DEVELOPMENT SECURITIES PLC

We maintain a business model centred on the prudent management of risk.
David Jenkins

The next few years are undoubtedly going to be challenging.
Michael Marx

A new beginning Annual Report 2009

The London development market may cautiously come back to life.
Julian Barwick

Our conservative and resilient capital structure has proved critical.
Graham Prothero

We remained disciplined in evaluating each opportunity.
Matthew Weiner

Development Securities PLC is a property development and investment company. Its principal objective is to carry out substantial, complex developments in a risk-averse manner with a view to adding maximum value for its shareholders.

http://ww7.investorrelations.co.uk/devsec/ar09/

Summary

(Loss)/earnings per share (pence) restated*	
09	(17.5)
08	(142.3)
07	0.0
06	55.2
05	51.9

Net assets per share (pence)	
09	297
08	397
07	564
06	568
05	510

Dividends per share (pence)	
09	4.8
08	4.8
07	7.2
06	6.75
05	6.37

*restated following the Firm Placing and Placing and Open Offer.

PaddingtonCentral
London

CityPark
Manchester

Weeke Local Centre
Winchester

Two Kingdom Street
PaddingtonCentral

St Bride Street
London EC4

Hammersmith Grove
London W6

Ringwood
Hampshire

Atlantic Village
Bideford

Queen Street
Cardiff

Net assets	Net borrowings	Net gearing
£244.0m	£45.6m	18.7%

Contents

Chairman's statement

David Jenkins
Chairman

"

Our business model has proven itself again in recent years and we are, in my opinion better placed than ever before as we find ourselves on the threshold of a new economic and real estate cycle.

http://ww7.investorrelations.co.uk/devsec/ar09/chairmans_statement/

It is with both relative satisfaction and pride that I report on 2009, a year in which the fortunes of your Company ultimately consolidated, concluding on a firmly positive note with a step change in the scale of our business. Furthermore, I believe we distinguished ourselves from a large number of businesses in our industry by having consistently maintained our long established risk management profile throughout the previous cycle, thus avoiding any form of corporate distress in 2009.

I am able to report a much reduced loss before tax of £11.4 million for your Company as compared to £65.6 million for the previous year. Following the continued falls in market values during the first six months of the year, we have seen an improvement in values, both in our existing portfolio and in the acquisitions made in the late summer, producing a profit before tax for the second half of £7.7 million. Shareholders' funds, benefiting from the £100.0 million issue of new equity, ended the year at £244.0 million, increased from £161.0 million at the end of the previous year. Net assets per share ended the year at 297 pence, compared with 397 pence at the end of the previous year, and 288 pence immediately following the share issue.

Given our financial strength and stability, the Board has recommended the payment of a final Ordinary dividend for the year of 2.4 pence per share payable on 6th July 2010 to shareholders on the register on 4th June 2010. This brings the Ordinary total dividend coupon for the year to 4.8 pence per share, equivalent to that paid the previous year.

As shareholders will be aware, we have consistently maintained a prudent approach to the management of risk inherent within our business activities and it was exactly that sustainable approach embedded into our business model that enabled your Company to survive the record breaking falls in property values that occurred in the final quarter of 2008 and which continued with diminishing severity in the first half of 2009. Our risk-averse funding strategy for our large-scale development projects, together with the modest level of net debt on our Balance sheet ensured that we were able to stay within our banking covenants without recourse to shareholders for emergency equity funding. As one might expect, we have no plans in the foreseeable future to make any radical changes to our risk management criteria.

In July 2009, the step change in the level of our business occurred when we raised £100.0 million by way of a Firm Placing and Placing and Open Offer at a modest discount of 9.1 per cent to the then market price. Net of expenses, the £94.0 million proceeds of this capital raising were available to be deployed into the market to take advantage of investment opportunities that became available at the low point of the cycle. We have made considerable progress in the investment of those funds and have acquired in excess of £60.0 million of real estate to date which is seemingly now offering us returns well into the double digit range. The availability to us of additional capital to complement an existing fundamentally sound financial structure has, when enhanced by our track record and real estate expertise, considerably raised our profile in the market. We are giving active consideration to the acquisition of further properties, some of which may represent an opportunity for significant redevelopment strategies. In August 2009, we acquired a senior bank loan which was secured on a neighbourhood shopping centre in south west of England, at a cost of £9.9 million. We subsequently foreclosed on this loan and the property is now directly within our ownership. Given the constraints now applying to the availability of properties for acquisition in the current market, we are giving consideration to the acquisition of further loans secured on property assets.

With the banking system in the United Kingdom remaining largely dysfunctional, the decline in real estate values continued until the low point was reached in August 2009, at which point the markets had fallen by some 44.0 per cent from their peak in 2007. In 2009, the majority of our sector replenished lost capital with additional equity raised through rights issues, and boosted by the impact of the Government's quantitative easing programme, the market began to recover. By the end of 2009, the Investment Property Databank index* (IPD) had shown a recovery in capital values of 8.0 per cent from the low point, leaving a net downward movement through 2009 of 3.6 per cent. As of now, it is unclear whether this recovery in values is the correction of a downwards overshoot or whether it represents a more significant movement that might contain more long-term implications.

*refer note 1(v)

It was noteworthy that this recovery in values occurred notwithstanding the challenges remaining in the banking sector.

The occupational markets continue to struggle against the background of both a challenging economic reality and the prospect of increased taxation as well as cutbacks in government spending once the election is behind us later this year. It would appear likely that the recovery of the United Kingdom economy will be a slow and probably bumpy ride under the burden of both Government and consumer indebtedness.

I am pleased to report another year of a superior level of returns from our investment property portfolio compared to the overall market. We achieved a 9.5 per cent IPD Total Portfolio Return in 2009, compared to the IPD UK Annual Property Index of 3.0 per cent. Our portfolio strategy continues to focus on assets with a mix of core defensive income and asset management initiatives, including partial redevelopment, where appropriate, to enhance value in the medium-term. We consider that the likely future total returns available from the investment portfolio represent not only a superior option to cash, but also offer the prospect of some inflation protection against the future.

As capital values in the property market began to crash in the final quarter of 2007, your Company had an active large-scale development programme of some £700.0 million, most of which was under construction speculatively. Our firm policy of undertaking large-scale development in partnership with institutional investors with a long-term strategy, meant that we were immunised against any significant loss in value that was likely to occur in the short- to medium-term. Of the four main development projects then underway, two have since completed profitably for us and two have reached practical completion since the year end. We are not anticipating any loss of value in relation to these development schemes. New development projects are only economic once there is a reasonable prospect of improved tenant demand and whilst this might presently be the case in one or two selected areas of Central London, it is unlikely to prove a viable option in other instances. Accordingly, whilst we are currently pursuing sites that have development optionality, we are unlikely to see commencement of construction until later in the current cycle.

Outlook

It is some time since it has been so challenging to determine the likely way forward for the markets in which we operate. The prospects are clouded not only by the recent recession, levels of both government and consumer debt, the forthcoming general election and perhaps increased currency volatility, but also the need to recognise that two of the major markets in which we work are themselves directly influenced by the hand of government policy. Firstly, monetary policy has reduced the level of interest rates to minimal levels and we are unable to estimate at what point, if at all in 2010, the Government will change its stance in that regard. Secondly, two major domestic UK banking groups have significant government equity ownership and their combined loan book represents something like 60.0 per cent of the total loans by domestic banks to the UK commercial real estate market. We believe it inevitable that the Government will have some significant influence on how problem loans are resolved and accordingly, whether or not the current constraints on the supply side of the real estate market will be relaxed significantly. We need to recognise that the impact of market forces that one might normally expect to influence this stage of the cycle may be driven by potential changes to government policy and accordingly are difficult to assess.

It does seem likely that the UK economy will at some point begin a meaningful recovery in 2010, but it is a consensus view that this recovery is likely to be slow and bumpy.

Conclusion

In our view, the real estate market has seen its low point in the middle of 2009 and we do not expect it to return to that level in the foreseeable future. Your Company will maintain its clear rules of engagement with regard to risk management as we cautiously invest into the newly emerging cycle. We do not expect the banking system to heal itself in the near-term and those individuals and institutions who are long of cash will continue to dominate market activity. Rightly or wrongly, inflationary anxieties appear to haunt a proportion of those investors who are presently long of cash and we may expect them to invest further funds into real assets to provide themselves both with enhanced current income and some form of inflation hedge against whatever the future may hold. We expect that the investors' search for real assets will be global and not just restricted to the United Kingdom.

Our business model has proven itself again in recent years and taking into account our recently strengthened Balance sheet, the strength of our brand and the stability of our management team throughout the previous cycle we are, in my opinion, better placed than ever before as we find ourselves on the threshold of a new economic and real estate cycle.

I would like to pay tribute to my colleague, Paul Manduca, who will be stepping down from your Board at this year's Annual General Meeting after nearly nine years of unstinting service. His experience, judgment and analytical ability on complex and wide ranging issues has been of inestimable benefit and we are all indebted to him.
I would also like to welcome Sarah Bates to your Board. Sarah brings with her an outstanding record of experience and skills that will undoubtedly complement and reinforce those that we already possess.
Finally, I am pleased to thank, on your behalf, all of the management and staff of Development Securities for their commitment, professionalism and team work through a difficult period that has resulted in your Company emerging stronger than ever before.

David Jenkins Chairman
22nd March 2010

The Executive Team

Left to right:
Graham Prothero Finance Director
Matthew Weiner Executive Director
Michael Marx Chief Executive
Julian Barwick Executive Director

http://ww7.investorrelations.co.uk/devsec/ar09/strategy/

Business model

A proven sustainable business model in unprecedented times.

Our strategy, followed consistently for over 15 years by the management team, allows for the cyclical nature of the property industry, thus mitigating the effects of major market fluctuations.

There are a number of key elements which, applied rigorously, have left the Company in a better position than many of its competitors, despite the unprecedented severity of recent market conditions.

Low-risk financial and funding structure

Development Securities differs from most property companies, having a conservative use of debt. It seldom owns the major projects it is actively developing, although it may, on some schemes, have a modest financial involvement. The Company typically derives project management fees through the development process and a participation in the eventual gain arising to the investors when the project is completed.

We have never believed it is appropriate for a company of our size to accept sole development risk in relation to the complex and substantial development projects in which we are involved. We endeavour to share the majority of development project risk with financial institutions and partners who are the more appropriate long-term investors.

Our funding partners have included:

- Standard Life Investments
- The Prudential Assurance Company
- Legal & General Assurance Society
- Universities Superannuation Scheme Limited
- Aviva Investors
- DEKA Immobilien Investment GmbH
- Commerz Grundbesitz Investmentgesellschaft
- Deutsche Grundbesitz Investmentgesellschaft
- Corpus Sireo Immobilienfonds

Large-scale development projects

In our experience, large and complex development projects offer greater profit potential than smaller ones, without necessarily increasing the inherent risk profile.

Our strong track record, including such successful multi-phase developments as PaddingtonCentral, also gives us a competitive advantage when seeking these large-scale projects.

Focus with balance and diversity

In order to provide a sustainable business model through the vagaries of the property and business cycles, we aim to combine opportunities for short-term development gains with a pipeline of multi-phase projects. To ensure focus of effort and expertise, we restrict our activities to the United Kingdom remaining largely within the commercial property market.

Our balanced, diversified business model typically includes examples of:

- Single, prestige office developments
- Multi-phase office developments
- Regional urban regeneration projects
- Mixed-use developments
- Partnerships
- Investments

Investment portfolio

We know that large developments, perhaps lasting through several property cycles, create uneven profits and cash flow.

The Company allocates a significant element of its equity to the ownership of a diverse investment portfolio, consisting of properties spread across the UK, covering retail, office and industrial sectors: this mix is driven by market conditions, availability and stock selection.

The investment portfolio provides a steady and predictable flow of funds, contributing significantly towards central overheads.

Geographic focus

All of our development and investment activity is conducted within the United Kingdom.

Five year summary

	2009	2008	2007	2006	2005
Revenue (£m)	35.1	171.1	60.4	48.7	25.5
(Loss)/profit before taxation (£m)	(11.4)	(65.6)	0.2	22.8	23.3
Net assets (£m)	244.0	161.0	228.9	231.4	187.5
(Loss)/earnings per share*	(17.5)p	(142.3)p	0.0p	55.2p	51.9p
Net assets per share	297p	397p	564p	568p	510p

*restated following Firm Placing and Placing and Open Offer.

Michael Marx
Chief Executive

"It is too early to determine whether we are at the beginning of a second property bubble, but the indications are that the current upward momentum out of cash and into real asset markets may continue if investors believe that returns on cash and near cash instruments will remain low for the foreseeable future and if they further believe that accelerated inflation expectations are probable in the medium-term.

http://ww7.investorrelations.co.uk/devsec/ar09/strategy/market_context/

The economic environment in the UK in 2009 struggled to show any serious indicators of an uplift in the country's fortunes. Unlike other economies, it took most of the year to emerge from the lengthy recession, perhaps due to serious structural weaknesses that are now all too apparent. The next few years are undoubtedly going to be challenging as the country begins to address the underlying fundamental issues. It might, at first sight, be surprising to note that capital values for real estate began to rise again in the second half of 2009 notwithstanding a gloomy economic background of falling rents and rising vacancy rates. This improvement in values may well be in part the correction of a downwards overshoot that had reduced values by 44.0 per cent over the previous 21 months to the middle of 2009. However, the government's quantitative easing programme also played a significant part as interest rates reduced to minimal levels, thus exposing a wide differential between income returns in real estate and those obtainable on a cash deposit. The twin challenges of public and consumer debt will need to be addressed in order to place the nation's finances on a more sustainable basis. The consumer is now significantly improving his savings ratio as a direct response to perceived economic difficulties and this trend is likely to continue as the UK household sector is one of the most heavily-indebted in the world. By contrast, the government is yet to embark on the implementation of a serious reduction of its indebtedness and the level of public debt, which is now at an all time high, and is creeping still higher due to the recurring significant annual deficit.

The weak economic conditions are a reasonable indication that rental levels could fall further in the near-term as vacancy rates rise and tenants come under increasing financial stress and seek to renegotiate terms of their leases. The present restrictions on the supply of credit from the still beleaguered banking system will add to the difficulties experienced by the occupational markets and would normally have been expected to adversely impact the property investment market. The second half of 2009 witnessed investors long of cash acquiring real estate without necessarily seeking to add debt leverage into the financial structure. The priority for these investors, it seemed, was to take a timely advantage of reduced property values. Your Company was, of course, one of this investor group and approximately half of the funds we raised in July 2009 were so deployed at yields approaching double digits. In most, but not all, instances we sought to acquire secondary property that offered the prospect of added value enhancement from our real estate expertise. It is too early to determine whether we are at the beginning of a new property bubble, but the indications are that the current momentum out of cash and into real asset markets may continue if investors believe that returns on cash and near cash instruments will remain low for the foreseeable future and if they further believe that accelerated inflation expectations are probable in the medium-term. Although by no means a perfect inflation hedge, real estate does have some of the characteristics necessary to ensure re-pricing if governments continue to print their way out of this current dilemma. If this sentiment takes increasing hold, it matters not that current technical analysis indicates that there is more risk on the downside towards deflation rather than in the opposite direction. In a sense, investors may feel that investing in quality real estate is a safe bet since it offers both enhanced current returns and some form of hedge against the prospects of inflation. Overseas investors, who dominated the market in the latter part of 2009, were seemingly seeking also to take advantage of perceived Sterling weakness.

In our experience, the secondary market for property has tightened significantly in the last six months or so, moving perhaps some 15.0 per cent higher than those levels at which our recent acquisitions were made – but these improved values have yet to find their way fully into the Investment Property Databank indices* (IPD). At December 2009, the IPD capital index had recorded a 8.0 per cent uplift from the low point in August 2009. If we are to maintain enhanced total returns, we will need to seek out those investment and trading properties where the deployment of our real estate expertise will be the determining factor of our potential total returns.

As the banking system begins to address its problem commercial loan portfolio, we expect to see more disposals of the underlying collateral, either directly or possibly indirectly via the assignment of the original loans themselves or, equally likely in our view, the injection of equity from ourselves into the existing stressed equity and debt structures. We are monitoring the activity from the banking sector and intend to remain alert to those direct or indirect assets that we expect to be brought to the market in an increasing, but orderly manner in 2010. The supply of credit from the banking sector will remain restricted until their existing exposures to real estate have been brought down to levels that they consider appropriate – a point which, we suspect, will be some two-thirds below the levels at which they peaked in 2007.

Property development activity normally becomes more active in the second half of an economic cycle as the occupational market recovers and the supply of suitable accommodation becomes scarcer. Typically, rental levels would then rise and then investment yields harden in anticipation of improved economic activity. Whilst that recovery phase appears some years away, it is important for your Company to identify those sites suitable for future development and to negotiate the purchase either outright or by option where appropriate. Alternatively, a partnership between ourselves and the existing landowner might also result in development activity in a few years time.

Whilst our focus on development sites is likely to remain in Central London, the markets in the western sector of the capital, such as Hammersmith and within parts of the Thames Valley, our investment portfolio will continue to face countrywide. The normal investment criteria under which we operate will continue to target either secondary locations in prime towns and cities or prime locations in secondary towns and cities. We generally will avoid those assets which fall into lower categories. We have never sought to compete alone for prime assets in prime towns, leaving that market for investors with deep pockets and possibly no requirement for significant hands-on real estate expertise.

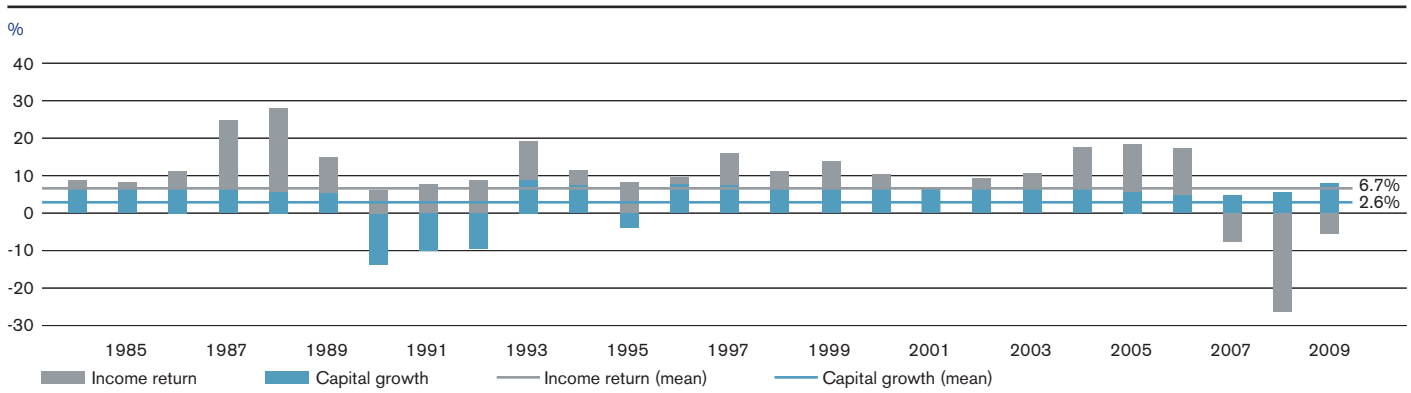
The Central London market perhaps stands out as the single most important location from both an investment and development point of view since it faces outwards to the overseas investor and occupational markets. The relatively reduced availability of office accommodation in Central London has arisen since most of the surplus new stock has been let at clearing prices and the timing of some significant new developments have been restrained. This will clearly lead to improved rental levels and yields, but a sustained upward movement in rents will probably need to await positive net absorption of space rather than the present mere relocation of occupiers into new buildings. The older stock will be left available either for demolition and redevelopment or for refurbishment.

In the longer term, we are confident that London will maintain its status as a leading global financial centre. In 2006, just one year before the current downturn commenced, our published research on the City of London indicated that one of the downsides to a changing ownership structure was greater volatility. And so it is proved.

Real estate is a less risk prone activity if conducted in the framework of long-term funding structures. Mean returns over the last 25 years for the UK real estate market average indicate a more than satisfactory level of total annual returns. If these returns can be enhanced by development gain, so much the better. A significant amount of the debt difficulties encountered in the last two years might have been avoided if less real estate had been financed on short-term debt facilities with tight covenant obligations.

*refer note 1(v)

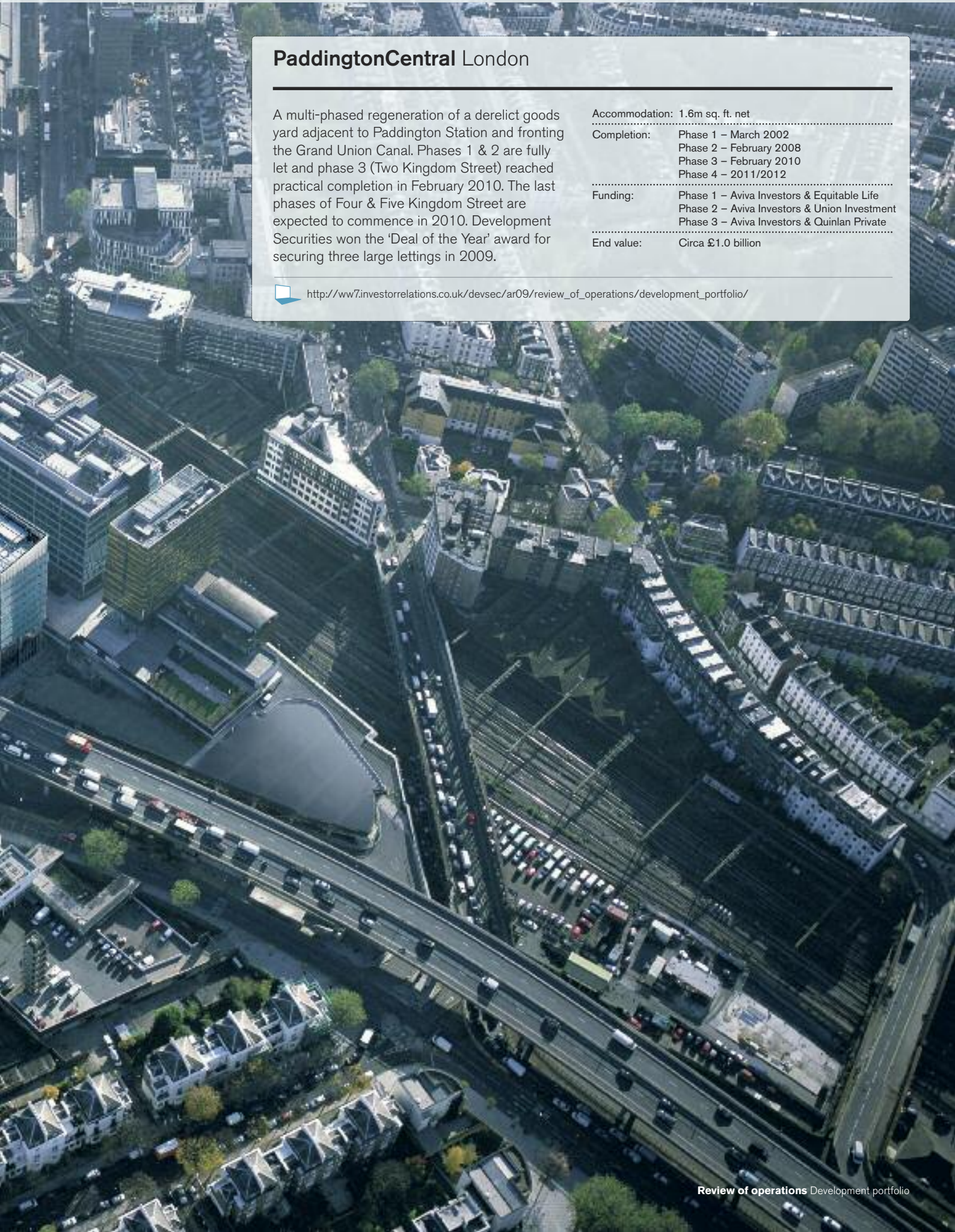
IPD UK property returns
1984-2009



Julian Barwick
Executive Director

"We have now successfully completed the development programme that was underway when the downturn in the market commenced in 2007. The comparative shortage of supply in Central London is providing an early indication that the development market may cautiously come back to life in the near- to medium-term.

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/development_portfolio/



PaddingtonCentral London

A multi-phased regeneration of a derelict goods yard adjacent to Paddington Station and fronting the Grand Union Canal. Phases 1 & 2 are fully let and phase 3 (Two Kingdom Street) reached practical completion in February 2010. The last phases of Four & Five Kingdom Street are expected to commence in 2010. Development Securities won the 'Deal of the Year' award for securing three large lettings in 2009.

Accommodation:	1.6m sq. ft. net
Completion:	Phase 1 – March 2002 Phase 2 – February 2008 Phase 3 – February 2010 Phase 4 – 2011/2012
Funding:	Phase 1 – Aviva Investors & Equitable Life Phase 2 – Aviva Investors & Union Investment Phase 3 – Aviva Investors & Quinlan Private
End value:	Circa £1.0 billion

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CityPark Manchester

Acting as the commercial element for the 'Greenquarter,' a 1,500-unit residential scheme in Manchester, this challenging development of an urban brownfield site provides 147,000 sq. ft. net of high quality office accommodation (pre-sold to an owner occupier), alongside a 250-key hotel operated by Park Inn.

Accommodation:	147,000 sq. ft. net
Completion:	September 2009
Funding:	Forward purchased by Rainy City Properties Limited
End value:	Circa £50.0 million

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/development_portfolio/

Weeke Local Centre Winchester

A newly developed mixed-use property comprising a 33,000 sq. ft. foodstore, five retail units, a doctor's surgery, four apartments and 183 on-site parking spaces. The foodstore is let to Waitrose and two retail units have been let to Boots and Costa.

Accommodation:	55,000 sq. ft. net
Completion:	October 2009
Funding:	Site acquisitions funded by Development Securities. 70.0 per cent LTV was obtained from the bank for construction works
End value:	Circa £20.0 million

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/development_portfolio/


Welcome to
Waitrose
COSTA

Two Kingdom Street
PaddingtonCentral, London

The vibrant mixed-use community at PaddingtonCentral will be strengthened through Two Kingdom Street, providing 230,000 sq. ft. net of prime offices and 22,000 sq. ft. net of high-end studio space reached practical completion in February 2010. The building is ideally positioned facing the A40 Westway, with a frontage onto the Kingdom Street Boulevard. 50,000 sq. ft. has been pre-let to the prime corporate covenant of AstraZeneca.

Accommodation:	250,000 sq. ft.
Completion:	February 2010
Funding:	Aviva Investors and Quinlan Private
End value:	Circa £150.0 million

The Royals Business Park
London

A 50-acre landmark docklands site located opposite London City Airport, with direct access to the Docklands Light Railway. The first phase, Building 1000, completed in September 2004 comprised 252,000 sq. ft. net of modern spacious office accommodation. Standard Life Investments forward-funded the project and sold the long leasehold interest in 2007 for circa £75.0 million to Newham District Council. Development Securities is the official development partner with The London Development Agency for future developments, which include office and hotel accommodation.

Accommodation:	1.6 million sq. ft.
Completion:	Phase 1 – September 2004
Funding:	Standard Life Investments
End value:	Circa £450.0 million

Hammersmith Grove
London W6

A 1.5-acre site strategically located adjacent to the Hammersmith & City line underground station with easy road access to the A4/M4. The site was bought from London Underground Limited in December 2009 and has planning for 325,000 sq. ft. office accommodation. We are currently exploring the phasing options available to us.

Accommodation:	Circa 300,000 sq. ft.
Completion:	Phase 1 – expected to complete in the medium-term
Funding:	To be determined
End value:	Circa £150.0 million

Colindale
London NW9

A 7.5-acre urban regeneration in North West London comprising 1.0 million sq. ft. net of retail, residential and car parking.

Accommodation:	300,000 sq. ft. of retail 500,000 sq. ft. of residential 200,000 sq. ft. of car parking
Completion:	Expected to complete in the medium-term
Funding:	To be determined
End value:	Circa £140.0 million

St Bride Street
London EC4

An office and retail redevelopment of 56,000 sq. ft. net, that required a sensitive mixture of retaining a period façade and combining it with a complete redevelopment of an adjacent building.

Accommodation:	56,000 sq. ft.
Completion:	January 2010
Funding:	Corpus Sireo Immobiliensfonds
End value:	Circa £35.0 million

Curzon Street
Birmingham

A 10.5-acre site in central Birmingham acquired in November 2006 in equal partnership with Grainger PLC. The development is part of the wider regeneration of the Eastside quarter of Birmingham, which aims to provide a vibrant world class environment for business, leisure, learning, technology and creative industries. The consented scheme comprises 1.4 million sq. ft. net of office, residential, hotel and leisure accommodation facing Birmingham's new city park.

Accommodation:	1.4 million sq. ft. of mixed-use delivered in five phases
Completion:	Phase 1 – expected to complete in the medium-term. All phases delivered in 10 years
Funding:	To be determined
End value:	Circa £350.0 million

West Quay
Southampton

A new waterside office development located in the city of Southampton, adjacent to the West Quay Shopping Centre. Phase 1 of this development delivered 150,000 sq. ft. net of flexible office space on a pre-let to Carnival UK in December 2008. Phase 2 consists of a 155-key hotel and 60,000 sq. ft. of offices, with construction on the hotel element set to begin in June 2010.

Accommodation:	270,000 sq. ft. of offices and 155-key hotel
Completion:	Phase 1 – completed December 2008 Phase 2 – expected to complete in December 2011
Funding:	Phase 1 – Aviva Investors Phase 2 – AMEC
End value:	Phase 1 – Circa £50.0 million Phase 2 – Circa £11.0 million

Heart of Slough
Slough

A £400.0 million regeneration project totaling 29 acres of land aimed at revitalising Slough's town centre. Development Securities completed an agreement with Slough Borough Council in December 2009 for a consented scheme comprising 350,000 sq. ft. net of offices in three buildings. The 2.5-acre site lies immediately adjacent to the new bus station and train station, which is on the Crossrail route, with a current journey time to Paddington of 30 minutes.

Accommodation:	350,000 sq. ft.
Completion:	Phase 1 – expected to complete in the medium-term
Funding:	To be determined
End value:	Circa £80.0 million

Cambourne
Cambridge

A 50-acre site located nine miles from Cambridge city centre, which will provide some 750,000 sq. ft. net of office and R&D accommodation. Three of the four phases are complete, providing 330,000 sq. ft. net. The next phase is likely to commence once a pre-let is secured.

Accommodation:	750,000 sq. ft.
Completion:	Phase 1 & 2 – 2002 Phase 3 – May 2004 Phase 4 – expected to complete in the medium-term
Funding:	Phase 1 – Universities Superannuation Scheme Ltd Phase 2 – Aviva Investors Phase 3 – South Cambridgeshire District Council
End value:	Circa £150.0 million

Broughton
Flintshire

Development Securities developed this 300,000 sq. ft. retail park, outside Chester, together with Pillar Property PLC in the late 1990's. Largely pre-let prior to completion with tenants including Tesco, Allders, Sears, WH Smith and Arcadia.

Planning consent for phase 2 was achieved in 2007, representing a prospective 171,000 sq. ft. extension to the retail park. Implementation of this phase is unlikely to commence until market conditions have firmed.

Accommodation:	Circa 300,000 sq. ft. of retail
Completion:	Phase 1 – completed 1999 Phase 2 – expected to complete in the medium-term
Funding:	Phase 1 – Pillar Property PLC Phase 2 – To be determined
End value:	Circa £250.0 million

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/development_portfolio/

Matthew Weiner
Executive Director

"Throughout 2009, we remained committed to our strategy of focusing on assets with a mix of core defensive income and asset management initiatives to drive value in the medium-term.

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/investment_review/

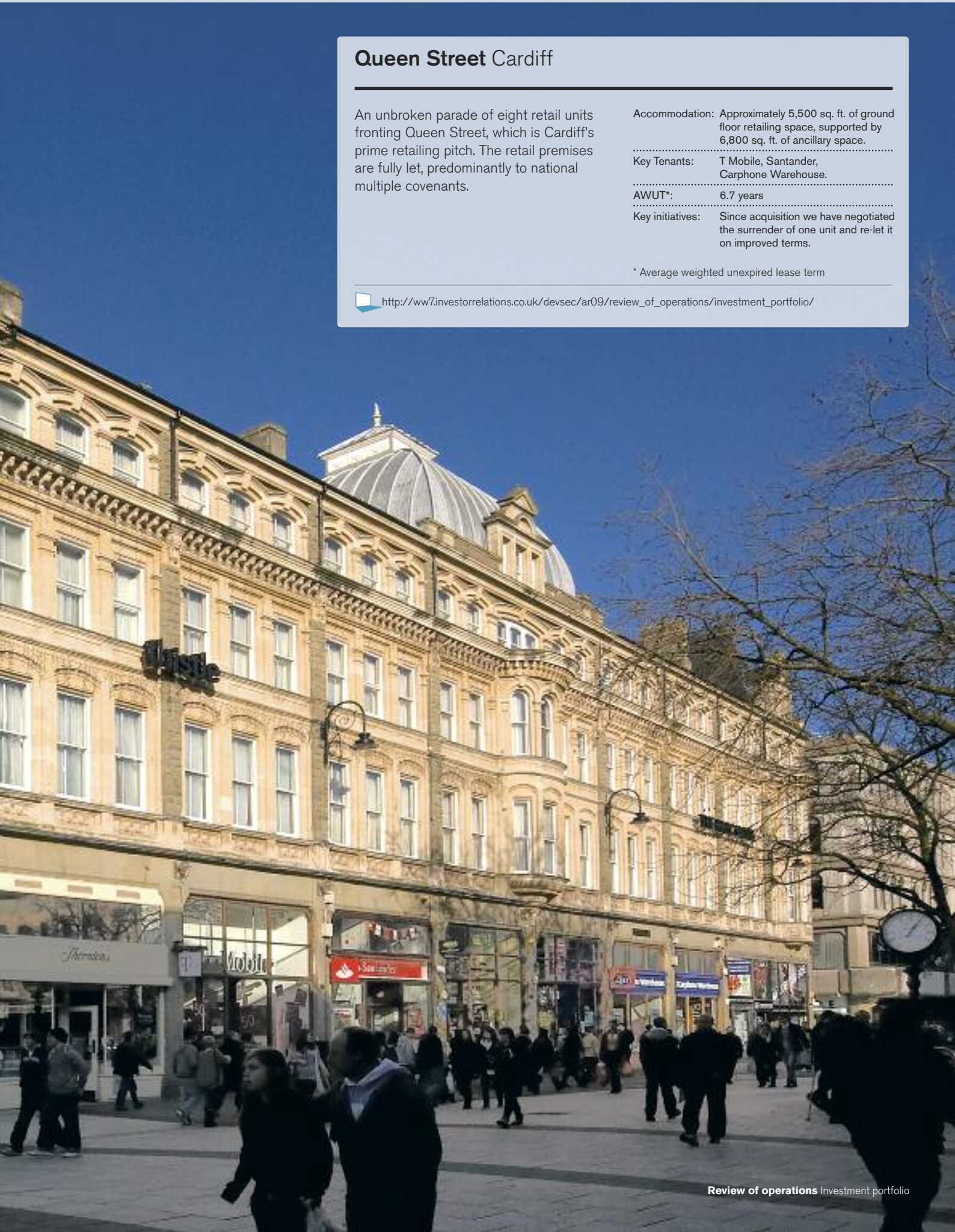
Queen Street Cardiff

An unbroken parade of eight retail units fronting Queen Street, which is Cardiff's prime retailing pitch. The retail premises are fully let, predominantly to national multiple covenants.

Accommodation:	Approximately 5,500 sq. ft. of ground floor retailing space, supported by 6,800 sq. ft. of ancillary space.
Key Tenants:	T Mobile, Santander, Carphone Warehouse.
AWUT*:	6.7 years
Key initiatives:	Since acquisition we have negotiated the surrender of one unit and re-let it on improved terms.

* Average weighted unexpired lease term

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/investment_portfolio/



There is little doubt that the reduction in interest rates to the current low levels has been the driver behind the rapid rise in capital values. Commercial property has benefited from the investment of cash that was not happy sitting in banks (initially) and earning a minimal return (secondly). In our view, there is some scope for this to continue in 2010 as investors remain long of cash albeit that the easy wins from the short-term bounce back have probably already disappeared and values going forward are more likely to be driven by intensive asset management.

Values have risen 8.0 per cent since the low point of August 2009 resulting in a small negative capital result for the market for 2009 as a whole. This rise in capital values comes despite the continued fall in rental values and, whilst this is not unusual in the early stage of a recovery, it is difficult to reconcile given the significant pressures on the occupier from the wider economy. How the significant government deficit is tackled will be paramount in determining whether the UK continues to climb out of recession, albeit at a very slow pace, or whether it slides back into a double dip recession.

In addition, the UK authorities will be worried about the unwanted side-effects of quantitative easing, not least the possibility that it is feeding another liquidity-driven financial bubble. The reverse is that the recent revival is a false dawn. The collapse of the market in 1990 was not as severe as in 2008 but full recovery did not take place until 1996. The false dawn was 1993 when capital values accelerated dramatically but then slowed down again in 1995. History could repeat itself.

A slow economic recovery is not conducive to a swift return to rental stabilisation. In addition, shortening lease lengths and the slow unpicking of the upwards only review clause are likely to increase risk and thus yields as the owner is more frequently exposed to the possibility of market rental falls. Average secondary markets are only likely to recover when unemployment falls and occupational demand increases.

Investment strategy

At the time of our £100.0 million equity issue in July 2009, it was our assessment that the market was about to stabilise with the potential to turn moderately positive. This was one of the central themes behind the capital raising and we are pleased to report that over the summer months we acquired five assets totalling £41.7 million and yielding 8.9 per cent which have since shown £4.7 million capital appreciation. In addition, the rental income from these assets has made a substantial positive impact on the Group's Statement of comprehensive income. In each individual acquisition, we were rigorous in our appraisal, in particular, of credit risk and have largely sought to avoid assets with a significant degree of short-term lease events, thus seeking protection against the full impact of the recession.

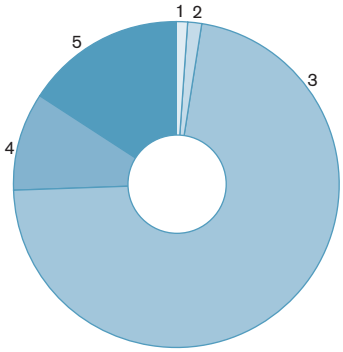
Since these initial transactions, we have continued selectively to acquire assets and in early 2010 secured two modest sized assets in Belsize Park, London and Crewe totalling £6.6 million and yielding 7.5 per cent with unexpired terms of 40 and nine years respectively. Both assets have medium-term development potential to underpin their future performance.

In February 2010, we completed the acquisition of a mixed retail and office asset in Nottingham for £9.1 million, equating to a 9.8 per cent net initial yield. The asset offers our typical mix of defensive rental income (80.0 per cent of the total) in a strong location and asset management opportunities both in the retail element and in the office tower above, which requires a modest refurbishment. We expect a significant valuation uplift during 2010 as these initiatives move forward.

At Nailsea, Bristol, we completed a 'loan to own' strategy whereby we initially acquired, at a significant discount, the bank loan secured against a neighbourhood shopping centre and subsequently took control of the original equity position such that we now have full ownership of the asset. Our ability to look through the loan and understand the underlying asset was the key element in our ability to conclude an agreement with the bank. Our combination of available cash and expertise should be persuasive in this market as the banks begin to address their loan book issues in 2010.

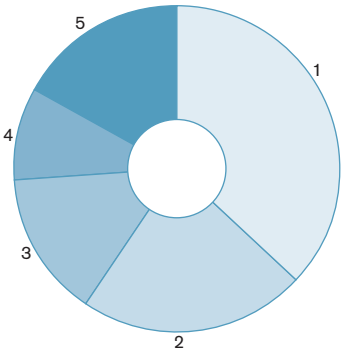
At Wallington, we acquired a property, held in trading assets, which was subject to a bank loan considerably in excess of the asset value. However, due to our longstanding relationship with the bank, we were able to negotiate with the lender to write off their loan in return for a share of any future profits. We are pleased to report that since acquisition in August 2009, we have secured some minor revisions to the planning consent for the proposed development and in February 2010 exchanged contracts to sell the property making a respectable trading profit for your Company.

Property portfolio analysis
28th February 2010



Gross rental income – Tenant profile

1	Government	1.3%
2	FTSE 100	1.5%
3	PLC/Nationals	71.9%
4	Regional multiples	9.7%
5	Local traders	15.6%



Gross rental income – Lease profile

1	0 - <5 years	37.1%
2	5 - <10 years	22.5%
3	10 - <15 years	14.3%
4	15 - <20 years	9.3%
5	20 years +	16.8%

Investment portfolio

Throughout 2009, we remained committed to our strategy of focusing on assets with a mix of core defensive income and asset management initiatives to drive value in the medium-term. We remain disciplined in evaluating each opportunity both in respect of our existing portfolio and new assets, since income return will come under increasing pressure as the current economic difficulties remain unresolved. The recession has served to accelerate the economic decline of those locations and occupiers that were failing anyway.

The revaluation of the investment portfolio at December 2009 showed a capital appreciation of £3.7 million or 2.1 per cent. We achieved a 9.5 per cent IPD Total Portfolio Return in 2009, compared to the IPD UK Annual Property Index of 3.0 per cent. Once again, the defensive nature of the portfolio has provided resilience both in capital and rental value terms.

Development Securities' portfolio has suffered seven tenant failures, representing 1.7 per cent of rental income. Careful credit analysis of the tenant portfolio along with implementation of creative asset management initiatives, remain the essential components to our continued out-performance.

Projects in partnership

Over the course of the year, our joint venture relationships have seen significant activity in respect of both existing projects and new opportunities. These relationships continue to provide diversification to our core investment and development businesses, thus providing access to sectors and geographical areas outside our normal remit.

Blue Living

- planning application submitted at Tilehurst.
- selected to promote a site for over 3,500 homes in the South East.

Henry Davidson Developments (HDD)

- conditional contracts exchanged for the sale of 5.6-acre site to a food store operator at Stanground, Peterborough.
- commenced on site work at a scheme in Coventry, 70.0 per cent pre-let.
- secured an option position on a 30-acre residential site in the West Midlands. Entitled to receive 20.0 per cent of the land sale receipts.

We remain committed to growing our relationship with HDD which continues to deliver a stream of modest but consistent profits.

CTP

- commenced on site in Neston to deliver a food store for Sainsburys.
- commenced on site at Kensington, Liverpool where the majority of accommodation is pre-let or sold.
- signed a Development Agreement with the Local Authority to deliver a 100,000 sq. ft. food store in conjunction with an operator at Hattersley.
- sale of 80,000 sq. ft. speculative office building to the Department of Culture Food and Sport.

During the year, Development Securities injected additional loan capital into the business to alleviate short-term cash pressures. We remain impressed by the team's ability to deliver development opportunities and indeed they are currently in negotiation on two new, earnings accretive opportunities in the north of England, deals which we believe will produce positive returns in the next phase of the property cycle.

Wessex Fund

We continue to work with our local partners to implement individual asset improvement plans on the existing portfolio and are hopeful of securing some valuable planning gains during the course of 2010.

Strategic Land Investment

In November, we acquired a 25.0 per cent shareholding in a land promotion company which is currently engaged on seven projects throughout the United Kingdom, primarily regarding residential planning consents. The value of our investment is £1.5 million. The promotion of unallocated land for more valuable uses can be viewed as a high risk and long-term activity, but we believe that we are investing in a vehicle that is best in class and that the potential returns are commensurate with the risk.

Our arrangement also allows for the partner to draw down loans from Development Securities up to a total of £2.5 million to secure new projects. This loan carries with it conversion rights into 40.0 per cent of the equity in a new entity which will undertake these projects. Based on the forecast returns and projects under consideration, it is likely that your Company will take up this conversion right. To date two new projects have been secured using the facility.

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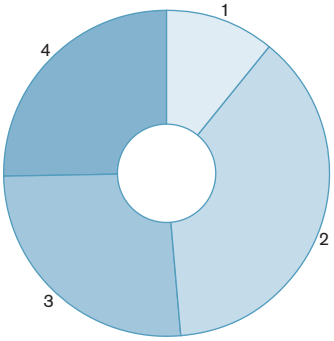
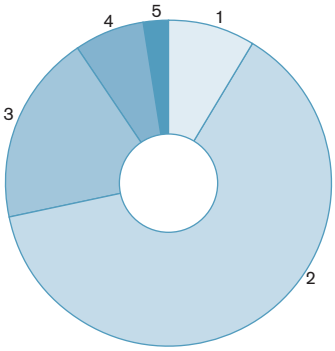
Property portfolio analysis
28th February 2010



Location profile

1	London	10.9%
2	South East	38.0%
3	South West	26.1%
4	North	25.0%



Sector analysis

1	Office	8.8%
2	Retail	63.1%
3	Mixed	18.7%
4	Industrial	7.0%
5	Residential	2.4%

Kingsland Shopping Centre
Thatcham

A partially covered shopping centre, located close to Newbury, anchored by a 29,000 sq. ft. Waitrose supermarket and let to a combination of local and national retailers. The centre also benefits from a 150-space car park.

Accommodation:	A total of 50,000 sq. ft. of retail and ancillary accommodation comprising 15 retail units and an anchor supermarket
Key tenants:	Waitrose, Lloyds Chemist, Co-Op
AWUT*:	10.0 years
Key initiatives:	Potential to extend the scheme to the rear to create further retailing floorspace

145-157 High Street
Eltham

A multi-let property located on the prime retailing pitch in a busy London suburb. The building comprises four retail units which are all let to national multiple retailers with long unexpired lease terms. A recently-opened Lidl supermarket lies adjacent to the property which has increased pedestrian footfall in the area.

Accommodation:	35,000 sq. ft. of retail and ancillary space arranged over three storeys
Key tenants:	Carpetright, Peacocks, Sportsdirect.com, Bathstore.com
AWUT*:	7.8 years
Key initiatives:	Capitalise on improving retail pitch by regearing occupational leases to increase lease terms

Swanley Shopping Centre
Swanley

An uncovered shopping centre providing the principal retail offer in the town and located immediately opposite an ASDA superstore. The scheme comprises 30 retail units anchored by a 16,000 sq. ft. Wilkinson variety store due to open in summer 2010.

Accommodation:	85,000 sq. ft. of retail and ancillary accommodation and 320 parking spaces
Key tenants:	Superdrug, Peacocks, Holland & Barratt, Barclays, Wilkinson
AWUT*:	4.8 years
Key initiatives:	Enhance the retail environment and thereby improve prime zone A rental rates. A 15-year letting has been agreed for the anchor store with Wilkinson

Crown Glass Centre
Nailsea

A suburban shopping centre, located approximately 15 miles from Bristol, which comprises retail, office and residential accommodation. The retail units form the majority of the passing income and are let to a combination of national multiple and local retailers. Footfall also benefits from one of the town's main car parks, providing 198 spaces, being within the ownership.

Accommodation:	44 retail units totalling 97,000 sq. ft., 44,000 sq. ft. of office accommodation and 36 residential units
Key tenants:	Iceland, Boots, Superdrug, Peacocks
AWUT*:	3.1 years
Key initiatives:	A planning application for a foodstore-anchored extension to the west of the centre is being prepared

Atlantic Village
Bideford

An outlet shopping centre in North Devon let to a combination of national multiple and independent retailers. Visitor numbers to the centre benefit from an adjacent ASDA superstore. The letting to Marks & Spencer in Q2 2009 has significantly improved the centre's standing in the regional retail hierarchy with associated increases in footfall and turnover.

Accommodation:	100,000 sq. ft. of retail floorspace with approximately 700 parking spaces
Key tenants:	Marks & Spencer, Edinburgh Woollen Mill, Cotton Traders, Pavers Shoes
AWUT*:	2.4 years
Key initiatives:	A letting has been agreed to a major national multiple retailer who will be in occupation by Q3 2010. A planning application for an extension to the centre, to provide 80,000 sq. ft. of new retail floorspace, is being progressed

Victoria Street West
Grimsby

A prime, well-configured department store with dual frontage onto Victoria Street West and into Freshney Place Shopping Centre. The entire property is let to House of Fraser with over 25 years remaining. The property offers flexible accommodation and could be sub-divided if a landlord was to regain vacant possession.

Accommodation:	92,000 sq. ft. of retail and ancillary space arranged over three principal floors
Key tenants:	House of Fraser
AWUT*:	29.5 years
Key initiatives:	We are actively monitoring tenant demand for Grimsby to determine the viability of the subdivision of the retailing space

Bank Hey Street
Blackpool

A recently refurbished building occupying a prominent island site where pedestrian footfall past the property has benefitted from the recent extension to the Houndshill Centre. The majority of the space is let to national multiple retailers and a significant proportion of the rental income benefits from fixed uplifts.

Accommodation:	50,000 sq. ft. of retail, office and ancillary space arranged over basement, ground, first and second floors
Key tenants:	Peacocks, Sports Direct.com, JD Wetherspoon
AWUT*:	9.7 years
Key initiatives:	A letting of the seafront unit has been agreed to a leisure operator on a 30-year lease with fixed uplifts

The Furlong Shopping Centre
Ringwood

An uncovered piazza-style shopping centre, in an affluent catchment area, comprising 20 retail units and anchored by a 44,000 sq. ft. Waitrose foodstore. Since its acquisition in 2003, proactive asset management has enhanced the retailing environment and greatly improved the retail offer. The prime Zone A rental tone has improved by 300 per cent over this time.

Accommodation:	Approximately 85,000 sq. ft. of retailing floorspace with 212 parking spaces
Key tenants:	Waitrose, Specsavers, Jaeger, Phase Eight, Fat Face, Hobbs
AWUT*:	14.5 years
Key initiatives:	Continued improvement of retail offer; negotiations are ongoing with a national retailer for a vacant unit. Settle the forthcoming rent review of the Waitrose foodstore to improve income profile. Longer term, there are plans for an extension of the centre to the south onto Market Place to increase retailing floorspace and create a circular pedestrian loop

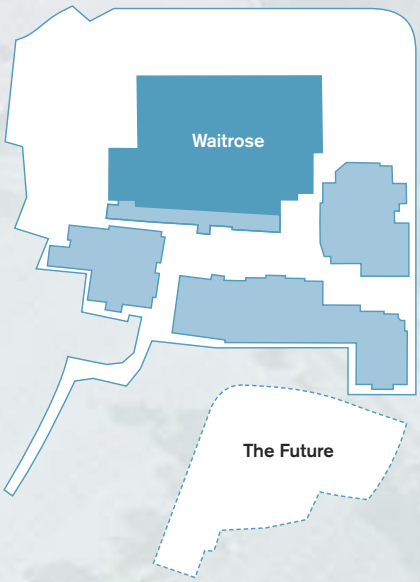
* Average weighted unexpired lease term

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/investment_portfolio/


A303
A30
M3
A30
Salisbury
Winchester
A36
Shaftesbury
A338
Southampton
M27
Ringwood
A31
A35
Christchurch
Bournemouth

The Furlong Shopping Centre Ringwood

An uncovered piazza-style shopping centre, in an affluent catchment area, comprising 20 retail units and anchored by a 44,000 sq. ft. Waitrose foodstore.



Initial Acquisition
- Acquired in March 2003 as part of a focus on Waitrose anchored schemes.
- Immediate opportunity to extend the Waitrose anchor store and reposition the retail accommodation from a local centre scheme to a destination centre.
- Local catchment was affluent and the local retailing provision was not meeting their needs. The plan was to exploit this mismatch.

Phase I
- Secured and developed out the Waitrose extension which took a small, overtrading store to the next level. Store continues to trade well.
- Replaced a local one pound store operator with Hobbs, a transformational letting.
- Commenced an upgrade programme to units securing vacant possession and as they were re-let, to national aspirational retailers, incorporated new fascias to the units.

Phase II
- Continued re-positioning of the centre with local, failing retailers being replaced by aspirational brands such as Fat Face, Caffè Nero, Crew Clothing and Jaeger.
- In the process rental levels moved from £25 Zone A to a best rent of £80 Zone A.
- Centre now considered to be fulfilling an entirely different role in the local retail hierarchy.
- Waitrose rent will be significantly improved at the forthcoming rent review.

The Future
- Since 2005 we have been assembling land to the South of the centre for a Phase III development.
- Planning consent obtained for a comprehensive redevelopment incorporating retail, leisure and residential uses.
- Market changes have prompted us to review and scale back the development to meet revised retailer requirements.
- An amended scheme is now under consideration with the aim of securing planning consent this year and then, subject to securing an anchor pre-let, commencing on site in 2011.

Phase Eight JAEGER fat face Waitrose

http://ww7.investorrelations.co.uk/devsec/ar09/review_of_operations/case_study/

Graham Prothero
Finance Director

"The Directors were pleased with the resilience of the structure through the market's trough in early 2009, and with the successful increase in the equity base during the year.

http://ww7.investorrelations.co.uk/devsec/ar09/financial_review/

Capital structure and liquidity management

The Group's strategy for its capital is to maintain a conservative balance of equity and debt appropriate to the profile of our asset portfolio, taking account of our intentions for each asset, and our expectations for the availability and cost of alternative sources of finance.

The restrained use of bank borrowings during the bull phase of the market meant that the Group was able to weather the storm of the banking crisis and precipitous falls in property capital values in the second half of 2008 and first half of 2009, making appropriate loan-to-value repayments from Group resources reserved for that purpose, without recourse to its shareholders.

In July 2009 the Group raised circa £100.0 million of new equity (circa £94.0 million net of expenses) from a Firm Placing and Placing and Open Offer, in order to capitalise on new opportunities early in the property development cycle, as well as to enhance the Group's investment portfolio. During the second half of the year the Group has invested approximately £44.1 million of the proceeds, followed by a further £16.1 million of acquisitions since the year end.

In October 2009, cash reserves were further increased by the completion of the CityPark, Manchester development, which produced a cash inflow of £19.9 million (net of a debt repayment of £22.4 million including fees).

Consequently the Group's gearing as at 31st December 2009 was 18.7 per cent as compared with 54.1 per cent at the beginning of the year. During the year this ratio peaked at 81.3 per cent, as at 30th June, reflecting the planned position of maximum borrowings just ahead of the completion of the CityPark, Manchester development.

Our cash and overall liquidity is managed at Group level, with our investment, development and trading portfolios assessed and monitored according to their own specific risks. Within our debt facilities we maintain a mix of fixed and variable rates, in general preferring the certainty of fixed rates for our larger and longer term borrowings.

As described on page 5, the Group limits its risk in major development projects through the principle of forward sales. This is achieved in various ways, from the completed forward sale of the land and project assets, through to the contracted sale of the prospective development, with appropriate guarantees of completion. The Group's direct contribution to more modest development project finance is provided by way of equity and medium-term bank facilities which provide the necessary flexibility to draw down funds as required.

The Group's investment portfolio is financed using our own equity, the debenture loan, and bank borrowings of an appropriate term for each asset or group of assets. Our investments in joint ventures and associates are funded from our own equity, with any relevant gearing deployed within the ventures themselves.

Responsibility for 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 aspect of our business. Daily review is delegated to the Finance Director, who discusses this with the other members of the executive team at least on a weekly basis. The Board formally reviews the position at its meetings, which occur nine times per annum.

The principal tools of assessment are a 15-month cash flow forecast, which is updated monthly, a schedule of agreed bank facilities and the amounts drawn against them, a summary of net debt and a formal monthly commentary on the position prepared by the Finance Director.

For the longer term the Directors review the Group's capital structure, taking account of the real estate cycle, the likely forthcoming risks and opportunities for the Group, and the market for equity and debt finance. This is formally revisited at least annually via the Group's Risk Committee, which reports to the Board, and informally as appropriate at each Board meeting. The Directors were pleased with the resilience of the structure through the market's trough in early 2009, and with the successful increase in the equity base during the year. We are actively considering this profile for the coming years.

Medium-term liquidity is arranged through a mix of the Group's own equity and its debt facilities. Owing to the strong relationships with its bankers, the Group has not been constrained in its ability to borrow during 2009; however the capital raising during the year and the paltry returns to be earned on cash balances deterred the Directors from raising new debt in the second half of 2009.

Owing to the nature of the Group's business, short-term liquidity requirements are reasonably predictable. Cash balances are monitored on a daily basis. Cash and short-term deposits are placed across a few banks and financial institutions with high credit ratings, taking care to avoid a significant concentration of credit risk with any one counterparty, and selecting periods which optimise the interest received whilst maintaining suitable flexibility for our operations.

Current facilities and borrowings

The Group's bank facilities are set out in the table below. As at 31st December 2009 the value of the Group's gross borrowings was £126.2 million (2008: £147.9 million). Cash balances were £80.6 million (2008: £60.7 million), including amounts of £17.4 million (2008: £31.7 million) held as restricted deposits, giving net debt of £45.6 million and gearing of 18.7 per cent (2008: £87.2 million and 54.1 per cent).

During 2009 the Group repaid the development loan in respect of CityPark, Manchester, and, since the year end, the Group has refinanced the facility in respect of Weeke Local Centre, Winchester and repaid the £2.0 million drawn on the revolving credit facility, maturing in 2011.

In March 2010, in order to take advantage of current low long-term interest rates, the Group has completed a new 15-year facility of £58.2 million, secured against a portfolio of investment properties, from Aviva Commercial Finance Limited. Including the new facility, committed facilities as at 22nd March 2010 total £171.1 million, with a weighted average term of 11.1 years. Unutilised facilities are £70.6 million.

Of those facilities financing longer term assets the earliest maturity date is 2013. The Directors are comfortable with this position.

Our development finance is generally shorter term. We monitor these loans carefully in conjunction with the performance of the relevant development. As at 22nd March 2010 we have no drawn balances on these facilities.

The Directors keep bank covenants under review, and are content with the current position. We aim to agree our loan-to-value covenants at comfortably tolerable levels, leaving sensible headroom for foreseeable changes in the general market or the specific asset. We also incorporate cure mechanisms into the facility documentation, such that we have an appropriate opportunity to restore the required loan-to-value ratio by making cash deposits or prepayments.

					Principal financial covenants			
Facility type	Total facility £'000	Utilised as at 31st December 2009 £'000	Interest rate	Maturity	Loan to value ratio	Interest cover ratio	Minimum net worth £'000	Notes 1
Loans financing longer-term assets								
Revolving credit	25,000	2,000	Variable	31-Mar-2011	–	150%	–	2
Revolving credit	32,300	32,300	Variable	31-Jan-2013	70%	105%	–	
Term loan	12,955	12,955	Hedged	31-May-2013	70%	120%	–	3
Term loan	5,997	5,997	Hedged	17-Oct-2014	80%	125%	–	4
Debenture	20,000	20,000	Fixed	06-Jan-2016	66%	–	–	
Term loan	58,200	–	Fixed	12-Mar-2025	80%	120%	–	
Loan notes	†32,844	32,844	Hedged	25-Oct-2027	–	–	100,000	5
Loans financing development and refurbishment assets								
Term loan - Facility A	14,280	–	Variable	3yrs from draw	–	–	–	
Term loan - Facility B	8,400	–	Variable	3yrs from draw	–	–	–	
Term loan - Facility C	5,320	–	Variable	3yrs from draw	–	–	–	
Term loan	13,000	12,970	Variable	02-Jun-2010	–	–	100,000	2
364 day revolving credit	10,000	–	Variable	364 days from draw	–	–	100,000	
364 day revolving credit	15,000	–	Variable	26-Jul-2010	65%	125%	160,000	6
Term loan	17,550	–	Variable	42 mths from draw	–	–	150,000	

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 (31st December and 30th June).
2 Since the year end the loan has been repaid and the facility terminated.
3 The variable rate benefits from an interest rate collar.
4 The variable rate benefits from an interest rate cap.
5 These unsecured, variable rate loan notes are denominated in Euros, with a nominal value of €47 million. The Group has entered into a cross-currency interest rate swap, such that interest rates are fixed and the Group will repay a fixed Sterling amount. The minimum net worth covenant applies to the hedge rather than the loan notes.
6 The loan facility was renewed on 26th January 2010 for a further six-month period.
† Represents the amount of the Group's liability in Sterling taking account of the hedging instrument.

Interest rate risk and hedging

As noted in the table in note 16(d), interest rate caps and swaps are used to provide commercial hedges against the Group's exposure to interest rate fluctuations. The Directors have maintained a mix of fixed and variable rates, in order to provide an appropriate measure of certainty within the portfolio.

Facilities with variable rates of interest, in particular longer term facilities, expose the Group to the risk of interest rate fluctuation, whilst fixed rate instruments reduce flexibility and incur break costs in the event of early settlement. The Directors keep these risks under continual review, and regularly consider the possibility and likely cost of extending our interest rate hedging.

Interest rate swaps are marked to market, giving rise to the risk of fair value movements in the derivative instrument, and a consequent impact on net asset value. The increase in the interest rate curve from the low point in January 2009 produced a rise in this fair value during the year and a gain of £0.9 million in the Statement of comprehensive income. The Group also holds a cross-currency interest rate swap which is designated as a cash flow hedge. Movements in the foreign currency leg of this swap provide a hedge against movements in the fair value of the €47 million loan notes. Movements in the interest leg are taken to the net unrealised gain reserve, in respect of which the combined effect of increased longer term rates and the strengthening of Sterling produced a gain of £2.8 million. The aggregate impact on our net asset value during 2009 of the mark-to-market of fixed interest instruments was a gain of £3.7 million.

Our interest rate and cross-currency hedges are provided by well-established banking institutions and the Group does not consider that there is an abnormal counterparty credit risk in this regard.

Details of interest rate sensitivities are provided in note 16 to the financial statements.

Other financial instrument risks

Development and trading portfolios

The principal financial instrument risks in these assets are the credit risk in counterparties. Given the nature of these assets the amounts owed to the group can be significant, and these arrangements are monitored very closely both before contracts are exchanged and throughout the execution period.

During the year the Group received the balance of the proceeds of £42.3 million from the purchaser of the CityPark, Manchester development, in accordance with the contract. At 31st December 2009 the Group had no debtors of this magnitude.

The Group is contracted to provide £5.0 million of development funding for each phase at PaddingtonCentral, in respect of which it earns interest and a profit share, both subject to the profitability of the phase. The Group's development partners, who are contracted to pay this interest and profit share at the completion of each phase, and to repay the capital at the end of the development, are large financial institutions. This risk capital is held as a development participation within available-for-sale financial assets, and at the year end was valued at £5.0 million (2008: £5.0 million), as described in note 16(a) to the Group financial statements. The Directors are satisfied that the combination of the Group's risk-averse approach to development funding, its cautious selection of development partners and its focused and active management of each project provide reasonable 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. The Group maintains the portfolio under continuous review. The portfolio is managed by local agents, with active involvement by the Development Securities 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 outstanding rent reviews, as well as a formal commentary by the investment team. The current profile of the portfolio is set out on pages 20 and 21.

The Directors have been pleased with the low level of tenant default during 2009. Tenants in administration or liquidation account for £168,000 of rental income, being 1.7 per cent of the portfolio. Of this amount we continue to receive rent of £98,000, leaving actual loss of rent at £70,000 (0.7 per cent). Tenants paying monthly represent annual rent of £477,000 (4.7 per cent).

Provision is made for overdue rents according to the specific circumstances of each case. At 31st December 2009, amounts of rent overdue by more than 30 days was £275,000, against which the Group has provided £104,000.

The Directors believe that the low level of defaults reflects the strategy of the portfolio. As at 31st December 2009 the portfolio remains well diversified among tenants, with the highest exposures being mainly to strong covenants. The deliberate sector bias towards retail has been increased during the year; this is offset by the geographic spread within that sector, and the concentration on local centres anchored by the resilient food sub-sector.

Joint ventures and associates

As described on page 21, the Group has significant operations conducted in joint venture with partners, in respect of which the Group provides both development expertise and funding. These interests are carried in a number of balance sheet categories, and are summarised in note 25 to the Group financial statements.

The financial instrument risks in respect of joint venture operations are the financial strength of the operating partner, the contractual risk in the joint venture agreements and the operating success of the venture. The Group manages these risks by securing appropriate rights 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 22 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 almost exclusively in the UK. The Group's principal exposure to foreign currency movements is in the €47 million Euro-denominated loan notes, which is fully hedged to provide an effective Sterling liability. The details of the Group's sensitivity to exchange rate movements are set out in note 16(c) to the Group financial statements.

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 31st December 2009.

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 8 to 25. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial instrument risks are described on pages 26 to 31, which also cover the Group's objectives, policies and processes for managing its capital. Note 16 to the Financial statements gives further information about the Group's financial instruments and hedging activities.

The Group has considerable financial resources. Rental income continues to be robust, and has been enhanced by recent acquisitions. Our debt finance is secured for appropriate periods and we are comfortable with our covenant positions. Having assessed the headroom within the Group's cash flow forecast and the risks to those cash flows, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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 foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and Financial statements.

Statement of comprehensive income

Result for the year and net asset value

The Statement of comprehensive income discloses a loss before tax for the full year of £11.4 million (2008: loss of £65.6 million), representing a first half loss of £19.1 million significantly recovered by a profit before tax for the six months to December of £7.7 million. The principal element of this dichotomy is property revaluation, which produced a loss of £12.2 million in the first half and a strong increase of £15.9 million in the period from July to December, including an uplift of £4.7 million in respect of investment property of £41.7 million purchased since our equity raising in July. Overall, development contributions to the operating result were inevitably constrained, and the strong contribution of the investment portfolio was outweighed by net finance costs and operating expenses.

After tax and reserve movements the movement in net asset value was a reduction of £11.0 million, before the addition of the new equity capital raised in the year of £94.0 million (net of expenses).

The movement in net asset value during the year is set out in the table below.

Net rental income

Net rental income for the year was £5.5 million (2008: £3.0 million). Gross rental income increased by £1.2 million, reflecting additions to the investment portfolio. The increase in annual gross rental income arising from additions to the investment portfolio of £41.7 million made in the second half of 2009 is circa £3.7 million.

Rental costs reduced from £6.0 million to £4.6 million, with the principal saving coming from a reduced charge of £1.7 million in respect of onerous leases, compared with £3.3 million arising in 2008.

Trading and development profits

Following the significant contribution of £22.2 million from PaddingtonCentral and West Quay, Southampton in 2008, development profits were subdued in 2009. Revenue of £20.4 million related to the development at CityPark, Manchester; however, of total profits of £7.0 million arising over the life of this project, only £2.3 million arose in 2009, since this pre-sold building was reported as a construction contract with profits recognised as development progressed. During the year we made some writedowns of trading and development properties amounting to £2.4 million, and incurred abortive pre-development expenditure of £0.3 million. Project management fees of £1.0 million were earned from PaddingtonCentral and St Bride Street, London EC4.

Operating costs

Administrative expenses reduced from £13.4 million in 2008 to £12.8 million in 2009, reflecting a reduction in staff costs following the redundancies made in December 2008 and salary reductions accepted by senior staff. Operating costs also include a one-off charge of £1.4 million for a capital contribution in respect of the sub-letting at PaddingtonCentral.

The movement in net assets during the year was as follows:

	31/12/08	30/06/09	15/07/09 Proforma following equity raising*	31/12/09
Net assets (£ million)	161.0	143.0	237.0	244.0
Number of shares (million)	40.6	40.6	82.3	82.3
Pence per share	397	352	288	297

*Calculated by adding the net proceeds raised from the Firm Placing and Placing and Open Offer of £94.0 million to the net asset value as at 30th June 2009.

Revaluation of investment properties

In the full year the increase in our completed portfolio, as reported by the IPD, was 2.5 per cent (capital growth), which may be compared with an all-property decrease for the IPD index of (3.6) per cent. The average yield applied to the portfolio as at 31st December 2009 was 6.9 per cent, compared with 6.7 per cent at 31st December 2008 and 7.3 per cent at 30th June 2009.

Finance costs

Net finance costs included in the Statement of comprehensive income for the year were £6.7 million, a significant reduction from the charge of £15.3 million in 2008. Interest costs reduced from £11.6 million in 2008 to £9.1 million in 2009, mainly reflecting lower borrowings after reductions made under loan-to-value covenants and notably the repayment in October 2009 of the CityPark, Manchester loan of £22.3 million. In 2008 net finance costs included a penalty of £5.9 million in respect of the early termination of a fixed rate loan.

Under IAS 39 the Group is obliged to revalue interest rate swaps to current market value, although these instruments are purchased and held by the Group to obtain certainty over interest costs, and not for trading. Consequently the general upturn of the interest rate curve over the year produced a credit to the Statement of comprehensive income of £0.9 million, partially recovering the charge of £3.2 million in 2008. To this may be added the similar credit to the net unrealised gain reserve of £2.8 million, which compares with a corresponding debit of £2.4 million in 2008. Together such mark-to-market adjustments produced an increase in net asset value of £3.7 million in 2009 against a reduction of £5.6 million in 2008.

Finally, the strengthening of Sterling against the Euro during the year caused a loss on translation of our Euro cash deposits (held as security against our Euro-denominated loan notes) of £0.6 million, compared with a gain of £1.6 million in 2008.

	2009 £m	2008 £m
Net finance costs		
Interest payable on bank loans and other borrowings	9.1	11.6
Early loan repayment fee	–	5.9
Amortisation of transaction costs	0.5	0.3
Loss arising on derivatives	–	3.2
Net foreign currency movement	0.6	(1.6)
Capitalised interest	(1.4)	(1.1)
	8.8	18.3
Interest receivable	(2.1)	(3.0)
Net finance cost	6.7	15.3

Taxation

There is no charge to tax in the year as a consequence of losses brought forward and arising in the period. The Group has significant potential deferred tax asset balances, but the Directors have restricted recognition to the amount of corresponding deferred tax liabilities, as uncertain market conditions do not offer sufficient probability of profits in the foreseeable future within the terms of IAS 12. During the year we recognised an additional deferred tax liability of £0.8 million, which arose in respect of the revaluation of swap movements and was charged to equity. The credit of £0.7 million in the Statement of comprehensive income represents the recognition of an additional element of the Group's deferred tax asset, adhering to the principle above. Tax movements and balances are set out in notes 7 and 17 to the Group financial statements.

Dividends

The Board will recommend to shareholders at the Annual General Meeting on 7th May 2010 a final dividend of 2.4 pence per share (2008: 2.4 pence) to be paid on 6th July 2010 to shareholders on the register on 4th June 2010. This final dividend, amounting to £2.0 million (2008: £1.0 million) has not been included as a liability at 31st December 2009, in accordance with IFRS.

	2009 pence	2008 pence
Dividends		
Interim	2.4	2.4
Prior period final	2.4	4.8
Total dividends paid in the year	4.8	7.2

Loss per share

The loss per share in the year to 31st December 2009 was 17.5 pence (2008: 142.3 pence) per share and on a diluted basis was 17.5 pence loss (2008: 142.2 pence loss) per share. Loss per share and diluted loss per share for 2008 have been restated following the 2009 Firm Placing and Placing and Open Offer.

Consolidated balance sheet

Investment portfolio

Following the equity raising in July 2009, the Group has acquired five investment properties for a total value of £41.7 million. A further £1.6 million was invested in enhancing and refurbishing existing properties within the portfolio.

	2009 £m	2008 £m
Investment portfolio		
Valuation at 1st January	134.1	154.8
Additions at cost	43.3	26.4
Disposals	(0.1)	(2.0)
Revaluation	3.7	(45.1)
Valuation at 31st December	181.0	134.1

Trading and development properties

During the year the Group achieved practical completion on Weeke Local Centre, Winchester. The development was completed on time and on budget, and is 91.0 per cent occupied. The Directors have received offers to purchase the asset, but are working to enhance the income.

In December 2009 the Group exchanged contracts for the acquisition of the development property at Hammersmith Grove, and the unconditional consideration of £5.0 million has been accrued in this balance. The acquisition of the new development site in Slough, also in December, was effected as a land swap, and hence did not materially increase this balance.

Projects in partnership

The representation of our projects in partnership under IFRS is complex. The Group financial statements include a new note (note 25) which sets out the Group's interests and the accounting treatment of each.

During the year the Group advanced further funds to CTP and HDD, as described in note 16(a) to the Group financial statements. The principal movements in the Statement of comprehensive income were amounts earned from HDD projects of £0.5 million and an impairment provision of £0.4 million against our joint venture interest in Wimbledon Phoenix Limited.

Other financial assets

Financial assets are analysed in note 16(a) to the Group financial statements. The Group's participation in the third phase of PaddingtonCentral has been revalued by the Directors at £5.0 million, unchanged from the previous year.

The Group's Euro-denominated loan notes and the cross-currency hedge are carried as separate instruments in the Balance sheet. Over the year the slight strengthening of Sterling against the Euro reduced the balance sheet value of the loan liability, and correspondingly reduced the carrying value of the hedging instrument from an opening balance of £7.9 million to £7.5 million at 31st December 2009.

Borrowings and financial risk

Details of the Group's borrowings are set out in note 16(b) to the Group financial statements and in the Financial review on pages 26 and 27.

		2009	2008
Net debt and gearing			
Gross debt	£m	(126.2)	(147.9)
Cash and cash equivalents	£m	80.6	60.7
Net debt	£m	(45.6)	(87.2)
Gearing*	%	18.7	54.1
Adjusted gearing (1)	%	15.1	46.6
Adjusted gearing (2)	%	6.3	33.5

*refer note 1(v)

Following the equity raising in July 2009 and the completion of the CityPark, Manchester development in October 2009, the Group's gearing was 18.7 per cent at 31st December 2009.

(1) The gross debt figure includes the €47 million 2027 Unsecured Subordinated Loan Note facility, stated in Sterling at the current fair value of £41.6 million (2008: £44.9 million). This ignores the hedging instrument. If the calculation is restated using the current effective Sterling liability of £32.8 million, gearing falls to 15.1 per cent (2008: 46.6 per cent).

(2) If these unsecured, subordinated loan notes are removed from borrowings, gearing falls to 6.3 per cent. This is calculated by deducting from net debt the current fair value of £41.6 million (2008: £44.9 million) and adding back relevant restricted cash balances of £10.3 million (2008: £10.5 million) and transaction costs of £1.1 million (2008: £1.2 million).

Performance measures

Key performance indicators, as highlighted in the Review of operations on pages 8 to 25 are set out below:

Year ended 31st December		2009	2008
Net asset value movement	%	51.5	(29.6)
Gearing	%	18.7	54.1
Investment property portfolio return as reported under IPD	%	9.5	(18.7)
Total shareholder return	%	27.6	(43.8)

The Ascension Eagles
Cheerleaders

The Ascension Eagles Cheerleaders have accompanied the Development Securities float at the last six Lord Mayor's Show parades.

http://ww7.investorrelations.co.uk/devsec/ar09/csr/

Corporate

Objectives

- Develop our minimum standards and advance from regulatory compliance towards good practice in sustainable development.
- Continue our Board-level review and internal reporting procedures to ensure sustained improvement and commitment to our objectives.

Target

- Establish biannual performance reporting to the Board and publish this information on our website, www.developmentsecurities.com.

Progress in 2009/10

- Key Corporate responsibility objectives are clarified within our Briefing Documents to external consultants; surveyors remain individually responsible for implementing policy.
- Our surveyors tailor project strategy for project management, sustainable development, waste management, and BREEAM to suit the site specifics of the development and to accord with our objectives. They report by exception to senior management at the Projects Board.

Environment

Objectives

- Minimise energy and water consumption at all major developments, through good design, construction site practices and advice to occupants.
- Continue to devise travel to work plans for all major developments.
- Develop and publicise leading waste management procedures for major developments.

Target

- Implement BREEAM assessments for all office developments; plan to achieve an 'Excellent' rating; achieve a minimum rating of 'Very Good'.
- To formally brief design teams on the importance of: energy efficient design; selection and specification of materials to minimise their environmental impact; use of pre-fabrication; production of a travel plan.
- To formally brief construction teams on the importance of: minimising energy use and CO_2 emissions; minimising transport use and CO_2 emissions; minimising water use in construction; waste management – reduction, reuse and recycling of waste materials.

Progress in 2009/10

- One Kingdom Street – 'Excellent' BREEAM rating was achieved.
- Two Kingdom Street – 'Excellent' BREEAM rating was achieved
- CityPark – 'Very Good' BREEAM rating was achieved.
- St Bride Street – 'Very good' BREEAM rating was achieved; the construction has achieved 'Excellent' ratings from the considerate contractors scheme.
- Planning Applications on the next phases of PaddingtonCentral, Heart of Slough, and West Quay, Southampton all seek to achieve 'Excellent' BREEAM ratings with a minimum target of 'Very Good'.
- Draft Travel Plans produced for the next phase of developments at West Quay, Southampton, Heart of Slough and PaddingtonCentral.
- Travel Plans produced for One Kingdom Street and West Quay, Southampton adopted by tenants.
- Since travel plan inception at Cambourne, Cambridge, sole occupancy car journeys to work by business park tenants have decreased by 10.0 per cent; certificate of Continued Excellence received at the Cambridgeshire Travel Plan Excellence Awards.
- The waste management policy on Two Kingdom Street is an enhancement of the successful policy used on One Kingdom Street.
- Throughout 2009, our contractors at CityPark, Manchester and West Quay, Southampton provided full records detailing waste management throughout the construction process. These satisfied our Briefing requirements.
- The Brief for our next phase of development at West Quay, Southampton has been issued and drafts for Four and Five Kingdom Street prepared.

Employees and Suppliers

Objectives

- Maintain collegiate atmosphere; encourage and facilitate employee development.
- Enforce workplace health and safety policy to ensure the health and safety of all employees and visitors.
- Liaise with construction teams to ensure compliance with health and safety best practice procedures.
- Engage our major suppliers in our sustainable development programme.

Target

- Ensure the rigorous and consistent treatment of health and safety issues by improving on-site reporting and engagement with employees.
- Operate a formal Board reporting process for workplace and site-based health and safety issues.
- Ensure every major supplier understands our sustainability objectives/targets and achieves satisfactory performance.

Progress in 2009/10

- On new developments, such as Four and Five Kingdom Street, West Quay, Southampton and Hammersmith Grove, we continue to encourage team building events and briefing sessions to ensure continuity and understanding of the key targets of our developments.
- Our Standard Briefing Documents were reviewed in November along with our Sustainable Development strategy and Sustainable Design matrix. Specialist advisors now formulate project specific sustainability strategies early in the development process of all our major projects.
- We have a Health and Safety Officer who reports on any issues that could adversely affect the health and safety of employees, contractors and visitors to our office.
- We continue to assess our team's suitability to perform their Construction, design and management (CDM) duties.
- All project surveyors report to the Projects Board on health & safety matters: reportable accidents, our response, record-keeping and lessons learned are highlighted.
- We have started to implement annual reviews with key suppliers to discuss their and our current business objectives, including corporate responsibility policies.

FTSE4Good

BREEAM

Community

Objectives

- Create diverse and balanced developments that reflect the socio-economic diversity of their local communities.
- Develop successful partnerships with local stakeholders and engage them in our sustainability work.
- Enrich and improve communities and environments local to our developments.
- Sponsor and support projects that promote the arts in local communities.
- Sponsor and support youth programmes in their efforts to create greater opportunities for young people in local communities.
- Share knowledge with our local communities to improve levels of skills and training and to foster a greater appreciation of environmental issues.

Targets

- Instigate a post-completion review programme with local stakeholders at all major new developments within a year of project completion to obtain feedback.
- Identify and record key improvements at all major developments: open spaces; landscaping; community facilities; public art.
- Actively seek opportunities to support youth programmes and educational initiatives.

Progress in 2009/10

- Our PaddingtonCentral development continues to be a leading example of balanced development.
- We have invested significant resources to assist Slough Borough Council with their regeneration obligations to the Homes and Community Agency. We support the 'Proud to be Slough' forum.
- We held formal post contract reviews on our PaddingtonCentral, Southampton and Manchester projects, with the outputs shared with our project managers.
- On our major projects we engage with local communities during the planning consultation process.
- We have lectured and attended conferences and dinners to support 'Place West London', an organisation looking to promote development in the West of London.
- We continue to support the annual Lord Mayor's Show by participating in the parade and take part in the annual Dragon Boat Race at Paddington.
- We continue to support the annual Cambourne 10km run and organise several sports tournaments as well as the annual Business Park Christmas market for tenants.
- At St Bride Street, we have sponsored and publicised the Young Londoners' campaign for better design.
- Highlights include: practical and financial support of the Ascension Eagles Cheerleaders; and financial support to Richard House, Sparks, Schools Around the World, the Stode Park Foundation, Sense International, Feed the Children, the Princess Royal Trust, the Willow Foundation and Landaid.

Investors

Objectives

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

Targets

- Aim to participate in a minimum of two sectoral debates or research programmes per year.
- Actively seek to part-sponsor one or two research projects and initiatives beneficial to our work each year.

Progress in 2009/10

- We have supported the publication of 'Planning for Better London' and London First's 'Keeping the UK Competitive'.
- We have attended and spoken at events organized by Place West London, The TCG Conference, BNP Paribas South East Office Seminar, British Waterways/English Heritage, Launch and Offices 09.
- We are attending more structured events and seeking to raise our profile with the British Property Federation, the British Council for Offices, and London First.
- In 2010 we are seeking to sponsor further research into the markets in which we operate with at least one of the aforementioned recognised bodies.
- We are sponsoring the British Council for Offices Annual Conference, which this year is to be held in London.

Risk awareness and corporate reputation

Throughout 2009 we have continued to review the corporate and project risks associated with our core business. The Projects and Investment Boards continue to meet regularly to discuss project specific technical risks, and additional risk reviews are arranged when projects reach a critical point in their development cycle. We have implemented several initiatives to ensure that our joint venture partners understand our business and report to us on the key issues that affect our returns. We have standard reporting proformas for their development managers and project managers and are embedding this within our key alliances.

Furthermore, we annually review our standard appointment documents to see that they remain relevant and incorporate our key initiatives and current corporate responsibility initiatives.

The Risk committee continues to meet to review corporate risk.

Risk awareness

In 2009 we have commenced implementation of a structured annual review programme of our key consultants. This is primarily to improve the understanding between our businesses and ensure that our market information is current. It is a forum for sharing intelligence and developing non-project specific relations, which is especially important during the economic downturn. We continue to monitor the economic climate receiving economic forecasting from recognised analysts. This is critical to inform our decision-making and strategic thinking. Through co-operative working and dialogue with our joint venture partners we aim to share this market knowledge and balance our views on economic recovery.

Board of Directors

Michael Marx Chief Executive
(Aged 62)

Appointed to the Board in September 1994. A Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the UK Listing Authority Advisory Committee 2004 to 2007. Non-executive Chairman of Nationwide Accident Repair Services PLC.

Julian Barwick Executive Director
(Aged 56)

A Fellow of the Royal Institution of Chartered Surveyors. Joined the Board in May 1998. Formerly property advisor to the Bedford Estate from 1997 to 2003, Chairman of the Paddington Regeneration Partnership from 2000 to 2002 and Board Member of the British Council for Offices. Appointed to the Board of London & Continental Railways Limited in 2005.

Matthew Weiner Executive Director
(Aged 39)

Appointed in March 2004. A Member of the Royal Institution of Chartered Surveyors. Joined Development Securities PLC in November 2000 as Director of Investments. Trustee of the Manor House Trust.

Graham Prothero Finance Director
(Aged 48)

Appointed in November 2008. A member of the Institute of Chartered Accountants in England and Wales. From 2001 until 2008 a partner with Ernst & Young LLP. Previously Finance Director of Blue Circle Properties and Finance Director of Taylor Woodrow's UK housebuilding.

David Jenkins Non-executive Chairman
(Aged 65)

Joined the Board in February 2007 and appointed Chairman on 15th May 2007. A Fellow of the Institute of Chartered Accountants in England and Wales. Previously a partner in Deloitte LLP, London and was Managing Partner of their Real Estate Practice until his retirement in May 2004. Senior Independent Director of MITIE Group PLC and Non-executive Director of Renewable Energy Systems Holdings Limited. He is also advisor to several companies and is a Governor of Downe House School.

Paul Manduca Non-executive Director
(Aged 58)

Appointed in August 2001. Former Chief Executive Officer of Deutsche Asset Management Europe until the end of March 2005 and a former Director of MEPC PLC. Chairman of AON UK Limited, Senior Independent Director of Wm Morrison Supermarkets PLC, a Director of JPMF Euro Fledgling Investment Trust PLC, KazMunaiGaz E&P PLC, and Chairman of Henderson Diversified Income Investment Trust PLC.

Victoria Mitchell Non-executive Director
(Aged 59)

Appointed in August 2002. Currently Consultant Director to Savills PLC, Non-executive Deputy Chairman of The Berkeley Group Holdings PLC and Non-executive Director of The Golding Group (South Africa) and Lennox LLP. Trustee and Director of The Landmark Trust. Formerly an Executive Director of Savills PLC from 1988 to 2000.

Michael Soames Non-executive Director
(Aged 59)

Appointed in August 2002. Previously Surveyor to The Mercers' Company, Group Corporate Development Director of Regus PLC and partner of Knight Frank. Currently a Non-executive Director of the ISIS Property Trust Limited. A Fellow of the Royal Institution of Chartered Surveyors and past President of the British Council for Offices.

Sarah Bates Non-executive Director
(Aged 51)

Appointed in January 2010. Currently a Non-executive Director of St James's Place plc, and of four listed investment companies, an advisor to several pension and charitable funds and is Chairman of the Stena Line (UK) Pension Scheme. Former CEO of Invesco Asset Management's UK institutional business until 2003.

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 development, investment and trading.

Business review and future developments
A review of the Group's operations, the current state of the business and future prospects, including key performance indicators, principal risks and uncertainties, are contained in the Chairman's statement, Review of operations and Financial review and should be read in conjunction with this report. The principal risks of the Group are mainly financial risks which can be found on pages 27 and 28 of the Financial review. The information which comprises the Business review as required by Section 417(1) of the Companies Act 2006 may be found in the Review of operations on pages 8 to 25 and in the Corporate social responsibility report on pages 32 to 34.

Results and dividends
The loss for the financial year attributable to shareholders amounted to £10,694,000 (2008: £60,560,000). An interim Ordinary dividend of £974,000 representing 2.4 pence per Ordinary share was paid on 27th October 2009 (2008: £974,000, representing 2.4 pence per Ordinary share) in respect of those shares in issue prior to the Firm Placing and Placing and Open Offer. The Board recommends a final Ordinary dividend of 2.4 pence per Ordinary share amounting to £1,974,000 payable on 6th July 2010 to shareholders on the register at 4th June (2008: £974,000 representing 2.4 pence per Ordinary share). Subject to shareholder approval this makes a total dividend payment of 4.8 pence per Ordinary share for 2009, maintained from the previous year.

Group structure
Details of principal subsidiary undertakings are disclosed on page 70.

Share capital
On the 15th July 2009 following the receipt of valid responses, the Company issued 41,653,260 Ordinary shares of 50 pence each in connection with a Firm Placing and Placing and Open Offer raising gross proceeds approximating £100.0 million. The Company's issued share capital of 82,256,474 Ordinary shares of 50 pence each as at 31st December 2009 represents a single class of shares, with all shares ranking equally and are fully paid. At last year's Annual General Meeting held on 22nd May 2009 shareholders approved the increase of the authorised share capital from £25,000,000 to £35,000,000. At an Extraordinary General Meeting held on 10th July 2009 shareholders approved a further increase of the authorised share capital from £35,000,000 to £70,000,000 in connection with the equity raising. With effect from 1st October 2009, the concept of authorised share capital was removed as a result of the final implementation of the Companies Act 2006. Details of the share capital are set out on pages 79 and 80.

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 enclosed Notice of Annual General Meeting.

Special Resolution 10. The current authority for the Company to purchase its own shares expires at the conclusion of the forthcoming Annual General Meeting. A special resolution is to be proposed at the Annual General Meeting to authorise the repurchase of up to 12,256,000 Ordinary shares, representing approximately 14.9 per cent of the Company's issued share capital. The Directors have no present intention of making any market purchases of the Company's shares, but if they considered such action would enhance net assets or earnings per share, they would consider exercising their authority. As at the date of this report, the Company has an unexpired authority to repurchase 6,049,000 Ordinary shares.

Ordinary Resolution 11. The Directors' will be seeking the renewal of the power to allot shares or grant rights to subscribe for or to convert any security into shares in two separate tranches. The authority in the first tranche will allow the Directors to allot new shares and other 'relevant securities' up to a nominal value of £13,709,412 which is equivalent to approximately one-third of the total issued Ordinary share capital of the Company. The authority in the second tranche will allow the Directors to allot new shares and other relevant securities only in connection with a rights issue up to a further nominal value of £13,709,412, which is again equivalent to approximately one-third of the total issued Ordinary share capital of the Company. This is in line with corporate governance guidelines. The Directors have no present intention of exercising this authority. However 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. If the second tranche is utilised, then the Company undertakes to comply with best practice.

Special Resolution 12. If the Directors wish to allot new shares and other relevant securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to members in proportion to their existing holdings. The Directors seek authority to renew the disapplication of shareholders' pre-emptive rights under Section 561 of the Companies Act 2006. The purpose of paragraph (i) of Resolution 12 is to authorise the Directors to allot new shares pursuant to the authority given by paragraph (i) of Resolution 11 for cash either (I) in connection with a pre-emptive offer or rights issue or (II) otherwise up to a nominal value of £2,056,411 (being equivalent to five per cent of the total issued Ordinary share capital of the company), 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 12 is to authorise the Directors to allot new shares pursuant to the authority given by paragraph (ii) of Resolution 11 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. 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 members.

Additional disclosure under Section 992 of the Companies Act 2006

The rights and obligations that are attached to the shares are specified in the Company's Articles of Association, or alternatively may be governed by statute. The Articles of Association also deal with the appointment and replacement of Directors. The Articles of Association may be altered by a special resolution of shareholders.

There are no restrictions on the transfer of shares in the Company other than those specified by law or regulation. Other than as specified by the Articles of Association, there are no restrictions on voting rights.

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. 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 bank's 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.

Share option schemes

Following the Firm Placing and Placing and Open Offer the outstanding options were adjusted on an equitable basis to compensate for the dilution of their entitlement following the equity raising at a discount to the market price. Further details of the share option schemes are contained on page 79 and in the Remuneration report on pages 92 to 100.

Directors

The Directors serving during the year and up to the date of signing the Group financial statements were as follows:
D S Jenkins
M H Marx
C J Barwick
M S Weiner
G Prothero
P V S Manduca
V M Mitchell
M S Soames
S C Bates (Appointed 15th January 2010)

Following nine years on the Board of the Company, P V S Manduca will be stepping down as a Director from the date of the Annual General Meeting.

Brief biographical details, are shown on page 35.

The Directors retiring by rotation at the Annual General Meeting are D S Jenkins, M H Marx and M S Weiner who being eligible, offer themselves for re-election. Following the performance evaluation of the Board, D S Jenkins was judged to have made a significant contribution to the Board's deliberations, reflecting his commitment to the role. As required by the Company's Articles of Association, S C Bates will offer herself for election having been appointed to the Board since the last Annual General Meeting.

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. No conflicts have arisen during the year under review.

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

The unexpired period of Directors' service contracts and the interests in the shares of the Company of the Directors who were in office as at 31st December 2009 are fully disclosed in the Remuneration report on pages 92 to 100.

Directors' and officers' liability insurance

Article 155 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 Directors' and officers' liability insurance, which is reviewed annually and is considered to be adequately insured.

Annual General Meeting

The Annual General Meeting will be held on 7th May 2010 at 12 noon on the 14th floor Portland House, Bressenden Place, London SW1E 5DS. At the meeting resolutions will be proposed to receive the Annual Report and Financial statements, approve the Remuneration report, re-elect and elect Directors, declare a final dividend and re-appoint and determine the remuneration of PricewaterhouseCoopers LLP as auditors. In addition shareholders will be asked to renew the authority for the Company to make market purchases of its own shares, the general authority of the Directors to issue shares and the authority to dis-apply pre-emption rights, the renewal of the yearly authority to call a general meeting other than an Annual General Meeting on 14 days' notice and also to propose the Development Securities PLC Strategic Profit Plan and other bonus arrangements, details of which can be found in the Remuneration report on pages 92 to 100.

Financial risk management
Disclosures in respect of financial risk management objectives and exposures are set out in note 16(c) on pages 75 to 77.

Charitable and political donations
Charitable donations during the year, principally to local charities serving the communities in which the Group operates, were £52,482 (2008: £61,752). No political donations were made during the year (2008: £Nil).

Other substantial interests
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 table below. These interests were notified to the Company pursuant to the Disclosure and Transparency Rule 5.

	Number of shares	%
BlackRock Inc	11,591,451	14.09
Prudential PLC Group of Companies	7,243,709	8.81
F&C Asset Management PLC	7,145,046	8.69
Legal & General Group PLC	4,043,542	4.92
Aberdeen Asset Management PLC	3,194,000	3.88
Fortis Investment Managment S.A.	2,796,323	3.40
Kempen Best Selection European Property Fund	2,653,659	3.23
BT Pension Scheme Trustees Limited as trustee of the BT Pension Scheme	2,538,334	3.09

Employees
The Group 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 the disabled, including, wherever possible, the retraining and retention of staff who become disabled during their employment.

Payment policy
Amounts due to suppliers are settled promptly within their terms of payment, except in cases of dispute. The number of creditor days outstanding for the Company at 31st December 2009 was one day (2008: two days).

Auditors
A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors
Each Director has confirmed 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.

Approved by the Board of Directors
Signed by order of the Board:
S A Lanes
Company Secretary
22nd March 2010

Development Securities Ordinary shares are listed on the Official List of the UK's Listing Authority and as such, the Company is required to state whether it has complied with the provisions for Corporate Governance. The Board confirms that the Company has applied the main provisions and has complied with all of the provisions set out in Section 1 of the June 2008 FRC Combined Code on Corporate Governance during the financial year under review.

The Board is committed to maintaining high standards and levels of integrity within a corporate governance framework which underpins the ethos of the Company. Constructive dialogue has continued to be built up over the year between stakeholders and has strengthened 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 Board

The Board is collectively responsible for the success of the Company and in this capacity has over the financial year under review dispensed independent judgment in relation to, but not limited to, strategy, executive performance and retention, remuneration and succession, financial performance, the issue of any securities, significant borrowing facilities, development opportunities, investment portfolio acquisitions and disposals, corporate reputation and communication, internal control and risk management and the Board's own effectiveness. In carrying out its responsibilities, the Board takes into account the size, complexity and internal control measures employed within the Group to determine those formal matters reserved to the Board and those delegated to its various Committees or the Executive Directors.

The Board met nine times during the year and held one meeting off-site solely to consider the Group's strategy. The Chairman and the Non-executive Directors met on one occasion during the year with no Executive Directors in attendance.

The Board during the financial year consisted of four Executive Directors and four Non-executive Directors all of whom the Company considers to be independent. The ratio of Executive and Non-executive Directors is permissible for a smaller company under Code provision A.3.2. However as from 15th January 2010, the appointment of S C Bates as an additional Non-executive Director brings the Company in compliance for the time being with the code provisions for larger listed companies. The Non-executive Directors provide a valued role by contributing to the decisions and challenging aspects of executive decisions to produce a considered and independent outcome to Board deliberations. The roles and remit of the Chairman and the Executive Directors are set out in writing and agreed by the Board.

P V S Manduca remained as the Senior Independent Director for the whole year and is available as a point of contact for shareholders where normal channels of communication have failed, or are not appropriate. After P V S Manduca steps down at the date of the Annual General Meeting on 7th May 2010, V M Mitchell will then take over the role.

As in previous years the Board has undertaken a formal performance evaluation of the Board as a whole, its Committees and individual Directors to ensure an effective contribution and maintenance of commitment. P V S Manduca chaired the meeting with the Non-executive Directors without the Chairman or Executive Directors present, at which inter alia the performance of the Chairman was reviewed on behalf of the Board. The evaluation was conducted by means of a questionnaire which was co-ordinated and collated by the Company Secretary. The summaries were considered by the Board and areas of significance have been addressed.

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-executives are invited to serve for three-year fixed terms. All Non-executive Directors have confirmed that they have sufficient time to dedicate to their role. Their terms of appointment are available from the Company Secretary and details of the Non-executive Directors letters of appointment are to be found in section 1(k) of the Remuneration Report on page 98. Directors may receive appropriate training on introduction and whilst in office.

To promote internal communication and improve efficiency, the Board delegates responsibility of certain matters to Standing Committees which report back to the Board.

Audit Committee

The Audit Committee comprised during the whole of 2009, P V S Manduca as Chairman, V M Mitchell and D S Jenkins. S C Bates was appointed as an additional member with effect from 27th January 2010 and will become Chairman from the Annual General Meeting on 7th May 2010 when P V S Manduca steps down.

The Committee met four times during the year. One of the meetings is to determine the terms of engagement, proposed programme and fees payable to the auditors for the annual audit. A further meeting was held specifically to review the Group's adherence to loan covenants and cash flow forecasts prior to the approval of the 2008 Annual Report. 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 consider any significant issues arising from the audit and review processes. The Board has determined that D S Jenkins has 'recent and relevant financial experience' for the purposes of the Combined Code.

It is within the Committee's remit to recommend the appointment of the external auditors, advise on the Group's accounting policies and monitor the treatment of areas of major judgement in the Group's financial statements. Furthermore, it acts as a conduit between the Board and the external auditors.

Apart from conducting the annual audit, PricewaterhouseCoopers LLP was also engaged during the year to conduct a review of the interim results to 30th June 2009 and provided tax advisory, compliance and planning services at a total cost of £1,220,000. This figure also incorporates the substantial compliance work undertaken in relation to the Firm Placing and Placing and Open Offer. Given the clear efficiencies and value added benefits to the Company of combining the audit and consultancy roles, additional scrutiny was placed on the independence and objectivity of PricewaterhouseCoopers LLP. The Audit Committee was satisfied as to their independence and accordingly recommend their reappointment as auditors. This was subsequently ratified by the Board and accordingly the reappointment of PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting.

PricewaterhouseCoopers LLP has been the independent auditors of Development Securities PLC since 2008, when the last competitive audit firm tender was held.

Nomination Committee

The Nomination Committee comprises D S Jenkins as Chairman, P V S Manduca and M H Marx. As from 7th May 2010, V M Mitchell will become a member in place of P V S Manduca. The Nomination Committee has reviewed the size, structure and composition of the Board and devises and implements succession plans for appointments to the Board, which is fulfilled through an effective search, interview and evaluation process based on objective criteria.

The Nomination Committee meets as necessary and in the year under review met once to discuss and recommend the re-election at the 2009 Annual General Meeting of M S Soames and V M Mitchell, and discussed the succession planning after P V S Manduca confirmed he would be stepping down at the 2010 Annual General Meeting following nine years in the role. At a meeting held in January 2010, the Committee approved the appointment of S C Bates as an additional Non-executive Director which was conducted through an open market recruitment search and recommended the re-election at the 2010 Annual General Meeting of D S Jenkins (D S Jenkins himself not taking part in this decision making process).

Remuneration Committee

The Remuneration Committee comprises M S Soames as Chairman, V M Mitchell and D S Jenkins who was appointed to the Committee from the 23rd November 2009. The Committee is authorised to determine remuneration policy, including the exercise of powers to grant options under the Group's option schemes to the Executive Directors and senior managers and to determine the annual bonus, awards under the Development Profit Plan, Joint Venture Profit Plan and the Investment Growth Plan, ad hoc bonuses for exceptional contributions and awards under the Performance Share Plan. The Remuneration Report to shareholders can be found on pages 92 to 100.

Approvals Committee

The Approvals Committee comprises two Executive Directors and a minimum of any two Non-executive Directors. Its remit is to permit the approval of certain transactions between £2.0 million and £5.0 million, which are then reported to the Board at its next meeting. Those transactions below £2.0 million are delegated to the relevant Executive Directors responsible and above £5.0 million are under the remit of the Board.

The terms of reference of the Audit, Nomination and Remuneration Committees, as determined by the Board, are available upon request from the Company Secretary and are also published on the Company's website www.developmentsecurities.com.

The following table identifies the attendance of the Directors at the meetings of the Board and the Audit, Nomination and Remuneration Committees held during 2009:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings	9	4	1	4
D S Jenkins	9	3	1	–
M H Marx	9	–	1	–
C J Barwick	9	–	–	–
M S Weiner	8	–	–	–
G Prothero	9	–	–	–
P V S Manduca	9	4	1	–
V M Mitchell	8	4	–	4
M S Soames	9	–	–	4

Relations with shareholders

The Executive Directors have regular dialogue with institutional shareholders. The Chairman, Senior Independent Director and Non-executive Directors are available at any time to meet with them. No shareholders asked to meet with P V S Manduca, the Senior Independent Director during the year. The Company's Annual General Meeting provides an opportunity to respond to shareholders' appropriate questions. Directors are introduced to shareholders at the Annual General Meeting, including the identification of Non-executives and Committee Chairmen. The Company's website www.developmentsecurities.com 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 Email News Alert service on the Company's website.

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 operational, financial and compliance risk controls are designed so as to manage risk 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 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.

The regular process of identifying, evaluating and managing significant corporate risks has been delegated by the Board to a Risk Committee, consisting of M H Marx as Chairman, C J Barwick, M S Weiner, G Prothero and three senior managers, R C McCubbine, D P Redstone and D A K Trench.

The Committee meets quarterly during the year to ensure that the risk control procedures are further embedded within the culture of the Company. The Committee's remit includes all of the Group's subsidiaries and those joint ventures and associates which are administered by the Company. Those joint ventures and associates not internally administered do not form part of the review process and in such circumstances, the Committee review their risk assessment of such relationships at each quarterly meeting. The minutes of the Committee's deliberations are reviewed by the Board. 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.

A 'whistleblowing policy' has been prepared and issued to all staff in the Group, outlining arrangements by which they may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other issues.

From time to time, the Audit Committee engages a medium-sized firm of Chartered Accountants, H W Fisher & Company, to carry out a review of the control processes employed in specific aspects of the Company's business. The ensuing report is then considered by the Audit Committee. The Board following a recommendation from the Audit Committee, has considered the need for an internal audit function, but has resolved that, due to the size of the Company and the risk review process evident through the Risk Committee, together with the work conducted by H W Fisher & Company, this additional cost is not justified at present. The Board will review this decision next year.

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31st December 2009 and to the date of this report; and considers that there is an ongoing process for identifying, evaluating and managing the Group's significant risks including financial, operational and compliance controls and a risk management system; that it has been in place for the year ended 31st December 2009 and up to the date of approval of these financial statements, that it is regularly reviewed by the Board; and that it accords with the Financial Reporting Council Internal Control Revised Guidance for Directors on the Combined Code dated October 2005.

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 elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS's) 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 IFRS's as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Remuneration report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS's as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

- the Report of the Directors incorporating the Summary page, the Chairman's statement, the Strategy, Review of operations, Financial review, Corporate social responsibility and Board of Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
S A Lanes
Company Secretary
22nd March 2010

Contents of the financial statements

http://ww7.investorrelations.co.uk/devsec/ar09/financial_statements/

Group independent auditors' report

Independent auditors' report to the members of Development Securities PLC

We have audited the Group financial statements of Development Securities PLC for the year ended 31st December 2009 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on pages 42 and 43, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31st December 2009 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRS's 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate governance statement set out on pages 40 to 43 with respect to internal control and risk management systems and about share capital structures is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate governance statement has not been prepared by the Parent company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 29, in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Development Securities PLC for the year ended 31st December 2009 and on the information in the Directors' remuneration report that is described as having been audited.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22nd March 2010

Consolidated statement of comprehensive income
For the year ended 31st December 2009

	Notes	2009 £'000	2008 £'000
Revenue	2	35,070	171,114
Direct costs	2	(30,883)	(155,958)
Gross profit	2	4,187	15,156
Operating costs	2	(12,844)	(13,395)
Gain on disposal of investment properties	2	–	539
Gain/(loss) on revaluation of investment property portfolio	11(a)	3,681	(45,060)
Operating loss	4	(4,976)	(42,760)
Other income	6(c)	41	2,759
Share of post-tax losses of joint ventures	12(b)	(10)	(8,625)
Provision for impairment of joint ventures	12(b)	(422)	–
Share of post-tax losses of associates	12(a)	–	(1,212)
Income from financial assets	16(a)	503	1,311
Provision for impairment of financial assets	16(a)	–	(2,145)
Loss on sale of other fixed assets		(14)	(5)
Profit on sale of investments	12(b)	221	293
Loss before interest and income tax		(4,657)	(50,384)
Finance income	6(a)	2,065	3,042
Finance costs	6(b)	(8,795)	(18,298)
Loss before income tax		(11,387)	(65,640)
Income tax	7	693	5,080
Loss after income tax		(10,694)	(60,560)
Other comprehensive income:			
Loss on revaluation of operating properties	10(a)	(352)	(292)
Fair value of cross-currency interest rate swap		2,794	(4,014)
Available-for-sale financial assets transferred to the Statement of comprehensive income	19	–	(1,827)
Deferred income tax	7	(783)	1,620
Total comprehensive income for the year attributable to equity shareholders of the parent		(9,035)	(65,073)
Basic loss per share *	9	(17.5)p	(142.3)p
Diluted loss per share	9	(17.5)p	(142.2)p

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

The notes on pages 50 to 83 are an integral part of these Consolidated financial statements.

Consolidated balance sheet
As at 31st December 2009

	Notes	£'000	2009 £'000	£'000	2008 £'000
Non-current assets					
Property, plant and equipment					
– Operating properties	10(a)	1,580		2,000	
– Other plant and equipment	10(b)	4,212		3,463	
Investment properties	11(a)	181,036		134,084	
Other financial assets	16(a)	16,844		15,033	
Investments in associates	12(a)	1,500		–	
Investments in joint ventures	12(b)	–		610	
Trade and other receivables	14(a)	2,354		1,768	
Deferred income tax assets	17	3,912		3,495	
Derivative financial instruments	16(d)	7,473		7,909	
			218,911		168,362
Investment in joint venture – held for sale	12(b)		–		654
Current assets					
Inventory – developments and trading properties	13	78,555		59,365	
Other financial assets	16(a)	10,598		9,740	
Trade and other receivables	14(b)	23,016		46,940	
Cash and cash equivalents		80,574		60,688	
			192,743		176,733
Total assets			411,654		345,749
Current liabilities					
Trade and other payables	15(a)	(28,273)		(24,335)	
Borrowings	16(b)	(12,669)		(4,661)	
			(40,942)		(28,996)
Non-current liabilities					
Borrowings	16(b)	(113,533)		(143,209)	
Derivative financial instruments	16(d)	(2,126)		(3,022)	
Deferred income tax liabilities	17	(3,912)		(3,495)	
Provisions for other liabilities and charges	15(b)	(7,122)		(5,982)	
			(126,693)		(155,708)
Total liabilities			(167,635)		(184,704)
Net assets			244,019		161,045
Equity					
Share capital	18	41,128		20,302	
Share premium	19	103,961		109,907	
Revaluation reserve	19	437		789	
Other reserves	19	45,322		43,375	
Retained earnings	19	53,171		(13,328)	
Equity attributable to the equity shareholders of the parent			244,019		161,045
Basic net assets per share	9		297p		397p
Diluted net assets per share	9		297p		397p

The notes on pages 50 to 83 are an integral part of these Consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 22nd March 2010 and signed on its behalf by
M H Marx
Director

Consolidated statement of changes in equity
For the year ended 31st December 2009

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1st January 2008	20,283	109,801	48,677	50,155	228,916
Loss for the year ended 31st December 2008	–	–	–	(60,560)	(60,560)
Other comprehensive income:					
Net loss on revaluation of operating properties	–	–	(292)	–	(292)
Fair value adjustment to available-for-sale assets realised	–	–	(1,827)	–	(1,827)
Fair value of cross-currency interest rate swap	–	–	(2,418)	–	(2,418)
Fair value of cross-currency interest rate swap in prior year	–	–	(1,596)	–	(1,596)
Deferred income tax credited directly to equity	–	–	1,620	–	1,620
Total comprehensive income for the year ended 31st December 2008	20,283	109,801	44,164	(10,405)	163,843
Transactions with owners:					
Net proceeds of issue of new shares	19	106	–	–	125
Final dividend relating to 2007	–	–	–	(1,949)	(1,949)
Interim dividend relating to 2008	–	–	–	(974)	(974)
Balance at 31st December 2008	20,302	109,907	44,164	(13,328)	161,045
Loss for the year ended 31st December 2009	–	–	–	(10,694)	(10,694)
Other comprehensive income:					
Net loss on revaluation of operating properties	–	–	(352)	–	(352)
Fair value of cross-currency interest rate swap	–	–	2,794	–	2,794
Deferred income tax charged directly to equity	–	–	(783)	–	(783)
Total comprehensive income for the year ended 31st December 2009	20,302	109,907	45,823	(24,022)	152,010
Share based payments	–	–	(64)	–	(64)
Net proceeds of issue of new shares	20,826	(5,946)	–	79,141	94,021
Final dividend relating to 2008	–	–	–	(974)	(974)
Interim dividend relating to 2009	–	–	–	(974)	(974)
Balance at 31st December 2009	41,128	103,961	45,759	53,171	244,019

The notes on pages 50 to 83 are an integral part of these Consolidated financial statements.

Consolidated cash flow statement
For the year ended 31st December 2009

	Note	2009 £'000	2008 £'000
Net cash flow from operating activities	20	(4,345)	15,908
Investing activities:			
Interest received		741	5,723
Proceeds on disposal of plant and equipment		13	39
Proceeds on disposal of investment properties		–	2,573
Proceeds on disposal of investments		–	293
Purchase of plant and equipment		(1,263)	(1,507)
Purchase of investment properties		(43,307)	(26,367)
Purchase of investments		(1,500)	(1,226)
(Investment in)/return of financial assets		(3,228)	1,698
Cash (outflow)/inflow from joint ventures		(54)	516
Net cash flow from investing activities		(48,598)	(18,258)
Financing activities:			
Dividends paid		(1,948)	(2,923)
Issue of new shares		94,021	125
Repayments of borrowings		(36,533)	(81,375)
New bank loans raised		18,189	72,769
Net cash flow from financing activities		73,729	(11,404)
Net increase/(decrease) in cash and cash equivalents		20,786	(13,754)
Cash and cash equivalents at the beginning of the year		60,352	72,473
Net foreign currency differences arising on re-translation of cash and cash equivalents		(574)	1,633
Cash and cash equivalents at the end of the year		80,564	60,352
Cash and cash equivalents comprise:			
Cash at bank and in hand		63,198	28,992
Pledged cash held as security against financial liabilities		17,376	31,696
Cash and short-term deposits		80,574	60,688
Bank overdrafts		(10)	(336)
Cash and cash equivalents at the end of the year		80,564	60,352

	2009 £'000	2008 £'000
Net debt comprises:		
Cash and short-term deposits	80,574	60,688
Financial liabilities:		
Current borrowings	(12,669)	(4,661)
Non-current borrowings	(113,533)	(143,209)
Net debt	(45,628)	(87,182)

The notes on pages 50 to 83 are an integral part of these Consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31st December 2009

1 Basis of preparation and accounting policies

a) General information

The Consolidated annual financial statements of the Group for the 12 months ended 31st December 2009 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 22nd March 2010.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

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 31st December 2009 and applied in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which apply in preparing the financial statements for the years ended 31st December 2009 and 31st December 2008.

The Consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through the Statement of comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(c).

c) Critical accounting policies

The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and amounts reported in the Statement of comprehensive income and the Balance sheet. Such decisions are made at the time the financial statements are prepared and adopted based on the best information available at the time. 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

The Group earns revenue from property development, trading and investment. 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 larger 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. The Directors determine the status of each asset on acquisition according to their intentions for the asset.

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 or a financial asset. 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 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 25.

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 subsidiary, and whether the subsidiary has its own staff to manage the property (over and above the maintenance and security of the premises).

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(g)(iv). The development of CityPark in Manchester is characterised as a construction contract (under IAS 11), whereby revenue is reported in line with construction progress. The amounts concerned are set out in note 3.

Estimates

The key source of estimation uncertainty rests in the values of property assets, which significantly affects several categories of assets in the Balance sheet. The investment property portfolio is carried at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions.

The approach to this valuation and the amounts affected are set out in notes 1(h) and 11(b).

The same uncertainties affect the determination of fair value of certain available-for-sale financial instruments, described in note 16, with the further complexity that the value of these assets requires estimates of future construction costs, tenant demand and market yields.

The Group's 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 13.

The Group is party to a number of interest rate swap agreements which are required by IAS 39 to be carried in the Balance sheet at fair value. The estimation of this figure is based upon assumptions about future movements in interest rates. The assumptions used, the estimated fair values and the movements in the period are set out in note 16.

The Group has significant deferred income tax losses, arising mainly from valuation movements in the Group's investment and trading property portfolios. Recognition of these losses as a deferred income tax asset requires judgements and estimates about the amounts and timing of the Group's future taxable profits. The balances are disclosed in note 17.

The Group has made provision against the cost of onerous lease obligations. In each case the Group is required to make assumptions about the likelihood, timing and rental levels of future lettings. These provisions are described in note 15(b).

d) Accounting Standards

The following standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1st January 2009.

IAS 1 (revised) 'Presentation of financial statements'. The Group has elected to present a single performance statement: a Consolidated statement of comprehensive income. The Consolidated financial statements have been prepared under the revised disclosure requirements.

IAS 23 (amendment) 'Borrowing costs'. This amendment does not have any impact on the Group financial statements as its requirements are already being applied.

IFRIC 15 'Agreements for the Construction of Real Estate'. This standard does not have any impact on the Group financial statements as its requirements are already being applied.

IFRS 8 'Operating segments'. IFRS 8 replaces IAS 14 'Segmental reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This standard does not have any impact on the Group as the reporting segments were already presented on that basis.

IFRS 7 'Financial Instruments: Disclosures'. The Consolidated financial statements have been prepared under the revised disclosure requirements.

The Group also adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have an effect on the financial performance or position of the Group in the current or prior periods.

IAS 40 (amendment) 'Investment Property'. IAS 40 has been amended to bring within its scope investment property under construction. Consequently such property is measured at fair value. The Group had previously accounted for investment properties in the course of development as Investment properties, and consequently this amendment has not affected the Group's reporting.

IFRS 2 (amendment) 'Share-based payment'. The amendment to IFRS 2 deals with the impact of changes to vesting conditions and cancellations on the Group SAYE schemes. The effect of these changes were not material to the Group.

The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the Group's operations:

IFRIC 13 'Customer loyalty programmes'

IFRIC 16 'Hedges of a New Investment in a Foreign Operation'

IAS 32 (amendment) 'Financial instruments: presentation'

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

1 **Basis of preparation and accounting policies** continued

d) Accounting Standards continued

The following new standards, amendments and interpretations have been issued, but are not effective for the financial period beginning 1st January 2009 and have not been early adopted:

IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements'. This will impact the Group in the event of future acquisitions.

IAS 28 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

IFRIC 17 'Distributions of non-cash assets to owners', effective for annual accounting periods beginning on or after 1st July 2009. This is not relevant to the Group, as the Group only makes distributions to owners in the form of cash.

IFRIC 18 'Transfer of assets from customers', effective for periods beginning on or after 1st July 2009. This is not relevant for the Group.

IAS 27 (revised) 'Consolidated and separate financial statements', effective for periods beginning on or after 1st July 2009. This will impact the Group only in the event of future transactions effecting changes in controlling interest.

IAS 38 (amendment), 'Intangible assets'. This amendment does not have any impact on the Group financial statements.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', effective for periods beginning on or after 1st January 2010. The Group will apply IFRS 5 from 1st January 2010. It is not expected to have a material impact on the Group.

IAS 1 (amendment), 'Presentation of financial statements'. The Group will apply IAS 1 (amendment) from 1st January 2010. It is not expected to have a material impact on the Group.

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'. This amendment is not expected to have a material impact on the Group financial statements.

e) Basis of consolidation

i) The Consolidated financial statements of the Group include the financial statements of Development Securities PLC ('the Company'), its subsidiaries and the Group's share of profits and losses and net assets of joint ventures and associated undertakings.

   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 used by the Group.

   Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements.

ii) 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. 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 assets and liabilities acquired plus any directly attributable costs is recognised as goodwill. Any discount received is credited to the Statement of comprehensive income in the period of acquisition.

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. The Group's investments in associates are accounted for in the Consolidated financial statements using the equity method.

A joint venture is defined as an undertaking other than a subsidiary or associated undertaking over which the Group has significant influence and which is jointly controlled by two or more venturers under a contractual arrangement. The Group recognises its interest in a joint venture's assets and liabilities using the equity method.

Under the equity method, the interest in associates or joint ventures is carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Statement of comprehensive income reflects the Group's share of the associate's or joint venture's result after tax.

The Group does not equity account for further losses from investments in associates or joint ventures where the investment, together with any long-term interest that, in substance, forms part of the net investment in the associate or joint venture, is held at nil value after provisions for impairment, unless the Group has incurred constructive or legal obligations or made payments on behalf of the associate or joint venture.

g) Revenue

Revenue, which excludes value added tax, represents:

i) rental income, which is calculated on a straight-line basis. Any incentives for lessees to enter into lease agreements are spread evenly over the period to the earlier of lease expiry and any tenant option to break, where, at inception of the lease, the Directors do not consider it to be reasonably certain that the option will not be exercised. Lease incentives are usually in the form of rent-free periods or capital contributions;

ii) trading income from operating properties comprises licence fee income, calculated on an accruals basis, and revenue from other services when provided;

iii) project management fee income is recognised over the term for which project management services are provided based on the value of work completed;

iv) 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 development agreement. Where only the construction risk remains the revenue and profit on the development is recognised under IAS 11 'Construction contracts' so as to match the proportion of development work completed on a percentage completion basis. 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 'Revenue', disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser;

v) the sales proceeds of trading properties, undeveloped land and building units held as inventory and sold during the year, are recognised when the risks and rewards of ownership have been transferred to the purchaser;

vi) finance income is recognised by reference to the principal outstanding using the effective interest method; and

vii) dividend income from investments is recognised when the Group's right to receive income has been established.

h) Investment properties

i) Investment properties are those properties that are held either to earn rental income or for capital appreciation or both. Investment properties may be freehold or leasehold properties. 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. Land which is held either for long-term capital appreciation rather than for short-term sale in the ordinary course of business or which is held for a currently undetermined future use is classified as an investment property.

ii) Investment properties are measured initially at cost including transaction costs and thereafter are stated at fair value, which reflects market conditions at the balance sheet date. Surpluses and deficits arising from changes in the fair value of investment properties are recognised in the Statement of comprehensive income in the year in which they arise.

iii) Completed investment properties are valued, at each reporting date, by independent valuers on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. Fair value is assessed as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. A deduction is made to reflect purchaser's acquisition costs. 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, appropriate discount rate and make reference to market evidence of transaction prices for similar properties.

iv) Investment properties in the course of development 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) Profits and losses on disposal of investment properties are calculated by reference to book value and recognised when the risks and rewards of ownership are considered to have passed to the purchaser. Gains and losses are recognised within 'Gains or losses on disposal of investment properties' in the Statement of comprehensive income.

vi) Investment properties held for sale are held at fair value and classified separately within current assets in the Balance sheet.

i) Property, plant and equipment

i) Operating properties

Operating properties are those properties classified as owner-occupied and 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 and thereafter carried at fair value 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 Statement of comprehensive income to that extent.

The fair value is determined each year 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 Statement of comprehensive income. Depreciation is provided so as to write off the value of the properties, excluding land, over their expected useful lives, usually 25 years.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

1 **Basis of preparation and accounting policies** continued

i) Property, plant and equipment continued

Fixtures and fittings are depreciated separately (see below).

ii) Other plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquision 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. The principal annual rates used for this purpose are as follows:

Fixtures and fittings and computer equipment	– 10% to 33%
Motor vehicles	– 20%

j) 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 are charged in the Statement of comprehensive income on a straight-line basis over the term of the lease.

The Group leases certain long leasehold properties. Leases of property where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

k) Inventory – developments in progress and trading properties

Trading properties and pre-development costs incurred on future development projects are carried as inventory and stated 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 proposed scheme, the project or site is written down to its net realisable value, with the write-down taken to the Statement of comprehensive income. 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.

l) Current and deferred income tax

Current tax is the expected tax payable on the taxable income for the year, based on the tax laws enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years.

Deferred income tax is the tax expected to be payable or recoverable on temporary 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 income tax liabilities are generally recognised for all taxable temporary differences and deferred income 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 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. Income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of comprehensive income.

m) 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 and re-evaluates this designation at each reporting date. The classification depends on the purpose for which the financial assets were acquired.

Available-for-sale financial assets are those loan or equity instrument non-derivative financial assets that are designated as such or are not classified as loans and receivables, financial assets at fair value through profit or loss, or held-to-maturity investments. After initial recognition 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 represented in equity is included in the Statement of comprehensive income. Equity instrument financial assets are held at cost in the event that the fair value of the instruments is not reliably measurable.

Loans and other receivables with fixed or determinable payments, that are not quoted on an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale, are classified as 'loans and receivables'. Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Gains and losses are recognised in Statement of comprehensive income when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

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 operating costs in the Statement of comprehensive income.

Amounts due from customers for contract work is included in trade and other receivables and represents revenue recognised in excess of payments on account received.

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and 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 cash flow statement, cash and cash equivalents are stated net of outstanding bank overdrafts. Cash and cash equivalents includes pledged cash held as security against financial liabilities.

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 investments have been adversely affected.

ii) Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual obligations.

Interest bearing 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.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

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.

iii) Derivatives

The Group enters into derivative financial instruments, including interest rate swaps and caps 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 remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of comprehensive income immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 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.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

1 **Basis of preparation and accounting policies** continued

m) Financial assets and financial liabilities continued

iv) Hedging continued

Cash flow hedge – 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 Statement of comprehensive income. Amounts taken to equity are recycled to the Statement of comprehensive income 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.

n) 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.

All other borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

o) 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The accretion in the discount is recognised as an interest expense.

p) Pension schemes

The Group operates a defined contribution scheme. The charge to the Statement of comprehensive income in the year represents the actual amount payable to the scheme in the period. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the Balance sheet.

q) Foreign currencies

The Consolidated financial statements of the Group are presented in UK Sterling, the Group'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.

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 Statement of comprehensive income, with exchange differences on borrowings taken to finance income/costs, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

r) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group is organised into business segments. Unallocated expenses are costs incurred centrally which are neither directly or reasonably attributable to individual segments. Unallocated assets and liabilities include certain items which cannot be directly attributed to individual segments.

s) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) 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 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. 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 Statement of comprehensive income, with a corresponding entry in accruals.

u) 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 declared.

v) Definitions

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

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

Total Shareholder Return: movement in share price over the 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.

EPRA is the European Public Real Estate Association.

EPRA earnings is the profit after taxation excluding investment property revaluations and gains/losses on disposals, intangible asset movements and their related taxation.

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes. The Directors consider that the adjustment to the fair value of trading and development properties is not material for the purpose of the EPRA net assets calculation.

EPRA NAV per share is EPRA NAV divided by the diluted number of shares at the period end.

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

2 Segmental analysis

The segmental information presented, as required for IFRS 8, 'Operating Segments', follows the information provided to the Chief Operating Decision Maker and reflects the three sectors in which the Group is operational. The three operating divisions are:

Investment – management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management;

Trading and development – managing the Group's development projects. Revenue is received from project management fees, development profits and the disposal of inventory; and

Operating – serviced office operations and retail activities. Revenue is principally received from short-term licence fee income.

Unallocated assets and liabilities comprise amounts that cannot be specifically allocated to operating segments.

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 £642,000 (2008: £808,000), which are located in France and The Netherlands. All revenue arises from continuing operations.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

2 Segmental analysis continued

	Year ended 31st December 2009			
	Investment £'000	Trading and development £'000	Operating £'000	Total £'000
Segment revenue	10,080	21,390	3,600	35,070
Direct costs	(4,574)	(21,414)	(4,895)	(30,883)
Segment result	5,506	(24)	(1,295)	4,187
Operating costs	(5,089)	(7,755)	–	(12,844)
Gain on revaluation of investment property portfolio	3,681	–	–	3,681
Operating profit/(loss)	4,098	(7,779)	(1,295)	(4,976)
Other income	41	–	–	41
Share of post-tax losses of joint ventures	–	(10)	–	(10)
Provision for impairment of joint ventures	–	(422)	–	(422)
Income from financial assets	–	503	–	503
Unallocated loss on sale of other fixed assets				(14)
Profit on sale of investments	–	221	–	221
Loss before interest and income tax				(4,657)
Finance income	1,745	320	–	2,065
Finance costs	(6,881)	(1,914)	–	(8,795)
Loss before income tax				(11,387)
Income tax				693
Loss after income tax				(10,694)
Assets and liabilities				
Segment assets	217,454	148,613	7,099	373,166
Unallocated assets				38,488
Total assets				411,654
Segment liabilities	(103,727)	(48,321)	(2,561)	(154,609)
Unallocated liabilities				(13,026)
Total liabilities				(167,635)
Other segment information				
Capital expenditure	43,307	–	1,167	44,474
Unallocated capital expenditure				116
Depreciation	–	–	396	396
Unallocated depreciation				145
Revenue				
Rental income	9,948	27	–	9,975
Operating property income	–	–	3,600	3,600
Project management fees	–	974	–	974
Construction contract revenue	–	20,389	–	20,389
Other income	132	–	–	132
	10,080	21,390	3,600	35,070

	Year ended 31st December 2008			
	Investment £'000	Trading and development £'000	Operating £'000	Total £'000
Segment revenue	8,925	158,636	3,553	171,114
Direct costs	(5,943)	(145,433)	(4,582)	(155,958)
Segment result	2,982	13,203	(1,029)	15,156
Operating costs	(5,056)	(8,339)	–	(13,395)
Gain on disposal of investment properties	539	–	–	539
Loss on revaluation of investment property portfolio	(45,060)	–	–	(45,060)
Operating (loss)/profit	(46,595)	4,864	(1,029)	(42,760)
Other income	–	2,759	–	2,759
Share of post-tax losses of joint ventures	–	(8,625)	–	(8,625)
Share of post-tax losses of associates	(1,003)	(209)	–	(1,212)
Income from financial assets	–	1,311	–	1,311
Provision for impairment of financial assets	(2,145)	–	–	(2,145)
Unallocated loss on sale of other fixed assets				(5)
Profit on sale of investments	293	–	–	293
Loss before interest and income tax				(50,384)
Finance income	1,963	1,079	–	3,042
Finance costs	(13,963)	(4,335)	–	(18,298)
Loss before income tax				(65,640)
Income tax				5,080
Loss after income tax				(60,560)
Assets and liabilities				
Segment assets	165,486	139,255	6,648	311,389
Unallocated assets				34,360
Total assets				345,749
Segment liabilities	(98,377)	(74,569)	(2,147)	(175,093)
Unallocated liabilities				(9,611)
Total liabilities				(184,704)
Other segment information				
Capital expenditure	26,367	–	1,289	27,656
Unallocated capital expenditure				218
Depreciation	–	–	286	286
Unallocated depreciation				149
Revenue				
Rental income	8,827	33	–	8,860
Operating property income	–	–	3,499	3,499
Project management fees	–	1,431	–	1,431
Trading property sales	–	89,342	–	89,342
Construction contract revenue	–	35,779	–	35,779
Development proceeds	–	32,051	–	32,051
Other income	98	–	54	152
	8,925	158,636	3,553	171,114

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

3 Construction contract revenue

Revenue related to construction contracts amounted to £20,389,000 (2008: £35,779,000) and is included within trading and development segment revenue (refer note 2) and represented 58.1 per cent (2008: 20.9 per cent) of Group revenues.

The corresponding amount shown in the Balance sheet represents the aggregate amount of costs incurred plus recognised profits, less recognised losses, less progress billings.

	2009 £'000	2008 £'000
Construction contracts: assets	–	22,009
Construction contracts: liabilities	–	(126)
Construction contracts: net assets	–	21,883
This amount corresponds to:		
Aggregate costs incurred	41,146	55,850
Recognised profits	3,456	11,849
	44,602	67,699
Progress billings	(44,602)	(45,816)
Construction contract net assets	–	21,883

4 Operating loss

	2009 £'000	2008 £'000
The loss from operations is stated after charging:		
Share-based payments expense	68	963
Cost of sales of development and trading properties recognised in direct cost	17,711	111,903
Write-down of development and trading properties to net realisable value	2,366	26,769
Depreciation – Operating property	68	68
– Other plant and equipment	473	367
Impairment of trade receivables	118	66
Auditors remuneration:		
Fees payable to the Company's auditor for the audit of Company and Group financial statements	240	207
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	160	138
	400	345
Fees payable to the Group's auditors and its associates for other services		
Assurance services relating to Firm Placing and Placing and Open Offer	380	–
Tax services	430	486
All other services	410	106
	1,620	937
Other audit fees – previous auditors		
Fees payable for the audit of the Company's subsidiaries pursuant to legislation in respect of 2007	–	101
Fees payable for the audit of the Company's subsidiaries pursuant to legislation in respect of 2006	–	50
	1,620	1,088

5 Staff costs

	2009 £'000	2008 £'000
Wages and salaries	5,558	5,082
Social security	642	728
Cost of employee share option schemes	68	963
Other pension costs	538	552
	6,806	7,325

Average monthly number of employees, including Directors, during the year:

	2009 Number	2008 Number
Property development and investment	36	38
Operating property activities	30	28
	66	66

The Directors are considered to be the only key management personnel. Their remuneration is shown in the Remuneration report on pages 92 to 100.

6 Finance income and costs

a) Finance income	2009 £'000	2008 £'000
Interest receivable	1,022	2,980
Other finance income	146	62
Fair value gain on financial instruments – interest rate caps and collars	897	–
Total finance income	2,065	3,042

On 4th August 2009, the Group acquired a senior bank loan of £16,673,000, at a cost of £9,904,000, secured on a neighbourhood shopping centre. On 30th September 2009 the borrower defaulted on the loan and the Group took control of the underlying charged asset. The interest, which notionally accrued for the period 4th August 2009 to 30th September 2009, has been written off.

b) Finance costs	2009 £'000	2008 £'000
Interest on bank loans and other borrowings	6,875	9,419
Interest on debenture	2,200	2,200
Loan repayment fees	–	5,891
Amortisation of transaction costs	542	395
Fair value loss on financial instruments – interest rate caps and collars	–	3,164
Net foreign currency differences arising on re-translation of cash and cash equivalents	574	(1,633)
	10,191	19,436
Capitalised interest on development and trading properties	(1,396)	(1,138)
Net finance cost	8,795	18,298

Interest has been capitalised at an average rate of 5.25 per cent (2008: 7.06 per cent). Capitalised interest in the amount of £2,084,000 (2008: £nil) was written off in the year against gross profit as a result of property disposals.

c) Other income

Interest received in respect of the Colindale, London NW9, £52,000,000 loan notes of £2,759,000 during 2008 was credited to the Statement of comprehensive income as Other income.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

7 Taxation

	2009 £'000	2008 £'000
Current tax	–	–
Adjustment in respect of prior years	90	–
Total current tax charge	90	–
Deferred taxation credit	(783)	(5,080)
Total credit in the Statement of comprehensive income	(693)	(5,080)

	2009 £'000	2008 £'000
Tax on items charged/(credited) to equity:		
Deferred tax charge in respect of share-based payments	–	18
Deferred tax charge/(credit) on other revaluations	783	(1,638)
Total charge/(credit) in the Statement of comprehensive income	783	(1,620)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2009 £'000	2008 £'000
Loss before taxation	(11,387)	(65,640)
Tax on loss on ordinary activities at 28.0% (2008: 28.5%)	(3,188)	(18,707)
Amounts not deductible for tax purposes	442	570
Prior year movements	90	–
Indexation allowance	(614)	3,275
Effect of change in tax rate on deferred tax movements	–	260
Deferred taxation credit not recognised	2,577	9,522
Total tax credit reported in the Statement of comprehensive income	(693)	(5,080)

The UK corporation tax rate decreased on 1st April 2008 from 30.0 per cent to 28.0 per cent. The deferred tax balance was adjusted to reflect this change.

8 Dividends

	2009 £'000	2008 £'000
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2008: 2.40 pence per share (2007: 4.80 pence per share)	974	1,949
Interim dividend for 2009: 2.40 pence per share (2008: 2.40 pence per share)	974	974
	1,948	2,923
Proposed for approval by shareholders at the Annual General Meeting:		
Final dividend for 2009: 2.40 pence per share (2008: 2.40 pence per share)	1,974	974

The final dividend was approved by the Board on 19th March 2010 and has not been included as a liability or deducted from retained profits as at 31st December 2009. The final dividend is payable on 6th July 2010 to ordinary shareholders on the register at the close of business on 4th June 2010 and will be recognised in 2010.

On 15th July 2009, 41,653,260 new ordinary shares of 50 pence each were allotted following a Firm Placing and Placing and Open Offer. The new shares rank pari passu in all respects with existing shares, including the right to receive dividends and other distributions after issue, save for the interim dividend in respect of the six months ended 30th June 2009.

9 Loss per share and net assets per share

Basic loss per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the loss attributable to ordinary equity holders 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.

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/(loss) after taxation excluding investment property revaluations and mark-to-market adjustments on interest rate swaps.

EPRA net assets are the Balance sheet net assets excluding mark-to-market adjustments on financial instruments used for hedging purposes and deferred taxation on revaluations and is calculated on a fully dilutive basis.

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

	2009 £'000	2008 £'000
Loss		
Loss for the purposes of basic and diluted loss per share	(10,694)	(60,560)
Revaluation (surplus)/deficit	(3,681)	45,060
Impairment of development land	2,366	26,769
Mark-to-market adjustment on interest rate swaps	(897)	3,164
EPRA adjusted earnings from continuing activities attributable to equity holders of the Company	(12,906)	14,433

	2009 £'000	2008 £'000 restated
Number of shares		
Weighted average number of Ordinary shares for the purposes of loss per share	61,051	42,564
Effect of dilutive potential Ordinary shares:		
Share options	6	10
Weighted average number of Ordinary shares for the purpose of diluted loss per share	61,057	42,574
Basic loss per share (pence)	(17.5)p	(142.3)p
Diluted loss per share (pence)	(17.5)p	(142.2)p
EPRA adjusted (loss)/earnings per share (pence)	(21.1)p	33.9p
EPRA adjusted diluted (loss)/earnings per share (pence)	(21.1)p	33.9p

Basic net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the year end.

Diluted net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the year end plus the number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

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

	Net assets £'000	No. of shares '000	2009 Net assets per share pence	Net assets £'000	No. of shares '000	2008 Net assets per share pence
Basic net assets per share	244,019	82,256	297	161,045	40,603	397
Cumulative mark-to-market adjustment on interest rate swaps	3,487			7,178		
EPRA adjusted net assets per share	247,506	82,256	301	168,223	40,603	414
Effect of dilutive potential Ordinary shares	1,350	418	–	1,676	408	–
Diluted net assets per share	245,369	82,674	297	162,721	41,011	397
EPRA diluted net assets per share	248,856	82,674	301	169,899	41,011	414

On 15th July 2009, 41,653,260 new Ordinary shares of 50 pence each were allotted following a Firm Placing and Placing and Open Offer. The weighted average number of Ordinary shares for 2008 has been adjusted accordingly.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

10 Property, plant and equipment

a) Operating properties	Long leasehold £'000
At valuation 1st January 2008	2,664
Deficit on revaluation	(292)
At valuation 31st December 2008	2,372
Deficit on revaluation	(352)
At valuation 31st December 2009	2,020
Accumulated depreciation:	
At 1st January 2008	304
Charge for the year	68
At 31st December 2008	372
Charge for the year	68
At 31st December 2009	440
Net book amount 31st December 2009	1,580
Net book amount 31st December 2008	2,000
Original cost of operating properties at 31st December 2009	1,583
Original cost of operating properties at 31st December 2008	1,583

Operating properties are charged as security against the Group's borrowings.

Depreciation expense of £68,000 (2008: £68,000) is included within operating costs.

The deficit on revaluation for the year ended 31st December 2009 of £352,000 (2008: £292,000 deficit) on long leasehold properties is debited to the property revaluation reserve. If the operating properties were measured using the cost model, the carrying value would be £1,143,000 (2008: £1,211,000).

The Group's operating properties have been valued at market value as at 31st December 2009 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.

b) Other plant and equipment	Fixtures and fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost:			
At 1st January 2008	5,092	364	5,456
Additions	1,359	148	1,507
Disposals	(105)	(99)	(204)
At 31st December 2008	6,346	413	6,759
Additions	1,217	66	1,283
Disposals	(46)	(100)	(146)
At 31st December 2009	7,517	379	7,896
Accumulated depreciation:			
At 1st January 2008	2,915	169	3,084
Charge for the year	281	86	367
Disposals	(70)	(85)	(155)
At 31st December 2008	3,126	170	3,296
Charge for the year	396	77	473
Disposals	(20)	(65)	(85)
At 31st December 2009	3,502	182	3,684
Net book amount 31st December 2009	4,015	197	4,212
Net book amount 31st December 2008	3,220	243	3,463

11 Investment properties

a) Summary of investment properties	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1st January 2008	152,397	2,414	154,811
Additions:			
– acquisitions	21,122	–	21,122
– capital expenditure	5,245	–	5,245
Disposals	(2,034)	–	(2,034)
Deficit on revaluation	(44,750)	(310)	(45,060)
At valuation 31st December 2008	131,980	2,104	134,084
Additions:			
– acquisitions	41,728	–	41,728
– capital expenditure	1,579	–	1,579
Disposals	(36)	–	(36)
Surplus on revaluation	3,510	171	3,681
At valuation 31st December 2009	178,761	2,275	181,036

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

11 Investment properties continued
b) 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.

	2009 £'000	2008 £'000
Market value at 31st December assessed by the independent valuers or Directors	183,677	136,037
Amount included in prepayments and accrued income in respect of lease incentives	(2,641)	(1,953)
Net book amount of investment property at 31st December	181,036	134,084

The Group's investment properties have been valued at 31st December by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. Completed investment properties have been valued by DTZ Debenham Tie Leung, Chartered Surveyors or Savills Commercial Limited, Chartered Surveyors at a value of £153,938,000 (2008: £108,412,000).

Land held as investment property has been valued by Colliers CRE, Chartered Surveyors at £10,000,000 (2008: £10,000,000).

Also included within investment properties are freehold land and buildings representing investment properties under development, amounting to £17,098,000 (2008: £15,672,000), 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 £8,682,000 (2008: £6,970,000) 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.

£121,825,000 (2008: £114,537,000) of investment properties are charged as security against the Group's borrowings.

12 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1st January 2008	842	8,379
Additions	370	856
Share of loss	(1,212)	(8,625)
At 31st December 2008	–	610
Additions	1,500	43
Transfer to subsidiary	–	(231)
Impairment provision of joint venture	–	(422)
At 31st December 2009	1,500	–

A summary of the Group's projects in partnership and the balance sheet classification of its interests is set out in note 25.

a) Investment in associates

Wessex Property Fund is a Jersey property unit trust that was established on 5th April 2006. Its principal activity is to invest in property situated in the south west of England. As at 31st December 2008 and 2009 the Group held 47.0 per cent of the units in issue. The investment has been fully provided against.

The Group holds 25.0 per cent of the Ordinary shares of CTP Securities Limited, a company incorporated and registered in the United Kingdom, whose principal activity is property development. The rights granted under the shareholder agreement for this company reflect the status of this investment as an associate. As at 31st December 2008 and 2009, the investment in Ordinary shares has been fully provided against.

The Group holds a 29.0 per cent interest in Continental Estates Corporation BV, a company incorporated and registered in The Netherlands, whose principal activity is the holding of investments. The equity investment of £256,000 has been provided against in full in previous years.

During the year, the Group acquired 25.0 per cent of the Ordinary shares of Barwood Land and Estates Limited, a company incorporated and registered in the United Kingdom, whose principal activity is investment in strategic land, for £1,500,000.

Any contingent liabilities in relation to our associate investment partners are disclosed in note 22.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

12 Investments continued
a) Investment in associates continued
The Group's share of assets and liabilities in its associates is set out below:

2009

	Barwood Land and Estates Limited £'000	Continental Estates Corp. BV £'000	CTP Securities Limited £'000	Wessex Property Fund £'000	Total £'000
Summarised balance sheets:					
Non-current assets	120	168	769	7,261	8,318
Current assets	110	42	2,535	283	2,970
Share of gross assets	230	210	3,304	7,544	11,288
Current liabilities	(19)	(36)	(857)	(272)	(1,184)
Non-current liabilities	–	(757)	(3,234)	(9,497)	(13,488)
Share of gross liabilities	(19)	(793)	(4,091)	(9,769)	(14,672)
Share of net assets/(liabilities)	211	(583)	(787)	(2,225)	(3,384)
Share of net liabilities not recognised	–	583	787	2,225	3,595
Goodwill	1,289	–	–	–	1,289
Group's share of net assets	1,500	–	–	–	1,500
Summarised income statements:					
Share of revenue	–	158	181	617	956
Share of post-tax profits/(losses) of associates	–	104	(412)	(80)	(388)
Share of (profits)/losses not recognised	–	(104)	412	80	388
Share of losses recognised	–	–	–	–	–

2008

	Continental Estates Corp. BV £'000	CTP Securities Limited £'000	Wessex Property Fund £'000	Total £'000
Summarised balance sheets:				
Non-current assets	328	104	7,450	7,882
Current assets	66	2,688	293	3,047
Share of gross assets	394	2,792	7,743	10,929
Current liabilities	(179)	(856)	(450)	(1,485)
Non-current liabilities	(902)	(3,461)	(9,439)	(13,802)
Share of gross liabilities	(1,081)	(4,317)	(9,889)	(15,287)
Share of net liabilities	(687)	(1,525)	(2,146)	(4,358)
Share of net liabilities not recognised	687	1,525	2,146	4,358
Group's share of net assets	–	–	–	–
Summarised income statements:				
Share of revenue	–	160	640	800
Share of post-tax losses of associates	(71)	(495)	(2,856)	(3,422)
Share of losses not recognised	71	286	1,853	2,210
Share of losses recognised	–	(209)	(1,003)	(1,212)

b) Investment in joint ventures

The Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Joint venture partner
Curzon Park Limited	50	United Kingdom	Property development	Grainger PLC
Wimbledon Phoenix Limited	50	United Kingdom	Property development	Foinavon Limited (in administration)

As at 31st December 2008 the Group held 39.0 per cent of the units in Hammersmith Central Unit Trust. 10.0 per cent of the units, £231,000, were held as a joint venture interest, with the remaining 29.0 per cent, £654,000, as an investment in joint venture – held for sale. It was the Group's intention to sell the 29.0 per cent holding to a future investor in the Hammersmith Grove development.

During 2009 both the Group's joint venture partners withdrew from the scheme, transferring their units to the Group. The disposal of the joint venture interest in Hammersmith Central Unit Trust resulted in a profit on disposal of £221,000. As at 31st December 2009 Hammersmith Central Unit Trust is a subsidiary of the Group. It remains the Group's intention to seek partners for the future development of this project.

The market downturn has delayed plans for the development of the site at Curzon Street, Birmingham. The directors of Curzon Park Limited are in advanced negotiations with its bank, the Group and the joint venture partner, Grainger PLC, to refinance the entity's borrowings to accommodate this.

The Group's joint venture partner in Wimbledon Phoenix Limited, Foinavon Limited, went into administration on 26th August 2009. The Group is currently reviewing its position with the Administrators. The Directors consider the Group's investment in the joint venture to be impaired and a full provision has been made.

Any contingent liabilities in relation to our joint venture partners are disclosed in note 22.

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:

			2009
	Curzon Park Limited £'000	Wimbledon Phoenix Limited £'000	Total £'000
Summarised income statements:			
Net revenue	57	–	57
Administrative expenses	(101)	(10)	(111)
Finance income	3	–	3
Finance costs	(404)	–	(404)
Share of loss before and after taxation	(445)	(10)	(455)
Share of loss not recognised	445	–	445
Share of loss recognised	–	(10)	(10)
Summarised balance sheets:			
Non-current assets	10,438	462	10,900
Current assets	72	3	75
Current liabilities	(66)	(43)	(109)
Non-current liabilities	(12,805)	–	(12,805)
Share of net (liabilities)/assets	(2,361)	422	(1,939)
Share of net liabilities not recognised	2,361	–	2,361
Provision for impairment of joint venture	–	(422)	(422)
Share of net assets recognised	–	–	–

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

12 Investments continued
b) Investment in joint ventures continued

2008

	Curzon Park Limited £'000	Hammersmith Central Unit Trust £'000	Wimbledon Phoenix Limited £'000	Total £'000
Summarised income statements:				
Net revenue	(8,344)	–	–	(8,344)
Administrative expenses	–	–	(4)	(4)
Finance income	2	–	–	2
Finance costs	(910)	–	–	(910)
Share of loss before and after taxation	(9,252)	–	(4)	(9,256)
Share of losses not recognised	631	–	–	631
Share of loss recognised	(8,621)	–	(4)	(8,625)
Summarised balance sheets:				
Non-current assets	10,439	231	404	11,074
Current assets	82	–	8	90
Current liabilities	(233)	–	(33)	(266)
Non-current liabilities	(12,259)	–	–	(12,259)
Share of net (liabilities)/assets	(1,971)	231	379	(1,361)
Share of net liabilities not recognised	1,971	–	–	1,971
Share of net assets recognised	–	231	379	610

c) Principal subsidiaries

The Group has taken advantage of the exemption under s409 of the Companies Act 2006 and presents below only those undertakings with net assets in excess of 5.0 per cent of Group net assets.

The following were principal subsidiaries at 31st December 2009:

	% holding in ordinary shares at 31st December 2009	Country of incorporation	Principal activity
Development Securities Estates PLC	100	United Kingdom	Management and Investment Company
DS Cardiff Unit Trust*	100	Jersey	Property Investment
Development Securities (Investments) PLC	100	United Kingdom	Property Investment
DS Jersey (No. 1) Limited	100	Jersey	Investment
DS Jersey (No. 7) Limited	100	Jersey	Investment
Kirkby Centre (No. 2) Limited*	100	United Kingdom	Investment
Development Securities (Paddington) Limited*	100	United Kingdom	Property Development

* indirectly held

13 Inventory – developments and trading properties

	2009 £'000	2008 £'000
Developments in progress	35,333	17,347
Trading properties	43,222	42,018
	78,555	59,365

Included in the above amounts are projects stated at net realisable value, being trading properties of £38,552,000 (2008: £39,846,000). Net realisable value has been estimated by the Directors, taking account of our 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. During the year the Directors made write-downs of £2,366,000 (2008: £26,769,000) in respect of the reduced market value estimates of certain trading and development properties.

Capitalised interest on developments and trading properties to date is £615,000 (2008: £1,303,000).

Interest capitalised on developments and trading properties during the year is disclosed in note 6.

14 Trade and other receivables

a) Non-current	2009 £'000	2008 £'000
Prepayments and accrued income	2,354	1,768

b) Current	2009 £'000	2008 £'000
Trade receivables	3,718	3,479
Amounts due from customers for contract work	–	22,009
Other receivables	15,791	14,974
Other taxation recoverable	260	4,245
Prepayments and accrued income	3,247	2,233
	23,016	46,940

The Group has provided £104,000 (2008: £151,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for, there are no other material receivables overdue at the year end. Transactions and balances with related parties are disclosed in note 24.

15 Trade and other payables

a) Current	2009 £'000	2008 £'000
Trade payables	244	2,725
Amounts due to customers for contract work	–	126
Other payables	9,600	4,870
Other tax and social security	6,998	4,729
Accruals and deferred income	11,431	11,885
	28,273	24,335

b) Non-current – provisions	2009 £'000	2008 £'000
At 1st January	5,982	1,431
Utilised during the year	(1,843)	(558)
Charged to the Statement of comprehensive income in the year	2,983	5,109
At 31st December	7,122	5,982

Provisions of £1,114,000 (2008: £983,000) relate to properties and £6,008,000 (2008: £4,999,000) to onerous leases.

The property provisions arose from residual liabilities on completed development projects where the Group was responsible for certain development costs in prior years. The provisions include estimated costs, the timing and amount of which are currently uncertain.

The onerous lease provision has arisen from four lease obligations entered into by the Group. A provision of £3,100,000 (2008: £2,800,000) has been made in respect of a lease to Stead & Simpson Limited of which Development Securities PLC is a guarantor. Stead & Simpson Limited was placed into administration on 28th January 2008. The provision represents the liability expected to arise to the end of the lease term in December 2015. Two provisions of £1,250,000 (2008: £924,000) and £358,000 (2008: £nil) relate to onerous lease obligations entered into in 1989 and 1975 respectively.

The final provision is in respect of the Group's lease entered into on 19th December 2008 for office premises at One Kingdom Street, PaddingtonCentral. On 23rd December 2009 a lease was signed to sublet the office at PaddingtonCentral to MWB Business Exchange Plc, thereby facilitating a letting of the entire floor to this serviced office operator. The provision of £1,300,000 (2008: £1,275,000) relates to the shortfall in rent over the 15-year lease term.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

16 Financial assets and financial liabilities
The following table is a summary of the financial assets and financial liabilities included in the Consolidated balance sheet:

	2009 £'000	2008 £'000
Non-current assets		
Derivative financial instruments used for hedging at fair value	7,473	7,909
Loan notes at amortised cost less impairment	8,514	8,680
Available-for-sale financial assets	8,330	6,353
	24,317	22,942
Current assets		
Available-for-sale financial assets	9,881	8,498
Loans and receivables	717	1,242
Trade and other receivables at amortised cost less impairment	20,040	40,582
Cash and cash equivalents	80,574	60,688
	111,212	111,010
Total financial assets	135,529	133,952
Current liabilities		
Trade and other payables at amortised cost	23,736	25,203
Borrowings at amortised cost	12,669	4,661
	36,405	29,864
Non-current liabilities		
Borrowings at amortised cost	113,533	143,209
Provisions	7,122	5,982
Derivative financial instruments not used for hedging at fair value through the Statement of comprehensive income	2,126	3,022
	122,781	152,213
Total financial liabilities	159,186	182,077

a) Other financial assets

Non-current	2009 £'000	2008 £'000
Available-for-sale financial assets	8,330	6,353
Loan notes at amortised cost	8,514	8,680
	16,844	15,033

Available-for-sale financial assets comprise:	2009 £'000	2008 £'000
Development participation	5,000	5,242
Development loans to joint ventures	3,330	1,111
	8,330	6,353

Development participation represents the Group's risk capital invested alongside our partners in one of our development schemes. The fair value of the participation is assessed by reference to the stage of completion of the project and progress on construction and lettings. The second phase of PaddingtonCentral was completed in 2008, and the participation was returned to the Group together with the related interest and profit share. In accordance with the agreement with our funding partner, the Group immediately reinvested £5,000,000 in the next phase, Two Kingdom Street.

Development loans to joint ventures represent a number of working capital and project specific loans to CTP Securities Limited. The loans attract fixed coupon rates of between 5.0 and 13.0 per cent. An interest free loan of £208,000 has also been made.

Loan notes with a carrying value of £89,000 (2008: £255,000) are held in Continental Estates Corporation BV, an associate (refer note 12(a)). Interest is earned at a fixed rate of 6.0 per cent. Loan notes with a carrying value of £8,425,000 were issued in November 2007 by CTP Securities Limited, with a term of five years and a fixed coupon rate of 4.25 per cent.

Current	£'000	2009 £'000	£'000	2008 £'000
Available-for-sale financial assets:				
Development participation		9,881		8,498
Loans and receivables:				
CTP Securities Limited	200		1,125	
Fiducia Group Limited	250		–	
Other	267		117	
		717		1,242
		10,598		9,740

In 2007, the Group entered into a five-year funding agreement with Fiducia Group Limited, providing finance by way of development participation, in the Henry Davidson Developments (HDD) companies, for the development of neighbourhood retail facilities. The Group participates in profit share arrangements which vary with each development project. At 31st December 2009, £9,881,000 (2008: £8,498,000) funds had been advanced for development funding. An additional £250,000 was advanced by way of a loan earning a fixed coupon rate of 5.0 per cent. The fair value of the development equity in the remaining projects is not reliably measureable and is therefore held at cost. During the year the Group received £503,000 (2008: £1,311,000) in respect of these profit share arrangements.

The Group also provided two loans totalling £267,000 (2008: £117,000) to third parties by way of development funding. These are carried at cost.

During 2008, the Group granted a loan of £1,125,000 to CTP Securities Limited. Interest was earned at a rate of 13.0 per cent on the balance outstanding. In 2009, the Group revised its funding arrangements with CTP Securities Limited with amendments to the terms and coupon rates being made. Longer term loan finance was made available and a short-term non interest bearing facility of £200,000 was granted.

During 2008, the Group made a full provision against the £2,145,000 finance provided to the Wessex Property Fund. The Directors considered it unlikely that the loan notes would be recoverable.

b) Borrowings

Current	£'000	2009 £'000	£'000	2008 £'000
Bank overdrafts		10		336
Current instalments due on bank loans	12,987		4,629	
Unamortised transaction costs	(328)		(304)	
		12,659		4,325
		12,669		4,661

Non-current	2009 £'000	2008 £'000
First mortgage debenture 11% due 2016	20,000	20,000
Bank loans and loan notes	94,902	124,835
Unamortised transaction costs	(1,369)	(1,626)
	113,533	143,209

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

16 Financial assets and financial liabilities continued
b) Borrowings continued

Bank loans and the debenture are secured by way of mortgages and legal charges on certain properties and cash deposits held by the Group.

Bank loans and loan notes comprise:	2009 £'000	2008 £'000
£20,000,000 first mortgage debenture 2016	20,000	20,000
£15,000,000 variable rate loan 2010	–	4,612
£30,000,000 variable rate loan 2010	–	13,228
£13,000,000 variable rate loan 2010	12,970	3,871
£25,000,000 variable rate loan 2011	2,000	2,000
£32,300,000 variable rate loan 2013	32,300	38,000
£12,955,000 variable rate loan 2013	12,955	14,455
£5,997,000 variable rate loan 2014	5,997	8,400
€47,000,000 variable rate loan notes 2027	41,650	44,881
£16,500 variable rate loan notes 1999	17	17
	127,889	149,464
Less: current instalments due on bank loans	(12,987)	(4,629)
	114,902	144,835

£20,000,000 first mortgage fixed rate debenture
This secured debenture is repayable in one instalment on 6th January 2016.

£15,000,000 variable rate loan
This secured revolving loan facility was renewed on 26th January 2010 for a further six month period. The loan was repaid by three instalments of £1,000,000, £2,507,000 and £1,105,000 on 26th January, 27th February and 3rd April 2009 respectively.

£30,000,000 variable rate loan
This secured loan was repayable in one instalment on 23rd January 2010. The facility was reduced from £34,535,000 as at 31st December 2008 to £30,000,000.The loan was repaid in full on 14th October 2009 on completion of the project.

£13,000,000 variable rate loan
This secured loan is repayable in one instalment on 2nd June 2010.

£25,000,000 variable rate loan
This secured loan is repayable in one instalment on 31st March 2011.

£32,300,000 variable rate loan
This secured loan is repayable in one instalment on 31st January 2013. As at 31st December 2008 the facility was £38,000,000. Amounts of £3,500,000 and £2,200,000 were repaid on 1st May and 13th November 2009 respectively. The facility was reduced by the same amount at each date.

£12,955,000 variable rate loan
This secured loan is repayable in one instalment on 31st May 2013. As at 31st December 2008 the facility was £14,455,000. £1,500,000 was repaid on 1st September 2009 and the facility was reduced accordingly.

£5,997,000 variable rate loan
This secured loan is repayable in one instalment on 17th October 2014. As at 31st December 2008 the facility was £8,400,000. £2,403,000 was repaid on 24th July 2009 and the facility was reduced accordingly.

€47,000,000 variable rate loan notes
These unsecured loan notes were issued on 20th September 2007 and are denominated in Euros. They are repayable on 25th October 2027.

£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 26 to 31.

c) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The nature and extent of the Group's financial instrument risks, and the Directors' approach to managing those risks, are described in the Financial review on pages 26 to 31. This note provides further detailed information on these instruments.

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:

2009 Maturity

	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	20,000
Variable rate borrowings	12,997	2,000	–	32,300	–	–	47,297
Variable rate borrowings with interest rate caps or swaps	–	–	–	12,955	5,997	41,650	60,602
	12,997	2,000	–	45,255	5,997	61,650	127,899

2008 Maturity

	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	20,000
Variable rate borrowings	4,965	19,099	–	–	38,000	–	62,064
Variable rate borrowings with interest rate caps or swaps	–	–	–	–	14,455	53,281	67,736
	4,965	19,099	–	–	52,455	73,281	149,800

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.

Foreign currency risk

The Group does not undertake significant trade overseas, but does hold certain assets, amounting to £642,000 (2008: £808,000) denominated in foreign currencies. The currency exposure arising from these investments is not considered to materially affect the Group's operations and is not subject to hedging arrangements.

The Group is exposed to foreign currency risk from €47,000,000 (2008: €47,000,000) loan notes issued during 2007 that are denominated in Euros.

The Group has entered into a cross-currency interest rate swap with a banking institution to minimise any potential risks. The cross-currency interest rate swap is cash collateralised and qualifies to be accounted for as a cash flow hedge as detailed below. The fair value of this cross-currency interest rate swap at 31st December 2009 was an asset of £7,473,000 (2008: £7,909,000).

The Group maintains a security deposit of £4,000,000 (2008: £2,500,000) throughout the loan note term. The security deposit is required to cash collateralise the foreign exchange risk of the cross-currency interest rate swap for the swap counter-party if Sterling appreciates against the Euro. The Group is further required to increase this security if £/€ appreciation is greater than 5.0 per cent. Since the issue of the loan notes in September 2007, the Euro has appreciated against Sterling.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

16 Financial assets and financial liabilities continued
c) Financial risk management continued

The following table demonstrates the possible effect of changes in Sterling and Euro exchange rates with all other variables held constant:

	Increase/ decrease in Euro rate	Effect on cash collateral £'000
2009		
Euro	+8%	456
	–8%	536
2008		
Euro	+8%	498
	–8%	584

The Group does not undertake significant foreign exchange trading activity; consequently a detailed foreign exchange sensitivity analysis is not presented.

Interest rate sensitivity

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/(loss) 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 with associated effective fixed-rate hedging instruments or currency hedging 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.

	Increase/ decrease in basis points	Effect on profit before tax £'000
2009		
Sterling	+50	345
	–50	(345)
2008		
Sterling	+50	412
	–50	(412)

Liquidity risk

A review of the Group's liquidity risk is set out in the Financial review on pages 26 to 31.

The table below summarises the maturity profile of the Group's financial liabilities at 31st December 2009 and 2008 on a contractual undiscounted payments basis:

2009

Maturity profile of financial liabilities	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
Interest bearing loans and borrowings	27	534	16,725	63,269	74,592	155,147
Trade and other payables	–	13,856	14,417	–	–	28,273
Provisions	–	–	–	1,490	6,249	7,739
Derivative financial instruments	–	406	1,276	3,491	20,510	25,683
	27	14,796	32,418	68,250	101,351	216,842

2008

Maturity profile of financial liabilities	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
Interest bearing loans and borrowings	353	2,602	10,208	101,731	91,055	205,949
Trade and other payables	–	17,046	7,289	–	–	24,335
Provisions	–	–	–	982	5,716	6,698
Derivative financial instruments	–	23	68	281	10,776	11,148
	353	19,671	17,565	102,994	107,547	248,130

Market risk

A review of market risk and its effect on the Group is set out in the Review of operations on pages 8 to 25.

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 31st December 2009 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 31st December 2009 and may be subject to daily fluctuations in line with money market movements.

The fair value compared to the carrying amounts of the Group's fixed rate financial liabilities as at 31st December 2009 is analysed below:

	Book value 31st December 2009 £'000	Fair value 31st December 2009 £'000	Fair value 28th February 2010 £'000
First Mortgage debenture 11% due 2016	20,000	25,443	25,454
Total fixed rate financial liabilities	20,000	25,443	25,454

	Book value 31st December 2008 £'000	Fair value 31st December 2008 £'000	Fair value 28th February 2009 £'000
First Mortgage debenture 11% due 2016	20,000	26,736	26,280
Total fixed rate financial liabilities	20,000	26,736	26,280

The fair value difference of £5,443,000 at 31st December 2009 (2008: £6,736,000) represents approximately 27.2 per cent of gross, fixed rate borrowings (2008: 33.7 per cent). The effect on net assets per share after tax of this adjustment would be a decrease of 4.8 pence after tax (2008: 11.9 pence).

d) Derivative financial instruments

	2009 £'000	2008 £'000
Cash flow hedges: cross-currency interest rate swap	7,473	7,909
Derivative financial instruments at fair value through the Statement of comprehensive income:		
Interest rate caps and collars	(2,126)	(3,022)

At 31st December 2009, 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. The cross-currency swap is used to hedge the EURIBOR interest rate exposure and Euro currency exposure from the loan notes. The terms of the derivative have been negotiated to match the terms of the loan notes.

The cash flow hedge of the expected future loan note cash flows was assessed to be effective. The mark-to-market movement in the foreign currency leg of the swap of £8,807,000 (2008: £12,038,000) has been recycled through the Statement of comprehensive income to offset the re-translation of the €47,000,000 loan. The mark-to-market movement on the interest leg of this swap of £2,794,000 (2008: £2,418,000 loss) is included within the net unrealised gain/(loss) reserve in equity.

At 31st December 2009, the Group held an interest rate cap, collar and swap designated as economic hedges and not qualifying as an effective hedge under IAS 39. The derivatives are used to mitigate the Group's interest rate exposure to variable rate loans of £30,952,000 (2008: £34,855,000). The fair value of the derivatives £2,126,000 is recorded as a financial liability at 31st December 2009 (2008: £3,022,000) with the fair value gain/(loss) taken to finance costs.

Fair value estimation

From 1st January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the Balance sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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).

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

16 Financial assets and financial liabilities continued
d) Derivative financial instruments continued
The following table presents the group's assets and liabilities that are measured at fair value at 31st December.

	2009				2008			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets								
Derivative financial instruments:								
Cross currency interest rate swap	–	7,473	–	7,473	–	7,909	–	7,909
Total assets	–	7,473	–	7,473	–	7,909	–	7,909
Liabilities								
Derivative financial instruments at fair value through the Statement of comprehensive income	–	(2,126)	–	(2,126)	–	(3,022)	–	(3,022)
Total liabilities	–	(2,126)	–	(2,126)	–	(3,022)	–	(3,022)

17 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. Deferred income tax is calculated on the temporary differences under the liability method using a tax rate of 28.0 per cent (2008: 28.0 per cent).

	2009 £'000	2008 £'000
At 1st January	–	6,700
Credit for the year in the Statement of comprehensive income (note 7)	(783)	(5,080)
Charged/(credited) directly to equity	783	(1,620)
At 31st December	–	–

	2009 £'000	2008 £'000
Tax on items charged/(credited) to equity:		
Deferred tax charge in respect of share-based payments	–	18
Deferred tax charge/(credit) on other revaluations	783	(1,638)
	783	(1,620)

Revaluation of property	2009 £'000	2008 £'000
Deferred income tax liabilities recognised:		
At 1st January	3,495	11,697
Charged/(credited) to the Statement of comprehensive income	417	(8,202)
At 31st December	3,912	3,495

	Decelerated capital allowances £'000	Provisions £'000	Tax losses £'000	Other £'000	Total £'000
Deferred income tax assets recognised:					
At 1st January 2009	(571)	(211)	(2,706)	(7)	(3,495)
Charged/(credited) to the Statement of comprehensive income	79	75	(1,404)	50	(1,200)
Charged directly to equity	–	–	783	–	783
At 31st December 2009	(492)	(136)	(3,327)	43	(3,912)

	2009 £'000
Net deferred income tax asset:	
At 31st December 2009	–

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 forseeable future to utilise such losses. The Group did not recognise deferred income tax assets of £12,099,000 (2008: £9,522,000) in respect of losses amounting to £43,211,000 (2008: £34,007,000) 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.

18 Share capital

	2009 £'000	2008 £'000
Issued, called up and fully paid:		
82,256,474 Ordinary shares of 50 pence (2008: 40,603,214 Ordinary shares of 50 pence)	41,128	20,302

	Number of shares
Shares in issue at the date of this report	82,256,474

The Company has one class of Ordinary shares which carry no right to fixed income.

During the year, 41,653,260 shares were issued as a result of a Firm Placing and Placing and Open Offer at a 9.1 per cent discount to the market price, at 240 pence per share, raising £99,968,000 before costs.

The movement in share capital is set out in note 19.

Share option schemes

As at 31st December 2009 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 92 to 100.

Executive share option scheme 1995:

Date of grant	Number 31.12.09	Number 22.03.10	Exercise dates	Price
27th March 2001	29,861	29,861	27th March 2004 to 26th March 2011	326.25
30th April 2001	47,053	47,053	30th April 2004 to 29th April 2011	383.25
19th April 2004	69,382	69,382	19th April 2007 to 18th April 2014	347.50
	146,296	146,296		

Executive share option plan 2005:

Date of grant	Number 31.12.09	Number 22.03.10	Exercise dates	Price
27th October 2005	41,435	41,435	27th October 2008 to 26th October 2015	430.25
28th April 2006	41,435	41,435	28th April 2009 to 27th April 2016	559.75
8th May 2009	103,587	103,587	8th May 2012 to 7th May 2019	275.00
	186,457	186,457		

Save as you earn option plan 2005:

Date of grant	Number 31.12.09	Number 22.03.10	Exercise dates	Price
28th October 2008	85,694	85,694	1st December 2011 to 31st May 2012	274.16
	85,694	85,694		

Following the equity raise, the outstanding Executive Share option scheme 1995 awards, the Executive share option plan 2005 awards and the Save as you earn option plan 2005 awards were adjusted for both the option price and number of shares under option to compensate for the potential dilution to the option entitlements following the increase in share capital. The formula used to calculate the new entitlement was proposed by Linklaters LLP and approved by HM Revenue & Customs where appropriate.

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

18 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:

	2009 Number	2009 Weighted average exercise price (pence)	2008 Number	2008 Weighted average exercise price (pence)
At 1st January	407,889	410.7	433,721	438.6
Options granted	100,000	275.0	86,119	284.0
Options exercised	–	–	(37,690)	331.3
Options expired, lapsed or cancelled	(103,921)	492.2	(74,261)	429.2
Adjustment following Firm Placing and Placing and Open Offer	14,479	346.3	–	–
At 31st December	418,447	346.2	407,889	410.7

Any options granted on or before 7th November 2002 have not been recognised under IFRS 2 under the exemption in that standard. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The weighted average fair value of options granted during the year was £0.50 (2008: £0.50). The weighted average share price during the year was 285.0 pence (2008: 376.6 pence). Of the 418,447 (2008: 407,889) outstanding options at 31st December 2009, 229,166 were exercisable (2008: 181,229).

The options outstanding at 31st December 2009 were exercisable between 274.16 pence and 559.75 pence per share and have a weighted average remaining contractual life of 4.4 years (2008: 4.5 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	08.05.09	28.10.08	28.04.06	27.10.05	19.04.04
Exercise price (pence)	275.0	274.16	559.75	430.25	347.5
Term (years)	7	3	7	7	7
Expected volatility	79%	90%	22%	20%	10%
Expected dividend yield p.a.	2.0%	2.0%	1.5%	1.5%	1.5%
Risk free rate	1.5%	3.5%	4.5%	4.5%	4.5%
Expected forfeiture p.a.	Nil	Nil	Nil	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 92 to 100.

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:

	2009	2008
Ordinary shares conditionally awarded (no of shares)	660,277	458,406
Date of award	8th May	13th May
Share price (pence)	310.0	423.5
Percentage probability applied for fair value	36.88%	36.88%
Vesting period (months)	32	32

The expense recognised for equity-settled share-based payments in respect of employee services received during the year is £nil (2008: £ nil). The expense recognised for cash-settled share-based payments during the year is £68,000 (2008: £963,000).

19 Reserves and movements in equity

	Share capital £'000	Share premium £'000	Property revaluation reserve £'000	Share-based payments reserve £'000	Net unrealised gain/(loss) reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Merger reserve £'000
At 1st January 2008	20,283	109,801	1,081	64	1,713	1,631	44,188	–
Net proceeds of issue of new shares	19	106	–	–	–	–	–	–
Fair value of cross-currency interest rate swap	–	–	–	–	(2,418)	–	–	–
Fair value of cross-currency interest rate swap in prior year	–	–	–	–	(1,596)	–	–	–
Fair value adjustment to available-for-sale assets realised	–	–	–	–	(1,827)	–	–	–
Deferred income tax credited directly to equity	–	–	–	–	1,620	–	–	–
Deficit on revaluation of operating properties	–	–	(292)	–	–	–	–	–
At 31st December 2008	20,302	109,907	789	64	(2,508)	1,631	44,188	–
Net proceeds of issue of new shares	20,826	(5,946)	–	–	–	–	–	79,141
Transfer of merger reserve to retained earnings	–	–	–	–	–	–	–	(79,141)
Fair value of cross-currency interest rate swap	–	–	–	–	2,794	–	–	–
Share-based payments	–	–	–	(64)	–	–	–	–
Deferred income tax charged directly to equity	–	–	–	–	(783)	–	–	–
Deficit on revaluation of operating properties	–	–	(352)	–	–	–	–	–
At 31st December 2009	41,128	103,961	437	–	(497)	1,631	44,188	–

The merger reserve comprises the premium on shares following the Firm Placing and Placing and Open Offer in July 2009. No share premium is recorded in the Company's Financial Statements through the operation of the Merger Relief provisions of the Companies Act 1985. The subsequent redemption of these shares gave rise to distributable profits of £79,141,000, which have been transferred to Retained earnings.

In 2008 the fair value adjustment to available-for-sale assets was transferred to the Statement of comprehensive income on completion of the project.

The capital redemption reserve arose from business combinations in prior financial periods. This reserve is not distributable.

Retained earnings	Retained earnings £'000
At 1st January 2008	50,155
Loss for the year	(60,560)
Final dividend 2007	(1,949)
Interim dividend 2008	(974)
At 31st December 2008	(13,328)
Loss for the year	(10,694)
Transfer from merger reserve	79,141
Final dividend 2008	(974)
Interim dividend 2009	(974)
At 31st December 2009	53,171

20 Note to the cash flow statement

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

	2009 £'000	2008 £'000
Operating loss	(4,976)	(42,760)
Adjustments for:		
Gain on disposal of investment properties	–	(539)
Net (gain)/loss on revaluation of property portfolio	(3,681)	45,060
Loss on disposal of property, plant and equipment	14	5
Depreciation of property, plant and equipment	541	435
Operating cash flows before movements in working capital	(8,102)	2,201
Increase in developments	(19,424)	(1,598)
(Increase)/decrease in trading properties	(1,204)	98,398
Decrease/(increase) in receivables	25,975	(31,380)
Increase/(decrease) in payables	5,158	(37,182)
Increase in provisions	1,140	4,551
Cash inflow from operations	3,543	34,990
Capitalised interest charged to direct costs	2,084	–
Income taxes paid	(75)	–
Interest paid	(9,897)	(19,082)
Net cash (outflow)/inflow from operating activities	(4,345)	15,908

Notes to the consolidated financial statements continued
For the year ended 31st December 2009

21 Financial commitments and operating lease arrangements
Financial commitments authorised and commitments not provided for in these financial statements are estimated at:

	2009 £'000	2008 £'000
Financial commitments	8,422	23,111
Group share of the financial commitments of joint ventures and associates	10,019	8,544

Operating lease arrangements:

Operating lease arrangements where the Group is lessee:

	2009 £'000	2008 £'000
Minimum lease payments under operating leases recognised for the year	2,235	2,502

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:

	2009 £'000	2008 £'000
Within one year	3,109	2,116
In the second to fifth years inclusive	14,774	12,210
After five years	22,555	21,307
	40,438	35,633

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases were negotiated for an average term of 15.5 years (2008: 15.6 years).

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:

	2009 £'000	2008 £'000
Within one year	10,773	7,898
In the second to fifth years inclusive	34,785	21,886
After five years	68,691	27,906
	114,249	57,690

Property investment income earned during the year was £10,080,000 (2008: £8,925,000).

22 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 31st December 2009 such guarantees amounted to £134,000 (2008: £234,000).

The Group has provided guarantees for rent liabilities in respect of properties previously occupied by Group companies. The Group has made provision against crystallised liabilities in this regard. 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 annual rent-roll of the buildings benefiting from such guarantees is £374,000, (2008: £1,540,000) with an average unexpired lease period of 7.7 years (2008: 2.9 years).

The Group has provided guarantees in respect of certain obligations of its investees, associates and joint ventures. The Group has guaranteed the payment of £2.7 million in respect of a deferred trading liability of Fiducia Group Limited (see note 16(a)). The Group considers that this liability will be financed from agreed and intended sales of land by Fiducia Group Limited. In addition, the Group has provided £335,000 of interest guarantees and a £200,000 cost overrun guarantee in respect of two Fiducia Group Limited projects. The Group does not envisage these guarantees will be called upon. The Group has guaranteed its share of the interest payable by Wessex Property Fund (see note 12(a)) in respect of the Fund's borrowings of £17.5 million. The interest liability is currently covered by the Fund's rental income.

The Group has also guaranteed its share of the interest payable by Curzon Park Limited, a joint venture, in respect of the company's borrowings of £25.6 million. The joint venture is currently renegotiating its funding arrangements with the bank and its shareholders, as described in note 12(b).

23 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 Statement of comprehensive income during the year are set out in note 5.

24 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 31st December with related parties are set out below. Only Directors are considered to be key management personnel. There were no transactions with Directors other than remuneration set out in the Remuneration report on pages 92 to 100.

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties (before provision) £'000	Amounts owed to related parties £'000
Joint ventures				
2009	–	–	8,362	–
2008	–	–	8,254	–
Associates				
2009	–	–	12,106	–
2008	–	–	8,883	–

25 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	2009 £'000	2008 £'000
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	1,500	–
Wessex Property Fund	Property investment	Investment in associates	–	–
CTP Securities Limited	Property development	Investment in associates	–	–
		Financial assets	11,955	9,550
Continental Estates Corporation BV	Holding of investments	Investment in associates	–	–
		Financial assets	89	255
Curzon Park Limited	Property development	Investment in joint ventures	–	–
Wimbledon Phoenix Limited	Property development	Investment in joint ventures	–	379
Hammersmith Central Unit Trust	Property development	Investment in joint ventures	–	231
		Financial assets	–	1,765
Blue Living	Property development	Development properties	2,916	2,130
Henry Davidson Developments (HDD)	Property development	Financial assets	10,131	8,498
			26,591	22,808

The aggregate amounts included within each relevant Balance sheet account are as follows:

	2009 £'000	2008 £'000
Investment in associates	1,500	–
Investment in joint ventures	–	610
Financial assets – held for sale	–	654
Financial assets – current	10,331	9,623
Financial assets – non-current	11,844	9,791
Development properties	2,916	2,130
	26,591	22,808

26 Post balance sheet events

Since the balance sheet date the Group has entered into a number of significant contracts.

During January and February 2010 the Group acquired investment properties at Crewe, Belsize Park and Nottingham, as described in the Investment review on pages 20 and 21 of the Review of operations. The aggregate consideration was £15.7 million.

In March 2010 the Group completed a new 15-year loan from Aviva Commercial Finance Limited, as described in the Financial review on page 27.

Company independent auditors' report

Independent auditors' report to the members of Development Securities PLC

We have audited the parent company financial statements of Development Securities PLC for the year ended 31st December 2009 which comprise the Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on pages 42 and 43, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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 parent 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.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2009;
- 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors' for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Development Securities PLC for the year ended 31st December 2009.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22nd March 2010

Company balance sheet
As at 31st December 2009

	Notes	£'000	2009 £'000	£'000	2008 £'000
Fixed assets					
Tangible assets	30	626		691	
Financial assets	33	3,330		–	
Investments	31	95,341		100,123	
			99,297		100,814
Current assets					
Financial assets	33	10,598		9,740	
Debtors	32	416,457		346,293	
Cash in hand and at bank		23,846		15,948	
		450,901		371,981	
Creditors					
Amounts falling due within one year	34(a)	(321,789)		(328,948)	
Net current assets			129,112		43,033
Total assets less current liabilities			228,409		143,847
Creditors					
Amounts falling due after more than one year:					
Provisions for liabilities	34(b)		(4,400)		(4,075)
Net assets			224,009		139,772
Capital and reserves					
Called up share capital	35		41,128		20,302
Share premium	36		103,961		109,907
Share-based payments reserve	36		–		64
Capital redemption reserve	36		1,631		1,631
Profit and loss account	36		77,289		7,868
Total equity shareholders' funds			224,009		139,772

The notes on pages 86 to 91 are an integral part of these financial statements.

Approved by the Board of Directors on 22nd March 2010 and signed on its behalf by
M H Marx
Director

Notes to the company financial statements
For the year ended 31st December 2009

27 Accounting policies

a) Basis of accounting

The Company's financial statements have been prepared in accordance with applicable laws and United Kingdom accounting standards and 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 s480 of the Companies Act 2006. The loss after tax for the year was £7,772,000 (2008: £3,703,000 profit).

The Company has taken advantage of the exemption from preparing a Cash flow statement under the terms of FRS 1.

The Company has 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.

The accounts were approved by the Directors for issue on 22nd March 2010.

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. The principal annual rates used for this purpose are as follows:

Fixtures and fittings and computer equipment	– 10% to 33%
Motor vehicles	– 20%

e) 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The accretion in the discount is recognised as an interest expense.

f) 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 years.

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.

g) Pension schemes

The Company operates a defined contribution scheme on behalf of the Development Securities PLC group. The charge to the profit and loss account in the period 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.

h) Foreign currencies

Transactions denominated in foreign currencies are translated into 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.

i) Share-based payments

The cost of granting share options and other share-based remuneration to employees and Directors is measured by reference to the fair value at the date at which they are granted. The Company has used a Black-Scholes pricing model and the resulting fair value is amortised on a straight-line basis through the profit and loss account over the vesting periods of the options.

28 Auditors' remuneration

Auditors' remuneration in respect of the audit for the Company was £15,000 (2008: £15,000).

During the year the Company's auditor received fees of £380,000 in respect of the Firm Placing and Placing and Open Offer.

29 Operating lease arrangements

The Company as lessee	2009 £'000	2008 £'000
Minimum lease payments under operating leases recognised for the year	471	471

Annual commitments under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Operating leases which expire:		
Within one year	472	29
In the second to fifth years inclusive	–	443
After five years	1,168	763
	1,640	1,235

The Company has exercised a break relating to the lease commitment of £443,000 which is why it has been analysed as expiring within one year.

Operating lease payments represent rentals payable by the Company for its office property. The lease payments were negotiated for an average term of 13.4 years (2008: 12.9 years).

30 Tangible assets

	Fixtures and fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost:			
At 1st January 2009	805	357	1,162
Additions	74	42	116
Disposals	(32)	(60)	(92)
At 31st December 2009	847	339	1,186
Accumulated depreciation:			
At 1st January 2009	337	134	471
Charge for the year	77	68	145
Disposals	(14)	(42)	(56)
At 31st December 2009	400	160	560
Net book amount 31st December 2009	447	179	626
Net book amount 31st December 2008	468	223	691

Notes to the company financial statements continued
For the year ended 31st December 2009

31 Investments

	Shares in subsidiary undertakings £'000	Interest in associated undertakings £'000	Interest in loan notes £'000	Interest in joint ventures £'000	Total £'000
Cost at 1st January 2009	123,544	997	9,180	393	134,114
Additions	6,086	–	–	53	6,139
Loan notes redeemed	–	–	(166)	–	(166)
At 31st December 2009	129,630	997	9,014	446	140,087
Amounts provided:					
At 1st January 2009	(32,494)	(997)	(500)	–	(33,991)
Provision	(10,309)	–	–	(446)	(10,755)
At 31st December 2009	(42,803)	(997)	(500)	(446)	(44,746)
Net book amount 31st December 2009	86,827	–	8,514	–	95,341
Net book amount 31st December 2008	91,050	–	8,680	393	100,123

Interest in loan notes includes £89,000 (2008: £255,000) invested in loan stock of Continental Estates Corporation BV. Continental Estates Corporation BV is incorporated and registered in The Netherlands. The company's principal activity is currently as an investment holding company. Details of the Company's equity investment in Continental Estates Corporation BV are set out in note 12(a) of the Group financial statements.

The Company holds £8,425,000 (2008: £8,425,000) of loan notes in CTP Securities Limited, a company incorporated and registered in the United Kingdom. The loan notes earn interest at a fixed rate of 4.25 per cent per annum.

The interest in joint ventures, representing the Company's investment in Wimbledon Phoenix Limited, is set out in note 12(b) of the Group financial statements.

The principal subsidiaries of the Company are set out in note 12(c) of the Group financial statements.

32 Debtors

	2009 £'000	2008 £'000
Trade debtors	21	5
Amounts owed by subsidiary undertakings	412,393	339,398
Other debtors	2,590	2,676
Other taxation recoverable	–	3,211
Prepayments	1,453	1,003
	416,457	346,293

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

33 Financial assets

Non-current	2009 £'000	2008 £'000
Available-for-sale financial assets – loans to joint ventures	3,330	–

Current		2009 £'000	2008 £'000
Available-for-sale financial assets	– development participation	9,881	8,498
	– loans and receivables (refer note 16(a))	717	1,242
		10,598	9,740

In 2007, the Company entered into a five-year funding agreement with Fiducia Group Limited, providing finance by way of development participation, in the Henry Davidson Development (HDD) companies, for the development of neighbourhood retail facilities. The Company participates in profit share arrangements which vary with each development project. At 31st December 2009, £9,881,000 (2008: £8,498,000) funds had been advanced.

During 2008, the Company granted a loan of £1,125,000 to CTP Securities Limited. Interest was earned at a rate of 13.0 per cent on the balance outstanding. In 2009, the Company revised its funding arrangements with CTP Securities Limited with amendments to the terms and coupon rates being made. Longer term loan finance was made available and a short-term non interest bearing facility of £200,000 was granted.

34 Creditors

a) Amounts falling due within one year	2009 £'000	2008 £'000
Bank loans and overdrafts	22	17
Trade creditors	13	31
Amounts owed to subsidiary undertakings	310,008	322,864
Amounts owed to associated undertakings	1,932	1,932
Other creditors	1,554	1,415
Other taxation and social security	6,387	519
Accruals	1,873	2,170
	321,789	328,948

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

b) Amounts falling due after more than one year	2009 £'000	2008 £'000
Provisions for liabilities	4,400	4,075

The onerous lease provision has arisen from two lease obligations entered into by the Company. A provision of £3,100,000 (2008: £2,800,000) has been made in respect of a lease to Stead & Simpson Limited of which Development Securities PLC is a guarantor. Stead & Simpson Limited was placed into administration on 28th January 2008. The provision represents the liability expected to arise to the end of the lease term in December 2015.

The second provision of £1,300,000 (2008: £1,275,000) is in respect of a lease entered into on 19th December 2008 for office premises in Paddington. On 23rd December 2009 a lease was signed to sublet the office at PaddingtonCentral to MWB Business Exchange Plc, thereby facilitating a letting of the entire floor to this serviced office operator. The provision of £1,300,000 (2008: £1,275,000) relates to the shortfall in rent over the 15-year lease term.

These provisions have been calculated by making assumptions about future lettings, the outcome of which is uncertain.

35 Called up share capital

	2009 £'000	2008 £'000
Issued and fully paid:		
82,256,474 Ordinary shares of 50 pence (2008: 40,603,214 Ordinary shares of 50 pence)	41,128	20,302

	Number of shares
Shares in issue at the date of this report	82,256,474

The Company has one class of Ordinary shares which carry no right to fixed income.

During the year, 41,653,260 shares were issued as a result of a Firm Placing and Placing and Open Offer at a 9.1 per cent discount to the market price, at 240 pence per share, raising £99,968,000 before costs.

Notes to the company financial statements continued
For the year ended 31st December 2009

35 Called up share capital continued

Share option schemes

As at 31st December 2009 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 92 to 100.

Executive share option scheme 1995:

Date of grant	Number 31.12.09	Number 22.03.10	Exercise dates	Price
27th March 2001	29,861	29,861	27th March 2004 to 26th March 2011	326.25
30th April 2001	47,053	47,053	30th April 2004 to 29th April 2011	383.25
19th April 2004	69,382	69,382	19th April 2007 to 18th April 2014	347.50
	146,296	146,296		

Executive share option plan 2005:

Date of grant	Number 31.12.09	Number 22.03.10	Exercise dates	Price
27th October 2005	41,435	41,435	27th October 2008 to 26th October 2015	430.25
28th April 2006	41,435	41,435	28th April 2009 to 27th April 2016	559.75
8th May 2009	103,587	103,587	8th May 2012 to 7th May 2019	275.00
	186,457	186,457		

Save as you earn option plan 2005:

Date of grant	Number 31.12.09	Number 22.03.10	Exercise dates	Price
28th October 2008	85,694	85,694	1st December 2011 to 31st May 2012	274.16
	85,694	85,694		

Following the equity raise, the outstanding Executive Share option scheme 1995 awards, the Executive share option plan 2005 awards and the Save as you earn option plan 2005 awards were adjusted for both the option price and number of shares under option to compensate for the potential dilution to the option entitlements following the increase in share capital. The formula used to calculate the new entitlement was proposed by Linklaters LLP and approved by HM Revenue & Customs where appropriate.

Share-based payments

The expense recognised for equity-settled share-based payments in respect of employee services received during the year is £nil (2008: £nil). The expense recognised for cash-settled share-based payments during the year is £68,000 (2008: £963,000).

Information on the Company share-based payments is identical to that set out in note 18 of the Group financial statements.

36 Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium £'000	Share-based payments £'000	Net unrealised gain reserve £'000	Capital redemption reserve £'000	Merger reserve £'000
At 1st January 2008	20,283	109,801	64	407	1,631	–
Net proceeds of issue of new shares	19	106	–	–	–	–
Fair value adjustment to available-for-sale assets realised	–	–	–	(407)	–	–
At 31st December 2008	20,302	109,907	64	–	1,631	–
Net proceeds of issue of new shares	20,826	(5,946)	–	–	–	79,141
Transfer of merger reserve to profit and loss account	–	–	–	–	–	(79,141)
Share-based payments	–	–	(64)	–	–	–
At 31st December 2009	41,128	103,961	–	–	1,631	–

The merger reserve comprises the premium on shares following the Firm Placing and Placing and Open Offer in July 2009. No share premium is recorded in the Company's Financial Statements through the operation of the Merger Relief provisions of the Companies Act 1985. The subsequent redemption of these shares gave rise to distributable profits of £79,141,000, which have been transferred to profit and loss account.

Profit and loss account	Profit and loss account £'000
At 1st January 2008	7,088
Profit for the year	3,703
Final dividend 2007	(1,949)
Interim dividend 2008	(974)
At 31st December 2008	7,868
Loss for the year	(7,772)
Transfer from merger reserve	79,141
Final dividend 2008	(974)
Interim dividend 2009	(974)
At 31st December 2009	77,289

The loss after tax of the Company was £7,772,000 (2008: £3,703,000 profit).

37 Contingent liabilities

The contingent liabilities of the Group are set out in note 22. The Company has provided guarantees in respect of loans and overdrafts of its subsidiary entities totalling £121,902,000 (2008: £141,400,000). 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.

38 Related parties

Related party transactions are the same for the Company as for the Group. Details can be found in note 24 of the Group financial statements.

Remuneration report

The Remuneration Committee, as constituted by the Board, is responsible for the determination of the remuneration policy for the Development Securities' Executive Directors and for ensuring that the remuneration of senior managers and other employees is consistent with the Company's remuneration philosophy. The Committee, which met four times during the year, comprises M S Soames as Chairman, V M Mitchell and as from 23rd November 2009, D S Jenkins. All members of the Committee are considered independent Non-executive Directors of the Company. No member has any personal financial interest in the matters to be decided. A resolution will be proposed to shareholders at the Annual General Meeting seeking their approval of this report.

The Committee's full terms of reference are set out in full on the Company's website but their principal role is to determine the total remuneration of the Executive Directors and to ensure that senior management remuneration is consistent with corporate policy. In addition to the support of the Chief Executive, M H Marx, and the Company Secretary, S A Lanes, the Committee sought professional advice from external remuneration consultants Deloitte LLP and legal support from Linklaters LLP. Following a market review of professional remuneration consultants the Committee appointed Deloitte LLP to provide advice during the year and to conduct a complete review of all the existing incentive plans and option schemes and make recommendations for future plans/schemes in order to be prepared for the next UK commercial property cycle. Representatives of Deloitte LLP attended two meetings of the Committee by invitation. Deloitte LLP currently undertakes the audit of the Development Securities retirement benefit scheme of which the Company is a Trustee, but otherwise undertakes no other work for the Company. Linklaters LLP are also the Group's principal legal advisor.

The emphasis by the Remuneration Committee in considering remuneration policy is to provide a balanced remuneration package for both Executive Directors and senior managers, requiring attention to both short- and long-term performance. The Company is committed to using remuneration to reinforce a strong performance culture whereby excellence is expected at every level of the business. The Committee's role is to ensure that the remuneration framework is effective to motivate and retain individuals in order to enable the business objectives which were discussed earlier in the Annual Report to be attained.

This report sets out the Committee's existing policy and disclosures on Executive Directors' and senior managers' pay and also outlines the incentive plans in operation by the Company. The Company has complied throughout the period with the requirements of the Combined Code in relation to Directors' remuneration. In addition, the report has been prepared in accordance with the Large- and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. As part of the Regulation requirements, sections 2 and 3 of this report have been audited.

1 Executive remuneration policy (unaudited)

The objective of the Development Securities' remuneration policy is to ensure that Executive Directors and senior managers are rewarded in a way that attracts, retains, motivates and rewards management of the highest quality. The focused profit plans and share schemes are designed to encourage Executive Directors and senior managers to align their long-term career aspirations with the long-term interests of the Company, promoting the attainment of both individual and corporate achievements measured against specific performance criteria. 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 correlating with the interests of shareholders through either the attainment of growth in net asset value per share or total shareholder return.

Summary

The Committee has spent some time considering with Deloitte LLP the current basis of the remuneration package for the Executive Directors and how it may be improved for the next cycle.

Draft proposals for the remuneration policy were discussed with a number of major shareholders and shareholder representative organisations following which a number of adjustments were made. As part of the review, the Company also introduced the following features to its incentive arrangements which are considered to be in the interest of shareholders:

i) Introduction of a risk underpin on the Performance Share Plan and Strategic Profit Plan;
ii) Deferral of a portion of the annual bonus above target into shares held for two years.

The focused profit plans relating to the principal activities of the Company, namely development, the investment portfolio and the joint ventures work well in rewarding the Directors and senior management directly involved in those activities. It was however considered that the incentive for all Directors and senior management to support the long-term strategy of the Company through the Performance Share Plan was not fully effective. The Committee considered a number of alternatives before it concluded that the most appropriate way forward was to build on the success of the focused profit plans. It is therefore proposed to introduce a new plan, the Strategic Profit Plan.

The new plan would be funded by an additional maximum 4.0 per cent from each of the focused profit plans. This introduces a Group-wide collegiate aspect to rewarding success and supporting co-operation as our executives deliver on the significant opportunities that exist in our market. Awards would normally be distributed annually to both Executive Directors and senior management, and would be made at the discretion of the Remuneration Committee. In doing so, the Committee will take into account whether individuals are already eligible for awards under the other focused profit plans and will also ensure that there is an appropriate balance between awards made to Executive Directors and awards made to senior management.

The Committee believes that this new plan will encourage and reward all those contributing to the success of the Company, create better teamwork and a collegiate approach which will result in enhanced annual profits and NAV per share performance. The bonus arrangements will be put to shareholders as a separate resolution at the forthcoming Annual General Meeting. Whilst the Strategic Profit Plan is a new

plan particularly focused on the long-term activities of the Company it is considered that the existing Performance Share Plan should be retained in part in order to ensure that the Company's performance in relation to its peers in the market is recognised and rewarded if appropriate. The awards under the Performance Share Plan for the Executive Directors will be reduced by 50.0 per cent for 2010 and beyond.

2009 has seen the start of the next UK commercial property cycle which probably saw its bottom early in the year. The Remuneration Committee has considered very carefully the performance of the Company over the year, reviewed its strategic positioning and particularly the current property market with the prospects for the immediate future. The Committee undertook a careful review of the Executive Director's salaries (section a) effective from 1st January 2010 and concluded that a modest increase over the 2008 salaries for the Executive Directors was deemed appropriate having taken into account the 10.0 per cent reduction in their salaries for 2009. In addition, the Chief Executive received an increase reflective of a step change in his role and performance (discussed in section a). 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 true measure of the annual bonus in the context of the length of the property cycle. Financial results are rewarded in the profit plans where appropriate. Management's annual achievements are reviewed based on a qualitative assessment of non-financial factors which are key drivers in the creation of long-term shareholder value. The Committee, taking these drivers into account, determined the annual bonus (section b) and resolved that it was appropriate to pay an annual bonus given the consolidation of the Company and the conclusion of the year in a firmly positive manner, with a step change in the scale of the business.

The Development Profit Plan (section c) has resulted in bonuses being paid to C J Barwick and M S Weiner for the successful completion of the development at CityPark, Manchester.

Only one new Development Profit Plan award was made during the year for Wallington.

The Committee have reviewed the awards for the joint ventures for 2010 (Section d). An additional award has been made for a new joint venture established during 2009 with Barwood.

The Investment Growth Plan (section e) resulted in a vesting as the performance conditions were satisfied both for the 2009 Initial Bonus and the 2007 Deferred Bonus award.

Under the Performance Share Plan awards were made on 8th May 2009 to the Executive Directors and staff. However an assessment of the performance condition for the award made under the Plan on 8th May 2007 has resulted in a nil vesting despite the fact the main performance condition (total shareholder return (TSR)) was satisfied, as it was considered that bearing in mind the underlying financial performance of the Company and the current economic climate, a crystalisation of the award was not deemed appropriate.

a) Salary

The salaries of the Executive Directors are reviewed each year and are determined by reference to individual performance and in relation to comparable companies of similar size in the same business sector. The Remuneration Committee have considered carefully the level of the base salaries payable to the Executive Directors with effect from 1st January 2010 in conjunction with advice received from Deloitte LLP and have concluded that an increase in basic salary would be appropriate as the next property cycle begins.

	2010 £'000	2009 £'000	2009/2010 Increase %	2008 £'000	2008/2010 Increase %
M H Marx	400	315	27.0	350	14.3
C J Barwick	325	283	14.8	315	3.2
M S Weiner	325	283	14.8	315	3.2
G Prothero	325	283	14.8	–	–

The Committee has due regard for the general level of increases that have been awarded throughout the Company when considering the Executive Directors salaries and as from 1st January 2010, eight senior managers who volunteered to take a 7.5 per cent reduction in salary as from 1st January 2009 were reinstated to their former 2008 salaries. The Executive Directors salaries were increased over that of 2009 by 14.8 per cent but only 3.2 per cent over that of 2008 with the exception of M H Marx.

The Committee considered that M H Marx's role has significantly increased, with a commensurate step change in performance. This is, in part, demonstrated by the success of the Firm Placing and Placing and Open Offer in the summer and the strategic positioning of the Company at this point of the cycle with very low levels of borrowing. This is a new phase in terms of his role in driving the performance of a more sizeable Company, concentrating on guiding the strategy and business overall and new areas such as exploring new funding opportunities at an international level. The Committee considers that M H Marx will be key to positioning the Company to take advantage of any upturn and the delivery of shareholder value as the Company moves to the next stage of its development.

Taking all of this into account, the Committee believe that his salary was no longer commensurate with his new position and the Committee resolved to increase his basic salary to £400,000 per annum with effect from 1st January 2010. This still positions him around the lower quartile when considering his peers in the sector, and particularly when considering his likely total remuneration over the next few years.

Remuneration report continued

b) Annual bonus

The non-pensionable annual bonus is based on the performance of the Company during the year, team achievements and the specific contribution of the individuals concerned. With the exception of M H Marx, Executive Directors are set a target bonus of 37.5 per cent of salary and an above target maximum of 75.0 per cent. As M H Marx only occasionally qualifies for awards under the Development Profit Plan below, his target bonus is 75.0 per cent of salary, with a maximum of 150.0 per cent. 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 true measure of the annual bonus in the context of the length of the property cycle. The annual bonus in respect of the Executive Directors is 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 corporate culture. In addition, the Remuneration Committee measures the Company's absolute and relative performance against its peer group companies during the year.

In reaching a view on performance, there is no doubt that the Company has accurately read the economic and market cycle with the equity issue completed at the bottom of the market and contemporaneous investment of a substantial portion of the proceeds. The lack of significant "at risk" development activity also demonstrates accurate reading of the market, but with a development pipeline, e.g. PaddingtonCentral, Heart of Slough, Hammersmith Grove and Colindale. The key strategic achievements considered were as follows:

i) The successful equity raising exercise which reaffirmed the confidence in the management by the shareholder base, as well as introducing a number of larger institutions to our shareholder profile.
ii) The consolidation of the existing joint ventures, with Blue Living, HDD, CTP and the Wessex Fund and the investment in a new joint venture Strategic Land Investment. The joint ventures provide a diversity of income stream and risk as well as giving geographic spread.
iii) Out-performance of the investment portfolio of 9.5 per cent total return as compared with 3.0 per cent under the Investment Property Databank All-Fund Universe Index.
iv) Out-performance of total shareholder return against both the FTSE Real Estate Investment Trust Index and the FTSE Real Estate Investment Services Index (see graphs page 97).
v) Management of the Company's risk profile, including maintenance of a modest level of net debt throughout the year ensuring that there was no need for recourse to shareholders for emergency equity funding.

The Committee considered it to be a year which had 'Exceeded Target' relative to the sector and also compared to 2008 which was considered to be a challenging year.

From 2010, 50.0 per cent of any bonus earned above target will be paid in shares which the recipient must hold for at least two years.

	2009 £'000	2008 £'000	2009 % of Target Maximum	2008 % of Target Maximum
M H Marx	378	130	80	25
C J Barwick	170	58	80	25
M S Weiner	170	58	80	25
G Prothero	170	–	80	–

c) Development Profit Plan

The Remuneration Committee reserves the right to make awards under the Development Profit Plan to Executive Directors and other senior managers who have been instrumental in securing development opportunities for the Company.

Awards are eligible on projects where any phase is likely to produce profits in excess of £2.0 million. No more than 10.0 per cent of the profits of the development project is awarded in total. When any particular development project becomes unconditional, the Remuneration Committee determines which individuals should receive awards under the Plan and the amount of the award. The bonus is dependent principally upon the amount of profit actually realised upon completion. 20.0 per cent of the award will be retained until such time as the profit is actually realised whereupon it will be re-evaluated to determine if any additional Executive Directors or senior managers have been instrumental in making a significant and material contribution in progressing the scheme through to completion and if not, this retention would revert back to the original participants.

In awarding annual bonuses and awards under the Development Profit Plan, there is no 'double-counting'. The contribution of any team and individual performance, which leads to awards under the Development Profit Plan are disregarded in assessing the annual bonus.

The principal following major awards, omitting those schemes where current forecasts show a nil or nominal profit, have been made to the Executive Directors under the Development Profit Plan:

Project	M H Marx % award	C J Barwick % award	M S Weiner % award
Awards granted in previous years:			
PaddingtonCentral Phase II (3 Kingdom Street)	–	7	–
Colindale, London NW9	–	4	4
Broughton, Flintshire	3.33	–	–
St Bride Street, London EC4	–	6	–
Hammersmith Grove, London W6	–	3.5	3.5
Awards granted during the year:			
Wallington	–	–	7

Following practical completion of CityPark, Manchester, CJ Barwick and M S Weiner both received £282,699 from maturity of their Development Profit Plan award.

With the exception of Wallington no additional Development Profit Plan awards have been made to Executive Directors or senior managers during the year.

In addition to making awards under the Development Profit Plan for securing development opportunities, the Remuneration Committee retains the discretion to award bonuses to Executive Directors and other senior managers at any time for making an exceptional contribution towards the Company. Such awards will not be applied in securing any corporate acquisitions.

d) Joint Venture Profit Plan

The Remuneration Committee reserves the right to make awards under the Joint Venture Profit Plan to Executive Directors and other senior managers who have been instrumental in securing profits generated from joint ventures.

Awards are made when joint ventures are likely to produce a total profit in any one year of more than £2.0 million. No more than 10.0 per cent of this profit is awarded in total. In any given year, the Remuneration Committee determines which individuals should receive awards and the amount of the award for each of the joint ventures for the following year.

In assessing the profit from any joint venture, all profits remitted during the year on successful projects are cumulated and all projects which have either crystallised or are forecast to make a loss are deducted. Any actual profits/losses realised in subsequent years will be rationalised against forecast losses already taken into account.

In awarding annual bonuses, there is no 'double counting'. The contribution of any team and individual performance which leads to awards under the Joint Venture Profit Plan are disregarded in assessing the annual bonus.

Joint venture awards for 2009	M S Weiner % award
HDD	7.5
Blue Living	7.5

Joint venture awards for 2010	M S Weiner % award
HDD	7.0
Blue Living	7.0
Barwood	7.0

Following the successful completion of two joint venture projects within HDD, M S Weiner was awarded £18,482 in respect of a development at Oxley Park and £81,113 in respect of a development at Buckshaw Village.

Additional awards for joint ventures have been made to a senior manager.

Remuneration report continued

e) Investment Growth Plan

The Remuneration Committee reserves the right to award bonuses under the Investment Growth Plan. The performance condition under the award is that the total investment portfolio return must exceed 120.0 per cent of the All-Fund Universe Index as published by Investment Property Databank if the index is greater than zero, or at least 0.1 per cent if the index is less than or equal to zero and, in addition, represents at least one percentage point above the total return under the index. The total investment portfolio return represents the sum of income return, net of irrecoverable property expenses, together with capital growth.

The Initial Bonus represents a bonus pool of 5.0 per cent of the value determined by the excess of the total investment portfolio return over the benchmark index up to a cap of £1.0 million unless otherwise determined. The award is remitted following the end of the financial year when the award is determined, with an equivalent amount representing a Deferred Bonus assessed two years thereafter, provided that during the intervening period the total investment portfolio return exceeds a specified proportion of the index.

The performance condition for the 2009 financial year has been satisfied, therefore giving rise to an Initial Bonus of £249,074 to M S Weiner. The Deferred Bonus from the 2007 financial year has also satisfied the additional condition, resulting in a further remittance of £343,498.

f) Strategic Profit Plan

Subject to the approval of the Shareholders at the Annual General Meeting, the Strategic Profit Plan is an annual cash incentive scheme designed to incentivise Executive Directors and senior management in the principal activities of the Group, namely development, joint ventures and the investment portfolio. The Plan introduces a Group-wide collegiate aspect to rewarding success, supporting co-operation as our executives deliver on the significant opportunities that exist in our market.

The bonus pool available for distribution represents an additional 4.0 per cent of the profits achieved (as adjusted) which count towards the maximum amount under both the Development Profit Plan and Joint Venture Profit Plan for that financial year and 2.0 per cent of each of the Initial Bonus and Deferred Bonus pools achieved under the Investment Growth Plan. Awards would be made to individuals at the discretion of the Remuneration Committee. In doing so, the Committee will take into account whether individuals are already eligible for awards under the Development Profit Plan, Joint Venture Profit Plan and Investment Growth Plan. As a guideline, 75.0 per cent of the bonus pool will be allocated to the Executive Directors and 25.0 per cent to senior management.

Awards will be subject to a risk underpin such that 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. In making awards to individuals, the Committee will also take into account the overall performance of the Company.

g) Performance Share Plan

Awards under the Performance Share Plan will be made on the basis that shares will be acquired subject to the satisfaction of performance conditions over a three-year performance period, with no retesting. The performance is measured by comparing the TSR achieved by the Company with the individual constituent members of the FTSE All Share Real Estate Index. There is a sliding scale of vesting as follows:

i) 25.0 per cent of the award will vest if the Company's TSR equals the median TSR of the comparator group;

ii) 100.0 per cent of the award will vest if the Company's TSR equals or exceeds the 85th percentile TSR of the comparator group; and

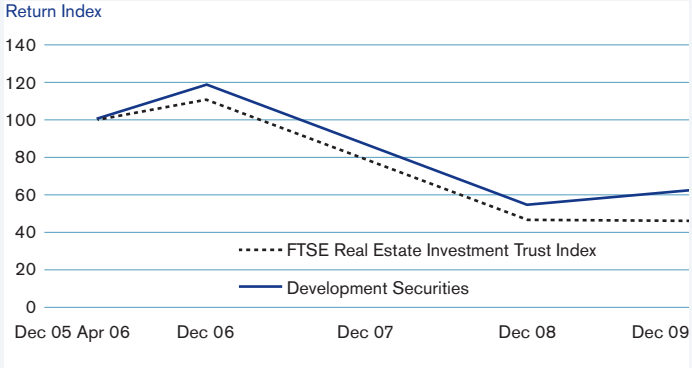
iii) pro rata vesting will apply in-between the above points.

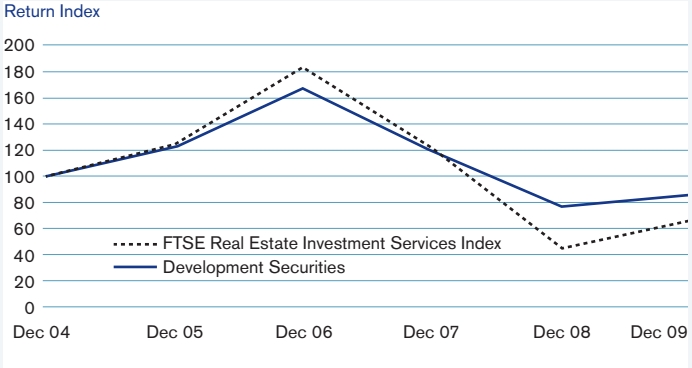
In addition, the Remuneration Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance over the performance period (typically by considering the change in net asset value). For awards from 2010, a risk underpin (as described above) will also apply.

On 8th May 2009, awards were made under the Performance Share Plan to M H Marx of 162,931 shares in the Company representing 150.0 per cent of salary, and to C J Barwick, M S Weiner and G Prothero of 97,759 shares each representing 100.0 per cent of salary. In total, 660,277 shares were, at the discretion of the Remuneration Committee, awarded to 30 employees and the four Executive Directors. Following the Firm Placing and Placing and Open Offer the number of shares awarded under the Performance Share Plan were adjusted by applying a formula proposed by Linklaters LLP.

The performance condition under the award made on 8th May 2007 has now been assessed with the Company ranking in the 50th percentile and which would otherwise have given rise to an award of 25.0 per cent of the shares contained within the award. However, it has been deemed by the Remuneration Committee that there has not been a sustained improvement in the Company's underlying financial performance over the period from 1st January 2007 to 31st December 2009 and accordingly there is a nil vesting.

Following the introduction of the Strategic Profit Plan, awards for 2010 will be reduced by 50.0 per cent for Executive Directors, representing 75.0 per cent of salary for M H Marx and 50.0 per cent of salary for C J Barwick, M S Weiner and G Prothero.





The above graphs demonstrates the Company's total shareholder return 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 FTSE All Share Real Estate Index used in previous years has ceased to be published and having reviewed the constituents of the previous index it was felt that these two indices are considered the most appropriate indices for comparison of the Company's business performance against that of its competitors. 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. It should be noted that the FTSE Real Estate Investment Trust index commences in April 2006 when REITS were constituted.

h) Option scheme 1993

The option scheme 1993 is a share-based bonus scheme approved by shareholders in that year. It allows individuals to benefit from movements in the price of the Company's shares over the period between the third and tenth year following grant. The Directors may at the date of grant limit the aggregate notional bonus which may become payable.

No new grants have been made during the year and none are currently outstanding.

i) Share option schemes

The Executive Share Option Scheme 1995 was approved by shareholders in that year. This was replaced by the Executive Share Option Plan 2005 which was approved by the shareholders at the 2005 Annual General Meeting on 12th May 2005. The options under both schemes were granted on the basis that they may only be exercised if a performance condition is satisfied.

The only grant during the year under the Executive Share Option Plan 2005 was for 100,000 options to a senior manager. The outstanding options were adjusted following the Firm Placing and Placing and Open Offer under a formula proposed by Linklaters LLP and for those approved options, were agreed by HM Revenue & Customs (HMRC). The performance condition for those options outstanding is to measure the average net asset growth of the Company over three consecutive financial years against the growth in the Investment Property Databank Index (All Property). The options will vest on a sliding scale with 50.0 per cent if average net asset growth is at least equal to that of the index, 100.0 per cent if in excess of the Index by 4.0 per cent per annum and pro rata vesting in-between. The performance condition will not be retested after the end of the performance period. The performance condition is considered appropriate as the Index measures against the Company's added value.

It is the intention of the Remuneration Committee that no further grants be made to Executive Directors except under exceptional circumstances, for example a new appointment or an acute retention requirement. Grants to senior managers may continue in the future as appropriate.

Following the declaration of a 28.5 pence special dividend on 19th February 2003, the Remuneration Committee have resolved that option holders may receive a cash bonus upon exercise of those options then outstanding, equivalent to the special dividend as equitable compensation.

j) Savings related option scheme

The Save As You Earn Option Plan 2005 was approved by shareholders at the 2005 Annual General Meeting. The third grant under the Plan was made on 28th October 2008 for a total of 93,014 options over shares at 284 pence per share to 39 members of staff, including M H Marx, C J Barwick and M S Weiner for 3,380 options over shares each. The Option Plan was open to all employees who had been employed by the Group in excess of one month. 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. Following the recent Firm Placing and Placing and Open Offer the outstanding options were adjusted in accordance with a formula proposed by Linklaters LLP and approved by HMRC creating a revised option price of 274.1645 pence over 85,694 options in favour of the 35 remaining members of staff. The options granted on 22nd May 2006 matured on 1st July 2009 with the one remaining participant retaining an option over 403 shares, but with the option underwater upon maturity, the option lapsed.

Remuneration report continued

k) Directors' contracts

The contracts of employment in relation to M H Marx dated 24th June 1994, of C J Barwick dated 12th May 1998, M S Weiner dated 17th March 2004 and G Prothero dated 11th June 2008 may all be terminated upon 12 months' notice by either party. The contracts do not specify an expiry date. Severance payments are based upon the service contract terms, whilst bearing in mind a duty to mitigate, where appropriate. In the event of early termination, the contractual entitlement includes salary, pension, benefits in kind and any awards outstanding under the sections described above, subject to the rules of the individual schemes and plans. V M Mitchell, M S Soames, D S Jenkins and P V S Manduca serve for fixed terms expiring at the date of the Annual General Meetings to be held in 2012, 2012, 2010 and 2011 respectively, although P V S Manduca will be stepping down at this year's Annual General Meeting. D S Jenkins' letter of appointment may be terminated with 12 months' notice by either party and those for V M Mitchell, M S Soames and P V S Manduca may be terminated with six months' notice by either party.

The fees of the Non-executive Directors are determined by the Board within the aggregate limit set by the Articles of Association. No Director participates in any discussion about their own particular remuneration. The fees of the Non-executive Directors were reviewed with effect from 1st July 2006 based on advice received from the Company's previous remuneration consultants, Towers Perrin. The basic fee of a Non-executive Director is £30,000 per annum, with £7,500 per annum for chairmanship of the Audit and Remuneration Committees and £2,500 per annum for membership of those two Committees, and with £2,500 per annum awarded to the Senior Independent Director. The fees of the Chairman were reviewed at the same date by the Remuneration Committee representing £60,000 per annum. There has been no change to the fees of the Non-executive Directors. A new Non-executive Director was appointed on 15th January 2010. S C Bates whose appointment will be put to the shareholders at this year's Annual General Meeting receives a basic fee of £40,000 per annum and whose letter of appointment may be terminated with six months' notice by either party.

Executive Directors may accept appointment to an external Non-executive Directorship to gain experience, provided this does not create any conflict of interest and for which they may retain any attributable fees. The only Executive Directors to have received any external Non-executive Directorship fees during the year were M H Marx, who received £32,500 from Nationwide Accident Repair Services PLC and C J Barwick, who received £45,000 from London & Continental Railways Limited.

l) Retirement benefits

Qualifying members of staff are invited to join the Development Securities PLC retirement benefits scheme, which is a contracted-in money purchase scheme, including appropriate life assurance. Since the Company's policy is to render pension payments on a defined contribution basis, this avoids the uncertainty of pension liabilities to the Company, which would be the case had a defined benefit scheme been adopted. M H Marx and G Prothero have separate personal pension arrangements, whilst C J Barwick and M S Weiner are members of the Company scheme. The maximum contributions by the Company towards the approved Company scheme, and any alternative arrangements may not exceed a total of 17.5 per cent of salary.

m) Executive Directors' shareholding requirement

During 2003, it was determined that Executive Directors should align themselves with shareholders' interests, with any new Executive Director obliged to establish a beneficial shareholding to the value of one-half of their basic salary within two years of appointment, rising to an amount equivalent to basic salary after four years. M H Marx, C J Barwick, and M S Weiner have all met the amount equivalent to basic salary, with G Prothero yet to be employed for 2 years. Directors' shareholdings are disclosed below.

The interests of the Directors, all of which were beneficial, in the share capital of the Company, were:

Ordinary shares	2009 Number	2008 Number
D S Jenkins	24,230	15,000
M H Marx	367,665	281,156
C J Barwick	188,507	144,153
M S Weiner	94,299	45,995
G Prothero	25,450	7,940
V M Mitchell	2,502	1,549
M S Soames	41,577	5,739
	744,230	501,532

All Directors took up their full entitlement under the Firm Placing and Placing and Open Offer.

2 Directors' emoluments (audited)

The total Directors' remuneration was as follows:

	2009 £'000	2008 £'000
Emoluments	3,549	2,609
Long-term incentive plan	–	196
Company contributions to money purchase pension schemes	200	169
Gain on exercise of share options	–	18
	3,749	2,992

The remuneration of the individual Directors who held office during the year is set out below:

	Salaries and fees £'000	Total Bonus £'000	Benefits in kind £'000	Total 2009 £'000	Total 2008 £'000	Long-term incentive plan 2009 £'000	Long-term incentive plan 2008 £'000	Pension contributions 2009 £'000	Pension contributions 2008 £'000
Chairman:									
D S Jenkins	60	–	–	60	60	–	–	–	–
Executive Directors:									
M H Marx	315	378	21	714	554	–	73	53	54
C J Barwick	283	452	16	751	1,409	–	73	49	51
M S Weiner*	283	1,144	16	1,443	388	–	50	49	55
G Prothero (from 3rd November 2008)	283	170	16	469	86	–	–	49	9
Non-executive Directors:									
P V S Manduca	40	–	–	40	40	–	–	–	–
V M Mitchell	35	–	–	35	35	–	–	–	–
M S Soames	37	–	–	37	37	–	–	–	–
	1,336	2,144	69	3,549	2,609	–	196	200	169

* highest paid director

Benefits in kind received during the year comprise motor vehicles, cash in lieu of a motor vehicle, fuel and medical insurance.

Remuneration report continued

3 Directors' share schemes (audited)

Options:	1st January 2009 Number	Granted	Adjusted following equity raise	Exercised	31st December 2009 Number	Revalued exercise price Pence	Market price at exercise Pence	Gain on exercise £'000	Date from which exercisable	Expiry date
M H Marx										
Savings related scheme	3,380	–	3,501	–	3,501	274.1645	–	–	01.12.11	31.05.12
C J Barwick										
Savings related scheme	3,380	–	3,501	–	3,501	274.1645	–	–	01.12.11	31.05.12
M S Weiner										
Executive option scheme 1995	28,827	–	29,861	–	29,861	326.25	–	–	27.03.04	26.03.11
Executive option scheme 1995	66,979	–	69,382	–	69,382	347.50	–	–	19.04.07	18.04.14
Executive option scheme 2005	40,000	–	41,435	–	41,435	430.25	–	–	27.10.08	26.10.15
Executive option scheme 2005	40,000	–	41,435	–	41,435	559.75	–	–	28.04.09	27.04.16
Savings related scheme	3,380	–	3,501	–	3,501	274.1645	–	–	01.12.11	31.05.12

Performance Share Plan:	Date of grant	Market price at date of grant Pence	1st January 2009 Number	Granted	Adjusted following equity raise	Exercised	31st December 2009 Number	Final vesting date
M H Marx	08.05.07	605.0	71,469	–	74,033	–	74,033	31.12.09
	13.05.08	408.75	124,629	–	129,100	–	129,100	31.12.10
	08.05.09	310.0	–	162,931	168,776	–	168,776	31.12.11
C J Barwick	08.05.07	605.0	42,717	–	44,249	–	44,249	31.12.09
	13.05.08	408.75	74,777	–	77,460	–	77,460	31.12.10
	08.05.09	310.0	–	97,759	101,266	–	101,266	31.12.11
M S Weiner	08.05.07	605.0	42,717	–	44,249	–	44,249	31.12.09
	13.05.08	408.75	74,777	–	77,460	–	77,460	31.12.10
	08.05.09	310.0	–	97,759	101,266	–	101,266	31.12.11
G Prothero	08.05.09	310.0	–	97,759	101,266	–	101,266	31.12.11

a) None of the Directors had a beneficial interest in the shares of any subsidiary company.

b) The mid-market price of the shares at the close of business on 31st December 2009 was 341.75 pence and the range during 2009 was 122.0 pence to 360.0 pence.

c) No options lapsed or were exercised during the year, except as disclosed above.

d) The performance condition under the Performance Share Plan award granted on 8th May 2007 has been tested during 2010, giving rise to a nil vesting. With this exception, there were no further transactions between 31st December 2009 and the date of this report.

Approved by the Board and signed on its behalf by:

M S Soames
Chairman of the Remuneration Committee
22nd March 2010

Financial calendar and advisors

Financial calendar

Annual General Meeting	7th May 2010
Payment of Ordinary Dividend	6th July 2010
Announcement of Interim Results to 30th June 2010	August 2010

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S A Lanes FCA

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Registered number
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Development Securities PLC is incorporated in Great Britain and registered in England and Wales.

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PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Principal bankers
Alliance & Leicester PLC
Aviva Commercial Finance Limited
Bank of Scotland PLC
Barclays Bank PLC
Lloyds TSB Bank PLC
The Royal Bank of Scotland PLC

Corporate solicitors
Linklaters LLP

Financial advisor and corporate stockbroker
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