstanding at the year-end are shown in the tables below:

Performance Share Plan (audited)

	Date of grant	Market price at date of grant Pence per share	28th February 2014 Number of shares	Granted	Lapsed	Exercised	**28th February 2015 Number of shares**	Final vesting date
M H Marx	29.05.12	130.50	227,273	–	(227,273)	–	**–**	28.02.15
	29.05.13	201.00	156,250	–	–	–	**156,250**	29.02.16
	22.05.14	244.00	–	122,951	–	–	**122,951**	28.02.17
C J Barwick	29.05.12	130.50	123,106	–	(123,106)	–	**–**	28.02.15
	29.05.13	201.00	84,635	–	–	–	**84,635**	29.02.16
M S Weiner	29.05.12	130.50	128,788	–	(128,788)	–	**–**	28.02.15
	29.05.13	201.00	88,542	–	–	–	**88,542**	29.02.16
M O Shepherd	29.05.13	201.00	84,635	–	–	–	**84,635**	29.02.16
	22.05.14	244.00	–	66,598	–	–	**66,598**	28.02.17

Options (audited)

	28th February 2014 Number of options	Granted	Lapsed	Exercised	**28th February 2015 Number of options**	Exercise price Pence per share	Market price at exercise Pence per share	Gain on exercise Pence per share	Date from which exercisable	Expiry date
M H Marx										
Savings-related scheme*	5,921	–	–	(5,921)	**–**	152.00	220.55	68.55	01.12.14	31.05.15
M S Weiner										
Executive option scheme 1995	69,382	–	(69,382)	–	**–**	347.50	–	–	19.04.07	18.04.14
Savings-related scheme*	5,921	–	–	(5,921)	**–**	152.00	220.55	68.55	01.12.14	31.05.15
Savings-related scheme*	–	10,044	–	–	**10,044**	179.20	–	–	01.02.18	31.07.18
M O Shepherd										
Savings-related scheme*	–	10,044	–	–	**10,044**	179.20	–	–	01.02.18	31.07.18

* These options are not subject to performance conditions. The options may be exercised after three years at a price not less than 80.0 per cent of the market value of the shares at the time of invitation.

Development Profit Plan (audited)

Awards granted in previous years

Project	C J Barwick % award	M S Weiner % of award
10 Hammersmith Grove, London	3.5	–
328 Sandbanks Road, Dorset	–	6.0
Airport House, Croydon	–	6.5
Braehead	–	6.5
Central London Property, London	2.0	4.0
Chorlton Cross Shopping Centre, Manchester	–	6.0
Cross Quarter, Abbey Wood	–	4.5
Deeley Freed	–	6.0
Friarsgate Shopping Centre, Lichfield	–	1.0
Kensington Church Street, London	–	6.0
Luneside	–	10.0
Market Place, Romford	–	4.0
Morden Wharf	–	6.0
North London Office Portfolio	–	3.0
Percy Place, Dublin	–	6.0
Romford (Tollgate House & Market Place)	–	4.0
Shepherd's Bush Market, London	1.0	5.5
South Woodham Ferrers, Essex	–	4.5
Southampton	4.0	–
The Movement, Greenwich	–	7.0
The Old Vinyl Factory, Hayes	–	6.0
The Square, Hale Barns, Cheshire	–	6.5
Tubs Hill House, Sevenoaks	–	4.0
Valentines House, Ilford	–	6.5
Wick Lane Wharf	–	6.0

Awards granted during the year (audited)

Project	M S Weiner % Award
Axis Tower Manchester	6.0
Barnstaple – Phase 1	3.0
Barnstaple – Phase 2	2.0
Barwood – BDSL	7.0
Barwood – BLEL	7.0
Beyond Green – Norwich	6.0
Beyond Green – Pincents Hill	7.0
Burlington House	6.5
Charlemont Clinic	6.5
Colston Tower	5.0
Donnybrook House	6.5
Moreton Woods	3.0
Pembroke Road	5.0
Robswall	5.5
Cathedral Projects	5.0
Chill Factor[e], Manchester	5.0
Rembrandt House, Watford	6.0
Wessex – Marsh Mills	5.0
Wessex – Launceston	2.0
Wind Farms	5.0
Woking	3.5

Approved by the Board and signed on its behalf by:

N H Thomlinson
Chairman of the Remuneration Committee
29th April 2015

The Directors present their report and the audited consolidated financial statements for the financial year ended 28th February 2015.

This report contains forward-looking statements. These statements are not guarantees of future performance, rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments, expressed or implied from the forward-looking statements.

Principal activities
The principal activity of the Company is that of a holding company. The principal activities of the Group during the year were property investment and development, investment and trading.

Incorporation
Development Securities PLC is incorporated in Great Britain and registered in England and Wales, registration number 1528784.

Business review and future developments
A review of the Group's operations, the current state of the business and future prospects, including financial and non-financial key performance indicators and principal risks and uncertainties, is contained within the Strategic Report, and should be read in conjunction with this report. Further details of the financial and non-financial key performance indicators, the principal risks, and the information which comprises the business review as required by Section 417(1) of the Companies Act 2006 may be found in the Strategic Report on pages 1 to 68.

Results and dividends
The profit for the financial year attributable to shareholders amounted to £33,276,000 (28th February 2014: £18,236,000). An interim Ordinary dividend of £2,995,000 representing 2.4 pence per Ordinary share was paid on 27th November 2014 (29th November 2013: £2,934,000 representing 2.4 pence per Ordinary share). A special dividend of £10.0 million representing 8.0 pence per share was paid on 7th April 2015 to shareholders on the register on 6th March 2015. The Board recommends a final Ordinary dividend of 3.5 pence per Ordinary share amounting to £4,373,000 payable on 20 August 2015 to shareholders on the register at 24th July 2015 (22th August 2014: £3,911,000 representing 3.2 pence per Ordinary share). Subject to shareholder approval, this makes a total dividend payment of 13.9 pence per Ordinary share for the financial year, increased from the previous year (2014: 5.6 pence per Ordinary share).

Group structure
Details of the Group's principal subsidiary undertakings are disclosed on page 138.

Operations outside the UK
The Group currently operates or has subsidiaries, associates or joint ventures which are located in The Netherlands, Luxembourg and Ireland.

Share capital
The Company's issued share capital at 28th February 2015 consisted of 124,938,211 Ordinary shares of 50 pence each and 118,792 shares held in treasury which do not have a dividend or voting entitlement. During the period under review the Company allotted 129,383 shares to members of staff in connection with the exercise of options under the Company's Save As You Earn Scheme. A further 14,208 shares were allotted under the Scheme post year-end. These shares were allotted from the block listing maintained in respect of these options. At the date of this Report, 125,071,211 Ordinary shares of 50 pence each have been issued (including 118,792 shares held in treasury) and are fully paid up and are quoted on the London Stock Exchange.

The Company's share capital represents a single class of shares, with all shares ranking equally and fully paid. Details of the share capital are set out in note 20 on pages 149 and 150.

The rights and obligations attaching to the shares are specified in the Company's Articles of Association, or alternatively may be governed by statute. There are no restrictions on the transfer of shares in the Company other than those specified by law or regulation. There are no restrictions on voting rights other than as specified by the Articles of Association.

Three resolutions relating to share capital will be proposed as Special Business at the forthcoming Annual General Meeting. The full text of the resolutions can be found in the Notice of Annual General Meeting. At a General Meeting of the Company, every member has one vote on a show of hands and, on a poll, one vote for each share held. The Notice of General Meeting specifies deadlines for exercising voting rights, either by proxy or being present in person, in relation to the resolutions proposed at the General Meeting.

Purchase of the Company's shares
At the Annual General Meeting held on 16th July 2014, members authorised the Company to make market purchases of up to 12,223,371 of its own Ordinary shares of 50 pence each. That authority expires at the forthcoming Annual General Meeting of the Company in July 2015 when a resolution will put to it to renew it so as to allow purchases of up to a maximum of no more than 10 per cent of the Company's issued share capital. No shares in the Company have been purchased by the Company in the period from 16th July 2014 (the date the current authority was granted) to the date of this Report. The Company currently holds 118,792 shares in treasury.

Change of control
The Company has entered into significant agreements with its commercial partners, which contain change of control clauses and which may give rise to termination or renegotiation in that event. If enforced, the Company may be deprived of potential future earning capacity from such schemes. The Company is party to a number of committed bank facilities which, upon a change of control, are terminable at the banks' discretion. In addition, under such circumstances, the Company's share option schemes would normally vest or become exercisable subject to the satisfaction of the performance conditions.

Corporate Governance
The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 69 to 79 of the Annual Report. The Corporate Governance Report forms part of this Report and is incorporated into it by cross-reference.

Share option schemes
On 22nd December 2014, a grant was made under the Save As You Earn Option Plan 2005 for a total of 321,275 options over shares at 179.2 pence per share to 57 members of staff. All employees of the Company are eligible to participate in the Save As You Earn Option Plan. Further details of the share option schemes are contained on pages 149 to 150 and in the Remuneration Report on pages 80 to 97.

Directors

The Directors serving during the year and up to the date of signing the Group financial statements were as follows:

D S Jenkins	Chairman
M H Marx	Chief Executive Officer
M O Shepherd	Finance Director
C J Barwick	Executive Director (resigned with effect from 1st March 2015)
M S Weiner	Executive Director
R Upton	Executive Director (appointed 19th May 2014)
S C Bates	Independent Non-executive Director
N H Thomlinson	Independent Non-executive Director
B J Bennett	Non-executive Director (appointed 19th May 2014)

Brief biographical details of the Directors are shown on pages 70 and 71.

All Directors will retire at the 2015 Annual General Meeting and, being eligible, will offer themselves for re-election. The Directors are voluntarily offering themselves for re-election as a matter of best practice in accordance with the UK Corporate Governance Code. Following the performance evaluation of the Board, all Directors were judged to have made a significant contribution to the Board's deliberations, reflecting their commitment to the role. The rules that the Company has governing the appointment and replacement of Directors are contained in its Articles of Association.

Conflicts of interest

Under the Companies Act 2006, a Director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Directors are required to submit any potential or actual conflicts of interest they may have with the Company to the Board for approval. No conflicts of this sort have arisen during the year under review.

Directors' service contracts and interests in the Company's shares

The details of Directors' service contracts and the interests in the shares of the Company of the Directors who were in office as at 28th February 2015 are disclosed in the Remuneration Report on pages 80 to 97.

None of the Directors had any material interest in any contract that was significant in relation to the Group's business at any time during the year, other than a service contract, and as disclosed in the Remuneration Report.

Related party transactions

Related party transactions between the Directors and the Company are set out in note 27 on page 154.

Directors' and officers' liability insurance

Article 153 of the Company's Articles of Association provides, among other things, that, insofar as permitted by law, every Director shall be indemnified by the Company against all costs, charges, expenses, losses or liabilities incurred in the execution and discharge of the Directors' duties, power or office. The Company maintains, at its expense, a Directors' and Officers' liability insurance policy at an adequate level which is reviewed annually. This insurance policy does not provide cover where a Director or Officer is proved to have acted fraudulently or dishonestly.

This third party indemnity insurance was in force during the financial year and also at the date of approval of the financial statements.

Articles of Association

The Articles of Association may be amended by a special resolution of the shareholders.

Annual General Meeting

The Annual General Meeting will be held on 14th July 2015 at 12.00 noon on the 14th Floor, Portland House, Bressenden Place, London SW1E 5DS.

At the Annual General Meeting, the following resolutions will be proposed:

Ordinary Resolution 1 – Report and Accounts

The Directors will present the financial statements and Reports of the Directors and Auditors for the financial year ended 28th February 2015.

Ordinary Resolution 2 – To approve the Directors' Remuneration Report

In accordance with the directors' remuneration reporting regime as set out in Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Company's 2015 Directors' Remuneration Report comprises the Remuneration Committee Chairman's Annual Statement, the Annual Report on Remuneration (the Annual Remuneration Report) and the Directors' Remuneration Policy (the Policy).

The Directors' Remuneration Policy was approved by shareholders at the 2014 AGM and took effect from 1st March 2015. The Policy is subject to a shareholder vote at least once every three years and, subject to any proposed changes being required, will next be laid before shareholders for approval at the AGM in 2017. The Company is not able to make remuneration or loss of office payments to a current or past Director, unless the payment is consistent with the approved Policy or has been otherwise approved by shareholders.

Resolution 2 seeks shareholder approval for the Annual Remuneration Report. This is set out on pages 80 to 97 of the Directors' Report and financial statements and sets out details on how our Directors were paid in the financial year ended 28th February 2015 and how their pay will be structured in the financial year ended 29th February 2016. The Annual Remuneration Report will be prepared on an annual basis and is subject to an advisory shareholder vote.

Ordinary Resolutions 3 to 10 – Re-election of Directors

The Directors seek to maintain the highest standards of corporate governance and, in accordance with the recommendations of the UK Corporate Governance Code, all of the Directors will voluntarily retire and those wishing to serve again shall submit themselves for re-election by the shareholders at the Annual General Meeting. The Chairman is satisfied that, following individual formal performance evaluations, the performance of the Directors standing for re-election continues to be effective and demonstrates commitment to the role. The Nomination Committee has considered each of the Non-executive Directors seeking re-election and concluded that their collective background, skills, experience, independence and knowledge of the Company enables the Board and Committees to discharge their respective duties and responsibilities effectively. The workings of the Board and Committees are more particularly detailed in the Corporate Governance Report on pages 69 to 79. Biographical details of all the Directors appear on pages 70 and 71 of the Annual Report.

Ordinary Resolution 11 – Declaration of final dividend

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 3.5 pence per Ordinary share is recommended by the Directors for payment to shareholders who are on the register at the close of business on 24th July 2015.

Ordinary Resolutions 12 and 13 – Re-appointment and remuneration of auditor
Resolutions 12 and 13 propose the re-appointment of PricewaterhouseCoopers LLP as Auditor of the Company and authorise the Directors to set their remuneration.

Special Resolution 14 – Authority to purchase own shares
The Company is seeking authority to purchase up to 10.0 per cent of the Company's issued Ordinary share capital at, or between, the minimum and maximum prices specified in this Resolution. This power would only be used after careful consideration by the Directors, having taken into account market conditions prevailing at that time, the investment needs of the Company, its opportunity for expansion and its overall financial position. The Directors have no present intention of making any market purchases of the Company's shares, but if they believed such action to be in the best interests of shareholders and would enhance net assets or earnings per share, they would consider exercising their authority. As at 28th April 2015 (being the latest practicable date prior to publication of the Notice of Annual General Meeting), the Company has an unexpired authority to repurchase 12,223,371 Ordinary shares of which 12,223,371 Ordinary shares remain outstanding.

As at 28th April 2015 (being the latest practicable date prior to publication of the Notice of the Annual General Meeting), the total number of options to subscribe for shares in the capital of the Company was 321,985 (approximately 0.26 per cent of the Company's issued share capital and approximately 0.29 per cent of the Company's issued share capital if the full authority proposed by Resolution 14 was used).

Under the Companies Act 2006, the Company is allowed to hold its own shares in treasury following a buyback, instead of cancelling them. Such shares may be resold for cash or used for the purpose of employee share schemes, but all rights attaching to them, including voting rights and any right to receive dividends, are suspended whilst they are held in treasury. Accordingly, if the Directors exercise the authority conferred by Resolution 14, the Company will have the option of holding these shares in treasury, rather than cancelling them. The authority sought at the Annual General Meeting will expire at the conclusion of the next Annual General Meeting of the Company or on 1st September 2016 (being the latest date by which the Company must hold an Annual General Meeting in 2016). The Company currently holds 118,792 shares in treasury.

Ordinary Resolution 15 – Allotment of shares
The Directors may only allot Ordinary shares or grant rights over Ordinary shares if authorised to do so by shareholders. The authority granted to the Directors at the Company's previous Annual General Meeting in 2014 to allot shares or grant rights to subscribe for, or convert any securities into shares is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, the Directors will be seeking new authority under Section 551 of the Companies Act 2006 to allot shares (including treasury shares) or grant rights to subscribe for, or to convert any security into shares, which will expire at the conclusion of the next Annual General Meeting of the Company or on 1st September 2016 (being the latest date by which the Company must hold an Annual General Meeting in 2016).

If passed, paragraph (a) of Resolution 15 would give the Directors authority to allot Ordinary shares or grant rights to subscribe for, or convert any security into, Ordinary shares up to an aggregate nominal amount of £20,823,320 representing approximately one third (33.33 per cent) of the Company's issued Ordinary share capital (excluding shares held in treasury) and calculated as at 28th April 2015 (being the last practicable date prior to publication of the Notice of the Annual General Meeting). In accordance with the latest institutional guidelines issued by the Association of British Insurers (ABI), paragraph (b) of Resolution 15, if passed, would give the Directors authority to allot further shares in connection with a fully pre-emptive offer by way of a rights issue to shareholders up to a further aggregate nominal amount of £20,823,320, representing approximately one third (33.33 per cent) of the Company's issued Ordinary share capital (excluding shares held in treasury) and calculated as at 28th April 2015 (being the last practicable date prior to publication of the Notice of the Annual General Meeting). As at 28th April 2015 (being the last practicable date prior to publication of the Notice of the Annual General Meeting), the Company held 118,792 shares in treasury which represent approximately 0.10 per cent of the total Ordinary share capital of the Company in issue (excluding shares held in treasury).

The Directors are currently giving consideration to the possible exercise of this authority. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise. Accordingly, the Directors intend to renew this authority annually.

Special Resolution 16 – Disapplication of pre-emption rights
Under Section 561(1) of the Companies Act 2006, if the Directors wish to allot any shares and other relevant securities, grant rights over shares, or sell treasury shares for cash (other than in connection with an employee share scheme), they must in the first instance offer them to existing shareholders in proportion to their holdings. The Directors seek authority to renew the disapplication of shareholders' pre-emptive rights. The purpose of paragraph (i) of Resolution 16 is to authorise the Directors to allot any shares pursuant to the authority given by paragraph (a) of Resolution 15 for cash either (a) in connection with a pre-emptive offer or rights issue or (b) otherwise up to an aggregate nominal value of £3,126,780 (being equivalent to 5.0 per cent of the total issued Ordinary share capital of the Company as at 28th April 2015 (being the latest practicable date prior to publication of the Notice of the Annual General Meeting)) and which includes the sale on a non pre-emptive basis of any shares held in treasury, in each case without the shares first being offered to existing members in proportion to their existing holdings.

The purpose of paragraph (ii) of Resolution 16 is to authorise the Directors to allot any shares pursuant to the authority given by paragraph (b) of Resolution 15 for cash in connection with a rights issue without the shares first being offered to existing members in proportion to their existing holdings. This is in line with corporate governance guidelines issued by the Pre-emption Group. The Board considers the authority sought to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions. The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5 per cent of the total issued Ordinary share capital of the Company within a rolling three-year period without prior consultation with shareholders.

Special Resolution 17 – Notice period for general meetings
The Companies (Shareholders' Rights) Regulations 2009 increased the notice period for general meetings of a company to 21 clear days unless shareholders approve a shorter period, which cannot be less than 14 clear days.

At the Annual General Meeting of the Company held on 16th July 2014, shareholders authorised the calling of general meetings, other than an Annual General Meeting, on not less than 14 clear days' notice. Resolution 17 seeks the approval of shareholders to renew the authority to be able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. The shorter notice period would not be used as a matter of routine for general meetings, but only

where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. If the proposals at a given meeting are not time sensitive, the Company will not normally use the shorter notice period. The approval will be effective until the Company's next Annual General Meeting, when it is expected that a similar resolution will be proposed. It should also be noted that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Ordinary Resolution 18 – Political donations

Part 14 of the Companies Act 2006, amongst other things, prohibits the Company and its subsidiaries from making political donations or from incurring political expenditure in respect of a political party or other political organisation or an independent election candidate unless authorised by the Company's shareholders. Aggregate donations made by the Group of £5,000 or less in any twelve-month period will not be caught.

Neither the Company nor any of its subsidiaries has any intention of making any political donation or incurring any political expenditure. However, the Companies Act 2006 defines 'political organisation', 'political party', 'political donation' and 'political expenditure' widely. Accordingly, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the Companies Act 2006 through the undertaking of routine activities, which would not normally be considered to result in the making of political donations and political expenditure being incurred.

The Resolution authorises the Company and its subsidiaries to:

- make political donations to political parties or independent election candidates, not exceeding £10,000 in total;
- make political donations to political organisations, other than political parties, not exceeding £10,000 in total; and
- incur political expenditure, not exceeding £10,000 in total, provided that the aggregate amount of any such donations and expenditure shall not exceed £10,000 during the period beginning with the date of the passing of the Resolution and ending on the date of the Company's next Annual General Meeting.

Financial risk management

Disclosures in respect of financial risk management objectives and exposures are set out in note 18 d) to the financial statements on pages 145 to 148.

Financial instruments

Details of the financial instruments used by the Group and the Company are set out in note 18 to the accounts on pages 140 to 148.

Charitable and political donations

Charitable donations during the year were £46,411 (28th February 2014: £38,210). The Group supported a number of charities serving the community in which the Group operates. These included national and local charitable organisations and covered a wide range of causes including education, public services, community support schemes and events organised on behalf of major charities.

Significant shareholdings

At the date of this Report, the Directors have been notified of the interests in 3.0 per cent or more of the Company's issued share capital shown in the following table. These interests were notified to the Company pursuant to Disclosure and Transparency Rule 5.

	Shares	%
Aberdeen Asset Management plc	21,643,339	17.34
FIL Limited	14,883,732	12.17
Blackrock, Inc.	13,384,761	10.72
Schroders plc	7,112,080	5.69
F&C Asset Management plc	5,875,946	4.71
Ameriprise Financial, Inc.	5,722,553	4.68

Human rights

This Report does not contain information about any policies of the Company in relation to human rights issues since it is not considered necessary for an understanding of the development, performance or position of the Group's business activity due to the existing regulatory requirements in the UK. The Company does have policies which adhere to internationally proclaimed human rights principles.

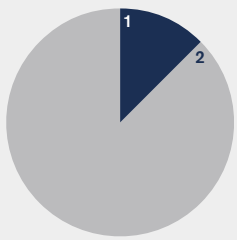
In the year to 28th February 2015, the Group is not aware of any incident in which the Group's activities have resulted in an abuse of human rights.

Employees

The Board acknowledges the importance of diversity in all forms and is committed to the principle of equal opportunity in employment. Current and potential employees are offered the same opportunities regardless of gender, race, colour, religion, nationality, ethnic origin, age, sexual orientation, marital status or disability. It is the Group's policy to apply best practice in the employment of disabled people, including, wherever possible, the retraining and retention of staff who become disabled during their employment.

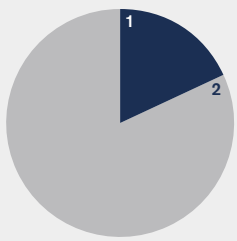
As at 28th February 2015, gender diversity within the Company was as follows:

Gender diversity



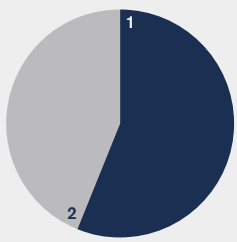
Board

1. Female	1 (12.5%)
2. Male	7 (87.5%)



Senior Management

1. Female	4 (18.2%)
2. Male	16 (81.8%)



Total Workforce

1. Female	76 (56.3%)
2. Male	59 (43.7%)

Employee engagement

The Group recognises the importance of the involvement of its employees and keeps them regularly informed on matters affecting them through various media, including display of notices in communal areas, memoranda and emails, presentations, meetings and the Company's website.

It is the Directors' belief that employees are instrumental in the continued improvement in the Group's performance and they are committed to encouraging and facilitating the continuing professional development of employees to ensure they are equipped to perform their particular roles. Training and development is provided and available to all employees.

The Company operates a number of share option schemes which seek to incentivise and reward employees for the sustainable creation of shareholder value over the longer term.

Independent auditors

Our auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The Board, on the advice of the Audit Committee, recommends their re-appointment, and a resolution that they be re-appointed will be proposed at the forthcoming Annual General Meeting.

Post balance sheet events

Details of events which have occurred since 28th February 2015 and up to the date of this report are disclosed in note 29 to the financial statements on page 156.

Greenhouse gas emissions

The Company has reported greenhouse gas (GHG) emissions in line with the requirements set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Company's GHG emissions are reported based on an operational control boundary for sources of emissions falling within the Group's Consolidated financial statements. The reporting period for GHG emissions is 1st March 2014 to 28th February 2015, which aligns with the financial reporting year covered by the Directors' Report.

The Company has used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and Defra GHG Conversion Factors for Company Reporting 2014, for the financial year ending 28th February 2015 to calculate its GHG emissions.

Greenhouse Gas (GHG) Emissions Scope (tCO_2e)	**Reporting year ended 28th February 2015**	Reporting year ended 28th February 2014
Scope 1[a,b,d]	**46**	193
Scope 2[c,d]	**733**	1,358
Total	**779**	1,551

a Scope 1 covers emissions from direct combustion of fuel from operation of properties and Company owned vehicles.
b Fugitive emissions data from use of air conditioning was not available for this report. In the absence of data it was considered that a reasonable estimation could not be calculated based on the limited information available.
c Scope 2 covers emissions from electricity purchased for own use. There were no purchases of heat, steam and cooling for own use in the reporting period.
d Where gas/electricity consumption data was not available to cover all months of the reporting period, an estimation of the emissions has been calculated using an average of gas/electricity consumption from the available data for properties within the reporting scope.
This method of estimation was applied to approximately 50 per cent of properties in scope.

An intensity ratio of GHG emissions per square foot of investment property managed and property occupied by the Company is reported.

Intensity Ratio (tCO_2e/sq.ft)	**Reporting year ended 28th February 2015**	Reporting year ended 28th February 2014
GHG emissions per square foot	**0.001**	0.002

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

1. So far as he/she is aware, there is no relevant audit information of which the Group's auditors are unaware; and

2. He/she has taken all the steps that he/she ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:

Chris Barton
Company Secretary
29th April 2015

Report on the Group financial statements

Our opinion

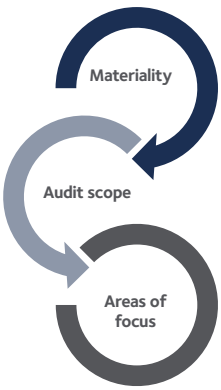
In our opinion, Development Securities PLC's Group financial statements (the "financial statements"):
— give a true and fair view of the state of the Group's affairs as at 28th February 2015 and of its profit and cash flows for the year then ended;
— have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
— have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Development Securities PLC's financial statements comprise:
— the Consolidated Balance Sheet as at 28th February 2015;
— the Consolidated Statement of Comprehensive Income for the year then ended;
— the Consolidated Statement of Changes in Equity for the year then ended;
— the Consolidated Cash Flow Statement for the year then ended; and
— the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach



Overview

Materiality
— Overall Group materiality: £4.8 million which represents 0.75 per cent of total assets.
— Specific materiality of £1.3 million has been calculated being 5.0 per cent of the profit before tax excluding investment property valuation movements and profits on disposal of investment properties.

Scope
— The Group team carries out the work on all the components of the Group and the consolidation for the purposes of the Group audit.

Areas of focus
— Valuation of investment properties due to significance and subjectivity.
— Valuation of development and trading properties due to significance and subjectivity.
— Acquisition and fair value of Cathedral Group due to the complexity in accounting and fair value judgements.
— Recoverability of financial assets due to the subjectivity around recoverability.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment properties The Group's investment properties were valued at £203.3 million as at 28th February 2015 and a revaluation gain of £7.6 million was accounted for under 'Gain on revaluation of property portfolio' in the Consolidated Statement of Comprehensive Income. The portfolio consists of a variety of assets located throughout the UK and Ireland, predominantly retail units and shopping centres. The majority of valuations are carried out by third party valuers in accordance with the RICS Valuation – Professional Standards and IAS 40. A small proportion of the portfolio (£18.4 million) is valued internally by the Directors. There are significant judgements and estimates inherent in the valuation of the Group's investment properties. Where available, the valuations take into account evidence of market transactions	The external valuers used by the Group are DTZ Debenham Tie Leung, Savills Commercial Limited, GVA Grimley Limited and Ryden LLP. We assessed the competence, capabilities and objectivity of the firms and verified their qualifications by discussing the scope of their work and reviewing the terms of their engagements for unusual terms or fee arrangements. Based on this work, we are satisfied that the firms remain independent. We met with the valuers both with management and independently of management and obtained the valuation reports to discuss and challenge the valuation methodology and assumptions. We gained comfort over the property information in the valuation by agreeing a sample of inputs to the underlying property records and accounts held by the Group. Our testing included agreeing rental income, acquisitions and capital expenditure, to supporting documentation.

Area of focus	How our audit addressed the area of focus
for properties and locations comparable to those of the Group's properties. The most significant judgements and estimates affecting all the valuations include yields and estimated rental value ("ERV") growth (as described in note 10 of the Consolidated Financial Statements). Yields and ERVs have moved favourably, with London and the South East seeing a significant improvement in the market during the year. The remainder of the UK has witnessed modest growth from the prior year. The revaluation gain was also impacted by new lettings at individual assets. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in material misstatement, is why we have given specific audit focus and attention to this area. (Refer also to note 10 to the financial statements.)	We found that yield rates and ERVs were predominantly consistent with comparable benchmarking information for the locations of the assets and assumptions appropriately reflected available comparable market transactions. Where assumptions did not fall within our expected range, we assessed whether additional evidence presented in arriving at the final valuation was appropriate, and, whether this was robustly challenged by the external independent valuers. We were satisfied that variances were predominantly due to property specific factors such as new lettings at higher rents or capital improvements to the properties. We discussed the valuation and the related gain in the year with management regarding the movements that were outside of our initial independently formed expectations and found that they were able to provide explanations and refer to appropriate supporting evidence.
Valuation of development and trading properties The Group's development and trading properties were valued at £217.4 million as at 28th February 2015. These properties are held at the lower of cost and net realisable value, in accordance with IAS 2 – Inventory. As qualifying costs are incurred on existing developments, these are added to the asset balance. The portfolio consists of a variety of assets located throughout the UK and Ireland, and includes certain assets acquired prior to the economic downturn of 2008, which could indicate a higher risk that the carrying value is lower than net realisable value. The UK property market has improved during the year, reducing the risk of impairment across the portfolio due to market conditions. However, a change in conditions for specific assets or a relatively small percentage change in the market could result in a material impact to the financial statements. (Refer also to note 15 to the financial statements.)	Management performed an assessment of the net realisable value by producing and reviewing development appraisals for each individual property. We assessed the competence and capabilities of management and are satisfied that the individuals are sufficiently qualified. We met with management to understand the status and future plans for each asset and challenge the key assumptions inherent in the appraisals. We sensitised cost and revenue assumptions on significant developments, and compared assumptions to readily-available market data and recent comparable market transactions. Where applicable due to the advanced stage of the development, we also agreed third party documentation supporting the book value through a review of pre-letting agreements, forward sales, quantity surveyor cost to complete estimates, board minutes and planning consent forms. Based on the work performed, we were satisfied that development and trading properties were valued in accordance with the Group Accounting Policies.
Acquisition and fair value of Cathedral In May 2014, the Group acquired 100 per cent of the issued shares in Cathedral Group (Holdings) Limited, Cathedral Special Projects (Holdings) Limited and Cathedral (ESCO) Limited and 95 per cent of the shares issued in Deadhare Limited. The Cathedral Group consists of nine ongoing development projects, including two pre-existing partnerships with Development Securities PLC. We focused on this area given the judgement surrounding the fair value acquisition accounting and complexity involving the pre-existing joint venture arrangements with certain Cathedral companies. (Refer also to note 26 to the financial statements.)	We read the acquisition documents and checked that they were reflected in how the acquisition was accounted for. Specifically, we: — agreed the initial cash payments, and later payments of contingent consideration to bank statements; — tested acquisition costs to third party invoices; — traced the shares issued as consideration to the share register and confirmed the valuation of share price; and — checked the deferred consideration to the acquisition agreement. We also performed audit procedures on management's fair value exercise and the quantification of the resulting goodwill. The significant fair value adjustments related to development and trading properties, deferred tax and the pre-existing joint venture relationship. The development and trading assets were externally valued on acquisition by external RICs approved valuers, CBRE Limited and we were able to agree their valuation to the acquisition accounting analysis. We assessed the competence, capabilities and objectivity of the firm and verified their qualifications by discussing the scope of their work and reviewing the terms of their engagements for unusual terms or fee arrangements. We are satisfied that the firm remains independent. We also tested management's calculation of deferred tax relating to

Area of focus	How our audit addressed the area of focus
	this fair value adjustment and were satisfied that it was accounted for appropriately. We tested the fair values assigned to the pre-existing equity interest held by Development Securities in the Cathedral joint ventures and the financial asset. We considered the post-acquisition performance of the Cathedral properties and challenged management as to whether this provided more evidence of any circumstances or conditions in existence at the acquisition date, especially given the profit realised on Telegraph Works. We were satisfied that this profit was driven by post-acquisition events and decisions of the management team such as changing the business plan for the asset.
Recoverability of financial assets The Group holds a number of loans with joint ventures, associates and other third parties that must be assessed for recoverability at each period end. Financial assets totalled £39.0 million at 28th February 2015, split between £37.3 million in non-current and £1.7 million within current assets. There continues to be risk associated with certain financial assets and in particular the future development of the Curzon Park site and how much of this will be subject to compulsory purchase order as part of HS2 and how much residual land will remain for development. There is also judgement involved as to the recoverability of the working capital and project-specific loans to Northpoint Developments, which rely on a number of property developments being completed over the next five year period. We focused on this area as recoverability is assessed through cash flow models, which can be complex with a number of different inputs and judgement involved. (Refer also to note 18 to the financial statements.)	We reviewed the controls in place for issuing new loans and evidenced the Board approval obtained. We assessed management's assessment of recoverability by reviewing cash flow projections over the next five years for each of the significant loans. We benchmarked and sensitised management's assumptions and expectations for cash flow projections and challenged the underlying property appraisals, where relevant. Based on this work, we were satisfied that the financial assets are recoverable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured across 275 statutory entities and joint ventures in the UK, Republic of Ireland, Jersey, Guernsey, the Netherlands and Luxembourg. These statutory entities and joint ventures represent the reporting units, which are included in the Group financial statements.

The preparation of the Group financial statements is managed on a consolidated basis, and the audit team carries out all the work on all the components of the Group and the consolidation for the purposes of the Group audit. In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood or potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£4.8 million (2014: £4.4 million)
How we determined it	0.75 per cent of total assets.
Specific materiality	£1.3 million (2014: £1.1 million)
How we determined it	5.0 per cent of the profit before tax excluding investment property valuation movements and profits on disposal of investment properties.
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key areas of focus in the audit are the valuation of investment properties and assessment of net realisable value for development and trading properties. In addition, a number of key performance indicators of the Group are driven by income statement items and we therefore also applied a lower specific materiality for income statement items other than revaluation gains and profits on disposal of investment properties.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £240,000 (2014: £220,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 65, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
— information in the Annual Report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report arising from this responsibility.
— the statement given by the Directors on page 79, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
— the section of the Annual Report on page 75, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 79, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

— whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
— the reasonableness of significant accounting estimates made by the Directors; and
— the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter
We have reported separately on the company financial statements of Development Securities PLC for the year ended 28th February 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29th April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28TH FEBRUARY 2015

	Notes	Headline £'000	Exceptional items £'000	2015 Total £'000	2014 Total £'000
Revenue	2	**203,740**	**–**	**203,740**	79,343
Direct costs	2	**(150,769)**	**–**	**(150,769)**	(51,544)
Gross profit	2	**52,971**	**–**	**52,971**	27,799
Operating costs	2	**(17,868)**	**–**	**(17,868)**	(14,029)
Gain on disposal of investment properties	2	**3,843**	**–**	**3,843**	539
Gain on revaluation of property portfolio	10/11	**7,824**	**–**	**7,824**	3,109
Operating profit	4	**46,770**	**–**	**46,770**	17,418
Other income		**175**	**–**	**175**	471
Exceptional item					
– Acquisition costs associated with business combination	26	**–**	**(2,724)**	**(2,724)**	–
Share of post-tax profits of joint ventures and associates	14(b)	**2,875**	**–**	**2,875**	12,834
Profit on sale of joint venture		**521**	**–**	**521**	–
Loss from sale of investment		**(86)**	**–**	**(86)**	(250)
(Loss)/profit on sale of other plant and equipment		**(20)**	**–**	**(20)**	34
Profit/(loss) before interest and income tax		**50,235**	**(2,724)**	**47,511**	30,507
Finance income	6(a)	**7,914**	**–**	**7,914**	2,552
Finance costs	6(b)	**(12,751)**	**–**	**(12,751)**	(13,532)
Exceptional item					
– Termination of cross currency interest rate swap	18(c)	**–**	**(7,917)**	**(7,917)**	–
Profit/(loss) before income tax		**45,398**	**(10,641)**	**34,757**	19,527
Income tax	7	**(2,410)**	**1,676**	**(734)**	(1,288)
Profit for the year		**42,988**	**(8,965)**	**34,023**	18,239
Profit attributable to:					
Owners of the Parent				**33,276**	18,236
Non-controlling interest				**747**	3
				34,023	18,239
OTHER COMPREHENSIVE INCOME					
Profit for the year				**34,023**	18,239
Items that may be subsequently reclassified to profit or loss:					
Gain on valuation of cross-currency interest rate swap	18(c)			**7,647**	1,798
Currency translation differences				**(2,263)**	(104)
Deferred income tax charge	7/19			**(2,459)**	(415)
Total comprehensive income for the year				**36,948**	19,518
Attributable to:					
Owners of the Parent				**36,201**	19,515
Non-controlling interest				**747**	3
				36,948	19,518
Basic earnings per share attributable to the Parent*	9			**26.8p**	14.9p
Diluted earnings per share attributable to the Parent*	9			**26.8p**	14.9p

* Adjusted earnings per share from continuing activities is given in note 9.

All amounts in the Consolidated Statement of Comprehensive Income relate to continuing operations.

The notes on pages 112 to 156 are an integral part of these Consolidated financial statements

CONSOLIDATED BALANCE SHEET
AS AT 28TH FEBRUARY 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	10	**203,336**		159,693	
Operating property	11	**820**		680	
Trade and other receivables	16(a)	**4,238**		7,652	
			208,394		168,025
Indirect real estate interests					
Investments in associates	14(a)	**8,253**		4,276	
Investments in joint ventures	14(b)	**40,544**		31,780	
Intangible assets – goodwill	12	**2,059**		238	
Loans to joint operations and other real estate businesses	18(a)	**37,261**		28,202	
			88,117		64,496
Other non-current assets					
Other plant and equipment	13	**2,402**		2,797	
Deferred income tax assets	19	**1,588**		362	
			3,990		3,159
Total non-current assets			**300,501**		235,680
CURRENT ASSETS					
Inventory – development and trading properties	15	**217,474**		192,483	
Other financial assets	18(a)	**1,700**		1,700	
Trade and other receivables	16(b)	**44,834**		40,835	
Monies held in restricted accounts and deposits		**19,380**		27,263	
Cash and cash equivalents		**59,949**		40,051	
			343,337		302,332
Investment properties held for sale	10		**–**		42,410
Total assets			**643,838**		580,422
CURRENT LIABILITIES					
Trade and other payables	17(b)	**(73,897)**		(31,920)	
Current income tax liabilities		**(2,547)**		(413)	
Borrowings	18(b)	**(36,020)**		(24,674)	
Provisions for other liabilities and charges	17(c)	**(250)**		(193)	
			(112,714)		(57,200)
NON-CURRENT LIABILITIES					
Trade and other payables	17(a)	**(9,857)**		(1,500)	
Borrowings	18(b)	**(169,012)**		(196,404)	
Derivative financial instruments	18(c)	**(21)**		(2,195)	
Deferred income tax liabilities	19	**(3,442)**		–	
Provisions for other liabilities and charges	17(c)	**(2,412)**		(2,843)	
			(184,744)		(202,942)
Total liabilities			**(297,458)**		(260,142)
Net assets			**346,380**		320,280
EQUITY					
Share capital	20	**62,529**		61,176	
Share premium	21	**104,094**		103,961	
Other reserves	21	**48,677**		41,021	
Retained earnings	21	**130,358**		114,087	
Equity attributable to the owners of the Parent			**345,658**		320,245
Non-controlling interest			**722**		35
Total equity			**346,380**		320,280
Basic/diluted net assets per share attributable to the owners of the Parent	9		**276p/276p**		262p/262p

The notes on pages 112 to 156 are an integral part of these Consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 29th April 2015 and signed on its behalf by

M H Marx
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28TH FEBRUARY 2015

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1st March 2013		61,176	103,961	39,742	101,731	306,610	56	306,666
Profit for the year ended 28th February 2014		–	–	–	18,236	18,236	3	18,239
Other comprehensive income:								
– Gain on valuation of cross-currency interest rate swap	18(c)	–	–	73	–	73	–	73
– Exchange gain on valuation of cross-currency interest rate swap	18(c)	–	–	1,725	–	1,725	–	1,725
– Currency translation differences		–	–	(104)	–	(104)	–	(104)
– Deferred income tax charged directly to equity	7/19	–	–	(415)	–	(415)	–	(415)
Total comprehensive income for the year ended 28th February 2014		–	–	1,279	18,236	19,515	3	19,518
Share-based payments		–	–	–	(12)	(12)	–	(12)
Final dividend relating to 2013	8	–	–	–	(2,934)	(2,934)	–	(2,934)
Interim dividend relating to 2014	8	–	–	–	(2,934)	(2,934)	–	(2,934)
Total contributions by and distributions to owners of the Company		–	–	–	(5,880)	(5,880)	–	(5,880)
Transactions with non-controlling interest		–	–	–	–	–	(24)	(24)
Balance at 28th February 2014		61,176	103,961	41,021	114,087	320,245	35	320,280
Profit for the year ended 28th February 2015		–	–	–	33,276	33,276	747	34,023
Other comprehensive income:								
– Gain on valuation of cross-currency interest rate swap	18(c)	–	–	7,647	–	7,647	–	7,647
– Currency translation differences		–	–	(2,263)	–	(2,263)	–	(2,263)
– Deferred income tax charged directly to equity	7/19	–	–	(2,459)	–	(2,459)	–	(2,459)
Total comprehensive income for the year ended 28th February 2015		**–**	**–**	**2,925**	**33,276**	**36,201**	**747**	**36,948**
Acquisition of subsidiaries	20	1,288	–	4,725	–	6,013	–	6,013
Issue of Ordinary shares	20	65	133	6	–	204	–	204
Share-based payments	20	–	–	–	(21)	(21)	–	(21)
Final dividend relating to 2014	8	–	–	–	(3,994)	(3,994)	–	(3,994)
Interim dividend relating to 2015	8	–	–	–	(2,995)	(2,995)	–	(2,995)
Special dividend 2015	8	–	–	–	(9,995)	(9,995)	–	(9,995)
Total contributions by and distributions to owners of the Company		1,353	133	4,731	(17,005)	(10,788)	–	(10,788)
Transactions with non-controlling interest		–	–	–	–	–	(60)	(60)
Balance at 28th February 2015		**62,529**	**104,094**	**48,677**	**130,358**	**345,658**	**722**	**346,380**

The notes on pages 112 to 156 are an integral part of these Consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 28TH FEBRUARY 2015

	Notes	2015 £'000	2014 £'000
CASH GENERATED FROM OPERATIONS			
Cash flows generated from/(used in) operating activities	22	**80,155**	(32,527)
Interest paid		**(12,558)**	(12,742)
Income tax paid		**(2,376)**	(817)
Net cash generated from/(used in) operating activities		**65,221**	(46,086)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**657**	405
Proceeds on disposal of other plant and equipment		**15**	53
Proceeds on disposal of investment properties		**70,850**	27,712
Purchase of other plant and equipment		**(449)**	(395)
Purchase of investment properties		**(50,056)**	(10,694)
Acquisition of subsidiaries, net of cash and including acquisition costs		**(12,177)**	–
Cash outflow to joint ventures and associates		**(17,163)**	(8,377)
Cash inflow from joint ventures and associates		**1,450**	33,450
Investment in financial assets		**(13,512)**	(3,032)
Cash inflow from financial assets		**1,689**	5,000
Dividends received		**158**	–
Net cash (used in)/generated from investing activities		**(18,538)**	44,122
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(6,989)**	(5,868)
Issue of new shares		**204**	–
Repayments of borrowings		**(101,431)**	(3,330)
New bank loans raised (net of transaction costs)		**67,327**	19,685
Equity repayment from non-controlling interest		**(57)**	(24)
Decrease/(increase) in monies held in restricted accounts and deposits		**14,412**	(15,736)
Net cash used in financing activities		**(26,534)**	(5,273)
Net increase/(decrease) in cash and cash equivalents		**20,149**	(7,237)
Cash and cash equivalents at the beginning of the year		**40,051**	47,683
Exchange losses on cash and cash equivalents		**(251)**	(395)
Cash and cash equivalents at the end of the year		**59,949**	40,051
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank and in hand		**59,949**	40,051
Bank overdrafts	18(b)	**–**	–
Cash and cash equivalents at the end of the year		**59,949**	40,051

	Notes	2015 £'000	2014 £'000
NET DEBT COMPRISES:			
Monies held in restricted accounts and deposits		**19,380**	27,263
Cash and cash equivalents		**59,949**	40,051
Financial liabilities:			
– Current borrowings	18(b)	**(36,020)**	(24,674)
– Non-current borrowings	18(b)	**(169,012)**	(196,404)
Net debt		**(125,703)**	(153,764)

The notes on pages 112 to 156 are an integral part of these Consolidated financial statements.

1 Basis of preparation and accounting policies

a)

(i) General information

The Consolidated financial statements of the Group for the year ended 28th February 2015 comprise the results of Development Securities PLC and its subsidiaries and were authorised by the Board for issue on 29th April 2015.

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.

(ii) Going concern

The Group adopts the going concern basis in preparing its Consolidated financial statements as discussed in the Financial Review on pages 60 to 68.

b) Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union as they apply to the financial statements of the Group for the year ended 28th February 2015 and applied in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which were applied consistently in preparing the financial statements for the year ended 28th February 2015 and 28th February 2014.

The Consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of investment property, operating property, available-for-sale financial assets and derivative instruments at fair value through profit and loss.

c) Critical accounting judgements and estimates

When preparing the Group financial statements, management are required to make judgements, assumptions and estimates concerning the future. These judgements and assumptions are made at the time the financial statements are prepared and adopted based on the best information available. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent.

Judgements other than estimates

1.1 Classification of directly owned property assets

The Group earns revenue from property development, trading and investment, and from operating serviced offices.

Property development includes the entire development process from identification of an opportunity through to construction, letting and sale of a completed scheme. This activity is undertaken both on the Group's own Balance Sheet and in partnership with institutional investors, usually via a pre-sale of the completed development.

Property trading refers to participation in the development process, where the Group acquires an interest in land and enhances the potential development, for instance by procuring or changing planning permission, before selling on to a third party to complete the development.

Property investment represents the acquisition of income-generating real estate which is held for the purposes of income and capital gain, through active asset management.

In most cases the property interest is held directly by the Group and is classified either as investment property (refer note 10) or as inventory for development and trading properties (refer note 15).

The varied nature of the Group's properties is such that a number exhibit characteristics consistent with more than one classification; also, the Directors' strategy for an asset may change during its ownership. The Directors determine the status of each asset according to their intention on acquisition. A change in classification is made only in exceptional circumstances, where the strategy has demonstrably changed for a period of over one year. One asset has been reclassified from trading to development assets during the year following the commencement of the development works.

1.2 Classification of projects in partnership

In addition to its directly owned and managed activities, the Group participates in similar activities in partnership with others, typically to access expertise in different locations or market sectors. The Group's financial participation may be by way of equity investment or loan. In each case a judgement is required as to the status of the Group's interest, as an associate, a joint venture, joint operation or a financial asset, typically focussing on the extent of control exercised by the Group.

The Group's share of control is governed and achieved by a mixture of rights set out in agreements and participation in the management of each business. The exercise of control in practice does not always follow the legal structure. The Directors have considered the position in respect of each venture, taking account of the operation in practice, and have determined the status of each accordingly.

These investments are reported under the relevant balance sheet headings, with a summary in note 28.

1.3 Acquisition of subsidiaries

The Group sometimes acquires properties through the purchase of entities which own real estate. At the time of acquisition, the Group considers whether the transaction represents the acquisition of a business. In cases where the entity is capable of being operated as a business, or an integrated set of activities is acquired in addition to the property, the Group accounts for the acquisition, as a business combination. When the acquisition does not represent a business, it is accounted for as the purchase of a group of assets and liabilities. In making this distinction, the Group considers the number of items of land and buildings owned by the entity, the extent of ancillary services provided by the entity, and whether the entity has its own staff to manage the property (over and above the maintenance and security of the premises).

On 19th May 2014, the Group acquired Cathedral Group (Holdings) Limited and certain other group entities (Cathedral Group), a property development group specialising in mixed-use regeneration schemes in the South East. This acquisition has been accounted for as a business combination (refer note 26).

1.4 Accounting for pre-sold development assets
Where development is undertaken on the Group's Balance Sheet under a contract for a pre-sale, a judgement is required as to whether this represents a sale of property or a contract for construction as described in note 1(h)(vi). As at 28th February 2015, the Group does not have any construction contracts (under IAS 11). Amounts relating to 28th February 2014 are set out in note 3.

Estimates
1.5 Valuation of property assets
The key source of estimation uncertainty rests in the values of property assets, which affects several categories of asset in the Balance Sheet.

The investment property portfolio (and the operating property) are stated at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions. Details of the judgements and assumptions made are set out in notes 1(i), 1(j), 10 and 11.

The same uncertainties affect the determination of fair value of certain available-for-sale financial instruments, described in note 18, with the further complexity that the value of these assets requires estimates of future construction costs, tenant demand and market yields.

The Group's development and trading properties are carried at the lower of cost and net realisable value. The determination of net realisable value relies upon similar estimates, with the added challenge, in some cases, of judgements about uncertain planning outcomes. These amounts are disclosed in note 15.

1.6 Impairment reviews
The Group's Curzon Park Limited joint venture owns a development site in Birmingham known as Curzon Street. The current proposal for the High Speed Train Link between London and Birmingham (HS2) indicates that the planned route of HS2 passes through the site, including provision for part of the prospective station. In view of this, the ultimate value of the site is uncertain. The early indications are that the impact of HS2 may restrict future development on the 10.5-acre site by approximately two thirds of its original potential. The Group has (jointly) guaranteed the liabilities of the joint venture to the bank, and hence should the value of the site (together with any compensation received) be insufficient to repay the amortising bank loan, the Group may incur further charges in respect of its obligations to the joint venture and the bank. The loan is expected to be repaid in full in May 2015. The Directors believe that the site will recover at least its carrying value in the books of the joint venture, although the interim and ultimate uses of the site and timing of its development remain unclear. The site is discussed in notes 18(a) and 24.

In view of operating losses at Executive Communication Centres (ECC), the Group's serviced office subsidiary, the Group has conducted an impairment review of its investment in the business. The review required significant judgements and estimates concerning future customer demand and competitor behaviour, as well as discount rates. The review determined that no further impairment arose during the year.

1.7 Derivative financial instruments
The Group is party to a number of interest rate swap and foreign currency agreements which are accounted for as derivatives and measured at fair value. The estimation of this figure is based upon market assumptions about future movements in interest and exchange rates. The estimated fair values and the movements in the year are set out in note 18(c).

d) New accounting standards
The following standards have been adopted by the Group for the first time for the financial year beginning on 1st March 2014.

— IFRS 10, 'Consolidated Financial Statements', builds on the existing principles by identifying the concept of control to determine whether an entity should be included within the Consolidated financial statements of the Group. IFRS 10 provides guidance to assist management in the determination of control where it is difficult to assess. Adoption of IFRS 10 has not had any impact on these financial statements.
— IFRS 11, 'Joint Arrangements', focusses on the rights and obligations of the parties to the arrangement rather than the legal form. There are two types of joint arrangement: joint ventures and joint operations. Joint operations arise where the investors have rights to the assets and obligations of the joint arrangements and therefore the operator will account for its share of the assets, liabilities, revenues and expenses. Joint ventures arise when the investors have rights to the net assets of the arrangement and are accounted for under the equity method. Adoption of IFRS 11 has not had any impact on these financial statements.
— IFRS 12, 'Disclosure of Interests in Other Entities', includes the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates, special purpose vehicles and other off Balance Sheet vehicles.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1st March 2014 and have not been applied in preparing these Consolidated financial statements. None of these are expected to have a significant impact on Group's operations.

— IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces parts of IAS 39. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition and will depend on characteristics of the instrument. For financial liabilities, the main change from IAS 39 is where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in Other Comprehensive Income rather than the Income Statement, unless it creates an accounting mismatch. The Group is yet to assess the full impact of IFRS 9.
— IFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and sets out principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18, 'Revenue' and IAS 11 'Construction Contracts'. The standard is effective for the accounting period commencing 1st March 2017, subject to EU adoption.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1 Basis of preparation and accounting policies continued

Summary of significant accounting policies

e) Basis of consolidation

The Consolidated financial statements of the Group include the financial statements of Development Securities PLC ('the Company'), its subsidiaries and share of results of joint ventures and associates.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group has control when it has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. The Group is deemed to have control where it does not have more than 50 per cent of the voting power but is able to govern the financial and operating policies by virtue of de-facto control, taking account of how the entity operates in practice.

The results of subsidiaries acquired during the year are included from the effective date of acquisition, being the date on which the Group obtains control. They are deconsolidated on the date that control ceases.

Where property is acquired, via corporate acquisition or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in note 1(c), 1.3.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from re-measurement are recognised in profit or loss.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. This fair value includes any contingent consideration at the acquisition date. Any subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Acquisition-related costs are expensed as incurred.

The Group recognises any non-controlling interest on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the identifiable net assets acquired.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements. Where necessary, adjustments have been made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used and accounting periods into line with those of the Group.

f) Associates and joint ventures

An associated company is defined as an undertaking other than a subsidiary or joint venture over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are accounted using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition.

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed all of its joint arrangements and determined them to be joint ventures, accounted for using the equity method.

Under the equity method, the interest in associates or joint ventures is carried in the Consolidated Balance Sheet at cost adjusted thereafter for the Group's share of post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in an associate or joint venture equals or exceeds the Group's interest, including any unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in Intangible assets. Goodwill is tested annually, or more frequently if circumstances change, for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Prior impairment of non-financial assets, other than goodwill, are reviewed for possible reversal at each reporting date.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of the revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the specific criteria have been met for each of the Group's activities as described below.

(i) Rental income is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at inception of the lease, the Directors are reasonably certain that the tenant will exercise that option. Lease incentives are usually in the form of rent-free periods or capital contributions. Assets held within both the investment and development and trading segments earn rental income.

(ii) Lease surrender payments from tenants are recognised in income when they are contractually agreed.

(iii) Sales of property classified as Inventory are recognised when the risks and rewards of ownership have been transferred to the purchaser, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all of the significant conditions are satisfied.

(iv) Licence fee income from serviced offices is recognised on a straight-line basis over the term of the licence. Other income from serviced offices is recognised when the service is provided. The income is classified within the operating segment.

(v) Project management fee income is recognised on a straight-line basis over the contract term for which project management services are provided.

(vi) Development revenue and profits are recognised in accordance with IAS 11, 'Construction contracts' or IAS 18, 'Revenue' depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. Where only the construction risk remains, the revenue and profit on the development is recognised under IAS 11 so as to match the proportion of development work completed on a percentage completion basis as determined by consultant monitoring surveyors or using a suitable method particular to the contract concerned. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue and profit is recognised under IAS 18, disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser. Profits are recognised within the development and trading segment.

(vii) Income from investment in property secured loans relates to gains from recovery of the loan in excess of its acquisition amount where, under the terms of the loan agreement, the Group has the power to instruct the sale of the underlying property assets, retaining the disposal proceeds to repay the loan. The income is recognised as Other property income by reference to the loan principal outstanding using the effective interest method.

(viii) Finance income is recognised by reference to the principal outstanding using the effective interest method and is included in Finance income in the income statement.

(ix) Dividend income from investments is recognised when the Group's right to receive income has been established.

i) Investment properties

(i) Investment properties are those properties, including land holdings, that are held for long-term rental yields or for capital appreciation or both. Investment properties may be freehold or leasehold properties and must not be occupied by members of the Group. For leasehold properties that are classified as investment properties, the associated leasehold obligations are accounted for as finance lease obligations if they qualify to be treated as such.

(ii) Investment properties are measured initially at cost, including directly attributable transaction costs, and thereafter are stated at fair value. Surpluses and deficits arising from changes in the fair value of investment properties are recognised in the income statement in the year in which they arise.

1 Basis of preparation and accounting policies continued

i) Investment properties continued

(iii) Completed investment properties are valued, at each reporting date, by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rate, and make reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

(iv) Investment properties under construction are valued by the Directors on the basis of the expected value of the property when complete, less deductions for the costs required to complete the project and appropriate adjustments for risk and finance costs. In preparing these valuations, the Directors consult with agents and other advisors to derive appropriate assumptions specific to each asset.

(v) Gains or losses on disposal of investment properties are calculated by reference to carrying value and recognised when the risks and rewards of ownership are considered to have passed to the purchaser, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all of the significant conditions are satisfied. Gains and losses are recognised within Gains or losses on disposal of investment properties in the income statement.

(vi) Investment properties held for sale are held at fair value and classified separately within current assets in the Balance Sheet. They are stated at the lower of carrying amount and fair value less costs to sell.

j) Property, plant and equipment

(i) Operating properties – serviced offices

Operating properties are held for business purposes rather than for investment, generating revenue by way of licence fees and ancillary services. These properties are recognised initially at cost, which includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Thereafter, the asset is carried at valuation less depreciation and impairment charged subsequent to the date of revaluation. A revaluation surplus is credited to Other comprehensive income and accumulated in equity under the heading of Property revaluation reserve, unless it reverses a revaluation decrease on the same asset previously recognised as an expense, where it is first credited to the income statement to that extent.

Operating properties are valued at each reporting date by independent, professional valuers on the basis of Existing Use Value. Surpluses and deficits in the period are included in the Property revaluation reserve within equity, except where carrying value is below depreciated cost, in which case surpluses and deficits are included in the income statement. Depreciation is provided so as to write off the value of the properties, excluding land, over their expected useful lives, usually 25 years.

(ii) Other plant and equipment

Other plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Depreciation is provided so as to write off the cost less estimated residual value of the assets over their expected useful lives on a straight-line method. The principal annual rates used for this purpose are as follows:

Fixtures and fittings and computer equipment	– 10% to 33%
Motor vehicles	– 20%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within Other gains and losses in the income statement.

k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rents payable under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the term of the lease.

l) Inventory – development and trading properties

Property and development interests acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and are measured at the lower of cost and estimated net realisable value.

Cost includes directly attributable expenditure and interest. No element of overhead is included in cost, since it is not practical to identify overhead amounts in respect of particular assets. Where the Directors consider that the costs are not recoverable from the sale or development of the asset, the project or site is written down to its net realisable value, with the write-down taken to the of income statement.

Net realisable value is calculated as the estimated selling price of the project or site, based upon the current plans, less all further costs to be incurred in making the sale.

m) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in Other comprehensive income or directly in equity. In this case, the tax is also recognised in Other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years, in the jurisdiction where the Company and its subsidiaries operate and generate taxable income. Appropriate provisions are made based on the amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, with the following exceptions:

— Where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.
— In respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates where the

timing of the reversal of the temporary difference can be controlled by the parent, venture partner or investor respectively, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

n) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual terms of the instrument.

(i) Financial assets

The Group determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired as follows:

- Loans and other receivables with fixed or determinable payments that are not quoted on an active market. The Group's loans and receivables are included within Trade and other receivables, Cash and cash equivalents, Monies held in restricted accounts and deposits and Other financial assets in the Consolidated Balance Sheet.
- Financial assets at fair value through profit or loss. This represents interest and currency swaps which are categorised as held for trading unless they are designated as hedges.
- Available-for-sale financial assets are non-derivatives that are designated as such or are not classified in any other category. After initial recognition at cost, available-for-sale assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement. Equity instrument financial assets are held at cost in the event that the fair value of the instruments is not reliably measurable.

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Subsequent recoveries of amounts previously written off are credited against the appropriate cost line in the income statement.

Loans and receivables include bank loans acquired which are secured against underlying investment or development assets. The loans acquired are recognised and carried at the lower of cost or recoverable amount. Amounts receivable are reviewed for impairment and a provision is made where there is evidence that the Group will not be able to recover the loan in full. Any gains or losses are recognised in a separate component within the income statement.

Amounts due from customers for contract work are included in Trade and other receivables and represent revenue recognised in excess of payments on account received.

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of Cash and cash equivalents as defined in IAS 7, 'Statement of Cash Flows'.

Cash and cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with no significant risk of changes in value. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a financial liability. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents are stated net of outstanding bank overdrafts.

Financial assets are included within current assets except for assets maturing after one year, which will be classified as non-current.

Financial assets are assessed for impairment at each reporting date. Assets are impaired where there is evidence that as a result of events that occurred after initial recognition, the estimated future cash flows from the assets have been adversely affected. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment decreases, the reversal of the previously recognised impairment is recognised in the income statement.

(ii) Financial liabilities

Loans and borrowings are initially recognised at fair value, net of directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in Finance income and Finance costs.

Other financial liabilities, including trade and other payables, are initially recognised at fair value and subsequently at amortised cost and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Amounts due to customers for contract work is included within Trade and other payables and represents payments received in advance from customers.

1 Basis of preparation and accounting policies continued

n) Financial assets and financial liabilities continued

(iii) Derivatives

The Group enters into derivative financial instruments, including interest rate swaps, caps and collars and cross-currency swaps, to manage its exposure to interest rate and foreign exchange rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which case the fair value is taken through Other comprehensive income.

(iv) Hedging

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than twelve months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than twelve months.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items. The gain or loss of the effective portion of changes in the fair value of the hedging instrument is recognised in Other comprehensive income. The gain or loss relating to an ineffective portion is recognised immediately in the income statement. Amounts taken to equity are recycled to the income statement in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

The Group does not have any hedging instruments as at 28th February 2015.

o) Borrowing costs

Gross borrowing costs relating to direct expenditure on investment properties and inventories under development are capitalised. The interest capitalised is calculated using the rate of interest on the loan to fund the expenditure, or the Group's weighted average cost of borrowings where appropriate, over the period from commencement of the development work until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Capitalised interest is written off to direct costs on disposal of inventory or to operating profit on disposal of investment properties.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on establishment of loan facilities are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

p) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Onerous lease provisions are created for properties that are unoccupied, sublet at below the rent payable on the head lease or for operating sites where the projected future trading revenue is insufficient to cover the value in use.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The amortisation in the discount is recognised as an interest expense.

q) Employee benefits

(i) Pensions

The Group operates a defined contribution scheme whereby the Group pays fixed contributions into a pension fund. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current or prior periods. The charge to the income statement in the year represents the actual amount payable to the scheme in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the Balance Sheet.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and expense for bonus and profit-sharing in accordance with the bonus plans outlined in the Remuneration Report on pages 80 to 97. The Group recognises a liability when contractually obliged.

r) Foreign currencies

The Consolidated financial statements of the Group are presented in UK Sterling, the Company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the dates of the transactions or valuation when items are re-measured.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Exchange movements are dealt with in the income statement, with exchange differences on borrowings taken to Finance income or Finance costs, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

s) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

t) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new Ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where a Group company purchases its own share capital out of distributable reserves, the shares can be held as Treasury shares. The shares are carried at the consideration paid including any directly attributable costs of acquiring the shares. The value of the shares is deducted from the equity attributable to the Company's equity holders until the shares are cancelled or reissued. If the shares are subsequently reissued, their value is reattributed to the Company's equity holders.

u) Share-based payments

The Group operates a number of share-based compensation plans, the majority of which are cash-settled, under which the entity receives services from employees as consideration for cash-settled instruments of the Group.

The fair value of the employee services received in exchange for the grant of the option is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

The Group has used a Black-Scholes option valuation model to determine the fair value of share options granted. An equal probability model has been used to determine the fair value of share awards under the Performance Share Plan. The cost of cash-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of cash-settled share-based instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in accruals.

v) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

w) Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

x) Definitions

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, capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial year, 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 year 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 cash held in restricted accounts.

2 Segmental analysis

The segmental information presented consistently follows the information provided to the Chief Operating Decision-Maker (CODM) and reflects the three sectors in which the Group operates. The CODM, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The three operating divisions are:

- 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 projects. 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.

Unallocated assets and liabilities comprise amounts that cannot be specifically allocated to operating segments; an analysis is provided below.

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, except assets of £44,049,000 (2014: £3,238,000) which are located in the Republic of Ireland. All revenue arises from continuing operations.

				2015
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	**12,891**	**186,523**	**4,326**	**203,740**
Direct costs	**(2,721)**	**(142,762)**	**(5,286)**	**(150,769)**
Segment result	**10,170**	**43,761**	**(960)**	**52,971**
Operating costs	**(7,770)**	**(10,098)**	**–**	**(17,868)**
Gain on disposal of investment properties	**3,843**	**–**	**–**	**3,843**
Gain on revaluation of property portfolio	**7,619**	**–**	**205**	**7,824**
Operating profit/(loss)	**13,862**	**33,663**	**(755)**	**46,770**
Other income	**46**	**129**	**–**	**175**
Exceptional item				
– unallocated acquisition costs associated with business combination				**(2,724)**
Share of post-tax profits/(losses) of joint ventures and associates	**3,225**	**(350)**	**–**	**2,875**
Profit on sale of joint venture	**–**	**521**	**–**	**521**
Loss on sale of investment	**–**	**(86)**	**–**	**(86)**
Unallocated loss on sale of other plant and equipment				**(20)**
Profit before interest and income tax				**47,511**
Finance income	**3,043**	**4,871**	**–**	**7,914**
Finance costs	**(7,105)**	**(5,646)**	**–**	**(12,751)**
Exceptional item				
– unallocated termination of cross currency interest rate swap				**(7,917)**
Profit before income tax				**34,757**
Income tax				**(734)**
Profit for the year				**34,023**
ASSETS AND LIABILITIES				
Segment assets	**230,513**	**351,103**	**4,384**	**586,000**
Unallocated assets				**57,838**
Total assets				**643,838**
Segment liabilities	**(125,106)**	**(144,535)**	**(3,298)**	**(272,939)**
Unallocated liabilities				**(24,519)**
Total liabilities				**(297,458)**

A summary of unallocated assets and liabilities is shown on page 122.

				2015
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	**49,317**	**269**	**103**	**49,689**
Unallocated capital expenditure				**78**
Impairment of assets	**–**	**(1,194)**	**–**	**(1,194)**
Depreciation	**–**	**(179)**	**(443)**	**(622)**
Unallocated depreciation				**(253)**
REVENUE				
Rental income	**12,721**	**4,827**	**–**	**17,548**
Serviced office income	**–**	**–**	**4,326**	**4,326**
Project management fees	**–**	**1,194**	**–**	**1,194**
Trading property sales	**–**	**87,484**	**–**	**87,484**
Other trading property income	**–**	**2,953**	**–**	**2,953**
Development proceeds	**–**	**90,065**	**–**	**90,065**
Other	**170**	**–**	**–**	**170**
	12,891	**186,523**	**4,326**	**203,740**

In the year ended 28th February 2015, three projects with turnover totalling £77,804,000 generated in excess of 10.0 per cent of total revenue and fell within the development and trading segment.

				2014
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	15,054	60,147	4,142	79,343
Direct costs	(2,649)	(43,723)	(5,172)	(51,544)
Segment result	12,405	16,424	(1,030)	27,799
Operating costs	(4,886)	(9,143)	–	(14,029)
Gain on disposal of investment properties	539	–	–	539
Gain on revaluation of property portfolio	3,104	–	5	3,109
Operating profit/(loss)	11,162	7,281	(1,025)	17,418
Other income	286	185	–	471
Share of post-tax profits of joint ventures and associates	5,308	7,526	–	12,834
Loss on sale of investment	–	(250)	–	(250)
Unallocated profit on sale of other plant and equipment				34
Profit before interest and income tax				30,507
Finance income	1,205	1,347	–	2,552
Finance costs	(7,698)	(5,834)	–	(13,532)
Profit before income tax				19,527
Income tax				(1,288)
Profit for the year				18,239
ASSETS AND LIABILITIES				
Segment assets	252,766	291,995	4,667	549,428
Unallocated assets				30,994
Total assets				580,422
Segment liabilities	(168,447)	(81,454)	(3,667)	(253,568)
Unallocated liabilities				(6,574)
Total liabilities				(260,142)

2 Segmental analysis continued

				2014
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	11,674	81	297	12,052
Unallocated capital expenditure				17
Impairment of assets	–	(232)	–	(232)
Depreciation	–	(123)	(418)	(541)
Unallocated depreciation				(227)
REVENUE				
Rental income	14,985	3,664	–	18,649
Serviced office income	–	–	4,142	4,142
Project management fees	–	566	–	566
Trading property sales	–	20,608	–	20,608
Other trading property income	–	2,846	–	2,846
Construction contract revenue	–	8,040	–	8,040
Development proceeds	–	24,423	–	24,423
Other	69	–	–	69
	15,054	60,147	4,142	79,343

In the year ended 28th February 2014, two projects with turnover totalling £20,688,000 generated in excess of 10.0 per cent of total revenue and fell within the development and trading segment.

	2015 £'000	2014 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**206**	411
Deferred income tax asset	**1,588**	362
Trade and other receivables	**10,507**	7,912
Cash and cash equivalents	**45,537**	22,309
	57,838	30,994
UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(11,044)**	(4,362)
Deferred income tax liability	**(3,442)**	–
Derivative financial instruments	**(21)**	(2,195)
Special dividend 2015	**(9,995)**	–
	(24,519)	(6,574)

3 Construction contract revenue

There were no construction contracts as at 28th February 2015. As at 28th February 2014 revenue related to construction contracts amounted to £8,040,000 and was included within development and trading segment revenue (refer note 2) and represented 10.1 per cent of Group revenues.

The amount shown in Trade and other receivables in the Balance Sheet represents the final amount due from the purchaser under the construction contract.

	2015 £'000	2014 £'000
Construction contract assets	**–**	605
Construction contract liabilities	**–**	–
Construction contract net assets	**–**	605
This amount corresponds to:		
Aggregate costs incurred	**–**	7,452
Recognised profits	**–**	588
	–	8,040
Progress billings	**–**	(7,435)
Construction contract net assets	**–**	605

4 Operating profit

	2015 £'000	2014 £'000
OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING):		
Share-based payments credit	**(89)**	(144)
Cost of sales of development and trading properties recognised in direct costs	**79,619**	11,855
Goodwill realised on disposal of development asset	**238**	–
Write-down of development and trading properties to net realisable value	**1,194**	232
Depreciation: – Operating property	**65**	65
– Other plant and equipment	**810**	703
Impairment of trade receivables recognised in direct costs	**433**	183
AUDITORS' REMUNERATION		
Fees payable to the Company's auditor and its associates for the audit of Company and Group financial statements	**217**	181
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries	**373**	305
– Half year review procedures	**43**	43
– Tax services	**228**	247
– All other services	**142**	–
	1,003	776
Fees in respect of the Development Securities PLC pension scheme:		
– Audit	**–**	2
– All other services	**–**	–
	–	2

5 Employees

Employee benefit expense	2015 £'000	2014 £'000
Wages and salaries	**9,888**	7,105
Social security costs	**1,253**	888
Cost of employee share option schemes	**(89)**	(144)
Other pension costs – defined contribution plans	**874**	616
	11,926	8,465

Average monthly number of employees, including Directors, employed	2015 Number	2014 Number
Property development and investment	**77**	50
Operating property activities	**35**	29
	112	79

The Directors are considered to be the only key management personnel. Their remuneration is shown in the Remuneration Report on pages 80 to 97.

6 Finance income and costs

a) Finance income	2015 £'000	2014 £'000
Interest receivable on loans and deposits	**2,771**	1,377
Other finance income	**66**	222
Fair value gains on financial instruments – interest rate swaps, caps and collars	**429**	953
Net foreign currency differences arising on retranslation of cash and cash equivalents	**4,648**	–
Total finance income	**7,914**	2,552

b) Finance costs	2015 £'000	2014 £'000
Interest on bank loans and other borrowings	**(10,779)**	(10,370)
Interest on debenture	**(2,200)**	(2,200)
Amortisation of transaction costs	**(1,413)**	(606)
Provision: unwinding of discount	**(94)**	(116)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**–**	(291)
	(14,486)	(13,583)
Capitalised interest on development and trading properties	**1,735**	51
Total finance costs	**(12,751)**	(13,532)
Net finance costs	**(4,837)**	(10,980)

Interest was capitalised at an average rate of 5.36 per cent. Capitalised interest of £1,359,000 (2014: £63,000) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

7 Taxation

	2015 £'000	2014 £'000
Current tax	**4,562**	1,127
Adjustment in respect of prior years	**(453)**	(76)
Total current tax charge	**4,109**	1,051
Deferred tax (credit)/charge	**(3,375)**	237
Income tax charge	**734**	1,288

	2015 £'000	2014 £'000
Tax on items credited to equity:		
Deferred tax charge on other revaluations	**2,459**	415
Total charge in the income statement	**2,459**	415

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015 £'000	2014 £'000
Profit before tax	**34,757**	19,527
Tax on profit on ordinary activities at 21.2% (28th February 2014: 23.1%)	**7,358**	4,508
Tax effects of:		
Amounts not deductible for tax purposes	**195**	2,185
Differences between accounting and tax profit on disposal	**(939)**	–
Non-taxable capital gains	**(2,281)**	(1,941)
Notional gains recognised on property transactions in the year	**–**	(1,057)
Adjustment in respect of prior years	**(3,163)**	(1,570)
Impact on change in UK tax rate	**40**	93
Income tax at lower rates	**10**	22
Recognition of tax losses	**(424)**	–
Brought forward losses utilised	**(62)**	(952)
Total tax charge	**734**	1,288

The UK corporation tax rate decreased on 1st April 2014 from 23.0 per cent to 21.0 per cent. Deferred income tax is calculated on the temporary differences under the liability method using a tax rate of 20.0 per cent (2014: 20.0 per cent).

8 Dividends

	2015 £'000	2014 £'000
DECLARED AND PAID DURING THE YEAR		
Equity dividends on Ordinary shares:		
Final dividend for 2014: 3.20 pence per share (2013: 2.40 pence per share)	**3,994**	2,934
Interim dividend for 2015: 2.40 pence per share (2014: 2.40 pence per share)	**2,995**	2,934
Special dividend for 2015*: 8.00 pence per share (2014: nil pence per share)	**9,995**	–
	16,984	5,868
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 2015: 3.50 pence per share (2014: 3.20 pence per share)	**4,373**	3,911

* On 24th February 2015, the Board approved the payment of a special dividend of 8.00 pence per share to be paid on 7th April 2015 to Ordinary shareholders on the register at the close of business on 6th March 2015.

Subject to approval by shareholders, the final dividend was approved by the Board on 28th April 2015 and has not been included as a liability or deducted from retained earnings as at 28th February 2015. The final dividend is payable on 20th August 2015 to ordinary shareholders on the register at the close of business on 24th July 2015 and will be recognised in the year ending 29th February 2016.

9 Earnings per share and net assets per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the year, excluding shares purchased by the Parent and held as treasury shares.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the Parent by the weighted average number of Ordinary shares outstanding during the year 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 excluding shares purchased by the Parent and held as treasury shares.

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.

Management has chosen to disclose the European Public Real Estate (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.

EPRA earnings is the profit after taxation excluding investment property revaluations (including valuations of joint venture investment 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) are the Balance Sheet net assets excluding 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 number of Ordinary shares in issue at the balance sheet date.

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

The calculation of basic and diluted earnings per share and EPRA profit per share is based on the following data:

	2015 £'000	2014 £'000
PROFIT		
Profit for the purpose of basic and diluted earnings per share	**33,276**	18,236
Revaluation surplus (including share of joint venture revaluation surplus)	**(11,200)**	(4,824)
Gain on disposal of investment properties	**(3,843)**	(539)
Gain on disposal of trading properties (see below)	**–**	(2,502)
Impairment of development and trading properties	**1,194**	232
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**7,548**	(1,059)
Acquisition costs in relation to business combination	**2,724**	–
EPRA adjusted profit from continuing activities attributable to owners of the Company	**29,699**	9,544

	2015 '000	2014 '000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings per share	**124,271**	122,229
Effect of dilutive potential Ordinary shares:		
Share options	**51**	42
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**124,322**	122,271
Basic earnings per share (pence)	**26.8p**	14.9p
Diluted earnings per share (pence)	**26.8p**	14.9p
EPRA adjusted earnings per share (pence)	**23.9p**	7.8p
EPRA adjusted diluted earnings per share (pence)	**23.9p**	7.8p

The Directors consider the acquisition and disposal of trading assets to be part of the core business of the Group and therefore have not adjusted profit for the gain on disposal when calculating EPRA adjusted earnings per share as at 28th February 2015. If the gain on disposal of trading assets is excluded from the calculation of EPRA earnings per share as at 28th February 2014, EPRA adjusted earnings and diluted EPRA adjusted earnings would both be 9.9 pence per share.

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

	2015			2014		
	Net assets £'000	**No. of shares '000**	**Net assets per share pence**	Net assets £'000	No. of shares '000	Net assets per share pence
Basic net assets per share attributable to the owners	**345,658**	**125,057**	**276**	320,245	122,229	262
Cumulative mark-to-market adjustment on interest rate swaps	**(68)**			8,085		
EPRA adjusted net assets per share	**345,590**	**125,057**	**276**	328,330	122,229	269
Cumulative mark-to-market adjustment on interest rate swaps	**68**			(8,085)		
Fair value of debt	**(14,714)**			(4,204)		
EPRA adjusted triple net assets per share	**330,944**	**125,057**	**265**	316,041	122,229	259
Effect of dilutive potential Ordinary shares	**300**	**336**	**–**	486	222	–
Diluted net assets per share	**345,958**	**125,393**	**276**	320,731	122,451	262
EPRA diluted net assets per share	**345,890**	**125,393**	**276**	328,816	122,451	269
EPRA diluted triple net assets per share*	**331,244**	**125,393**	**264**	316,527	122,451	259

* 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.

10 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1st March 2013	211,847	8,227	220,074
Additions:			
– acquisitions	9,452	–	9,452
– capital expenditure	2,013	209	2,222
Disposals	(32,749)	–	(32,749)
Surplus/(deficit) on revaluation	3,176	(72)	3,104
Transferred to investment properties held for sale	(42,410)	–	(42,410)
At valuation 28th February 2014	151,329	8,364	159,693
Additions:			
– acquisitions	7,727	39,866	47,593
– capital expenditure	1,269	455	1,724
Disposals	(5,300)	(7,993)	(13,293)
Surplus/(deficit) on revaluation	8,122	(503)	7,619
At valuation 28th February 2015	**163,147**	**40,189**	**203,336**

Direct costs of £2,721,000 (2014: £2,649,000) arose as a result of ownership of investment properties.

Analysis of investment properties	**2015 £'000**	2014 £'000
Non-current	**203,336**	159,693
Current – held for sale	**–**	42,410
	203,336	202,103

10 Investment properties continued

Reconciliation of market value of investment properties to the net book amount

The following table reconciles the market value of investment properties to their net book amount. The components of the reconciliation are included within their relevant balance sheet heading.

	2015 £'000	2014 £'000
Market value as assessed by the independent valuers or Directors	**207,877**	207,551
Amount included in prepayments and accrued income in respect of lease incentives	**(4,541)**	(5,448)
Net book amount of Investment properties – non-current assets	**203,336**	159,693
Net book amount of Investment properties – held for sale	**–**	42,410

At 28th February and 31st August each year, the Group engages independent professionally qualified valuers who hold a recognised professional qualification and who have recent experience in the locations and segments of the investment portfolio. As at 28th February 2015 and 2014, completed Investment properties have been valued by DTZ Debenham Tie Leung, Chartered Surveyors, Savills Commercial Limited, Chartered Surveyors, GVA Grimley Limited, Commercial Property Advisers or Ryden LLP, Commercial Property Consultants at a value of £184,894,000 (2014: £132,969,000). Assets totalling £9,452,000 were acquired in February 2014 and were therefore carried at cost as at 28th February 2014. The current value equates to the highest and best use of the asset.

The valuers have consented to the use of their names in the financial statements.

No assets are classified as held for sale as at 28th February 2015. As at 28th February 2014, £42,410,000 of assets had been contracted for sale and were therefore valued at their sales price less costs to sell at that date.

Also included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £18,442,000 (2014: £17,272,000), which have been valued by the Directors. These properties comprise buildings and landholdings 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 £8,039,000 (2014: £7,190,000) 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.

£190,487,000 (2014: £187,590,000) of total Investment properties are charged as security against the Group's borrowings.

Valuation methodology

The key driver of our investment portfolio valuations is the terms of the leases in place at the date of valuation. At each valuation date the Investment Team provides the valuers with inputs for the valuation report following a review of all the tenant and lease movements from the previous valuation date. The team will also engage in discussions with the independent valuers about each asset. The external valuations of Level 3 assets has been performed by reviewing lease information to determine the cash flow profile of the property in the future which will form the basis of the valuation. The valuation assumes adjustments from these rental streams to current market rent at the time of the next rent review, (leases generally allow for upward only rent reviews) and as leases expire and are replaced by new leases. The current market level of rent is based on evidence from recent, comparable leasing transactions and negotiations. This is based on evidence available at the date of the valuation and does not assume any future increases in market rent.

The nominal equivalent yield is applied as a discount rate to the rental cash flows which, after taking into account other input assumptions such as voids and landlords costs, generates the market value of the property. The nominal equivalent yield applied is assessed by reference to similar market transactions and takes into account any risks associated with rent uplift assumptions. For multi-let property assets, different nominal yields will be applied to each tenant to arrive at an overall nominal yield and valuation for the asset. For example, a foodstore anchor tenant with a strong covenant may attract a yield of 4.8 per cent whereas a local sole trader will be valued off a yield of 9.0 per cent. Vacant units will also be allocated a yield based on the likelihood of re-letting the space. The average nominal yield applied to the investment portfolio was 7.4 per cent for the year ended 28th February 2015 (2014: 7.7 per cent).

There were no changes to valuation techniques during the year.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different hierarchy levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities. This may be the agreed sales price of an asset where exchange has occurred after the year end date (Level 1).

(ii) 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).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). These assets are valued by external valuers and Directors (Level 3). An analysis of Level 3 assets is provided below.

It is the Group's policy to recognise transfers into and out of hierarchy levels at the date of the change in circumstance.

There are no Level 1 assets or transfers between Levels 1 and 3 during the year ended 28th February 2015. As at 28th February 2014, £42,410,000 of assets were transferred from Level 3 to Level 1. This was due to sales prices having been agreed prior to the year end and the sales subsequently exchanging after the year end. Independent valuations were not obtained for these assets.

Analysis of Level 3 Investment properties

					Sensitivity analysis – equivalent yield	
Class of property: Level 3	**Market value 28th February 2015 £'000**	Valuation technique	Key unobservable inputs	Equivalent yield range 28th February 2015	50 basis point yield contraction £'000	50 basis point yield expansion £'000
Shopping centres	**133,479**	Income capitalisation	Equivalent yields	4.75% – 33.00%	10,298	(8,717)
Retail/commercial space	**42,309**	Income capitalisation	Equivalent yields	4.87% – 8.25%	3,046	(2,430)
Office	**9,106**	Income capitalisation	Equivalent yields	7.25% – 11.25%	578	(527)
Land held for development	**9,968**	Residual development method	Price per acre /development margin	£0.45m per acre / 15.0% – 20.0%	–	–
Buildings held for development	**8,474**	Residual development method	Estimated profit margin	15.0% – 20.0%	–	–
	203,336					

Further information relating to the Group's Investment portfolio is set out in the Portfolio Review on pages 42 to 59.

The Group engages external, independent and qualified valuers to determine the fair value of Level 3 assets. The valuers liaise with the Investment Team every six months, reviewing tenant information relating to covenant strength, lease period and rental terms. Valuers will also review comparable transactions in the market. The fair value of Level 3 assets is also determined by reviewing local sales data or, where the assets are held for the purpose of extending an existing retail asset, by reviewing appraisals relating to the proposed scheme.

11 Operating property – serviced offices

	Long leasehold £'000
VALUATION	
At 1st March 2013	1,402
Surplus on revaluation	5
At 28th February 2014	1,407
Surplus on revaluation	205
At 28th February 2015	**1,612**
ACCUMULATED DEPRECIATION	
At 1st March 2013	662
Charge for the year	65
At 28th February 2014	727
Charge for the year	65
At 28th February 2015	**792**
Net book amount 28th February 2015	**820**
Net book amount 28th February 2014	680
Net book amount 1st March 2013	740
Original cost of operating property at 28th February 2015 and 2014	1,583

The operating property is charged as security against the Group's borrowings.

Depreciation expense of £65,000 (2014: £65,000) is included within operating costs.

The surplus on revaluation of long leasehold property for the year ended 28th February 2015 is £205,000 (2014: £5,000) and has been credited to the income statement. If the Operating property was measured using the cost model, the carrying value would be £791,000 (2014: £856,000).

The Group's Operating property has been valued at market value as at 28th February 2015 by independent professional valuers DTZ Debenham Tie Leung, Chartered Surveyors, on the basis of Existing Use Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors and without any special assumptions. The values disclosed above are as stated by the valuer in its valuation report to the Directors.

The valuer has consented to the use of its name in the financial statements.

12 Intangible assets

	£'000
GOODWILL	
At 1st March 2013 and 28th February 2014	238
Additions	2,059
Goodwill charged to profit and loss on disposal of development asset	(238)
At 28th February 2015	**2,059**

Goodwill of £238,000 as at 1st March 2014 related to the future profit of a development acquired in 2010. During the year the Group disposed of the development and as a result goodwill of £238,000 has been charged to profit and loss within the development and trading segment within direct costs.

On 19th May 2014, the Group acquired 100 per cent of the issued shares in Cathedral Group (Holdings) Limited, Cathedral Special Projects (Holdings) Limited and Cathedral (ESCO) Limited and 95 percent of the shares issued in Deadhare Limited (Cathedral), a property development group specialising in mixed-use regeneration schemes in the South East. The goodwill of £2,059,000 represents the unrecognised asset of the highly skilled workforce and specialist development knowledge acquired with Cathedral (refer note 26).

Goodwill has been tested for impairment at the reporting date.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the operating segment. The recoverable amount of all CGUs has been determined based on value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by management covering a period up to the completion of each project (or less than five years). The pre-tax discount rate used was 11.0 per cent. No provision for impairment was considered necessary. No reasonable change in any assumption would give rise to a material impairment.

13 Other plant and equipment

	Fixtures and fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
COST			
At 1st March 2013	9,737	313	10,050
Additions	365	30	395
Disposals	(22)	(143)	(165)
At 28th February 2014	10,080	200	10,280
Additions	417	33	450
Disposals	(47)	(33)	(80)
At 28th February 2015	**10,450**	**200**	**10,650**
ACCUMULATED DEPRECIATION			
At 1st March 2013	6,684	242	6,926
Charge for the year	669	34	703
Disposals	(6)	(140)	(146)
At 28th February 2014	7,347	136	7,483
Charge for the year	779	31	810
Disposals	(24)	(21)	(45)
At 28th February 2015	**8,102**	**146**	**8,248**
Net book amount 28th February 2015	**2,348**	**54**	**2,402**
Net book amount 28th February 2014	2,733	64	2,797
Net book amount 28th February 2013	3,053	71	3,124

Depreciation expense of £253,000 (2014: £227,000) is included within operating costs and £557,000 (2014: £476,000) is included within direct costs.

14 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1st March 2013	4,276	40,137
Additions	–	12,038
Share of profit	–	11,013
Share of revaluation surplus	–	1,715
Share of mark-to-market adjustment on interest rate swaps	–	106
Share of results	–	12,834
Capital distributions	–	(33,229)
At 28th February 2014	4,276	31,780
Additions	3,977	13,186
Acquisition via business combination	–	3,959
Share of loss	–	(443)
Share of revaluation surplus	–	3,376
Share of mark-to-market adjustment on interest rate swaps	–	(58)
Share of results	–	2,875
Disposal of joint venture	–	(9,823)
Capital distributions	–	(1,433)
At 28th February 2015	**8,253**	**40,544**

A summary of the Group's projects in partnership and the balance sheet classification of its interests is set out in note 28.

a) Investment in associates

The Group has the following interest in associates:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Note
Atlantic Park (Bideford) Limited	40	United Kingdom	Property development	Development and trading	September 2010	
Barwood Development Securities Limited	40	United Kingdom	Property development	Development and trading	January 2012	
Barwood Land and Estates Limited	25	United Kingdom	Property development	Development and trading	November 2009	
CDSR Burlington House Developments Limited	20	Ireland	Property development	Development and trading	July 2014	
Northpoint Developments Limited	42	United Kingdom	Property development	Development and trading	November 2007	i
Wessex Property Fund	47	Jersey	Investment property	Investment	September 2007	i

i) The investment in the associate has been fully provided against.

							2015
	Atlantic Park (Bideford) Limited £'000	Barwood Development Securities Limited £'000	Barwood Land and Estates Limited £'000	CDSR Burlington House Developments Limited £'000	Northpoint Developments Limited £'000	Wessex Property Fund £'000	Total £'000
SUMMARISED BALANCE SHEETS:							
Non-current assets	–	286	612	–	695	–	1,593
Current assets	1,910	2,737	727	35,885	9,062	343	50,664
Current liabilities	(719)	(240)	(93)	(334)	(2,709)	(11,245)	(15,340)
Non-current liabilities	–	–	–	(28,292)	(22,996)	–	(51,288)
Net assets/(liabilities)	1,191	2,783	1,246	7,259	(15,948)	(10,902)	(14,371)
Share of net assets/(liabilities)	475	1,113	312	1,452	(6,698)	(4,849)	(8,195)
Net assets/(liabilities) not recognised	(199)	–	–	–	6,698	4,849	11,348
Goodwill	–	1,387	1,188	2,525	–	–	5,100
Group's share of net assets	276	2,500	1,500	3,977	–	–	8,253
SUMMARISED INCOME STATEMENTS:							
Revenue	–	646	169	–	4,771	–	5,586
Post-tax (losses)/profits of associates	(164)	755	99	–	(2,219)	(2,209)	(3,738)
Share of (losses)/profits	(65)	302	25	–	(932)	(983)	(1,653)
Share of losses/(profits) not recognised	65	(302)	(25)	–	932	983	1,653
Share of (losses)/profits recognised	–	–	–	–	–	–	–
Dividends received from associates	–	158	–	–	–	–	158

Any contingent liabilities in relation to our associate investment partners are disclosed in note 24.

14 Investments continued

a) Investment in associates continued

							2014
	Atlantic Park (Bideford) Limited £'000	Barwood Development Securities Limited £'000	Barwood Land and Estates Limited £'000	CDSR Burlington House Developments Limited £'000	Northpoint Developments Limited £'000	Wessex Property Fund £'000	Total £'000
SUMMARISED BALANCE SHEETS:							
Non-current assets	–	321	879	–	1,092	–	2,292
Current assets	1,058	3,311	437	–	9,086	2,491	16,383
Current liabilities	(557)	(794)	(149)	–	(1,453)	(11,242)	(14,195)
Non-current liabilities	–	–	–	–	(21,219)	–	(21,219)
Net assets/(liabilities)	501	2,838	1,167	–	(12,494)	(8,751)	(16,739)
Share of net assets/(liabilities)	200	1,136	292	–	(5,247)	(3,892)	(7,511)
Share of net liabilities not recognised	–	–	–	–	5,247	3,892	9,139
Goodwill	76	1,364	1,208	–	–	–	2,648
Group's share of net assets	276	2,500	1,500	–	–	–	4,276
SUMMARISED INCOME STATEMENTS:							
Revenue	24	1,954	1,008	–	5,243	575	8,804
Post-tax (losses)/profits of associates	(86)	845	196	–	(58)	(1,878)	(981)
Share of (losses)/profits	(34)	338	49	–	(24)	(835)	(506)
Share of losses/(profits) not recognised	34	(338)	(49)	–	24	835	506
Share of (losses)/profits recognised	–	–	–	–	–	–	–
Dividends received from associates	–	–	–	–	–	–	–

b) Investment in joint ventures

As at 28th February 2015, the Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Accounting reference date
Accrue Student Housing GP Limited	50	United Kingdom	Property development	Development and trading	September 2011	31st August
Becket House Unit Trust	15	Jersey	Investment property	Investment	March 2014	31st December
Cathedral (Brighton) Limited	50	United Kingdom	Property development	Development and trading	May 2014	28th February
Curzon Park Limited	50	United Kingdom	Property development	Development and trading	November 2006	28th February
Development Equity Partners Limited	50	Jersey	Property development	Development and trading	December 2011	28th February
DSP Tirol Limited	50	United Kingdom	Investment property	Investment	January 2015	28th February
DS Renewables LLP*	50	United Kingdom	Property development	Development and trading	May 2012	28th February
Harwell Oxford Developments Limited	50	United Kingdom	Property development	Development and trading	December 2013	28th February
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	50	United Kingdom	Property development	Development and trading	July 2013	28th February
Manchester Arena Complex LP	30	United Kingdom	Investment property	Investment	June 2010	28th February
Notting Hill (Guernsey Holdco) Limited	24	Guernsey	Investment property	Development and trading	June 2011	31st December
Opportunities of Sittingbourne Limited	50	United Kingdom	Property development	Development and trading	January 2015	28th February
OSB (Holdco 1) Limited	50	United Kingdom	Property development	Development and trading	February 2014	28th February
Winnebago Holdings Sarl	35	Luxembourg	Investment property	Investment	April 2012	31st December

* The company is dormant and therefore no balance sheet or income statement is presented.

On 19th May 2014, the Group acquired an additional 45.0 per cent of the shares in Purplexed LLP as part of the Cathedral acquisition (refer note 26). Accordingly, the company is now accounted for as a subsidiary with effect from that date.

On 7th March 2014, the Group acquired a 15.0 per cent holding in Becket House Unit Trust with its partner Proprium Finance Cooperatief U.A holding the remaining 85.0 per cent. The company is registered and incorporated in Jersey.

On 19th May 2014, the Group acquired a 50.0 per cent holding in Cathedral (Brighton) Limited with its partner McLaren Property Limited holding the remaining 50.0 per cent. The company is registered and incorporated in the United Kingdom.

On 22nd December 2014, the Group acquired a 50.0 per cent holding in DSP Tirol Limited with its partner Pemberstone Investments Limited holding the remaining 50.0 per cent. The company is registered and incorporated in the United Kingdom.

On 21st January 2015, the Group acquired a 50.0 per cent holding in Opportunities of Sittingbourne Limited with its partner Swale Borough Council holding the remaining 50.0 per cent. The company is registered and incorporated in the United Kingdom.

The Esplanade Partnership Limited was wound up on 24th December 2014 following final distributions being made to the joint venture partners.

Investments under joint arrangements are not always represented by an equal percentage holding by each partner. In a number of joint ventures, the Group holds a minority shareholding but has joint control and therefore the arrangement is accounted for as a joint venture.

14 Investments continued

b) Investment in joint ventures continued

The Group's share of the assets, liabilities, income and expenses of its joint ventures, which includes amounts receivable from those joint ventures, is as follows:

	Accrue Student Housing GP Limited £'000	Becket House Unit Trust £'000	Cathedral (Brighton) Limited £'000	Curzon Park Limited £'000	Development Equity Partners Limited £'000	DSP Tirol Limited £'000
SUMMARISED BALANCE SHEETS:						
Non-current assets	–	92,720	–	–	–	16,513
Current assets	8,913	3,453	9,902	45,274	552	254
Current liabilities	(386)	(340)	(856)	–	–	(150)
Non-current liabilities	(4,995)	(56,527)	–	(21,010)	–	(10,313)
Net assets	3,532	39,306	9,046	24,264	552	6,304
Net assets not recognised	–	–	–	(24,264)	–	–
Share of net assets recognised	1,766	5,897	4,523	–	276	5,043
SUMMARISED INCOME STATEMENTS:						
Revenue	844	4,200	–	202	–	34
Direct costs	(382)	(733)	–	(358)	–	(49)
Interest income	6	373	–	–	–	–
Interest costs	(138)	(1,327)	–	(234)	–	(4)
Gain on revaluation	–	–	–	–	–	–
Profit/(loss) before and after tax	330	2,513	–	(390)	–	(19)
Share of profit/(loss) before and after tax	165	377	–	(195)	–	(15)

	Accrue Student Housing GP Limited £'000	Becket House Unit Trust £'000	Cathedral (Brighton) Limited £'000	Curzon Park Limited £'000	Development Equity Partners Limited £'000	DSP Tirol Limited £'000
SUMMARISED BALANCE SHEETS:						
Non-current assets	–	–	–	–	–	–
Current assets	8,796	–	–	44,658	552	–
Current liabilities	(450)	–	–	(20)	–	–
Non-current liabilities	(5,144)	–	–	(21,010)	–	–
Net assets	3,202	–	–	23,628	552	–
Net assets not recognised	–	–	–	(23,628)	–	–
Share of net assets recognised	1,601	–	–	–	276	–
SUMMARISED INCOME STATEMENTS:						
Revenue	1,022	–	–	172	–	–
Direct costs	(576)	–	–	(2,530)	(8)	–
Interest income	–	–	–	–	–	–
Interest costs	(292)	–	–	(404)	–	–
Gain on revaluation	–	–	–	–	–	–
Profit/(loss) before and after tax	154	–	–	(2,762)	(8)	–
Share of profit/(loss) before and after tax	77	–	–	(1,381)	(4)	–

Any contingent liabilities in relation to our joint ventures are disclosed in note 24.

2015									
The Esplanade Partnership Limited £'000	Harwell Oxford Developments Limited £'000	Kensington and Edinburgh Estates (South Woodham Ferrers) Limited £'000	Manchester Arena Complex LP £'000	Notting Hill (Guernsey Holdco) Limited £'000	Opportunities of Sittingbourne Limited £'000	OSB (Holdco 1) Limited £'000	Purplexed LLP £'000	Winnebago Holdings Sarl £'000	Total £'000
–	–	–	13	–	–	–	–	30,726	139,972
–	40,200	896	293	56,946	236	32,282	–	1,389	200,590
–	(2,028)	–	(73)	(1,700)	–	(834)	–	(2,540)	(8,907)
–	(9,904)	–	–	(25,813)	–	(26,016)	–	(14,000)	(168,578)
–	28,268	896	233	29,433	236	5,432	–	15,575	163,077
–	–	–	–	–	–	–	–	–	(24,264)
–	7,067	448	175	7,064	118	2,716	–	5,451	40,544
1,656	3,080	–	85	1,521	–	1,350	232	1,486	14,690
(1,444)	(2,612)	–	(11)	(8)	–	(866)	(32)	(1,503)	(7,998)
–	3,788	44	–	–	–	–	278	–	4,489
–	(3,896)	–	–	(2,021)	–	(2,480)	(66)	(529)	(10,695)
–	3,536	–	–	–	–	–	–	7,117	10,653
212	3,896	44	74	(508)	–	(1,996)	412	6,571	11,139
106	974	22	56	(122)	–	(999)	206	2,300	2,875

2014									
The Esplanade Partnership Limited £'000	Harwell Oxford Developments Limited £'000	Kensington and Edinburgh Estates (South Woodham Ferrers) Limited £'000	Manchester Arena Complex LP £'000	Notting Hill (Guernsey Holdco) Limited £'000	Opportunities of Sittingbourne limited £'000	OSB (Holdco 1) Limited £'000	Purplexed LLP £'000	Winnebago Holdings Sarl £'000	Total £'000
–	–	–	13	–	–	–	960	23,500	24,473
1,154	31,216	326	769	56,063	–	24,586	25,920	1,866	195,906
(108)	(1,832)	–	(701)	(2,754)	–	(650)	(1,750)	(1,746)	(10,011)
–	(4,828)	–	–	(25,938)	–	(16,564)	(6,466)	(13,820)	(93,770)
1,046	24,556	326	81	27,371	–	7,372	18,664	9,800	116,598
–	–	–	–	–	–	–	–	–	(23,628)
523	6,139	163	61	6,569	–	3,686	9,332	3,430	31,780
21,138	140	–	6,101	1,600	–	70	3,684	2,400	36,327
(4,898)	(1,564)	–	(1,079)	(225)	–	(22)	(766)	(880)	(12,548)
10	728	–	64	133	–	–	1,528	346	2,809
(816)	(412)	–	(672)	(3,217)	–	–	(886)	(1,060)	(7,759)
–	–	–	1,223	–	–	–	–	2,280	3,503
15,434	(1,108)	–	5,637	(1,709)	–	48	3,560	3,086	22,332
7,717	(277)	–	4,228	(410)	–	24	1,780	1,080	12,834

14 Investments continued

c) Principal subsidiaries

The Group has taken advantage of the exemption under s410(2) of the Companies Act 2006 by providing information only in relation to related undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures shown in the Company's Annual Report. The subsidiaries listed below are those undertakings with net assets in excess of 5.0 per cent of Group net assets. To comply with the Companies Act 2006, a full list of subsidiaries will be annexed to the Company's next annual return filed with the Registrar of Companies.

The following were principal subsidiaries at 28th February 2015:

	% holding in Ordinary shares	Country of incorporation	Principal activity
Development Securities Estates PLC	100	United Kingdom	Management and Investment Company
Development Securities (Investments) PLC	100	United Kingdom	Property Investment
DS Jersey (No. 1) Limited	100	Jersey	Investment

The total non-controlling interest for the year is £722,000 (2014: £35,000).

15 Inventory

	Development properties £'000	Trading properties £'000	Total £'000
DEVELOPMENT AND TRADING PROPERTIES			
At 1st March 2013	86,255	67,161	153,416
Additions:			
– acquisitions	4,733	37,946	42,679
– development expenditure	17,822	8,840	26,662
– transfer from development to trading properties	(7,722)	7,722	–
Disposals	(14,299)	(15,743)	(30,042)
Write down of trading properties to net realisable value	(182)	(50)	(232)
At 28th February 2014	86,607	105,876	192,483
Additions:			
– acquisition of subsidiaries (refer note 26)	64,969	–	64,969
– acquisitions	8,742	33,351	42,093
– development expenditure	47,713	4,783	52,496
– transfer from trading to development properties	2,300	(2,300)	–
Disposals	(69,120)	(60,576)	(129,696)
Foreign currency differences	(1,037)	(2,640)	(3,677)
Write down of trading properties to net realisable value	(986)	(208)	(1,194)
At 28th February 2015	**139,188**	**78,286**	**217,474**

Included in the above amounts are projects stated at net realisable value of £18,720,000 (2014: £42,308,000).

Net realisable value has been estimated by the Directors, taking account of the plans for each project, the planning status and competitive position of each asset, and the anticipated market for the scheme. For material developments, the Directors have consulted with third party chartered surveyors in setting their market assumptions.

Interest of £1,735,000 (2014: £51,000) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £2,029,000 (2014: £1,653,000).

16 Trade and other receivables

a) Non-current	2015 £'000	2014 £'000
Prepayments and accrued income	**4,238**	7,652

b) Current	2015 £'000	2014 £'000
Trade receivables	**10,302**	2,229
Amounts due from customers for contract work	**–**	605
Other receivables	**25,328**	34,227
Other tax and social security	**1,029**	1,596
Prepayments and accrued income	**8,175**	2,178
	44,834	40,835

The Group has provided £433,000 (2014: £183,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for at the year-end, there are no other material receivables, past due but not impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable.

Transactions and balances with related parties are disclosed in note 27.

17 Trade and other payables

a) Non-current	2015 £'000	2014 £'000
Trade payables	**9,857**	1,500

b) Current	2015 £'000	2014 £'000
Trade payables	**13,711**	1,042
Other payables	**16,256**	9,331
Other tax and social security	**5,536**	394
Accruals and deferred income	**28,399**	21,153
Special dividend 2015	**9,995**	–
	73,897	31,920

c) Provisions	Onerous leases £'000	Other provisions £'000	Total £'000
At 1st March 2014	2,948	88	3,036
Charged to the income statement	490	51	541
Credited to the income statement	(188)	(81)	(269)
Utilised during the year	(696)	(44)	(740)
Amortisation of discount	94	–	94
At 28th February 2015	**2,648**	**14**	**2,662**

17 Trade and other payables continued

c) Provisions continued

Analysis of total provisions	2015 £'000	2014 £'000
Non-current	**2,412**	2,843
Current	**250**	193
	2,662	3,036

Provisions of £14,000 (2014: £88,000) relate to properties and £2,648,000 (2014: £2,948,000) to onerous leases.

£1,270,000 (2014: £1,270,000) has been provided to cover the onerous liability associated with leases at three of our serviced office centres.

Four provisions of £53,000 (2014: £nil), £886,000 (2014: £948,000), £177,000 (2014: £104,000) and £257,000 (2014: £257,000) relate to onerous lease obligations entered into in 2014, 2009, 1989 and 1974 respectively.

The Group has been called as guarantor in respect of three Stead and Simpson Limited leases. £5,000 (2014: £369,000) has been provided to cover the Group's obligations.

18 Financial assets and financial liabilities

The following table is a summary of the financial assets and financial liabilities included in the Consolidated Balance Sheet:

	2015 £'000	2014 £'000
NON-CURRENT ASSETS		
Available-for-sale financial assets	**28,448**	19,527
Loan notes at amortised cost less impairment	**8,813**	8,675
	37,261	28,202
CURRENT ASSETS		
Loans and receivables	**1,700**	1,700
Trade and other receivables at amortised cost less impairment	**41,707**	38,856
Monies held in restricted accounts and deposits	**19,380**	27,263
Cash and cash equivalents	**59,949**	40,051
	122,736	107,870
Total financial assets	**159,997**	136,072
CURRENT LIABILITIES		
Trade and other payables at amortised cost	**(65,047)**	(28,477)
Borrowings at amortised cost	**(36,020)**	(24,674)
	(101,067)	(53,151)
NON-CURRENT LIABILITIES		
Trade and other payables at amortised cost	**(9,857)**	(1,500)
Borrowings at amortised cost	**(169,012)**	(196,404)
Derivative financial instruments used for hedging at fair value	**–**	(1,744)
Derivative financial instruments not used for hedging at fair value through profit or loss	**(21)**	(451)
	(178,890)	(200,099)
Total financial liabilities	**(279,957)**	(253,250)

a) Other financial assets

	2015 £'000	2014 £'000
NON-CURRENT		
Available-for-sale financial assets – development loans	**28,448**	19,527
Loan notes at amortised cost less impairment	**8,813**	8,675
	37,261	28,202

Development loans include a number of working capital and project-specific loans of £9,182,000 (2014: £8,115,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0 and 13.0 per cent. Included in the above amount is an interest-free loan of £208,000 (2014: £208,000). As at 28th February 2015, the Group has made a provision of £228,000 against interest receivable in respect of these loans.

In 2010, the Group provided a £5,000,000 loan to the Curzon Park Limited joint venture in order to repay a share of its bank debt. The joint venture partner provided the equivalent amount. In October 2012, the Group, along with our joint venture partner, agreed a three-year repayment schedule in respect of the loan facility secured against the 10.5 acre site in Birmingham. £11,500,000 of the loan has been repaid at the balance sheet date of which the Group's share is 50.0 per cent. The balance of £4,110,000 is repayable in full in May 2015. Following further review, the Group considers that this amount will be recovered from Curzon Park Limited, either through the compulsory sale of land or on development of the residual land retained. As at 28th February 2015, the development loan to Curzon Park is £8,450,000 (2014: £6,150,000). The Directors will review the position at each debt repayment date to determine whether the instalments are recoverable from Curzon Park Limited in the future or whether they should be expensed in the period in which they are paid.

The Group has two funding agreements totalling £10,816,000 (2014: £5,262,000), in respect of projects in partnership. The loans attract fixed coupon rates of 6.0 and 8.5 per cent.

The Group holds loan notes with a carrying value of £8,813,000 (2014: £8,675,00), issued by Northpoint Developments Limited, with a fixed term of ten years and a fixed coupon rate of 4.25 per cent. As at 28th February 2015, the Group has made a provision of £191,000 (2014: £nil) against interest receivable in respect of these loan notes.

	2015 £'000	2014 £'000
CURRENT		
Loans and receivables:		
Northpoint Developments Limited	**200**	200
Property Alliance Group	**1,500**	1,500
	1,700	1,700

The Group has provided a short-term, non-interest-bearing loan of £200,000 to Northpoint Developments Limited and £1,500,000 to Property Alliance Group as a contribution to a prospective future project, this amount is repayable on demand.

b) Borrowings

	£'000	**2015 £'000**	£'000	2014 £'000
CURRENT				
Bank overdrafts		**–**		–
Current instalments due on bank loans	**2,818**		3,476	
Current loans maturing	**14,054**		21,808	
First mortgage debenture 11% due 2016	**20,000**		–	
Unamortised transaction costs	**(852)**		(610)	
		36,020		24,674
		36,020		24,674

	2015 £'000	2014 £'000
NON-CURRENT		
First mortgage debenture 11% due 2016	**–**	20,000
Bank loans and loan notes	**171,231**	178,530
Unamortised transaction costs	**(2,219)**	(2,126)
	169,012	196,404

Bank loans and the debenture are secured by way of mortgages and legal charges on certain properties and cash deposits held by the Group.

18 Financial assets and financial liabilities continued

b) Borrowings continued

	2015 £'000	2014 £'000
BORROWINGS		
£20,000,000 first mortgage debenture 2016	**20,000**	20,000
£9,000,000 variable rate loan 2014	**–**	9,000
£5,669,000 variable rate loan 2014	**–**	5,110
£1,531,000 variable rate loan 2014	**–**	1,380
£1,000,000 variable rate loan 2015	**–**	934
£2,500,000 variable rate loan 2015	**–**	2,367
£6,200,000 variable rate loan 2015	**–**	5,320
£10,000,000 variable rate loan 2015	**–**	7,965
£7,810,000 variable rate loan 2015	**7,810**	–
£3,300,000 variable rate loan 2015	**3,250**	3,000
£1,550,000 variable rate loan 2015	**1,425**	1,475
£4,500,000 variable rate loan 2015	**–**	4,087
£1,500,000 variable rate loan 2015	**–**	1,500
£5,000,000 variable rate loan 2015	**1,552**	–
£38,000,000 variable rate loan 2016	**29,036**	37,713
£25,100,000 fixed rate loan 2016	**3,982**	–
€5,430,000 variable rate loan 2016	**1,297**	–
£10,500,000 variable rate loan 2017	**–**	10,500
£10,567,000 variable rate loan 2018	**10,567**	–
£5,794,000 variable rate loan 2018	**5,794**	–
€24,307,000 variable rate loan 2018	**16,533**	–
€47,000,000 variable rate loan notes 2021	**34,112**	–
£57,565,000 fixed rate loan 2025	**52,192**	53,586
£22,470,000 fixed rate loan 2025	**20,536**	21,113
€47,000,000 variable rate loan notes 2027	**–**	38,747
£16,500 variable rate loan notes 1999	**17**	17
	208,103	223,814
Less: current instalments due on bank loans	**(2,818)**	(3,476)
Current loans maturing	**(14,054)**	(21,808)
First mortgage debenture 11% due 2016	**(20,000)**	–
	171,231	198,530

£20,000,000 first mortgage fixed rate debenture
This secured debenture is repayable in one instalment on 6th January 2016.

£9,000,000 variable rate loan
This loan was repaid on 30th April 2014.

£5,669,000 variable rate loan
This loan was repaid on 28th March 2014.

£1,531,000 variable rate loan
This loan was repaid on 28th March 2014.

£1,000,000 variable rate loan
This loan was repaid on 8th May 2014.

£2,500,000 variable rate loan
This loan was repaid on 3rd March 2015.

£6,200,000 variable rate loan
This loan was repaid on 14th April 2014.

£10,000,000 variable rate loan
This loan was repaid on 10th October 2014.

£7,810,000 variable rate loan
This secured loan was repayable in one instalment on 31st March 2015. This facility has since been refinanced and is repayable in 2018.

£3,300,000 variable rate loan
This secured loan facility was increased from £3,000,000 to £3,300,000 and extended during the year. The loan is repayable in one instalment on 31st July 2015. The current balance outstanding on the facility is £3,250,000.

£1,550,000 variable rate loan
£150,000 loan capital amortises over the term of the loan. The remaining £1,400,000 is repayable in one instalment on 9th August 2015. The current balance outstanding on the facility is £1,425,000.

£4,500,000 variable rate loan
This loan was repaid on 21st November 2014.

£1,500,000 variable rate loan
This loan was repaid on 21st November 2014.

£5,000,000 variable rate loan
This secured loan is repayable in one instalment on 18th December 2015. This is a development facility where the loan is drawn down over the progress of the development. The current balance outstanding on the facility is £1,552,000.

£38,000,000 variable rate loan
£2,700,000 loan capital amortises with effect from the second anniversary of the drawdown of the loan. The remaining balance is repayable in one instalment on 16th December 2016. £8,024,000 was repaid on 23rd April 2014, following the sale of a secured asset. The current balance outstanding on the facility is £29,036,000.

£25,100,000 fixed rate loan
This secured loan is repayable in one instalment on 19th June 2016. This is a development facility where the loan is drawn down over the progress of the development. The current balance outstanding on the facility is £3,982,000.

€5,430,000 variable rate loan
This secured loan is repayable in one instalment on 30th June 2016. This is a development facility where the loan is drawn down over the progress of the development. The current Sterling balance outstanding on the facility is £1,297,000 at the balance sheet date.

£10,500,000 variable rate loan
Instalments of £2,850,000 and £5,150,000 were repaid on 16th May and 18th August 2014 respectively with the balancing amount of £2,500,000 being repaid on 23rd October 2014. Instalments were paid as assets secured under the facility were disposed of.

£10,567,000 variable rate loan
This is a £9,500,000 secured development facility on which interest can be rolled up. The loan is repayable in one instalment on 31st March 2018. The current balance outstanding on the facility is £10,567,000 including £1,067,000 of rolled up interest.

£5,794,000 variable rate loan
This is a £5,500,000 secured development facility on which interest can be rolled up. The loan is repayable in one instalment on 31st March 2018. The current balance outstanding on the facility is £5,794,000 including £294,000 of rolled up interest.

€24,307,000 variable rate loan
This secured loan is repayable on the earlier of individual units being disposed of or 1st August 2018. The current Sterling balance outstanding on the facility is £16,533,000 at the balance sheet date.

€47,000,000 variable EURIBOR loan notes
These unsecured, Euro denominated loan notes were issued 27th March 2014 and replace the €47,000,000 variable EURIBOR loan notes 2027. The loan notes are repayable on 24th April 2021.

£57,565,000 fixed rate loan
£25,665,000 loan capital amortises over the term of the loan. The remaining £31,900,000 is repayable in one instalment on 12th March 2025. The current balance outstanding on the facility is £52,192,000.

18 Financial assets and financial liabilities continued

b) Borrowings continued

£22,470,000 fixed rate loan

£9,980,000 loan capital amortises over the term of the loan. The remaining £12,490,000 is repayable in one instalment on 12th March 2025. The current balance outstanding on the facility is £20,536,000.

€47,000,000 variable EURIBOR loan notes

The interest and repayment terms of these unsecured, Euro denominated loan notes were renegotiated resulting in the repayment of the loan notes on 31st March 2014.

£16,500 loan notes

These unsecured loan notes were repayable in 1999. The balance of £16,500 represents the residual amount of unredeemed loan notes.

A full explanation of the Group's borrowings and any changes since the balance sheet date can be found in the Financial Review on pages 60 to 68.

c) Derivative financial instruments

Assets	2015 £'000	2014 £'000
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	**189**	23
Foreign exchange contracts	**228**	–
Derivative financial assets	**417**	23

Liabilities	2015 £'000	2014 £'000
Cash flow hedge: cross-currency interest rate swap	**–**	(1,744)
Derivative financial instruments at fair value through profit or loss:		
Interest rate swaps, caps and collars	**(438)**	(474)
Derivative financial liabilities	**(438)**	(2,218)
Net derivative financial liabilities	**(21)**	(2,195)

At 28th February 2015, the Group held interest rate swaps, caps and collars designated as economic hedges and not qualifying as effective hedges under IAS 39. The derivatives are used to mitigate the Group's interest rate exposure to variable rate loans of £63,148,000 (2014: £59,230,000). The fair value of the derivatives amounting to £189,000 and £438,000 are recorded as financial assets and liabilities respectively at 28th February 2015 (2014: £23,000 asset and £474,000 liability) with the fair value loss taken to finance costs.

At 28th February 2014, the Group held one cross-currency interest rate swap designated as a hedge of expected future cash flows arising from €47,000,000 variable rate loan notes issued in September 2007. This cash flow hedge was cancelled in March 2014 following the renegotiation of the loan notes. On cancellation of the hedging arrangements, the Group incurred a foreign currency translation loss of £6,012,000, and paid a termination fee of £1,035,000. The Group was also required to write off transaction costs of £870,000. The total of £7,917,000 is shown as an exceptional item in the Consolidated income statement. The unwinding of the hedging arrangements also generated a corresponding credit to Other comprehensive income of £7,647,000.

Fair value estimation

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) 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).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). Discounted cash flows are used to determine fair values of these instruments.

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

	2015				2014			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
ASSETS								
Available-for-sale financial assets	**–**	**–**	**28,448**	**28,448**	–	–	19,527	19,527
Derivative financial instruments:								
Derivative financial instruments at fair value through profit or loss	**–**	**189**	**–**	**189**	–	23	–	23
Foreign exchange contracts through profit or loss	**–**	**228**	**–**	**228**	–	–	–	–
Total assets	**–**	**417**	**28,448**	**28,865**	–	23	19,527	19,550
LIABILITIES								
Derivative financial instruments:								
Cross-currency interest rate swap	**–**	**–**	**–**	**–**	–	(1,744)	–	(1,744)
Derivative financial instruments at fair value through profit or loss	**–**	**(438)**	**–**	**(438)**	–	(474)	–	(474)
Total liabilities	**–**	**(438)**	**–**	**(438)**	–	(2,218)	–	(2,218)

d) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The nature and extent of the Group's financial risks, and the Directors' approach to managing those risks, are described in the Financial Review on pages 60 to 68 and below. This note provides further detailed information on these risks.

The Group defines capital as total equity and monitors this on the basis of gearing.

Interest rate maturity profile of financial liabilities

The following table sets out the carrying amount by maturity of the Group's financial instruments that are exposed to interest rate risk:

							2015
	Within one year £'000	**One to two years £'000**	**Two to three years £'000**	**Three to four years £'000**	**Four to five years £'000**	**More than five years £'000**	**Total £'000**
Fixed rate borrowings	**20,000**	**–**	**–**	**–**	**–**	**72,728**	**92,728**
Variable rate borrowings	**12,629**	**5,279**	**–**	**32,894**	**–**	**–**	**50,802**
Variable rate borrowings with interest rate caps or swaps	**1,425**	**29,036**	**–**	**–**	**–**	**34,112**	**64,573**
	34,054	**34,315**	**–**	**32,894**	**–**	**106,840**	**208,103**

							2014
	Within one year £'000	One to two years £'000	Two to three years £'000	Three to four years £'000	Four to five years £'000	More than five years £'000	Total £'000
Fixed rate borrowings	–	20,000	–	–	–	74,699	94,699
Variable rate borrowings	15,318	5,320	10,500	–	–	–	31,138
Variable rate borrowings with interest rate caps or swaps	6,490	15,027	37,713	–	–	38,747	97,977
	21,808	40,347	48,213	–	–	113,446	223,814

Interest on financial instruments classified as variable rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial assets and financial liabilities of the Group that are not included above are non-interest bearing and are therefore not subject to interest rate risk.

18 Financial assets and financial liabilities continued

d) Financial risk management continued

Foreign currency risk

During the year the Group has continued to invest in the Republic of Ireland. This increased foreign currency exposure is monitored by the Board. Foreign currency risk arises from future commercial transaction, recognised assets and liabilities and net investments in foreign operations.

The Board has set up a policy to manage foreign currency risk against the Group's functional currency. When the Group acquires property assets denominated in Euros, any associated borrowings will also be denominated in Euros to limit exposure. Where appropriate, the Board will also require the foreign exchange risk to be hedged.

As at 28th February 2015, the Group was exposed to foreign currency risk from €47,000,000 (2014: €47,000,000) loan notes denominated in Euros and two Euro denominated loan facilities of €24,307,000 and €5,430,000 (2014: €nil).

Following the renegotiation of the loan notes in March 2014, the Group purchased an option to acquire €25,000,000 during the period to 31st March 2017 and entered into an interest rate cap arrangement for the loan term in order to manage risk. The Group is no longer required to hold Euro denominated cash collateral related to the loan notes and is therefore no longer sensitive to Euro movements in respect of large cash balances.

During the year to 28th February 2015, the movement of Sterling against the Euro was approximately 14.3 per cent. Management consider this movement to be exceptional and that an 8.0 per cent movement to be a prudent measure of sensitivity on this basis.

The following table demonstrates the possible effect of changes in Sterling and Euro exchange rates on loan balances with all other variables held constant:

	Increase/ Decrease in rate	Effect on loan balances £'000
2015		
Sterling against Euro	**+8%**	**3,848**
	-8%	**(4,517)**
2014		
Sterling against Euro	+8%	2,870
	–8%	(3,369)

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates are partially offset by cash held at variable rates. The Board closely monitors interest rate risk and considers whether to fix or cap interest rates on a loan by loan basis. Longer term facilities tend to be structured with fixed rates whereas for shorter term loans, a cap may be preferred. Similar principles are also employed in respect of joint ventures.

The following table demonstrates the sensitivity in respect of variable rate debt obligations to a change in interest rates, with other variables held constant, of the Group's profit before income tax.

The sensitivity analysis excludes all non-derivative fixed-rate financial instruments carried at amortised cost as well as variable rate financial instruments.

Fair value interest rate hedging instruments that are part of a hedging relationship have been excluded. Variable rate non-derivative financial instruments where the associated interest has been capitalised have also been excluded.

As at 28th February 2015, a movement of 50 basis points higher or lower, with all other variables held constant, would have the following effect on profit before tax. Management consider a movement of 50 basis points to be a reasonable guide to sensitivity in the current interest rate environment.

	Increase/decrease in basis points	Effect on profit before tax £'000
2015		
Sterling borrowings	**+50**	**(207)**
	–50	**207**
2014		
Sterling borrowings	+50	(144)
	–50	144

Price risk
The Group is not exposed to commodity or security price risk.

Liquidity risk
A review of the Group's liquidity risk is set out in the Financial Review on page 61.

The table below summarises the maturity profile of the Group's financial liabilities at 28th February 2015 and 2014 on a contractual undiscounted payments basis:

						2015
	On demand £'000	**Less than three months £'000**	**Three to twelve months £'000**	**One to five years £'000**	**More than five years £'000**	**Total £'000**
MATURITY PROFILE OF FINANCIAL LIABILITIES						
Interest-bearing loans and borrowings	**17**	**10,092**	**35,078**	**95,083**	**130,069**	**270,339**
Trade and other payables	**–**	**48,791**	**16,256**	**9,857**	**–**	**74,904**
	17	**58,883**	**51,334**	**104,940**	**130,069**	**345,243**

						2014
	On demand £'000	Less than three months £'000	Three to twelve months £'000	One to five years £'000	More than five years £'000	Total £'000
MATURITY PROFILE OF FINANCIAL LIABILITIES						
Interest-bearing loans and borrowings	17	2,174	27,828	118,516	142,500	291,035
Trade and other payables	–	19,146	9,331	1,500	–	29,977
Derivative financial instruments	–	421	1,264	6,742	17,542	25,969
	17	21,741	38,423	126,758	160,042	346,981

Market risk
A summary of market risk and its effect on the Group is set out in the Risk Review on page 35 and further discussed in the Chief Executive's Report on page 16 and in the Portfolio Review on pages 42 to 59.

Fair values of financial assets and financial liabilities
Except as detailed below, in respect of fixed rate debenture and loan facilities, the Directors consider the carrying amount to be either fair value or a reasonable approximation of fair value apart from equity instruments classified as available-for-sale assets under IAS 39, where fair value cannot be reliably measured.

Fixed rate debt
A valuation was carried out as at 28th February 2015 by J C Rathbone Associates Limited, to calculate 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 rate 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 28th February 2015, and may be subject to daily fluctuations in line with money market movements.

J C Rathbone Associates Limited have consented to the use of their name in the financial statements.

18 Financial assets and financial liabilities continued

d) Financial risk management continued

The fair value compared to the carrying amounts of the Group's fixed rate financial liabilities as at 28th February 2015 and 2014 is analysed below:

	Book value 2015 £'000	**Fair value 2015 £'000**	Book value 2014 £'000	Fair value 2014 £'000
First mortgage debenture 11% due 2016	**20,000**	**21,485**	20,000	22,833
Fixed rate term loan due 2025	**52,192**	**62,508**	53,586	60,339
Fixed rate term loan due 2025	**20,536**	**23,449**	21,113	22,576
Total fixed rate financial liabilities	**92,728**	**107,442**	94,699	105,748

The fair value difference of £14,714,000 at 28th February 2015 (2014: £11,049,000) represents approximately 15.9 per cent of gross, fixed rate borrowings (2014: 11.7 per cent). The effect on net assets per share after tax of this adjustment would be a decrease of 9.3 pence after tax (2014: 6.9 pence decrease).

19 Deferred income tax

The following are the deferred income tax liabilities and assets and movements thereon recognised by the Group during the current and previous financial year. The UK corporation tax rate decreased on 1st April 2014 from 23.0 per cent to 21.0 per cent. Deferred income tax is calculated on the temporary differences under the liability method using a tax rate of 20.0 per cent (2014: 20.0 per cent).

	2015 £'000	2014 £'000
(Credit)/charge for the year in the income statement (refer note 7)	**(3,375)**	237
Charged directly to equity	**2,459**	415
	(916)	652

	2015 £'000	2014 £'000
DEFERRED INCOME TAX LIABILITIES RECOGNISED:		
Revaluation of property		
At 1st March 2014/2013	**–**	743
Credited to the income statement	**–**	(743)
	–	–

	Decelerated capital allowances £'000	Provisions £'000	Tax losses £'000	Net fair value adjustments £'000	Total £'000
DEFERRED INCOME TAX (ASSETS)/LIABILITIES RECOGNISED:					
At 1st March 2013	(265)	(449)	(1,043)	–	(1,757)
Charged to the income statement	41	59	880	–	980
Charged directly to equity	–	–	415	–	415
At 28th February 2014	(224)	(390)	252	–	(362)
Acquired	–	–	(682)	3,814	3,132
Charged/(credited) to the income statement	114	(110)	(544)	(2,835)	(3,375)
Charged directly to equity	–	–	–	2,459	2,459
At 28th February 2015	**(110)**	**(500)**	**(974)**	**3,438**	**1,854**

	£'000
Deferred income tax assets	1,588
Deferred income tax liabilities	(3,442)
NET DEFERRED INCOME TAX LIABILITIES	**(1,854)**

Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. Deferred income tax assets arising from the Group's trading and capital losses are recognised on the basis that there will be sufficient profits in the foreseeable future to utilise such losses. The Group has not recognised deferred income tax assets of £7,165,000 (2014: £5,047,000) in respect of losses amounting to £35,823,000 (2014: £25,223,000) that can be carried forward against future taxable income.

Movements in deferred income tax assets and liabilities (prior to the offsetting of balances) are shown above.

20 Share capital

	2015 £'000	2014 £'000
Issued, called up and fully paid		
125,057,003 Ordinary shares of 50 pence (2014: 122,352,504 Ordinary shares of 50 pence)	**62,529**	61,176

	Number of shares
Shares in issue at the date of this report	**125,071,211**

The Company has one class of Ordinary shares which carry no right to fixed income.

The Group issued 2,575,116 shares on 14th May 2014, 2.10 per cent of the total Ordinary share capital issued, to the majority shareholder of Cathedral Group as part of the purchase consideration for 100 per cent of its Ordinary share capital. The Ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to £6,013,000 (£2.335 per share).

The Company acquired 123,397 of its own shares through purchases on the London Stock Exchange in 2012. The total amount paid to acquire the shares, net of income tax, was £171,000 and has been deducted from shareholder 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. During the year, 4,605 shares were sold out of treasury shares to satisfy a good leaver under the save as you earn scheme. The number of treasury shares held as at 28th February 2015 is 118,792 shares.

Share option schemes

As at 28th February 2015, and at the date of this report, the options outstanding under the Company's share option schemes were exercisable as set out below (price stated in pence per share). The share options are more fully described in the Remuneration Report on pages 80 to 97. On 27th February 2015, 14,208 of the 14,918 options over shares from the Save As You Earn option scheme, granted on 24 October 2011, were exercised, however these shares were not allotted until 2nd March 2015, leaving 710 options over shares unexercised at the date of this report.

Save as you earn option plan 2005:

Date of grant	28.02.15 Number	29.04.15 Number	Exercise dates	Price
24th October 2011	14,918	710	1st December 2014 to 31st May 2015	152.0
22nd December 2014	321,275	–	1st February 2018 to 31st July 2018	179.2
	336,193	710		

20 Share capital continued

Share-based payments

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2015		2014	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
At 1st March 2014/2013	**221,972**	**213.1**	557,203	270.9
Options granted	**321,275**	**179.2**	–	–
Options exercised	**(129,383)**	**152.0**	–	–
Options lapsed	**(69,382)**	**347.5**	(306,457)	323.9
Options cancelled	**(8,289)**	**152.0**	(28,774)	152.0
	336,193	**174.2**	221,972	213.1

321,275 Save As You Earn options were granted during the year. The average share price during the year was 222.0 pence (2014: 204.8 pence). Of the 336,193 (2014: 221,972) outstanding options at 28th February 2015, 14,918 were exercisable (2014: 69,382).

The options outstanding at 28th February 2015 were exercisable at 152.0 pence and 179.2 pence per share and have a weighted average remaining contractual life of 1.8 years (2014: 0.7 years).

The fair value of grants is measured at the grant date using a Black-Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. The main assumptions of the Black-Scholes pricing model are as follows:

Grant date	22.12.14	24.10.11
Exercise price (pence)	179.2	152.0
Term (years)	3	3
Expected volatility	24%	41%
Expected dividend yield p.a.	2.3%	3.2%
Risk-free rate	0.9%	0.9%
Expected forfeiture p.a.	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the Development Securities PLC share price over multiple time periods. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Conditional awards under the Performance Share Plan

The terms of the Performance Share Plan are set out in the Remuneration Report on pages 80 to 97.

Ordinary shares conditionally awarded under the Performance Share Plan are valued at their fair value on the date of the award, using an Equal Probability Model, which takes into account the probability of the Ordinary shares vesting based on an equal probability of achieving appropriate total shareholder return ranking as determined under the performance condition.

The principal assumptions for calculating the fair value of the Ordinary shares conditionally awarded are:

	2015	2014
Ordinary shares conditionally awarded (no. of shares)	**570,592**	870,143
Date of award	**22nd May 2014**	29th May 2013
Share price (pence)	**244.0**	192.0
Percentage probability applied for fair value	**51.00%**	51.00%
Vesting period (months)	**32**	32

The expense recognised for equity-settled share-based payments in respect of employee services received during the year is £21,000 charge (2014: £12,000 credit).

The charge recognised for cash-settled share-based payments during the year is £nil (2014: £nil).

21 Reserves and movements in equity

	Share capital £'000	Share premium £'000	Net unrealised gain/(loss) reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Merger reserve £'000	Treasury shares £'000
At 1st March 2013	61,176	103,961	(5,906)	1,631	44,188	–	(171)
Fair value of cross-currency interest rate swap	–	–	1,798	–	–	–	–
Deferred income tax charged directly to equity	–	–	(415)	–	–	–	–
Currency translation differences – Group	–	–	(104)	–	–	–	–
At 28th February 2014	61,176	103,961	(4,627)	1,631	44,188	–	(171)
Acquisition of subsidiaries	1,288	–	–	–	–	4,725	–
Employee share option scheme	65	133	–	–	–	–	6
Termination of cross-currency interest rate swap	–	–	7,647	–	–	–	–
Deferred income tax charged directly to equity	–	–	(2,459)	–	–	–	–
Currency translation differences – Group	–	–	(2,263)	–	–	–	–
At 28th February 2015	**62,529**	**104,094**	**(1,702)**	**1,631**	**44,188**	**4,725**	**(165)**

The Capital redemption reserve arose from business combinations in prior financial years. This reserve is not distributable.

The merger reserve comprises the premium on shares following the share issue to acquire the Cathedral Group. No share premium is recorded in the Company's financial statements through the operation of the Merger Relief provisions of the Companies Act 2006.

Retained earnings

	£'000
At 1st March 2013	101,731
Profit for the year	18,236
Share based payments	(12)
Final dividend 2013	(2,934)
Interim dividend 2014	(2,934)
At 28th February 2014	114,087
Profit for the year	33,276
Share based payments	(21)
Final dividend 2014	(3,994)
Interim dividend 2015	(2,995)
Special dividend 2015	(9,995)
At 28th February 2015	**130,358**

22 Note to the cash flow statement

Reconciliation of profit before income tax to net cash outflow from operating activities:

	2015 £'000	2014 £'000
Profit before income tax	**34,757**	19,527
Adjustments for:		
Gain on disposal of investment properties	**(3,843)**	(539)
Gain on revaluation of property portfolio	**(7,824)**	(3,109)
Other income	**(175)**	(471)
Share of post-tax profits of joint ventures and associates	**(2,875)**	(12,834)
Loss from sale of investment	**86**	250
Profit from sale of joint venture	**(521)**	–
Loss/(profit) on sale of other plant and equipment	**20**	(34)
Finance income	**(7,914)**	(2,552)
Finance cost	**12,751**	13,532
Exceptional item: acquisition costs associated with business combination	**2,724**	–
Exceptional item: termination of cross currency interest rate swap	**7,917**	–
Depreciation of property, plant and equipment	**875**	768
Amortisation of goodwill	**238**	–
Operating cash flows before movements in working capital	**36,216**	14,538
Decrease/(increase) in development and trading properties	**37,951**	(38,930)
Increase in receivables	**(10,137)**	(16,018)
Increase in payables	**16,575**	7,911
Decrease in provisions	**(450)**	(28)
Cash flows generated from/(used in) operating activities	**80,155**	(32,527)

23 Financial commitments and operating lease arrangements

Capital commitments

At 28th February 2015, the Group had contracted capital expenditure of £nil (2014: £nil). In addition, the Group has commitments for loans to its associates amounting to £nil (2014: £2,100,000).

Operating lease arrangements:

Operating lease arrangements in respect of land and buildings where the Group is lessee:

	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised for the year	**3,679**	3,679

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £'000	2014 £'000
Within one year	**3,124**	3,679
In the second to fifth years inclusive	**8,253**	9,548
After five years	**7,127**	8,955
	18,504	22,182

Operating lease payments represent rentals payable by the Group for certain of its leasehold properties. Leases were negotiated for an average term of 15.3 years (2014: 15.3 years).

In respect of operating lease arrangements where the Group is lessor, at the balance sheet date, the Group had contracted with tenants for the following future minimum payments:

	2015 £'000	2014 £'000
Within one year	**20,384**	17,125
In the second to fifth years inclusive	**69,006**	56,281
After five years	**127,080**	118,659
	216,470	192,065

Property investment income earned during the year was £12,891,000 (2014: £15,054,000).

24 Contingent liabilities

In the normal course of its development activity, the Group is required to guarantee performance bonds provided by banks in respect of certain obligations of Group companies. At 28th February 2015, such guarantees amounted to £10,129,000 (2014: £4,708,000).

The Group has provided guarantees for rent liabilities in respect of properties previously occupied by Group companies. In the event that the current tenants ceased to pay rent, the Group would be liable to cover any shortfall until the building could be re-let. The Group has made provision against crystallised liabilities in this regard. In respect of potential liabilities where no provision has been made, the annual rent-roll of the buildings benefitting from such guarantees is £279,000 (2014: £279,000) with an average unexpired lease period of 3.1 years (2014: 4.1 years).

The Group has guaranteed its 50.0 per cent share of the capital and interest payable by Curzon Park Limited, a joint venture, in respect of the company's borrowings of £4,110,000 (refer note 18(a)).

The Group has guaranteed its share of interest up to a maximum of £575,000 in respect of the £26,000,000 loan in Notting Hill (Guernsey Holdco) Limited.

25 Pension scheme

The Company operates a defined contribution scheme for Directors and employees. Monthly premia are invested in an independent insured fund.

The amounts charged to the income statement during the year are set out in note 5.

26 Business combinations

On 19th May 2014, the Group acquired 100 per cent of the issued shares in Cathedral Group (Holdings) Limited, Cathedral Special Projects (Holdings) Limited and Cathedral (ESCO) Limited and 95.0 percent of the shares issued in Deadhare Limited (Cathedral Group), a property development group specialising in mixed-use regeneration schemes in the South East.

As at 28th February 2014, the balance sheet value of the Group's interest in the Cathedral Group was £13,765,000, analysed as Investment in joint venture £9,332,000 and Available-for-sale financial assets of £4,433,000.

Details of the purchase consideration, the identifiable net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
– Cash paid	11,005
– Shares	6,013
– Contingent consideration	2,500
– Deferred consideration	3,373
Total consideration transferred	22,891
Fair value of equity interest in joint venture	10,345
Fair value of interest in financial asset	4,778
Total consideration	**38,014**

26 Business combinations continued

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value £'000
Cash and cash equivalents	4,080
Monies held in restricted accounts and deposits	6,529
Inventory – development and trading properties	64,969
Interest in joint ventures	3,959
Trade and other receivables	1,585
Trade and other payables	(21,323)
Borrowings	(20,687)
Net deferred tax liabilities	(3,131)
Total identifiable assets acquired	35,981
Non-controlling interest	(26)
Goodwill	2,059
Total consideration	**38,014**

The goodwill of £2,059,000 is attributable to Cathedral Group Holdings Limited's expertise and reputation and expected future profits of development projects that were acquired. None of the goodwill is expected to be deductible for tax purposes.

Acquisition-related costs of £2,724,000 have been charged to exceptional items in the Consolidated income statement for the year ended 28th February 2015.

The fair value adjustments in respect of inventory relate to specific projects that have been independently valued at the date of acquisition. The fair value has been adjusted for project specific risks and uncertainties that may impact the profit level. These adjustments are provisional and are based on management's best estimates.

The contingent consideration requirement requires the Group to pay the former owners of Cathedral Group Holdings Limited £2,500,000 on securing a named development scheme. The contingent consideration was paid in full in July 2014.

A further £4,000,000 deferred consideration is payable on completion of the Morden Wharf and Preston Barracks developments should the performance of these schemes significantly exceed the Board's expectations and overall returns from Cathedral schemes surpass pre-determined levels. No provision has currently been made for this consideration. The Board will continue to monitor the Cathedral schemes.

£1,187,000 of consideration has been deferred for one year and £2,186,000 for two years. No performance conditions are associated with payment of this consideration

The acquired business contributed revenues of £31,032,000 and a net profit of £3,551,000 to the Group for the period from 19th May 2014 to 28th February 2015. If the acquisition had occurred on 1st March 2014, consolidated revenue and consolidated loss for the year ended 28th February 2015 would have been £33,667,000 and £1,205,000 respectively.

27 Related parties

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

Transactions entered into and balances outstanding at 28th February 2015 and 2014 with related parties are set out below. Only Directors are considered to be key management personnel.

Richard Upton, an Executive Director of the Group, received rental income in respect of the Cathedral premises of £180,000 during the period from 19th May 2014 to 28th February 2015. £15,000 was outstanding at the balance sheet date.

Barry Bennett, a Non-executive Director of the Group, is a Director and holds six B shares in Deadhare Limited. Development Securities PLC owns 100 A shares in Deadhare Limited. Prior to the period under review, Barry made a loan of £1,500,000 to Deadhare Limited which remains outstanding at the balance sheet date. The loan has a nominal annual interest chargeable at 4.0 per cent. The total return is based on an IRR of 20.0 per cent or two-times principal whichever is the higher at the time of repayment plus a share of super profits. A charge is held over the assets of the borrower and over the share capital of Deadhare Limited. This related party transaction is reportable as a result of Development Securities acquisition of the Cathedral Group in May 2014.

There were no further transactions with Directors other than remuneration set out in the Remuneration Report on pages 80 to 97.

	Finance income from related parties £'000	Amounts owed by related parties (before provision) £'000
JOINT VENTURES		
2015	1,567	30,905
2014	2,358	32,695
ASSOCIATES		
2015	619	22,624
2014	821	20,566

28 Projects in partnership

The following is a summary of the Group's projects in partnership and the Balance Sheet classification of its financial interests:

Project/partner	Project activity	Accounting classification	**2015 £'000**	2014 £'000
Atlantic Park (Bideford) Limited	Strategic land investment	Investment in associates	**276**	276
Barwood Development Securities Limited	Strategic land investment	Investment in associates	**2,500**	2,500
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	**1,500**	1,500
CDSR Burlington House Developments Limited	Property development	Investment in associates	**3,977**	–
Wessex Property Fund	Property investment	Investment in associates	**–**	–
Beyond Green Developments Limited	Property development	Development properties	**6,923**	6,437
Wessex Investors	Property development	Development properties	**4,752**	3,818
Grantham Associates Limited	Hotel operator	Trading property	**4,267**	4,267
Cathedral (Greenwich Beach) Limited	Property development	Financial assets	**–**	4,433
Cathedral (Movement, Greenwich) LLP	Property development	Financial assets	**1,329**	829
Northpoint Developments Limited	Property development	Financial assets	**18,195**	16,990
Curzon Park Limited	Property development	Investment in joint ventures	**–**	–
Curzon Park Limited	Property development	Financial assets	**8,450**	6,150
Deeley Freed Limited	Property development	Financial assets	**9,487**	–
Property Alliance Group	Property development	Financial assets	**1,500**	1,500
Accrue Student Housing GP Limited	Student accommodation	Investment in joint ventures	**1,766**	1,601
Becket House Unit Trust	Investment property	Investment in joint ventures	**5,897**	–
Cathedral (Brighton) Limited	Property development	Investment in joint ventures	**4,523**	–
Development Equity Partners Limited	Property development	Investment in joint ventures	**276**	276
DSP Tirol Limited	Investment property	Investment in joint ventures	**5,043**	–
DS Renewables LLP	Property development	Investment in joint ventures	**–**	–
The Esplanade Partnership Limited	Property trading	Investment in joint ventures	**–**	522
Harwell Oxford Developments Limited	Property development	Investment in joint ventures	**7,067**	6,140
Kensington & Edinburgh Estates (South Woodham Ferrers) Limited	Property development	Investment in joint ventures	**448**	163
Manchester Arena Complex LP	Investment property	Investment in joint ventures	**175**	61
Notting Hill (Guernsey Holdco) Limited	Property development	Investment in joint ventures	**7,064**	6,569
Opportunities of Sittingbourne Limited	Property development	Investment in joint ventures	**118**	–
Orion Land & Leisure Limited	Property development	Investment in joint ventures	**2,716**	3,686
Purplexed LLP	Property development	Investment in joint ventures	**–**	9,332
Winnebago Holdings Sarl	Investment property	Investment in joint ventures	**5,451**	3,430
			103,700	80,480

28 Projects in partnership continued

The aggregate amounts included within each relevant Balance Sheet account are as follows:

	2015 £'000	2014 £'000
Investment in associates	**8,253**	4,276
Investment in joint ventures	**40,544**	31,780
Financial assets – current	**1,700**	1,700
Financial assets – non-current	**37,261**	28,202
Development properties	**11,675**	10,255
Trading properties	**4,267**	4,267
	103,700	80,480

29 Post balance sheet events

As at 28th February 2015, the Group had exchanged contracts for the sale of a trading asset. This sale has since successfully completed.

As part of the acquisition of Cathedral, the Group acquired a 50 per cent holding of Cathedral (Brighton) Limited with McLaren Property Limited holding the remaining 50 per cent. Since the year end the Group has acquired McLaren's 50 per cent holding and therefore now holds 100 per cent of Cathedral (Brighton) Limited.

Report on the Company financial statements

Our opinion

In our opinion, Development Securities PLC's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 28th February 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Development Securities PLC's Company financial statements comprise:

- the Company Balance Sheet as at 28th February 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 79, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Development Securities PLC for the year ended 28th February 2015.

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29th April 2015

COMPANY BALANCE SHEET
AS AT 28TH FEBRUARY 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
FIXED ASSETS					
Tangible assets	33	**206**		410	
Debtors – loans and receivables	37	**18,669**		8,115	
Investments	34	**122,880**		93,610	
			141,755		102,135
CURRENT ASSETS					
Trading properties	35	**720**		307	
Debtors – loans and receivables	37	**1,700**		1,700	
Debtors	36	**398,951**		416,938	
Cash at bank and in hand		**45,518**		22,278	
		446,889		441,223	
CREDITORS					
Amounts falling due within one year	38(a)	**(175,626)**		(149,686)	
Net current assets			**271,263**		291,537
Total assets less current liabilities			**413,018**		393,672
CREDITORS					
Amounts falling due after more than one year:					
Bank loans	38(b)	**(102,871)**		(71,887)	
Provisions for liabilities	38(c)	**(944)**		(1,317)	
			(103,815)		(73,204)
Net assets			**309,203**		320,468
CAPITAL AND RESERVES					
Called up share capital	39		**62,529**		61,176
Share premium account	40		**104,094**		103,961
Other reserves	40		**6,191**		1,460
Profit and loss account	40		**136,389**		153,871
Total shareholders' funds			**309,203**		320,468

The notes on pages 159 to 164 are an integral part of these financial statements.

Approved by the Board of Directors on 29th April 2015 and signed on its behalf by

M H Marx
Director

30 Accounting policies

a) Basis of accounting

The Company's financial statements have been prepared in accordance with applicable laws, United Kingdom accounting standards, on a going concern basis and under the historical cost convention. The accounting policies adopted are consistent with the previous year and are set out below.

The Company has not presented its own Profit and Loss account, as permitted by s408 of the Companies Act 2006. The loss after tax for the year was £477,000 (2014: £19,927,000 profit).

The Company has taken advantage of the exemption from preparing a Cash flow statement under the terms of FRS 1.

The Company has also taken advantage of the exemption in paragraph 2D of FRS 29, 'Financial Instruments: Disclosures' and has not disclosed information required by that standard, as the Group's Consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7, 'Financial Instruments: Disclosures'.

Following the publication of FRS 100, 'Application of financial reporting requirements', by the Financial Reporting Council, Development Securities PLC is required to change its accounting framework for its entity financial statements, which is currently UK GAAP, for its financial year commencing 1st March 2015. The Board considers that it is in the best interests of the group for the Company to adopt FRS 102, 'Reduced disclosure framework'. No disclosures in the current UK GAAP financial statements would be omitted on adoption of FRS 101. A shareholder or shareholders holding in aggregate 5.0 per cent or more of the total allotted shares in Development Securities PLC can serve objections to the use of the disclosure exemptions on Development Securities PLC, in writing, to its registered office Portland House, Bressenden Place, London SW1E 5DS not later than 31st August 2015.

The financial statements were approved by the Directors for issue on 29th April 2015.

b) Investments

The Company's investments in subsidiaries, associates and joint ventures are accounted for in the financial statements at cost less any provision for impairment.

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

c) Operating leases

Rental payments under operating leases are charged on a straight-line basis to the profit and loss account over the lease term even if the payments are not made on such a basis.

d) Tangible assets

Tangible assets are held at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided so as to write off the cost less estimated residual value of such assets over their expected useful lives on a straight-line basis. The principal annual rates used for this purpose are as follows:

Fixtures and fittings and computer equipment	– 10% to 33%
Motor vehicles	– 20%

e) Trading properties

Trading properties are carried as inventory and stated at the lower of cost and estimated net realisable value. Cost also includes directly attributable expenditure. No element of overhead is included in cost, since it is not practical to identify overhead amounts in respect of particular assets. Where Directors consider that the costs are not recoverable from the proposed scheme, the project or site is written down to its net realisable value, with the write-down taken to the profit and loss account. Net realisable value is calculated as the estimated realisable value of the project or site, based upon our current plans, less all further costs to be incurred in making the sale.

f) Provisions for liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The accretion in the discount is recognised as an interest expense.

g) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, together with any adjustment in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unutilised tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account. Deferred tax is measured on a non-discounted basis.

h) Pension schemes

The Company operates a defined contribution scheme on behalf of the Development Securities PLC Group. The charge to the profit and loss in the year represents the actual amount payable to the scheme in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the Balance Sheet.

i) Foreign currencies

Transactions denominated in foreign currencies are translated into UK Sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Exchange movements are dealt with in the Profit and Loss account.

j) Share-based payments

The Company operates a number of share-based compensation plans, the majority of which are cash-settled, under which the entity receives services from employees as consideration for cash-settled instruments of the Company. The fair value of the employee services received in exchange for the grant of the option is recognised as an expense.

30 Accounting policies continued

j) Share-based payments continued

The Company has used a Black-Scholes option valuation model to determine the fair value of share options granted. An equal probability model has been used to determine the fair value of share awards under the Performance Share Plan. The cost of cash-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing cash-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of cash-settled share-based instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the Profit and Loss account, with a corresponding entry in accruals.

31 Auditors' remuneration

Auditors' remuneration in respect of the audit for the Company was £15,000 (2014: £15,000).

32 Operating lease arrangements

	2015 £'000	2014 £'000
The Company as lessee:		
Minimum lease payments under operating leases recognised for the year	**1,168**	1,168

Annual commitments under non-cancellable operating leases are as follows

	2015 £'000	2014 £'000
Operating leases which expire:		
Within one year	**–**	–
In the second to fifth years inclusive	**831**	1,168
After five years	**763**	763
	1,594	1,931

Operating lease payments represent rentals payable by the Company for its office property. The lease payments were negotiated for an average term of 11.5 years (2014: 11.5 years).

33 Tangible assets

	Fixtures and fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
COST			
At 1st March 2014	1,164	110	1,274
Additions	45	33	78
Disposals	(42)	(33)	(75)
At 28th February 2015	**1,167**	**110**	**1,277**
ACCUMULATED DEPRECIATION			
At 1st March 2014	790	74	864
Charge for the year	234	19	253
Disposals	(24)	(22)	(46)
At 28th February 2015	**1,000**	**71**	**1,071**
Net book amount 28th February 2015	**167**	**39**	**206**
Net book amount 28th February 2014	374	36	410

34 Investments

	Shares in subsidiary undertakings £'000	Interest in associated undertakings £'000	Interest in loan notes £'000	Total £'000
COST:				
At 1st March 2014	133,465	997	8,675	143,137
Additions	29,132	–	138	29,270
At 28th February 2015	162,597	997	8,813	172,407
AMOUNTS PROVIDED:				
At 1st March 2014 and 28th February 2015	(48,530)	(997)	–	(49,527)
Net book amount 28th February 2015	**114,067**	**–**	**8,813**	**122,880**
Net book amount 28th February 2014	84,935	–	8,675	93,610

The Company holds £8,813,000 (2014: £8,675,000) of loan notes in Northpoint Developments Limited, a company incorporated and registered in the United Kingdom. £8,425,000 (2014: £8,425,000) of the loan notes earn interest at a fixed rate of 4.25 per cent per annum

The principal subsidiaries of the Company are set out in note 14(c) of the Group financial statements.

35 Trading properties

	Freehold £'000
NET REALISABLE VALUE:	
At 1st March 2014	307
Additions	413
At 28th February 2015	**720**

36 Debtors

	2015 £'000	2014 £'000
Trade debtors	**10**	15
Amounts owed by subsidiary undertakings	**385,979**	408,055
Amounts owed by associated undertakings	**1,388**	535
Other debtors	**8,634**	6,970
Other taxation recoverable	**2,504**	1,088
Prepayments	**436**	275
	398,951	416,938

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

37 Debtors – loans receivable

	2015 £'000	2014 £'000
FIXED ASSETS		
Loans to joint operations	**18,669**	8,115

	2015 £'000	2014 £'000
CURRENT ASSETS		
Loans and receivables	**1,700**	1,700

Development loans to joint operations include a number of working capital and project-specific loans of £9,182,000 (2014: £8,115,000) to Northpoint Developments Limited. The loans attract fixed coupon rates of between 5.0 and 13.0 per cent. Included in the above amount is an interest-free loan of £208,000 (2014: £208,000). As at 28th February 2015, the Group has made a provision of £228,000 against interest receivable in respect of these loans.

The Group has a funding agreement of £9,487,000 (2014: £nil) in respect of a project in partnership. The loan attracts a fixed coupon rate of 6.0 per cent.

The Company also provided a short-term, non-interest bearing loan of £200,000 to Northpoint Developments Limited and £1,500,000 to Property Alliance Group, repayable on demand, as a contribution to a prospective future project.

38 Creditors

a) Amounts falling due within one year

	2015 £'000	2014 £'000
Bank loans and overdrafts – unsecured	**17**	17
Bank loans – secured	**3,038**	1,886
Trade creditors	**187**	179
Amounts owed to subsidiary undertakings	**150,787**	135,730
Amounts owed to associated undertakings	**1,932**	1,932
Other creditors	**4,678**	1,654
Accruals and deferred income	**4,992**	8,288
Special dividend 2015	**9,995**	–
	175,626	149,686

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

b) Amounts falling due after more than one year

	2015 £'000	2014 £'000
Bank loans	**102,871**	71,887

c) Amounts falling due after more than one year

	2015 £'000	2014 £'000
Provisions for liabilities	**944**	1,317

Provision of £939,000 (2014: £948,000) relate to two onerous lease obligations entered into in 2009 and 2014. Development Securities PLC has been called upon as guarantor to take over three leases in respect of Stead and Simpson Limited. £5,000 (2014: £369,000) has been provided to cover obligations in respect of those leases.

39 Called up share capital

	2015 £'000	2014 £'000
Issued, called up and fully paid		
125,057,003 Ordinary shares of 50 pence (2014: 122,352,504 Ordinary shares of 50 pence)	**62,529**	61,176

	Number of shares
Shares in issue at the date of this report	**125,071,211**

The Company has one class of Ordinary shares which carry no right to fixed income.

The Group issued 2,575,116 shares on 14th May 2014, 2.10 per cent of the total ordinary share capital issued, to the majority shareholder of Cathedral Group as part of the purchase consideration for 100 per cent of its ordinary share capital. The Ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to £6,013,000 (£2.335 per share).

The Company acquired 123,397 of its own shares through purchases on the London Stock Exchange in 2012. The total amount paid to acquire the shares, net of income tax, was £171,000 and has been deducted from shareholder 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. During the year, 4,605 shares were sold out of treasury shares to satisfy a good leaver under the save as you earn scheme. The number of treasury shares held as at 28th February 2015 are 118,792 shares.

Share option schemes
As at 28th February 2015, and at the date of this report, the options outstanding under the Company's share option schemes were exercisable as set out below (price stated in pence per share). The share options are more fully described in the Remuneration Report on pages 80 to 97. On 27th February 2015, 14,208 of the 14,918 options over shares from the Save As You Earn option scheme granted on 24 October 2011 were exercised, however these shares were not allotted until 2nd March 2015, leaving 710 options over shares unexercised at the date of this report.

Save as you earn option plan 2005:

Date of grant	28.02.15 Number	29.04.15 Number	Exercise dates	Price
24th October 2011	14,918	710	1st December 2014 to 31st May 2015	152.0
22nd December 2014	321,275	–	1st February 2018 to 31st July 2018	179.2
	336,193	710		

Share-based payments
The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2015		2014	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
At 1st March 2014/2013	**221,972**	**213.1**	557,203	270.9
Options granted	**321,275**	**179.2**	–	–
Options exercised	**(129,383)**	**152.0**	–	–
Options lapsed	**(69,382)**	**347.5**	(306,457)	323.9
Options cancelled	**(8,289)**	**152.0**	(28,774)	152.0
	336,193	**174.2**	221,972	213.1

321,275 Save As You Earn options were granted during the year. The average share price during the year was 222.0 pence (2014: 204.8 pence). Of the 336,193 (2014: 221,972) outstanding options at 28th February 2015, 14,918 were exercisable (2014: 69,382).

The options outstanding at 28th February 2015 were exercisable at 152.0 pence and 179.2 pence per share and have a weighted average remaining contractual life of 1.8 years (2014: 0.7 years).

The fair value of grants is measured at the grant date using a Black-Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. The main assumptions of the Black-Scholes pricing model are as follows:

Grant date	22.12.14	24.10.11
Exercise price (pence)	179.2	152.0
Term (years)	3	3
Expected volatility	24%	41%
Expected dividend yield p.a.	2.3%	3.2%
Risk-free rate	0.9%	0.9%
Expected forfeiture p.a.	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the Development Securities PLC share price over multiple time periods. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Conditional awards under the Performance Share Plan
The terms of the Performance Share Plan are set out in the Remuneration Report on pages 80 to 97.

Ordinary shares conditionally awarded under the Performance Share Plan are valued at their fair value on the date of the award, using an Equal Probability Model, which takes into account the probability of the Ordinary shares vesting based on an equal probability of achieving appropriate total shareholder return ranking as determined under the performance condition.

39 Called up share capital continued

The principal assumptions for calculating the fair value of the Ordinary shares conditionally awarded are:

	2015	2014
Ordinary shares conditionally awarded (no. of shares)	**570,592**	870,143
Date of award	**22nd May 2014**	29th May 2013
Share price (pence)	**244.0**	192.0
Percentage probability applied for fair value	**51.00%**	51.00%
Vesting period (months)	**32**	32

The expense recognised for equity-settled share-based payments in respect of employee services received during the year is £21,000 charge (2014: £12,000 credit).

The charge recognised for cash-settled share-based payments during the year is £nil (2014: £nil).

40 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £,000	Treasury shares £'000
At 1st March 2014	61,176	103,961	1,631	–	(171)
Acquisition of subsidiaries	1,288	–	–	4,725	–
Employee share option scheme	65	133	–	–	6
At 28th February 2015	**62,529**	**104,094**	**1,631**	**4,725**	**(165)**

	£'000
PROFIT AND LOSS ACCOUNT	
At 1st March 2013	139,824
Profit for the financial year	19,927
Share-based payments	(12)
Final dividend 2013	(2,934)
Interim dividend 2014	(2,934)
At 28th February 2014	153,871
Loss for the financial year	(477)
Share-based payments	(21)
Final dividend 2014	(3,994)
Interim dividend 2015	(2,995)
Special dividend 2015	(9,995)
At 28th February 2015	**136,389**

The loss after tax of the Company was £477,000 (2014: £19,927,000 profit).

41 Contingent liabilities

The contingent liabilities of the Group are set out in note 24. The Company has provided guarantees in respect of loans and overdrafts of its subsidiary entities totalling £136,258,000 (2014: £149,098,000). In addition, the Company has guaranteed the performance of subsidiary entities under a range of operating obligations, none of which is expected to give rise to a liability in the Company.

42 Related parties

Related party transactions are the same for the Company as for the Group. Details can be found in note 27 of the Group financial statements.

The Company has taken advantage of the exemption within FRS 8, not to disclose transactions with wholly owned subsidiaries.

FINANCIAL CALENDAR AND ADVISORS

Annual General Meeting	**14th July 2015**
Payment of Ordinary dividend	**20th August 2015**
Announcement of Interim Results to 31st August 2015	**October 2015**

Company Secretary
C Barton ACIS

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Website address
www.developmentsecurities.com

Registered number
1528784

Incorporation
Development Securities PLC is incorporated in Great Britain and registered in England and Wales

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Principal bankers
Aviva Commercial Finance Limited
Barclays Bank PLC
Lloyds Banking Group
Santander Group
The Royal Bank of Scotland plc

Corporate solicitors
Linklaters LLP

Financial advisors
Rothschild

Corporate stockbrokers
Peel Hunt LLP
Barclays Bank PLC

Registrars and transfer office
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The Registry
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UK calls cost 10p per minute plus network extras
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