

ST. MODWEN  
PROPERTIES PLC



Interim Report  
1999

# Chairman's Statement

## Interim Results

I am delighted to report on a record first half performance for your company with profits before tax of £12.9m (1998 £6.6m). Progress on the development front was exceptional with most of the year's planned development profits being achieved in the first six months.

The excellent outcome for the first half and the prospects for the year as a whole have led the board to declare an increased interim dividend of 1.2p (1.0p). The dividend will be paid on 10 September 1999 to all shareholders registered on 6 August 1999.

## Current trading

We have continued to play to our strengths and have made considerable progress in our regeneration and partnership projects.

At Pride Park, Derby, the sale was completed of the 13,000 sq.m (140,000 sq.ft.) National Call Centre occupied by Prudential Banking Plc's financial services subsidiary, Egg. In addition, further progress was achieved in the mixed-use re-development of the former Home Brewery site in Arnold, Nottinghamshire. Land was sold for a car showroom and agreements were exchanged for the sale of a fast-food outlet for MacDonalds and a sorting and delivery office for the Royal Mail, both of which are due to complete in the second half.

Other development activity included the sale to an investor of the new European headquarters office building developed for Milltronics (UK) Limited, on the company's Apex Business Park at Junction 6 of the M5 at Worcester.

The acquisition in early May of the 37,000 sq.m (400,000 sq.ft.) Edmonton Green Shopping Centre, London, the largest local authority-owned shopping centre in the UK, is the eighth regeneration scheme which St. Modwen has undertaken to revitalise town

centres which have become out-dated, but have substantial potential.

The acquisition takes St. Modwen's investment in such schemes, which have a current gross rent roll of some £11m, to a total of £85m, of which £39m is held in joint ventures.

Substantial progress has been made in the £6m regeneration of the 34,000 sq.m (366,000 sq.ft.) Civic Centre, Wythenshawe, Manchester, in partnership with the City of Manchester. Construction of the main phase of the scheme has commenced and the additional retail space being created is already substantially pre-let.

The brownfield programme was extended by the purchase of the remainder of the former Hem Heath Colliery, thus completing the acquisition of the 162 hectare (400 acres) Trentham Lakes site in Stoke. This provides the potential for 278,000 sq.m (3,000,000 sq.ft.) of mixed use development in a location which has gained "Assisted Area" status, and is one of the UK's largest brownfield development opportunities.

Key Property Investments, our joint venture with Salhia Real Estate Company of Kuwait continued to progress with the master plan for the major town centre re-development of Farnborough now approved by the local authority. We expect to commence on site in the year 2000.

## Prospects

I am confident that the outcome for the year will again demonstrate the continuing progress being made by your company.



Stanley W. Clarke C.B.E., Hon.D.Univ.  
Chairman  
27 July 1999

# Group Profit and Loss Account

	Note	Unaudited 6 months to 31 May 1999 £'000	Unaudited* 6 months to 31 May 1998 £'000	Audited 12 months to 30 Nov 1998 £'000
<b>Turnover</b>				
Group and share of Joint Ventures	1	42,639	26,206	64,846
Less: Share of Joint Ventures turnover		(2,451)	(1,518)	(5,416)
		<b>40,188</b>	<b>24,688</b>	<b>59,430</b>
<b>Operating Profit</b>				
Group operating profit		15,757	10,342	22,767
Share of operating profit in Joint Ventures		1,287	1,065	2,573
Share of operating profit in Associates		—	—	200
	1	<b>17,044</b>	<b>11,407</b>	<b>25,540</b>
<b>Interest</b>				
Group		(3,468)	(4,238)	(8,620)
Joint Ventures		(658)	(557)	(1,239)
Associates		—	—	(104)
		<b>(4,126)</b>	<b>(4,795)</b>	<b>(9,963)</b>
<b>Profit on Ordinary Activities before Taxation</b>				
		<b>12,918</b>	<b>6,612</b>	<b>15,577</b>
Taxation at 30% (1998: 31%)		(3,875)	(2,050)	(4,527)
<b>Profit on Ordinary Activities after Taxation</b>				
		<b>9,043</b>	<b>4,562</b>	<b>11,050</b>
Equity minority interests		(130)	(40)	(23)
<b>Profit attributable to Shareholders</b>				
		<b>8,913</b>	<b>4,522</b>	<b>11,027</b>
Ordinary Dividends		(1,432)	(1,200)	(3,964)
<b>Surplus transferred to Reserves</b>				
		<b>7,481</b>	<b>3,322</b>	<b>7,063</b>
<b>Basic and Diluted Earnings per Ordinary Share</b>		<b>7.4p</b>	<b>3.8p</b>	<b>9.2p</b>
<b>Dividend per Ordinary Share</b>		<b>1.2p</b>	<b>1.0p</b>	<b>3.3p</b>

Basic and diluted earnings per share, the latter of which allows for the exercise of outstanding share options, are calculated by dividing the profit attributable to ordinary shareholders of £8,913,000 (1998: £4,522,000) by the weighted average number of ordinary shares.

In the case of basic earnings per share, the weighted average excluding the shares held by the long term share incentive scheme which are owned by the company, totals 119,882,784 (1998: 120,107,132); and for diluted earnings per share, totals 120,446,253 (1998: 120,742,271).

\*As amended (see note 3)

# Group Balance Sheet

	Note	Unaudited at 31 May 1999 £'000	Unaudited at 31 May 1998 £'000	Audited at 30 Nov 1998 £'000
<b>Fixed Assets</b>				
Tangible fixed assets	2	145,392	141,473	151,483
Investment in Joint Ventures				
Share of gross assets		29,195	29,497	28,921
Share of gross liabilities		(19,105)	(19,564)	(18,672)
		10,090	9,933	10,249
Investments in Associates		2,035	1,968	2,035
Investment in own shares		313	185	312
		157,830	153,559	164,079
<b>Current Assets</b>				
Stocks		45,168	43,223	43,739
Debtors		4,869	2,923	2,662
Cash at bank and in hand		1,196	257	2,791
		51,233	46,403	49,192
<b>Current Liabilities</b>				
Bank overdrafts		4,495	917	393
Short-term borrowings		3,000	2,500	7,534
Creditors and accruals		25,832	15,906	22,448
		33,327	19,323	30,375
<b>Net Current Assets</b>				
		17,906	27,080	18,817
<b>Total Assets less Current Liabilities</b>				
		175,736	180,639	182,896
<b>Creditors: amounts falling due after more than one year</b>				
		(68,752)	(93,687)	(83,523)
<b>Equity Minority Interests</b>				
		(698)	(506)	(568)
		106,286	86,446	98,805
<b>Capital and Reserves</b>				
Share capital		12,077	12,064	12,077
Other reserves		9,532	9,452	9,532
Revaluation reserve		26,414	16,484	24,968
Profit and loss account		58,263	48,446	52,228
<b>Equity Shareholders' Funds</b>				
		106,286	86,446	98,805
<b>Net Assets per Ordinary Share</b>				
		88.0p	71.7p	81.8p
<b>Gearing</b>				
		71%	112%	90%

The abridged accounts for the year to 30 November 1998 are an extract from the full group accounts for that period on which an unqualified report was made by the group's auditors and which have been delivered to the Registrar of Companies.

# Group Cash Flow Statement

	Unaudited 6 months to 31 May 1999 £'000	Unaudited 6 months to 31 May 1998 £'000
<b>Net cash inflow from operating activities</b>	<b>12,853</b>	3,554
<b>Dividend received from Joint Venture</b>	<b>600</b>	—
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(3,468)</b>	(4,238)
<b>Taxation paid</b>	<b>—</b>	(480)
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>6,462</b>	(7,120)
<b>Net cash outflow from acquisitions and disposals</b>	<b>(82)</b>	(7,033)
<b>Equity dividends paid</b>	<b>(2,757)</b>	(1,986)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>	<b>13,608</b>	(17,303)
<b>Net cash (outflow)/inflow from financing</b>	<b>(19,305)</b>	14,062
<b>Decrease in cash in the period</b>	<b>(5,697)</b>	(3,241)
<b>Reconciliation of net cash flow to movement in net debt</b>		
Decrease in cash in the period	(5,697)	(3,241)
Cash outflow/(inflow) from change in debt	19,305	(14,061)
Decrease/(increase) in net debt in the period	13,608	(17,302)
Net debt at 1 December	(88,659)	(79,545)
Net debt at 31 May	(75,051)	(96,847)
<b>Reconciliation of operating profit to net cash flow from operating activities</b>		
Operating profit	15,757	10,342
Depreciation and amortisation of own shares	112	112
Profit on sale of investment properties	(403)	(29)
Increase in debtors	(2,207)	(903)
Increase in stocks	(1,429)	(3,526)
Increase/(reduction) in creditors	1,023	(2,442)
Net cash inflow from operating activities	12,853	3,554

# Notes to the Accounts

## 1. Turnover and Profit Analysis

	6 months to 31 May 1999		6 months to 31 May 1998	
	Turnover £'000	Profit £'000	Turnover £'000	Profit £'000
Rental income				
Group	9,265	8,081	8,801	7,892
Share of Joint Ventures	1,651	1,405	1,067	945
Property development				
Group	30,285	9,434	15,144	4,243
Share of Joint Ventures	800	(77)	451	120
Other activities	638	212	743	268
	<b>42,639</b>	<b>19,055</b>	<b>26,206</b>	<b>13,468</b>
Profit on sale of investment properties		403		29
Administrative and other operating expenses				
Group		(2,373)		(2,090)
Joint Ventures		(41)		—
Operating profit		<b>17,044</b>		<b>11,407</b>

## 2. Tangible Fixed Assets

Investment properties included in tangible fixed assets have been stated at the November 1998 valuation. Additions subsequent to the year end have been included at cost.

## 3. Joint Ventures

The disclosure of turnover in the prior period's interim figures has been amended in accordance with the treatment adopted in the financial statements for the year ended 30 November 1998.

## 4. Accounting Policies

The results for the six months ended 31 May 1999 are prepared in accordance with applicable accounting standards, using the same accounting policies as set out in the group accounts for the year ended 30 November 1998 except for the implementation of new accounting standards namely, FRS 11 "Impairment of fixed assets and goodwill", FRS 12 "Provisions, contingent liabilities and assets", and FRS 13 "Derivatives and other financial instruments: disclosures". These had no effect in the period.

## 5. Other information

- i) The group has no recognised gains and losses other than those reflected in the group profit and loss account.
- ii) All activities derive from continuing operations.
- iii) The Interim Statement was approved by the Board on 27 July 1999.
- iv) The directors report that the group continues to meet its objectives in ensuring that its critical systems and software will be confirmed as Year 2000 compliant. Cost of implementation is not expected to be material.

## Review Report by Deloitte and Touche to St Modwen Properties Plc

We have reviewed the interim financial information for the six months ended 31 May 1999 set out on pages 3 to 6, excluding the comment on year 2000 in note 5 iv) above, which is the responsibility of, and has been approved by, the directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletins 1993/1 "Review of interim financial information" and 1998/6 "Review of interim financial information — supplementary guidance for auditors" issued by the Auditing Practices Board. This review consisted of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of group management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities, and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review: In our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by St Modwen Properties PLC in its financial statements for the year ended 30 November 1998 except for the change in accounting policies referred to in note 4; and we are not aware of any material modifications that should be made to the interim financial information as presented.

Deloitte & Touche Chartered Accountants  
27 July 1999

## Summary of Results

	6 months to 31 May	
	1999	1998
● Rental income	<b>£10.916m</b>	£9.868m
● Development contribution	<b>£9.357m</b>	£4.363m
● Profit before taxation	<b>£12.918m</b>	£6.612m
● Earnings per share	<b>7.4p</b>	3.8p
● Interim dividend	<b>1.2p</b>	1.0p
● Net asset value per ordinary share	<b>88.0p</b>	71.7p



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