



St. MODWEN
PROPERTIES PLC

Interim Report 2001

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“20% increase in development profits”

Financial Highlights

	6 months to 31 May	
	2001	2000
 Rental income	£13.6m	£12.5m
 Development contribution	£6.5m	£5.4m
 Profit before taxation	£10.8m	£9.4m
 Earnings per share	6.2p	5.2p
 Interim dividend	1.6p	1.4p
 Net asset value per share	122.1p	103.9p

“strong recurring income from
our rental and management activities”

Chairman's Statement

INTERIM RESULTS

Your company's first-half performance has been very encouraging with profits before tax increased by 15% to £10.8m (2000: £9.4m).

The results include a 20% increase in development profits to £6.5m (2000: £5.4m) with strong contributions from the sale of trading properties within our joint ventures and from our brownfield residential land programme.

DIVIDEND

These results, together with the prospects for the full year, have led the board to declare an increased interim dividend of 1.6p per ordinary share (2000: 1.4p). The dividend will be payable on 14 September 2001 to all shareholders on the register on 17 August 2001.

CURRENT TRADING

We continue to balance our development profits with strong recurring income from our rental and management activities with gross rent received in the period increasing to £13.6m (2000: £12.5m). Our policy of acquiring property with void space and improving the income has provided us with the scope for further increases in rent receivable. The fully let annualised rent of our portfolio, inclusive of our share of joint ventures, now potentially exceeds £30m.

In addition to a residential land sale at Trentham Lakes and the trading property sales from the Key Property portfolio, development profits were also recorded from the completion of a 3,250m² office for nPower at Worcester and a further 14,500m² call centre for Egg at Derby.

We have a substantial development programme under way, as is demonstrated by the £12m net expenditure on stocks shown in the Group Cash Flow Statement. Profits are anticipated in the second half of the year from the sale of pre-let buildings to Royal Doulton and H W Plastics at Stoke-on-Trent and from our Castle Walk shopping development at Newcastle under Lyme.

We continue to place emphasis on expanding our hopper of future opportunities to enable the record of growth of the group to be maintained. Hence, I am very pleased to report that in the period we have successfully concluded agreements in relation to:

- A 44 hectare former colliery site at Norton in the City of Stoke on Trent which will provide 17 hectares of residential land and 3 hectares for commercial uses; the remainder of the land being turned into public open space.
- Great British Kitchen for a Culinary Arts Centre in Stafford comprising The British Catering

College, and 13,000m² of retail space dedicated to the kitchen and associated activities.

We have also been selected by the Metropolitan Borough Council of Dudley as its preferred developer of Dudley Castle and Zoo and adjacent land extending in all to 25 hectares for a mixed development of visitor attractions, residential and retail space.

Northern Racing, in which your company has a 35% shareholding, has further consolidated its position in the industry, with the completion of the acquisition of Hereford Racecourse and by obtaining over 75% control at Sedgefield Racecourse. Northern Racing now controls and operates a total of six racecourses. This expansion, together with the conclusion of the media rights deal with Go Racing, will further enhance this investment.

AUDITORS

As part of our policy of continually reviewing the appointment of all professional advisors to the group, we have undertaken a review of the provision of audit and taxation services. Consequently, with effect from 2 July 2001 we have appointed Ernst & Young LLP as auditors and tax advisors to the group. I would like to pay tribute to the partners and staff of Deloitte & Touche who have provided excellent service to the group since 1986.

NON-EXECUTIVE DIRECTORS

I am delighted to announce that Iain Napier, aged 52, a member of the Executive Management Committee of Interbrew and previously a director of Bass plc, has agreed to join the board as a non-executive director. Clive Lewis and Jim Leavesley who have provided invaluable input to the group's development since 1986 will both be retiring as non-executive directors at the company's next AGM.

FUTURE PROSPECTS

We continue to plan well ahead to maintain your company's record of consistent growth. In particular, I am pleased with the advances we have made in strengthening our management team and with the additional opportunities that we have secured.

Based upon this strong set of results for the first half of the year and from confidence in our ability to deliver the transactions in progress, I look forward to reporting record full year results for the ninth consecutive year.



Sir Stanley W. Clarke C.B.E., Hon.D.Univ.
Chairman

23 July 2001

Group Profit and Loss Account

		Unaudited 6 months to 31 May 2001 £'000	Unaudited 6 months to 31 May 2000 £'000	Audited 12 months to 30 Nov 2000 £'000
	Note			
Turnover				
Group and share of joint ventures	1	38,648	40,871	82,248
Less: share of joint ventures turnover		<u>(5,669)</u>	<u>(1,582)</u>	<u>(7,118)</u>
		32,979	39,289	75,310
Operating profit	1	15,964	13,946	31,103
Net interest payable	2	<u>(5,155)</u>	<u>(4,577)</u>	<u>(9,595)</u>
Profit on ordinary activities before taxation		10,809	9,369	21,508
Taxation		<u>(3,014)</u>	<u>(2,811)</u>	<u>(5,914)</u>
Profit on ordinary activities after taxation		7,795	6,558	15,594
Equity minority interests		<u>(295)</u>	<u>(259)</u>	<u>(348)</u>
Profit attributable to shareholders		7,500	6,299	15,246
Dividends		<u>(1,924)</u>	<u>(1,681)</u>	<u>(5,164)</u>
Transferred to reserves		<u>5,576</u>	<u>4,618</u>	<u>10,082</u>
Basic earnings per ordinary share	3	6.2p	5.2p	12.7p
Diluted earnings per ordinary share	3	6.2p	5.2p	12.6p
Dividend per ordinary share		1.6p	1.4p	4.3p

There were no gains or losses in the six month periods ending on 31 May other than those shown in the profit and loss account.

Group Balance Sheet

	Note	Unaudited at 31 May 2001 £'000	Unaudited at 31 May 2000 £'000	Audited at 30 Nov 2000 £'000
Fixed assets				
Tangible fixed assets	4	196,551	171,182	189,292
Investment in joint ventures				
Share of gross assets		32,214	30,532	30,599
Share of gross liabilities		(20,805)	(18,185)	(19,642)
		11,409	12,347	10,957
Other investments	5	10,085	2,232	2,213
		218,045	185,761	202,462
Current assets				
Stocks		73,693	62,251	63,357
Debtors		5,975	2,287	7,607
Cash at bank and in hand		3,493	5,424	8,137
		83,161	69,962	79,101
Creditors: amounts falling due within one year		(29,107)	(22,102)	(32,852)
Net current assets		54,054	47,860	46,249
Total assets less current liabilities		272,099	233,621	248,711
Creditors: amounts falling due after more than one year		(123,208)	(107,199)	(105,831)
Equity minority interests		(1,450)	(940)	(1,015)
Net assets		147,441	125,482	141,865
Capital and reserves				
Share capital		12,077	12,077	12,077
Other reserves		9,532	9,532	9,532
Revaluation reserve		50,716	39,742	50,625
Profit and loss account		75,116	64,131	69,631
Equity shareholders' funds		147,441	125,482	141,865
Net assets per ordinary share		122.1p	103.9p	117.5p
Gearing		85%	81%	71%

Group Cash Flow Statement

	Unaudited 6 months to 31 May 2001 £'000	Unaudited 6 months to 31 May 2000 £'000
Net cash (outflow)/inflow from operating activities	(2,364)	5,642
Dividends received from joint ventures	1,110	—
Net cash outflow from returns on investments and servicing of finance	(4,213)	(3,985)
Taxation paid	(1,956)	(1,452)
Net cash outflow from capital expenditure and financial investment	(17,839)	(11,720)
Net cash inflow from disposals	4,604	—
Equity dividends paid	(3,484)	(3,123)
Cash outflow before use of liquid resources and financing	(24,142)	(14,638)
Net cash inflow from financing	17,276	22,181
(Decrease)/increase in cash in the period	(6,866)	7,543
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the period	(6,866)	7,543
Cash inflow from change in debt	(17,276)	(22,181)
Increase in net debt resulting from cash flows	(24,142)	(14,638)
Net debt at 30 November	(101,349)	(87,373)
Net debt at 31 May	(125,491)	(102,011)
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	13,631	12,700
Depreciation and amortisation of own shares	136	100
Profit on sale of investment properties	(224)	(65)
Increase in stocks	(11,999)	(6,404)
Decrease/(increase) in debtors	1,340	(736)
(Decrease)/increase in creditors	(5,248)	47
Net cash (outflow)/inflow from operating activities	(2,364)	5,642

Notes to the Accounts

1. Turnover and profit analysis

	6 months to 31 May 2001		6 months to 31 May 2000	
	Turnover £'000	Profit £'000	Turnover £'000	Profit £'000
Rental income				
Group	12,126	10,354	10,891	9,515
Share of joint ventures	1,520	1,298	1,582	1,342
Property development				
Group	19,664	5,397	27,935	5,488
Share of joint ventures	4,149	1,074	—	(77)
Other activities	1,189	360	463	(63)*
	38,648	18,483	40,871	16,205
Profit on sale of investment properties		224		65
Administrative and other operating expenses				
Group		(2,704)		(2,305)*
Joint ventures		(39)		(19)
Operating profit		15,964		13,946

* The overheads of leisure businesses formerly shown as Administrative expenses are now recognised as cost of sales within Other activities as in the opinion of the directors this is a more appropriate classification. Accordingly a £193,000 adjustment has been made to the comparative administrative expense and cost of sales figures.

2. Net interest payable

	Unaudited at 31 May 2001 £'000	Unaudited at 31 May 2000 £'000	Audited at 30 Nov 2000 £'000
Group	4,607	3,985	8,270
Joint ventures	548	592	1,186
Associates	—	—	139
	5,155	4,577	9,595

Notes to the Accounts

3. Earnings per share

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 £7,500,000 (2000: £6,299,000) by the weighted average number of ordinary shares.

In the case of basic earnings per share, the weighted average number of ordinary shares excluding the shares held by the long-term share incentive scheme which are owned by the company, totalled 120,201,991 (2000: 120,127,780); and for diluted earnings per share, totalled 121,236,469 (2000: 121,205,795).

4. Tangible fixed assets

Investment properties included in tangible fixed assets have been stated at the November 2000 valuation. Additions subsequent to the year end have been included at cost.

5. Other investments

	Unaudited at 31 May 2001 £'000	Unaudited at 31 May 2000 £'000	Audited at 30 Nov 2000 £'000
Investments in associates	3,541	2,013	2,037
Investment in own shares	115	219	176
Other investments	6,429	—	—
	10,085	2,232	2,213

6. Other information

- (i) The abridged accounts for the year to 30 November 2000 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.
- (ii) The results for the six months ended 31 May 2001 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 2000.
- (iii) All activities derive from continuing activities.
- (iv) The interim statement was approved by the Board on 23 July 2001.

Review Report by Ernst & Young LLP to St. Modwen Properties PLC

We have been instructed by the company to review the financial information set out on pages 4 to 8 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based

thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 May 2001.

Ernst & Young LLP
Registered Auditor
Birmingham
23 July 2001



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