8th April 2008

DEVELOPMENT SECURITIES PLC – UNAUDITED PRELIMINARY RESULTS
Well poised for the cyclical downturn

Development Securities PLC, the leading property development and investment company, today announces a pre-tax profit of £0.2 million for the year ended 31st December 2007. The £2.0 million share buyback programme largely accounted for the decrease in shareholder funds of £2.5 million to £228.9 million, equivalent to 564 pence per share. This compares to £231.4 million and 568 pence per share 12 months earlier.

In a year that has seen the property industry encounter significant challenges, Development Securities reports 3.7% IPD Total Portfolio Return* from its investment portfolio, compared to the All Market Return of a negative 3.4%. The balance sheet was strengthened during the year by the issuance of €47 million, 20-year Unsecured and Subordinated Floating Rate Loan Notes, which were fully exchanged into a £33 million fixed-rate debt obligation of equivalent term.

David Jenkins, Chairman of Development Securities PLC, commented:

"In the context of the then current market conditions, these are acceptable results. As we mentioned in our 2006 Annual Report, the relative performance of the property sector participants will not be evident until the end of the current property cycle. I am pleased to report that the Board anticipated some of the dangers in the market some four years ago when it implemented a strategy of diversification that took our traditional focus away from Central London towards provincial UK cities and suburban London. We will continue to focus on urban development opportunities, and are watchful that the next few years may begin to provide appropriate market conditions for us to return to Central London.

"Another year of excellent returns from our property investment portfolio compared to the market performance, validated our medium-term strategy in only acquiring investment properties that contained defensive qualities. Our focus on the retail sector is underpinned by the robust sub-asset class of neighbourhood convenience retailing, typically led by a food store anchor, which offers both resilient pedestrian footfall and not insignificant redevelopment opportunities.

"The Company's ability to source the substantial additional funding in challenging market conditions highlights its stature in the capital markets. We continue to pursue our risk-averse policy of maintaining modest levels of net gearing and seeking, wherever possible, to engage long-term institutional partners for our substantial development projects."

Financial highlights
unaudited for the year ended 31st December 2007

	31st Dec 2007	**31st Dec 2006**
Profit before tax	£0.2 million	£22.8 million
Earnings per share	0.0p	63.4p
Net assets	£228.9 million	£231.4 million
Net assets per share	564p	568p
Dividend per share	7.2p	6.75p
Gearing *	31%	6%

* refer note 6

Property and other highlights

PaddingtonCentral

- completion of 250,000 sq ft office building, with 30% pre-let, together with development partners Morley Fund Management and Union Investment Real Estate.
- construction commenced on the next phase, a 230,000 sq ft office building approved by development partners Morley Fund Management and Quinlan Private for completion in 2010.

Southampton

- commenced fully forward funded construction of 150,000 sq ft headquarters building for Carnival PLC scheduled for completion in 2009.

St Brides London EC4

- commenced fully forward funded 55,000 sq ft office development scheduled for completion in 2010.

City Park, Manchester

- commenced construction of 147,000 sq ft office scheme, forward sold to private investor for part owner occupation.

Issued €47 million, 20-year Unsecured and Subordinated Loan Notes, with the proceeds fully exchanged through an interest and currency swap into a £33 million fixed-rate debt obligation of equivalent term.

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Chairman's statement

I am pleased to report a profit before tax of £0.2 million for your Company in a year which has seen the property sector encounter significant challenges.

The £2.0 million share buyback programme largely accounted for the decrease in shareholder funds of £2.5 million to £228.9 million, equivalent to 564 pence per share. This compares to £231.4 million and 568 pence per share 12 months earlier.

For the first time in many years, the contribution from our development and investment activities was insufficient to generate a significant surplus over our operating and financing costs. Accordingly, I report a near break-even position for the year and neutral earnings per share, compared to a profit after tax of £23.6 million and earnings per share of 63.4 pence for the previous year.

However, the Board has recommended the payment of a final Ordinary dividend for the year of 4.8 pence per share payable on 3rd July 2008 to shareholders on the register on 6th June 2008.
This brings the Ordinary total dividend coupon for the year to 7.2 pence per share, an advance of 6.7 per cent over the previous year.

Our balance sheet was strengthened during the year by the issuance of €47 million, 20-year Unsecured and Subordinated Floating Rate Loan Notes in September. The proceeds were fully exchanged through an interest and currency swap into a £33 million fixed rate debt obligation of equivalent term. Following on from the £23.1 million Ordinary share placing in November

2006, the ability of your Company to source additional funding in the challenging market conditions that were prevalent in the second half of 2007, reflects its improving stature in the capital markets.

Strategy

Our strategy of diversification, which we implemented some four years ago, took our business away from the Central London markets towards the main provincial UK cities and suburban London. This policy remained unchanged in 2007, since we continued to believe that conditions in the prime City of London and West End markets offered insufficient returns for risk, which was not the case in our alternative markets of choice. That caution, with the advantage of hindsight, may well have been correct, and we are now watchful that the next few years may begin to provide appropriate market conditions for your Company to reappraise the risks and returns available in the Central London market.

We will continue to seek out large scale, multi-phase urban development projects. We believe that the scale and complexity of such regeneration projects afford us a certain competitive advantage, as well as strengthening our pipeline of activity in the medium term. Such activity, which includes our work at PaddingtonCentral and the Royals Business Park in London, Curzon Park in Birmingham and The Heart of Slough project, now exceeds three million sq. ft. of future development.

With our track record and expertise in both stand alone and mixed-use projects, we remain focused on all main sectors, with the possible exception of the industrial market. This is also unlikely to change in the foreseeable future.

I am pleased to report another year of superior level returns from our property investment portfolio compared to the overall market. We achieved a 3.7 per cent IPD Total Portfolio Return* in 2007, compared to the IPD UK Annual Property Index of a negative 3.4 per cent. 2007 was the year in which our medium-term strategy of acquiring only such investment properties that contain innate defensive qualities was tested and found to be resilient. As I reported in September, we have been significantly overweight in the retail sector but, as our shareholders will be aware, our sub-sector of choice is neighbourhood convenience retailing, typically anchored by a significant food store. Not only does this sub-asset class offer a resilient pedestrian footfall, but the unenclosed nature of these assets frequently offers significant redevelopment opportunities, as retailers focus on locations which can provide convenience and increased customer trip journeys.

In recent years, and in this respect 2007 was no different, our allocation of resources into the investment property portfolio fell below target levels as we remained unable to identify additional investments that offered the returns that we felt appropriate. That caution also appears to have been justified.

2007 saw us commence development-led joint venture relationships with both CTP Limited, a Manchester-based property development company specialising in projects in the North of the UK, and Fiducia Group Limited which primarily develops the retail component of new residential neighbourhoods. In January of this year, we were pleased to form a joint venture with Blue (Sustainable Living) Limited to pursue sustainable residential and mixed-use development opportunities.

Outlook

The difficulties in certain parts of the financial markets that became apparent in the second half of 2007, and which have continued since, had their most significant external impact on the property market. It is perhaps too early to predict accurately the full ramifications of this liquidity squeeze, but we sense that valuations of property assets may shortly be approaching levels which more accurately reflect risk.

However, the impact that the projected economic slowdown in the UK will have on the strength of occupier demand for office accommodation has not yet been revealed. Since our activities are primarily involved in the delivery of such new accommodation, it is here that we must be at our most vigilant.

We will continue to focus on urban development opportunities, possibly now embracing Central London for the first time in several years, deepen relationships with our regional joint venture development partners and possibly seek new ones that complement our now expanded portfolio of activity.

We plan to continue our risk-averse policy of maintaining relatively modest net debt and gearing* and seek, wherever possible, to engage long-term institutional partners for our substantial development projects.
* refer note 6

Conclusion
There is no doubt that the property market has been impacted by the turmoil in the financial sector. Given the importance to the property market of a confident and healthy banking community, it is likely to be some time before adequate bank liquidity is available again to finance the demand that we feel lies latent in the property business. Consequently, value growth will be inhibited until stability returns to the financial services sector.

Creation of real value has, in our view, always originated from development activity that delivers a real impact on the physical environment in which we live and work. This activity is our core area of expertise from which we will seek to benefit in the years ahead. Such activity relies on a confident occupier market, and we are hopeful that the forecast slowdown in the UK economy will not be of such proportions that occupier prospects are seriously damaged. However, favourable prospects for the occupier markets will recede the longer the current difficulties in the financial sector remain unresolved.

Our development activity will continue in 2008 in a number of important locations such as Paddington, Southampton and Manchester, and we anticipate securing profitability in the current year from these, amongst other projects, as well as moving closer to commencing development activity in Slough, the Royals Business Park and Hammersmith in West London.

I believe that our reputation as a developer with both the expertise and the appetite to unlock large-scale development value will continue to be to our advantage in a world where more equity capital may be available, in direct contrast to the more restrained liquidity available from bank finance. Our ability to intermediate between development opportunities on the one hand and equity capital on the other, will prove increasingly relevant.

I am confident that we have the management team and resources necessary to meet these challenges.

As previously reported, Paul Willis stood down as a member of our Board for family reasons in March 2007 and Roy Dantzic, our former Chairman, retired in May 2007 after four years of exemplary service. For myself, I was very pleased to have been appointed to your Board in February 2007.

I am pleased to thank, on your behalf, all of the management and staff of Development Securities for their considerable efforts, commitment and professionalism in what has been a challenging year.

David Jenkins
Chairman
8th April 2008

Review of operations

2007 was the year that the chickens came home to roost in the financial services sector, as the most significant liquidity squeeze in recent memory impacted the capital markets. Other than this sector, property was the worst hit asset class as values tumbled across the board in recognition that reduced liquidity and appetite for property lending in the banking community would have potentially serious consequences in our sector, as investor appetite diminished at the prospect of financing property with more equity and less bank debt. This rapid re-pricing of risk, which occurred towards the end of the year, was anticipated some six months earlier by the real estate equity sector.

As a consequence of this credit crunch, UK annual GDP growth is estimated to slow significantly from an above trend 3.0 per cent in 2007 to a below trend figure of less than 2.0 per cent in both 2008 and 2009, prompting the Bank of England's Monetary Policy Committee to reduce interest rates. Whilst there may be some upward pressure on inflation from currency weakness and rising commodity prices, wage increases in the UK have remained moderate, and it is anticipated that the UK consumer will cut spending growth to 2.0 per cent in 2008 in the face of residential property market concerns and higher household debt levels. The unknown factor is the extent to which the knock on effects of the banking liquidity crisis will eventually effect the rest of the UK economy, since confidence levels could easily be shaken by events yet to unfold and none of us should be complacent in that regard. A more distant threat, but a threat nevertheless, is the unbalanced nature of the global economy, with reliance on economic growth in Asia assuming ever increasing proportions. At some stage, this imbalance will need to be addressed.

Clearly, a property asset price bubble had formed in recent years and the necessary market correction was made. Nowhere was this more keenly witnessed than in the Central London office market where double-digit positive returns were posted in the nine months to September only to be turned around into negative territory three months later. Our three pronged risk-averse strategy, maintained through recent years, continued primarily to seek out property for our investment portfolio which is able to provide a mixture of defensive, stable income and positive asset management opportunities to create value. We are pleased to report that this strategy has been validated as the downturn in values impacted the market in the final quarter of 2007. Against the backdrop of market declines of more than 10.0 per cent, the capital value of our portfolio declined by only 1.0 per cent, generating a Total Portfolio Return* as measured by IPD of 3.7 per cent as compared to the IPD UK Annual Property Index for 2007 of negative 3.4 per cent. Once again, we have achieved an upper quartile performance ranking. Secondly, we continued with our policy of reducing our equity exposure to large-scale, speculative development by seeking institutional partners more appropriate to long-term substantial real estate exposures and thirdly, we maintained a modest level of net gearing*.

Our main concern currently is the health of the UK occupational market since, as we have always maintained, long-term property performance is driven by rental growth. If the impact of the credit crisis is limited to the banking and financial services sector, the occupational markets, with the exception of the City of London office market, could remain stable and lead us to believe that current pricing levels are fair valued. The risk, however, remains on the downside and we would not be surprised to see further capital value falls through 2008 and possibly 2009. We anticipate that rental growth at best will be weak this year and at worst slightly negative, as the consumer-led slowdown

gathers pace, with businesses likely to delay expansion plans and reduce employment levels.
*refer note 6

West Quay, Southampton
The site acquisition and development of the new headquarters building for Carnival PLC at West Quay III, Southampton was forward funded with Lime Property Fund Limited Partnership in 2007. Carnival PLC entered into an agreement to lease for a term of 20 years on completion of the development.

The scheme is presently under construction, within budget and within timetable. The project commenced the regeneration of this city centre brown field site. Practical completion of this £75 million building is scheduled for the first quarter of 2009.

Negotiations in respect of a second phase of similar size on an adjoining site are still in hand with Southampton City Council.

PaddingtonCentral
Our landmark urban regeneration project, PaddingtonCentral, has benefited from hitherto buoyant occupier demand and the consequent low office vacancy levels in the West End office market. Construction continued throughout 2007 on the current phase, a 250,000 sq. ft. office building at One Kingdom Street and a 206-room Accor hotel, funded by our development partners Morley Fund Management and Union Investment Real Estate. Practical completion of the office component was achieved on schedule in February 2008. In the autumn of 2007, we secured a pre-letting of 73,000 sq. ft. to Misys plc, representing approximately 30 per cent of the available space. With West End vacancy rates at their lowest end-of-year level since 2000, we anticipate leasing the remainder of the accommodation during 2008. The hotel is scheduled to be completed this autumn.

In January 2008, we were pleased to announce that Morley Fund Management and Quinlan Private had formed a joint venture partnership to fund Two Kingdom Street, the next phase of development at PaddingtonCentral. This £275 million building will provide 230,000 sq. ft. of prime office accommodation and 22,000 sq. ft. of high-end studio space. Construction of this building designed by Kohn Pedersen Fox has already commenced, with practical completion anticipated by mid-2010.

CityPark, Manchester
This mixed-use site benefits from a planning consent for a 250-room hotel and a 147,000 sq. ft. office building. The hotel element of the site was sold in June 2007. In October 2007, the office component was forward sold to a private investor for part owner occupation, whereupon development activity commenced on site with practical completion scheduled for mid-2009. Construction, currently on schedule and within budget, is financed on our own balance sheet against the bank-guaranteed sale contract with the private investor. Accordingly, we believe that a satisfactory financial outcome will be achieved.

Colindale, London NW9
In June 2007, we obtained planning permission for our mixed-use scheme at 399 Edgware Road, London NW9, comprising 300,000 sq. ft. gross retail space and 340,000 sq. ft. of private and affordable housing, together with a new 420 pupil primary school. In November 2007, we completed the sale of the property to a private investor for £68 million, with the consideration comprising both cash and loan notes payable on or before 30th June 2008. Notwithstanding that the future payments due under the loan notes are secured by way of a first charge on this property in favour of Development Securities, it nevertheless felt appropriate to exclude the revenue and resultant profit from our 2007 results, since approximately 75.0 per cent of the original consideration falls due for redemption in

2008. Accordingly, we anticipate that the disposal will be reflected in our 2008 financial statements. At the outset, like all its other major regeneration schemes, the Company planned to implement the new consented scheme, possibly in conjunction with a residential developer. However, on this occasion, the Company acted upon an early opportunity to realise the value in the site and reinvest the equity thus released into the Company's expanding development programme.

Curzon Park, Birmingham

Just over a year ago, in equal partnership with Grainger PLC, we acquired this 10-acre site for £33.5 million. With a gross development value of over £350 million, this scheme will provide some 800,000 sq. ft. of office and 400,000 sq. ft. of residential accommodation, together with a 180-bed hotel and 30,000 sq. ft. of retail space. Clearly, a project of this scale will be delivered on a phased basis, which we anticipate will stretch over 10 to 15 years. Your Company is managing the planning process and the construction of the required infrastructure as well as the commercial phases, with Grainger plc project managing the residential component. The outline planning application was lodged in July 2007 with consent anticipated in the next few months. Acquisition of the site was funded by a mix of bank finance and equity from ourselves and our joint venture partner.

Hammersmith Grove, London W6

In September 2007, we exchanged contracts with London Underground Limited for the acquisition of a 1.5-acre site in Hammersmith town centre, immediately adjacent to the Hammersmith and City Line underground station. The acquisition will be undertaken through a Jersey property unit trust with funding from The Royal London Mutual Insurance Society Limited, The National Bank of Dubai and ourselves. This town centre regeneration scheme, designed by Hamiltons Architects, includes 325,000 sq. ft. of offices, a 20,000 sq. ft. cinema to be pre-leased to the Everyman Group and 15,000 sq. ft. of high-quality restaurants and retail accommodation, alongside a significant new area of public open space.

Commencement of construction will await the completion of appropriate development bank finance. We intend to deliver West End quality accommodation to occupiers seeking a prestige location in the west of London.

Cambourne Business Park

We have already completed three phases at our 750,000 sq. ft. scheme located nine miles from Cambridge. The business park is an integral part of the new Cambourne Settlement, a 1,040-acre scheme of 3,300 houses with town centre, hotel, retail and leisure facilities. It is unfortunate that discussions with an institutional partner for the forward-funding of the next 50,000 sq. ft. phase were interrupted by the property market uncertainties in the final quarter of 2007. All funding solutions will be considered once appropriate market conditions return.

Broughton, Flintshire

Progress has been unavoidably protracted on both the retail and residential land holdings.

With regard to our 19-acre residential site, the Planning Inspector has now studied our proposals during the final stages of his review of the emerging Unitary Development Plan (UDP). Whilst not wishing to pre-judge his final report, which is anticipated by the end of 2008, it is pleasing that the Local Authority itself previously ratified the status of this land as allocated for residential use in the emerging UDP. Our outline planning application is prepared and ready for immediate submission once the Inspector's report has been published. Once planning consent has been granted, consideration will be given as to how the increased value can be best realised.

Planning consent in respect of the 171,000 sq. ft. extension to the existing Broughton Retail Park was achieved in March 2007. It is quite possible that the softening of market conditions in out-of-town retail parks will slow down the implementation of this consent by ourselves and our potential joint venture partner, British Land PLC. We have already acquired the land necessary to construct the road interchange that will provide enhanced access to the expanded retail facilities and also the 10 acres of land required to construct a reservation for the existing, protected local populations of greater crested newts.

Hartfield Road,Wimbledon, London SW19

Following the refusal of our first application in April 2007, a revised application was submitted for a simplified and marginally smaller project of 35,000 sq. ft. retail and 83,000 sq. ft. private apartments including affordable units. We believe that this second application will be considered within the next few months. If successful, construction is likely to start in January 2009.

Luneside, Lancaster

Land remediation on this 17.5-acre urban regeneration project is anticipated to commence later this year. Detailed planning consent for the first phase of commercial development has been obtained comprising 90,000 sq. ft. of commercial space together with a hotel. Outline planning consent exists for 350 residential units for which we are now selecting our preferred development partner.

The Royals Business Park

In August 2007, agreement was reached for the disposal by Standard Life Investments of the long leasehold interest in Building 1000, the 252,000 sq. ft. office facility at the first development phase on the 50-acre development site at The Royals Business Park, opposite London City Airport. With the acquisition by Newham Borough Council of this building for their own occupation, discussions are presently in hand with the relevant authorities to consider the introduction of other uses to the next phase of this site in order to create a truly mixed-use and sustainable environment.

St Bride Street, London EC4

In June 2007, we received planning consent for the redevelopment of 10 St Bride Street, on the western side of the City of London. This 55,000 sq. ft. office and leisure project is forward-funded with the Luxembourg-based fund, Sireo Immobilien Fonds. Construction work has now commenced behind the partially retained façade of the pre-existing building. Practical completion is scheduled for the first quarter of 2010.

Heart of Slough

This mixed-use regeneration project, in partnership with Berkeley Homes, Slough Borough Council and English Partnerships includes 350,000 sq. ft. office accommodation, retail units, 50,000 sq. ft. library and 1,400 residential units. Progress was made in 2007, with discussions having commenced for the vacant possession of the bus station and with Slough Borough Council leading the design and procurement process, while master plan development continues. We anticipate submitting our revised planning application for the scheme in the latter half of 2008.

Kirkby Shopping Centre, Liverpool

In April 2007, we acquired this town centre retail asset for £65 million. The asset offered precisely the regeneration potential that fits within our core area of retail expertise.

In November, we undertook our initial public consultation exercise to establish the important community benefits that Kirkby residents wanted to see as part of our significant regeneration proposals. We are presently in discussion with Tesco plc regarding their recent planning application for

a large retail-led development incorporating a new football stadium. If we are unable to reach a mutually compatible resolution, we plan to submit our own revised master plan and planning application later this year. Our proposals, which will include significant additional retail accommodation, a new civic quarter for the town centre and a complete upgrade of the public realm, have been strengthened by our recent signing of an Exclusivity Agreement with ASDA Group Limited under which they will anchor the redevelopment.

In the short term, we are implementing basic asset management initiatives to strengthen the income stream and are encouraged by the level of occupier interest.

Furlong Shopping Centre, Ringwood
The performance of our 83,000 sq. ft. neighbourhood shopping centre in Ringwood excelled once again in 2007, returning £2.9 million (11.3 per cent) of capital growth driven by some 30.0 per cent rental growth, an outstanding result given that the asset suffered a predictable yield correction. During the year, active management added yet another brand name to the already diverse ladies fashion offer. Ringwood is now a significant fashion destination near the South Coast, with tenant demand increasingly comprising higher value fashion retailers, and we aim to consolidate the rental tone in 2008, targeting £85 zone A rents. This augurs well for phase II of the scheme, for which we anticipate planning consent in 2008. This phase will comprise an additional 20,000 sq. ft. of retail accommodation, including some restaurants, to improve visitor dwell times at Ringwood.

Kingsland Shopping Centre, Thatcham
Whilst 2007 saw us obtain outline planning consent for an extension to the existing 50,000 sq. ft. retail centre, we plan to seek a revision to this consent based on a more efficient and deliverable scheme to comprise an additional 56,000 sq. ft. of retail accommodation that we believe will provide the catalyst to further improve rental levels. All the necessary land assembly for this second phase has been completed and we expect to commence works on site later this year.

Swanley Shopping Centre, Swanley
Whilst slower than we ideally would have liked, key planning milestones were achieved in 2007 which should allow us to submit an application towards the end of this year for a comprehensive redevelopment of the Swanley Shopping Centre. We are presently negotiating vacant possession of the scheme on a phased basis in order to allow continuity of trade for key retailers.

Stonecross Park, Wigan
In February 2008 we entered into a contract for the disposal of this vacant 159,000 sq. ft. warehouse and distribution facility in Wigan which we acquired and refurbished in 2006. Part of our portfolio management philosophy is always to accept an element of vacant risk in order to create value upon a subsequent letting or disposal to an occupier. Expected sale proceeds of £8.0 million will realise a surplus above book value of £0.8 million.

Bank Hey Street, Blackpool
A strategic decision was taken in the second half of 2007 to close the Pricebusters indoor market operation which had been trading under increasing pressure at this location as the declining footfall in Blackpool town centre continued. The improvements to pitch, largely initiated by the current redevelopment and expansion of the nearby Hounds Hill Shopping Centre, has enabled us to implement an upgraded retail offer. In 2007, we completed a letting to Sportsworld International Limited on the first and second floors and have exchanged contracts with fashion retailers Peacocks for approximately half of the ground floor retail accommodation. We are currently close to agreement with a large UK high street pub group for the remaining ground floor and basement space. Conversion

works are well in hand to permit the retailers to be trading by the summer. Closure costs of the Pricebusters operation and the impact of disruption to its trading by conversion works to the building, resulted in a £1.1 million one-off cost in 2007.

Heritage Park, Winchester

In 2007, we completed the land assembly and obtained detailed planning consent for a 51,000 sq. ft. mixed-use scheme anchored by a food store, in respect of which we have recently signed an Agreement for Lease with Waitrose. Additionally, we not only have strong interest in the five retail units that adjoin the anchor store, but have agreed a pre-letting of the upper parts to the local Primary Healthcare Trust. Construction is scheduled to commence in mid-2008, with the objective of an opening of the scheme in spring 2009. Given that most of the development exposure has been de-risked, we are currently negotiating to forward-fund this project, thus allowing our equity to be recycled.

Other portfolio properties

The rental tone at Bexleyheath was improved during 2007 by securing Halifax plc as an occupier, thus helping to generate capital growth on this asset in spite of softening yields. We aim to obtain planning consent this year for the development of a 90-key budget hotel together with residential apartments, thus unlocking the air space over the 1960's car park which should also help secure an improved income stream to the car park itself.

Occupancy levels at our 91,000 sq. ft. office building in Warrington have always been managed on a 'flexible term' basis, with occupancy levels rising through 2007 to its present optimum level of 92.0 per cent which we hope, together with other initiatives, will permit us to consider further raising of the rental tone of this asset.

With the disposal of our Wigan property, Great West Trading Estate, Brentford is our sole remaining exposure to the industrial sector and, given the recent correction in values and possible concerns over downward pressure in the occupier markets, we plan to reassess our strategy for this 163,000 sq. ft. warehouse and distribution centre. In November 2007, we completed the acquisition of a 10-acre site in Mountnessing, Brentwood, benefiting from an outline planning consent for a 110,000 sq. ft. leisure-led mixed-use scheme located close to the M25 motorway. In March this year, we received a favourable planning consent for a 130-room mid-market hotel, a health and fitness club and additional restaurant space.

Development projects in partnership

Significant progress has been made in our joint venture relationships which have grown to afford us an increasing diversification within our development business, providing access to sectors and parts of the country which lie beyond our core skills.

In 2007, we formed a five-year joint venture with Fiducia Group Limited, a leading developer of neighbourhood shopping schemes. Our objective in so doing is to provide sustainable community retail centres at the heart of suburban residential developments. To date, the business has acquired five sites across the country, with good progress being made on all projects. We are pleased to see that a sound pipeline of opportunities looks likely to provide further significant transactions in the current year.

More recently, we have signed a five-year joint venture with Blue (Sustainable Living) Limited to pursue sustainable residential and mixed-use development opportunities throughout the UK. Its purpose is to promote, define and develop high-quality, authentically sustainable places and

communities. The first project is underway, incorporating a sustainable mixed-use neighbourhood scheme comprising in excess of 500 homes in the South East. The project, in line with the objectives of the joint venture, aims to establish new standards for authentic, sustainable development, and we anticipate a planning application will be submitted by the end of 2008. Since we plan to develop more sustainable mixed-use and residential projects, the partnership with Blue (Sustainable Living) Limited dovetails effectively with more than one of our strategic objectives.

Our partnership with Centros Miller at Crawley and Wells continued on schedule. Earlier this year, we obtained planning consent for a 312-unit residential scheme in Crawley town centre and, following strong interest from residential developers, this site is now being marketed for sale. At Priory Road in Wells, we continue to progress our retail scheme master plan with the Local Authority. Occupier demand remains firm and we anticipate a planning application being made later this year, with a start on site in 2009. In 2007, we acquired a 25.0 per cent equity interest in CTP Securities Limited, a Manchester-based property development business operating mainly within the north of the UK. We have also agreed to provide a significant working capital facility to part fund further expansion. CTP has a well established brand in its core regions, employing similar development risk management techniques as we do. It will operate separately and will continue to build out its existing development programme of £600 million and continue to actively source and negotiate new development opportunities. This relationship is part of our overall strategic objective to source large-scale, regional regeneration projects.

Towards the end of 2007, we acquired a 47.0 per cent interest in the Wessex Property Fund and currently have £3 million of equity and loans invested therein. This fund is focused on the south west of England, specialising in development and investment property. There are currently six properties within the fund and a pipeline of potential transactions indicates further expansion. We believe there is potential to grow the fund by expanding the equity base with both institutional and local participants.

Key performance indicators

Since the business of property investment and development, especially that of Development Securities, which has a considerable emphasis on development activity, can only properly be judged over a long period, probably a complete cycle, annual performance indicators are of less relevance in the running of our business. Whilst Total Shareholder Return* is a good guide to relative performance, the importance of that measure needs to be moderated by both the risk profile which we are prepared to accept and the precise stage that has been reached in any property market cycle. Our average Total Shareholder Return since January 2000, the date on which we would regard the present cycle to have commenced, is 17.0 per cent per annum. This compares to 17.1 per cent as similarly derived from the Real Estate sector index. One of the contributors to our comparative underperformance to date is the lower level of gearing* with which Development Securities has operated over the current cycle. It is therefore perhaps not unexpected that the consequent reduction in exposure to volatility risk should lead to a lower required and actual level of return. That said, we are of the view that the current stages of the cycle should generate superior returns from development activity, over those less active investment portfolios.

We also measure our overall investment portfolio performance against an appropriate IPD Index* in order to assess relative performance of this asset class. In 2007, the total return generated from our investment portfolio was 3.7 per cent, compared to the IPD UK Annual Property Index of negative 3.4 per cent. Over the last five years, our total return has been 17.1 per cent, as compared to 12.2 per cent of the IPD Index.

* refer note 6

Debt and equity structure

Our gearing* continues to be modest, at 31.2 per cent at 31st December 2007, but is elevated compared to the unusually low 6.2 per cent at the end of the previous year. Our gross debt totalled £144.6 million whilst we held £73.1 million of cash deposits. £45.3 million of these deposits were pledged as collateral. Following on from our issue of 3.7 million Ordinary shares which raised gross proceeds of £23.1 million at the end of 2006, we raised €47.0 million through the issue of 20-year Unsecured Subordinated Floating Rate Loan Notes, redeemable anytime after five years at no additional cost. The proceeds were fully exchanged through a 20-year currency and interest rate swap into a £33.0 million fixed-rate debt obligation.

Property portfolio analysis

Tenant profile

1	Government	2%
2	FTSE 100	1%
3	PLC/nationals	50%
4	Regional multiples	7%
5	Local traders	40%

Lease profile

1	0-5 years	26%
2	5-10 years	29%
3	10-15 years	20%
4	15-20 years	11%
5	20 years +	14%

Location profile

1	South East	40%
2	North	48%
3	London	11%
4	South West	1%

Analysis by sector

1	Retail	79%
2	Industrial	12%
3	Office	8%
4	Residential	1%

Income generating properties as at 29th February 2008

* refer note 6

Financial review

Consolidated income statement

Profits

Profits before tax decreased to £0.2 million (2006: £22.8 million) primarily due to lower revaluation surpluses and higher net finance costs compared to 2006.

Rental income

Net rental income for the year fell to £6.9 million (2006: £7.4 million), reflecting the sale of let

investment properties and their replacement with vacant or partially let properties with refurbishment and development prospects. During the year, £6.0 million of investment properties, yielding £0.4 million of rental income per annum, were sold.

Rental costs increased from £1.6 million to £2.5 million, reflecting a £0.5 million onerous lease provision and additional property related costs.

Trading and development profits

Trading and development profits remained constant at £7.8 million (2006: £7.9 million) arising from the sale and development of the hotel and office land site at CityPark, Manchester, and development profit at West Quay III, Southampton. The development programme also produced project management fees from the office schemes at PaddingtonCentral and Southampton.

Operating expenses

Operating expenses increased to £11.4 million (2006: £10.3 million) principally as the result of increased bonus payments and legal and professional costs.

Gain on sale and revaluation of investment properties

During the year to 31st December 2007 the Group sold investment properties with book values of £6.0 million (2006: £45.2 million) on which it broke even (2006: £0.1 million loss). The properties sold included a retail warehouse in Formby and a number of small residential units. The revaluation surplus for the year was £5.1 million (2006: £21.8 million).

Finance costs and finance income

Increases in interest rates on higher levels of debt during most of the year led to an increase in interest costs. This was partially offset by the increase in interest earned, resulting in net finance costs of £6.5 million (2006: £4.4 million).

Subsequent to the year end, a fixed rate loan facility of £34.5 million was repaid, incurring an early repayment fee of £5.9 million, or £4.1 million after tax. The facility was replaced with a £38.0 million floating rate loan.

Taxation

The corporation tax charge and deferred tax movements for 2007 are more than the standard 30.0 per cent due to permanent differences and tax adjustments in respect of prior years.

The deferred tax charge for the year reflects a provision for tax on revaluations and on other temporary differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases in accordance with IFRS.

Dividends

The Board will recommend to shareholders at the Annual General Meeting on 21st May 2008 a final dividend of 4.8 pence per share (2006: 4.5 pence) to be paid on 3rd July 2008 to shareholders on the register on 6th June 2008. This final dividend, amounting to £1.9 million (2006: £1.8 million) has not been included as a liability at 31st December 2007, in accordance with IFRS.

During 2007, 400,000 shares were purchased for £2.0 million at 499.7 pence per share and 254,000 shares issued under options for £0.9 million.

Earnings per share

Earnings per share in the year to 31st December 2007 were nil pence (2006: 63.4 pence per share) and on a diluted basis were nil pence per share (2006: 63.0 pence per share).

Consolidated balance sheet

Investment portfolio

During the year investment properties with a book value of £6.0 million were sold and partly replaced by £1.4 million of new properties. In addition, £4.0 million of capital expenditure was spent on refurbishing various office, industrial and retail buildings. At 31st December 2007, there was a revaluation surplus of £5.1 million (2006: £21.8 million) on the investment portfolio.

Net asset values

The performance of the Group in the year to 31st December 2007 has marginally reduced equity shareholders' funds on which the net asset value per share is calculated, by £2.5 million to £228.9 million, leading to a 0.7 per cent decrease in net assets per share to 564 pence (2006: 568 pence), principally as a consequence of £2.0 million share buy-back programme.

Borrowings and financial risk

The Group's purchases of development sites have increased debt and, at 31st December 2007, net debt had increased from £14.4 million to £71.5 million.

Together with a decrease in net assets of £2.5 million and higher net debt, the Group's net gearing* increased from 6.2 per cent to 31.2 per cent.

The Group seeks to manage financial risk by ensuring that there is sufficient financial liquidity to meet foreseeable needs and by investing cash prudently and profitably. At the year end, Development Securities PLC had £55.5 million of undrawn bank facilities of which £7.5 million is collaterised (2006: £42.8 million and £5.4 million respectively) and cash of £73.1 million (£27.8 million excluding pledged collateral cash balances) (2006: £88.5 million and £81.6 million excluding pledged cash).

The Group partly manages its interest rate exposure through the use of fixed rate debt and debenture instruments.

* refer note 6

Consolidated income statement

For the year ended 31st December 2007

	2007 £'000	2006 £'000
Continuing operations:		
Revenue	60,358	48,727
Direct costs	(45,937)	(32,776)
Gross profit	14,421	15,951
Operating costs	(11,396)	(10,257)
Gain/(loss) on disposal of investment properties	9	(97)
Gain on revaluation of investment property portfolio	5,099	21,821
Deficit on revaluation of operating properties	(780)	(475)
Net foreign currency differences	262	-
Operating profit	7,615	26,943
Other income	416	-

Share of post tax profits of joint ventures	57	151
Share of post tax losses of associates	(826)	-
(Loss)/income from financial assets	(63)	63
Impairment provision of financial assets	(500)	-
Profit before interest and taxation	6,699	27,157
Finance income	3,809	2,954
Finance costs	(10,264)	(7,321)
Profit before taxation	244	22,790
Taxation	(205)	769
Profit after taxation attributable to equity shareholders of the parent	**39**	**23,559**
Basic earnings per share	0.0p	63.4p
Diluted earnings per share	0.0p	63.0p

Dividends	2007 £'000	2006 £'000
Dividends declared and paid during the year	2,825	2,390

Consolidated balance sheet

As at 31st December 2007

	2007 £'000	2006 £'000
Non-current assets		
Property, plant and equipment		
– Operating properties	2,360	8,090
– Other plant and equipment	2,372	3,618
Investment properties	154,811	139,461
Financial assets	16,540	5,881
Investments in associates	842	673
Investments in joint ventures	8,379	20,464
Trade and other receivables	653	1,468
Deferred tax assets	4,997	6,215
	190,954	185,870
Investment property – held for sale	-	5,299
Investment in joint venture – held for sale	654	-
Current assets		
Inventory - developments and trading properties	155,544	74,663
Financial assets	12,734	-
Trade and other receivables	16,597	10,014
Cash and short-term deposits	73,135	88,536
	258,010	173,213
Total assets	**449,618**	**364,382**
Current liabilities		
Trade and other payables	(62,925)	(16,747)
Financial liabilities	(853)	(15,515)
	(63,778)	(32,262)

Non-current liabilities		
Financial liabilities	(143,796)	(87,419)
Deferred tax liabilities	(11,697)	(12,233)
Provisions	(1,431)	(1,055)
	(156,924)	(100,707)
Total liabilities	**(220,702)**	**(132,969)**
Net assets	**228,916**	**231,413**
Capital and reserves		
Share capital	20,283	20,356
Share premium	109,801	108,850
Revaluation reserve	1,081	853
Other reserves	47,596	45,793
Retained earnings	50,155	55,561
Total equity	**228,916**	**231,413**
Basic net assets per share	564p	568p
Diluted net assets per share	563p	565p

Consolidated statement of recognised income and expense

For the year ended 31st December 2007

	2007 £'000	2006 £'000
Gains on revaluation of operating properties	228	518
Loss on valuation of cross-currency interest rate swap	(114)	-
Gains on valuation of available-for-sale financial assets	1,827	-
Deferred tax charge	(498)	(992)
Net income /(expense) recognised directly in equity	1,443	(474)
Profit for the year	39	23,559
Total recognised income and expense for the year attributable to equity shareholders of the parent	**1,482**	**23,085**

Consolidated cash flow statement

For the year ended 31st December 2007

	2007 £'000	2006 £'000
Net cash flow from operating activities (refer note 5)	(46,342)	(17,977)
Investing activities:		
Interest received	3,812	3,057
Proceeds on disposal of plant and equipment	728	33
Proceeds on disposal of investment properties	5,989	45,076
Purchase of plant and equipment	(825)	(1,547)
Purchase of investment properties	(4,812)	(6,928)
Purchase of investments	(1,614)	(20,190)
Investment in financial assets	(22,034)	(5,000)
Cash inflow from joint ventures	12,075	-
Net cash flow from investing activities	(6,681)	14,501
Financing activities:		
Dividends paid	(2,825)	(2,390)

Issue of new shares	865	23,210
Purchase of own shares	(2,019)	-
Repayments of borrowings	(42,699)	(18,729)
New bank loans raised	89,567	11,973
Net cash flow from financing activities	42,889	14,064
Net (decrease) / increase in cash and cash equivalents	(10,134)	10,588
Cash and cash equivalents at the beginning of the year	82,607	72,019
Cash and cash equivalents at the end of the year	72,473	82,607
Cash and cash equivalents comprise:		
Cash at bank and in hand	27,791	81,588
Pledged cash held as security against financial liabilities	45,344	6,948
Cash and short-term deposits	73,135	88,536
Bank overdrafts	(662)	(5,929)
Cash and cash equivalents	72,473	82,607

NOTES TO THE UNAUDITED PRELIMINARY RESULTS

1. BASIS OF PREPARATION

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs.

The financial information set out in the announcement does not constitute the Group's statutory accounts for the years ended 31st December 2007 or 2006.

The financial information for the year ended 31st December 2006 is derived from statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those statutory accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31st December 2007 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The audit report on the full financial statements has yet to be signed.

2. ACCOUNTING POLICIES

a) Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31st December 2007 and applied in accordance with the Companies Act 1985.

b) 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 jointly controlled entities and associated undertakings.

Where necessary, adjustments have been made to the financial statements of subsidiaries, associates and jointly controlled entities 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 is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

3. SEGMENTAL ANALYSIS

For management purposes, the Group is currently organised into three operating divisions:

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.

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 £808,000 (2006: £1,394,000), which are located in France and The Netherlands. Accordingly no secondary segmental information is shown.

All revenue arises from continuing operations.

Year ended 31st December 2007

	Investment £'000	Trading and development £'000	Operating £'000	Total £'000
Segment revenue	**9,404**	**46,240**	**4,714**	**60,358**
Direct costs	(2,543)	(37,241)	(5,051)	(44,835)
Business closure costs	-	-	(1,102)	(1,102)
Segment result	**6,861**	**8,999**	**(1,439)**	**14,421**
Unallocated operating costs				(11,396)
Gain on disposal of investment properties	9	-	-	9
Gain/(loss) on revaluation of property portfolio	5,099	-	(780)	4,319
Net foreign currency difference				262
Operating profit				**7,615**
Other income	-	416	-	416
Share of post-tax profits of joint	-	57	-	57

ventures				
Share of post-tax losses of associates	(800)	(26)	-	(826)
Loss from financial assets	(63)	-	-	(63)
Impairment provision of financial assets				(500)
Profit before interest and taxation				**6,699**
Finance income				3,809
Finance costs				(10,264)
Profit before taxation				**244**
Taxation				(205)
Profit after taxation attributable to equity shareholders of the parent				**39**

Year ended 31st December 2007

	Investment £'000	Trading and development £'000	Operating £'000	Total £'000
Assets and liabilities				
Segment assets	179,713	241,149	6,519	427,381
Unallocated assets				22,237
Total assets				**449,618**
Segment liabilities	(101,946)	(101,879)	(1,779)	(205,604)
Unallocated liabilities				(15,098)
Total liabilities				**(220,702)**

Year ended 31st December 2007

	Investment £'000	Trading and development £'000	Operating £'000	Total £'000
Other segment information				
Capital expenditure	5,474	-	738	6,212
Unallocated capital expenditure				87
Depreciation	-	-	921	921
Unallocated depreciation				142
Revenue				
Rental income	8,460	21	-	8,481
Operating property income	-	-	4,714	4,714
Project management fees	-	1,223	-	1,223
Trading property sales	-	5,166	-	5,166
Construction contract revenue	-	23,349	-	23,349
Development proceeds	-	16,481	-	16,481
Other income	944	-	-	944
	9,404	46,240	4,714	60,358

4. FIXED RATE DEBT

The notional fair value adjustment at 31st December 2007 in respect of the Group's fixed rate debt, calculated on a replacement basis, taking into account the difference between fixed interest rates of the Group's borrowings and the market value and prevailing interest rates of appropriate debt instruments,

was £11,598,000 (2006: £11,900,000) equivalent to a decrease in net assets of 20.0 pence per share after tax (2006: 20.5 pence per share).

5. NOTE TO THE CASH FLOW STATEMENT

	2007 £'000	2006 £'000
Operating profit	7,615	26,943
Adjustments for:		
(Gain)/loss on disposal of investment properties	(9)	97
Net gain on revaluation of property portfolio	(4,319)	(21,346)
Share based payments	428	142
Depreciation of property, plant and equipment	1,063	1,128
Operating cash flows before movements in working capital	4,778	6,964
Decrease / (increase) in developments	2,924	(3,587)
Increase in trading properties	(83,805)	(14,975)
Increase in receivables	(5,418)	(182)
Increase in payables	45,272	1,727
Increase / (decrease) in provisions	376	(474)
Cash outflow from operations	(35,873)	(10,527)
Capitalised interest charged to direct costs	20	1,145
Income taxes paid	(21)	(473)
Interest paid	(10,468)	(8,122)
Net cash outflow from operating activities	**(46,342)**	(17,977)

6. GLOSSARY

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.