

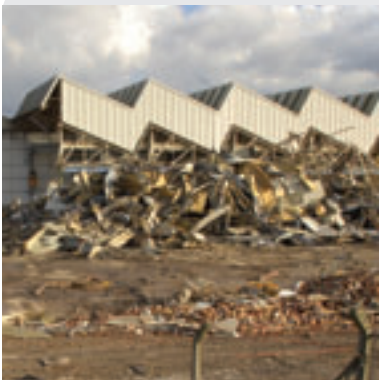


# St. Modwen Properties PLC

## Interim Report 2007



**Regeneration  
in action**



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**St. Modwen is a regeneration specialist operating through a network of regional offices in all sectors of the property industry with four particular specialisations: town centre regeneration, partnering industry in its restructuring, brownfield land renewal and heritage restoration.**

**We are closely aligned with the communities in which we operate, continually mindful of the impact of our developments on the local area.**

**The company's strategy is based on a hopper of developable land, and on marshalling the land through the planning and development process into a reliable stream of profits.**

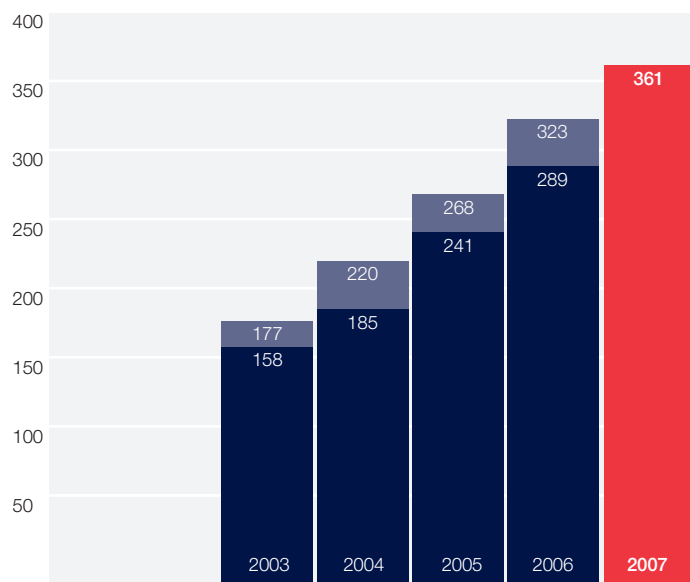
## **Our financial objectives are to:**

- **Double net asset value per share every five years**
- **Pay a progressive dividend in line with targeted NAV growth**

# Financial highlights

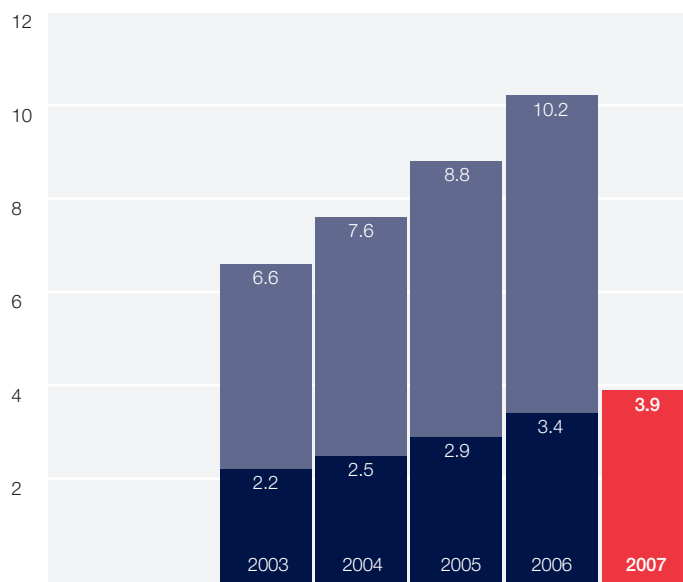
Net assets per share\* (p)

**+25%**



Dividend per share† (p)

**+15%**



**Key:**

■ Full year

■ Half year

■ Current half year

- Profit before tax increased by 48% to £65.1m
- Earnings per share increased by 60% to 42.8p
- Net asset value per share increased by 25% since May 2006 to 361p
- Dividend increased by 15% to 3.9p

\* Net asset figures prior to 30th November 2004 are restated on an IFRS basis, but do not reflect half year revaluations or the reclassification of certain work in progress assets.

† Dividends represented in the chart above are those declared in respect of the period.

01



## Half year review

### Interim Results

We are pleased to report on another record first-half performance by your company. Profit before tax has increased by 48% to £65.1m (2006 : £43.9m) which includes unrealised property valuation gains, including our share of joint venture gains, of £49.1m (2006 : £21.9m). The net asset value of the company has risen to £435.7m (2006 : £349.5m), an increase of 25% in the last twelve months, and 12% since November 2006.

In the Annual Report, we stated that the results would be more second-half orientated than in previous years. All our projects depend on third party action, such as the granting of planning or entering into an occupational agreement, the timing of which is difficult to predict. However, an outstanding effort throughout our various teams achieved significant success in bringing forward into the period a number of developments which had been scheduled for the second half. This gives us greater confidence that our results for the full year will be delivered in line with our plan.

### Dividends

In the light of the prospects for the full year, the board has declared an interim dividend of 3.9p per ordinary share (2006 : 3.4p), an increase of 15% which will be paid on 31st August 2007 to shareholders on the register at 3rd August 2007.

### Auditors

As mentioned in the Annual Report, we have recently undertaken a tender process for the provision of audit services. Following the completion of this exercise, the board appointed Deloitte & Touche LLP, who have consequently performed the review of this interim report.

#### 01 Burton upon Trent

A 150,000 sq ft distribution facility at Barton Business Park in our joint venture with Prologis, completed and sold in the period as part of the company's speculative build programme

#### 02 Wembley

Construction of the first residential phase of the £75m mixed use regeneration of Wembley Central Square is now under way



## Delivery

The 48% increase in profit before tax was driven by a 124% increase in property valuation gains, and a 26% increase in profits from property disposals, including our share of joint ventures. 16 property disposals were completed in the period with 4 projects each contributing profits of over £1m. Net rental income, again including our share of joint ventures, increased by 2% to £17.6m (2006 : £17.3m).

Significant transactions completed in the period included:

- Accrington — Junction 7 Business Park, a 50 acre managed estate, acquired in 2001 as part of the Marconi portfolio through Key Property Investments (“KPI”), successfully asset managed and 4 acres retained for new speculative development. The remainder was sold to GE Capital for £25m.
- Trafford Park, Manchester — A pre-let of a 360,000 sq ft distribution centre to adidas for its UK headquarters forward sold to NFU Mutual for £33m. The building is scheduled for completion in November.
- RAF Eastcote — the first disposal from the MoDEL portfolio, a 19 acre residential land sale to George Wimpey for £60m
- Boughton Road, Rugby — a 10 acre residential land sale for £15m

We have also ended our 18-year association with horse racing with NR Acquisition’s offer for Northern Racing PLC being declared unconditional on 30th May. The amount realised for the group’s 27.2% shareholding was £17.7m, an uplift of £6.7m on our carrying value — a very successful conclusion to the earliest of our property related operating activities.

For the first time for many years this period’s valuation gains have no benefit from any market related yield compression. All of the property valuation surpluses arise from our marshalling and asset management activities.

## Marshalling

We have continued to make good progress in marshalling projects for future delivery. In particular, we have had success on a number of planning applications:

- Llanwern — Newport City Council has resolved to grant outline planning consent for the transformation of the 600-acre former Corus steelworks site at Llanwern, into a £1 billion sustainable, mixed use development, comprising a new urban village of 4,000 homes with full supporting community facilities and 1.5m sq.ft of employment space. Redevelopment of this site is expected to take 20 years to complete. The initial phase of the infrastructure works should commence later this year with the first dwellings and employment buildings being developed in 2008.
- Rugby — Planning consent has been obtained for the mixed use redevelopment by KPI of 100 acres of the former GEC industrial estates in Rugby, including a new campus for Warwickshire College, 100,000 sq ft of employment accommodation and 770 dwellings.
- Meaford — planning consent has been obtained for 1.2 million sq.ft of employment space at this 100 acre former power station site near Stone, Staffordshire.
- Great Homer Street, Liverpool — Outline planning has been obtained for the £150 million mixed use project on 45 acres in North Liverpool. Work is now underway on land acquisition and detailed planning of the scheme on which construction is expected to begin in summer 2008. The development will comprise a 115,000 sq ft superstore, 80,000 sq ft of non-food retail stores, a new market and market hall, 480 homes, and facilities for a Primary Care Trust centre, new library, leisure facilities as well as 80,000 sq ft of employment space.
- Goodyear, Wolverhampton — Planning consent has been obtained for this project comprising a smaller 18 acre Goodyear facility, 660 homes and 1.5 acres of neighbourhood retail. Work on site clearance will start later this year.
- Vulcan Works, Newton le Willows — Part of the KPI Alstom portfolio and also a joint venture with Ashtenne Ltd on our combined sites. The successful outcome of the calling in enquiry resulted in planning permission for 630 homes on the overall 64 acre site. Work on the initial infrastructure will commence later this year.



Additionally at Farnborough, another KPI property, the £80 million redevelopment of the town centre began in May and the current phases should be completed in 2009.

We have also finalised our joint venture with AXA Property which enables the redevelopment of the 60 acre Taunton Trading Estate to commence which will deliver 550 homes and 170,000 sq.ft of employment space.

### 03 Farnborough, Hants

Demolition of Queensmead, the first step towards the transformation of the town centre, began in May following the finalisation of the development agreement with Rushmoor Council

## The Hopper

We continued to add to the hopper with acquisitions of 155 acres in the first half. The hopper now comprises 7,700 acres, of which some 5,100 acres are developable.

Our principal acquisitions have been:

- Whitley — The acquisition of 53 acres of surplus land at Jaguar Engineering Centre, Whitley, Coventry, from Coventry City Council opens the way for the creation of a high-class business park.
- Eccles — a 36-acre chemical works in Salford, Manchester. The site was purchased from Akros Chemicals Ltd which has taken two occupational leases of 30 years and 6 years.
- Worcester — 20 acres, strategically located between M5 Junctions 6 and 7. The City of Worcester Local Plan identifies the land as being a potential relocation site for Worcester City Football Club, with whom we have been having detailed discussions, together with enabling commercial development.
- Widnes — The acquisition of 14 acres from Croda and the adjoining 20 acre council site, has assembled a major employment site in Widnes Waterfront

We have also been selected as preferred developer for two major projects:

- Coed Darcy — selected by BP, with the involvement of The Prince's Foundation, the Welsh Assembly and Neath Port Talbot County Council, to redevelop a 1000 acre site adjacent to Junction 43 of the M4 near Neath. This flagship regeneration project, to transform the former Llandarcy oil refinery into a sustainable urban village community, will involve 4000 homes, the creation of up to 3,200 jobs, and generating an economic impact of £1.2bn over the anticipated 20 year development period.
- Medway — the company has been chosen as Medway Council's preferred 'investment partner' to deliver long-term investment to transform Medway into the new city of the Thames Gateway.

### 04 Walsall

A new 118,000 sq ft Asda superstore which anchors the first phase of the £40 million St Matthew's Quarter regeneration scheme in the centre of the town





#### 05 Coed Darcy, South Wales

The 1,000 acre former oil refinery which is to be transformed into an urban village community in a development agreement with BP

## Prospects

We remain on course to grow in line with our long-term financial objective of doubling the net asset value per share of the company every five years and we look forward with confidence to a successful outcome for the year as a whole.

For further information on our business strategy, our projects and our corporate environmental and social responsibility, please visit our (newly redesigned and updated) website [www.stmodwen.co.uk](http://www.stmodwen.co.uk), on which our interim investor presentation will be published.

Anthony Glossop  
Chairman  
9th July 2007

Bill Oliver  
Chief Executive

# 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 31st May 2007 which comprises the group income statement, the group balance sheet, the group statement of recognised income and expense, the group cash flow statement and related notes 1 to 8. 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 Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review 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 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 are 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 the 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 International Standards on Auditing (UK and Ireland) 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 31st May 2007.

## Deloitte & Touche LLP

Chartered Accountants  
Birmingham  
9th July 2007

# Group income statement

For the period to 31st May 2007

	Notes	Unaudited 31st May 2007 £m	Unaudited 31st May 2006 £m	Audited 30th Nov 2006 £m
Revenue	2	47.7	64.6	128.1
Net rental income	2	13.0	12.6	24.3
Development profit	2	12.2	6.4	14.6
Gains on disposals of investment/investment properties	3	7.0	14.4	27.2
Investment property revaluation gains		47.8	17.8	49.0
Other net income	2	1.1	1.0	2.4
Joint ventures and associates (post-tax)	4	7.9	5.2	11.0
Administrative expenses		(12.7)	(7.8)	(15.6)
Profit before interest and tax		76.3	49.6	112.9
Finance cost	5	(15.7)	(7.0)	(20.0)
Finance income	5	4.5	1.3	4.0
Profit before tax		65.1	43.9	96.9
Taxation		(10.8)	(11.0)	(21.0)
Profit for the period		54.3	32.9	75.9
Attributable to:				
Equity shareholders		51.6	32.4	74.4
Minority interests		2.7	0.5	1.5
		54.3	32.9	75.9
Basic and diluted earnings per share (pence)	7	42.8	26.8	61.6
Dividend per share (pence)	8(v)	3.9	3.4	10.2

# Group statement of recognised income and expense

	Unaudited 31st May 2007 £m	Unaudited 31st May 2006 £m	Audited 30th Nov 2006 £m
Profit for the period	54.3	32.9	75.9
Pension fund:			
— actuarial gains and losses	—	—	2.5
— deferred tax thereon	—	—	(0.7)
<b>Total recognised income and expenditure</b>	<b>54.3</b>	<b>32.9</b>	<b>77.7</b>
Attributable to:			
Equity shareholders	51.6	32.4	76.2
Minority interests	2.7	0.5	1.5
	54.3	32.9	77.7

# Group balance sheet

As at 31st May 2007

	Notes	Unaudited 31st May 2007 £m	Unaudited 31st May 2006 £m	Audited 30th Nov 2006 £m
<b>Non-current assets</b>				
Investment properties	8(i)	840.2	531.6	736.4
Operating property, plant and equipment		3.6	4.0	3.8
Investments in joint ventures, associates and other investments		74.7	73.7	77.9
Trade and other receivables		2.9	0.9	4.0
		<b>921.4</b>	<b>610.2</b>	<b>822.1</b>
<b>Current assets</b>				
Inventories		92.3	49.6	65.9
Trade and other receivables		58.9	26.0	58.4
Cash and cash equivalents		6.4	0.3	7.0
		<b>157.6</b>	<b>75.9</b>	<b>131.3</b>
<b>Current liabilities</b>				
Trade and other payables		(118.1)	(44.9)	(109.3)
Borrowings		(64.0)	(4.3)	(49.2)
Tax payables		(9.7)	(6.6)	(3.7)
		<b>(191.8)</b>	<b>(55.8)</b>	<b>(162.2)</b>
<b>Non-current liabilities</b>				
Trade and other payables		(103.0)	(6.2)	(143.7)
Borrowings		(290.2)	(233.5)	(210.7)
Deferred tax		(58.3)	(41.1)	(47.0)
		<b>(451.5)</b>	<b>(280.8)</b>	<b>(401.4)</b>
Net assets		<b>435.7</b>	<b>349.5</b>	<b>389.8</b>
<b>Capital and reserves</b>				
Share capital		12.1	12.1	12.1
Share premium		9.1	9.1	9.1
Capital redemption reserve		0.3	0.3	0.3
Retained earnings		407.7	324.6	364.3
Own shares		(0.5)	(0.5)	(0.8)
Shareholders' equity	6	<b>428.7</b>	<b>345.6</b>	<b>385.0</b>
Minority interests	6	<b>7.0</b>	<b>3.9</b>	<b>4.8</b>
Total equity	6	<b>435.7</b>	<b>349.5</b>	<b>389.8</b>

# Group cash flow statement

For the period to 31st May 2007

	Unaudited 31st May 2007 £m	Unaudited 31st May 2006 £m	Audited 30th Nov 2006 £m
<b>Operating activities</b>			
Profit before interest and tax	76.3	49.6	112.9
Gains on investment/investment property disposals	(7.0)	(14.4)	(27.2)
Joint ventures and associates (post tax)	(7.9)	(5.2)	(11.0)
Investment property revaluation gains	(47.8)	(17.8)	(49.0)
Depreciation	0.3	0.3	0.9
Changes in inventories	(24.2)	(13.5)	(24.8)
Changes in trade and other receivables	4.0	(4.8)	1.4
Share options and share awards	0.1	0.1	0.3
Changes in trade and other payables	(38.3)	9.3	(6.1)
Pension funding	(0.2)	(0.3)	(0.7)
Tax refund/(paid)	6.2	–	(7.5)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(38.5)</b>	<b>3.3</b>	<b>(10.8)</b>
<b>Investing activities</b>			
Investment property disposals	21.1	32.5	87.5
Investment property additions	(61.2)	(50.7)	(95.5)
Property, plant and equipment additions	(0.1)	(0.3)	(0.7)
Interest received	1.1	–	0.1
Dividends received	–	–	1.6
<b>Net cash outflow from investing activities</b>	<b>(39.1)</b>	<b>(18.5)</b>	<b>(7.0)</b>
<b>Financing activities</b>			
Dividends paid	(8.2)	(7.1)	(11.2)
Dividends paid to minorities	(0.5)	(0.2)	(0.3)
Interest paid	(8.9)	(7.0)	(14.6)
Sale/(purchase) of own shares	0.3	(0.2)	(1.2)
Net drawing of borrowings	90.7	27.9	53.9
<b>Net cash inflow from financing activities</b>	<b>73.4</b>	<b>13.4</b>	<b>26.6</b>
(Decrease)/increase in cash and cash equivalents	(4.2)	(1.8)	8.8
Cash and cash equivalents at start of period	7.0	(1.8)	(1.8)
<b>Cash and cash equivalents at end of period</b>	<b>2.8</b>	<b>(3.6)</b>	<b>7.0</b>
Cash	6.4	0.3	7.0
Bank overdrafts	(3.6)	(3.9)	–
<b>Cash and cash equivalents at end of period</b>	<b>2.8</b>	<b>(3.6)</b>	<b>7.0</b>

# Notes to the accounts

## 1. Accounting policies

The interim financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the disclosure requirements of the Listing Rules. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as applied in the group's latest audited financial statements.

## 2. Revenue

	Six months to 31st May 2007			Six months to 31st May 2006			Year to 30th November 2006		
	Revenue	Costs	Total	Revenue	Costs	Total	Revenue	Costs	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Rental income	14.6	(1.6)	13.0	15.4	(2.8)	12.6	29.4	(5.1)	24.3
Development property	30.0	(17.8)	12.2	46.3	(39.9)	6.4	92.9	(78.3)	14.6
Other	3.1	(2.0)	1.1	2.9	(1.9)	1.0	5.8	(3.4)	2.4
<b>Total</b>	<b>47.7</b>	<b>(21.4)</b>	<b>26.3</b>	<b>64.6</b>	<b>(44.6)</b>	<b>20.0</b>	<b>128.1</b>	<b>(86.8)</b>	<b>41.3</b>

## 3. Investment sale

During the period to 31st May 2007 the group disposed of its entire shareholding in Northern Racing PLC, realising a profit of £6.7m.

## 4. Joint ventures and associates

	Six months to 31st May 2007			Six months to 31st May 2006			Year to 30th November 2006		
	Rental income	Development property	Total	Rental income	Development property	Total	Rental income	Development property	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	5.8	12.6	18.4	5.9	3.5	9.4	11.1	3.5	14.6
Costs	(1.2)	(9.0)	(10.2)	(1.2)	(2.8)	(4.0)	(2.2)	(2.6)	(4.8)
<b>Net income</b>	<b>4.6</b>	<b>3.6</b>	<b>8.2</b>	<b>4.7</b>	<b>0.7</b>	<b>5.4</b>	<b>8.9</b>	<b>0.9</b>	<b>9.8</b>
Gains on investment property disposals			4.3			–			1.9
Investment property revaluation gains			1.3			4.1			6.6
Administrative expenses			–			–			(0.1)
Finance cost			(2.8)			(2.2)			(5.1)
Profit before tax			11.0			7.3			13.1
Taxation			(3.3)			(2.1)			(2.7)
Profit after tax			7.7			5.2			10.4
Post-tax profits of associate			0.2			–			0.6
<b>Profit for the period</b>			<b>7.9</b>			<b>5.2</b>			<b>11.0</b>

# Notes to the accounts

continued

## 5. Net finance cost

	Six months to 31st May 2007 £m	Six months to 31st May 2006 £m	Year to 30th Nov 2006 £m
Interest payable on loans and overdrafts	9.3	6.8	14.3
Amortisation of discount on deferred payment arrangements	5.4	–	3.8
Amortisation of refinancing expenses	0.1	0.1	0.2
Head rents treated as finance leases	0.1	0.1	0.2
Interest on pension scheme liabilities	0.8	–	1.5
<b>Total finance costs</b>	<b>15.7</b>	<b>7.0</b>	<b>20.0</b>
Interest receivable on cash deposits	1.3	0.1	0.4
Movement in market value of interest rate derivatives	2.3	1.2	2.0
Expected return on pension scheme assets	0.9	–	1.6
<b>Total finance income</b>	<b>4.5</b>	<b>1.3</b>	<b>4.0</b>
<b>Net finance cost</b>	<b>11.2</b>	<b>5.7</b>	<b>16.0</b>

## 6. Reconciliation of movements in equity

	Equity shareholders £m	Minority interests £m	Total £m
<b>Period ended 31st May 2007</b>			
Total recognised income and expense	51.6	2.7	54.3
Dividends paid	(8.2)	(0.5)	(8.7)
Own shares sold	0.3	–	0.3
Equity at 30th November 2006	385.0	4.8	389.8
<b>Equity at 31st May 2007</b>	<b>428.7</b>	<b>7.0</b>	<b>435.7</b>
<b>Period ended 31st May 2006</b>			
Total recognised income and expense	32.4	0.5	32.9
Dividends paid	(7.1)	(0.2)	(7.3)
Own shares purchased	(0.1)	–	(0.1)
Equity at 30th November 2005	320.4	3.6	324.0
<b>Equity at 31st May 2006</b>	<b>345.6</b>	<b>3.9</b>	<b>349.5</b>
<b>Period ended 30th November 2006</b>			
Total recognised income and expense	76.2	1.5	77.7
Dividends paid	(11.2)	(0.3)	(11.5)
Own shares purchased	(0.4)	–	(0.4)
Equity at 30th November 2005	320.4	3.6	324.0
<b>Equity at 30th November 2006</b>	<b>385.0</b>	<b>4.8</b>	<b>389.8</b>

## 7. Earnings per share

Earnings per share are calculated as follows:

**(a)** Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of £51.6m (May 2006: £32.4m, November 2006: £74.4m) by the weighted average number of shares in issue during the period (which excludes the shares held for share incentive schemes which are owned by the group) of 120,634,233 (May 2006: 120,644,491, November 2006: 120,628,368).

**(b)** In calculating diluted earnings per share, earnings have been adjusted for changes which would have resulted from the option being classified as equity settled. The number of shares included in the calculation has also been adjusted accordingly. The calculations show that the majority of shares under option have no dilutive impact on earnings per share. The number of shares so calculated was 120,634,233 (May 2006: 120,644,491; November 2006: 120,704,918).

## 8. Other information

**(i)** Investment properties were valued at 31st May 2007, 31st May 2006 and 30th November 2006 by King Sturge & Co, Chartered Surveyors, in accordance with the Appraisal and Valuation method of the Royal Institution of Chartered Surveyors, on the basis of open market value.

**(ii)** The financial information contained in this interim statement, which is unaudited, does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 30th November 2006 have been derived from the statutory accounts, which have been filed with the Registrar of companies and on which the auditors, Ernst & Young LLP, gave an unqualified audit opinion. The prior year audited accounts did not include a statement under section 237(2) and (3) of the Companies Act 1985.

**(iii)** The effective tax rate used for the period is 18.9%. The full year rate is expected to be lower than this due to the changes to the industrial buildings allowance regime and the rate of UK corporation tax that were announced in the Budget Statement.

**(iv)** The interim statement was approved by the board on 9th July 2007.

**(v)** The proposed dividend of 3.9p per share was approved by the board on 9th July and will amount to £4.7m (6 months to 31st May 2006: 3.4p, £4.1m).



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