RNS Number : 4897U

INTERIM MANAGEMENT STATEMENT - 15 MAY 2008

Development Securities PLC publishes its first Interim Management Statement for 2008.

Development Securities continues, together with its long-term development partners, its active development programme in London, Manchester and Southampton.

David Jenkins, Chairman, commented:

Notwithstanding the general continuing uncertainties in the property marketplace induced by the liquidity crisis within the banking system, the Company is progressing well in its main area of activity which involves substantial mixed-use urban regeneration development. At all of the five projects which are currently in their active development phase, the Company has been able to work within its accustomed business model of developing major projects with only a limited market exposure, since we prefer to share the majority of such development risk with financial partners and institutions who are the more appropriate long-term investors for such real estate projects. Shareholders will be familiar with these projects:-

- PaddingtonCentral - One, Two and Three Kingdom Street, W2

- St Brides Street, London EC4

- CityPark, Manchester

- West Quay III, Southampton

Practical completion of One Kingdom Street was achieved in February this year and discussions are in hand with a number of potential tenants for this prime office building. Interest is good and viewings have been active, with a number of potential occupiers attracted by the combination of quality and price. Clearly the market is more cautious than we had anticipated last year, but we are encouraged.

Construction activity on the above developments remains on schedule.

With regard to the 360,000 sq ft regeneration scheme at the 1.5-acre town centre site in Hammersmith, we continue to await the completion of appropriate development finance.

Our property at Stonecross Park, Wigan was sold in February this year for £8.0 million, realising a surplus over book value of £0.8 million. Originally acquired by your Company with vacant possession, the property was significantly refurbished and sold to an owner occupier. Accordingly, the current level of void space within our property portfolio has reduced to 4.7%.

Elsewhere, planning consent has been obtained for a 312-unit residential scheme in Crawley town centre and at Winchester, within one of our joint venture relationships, an agreement for lease with Waitrose has been signed in respect of a 35,000 sq. ft store.

Asset management initiatives continue at Ringwood, Thatcham, Bexleyheath and Swanley, the major retail assets within our investment portfolio.

An agreement has been reached with the successor business to Stead & Simpson Limited, which Company was placed into Administration in January this year, whereby certain guarantee obligations under a lease dated February 1991 between Stead & Simpson Limited and the then freeholder have effectively now been crystalised against your Company. Provision for the estimated net present value after tax of such exposures amounting to £1m will be made in the Interim Report for the six months to 30th June 2008.

The balance sheet has been strengthened in a number of respects. Firstly, in February this year we prepaid a £34 million 8.3% fixed rate, secured term loan that was due for expiry in 2018. As part of the prepayment arrangements, the company paid a settlement amount of £5.9 million to the loan provider.

The property collateral released as a result of this loan repayment has now been charged to a medium term £38 million floating rate, revolving facility with Bank of Scotland Corporate. In addition, Bank of Scotland Corporate are providing a medium term £28 million secured facility in connection with the planned phases of future development of the charged properties.

Secondly, in April this year, we sold our interest in Kirkby shopping centre to Tesco for £65.5 million, equal to its net book value and original acquisition cost in April 2007. This transaction significantly reduced the level of net gearing - from the £71.5 million net borrowings at 31 December 2007 - thus providing an even firmer platform for Development Securities as we enter what may prove to be a more challenging period in the near term for the UK economy, the banking system and hence for property investment and development.

We remain alert for property acquisition opportunities as the market continues to generally re-price downwards in the absence of significant rental growth expectations and in the face of increasing costs of finance.