

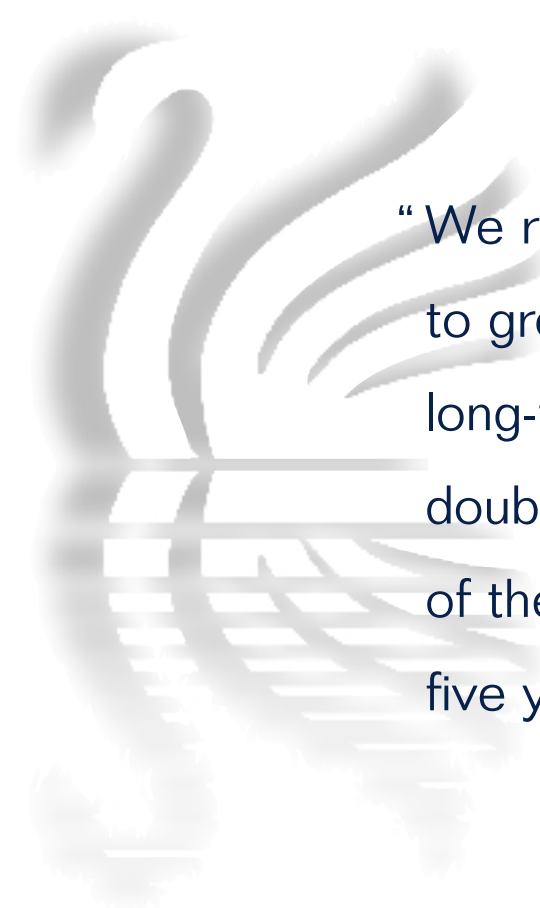


St. MODWEN PROPERTIES PLC

Interim Report 2002

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“ We remain on course to grow in line with our long-term objective of doubling the net worth of the company every five years . . . ”

Financial Highlights

	6 months to 31 May	
	2002	2001 restated
 Profit before tax up 33%	£14.5m	£10.9m
 Development contribution up 62%	£10.5m	£6.5m
 Net asset value per share up 19%	143.4p	120.3p
 Earnings per share up 35%	8.4p	6.2p
 Interim dividend up 19%	1.9p	1.6p

Chairman's Statement

INTERIM RESULTS

Your company's first-half performance has been very encouraging, with profits before tax increasing by 33% to £14.5m (2001: £10.9m).

The results include a 62% increase in development profits to £10.5m (2001: £6.5m).

Earnings per share rose 35% to 8.4p (2001: 6.2p)

DIVIDEND

These results together with the prospects for the full year, have led the Board to declare a 19% increase in the interim dividend to 1.9p per ordinary share (2001 : 1.6p)

CURRENT TRADING

We continue to grow our recurring income from our rental and management activities with gross rental income in the period increasing to £14.6m (2001: £13.7m).

Our development programme is progressing well. Development profits in the first half were over 80% of the total achieved for the whole of last year.

The forward development programme is particularly strong:

- We have sold the 178,000 sq.ft distribution building let to Heywood Williams at Trentham Lakes for completion in the second-half.
- We have pre-let and are building four major distribution or industrial buildings in Cannock, Sheffield and Stoke on Trent totalling 639,000 sq.ft.
- Construction is well advanced on the 57,000 sq.ft second phase of the Castle Walk shopping centre, Newcastle under Lyme, with lettings on programme.
- We have commenced work on the first phase of the 110,000 sq.ft Shrub Hill Retail Park at Worcester which is largely pre-let.
- The first two phases of the redevelopment of Farnborough Town Centre, which is being carried out through our joint venture company, Key Property Investments, are now in progress.
- Planning consent has been obtained for the redevelopment of our Wembley Central shopping centre, a joint venture with Rotch.

To grow our profits on a sustainable basis, we need to be replenishing continually our hopper of future opportunities. Hence, I am pleased to report continued success with the completion of the following major acquisitions:

- Three industrial sites purchased from Invensys for £8.5m at Doncaster, Huddersfield and Leeds, with a total site area of 48-acres and 1m sq.ft of existing buildings.
- The remaining 150-acres of our mixed-use site at Hilton, Derbyshire acquired from the MOD. Thirty acres are designated for residential development. A further 70-acres with 500,000 sq.ft of existing buildings will be managed for income prior to redevelopment for employment purposes.
- The 338,500 sq.ft Elephant & Castle shopping centre in the Borough of Southwark in South London purchased by our joint venture company, Key Property Investments, from UK Land plc for £29.25m.

NON-EXECUTIVE DIRECTOR

I am very pleased to announce that Ian Menzies-Gow, executive chairman of Geest PLC, has agreed to join the board as a non-executive director. His broad industrial experience will enable him to contribute to the continued success of the company.

FUTURE PROSPECTS

We remain on course to grow in line with our long-term objective of doubling the net worth of the company every five years and I, therefore, look forward to reporting record full-year results for the tenth consecutive year.



Sir Stanley Clarke CBE, Hon. D.Univ.

Chairman

22 July 2002

Group Profit and Loss Account

		Unaudited 6 months to 31 May 2002 £'000	Unaudited restated 6 months to 31 May 2001 £'000	Audited 12 months to 30 Nov 2001 £'000
	Note			
Turnover				
Group and share of joint ventures	1	57,607	38,744	74,427
Less: share of joint ventures turnover		(9,137)	(5,669)	(8,459)
		<u>48,470</u>	<u>33,075</u>	<u>65,968</u>
Operating profit				
Group operating profit		14,150	13,503	27,823
Share of operating profit in joint ventures		5,773	2,333	4,387
Share of operating profit in associates		180	—	735
	1	<u>20,103</u>	15,836	32,945
Profit on sale of investment properties		435	224	3,268
Net interest payable	2	<u>(6,010)</u>	<u>(5,155)</u>	<u>(10,716)</u>
Profit on ordinary activities before taxation		14,528	10,905	25,497
Taxation		<u>(4,012)</u>	<u>(3,171)</u>	<u>(6,516)</u>
Profit on ordinary activities after taxation		10,516	7,734	18,981
Equity minority interests		<u>(424)</u>	<u>(295)</u>	<u>(755)</u>
Profit attributable to shareholders		10,092	7,439	18,226
Dividends		<u>(2,296)</u>	<u>(1,924)</u>	<u>(5,891)</u>
Transferred to reserves		<u>7,796</u>	<u>5,515</u>	<u>12,335</u>
Basic earnings per ordinary share	3	8.4p	6.2p	15.2p
Diluted earnings per ordinary share	3	8.3p	6.1p	15.0p
Dividend per ordinary share		1.9p	1.6p	4.9p

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

		Unaudited at 31 May 2002 £'000	Unaudited restated at 31 May 2001 £'000	Audited at 30 Nov 2001 £'000
	Note			
Fixed assets				
Tangible fixed assets	4	229,053	196,551	212,222
Investment in joint ventures				
Share of gross assets		50,643	32,214	49,453
Share of gross liabilities		(34,941)	(20,805)	(37,073)
		15,702	11,409	12,380
Other investments	5	11,708	11,043	11,673
		256,463	219,003	236,275
Current assets				
Stocks		95,266	73,693	94,040
Debtors		8,581	6,731	10,417
Cash at bank and in hand		449	3,493	200
		104,296	83,917	104,657
Creditors: amounts falling due within one year		(33,227)	(29,205)	(33,933)
Net current assets		71,069	54,712	70,724
Total assets less current liabilities		327,532	273,715	306,999
Creditors: amounts falling due after more than one year		(149,610)	(123,208)	(136,734)
Provisions for liabilities and charges		(2,772)	(3,816)	(2,994)
Equity minority interests		(1,993)	(1,450)	(1,910)
Net assets		173,157	145,241	165,361
Capital and reserves				
Share capital		12,077	12,077	12,077
Other reserves		9,532	9,532	9,532
Revaluation reserve		63,824	52,103	63,280
Profit and loss account		87,724	71,529	80,472
Equity shareholders' funds		173,157	145,241	165,361
Net assets per ordinary share		143.4p	120.3p	136.9p
Gearing		89%	86%	85%

Group Cash Flow Statement

	Unaudited 6 months to 31 May 2002 £'000	Unaudited restated 6 months to 31 May 2001 £'000
Net cash inflow/(outflow) from operating activities	14,058	(2,364)
Dividends received from joint ventures	—	1,110
Net cash outflow from returns on investments and servicing of finance	(5,210)	(4,213)
Taxation paid	(2,150)	(1,956)
Net cash outflow from capital expenditure and financial investment	(19,468)	(17,839)
Net cash inflow from disposals	2,939	4,604
Equity dividends paid	(4,317)	(3,484)
Cash outflow before use of liquid resources and financing	(14,148)	(24,142)
Net cash inflow from financing	12,848	17,276
Decrease in cash in the period	(1,300)	(6,866)
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period	(1,300)	(6,866)
Cash inflow from change in debt	(12,848)	(17,276)
Increase in net debt resulting from cash flows	(14,148)	(24,142)
Net debt at 30 November	(140,718)	(101,349)
Net debt at 31 May	(154,866)	(125,491)
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	14,150	13,503
Depreciation and amortisation of own shares	207	136
Increase in stocks	(1,226)	(11,999)
Decrease in debtors	1,836	1,244
Decrease in creditors	(909)	(5,248)
Net cash inflow/(outflow) from operating activities	14,058	(2,364)

Notes to the Accounts

1. Turnover and Profit Analysis

	Unaudited		Unaudited restated	
	6 months to		6 months to	
	31 May 2002		31 May 2001	
	Turnover	Profit	Turnover	Profit
	£'000	£'000	£'000	£'000
Rental income				
Group	12,509	10,681	12,222	10,450
Share of joint ventures	2,137	1,893	1,520	1,298
Property development				
Group	34,745	6,550	19,664	5,397
Share of joint ventures	7,000	3,925	4,149	1,074
Other activities	1,216	300	1,189	360
	<u>57,607</u>	<u>23,349</u>	<u>38,744</u>	<u>18,579</u>
Share of operating profit of associates		180		—
Administrative and other operating expenses				
Group		(3,381)		(2,704)
Shares of joint ventures		(45)		(39)
Operating profit		<u>20,103</u>		<u>15,836</u>

2. Net Interest Payable

	Unaudited	Unaudited	Audited
	at 31 May	at 31 May	at 30 Nov
	2002	2001	2001
	£'000	£'000	£'000
Group	4,930	4,607	9,346
Joint ventures	1,009	548	1,250
Associates	71	—	120
	<u>6,010</u>	<u>5,155</u>	<u>10,716</u>

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 £10,092,000 (2001: £7,439,000) 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 were owned by the company, totalled 120,302,791 (2001: 120,201,991); and for diluted earnings per share, totalled 121,465,246 (2001: 121,236,469).

4. Tangible Fixed Assets

Investment properties included in tangible fixed assets have been stated at the November 2001 valuation. Additions subsequent to the year end have been included at cost.

5. Other Investments

	Unaudited at 31 May 2002 £'000	Unaudited restated at 31 May 2001 £'000	Audited at 30 Nov 2001 £'000
Investments in associates	5,652	4,928	5,543
Investment in own shares	56	115	130
Other investments	6,000	6,000	6,000
	11,708	11,043	11,673

6. Other Information

- (i) The abridged accounts for the year to 30 November 2001 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 2002 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 2001. Comparative figures have been restated in accordance with new accounting standards and policies adopted in the year to 30 November 2001.
- (iii) All profits derive from continuing activities.
- (iv) The interim statement was approved by the board on 22 July 2002.

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

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 May 2002 which comprises the Group Profit and Loss Account, the Group Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 6. 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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. 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 United Kingdom 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.

Review conclusion

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 2002.

Ernst & Young LLP
Birmingham
22 July 2002



St. MODWEN PROPERTIES PLC

Head Office and Midlands Regional Office:

Lyndon House, Hagley Road, Edgbaston, Birmingham B16 8PE

Telephone: (0121) 456 2800 Facsimile: (0121) 456 1829

[www: stmodwen.co.uk](http://www.stmodwen.co.uk) e-mail: info@stmodwen.co.uk

Regional Offices:

London and South East: Telephone: (020) 7499 5666 Facsimile: (020) 7629 4262

North Staffordshire: Telephone: (01782) 281844 Facsimile: (01782) 283670

Northern: Telephone: (01925) 825950 Facsimile: (01925) 284808