

St. MODWEN PROPERTIES PLC
Interim Report 2003

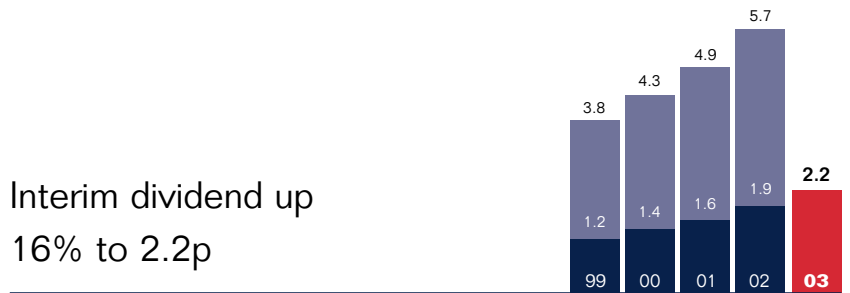
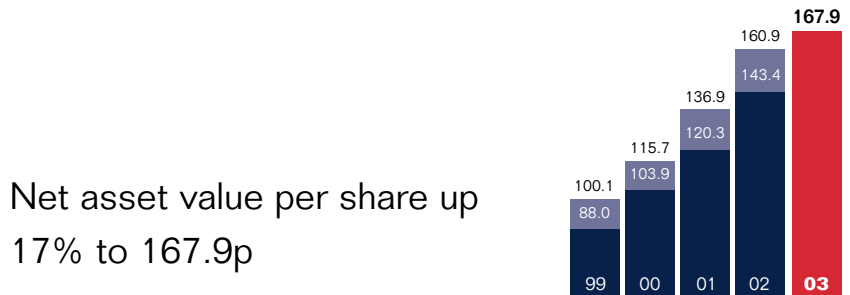
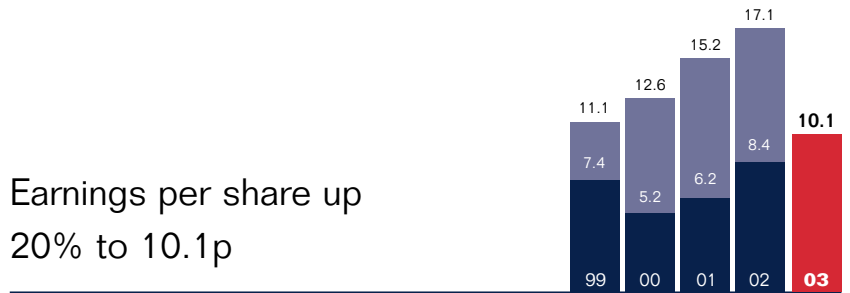
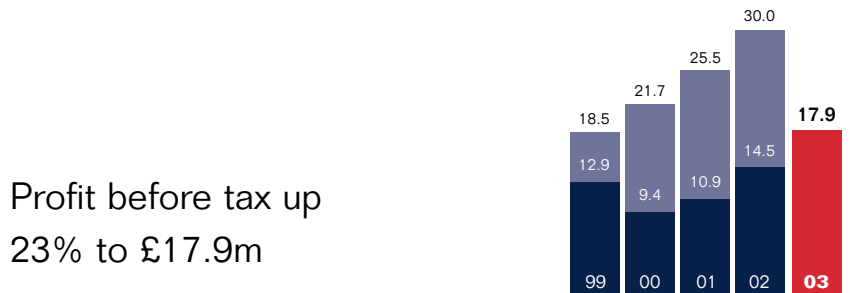


“ We remain on course to grow in line with our long-term objective of doubling the net worth of the company every five years . . . ”

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Financial Highlights



Key:
■ Half year
■ Full year
■ Current half year



Chairman's Statement

INTERIM RESULTS

I am delighted to inform you that the first-half results for 2003 have been very encouraging, with profits before tax increasing by 23% to £17.9m (2002: £14.5m).

The profits include an increase of 45% in gross rent receivable in the half year, following the acquisitions made during 2002 and at the beginning of the current financial year.

As a result of the continued expansion of our management team and a further provision of £1.1m in respect of share option costs, group overheads increased by £1.9m in the period to £5.3m (2002: £3.4m).

Earnings per share increased by 20% to 10.1p (2002: 8.4p).

DIVIDEND

These results, together with the prospects for the full year, have led the Board to declare a 16% increase in the interim dividend to 2.2p per ordinary share (2002: 1.9p).

This dividend will be paid on 12 September 2003 to shareholders on the register as at 15 August 2003.

CURRENT TRADING

The gross annual rent-roll of the income producing portfolio has increased by 18% (£6.2m) to £40.7m since the year end.

Acquisitions net of disposals added £6.1m. New lettings and rent reviews were slightly ahead of vacations and surrenders, which in the period included a significant element of pre-development lease terminations.

Profits from property development and disposals increased 12% to £12.2m, including the sale of two distribution warehouses at Stoke-on-Trent, the second phase of our shopping centre at Newcastle under Lyme and an 80,000 sq. ft. headquarters and warehouse building at Cannock.

Looking ahead to the development programme for the balance of 2003 and into 2004:

- The ground reclamation process at Norton Colliery, Stoke-on-Trent, has now been completed and the first disposal of 13 acres of residential land completed in July.
- In Widnes:
 - A 50,000 sq. ft. leisure and retail complex which

has been pre-let to JJB Sports is under construction and will be sold in the second half.

- The provision of a supermarket site for Asda has now gone unconditional and will be included in profits for 2003.
- Following receipt of planning permission at the Edmonton Green shopping centre, Enfield, London, the £60m development which includes a 66,000 sq. ft. supermarket for Asda, a new leisure centre and 155 residential flats, is scheduled to commence in the second half.
- The Shrub Hill retail park in Worcester which has been completed and substantially let will shortly be marketed for sale.

THE HOPPER

The acquisition of a £113m portfolio of 19 sites from Alstom in December through our Key Property joint venture has boosted the Hopper to its highest level yet. These assets will be marshalled into the development programme over the next 15 years. The first to contribute to development profits is anticipated to be a site for residential development

at Newton-le-Willows in 2004. Following the subsequent assignment of the leases on five of the sites from Alstom to Siemens, two properties in Aberdeen and Lincoln are now being marketed for resale.

We have also acquired 73 acres in Darlington from Corus and have exchanged contracts to acquire 212 acres in Avonmouth, Bristol from Britannia Zinc.

FUTURE PROSPECTS

I am pleased to state that this strong start to 2003 provides your Board with the confidence to anticipate record full-year results for the eleventh consecutive year. We remain on course to grow in line with the long-term objective of doubling the net worth of the company every five years.



Sir Stanley Clarke CBE, DL, Hon. D.Univ.

Chairman

21 July 2003

Group Profit and Loss Account

	Note	Unaudited 6 months to 31 May 2003 £'000	Unaudited 6 months to 31 May 2002 £'000	Audited 12 months to 30 Nov 2002 £'000
Turnover				
Group and share of joint ventures	1	66,818	57,607	136,893
Less: share of joint ventures' turnover		(6,758)	(9,137)	(28,728)
		<u>60,060</u>	<u>48,470</u>	<u>108,165</u>
Operating profit				
Group operating profit		19,328	14,150	28,561
Share of operating profit in joint ventures		4,945	5,773	12,687
Share of operating profit in associates		425	180	1,093
	1	<u>24,698</u>	<u>20,103</u>	<u>42,341</u>
Profit on sale of investment properties		1,526	435	832
Net interest payable	2	<u>(8,321)</u>	<u>(6,010)</u>	<u>(13,161)</u>
Profit on ordinary activities before taxation		17,903	14,528	30,012
Taxation		<u>(5,232)</u>	<u>(4,012)</u>	<u>(8,448)</u>
Profit on ordinary activities after taxation		12,671	10,516	21,564
Equity minority interests		<u>(557)</u>	<u>(424)</u>	<u>(1,016)</u>
Profit attributable to shareholders		12,114	10,092	20,548
Dividends		<u>(2,640)</u>	<u>(2,296)</u>	<u>(6,846)</u>
Transferred to reserves		<u>9,474</u>	<u>7,796</u>	<u>13,702</u>
Basic earnings per ordinary share	3	10.1p	8.4p	17.1p
Diluted earnings per ordinary share	3	10.1p	8.3p	17.1p
Dividend per ordinary share		2.2p	1.9p	5.7p

Group Balance Sheet

	Note	Unaudited at 31 May 2003 £'000	Unaudited at 31 May 2002 £'000	Audited at 30 Nov 2002 £'000
Fixed assets				
Tangible fixed assets	4	264,003	229,053	270,007
Investment in joint ventures				
Share of gross assets		120,971	50,643	77,348
Share of gross liabilities		(101,398)	(34,941)	(53,650)
Other investments	5	19,573	15,702	23,698
		14,327	11,708	14,129
		<u>297,903</u>	<u>256,463</u>	<u>307,834</u>
Current assets				
Stocks		92,587	95,266	101,179
Debtors		20,615	8,581	10,072
Cash at bank and in hand		1,205	449	2,927
		<u>114,407</u>	<u>104,296</u>	<u>114,178</u>
Creditors: amounts falling due within one year		<u>(40,141)</u>	<u>(33,227)</u>	<u>(53,091)</u>
Net current assets		<u>74,266</u>	<u>71,069</u>	<u>61,087</u>
Total assets less current liabilities		372,169	327,532	368,921
Creditors: amounts falling due after more than one year		(162,838)	(149,610)	(168,020)
Provisions for liabilities and charges		(3,983)	(2,772)	(3,979)
Equity minority interests		(2,549)	(1,993)	(2,605)
Net assets		<u>202,799</u>	<u>173,157</u>	<u>194,317</u>
Capital and reserves				
Share capital		12,077	12,077	12,077
Other reserves		9,532	9,532	9,532
Revaluation reserve		75,642	63,824	80,191
Profit and loss account		105,548	87,724	92,517
Equity shareholders' funds	6	<u>202,799</u>	<u>173,157</u>	<u>194,317</u>
Net assets per ordinary share		167.9p	143.4p	160.9p
Gearing		82%	89%	89%

Group Cash Flow Statement

	Unaudited 6 months to 31 May 2003 £'000	Unaudited 6 months to 31 May 2002 £'000
Net cash inflow from operating activities	5,368	14,058
Dividends received from joint ventures	6,000	—
Returns on investments and servicing of finance	(5,049)	(5,210)
Taxation paid	(48)	(2,150)
Capital expenditure and financial investment	(3,621)	(19,468)
Acquisitions and disposals	10,915	2,939
Equity dividends paid	(5,166)	(4,317)
Cash inflow/(outflow) before use of liquid resources and financing	8,399	(14,148)
Net cash (outflow)/inflow from financing	(9,956)	12,848
Decrease in cash in the period	(1,557)	(1,300)
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period	(1,557)	(1,300)
Cash inflow/(outflow) from change in debt	9,956	(12,848)
Decrease/(increase) in net debt resulting from cash flows	8,399	(14,148)
Net debt at 30 November	(173,774)	(140,718)
Net debt at 31 May	(165,375)	(154,866)
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	19,328	14,150
Depreciation and amortisation of own shares	343	207
Decrease/(increase) in stocks	8,592	(1,226)
(Increase)/decrease in debtors	(10,543)	1,836
Decrease in creditors	(12,352)	(909)
Net cash inflow from operating activities	5,368	14,058

Notes to the Accounts

1. Turnover and Profit Analysis

	Unaudited 6 months to 31 May 2003		Unaudited 6 months to 31 May 2002	
	Turnover £'000	Profit £'000	Turnover £'000	Profit £'000
Rental income				
Group	15,725	13,335	12,509	10,681
Share of joint ventures	5,583	4,954	2,137	1,893
Property development				
Group	43,007	10,662	34,745	6,550
Share of joint ventures	1,175	35	7,000	3,925
Other activities	1,328	637	1,216	300
	<u>66,818</u>	<u>29,623</u>	<u>57,607</u>	<u>23,349</u>
Share of operating profit of associates		425		180
Administrative and other operating expenses				
Group		(5,306)		(3,381)
Share of joint ventures		(44)		(45)
Operating profit		<u>24,698</u>		<u>20,103</u>

2. Net Interest Payable

	Unaudited at 31 May 2003 £'000	Unaudited at 31 May 2002 £'000
Group	5,780	4,930
Joint ventures	2,421	1,009
Associates	120	71
	<u>8,321</u>	<u>6,010</u>

3. Earnings Per Share

Earnings per ordinary share are calculated as follows:

(a) Basic earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders of £12,114,000 (2002: £10,092,000) by the weighted average number of shares in issue during the year (excluding the shares held for share incentive schemes which are owned by the company) of 119,841,955 (2002: 120,302,791).

(b) As the group does not currently intend to issue shares to satisfy outstanding share options, there will be no dilution of earnings arising from the exercise of employee share options.

Notes to the Accounts

4. Tangible Fixed Assets

Investment properties included in tangible fixed assets have been stated at the November 2002 valuation. Additions subsequent to the year end have been included at cost.

5. Other Investments

	Unaudited at 31 May 2003 £'000	Unaudited at 31 May 2002 £'000
Investments in associates	7,819	5,652
Investment in own shares	508	56
Other investments	6,000	6,000
	14,327	11,708

6. Reconciliation of Movements in Shareholders' Funds

	£'000
Profit attributable to shareholders	12,114
Dividends	(2,640)
	9,474
Taxation on realisation of prior years' revaluation surpluses	(992)
	8,482
Net additions to shareholders' funds	8,482
Shareholders' funds 30 November 2002	194,317
	202,799
Shareholders' funds 31 May 2003	202,799

7. Other Information

- (i) The abridged accounts for the year to 30 November 2002 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 2003 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 2002.
- (iii) All profits derive from continuing activities.
- (iv) The interim statement was approved by the board on 21 July 2003.

Independent Review Report 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 2003, which comprises the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Cash Flow Statement, and the related notes 1 to 7. 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.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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.

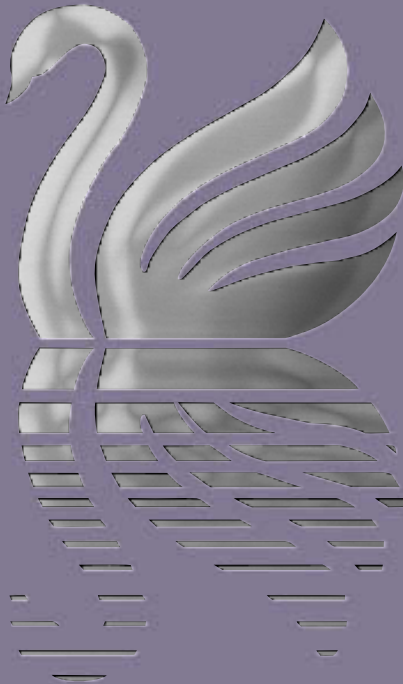
Review work performed

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 2003.

Ernst & Young LLP
Birmingham
21 July 2003



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