

# St. Modwen Properties PLC

St. Modwen, the UK's leading regeneration specialist, announces a return to profits and NAV growth and a resumption of dividends in its half-year results for the six months ended 31<sup>st</sup> May 2010.

## HIGHLIGHTS

- \* Profit before tax of £26.7 m in the period (2009: loss of £98.3m)
- \* Net assets per share increase of 6.8% to 214p per share since 30<sup>th</sup> November 2009
- \* Resumption of dividends, with an interim payment of 1p per share
- \* Agreement to acquire a portfolio of 11 industrial estates for £21.4m, with annual rental income of £2.2m

**Anthony Glossop**, Chairman, reporting on the period said:

*"As anticipated in our March trading update, I am delighted to be able to report a significant improvement in our trading performance for the half year, which has produced an NAV increase of 6.8% in the period and enabled us to resume the payment of dividends."*

5<sup>th</sup> July 2010

## ENQUIRIES:

**St. Modwen Properties PLC**  
Bill Oliver, Chief Executive  
Tim Haywood, Finance Director  
Menna Rees-Steer, PR Manager

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## Half Year Review

(This half year review includes certain non-statutory numbers, which are detailed in note 7)

We have achieved a number of significant successes during the six month period since November 2009. In particular:-

- Profit before tax of £ 26.7m
- Net asset value increase of 6.8% to 214p per share
- Reduction in net debt of £17.3m, with loan to value ratio improved to 31% (2009: 34%)
- Agreement to acquire a portfolio of 11 industrial estates for £21.4m, with annual rental income of £2.2m

With the confidence generated from this improvement in our financial performance, we are also pleased to be able to announce the resumption of dividend payments, with an interim dividend of 1p per share, which will be paid on 6<sup>th</sup> September 2010 to shareholders on the register at 13th August 2010.

## Results for the Half Year

During the period the Group has continued to trade profitably, reporting a trading profit of £8.3m (2009: £6.8m), and a pre-tax profit of £26.7m (2009: loss of £98.3m).

This result has been underpinned by an increase in net rental income received of 1.8% compared with H1 2009, and 6.1% compared with H2 2009. Our gross annual rent roll now stands at £44.3m as at 31<sup>st</sup> May 2010 (unchanged on a like-for-like basis compared with November 2009).

Since the turn of the year, real estate investor appetite has been gradually returning, resulting in a reversal of some of the significant negative valuations that we experienced during the downturn. Similarly, the increasing level of housebuilding activity has begun to work its way into improving demand for (and values of) residential land. These trends have been reflected in our property valuations, which rose by £20.1m in the period to 31 May 2010 (6 months ended 31 May 2009: decline of £97.6m).

The profit before tax for the period, together with a small tax credit from brought forward losses, resulted in a net asset value of £428.1m (214p per share), an increase of 6.8% (2009: decline of 20.1%) since the year end.

## THE HOPPER

We continue to add to the Hopper, which now stands at over 5,600 acres, by making selective acquisitions of income-producing sites that are self-financing, and of development sites that complement our existing portfolio.

Since the year end we have committed £36m in acquiring 167 developable acres, including an eleven-site portfolio of industrial estates for £21.4m. With a rental income of £2.2m, this represents a net initial yield of 10.3%. We also acquired a vehicle component factory in Hednesford which completes the site assembly for our £50m town centre redevelopment, for which planning should be granted this summer; a 20-acre business park at Clevedon with planning for 330,000 sq ft of commercial space; and 16 acres on two further sites in the Midlands which adjoin our existing ownerships, both with potential for residential uses.

## **MARSHALLING**

We continue to add value to the assets in our hopper by marshalling schemes for future development:

- We have obtained planning consent for 500 residential homes, 300 holiday homes and 1m sq ft of employment uses at Long Marston, Stratford-upon-Avon, a former MoD site purchased in 2004.
- We also obtained planning, have exchanged contracts for the £12.5m investment sale at a yield of 5.3%, and have begun building Etrop Court, a 48,000 sq ft office complex in Wythenshawe, pre-let to Manchester City Council, which will act as an important catalyst to the wider regeneration of the town centre.
- We have submitted planning applications for the redevelopment of two former MoD sites totalling 191 acres at Uxbridge and Mill Hill in the London Boroughs of Hillingdon and Barnet. The plans include proposals for: 3,550 new homes, including affordable housing; 250,000 sq ft of mixed-use commercial development; a new 1,200-seat theatre; warden-assisted elderly accommodation; GP surgeries; primary schools; and a hotel.
- We have submitted a planning application for the Bay Science and Innovation Campus for the University of Swansea, which, subject to funding, will be built on our Crymlyn Burrows site near Swansea.
- We have also submitted a number of other important planning applications including:
  - Hednesford - an 85,000 sq ft foodstore, pre-sold to Tesco, plus 35,000 sq ft of additional retail; and
  - Sunderland - 250 residential units on a 17 acre former glassworks site, acquired in 2008/9
- We have made significant progress with the remediation works at Baglan Bay and Coed Darcy, ahead of the anticipated timetable.

## **DELIVERY**

We remain active across all of our regions, delivering a range of mainly pre-sold and pre-let schemes. We are also continuing to see signs of recovery in the residential land market.

- We have completed the sales of two shopping centres at above book value: Catford in Lewisham for £11.5 million; and The Malls, Basingstoke for £15.3m, thereby exiting two mature assets to which we could add no further value.
- A number of large, pre-sold construction projects are progressing well, including the 52,000 sq ft pre-sold Morrisons supermarket at Deeside District Centre, Connah's Quay, Flintshire; the 250,000 sq ft Bournville College at Longbridge; the 150,000 sq ft Warwickshire College building at Rugby; and the 300,000 sq ft waste treatment and recycling facility at Avonmouth for New Earth Solutions.

## **Risks and Uncertainties**

The directors consider that the principal risks and uncertainties facing the company remain the same as those disclosed on pages 53 to 56 of the annual report for the year ended 30<sup>th</sup> November 2009.

## Outlook

Investor appetite has improved, housebuilder activity is returning, and we have secured a number of schemes which will contribute to future periods' profits. Although the occupier market remains challenging, we have recently seen an upturn in the number of design and build enquiries for future development projects. We therefore feel confident of a continued improvement in both NAV and profit terms, which is evidenced by the restoration of the interim dividend.

CCA Glossop  
Chairman

WA Oliver  
Chief Executive

2<sup>nd</sup> July 2010

## GROUP INCOME STATEMENT FOR THE PERIOD TO 31ST MAY 2010

		<b>Unaudited</b>	Unaudited	Audited
		<b>31st May</b>	31st May	30th November
		<b>2010</b>	2009	2009
	Notes	<b>£m</b>	£m	£m
<b>Revenue</b>	2	<b>58.3</b>	43.2	113.7
Net rental income	2	<b>13.8</b>	13.0	26.1
Development profits/(losses)	2	<b>4.0</b>	(4.9)	(9.3)
Gains on disposals of investments/investment properties		<b>0.6</b>	1.7	2.2
Investment property revaluation gains/(losses)		<b>19.3</b>	(68.6)	(81.7)
Other net income	2	<b>1.6</b>	1.1	1.8
Joint ventures and associates (post tax)	3	<b>6.4</b>	(20.6)	(22.9)
Administrative expenses		<b>(8.1)</b>	(5.6)	(13.9)
<b>Profit/(loss) before interest and tax</b>		<b>37.6</b>	(83.9)	(97.7)
Finance cost	4	<b>(12.1)</b>	(16.7)	(26.0)
Finance income	4	<b>1.2</b>	2.3	4.3
<b>Profit/(loss) before tax</b>		<b>26.7</b>	(98.3)	(119.4)
Taxation		<b>0.7</b>	17.7	17.7
<b>Profit/(loss) for the period</b>		<b>27.4</b>	(80.6)	(101.7)
Attributable to:				
Equity shareholders		<b>26.3</b>	(79.9)	(101.1)
Minority interests		<b>1.1</b>	(0.7)	(0.6)
		<b>27.4</b>	(80.6)	(101.7)
Basic profit/(loss) per share (pence)	5	<b>13.1</b>	(57.7)	(59.7)
Diluted profit/(loss) per share (pence)	5	<b>13.1</b>	(57.7)	(59.7)

**GROUP STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD TO 31ST MAY 2010**

	<b>Unaudited 31st May 2010 £m</b>	Unaudited 31st May 2009 £m	Audited 30th November 2009 £m
Profit/(loss) for the period	<b>27.4</b>	(80.6)	(101.7)
Pension fund:			
- actuarial losses	-	(0.1)	(0.8)
- deferred tax	-	-	0.2
<b>Total comprehensive income/(expense)</b>	<b>27.4</b>	(80.7)	(102.3)
Attributable to:			
Equity shareholders	<b>26.3</b>	(80.0)	(101.7)
Minority interests	<b>1.1</b>	(0.7)	(0.6)
<b>Total comprehensive income/(expense)</b>	<b>27.4</b>	(80.7)	(102.3)

**GROUP BALANCE SHEET  
AS AT 31ST MAY 2010**

		<b>Unaudited 31st May</b>	Unaudited 31st May	Audited 30th November
	Notes	<b>2010</b>	2009	2009
		<b>£m</b>	£m	£m
<b>Non-current assets</b>				
Investment properties	6(i)	<b>778.1</b>	743.4	762.9
Operating property, plant & equipment		<b>7.6</b>	3.9	7.9
Investments in joint ventures and associates		<b>47.7</b>	43.6	41.3
Trade and other receivables		<b>5.9</b>	4.5	5.2
		<b>839.3</b>	795.4	817.3
<b>Current assets</b>				
Inventories		<b>182.3</b>	225.4	192.7
Trade and other receivables		<b>44.8</b>	63.3	47.0
Cash and cash equivalents		<b>4.4</b>	6.0	4.8
		<b>231.5</b>	294.7	244.5
<b>Current liabilities</b>				
Trade and other payables		<b>(117.0)</b>	(130.0)	(139.2)
Borrowings		<b>(0.4)</b>	(0.9)	(0.4)
Tax payables		<b>(9.3)</b>	(8.6)	(7.7)
		<b>(126.7)</b>	(139.5)	(147.3)
<b>Non-current liabilities</b>				
Trade and other payables		<b>(209.8)</b>	(197.6)	(188.9)
Borrowings		<b>(305.5)</b>	(431.4)	(323.2)
Deferred tax		<b>(0.7)</b>	(0.3)	(1.4)
		<b>(516.0)</b>	(629.3)	(513.5)
<b>Net assets</b>		<b>428.1</b>	321.3	401.0
<b>Capital and reserves</b>				
Share capital		<b>20.0</b>	12.1	20.0
Share premium		<b>102.8</b>	9.1	102.8
Capital redemption reserve		<b>0.3</b>	0.3	0.3
Retained earnings		<b>295.9</b>	291.3	269.6
Own shares		<b>(0.6)</b>	(0.1)	(0.4)
<b>Shareholders' equity</b>		<b>418.4</b>	312.7	392.3
Minority interests		<b>9.7</b>	8.6	8.7
<b>Total equity</b>		<b>428.1</b>	321.3	401.0

**GROUP STATEMENT OF CHANGES IN EQUITY  
AS AT 31<sup>ST</sup> MAY 2010**

	Equity shareholders	Minority interests	Total
	£m	£m	£m
<b>Period ended 31st May 2010</b>			
Profit for the period	26.3	1.1	27.4
Dividends paid	-	(0.1)	(0.1)
Net purchase of own shares	(0.2)	-	(0.2)
Equity at 30th November 2009	392.3	8.7	401.0
<b>Equity at 31st May 2010</b>	<b>418.4</b>	<b>9.7</b>	<b>428.1</b>

	Equity Shareholders	Minority interests	Total
	£m	£m	£m
<b>Period ended 31st May 2009</b>			
Loss for the period	(79.9)	(0.7)	(80.6)
Actuarial loss on pension fund	(0.1)	-	(0.1)
Dividends paid	-	(0.2)	(0.2)
Equity at 30th November 2008	392.7	9.5	402.2
<b>Equity at 31st May 2009</b>	<b>312.7</b>	<b>8.6</b>	<b>321.3</b>

	Equity shareholders	Minority interests	Total
	£m	£m	£m
<b>Year ended 30th November 2009</b>			
Loss for the period	(101.1)	(0.6)	(101.7)
Actuarial loss on pension fund	(0.8)	-	(0.8)
Deferred tax on loss on actuarial loss	0.2	-	0.2
Dividends paid	-	(0.2)	(0.2)
Net purchase of own shares	(0.3)	-	(0.3)
Issue of share capital	101.6	-	101.6
Equity at 30th November 2008	392.7	9.5	402.2
<b>Equity at 30th November 2009</b>	<b>392.3</b>	<b>8.7</b>	<b>401.0</b>

**GROUP CASH FLOW STATEMENT  
FOR THE PERIOD TO 31<sup>ST</sup> MAY 2010**

	<b>Unaudited 31st May 2010 £m</b>	Unaudited 31st May 2009 £m	Audited 30th November 2009 £m
<b>Operating activities</b>			
Profit/(loss) before interest and tax	37.6	(83.9)	(97.7)
Gains on investment property disposals	(0.6)	(1.7)	(2.2)
Joint ventures and associates (post tax)	(6.4)	20.6	22.9
Investment property revaluation (gains)/losses	(19.3)	68.6	81.7
Depreciation	0.3	0.5	1.0
Impairment losses on inventories	4.8	10.3	14.2
(Increase)/decrease in inventories	(0.6)	(6.7)	6.5
(Increase)/decrease in trade and other receivables	(13.4)	(6.2)	0.6
Share options and share awards	(0.1)	1.3	(0.3)
Increase/(decrease) in trade and other payables	16.5	(10.1)	(13.5)
Pension funding	-	(0.1)	(0.8)
Tax refunded	1.6	2.9	3.2
<b>Net cash inflow/(outflow) from operating activities</b>	<b>20.4</b>	<b>(4.5)</b>	<b>15.6</b>
<b>Investing activities</b>			
Investment property disposals	20.3	23.6	31.3
Investment property additions	(13.2)	(16.5)	(28.0)
Cash and cash equivalents acquired with subsidiary	-	-	0.4
Property, plant and equipment additions	(0.1)	(0.3)	(1.5)
Interest received	0.1	1.2	1.4
<b>Net cash inflow from investing activities</b>	<b>7.1</b>	<b>8.0</b>	<b>3.6</b>
<b>Financing activities</b>			
Dividends paid to minorities	(0.1)	(0.2)	(0.2)
Interest paid	(10.1)	(8.1)	(17.9)
Net proceeds on issue of share capital	-	-	101.6
Borrowings drawn	17.2	59.9	44.2
Repayment of borrowings	(34.9)	(62.3)	(154.8)
<b>Net cash outflow from financing activities</b>	<b>(27.9)</b>	<b>(10.7)</b>	<b>(27.1)</b>
Decrease in cash and cash equivalents	(0.4)	(7.2)	(7.9)
Cash and cash equivalents at start of period	4.8	12.7	12.7
<b>Cash and cash equivalents at end of period</b>	<b>4.4</b>	<b>5.5</b>	<b>4.8</b>
Cash	4.4	6.0	4.8
Bank overdrafts	-	(0.5)	-
<b>Cash and cash equivalents at end of period</b>	<b>4.4</b>	<b>5.5</b>	<b>4.8</b>

## **Notes to the Financial Statements**

### **1. Accounting policies**

The annual financial statements of St. Modwen PLC are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, other than the adoption of:

#### **IAS 1 (revised) Presentation of Financial Statements**

IAS 1 (revised) requires the production of a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present comprehensive income in two statements. In addition, IAS 1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement. The other revisions to IAS 1 have not had a significant impact on the presentation of the Group's financial information. The condensed consolidated half yearly financial statements have been prepared under the revised disclosure requirements.

#### **IFRS 8 Operating Segments**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which in the case of the Group is the Board, to allocate resources to the segments and to assess their performance and is effective in the EU for accounting periods beginning on or after 1st January 2009. In contrast, the predecessor Standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The adoption of IFRS 8 has no impact on the Group's reported operating segments.

#### **IAS 23 (revised) Borrowing Costs**

IAS 23 (revised) requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use) as part of the cost of the asset. The amendment removes the option of immediately expensing borrowing costs, subject to an exemption for inventories manufactured in large numbers on a repetitive basis.

The Group has evaluated its business processes and where developments are considered to fall under the requirements of IAS 23 (revised) costs are capitalised. No borrowing costs have been capitalised in the period ended 31st May 2010.

#### **IFRS 2 (revised) Share-based Payments**

The amendment to IFRS 2 requires non-vesting conditions to be taken into account in the estimate of the fair value of the equity instruments. The adoption of the amendment has no impact on the Group's financial statements.

### Going Concern

Current trading performance is discussed in the half-year review. Based on a review of the Group's future cash flow forecasts and valuation projections, which they believe are based on realistic assumptions, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the condensed financial statements.

### 2. Revenue and gross profit

	Six months to 31st May 2010			Six months to 31st May 2009			Year to 30th Nov 2009		
	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental Income	17.3	(3.5)	13.8	16.6	(3.6)	13.0	34.3	(8.2)	26.1
Development	37.8	(33.8)	4.0	24.0	(28.9)	(4.9)	74.5	(83.8)	(9.3)
Other	3.2	(1.6)	1.6	2.6	(1.5)	1.1	4.9	(3.1)	1.8
<b>Total</b>	<b>58.3</b>	<b>(38.9)</b>	<b>19.4</b>	<b>43.2</b>	<b>(34.0)</b>	<b>9.2</b>	<b>113.7</b>	<b>(95.1)</b>	<b>18.6</b>

The Group operates exclusively in the UK and all of its revenues derive from its portfolio of properties which the Group manages, and internally reports, as one business. Therefore, the condensed financial statements represent the results and financial position of the Group's sole business segment.

### 3. Joint venture and associates

	Six months to 31st May 2010			Six months to 31st May 2009			Year to 30th Nov 2009		
	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental Income	5.1	(1.5)	3.6	4.8	(0.7)	4.1	9.9	(2.5)	7.4
Development	6.0	(5.8)	0.2	8.9	(12.9)	(4.0)	16.6	(17.6)	(1.0)
	<b>11.1</b>	<b>(7.3)</b>	<b>3.8</b>	<b>13.7</b>	<b>(13.6)</b>	<b>0.1</b>	<b>26.5</b>	<b>(20.1)</b>	<b>6.4</b>
Gains/(losses) on investment property disposals			0.5			-			(0.1)
Investment property revaluation gains/(losses)			5.6			(18.7)			(24.8)
Administrative expenses			(0.1)			(0.1)			(0.2)
Finance cost (net)			(3.0)			(2.7)			(5.0)
Profit/(loss) before tax			6.8			(21.4)			(23.7)
Taxation			(0.4)			0.8			0.8
Profit/(loss) for the period			6.4			(20.6)			(22.9)

### 4. Net finance cost

	Six months to 31st May 2010	Six months to 31st May 2009	Year to 30th Nov 2009
	£m	£m	£m
Interest payable on loans and overdrafts	9.9	7.8	17.3
Amortisation of loan arrangement fees	0.3	0.1	0.7
Amortisation of discount on deferred payment arrangements	1.1	2.2	1.7
Head rents treated as finance leases	0.1	0.1	0.2
Movement in market value of interest rate derivatives	-	5.8	4.7
Interest on pension scheme liabilities	0.7	0.7	1.4
<b>Total finance costs</b>	<b>12.1</b>	<b>16.7</b>	<b>26.0</b>
Interest receivable on cash deposits	0.1	0.9	1.4
Credit in respect of discount on deferred receivables	0.1	0.7	1.5
Movement in market value of interest rate derivatives	0.3	-	-
Expected return on pension scheme assets	0.7	0.7	1.4
<b>Total finance income</b>	<b>1.2</b>	<b>2.3</b>	<b>4.3</b>
<b>Net finance cost</b>	<b>10.9</b>	<b>14.4</b>	<b>21.7</b>

## 5. Earnings per share

	<b>31st May 2010</b>	31st May 2009	30th November 2009
	<b>Number of shares</b>	Number of shares*	Number of shares
Weighted number of shares in issue	<b>200,096,309</b>	138,489,198	169,276,058
Weighted number of dilutive shares	<b>598,071</b>	-	-
	<b>200,694,380</b>	138,489,198	169,276,058

  

	<b>31st May 2010</b>	31st May 2009	30th November 2009
	<b>£m</b>	£m	£m
Profit/(loss) (basic and diluted)	<b>26.3</b>	(79.9)	(101.1)

  

	<b>31st May 2010</b>	31st May 2009	30th November 2009
	<b>pence</b>	Pence	Pence
Basic profit/(loss) per share	<b>13.1</b>	(57.7)	(59.7)
Diluted profit/(loss) per share	<b>13.1</b>	(57.7)	(59.7)

Shares held by the Employee Benefit Trust are excluded from the above calculation.

On 8<sup>th</sup> June 2009 the company completed a Firm Placing and Placing and Open Offer of 79,586,977 ordinary shares of 10p each at £1.35 per share. Net proceeds were £101.6m after share issue costs.

\* To reflect the Firm Placing and Placing and Open Offer the number of shares previously used to calculate the basic and diluted per share data have been amended. An adjustment factor of 1.15 has been applied based on the ratio of the Company's share price of 219.3p on 13<sup>th</sup> May 2009, the day before the ex entitlement date for the Firm Placing and Placing and Open Offer, and the theoretical ex rights price of 191.2p per share.

The Group's share options are accounted for as cash-settled share-based payments. In calculating diluted earnings per share, earnings have been adjusted for changes which would have resulted from the option being classified as equity-settled. Where applicable, the number of shares included in the calculation have been adjusted accordingly.

## 6. Other information

(i) Investment properties were valued at 31st May 2010, 31st May 2009 and 30th November 2009 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 market value. King Sturge & Co are independent professionally qualified external valuers and have recent experience in the relevant location and category of the properties being valued.

(ii) The information for the year ended 30th November 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

(iii) The effective tax rate used for the period is a credit of 2.6%. The tax credit booked in the period is disproportionately low as a result of brought forward losses. For the full year tax is expected to remain below the standard rate of tax.

(iv) The proposed dividend of 1p (6 months to 31<sup>st</sup> May 2009: nil) was approved by the Board on 2<sup>nd</sup> July and will amount to £2.0m (6 months to 31<sup>st</sup> May 2009: nil).

(v) Principal risks and uncertainties are discussed in the Outlook section of the half-year review. All results are derived from continuing activities, which the directors do not consider to be seasonal.

(vi) There has been no material change to transactions with related parties since the year end.

## 7. Non-statutory information

### (i) Trading profit

The non-statutory measure of Trading profit, which includes the Group's share of joint ventures and associates, is discussed in the half year review and has been calculated as set out below:

	<b>Six months to 31st May 2010</b>	Six months to 31st May 2009	Year to 30th Nov 2009
	<b>£m</b>	£m	£m
Net rental income	<b>17.4</b>	17.1	33.5
(1) Property profits	<b>10.1</b>	3.1	7.6
Other income	<b>1.6</b>	1.1	1.8
Administrative expenses	<b>(8.2)</b>	(5.7)	(14.1)
(2) Bank interest	<b>(12.6)</b>	(8.8)	(20.4)
Trading profit	<b>8.3</b>	6.8	8.4

(1) Comprises development profits and gains on disposal of investments/investment properties before the deduction of net realisable value provisions of £4.8m (period to 31st May 2009: £10.3m, year ended 30th November 2009: £15.8m).

(2) Excluding mark-to-market adjustments and other non-cash items of £1.3m (period to 31st May 2009: £8.3m, year ended 30th November 2008: £5.1m).

## (ii) Property Valuation

### Property

Property valuations discussed in the half-year review, which include the Group's share of joint ventures, comprise property revaluations and net realisable value provisions and have been calculated as set out below:

	<b>Six months to 31st May 2010</b>	Six months to 31st May 2009	Year to 30th Nov 2009
	<b>£m</b>	£m	£m
Property revaluation gains/(losses)	<b>24.9</b>	(87.3)	(106.5)
Net realisable value provisions	<b>(4.8)</b>	(10.3)	(15.7)
	<b>20.1</b>	<b>(97.6)</b>	<b>(122.2)</b>

### (iii) Movement in net debt

Movement in net debt as discussed in the half-year review is calculated as set out below:

	<b>Six months to 31st May 2010</b>	Six months to 31st May 2009	Year to 30th Nov 2009
	<b>£m</b>	£m	£m
Movement in cash and cash equivalents	<b>(0.4)</b>	(7.2)	(7.9)
Borrowings drawn	<b>(17.2)</b>	(59.9)	(44.2)
Repayment of borrowings	<b>34.9</b>	62.3	154.8
<b>Movement in net debt</b>	<b>17.3</b>	<b>(4.8)</b>	<b>102.7</b>

### (iv) Net assets per share

Net assets per share are calculated as set out below. The figures for 31<sup>st</sup> May 2010 have been adjusted for the impact of the Firm Placing and Placing and Open Offer on 8<sup>th</sup> June 2009 as if this event had happened at the period end.

	<b>31st May 2010</b>	31st May 2009	30th Nov 2009
Net assets (£m)	<b>428.1</b>	321.3	401.0
Pro-forma adjustments (£m)	-	101.6	-
Net assets (£m)	<b>428.1</b>	422.9	401.0
Shares in issue (number)	<b>200,360,931</b>	120,773,954	200,360,931
Pro-forma adjustments (number)	-	79,586,977	-
	<b>200,360,931</b>	200,360,931	200,360,931
<b>Net assets per share (pence)</b>	<b>213.7</b>	211.1	200.1

## **DIRECTORS' RESPONSIBILITY STATEMENT**

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events for the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Bill Oliver  
Chief Executive

Tim Haywood  
Finance Director

2<sup>nd</sup> July 2010

## **INDEPENDENT REVIEW REPORT TO ST MODWEN PROPERTIES PLC**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 May 2010 which comprises the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and related notes 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 May 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## **Deloitte LLP**

Chartered Accountants and Statutory Auditors

Birmingham, UK

2<sup>nd</sup> July 2010