ST.MODWEN

THE UK'S LEADING REGENERATION SPECIALIST

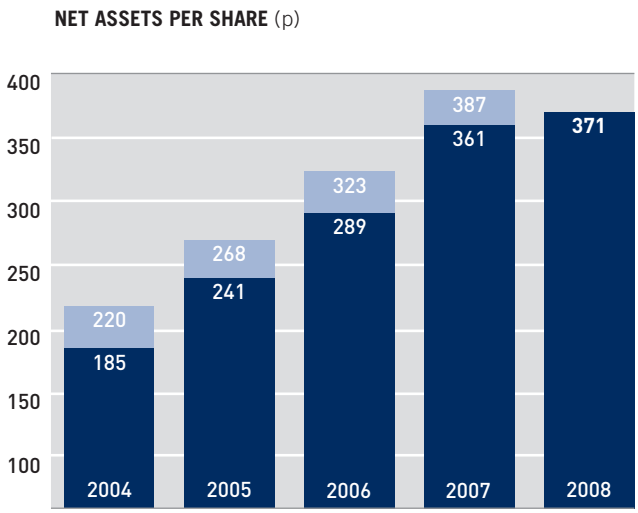
ST. MODWEN PROPERTIES PLC

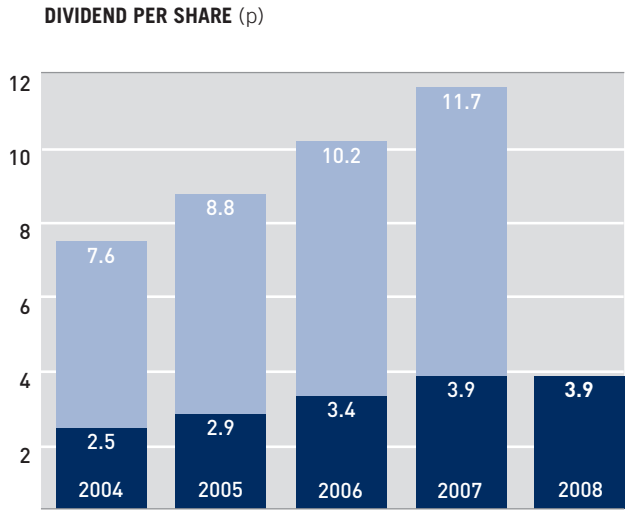
INTERIM REPORT 2008

▲ **REGENERATION IN PROGRESS**

◀ **COVER**
THE NEWLY BUILT ADIDAS UK HEAD QUARTERS AT
OUR TRAFFORD PARK SITE, MANCHESTER.

FINANCIAL HIGHLIGHTS





Key:

- Full year
- Half year

- LOSS BEFORE TAX OF £20.0m.
- NET ASSETS PER SHARE 371p.
- INTERIM DIVIDEND OF 3.9p PER SHARE.
- 5,052 DEVELOPABLE ACRES IN HOPPER.

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HALF YEAR REVIEW

INTERIM RESULTS

We are reporting on what has been the most difficult period for the property industry since 1990. As anticipated in our last announcement in March, activity levels in the property investment market have continued to decline, and we have experienced a further adverse shift in yields of approaching 0.5%. Although the investment market is thin, we are seeing buyers for realistically priced product. Moreover, there remains occupational demand in the commercial sector, although it is patchy, particularly in the retail sector where demand from comparison retailers is weaker, and those in the market are seeking substantial incentives.

What was not expected, either by us or the market generally, was the pace and severity of decline in the residential market, which has yet to find a stable level. This means that, for residential land, there is currently no genuine market, as the major housebuilders are unwilling to invest in land until they can see the way ahead more clearly. Therefore, we have taken the decision not to attempt to sell any of our residential land until the market has stabilised.

However, it is important to put our exposure to residential land prices in perspective. Within our hopper we have 1,365 acres identified for residential development. Of these, some 946 acres are carried within our accounts at existing use valuations, as we have not yet achieved planning consent for residential use. The total book value of these sites is £245m, over half of which is income-producing.

The remaining 419 acres, for which residential consent has been obtained, is valued as at 31st May 2008 at £79m, using a discounted cash flow methodology, which provides for all future remediation and infrastructure costs and an allowance for development profit.

This valuation reflects two significant changes arising from current market conditions: firstly, an expectation that there will be a considerable deferral of our disposal programme; and secondly, that, when a stable market level for residential land reappears, it will be at lower levels than those previously enjoyed. The gross valuation loss from these factors amounted to £48.6m. This was, however, alleviated by a number of factors: site expenditure has been rephased in line with deferrals on the disposal programme; reductions in profit shares and other overage payments have softened the impact; and we are achieving reductions in development costs. Consequently, as a result of the May 2008 valuation, a net £37.7m was written off the book value of our residential sites, which are now held at only £14m above historical cost.

Our commercial portfolio was also written down, by £16.9m, to reflect adverse market yield movements in that sector. Typically this amounted to 0.25% to 0.5%, but was restricted to our retail and single-occupier industrial sites where development potential may take longer to come through. However, it is encouraging to report that our asset management activities (new and improved lettings) contributed an uplift of £9.8m, and our marshalling activities (obtaining change of use and other planning gains) a further uplift of £6.7m.

In these circumstances, restricting the loss before tax to £20.0m (2007: profit £65.1m) was a significant achievement by our team, with £27.0m of gains from marshalling and cost reductions, together with property profits of £10.8m and £20.2m of rental and other income helping to mitigate the valuation impact of adverse market conditions. As a result, the net asset value of the company has fallen by £19.5m (16.1p per share) to £448.2m (371p per share), a decline of 4.2% since November 2007, after the payment of a final dividend of £9.4m (7.8p per share).

DIVIDENDS

As indicated in the Annual Report, the board takes a long-term view in setting dividend policy. However, given current market uncertainties, it has decided that it would not be prudent to increase the dividend. Consequently we will maintain the interim dividend at 3.9p per ordinary share (2007: 3.9p), which will be paid on 5th September 2008 to shareholders on the register at 8th August 2008.

ACQUISITIONS — THE HOPPER

We continue to add to the hopper, with the following transactions occurring in the period:

- Coed Darcy — we have completed the acquisition of the 1,000 acre former BP oil refinery at Llandarcy in South Wales, of which 320 acres is developable. The site will be transformed into the Coed Darcy Urban Village with 4,000 homes to be built over the anticipated 20 year development period.
- Sunderland — we have acquired the 9.3 acre former ARC International glassworks. It is intensively developed with about 350,000 sq ft of buildings of which around half have some potential for reuse. Sunderland arc, the city's urban regeneration company, has identified the former glassworks as a priority site on the edge of the city centre.

- Letchworth — we have agreed to acquire the 4.5 acre former RWE power station for an 80,000 sq ft employment scheme.
- Daresbury, Warrington — a development agreement has been signed with Northwest Regional Development Agency ("NWDA") to expand the existing innovation centre campus. Planning consent has been obtained for a first phase of 37,000 sq ft to complement existing facilities.

MARSHALLING

We continue to make excellent progress in marshalling projects for future delivery, achieving some important milestones and submitting a number of significant planning applications which will unlock value in future periods:

- Coed Darcy — conditional planning consent has been obtained for 4,000 dwellings and 500,000 sq ft of employment space together with retail and community facilities, and the Section 106 obligations and outline remediation strategy have been agreed.
- Longbridge — four separate planning applications, representing £750m of mixed use development, have been submitted to Birmingham City Council and Bromsgrove District Council for the regeneration of the 468 acre former MG Rover Works. The applications comprise 1.8m sq ft of employment space, together with 1,980 new homes, a new town centre and extensive community facilities. In addition, there will be a new learning quarter on the site, anchored by Bournville College which announced earlier this year that it will relocate to a new purpose-built £84m educational facility at Longbridge in 2011.
- Darlington — an agreement has been signed with Darlington Borough Council to open up 70 acres of land within the Faverdale Employment Area to create a £50m major industrial park capable of providing 1,500 jobs.
- Connah's Quay, Flintshire — planning consent has been obtained for the redevelopment of the Deeside district centre, comprising a 52,000 sq ft foodstore, which has been pre-let to Morrisons and 20,000 sq ft of further retail space.
- Skelmersdale — a development agreement has been signed with West Lancashire District Council and English Partnerships for the mixed use regeneration of Skelmersdale town centre.
- Widnes — work has also begun at Heron Business Park for a 76,000 sq ft industrial development following the securing of funding from NWDA and the European Regional Development Fund.
- Newham — after two years of extensive consultation, a detailed planning application has been submitted for the regeneration of Queens Market. In addition to a new Market Hall, the redevelopment proposals include 350 new homes, a new Newham Council Front Office facility, a local service centre, other community services and a new library.
- Stoke-on-Trent — planning consents have been obtained for the regeneration of the historic former Royal Doulton site in Nile Street, Burslem (a mixed use scheme comprising a 70,000 sq ft Enterprise Centre and 140 homes), and for a 21,000 sq ft district centre at Trentham South.
- Bentley Priory, Harrow — a planning application has been submitted for the redevelopment of RAF Bentley Priory, including: a museum dedicated to the memory of those who fought in the Battle of Britain; 103 homes of exceptional quality, designed by award winning Robert Adam Architects; and the conservation and enhancement of the Mansion House, its historic landscape setting and its Italian gardens.
- Whitley, Coventry — construction work has begun on the first phase of Whitley Business Park following receipt of planning consent for an initial 67,000 sq ft of office space on land that was acquired from Jaguar and Coventry City Council a year ago. The new 93 acre mixed use business park has the potential to accommodate 1.1m sq ft of space.

Progress on our town centre schemes is more mixed. Whereas at Edmonton, Farnborough and Wembley, we had obtained sufficient pre-lets/sales to justify committing to the construction of the schemes, the weaker retail market is slowing down subsequent projects.

DELIVERY

Whilst we are being more cautious in our forward construction commitments, there are still business opportunities for well-located, well-priced product. Moreover, we are seeing a reduction in tendered construction prices. We are therefore continuing an active construction programme, partly speculative, partly anchored by pre-sales or pre-lets:

- Quedgeley West Business Park, Gloucester — a 102,000 sq ft distribution warehouse is being developed for transport company CM Downton. A further 120,000 sq ft distribution/industrial space is under construction, with 46,000 sq ft having already been pre-let and a further 42,000 sq ft under offer.
- Longbridge — an extensive investigation and ground remediation programme is under way, which will see more than 7m cu ft of soil

▲ **LONGBRIDGE** AN ARTIST'S IMPRESSION OF THE NEW HEART OF LONGBRIDGE PROPOSED IN THE RECENTLY SUBMITTED PLANNING APPLICATIONS FOR THE REDEVELOPMENT OF THIS LANDMARK SITE.

remediated across the former West Works. The first phase of new development on the Cofton Centre part of the site has commenced with the construction of 76,000 sq ft of speculative industrial units. The first phase of new development on the Cofton Centre part of the site has commenced with the construction of 76,000 sq ft of speculative industrial units.

- Avonmouth — a 165,000 sq ft distribution centre is under construction for Nisbets, a catering equipment supplier, which is scheduled to be completed in July. A speculative phase of 78,000 sq ft of industrial buildings has been sold to three owner-occupiers.
- Trentham, Staffordshire — contracts have been exchanged for the sale of the 119-bed Premier Inn hotel at the company's Trentham Estate visitor attraction.
- Quinton Business Park — a 33,000 sq ft office building let to Business Link West Midlands has been sold to Advantage West Midlands for £6.5m, representing an initial yield of approximately 6.35%. There is now only 19,000 sq ft of space remaining of the 150,000 sq ft developed on the 18-acre business park.

We have continued our long standing programme of disposing of those assets to which no further value can be added. During the period these included:

- Liebig Court, Widnes, a development comprising 38 one and two-bedroom apartments and six retail units sold to Places for People, one of the largest not-for-profit property management and development companies in the UK.
- Kempton Point, Sunbury on Thames, a 35,000 sq ft office building acquired in 1996 and sold to Arlo Holdings.

We have also obtained a number of significant lettings across our portfolio, including at Rugby, where Converteam, a world leader in power conversion engineering, has taken a new 15-year lease on refurbished industrial space at an annual rent of £900,000 as part of our regeneration plans to transform more than 100 acres of the former GEC complex close to Rugby town centre.

FINANCING

Prudent cash flow management is ensuring that we stay within our banking facilities and that we remain fully compliant with our covenants.

In the current climate optimising the use of cash is our prime consideration, so that we can take advantage of opportunities as they occur. Our cash flow projections are modelled on the current weaker market conditions detailed above. In particular, we have assumed that residential land sales will be significantly delayed. Even on this basis, we have sufficient headroom within our existing banking facilities to complete our committed building programme. Net borrowings are currently £421m and gearing is 94%, which remains within our targeted range.

OUTLOOK

Future market conditions remain uncertain, and macro-economic signals continue to deteriorate.

In the commercial sector, we expect some further drift in yields. We also anticipate a worsening of the climate for occupiers, and a consequent slowing of demand for new space.

The residential market continues to deteriorate. However, the fundamentals remain strong, namely a tight land supply and a requirement for more homes. The short-term outlook is adversely affected by the absence of liquidity in the mortgage market and a lack of buyers.

Our marshalling, development, asset management and cost reduction programmes will enable us to mitigate the worst of adverse market conditions, and we will continue to demonstrate our ability to add value even in challenging circumstances. However, until new stable market conditions are established, we remain vulnerable to further short-term declines.

Our confidence in the longer-term remains undiminished. Our hopper is at record levels, our team has never been stronger, and the planning process, whilst cumbersome, is delivering the permissions we require for our future success.

Anthony Glossop
Chairman

Bill Oliver
Chief Executive

11th July 2008

GROUP INCOME STATEMENT

FOR THE PERIOD TO 31ST MAY 2008

	Notes	Unaudited 31st May 2008 £m	Unaudited 31st May 2007 £m	Audited 30th Nov 2007 £m
Revenue	2	**70.8**	47.7	127.5
Net rental income	2	**12.6**	13.0	26.3
Development profit	2	**7.9**	12.2	32.4
Gains on disposal of investments/investment properties		**2.2**	7.0	11.4
Investment property revaluation (losses)/gains		**(22.3)**	47.8	60.3
Other net income	2	**4.2**	1.1	2.4
Joint ventures and associates (post-tax)	3	**(3.3)**	7.9	12.6
Administrative expenses		**(9.1)**	(12.7)	(16.4)
(Loss)/profit before interest and tax		**(7.8)**	76.3	129.0
Finance cost	4	**(16.8)**	(15.7)	(32.5)
Finance income	4	**4.6**	4.5	3.6
(Loss)/profit before tax		**(20.0)**	65.1	100.1
Taxation		**10.5**	(10.8)	(6.4)
(Loss)/profit for the period		**(9.5)**	54.3	93.7
Attributable to:				
Equity shareholders		**(10.8)**	51.6	88.4
Minority interests		**1.3**	2.7	5.3
		(9.5)	54.3	93.7
Basic (loss)/earnings per share (pence)	6	**(8.9)**	42.8	73.3
Diluted (loss)/earnings per share (pence)	6	**(8.9)**	42.8	72.4
Dividend per share (pence)	7(iv)	**3.9**	3.9	11.7

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Unaudited 31st May 2008 £m	Unaudited 31st May 2007 £m	Audited 30th Nov 2007 £m
(Loss)/profit for the period	**(9.5)**	54.3	93.7
Revaluation of owner-occupied property	**0.4**	—	—
Pension fund:			
— actuarial gains and losses	**(0.3)**	—	(3.3)
— deferred tax thereon	**0.1**	—	0.9
Total recognised income and expense	**(9.3)**	54.3	91.3
Attributable to:			
Equity shareholders	**(10.6)**	51.6	86.0
Minority interests	**1.3**	2.7	5.3
Total recognised income and expense	**(9.3)**	54.3	91.3

GROUP BALANCE SHEET

AS AT 31ST MAY 2008

	Notes	**Unaudited 31st May 2008 £m**	Unaudited 31st May 2007 £m	Audited 30th Nov 2007 £m
Non-current assets				
Investment properties	7(i)	**814.8**	840.2	846.9
Operating property, plant and equipment		**4.5**	3.6	3.9
Investments in joint ventures, associates and other investments		**74.2**	74.7	75.4
Trade and other receivables		**19.3**	2.9	8.9
		912.8	921.4	935.1
Current assets				
Inventories		**227.3**	92.3	209.3
Trade and other receivables		**63.5**	58.9	31.6
Cash and cash equivalents		**14.8**	6.4	17.9
		305.6	157.6	258.8
Current liabilities				
Trade and other payables		**(162.5)**	(118.1)	(127.3)
Borrowings		**(2.1)**	(64.0)	(0.4)
Tax payables		**(3.7)**	(9.7)	(12.3)
		(168.3)	(191.8)	(140.0)
Non-current liabilities				
Trade and other payables		**(141.5)**	(103.0)	(128.0)
Borrowings		**(433.3)**	(290.2)	(419.4)
Deferred tax		**(27.1)**	(58.3)	(38.8)
		(601.9)	(451.5)	(586.2)
Net assets		**448.2**	435.7	467.7
Capital and reserves				
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		**417.0**	407.7	437.4
Revaluation reserve		**0.4**	—	—
Own shares		**(0.5)**	(0.5)	(0.7)
Shareholders' equity	5	**438.4**	428.7	458.2
Minority interests	5	**9.8**	7.0	9.5
Total equity	5	**448.2**	435.7	467.7

GROUP CASH FLOW STATEMENT

FOR THE PERIOD TO 31ST MAY 2008

	Unaudited 31st May 2008 £m	Unaudited 31st May 2007 £m	Audited 30th Nov 2007 £m
Operating activities			
(Loss)/profit before interest and tax	**(7.8)**	76.3	129.0
Gains on investment property disposals	**(2.2)**	(7.0)	(11.4)
Joint ventures and associates (post-tax)	**3.3**	(7.9)	(12.6)
Investment property revaluation losses/(gains)	**22.3**	(47.8)	(60.3)
Depreciation	**0.1**	0.3	0.6
Increase in inventories	**(19.9)**	(24.2)	(109.2)
(Increase)/decrease in trade and other receivables	**(14.7)**	4.0	19.1
Share options and share awards	**0.3**	0.1	0.1
Increase/(decrease) in trade and other payables	**42.9**	(38.3)	1.2
Pension funding	**(0.1)**	(0.2)	(0.2)
Tax (paid)/refunded	**(2.3)**	6.2	1.8
Net cash inflow/(outflow) from operating activities	**21.9**	(38.5)	(41.9)
Investing activities			
Investment property disposals	**39.1**	21.1	44.4
Investment property additions	**(55.5)**	(61.2)	(124.2)
Investment in joint ventures	**(2.7)**	—	—
Property, plant and equipment additions	**(0.7)**	(0.1)	(0.7)
Interest received	**0.6**	1.1	1.8
Dividends received	**—**	—	4.0
Net cash outflow from investing activities	**(19.2)**	(39.1)	(74.7)
Financing activities			
Dividends paid	**(9.4)**	(8.2)	(12.9)
Dividends paid to minorities	**(1.0)**	(0.5)	(0.6)
Interest paid	**(11.6)**	(8.9)	(18.1)
Sale/(purchase) of own shares	**0.6**	0.3	(0.8)
New borrowings drawn	**13.9**	90.7	159.9
Net cash (outflow)/inflow from financing activities	**(7.5)**	73.4	127.5
(Decrease)/increase in cash and cash equivalents	**(4.8)**	(4.2)	10.9
Cash and cash equivalents at start of period	**17.9**	7.0	7.0
Cash and cash equivalents at end of period	**13.1**	2.8	17.9
Cash	**14.8**	6.4	17.9
Bank overdrafts	**(1.7)**	(3.6)	—
Cash and cash equivalents at end of period	**13.1**	2.8	17.9

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 in accordance with both IAS 34 'Interim Financial Reporting' 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.

In the current financial year, the group will adopt International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) for the first time. As IFRS 7 is a disclosure standard, there is no impact on the half-yearly financial report. Full details of the change will be disclosed in our annual report for the year ended 30th November 2008.

2 REVENUE

	Six months to 31st May 2008			Six months to 31st May 2007			Year to 30th November 2007		
	Revenue £m	**Costs £m**	**Total £m**	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental income	**16.2**	**(3.6)**	**12.6**	14.6	(1.6)	13.0	30.3	(4.0)	26.3
Development property	**48.5**	**(40.6)**	**7.9**	30.0	(17.8)	12.2	91.1	(58.7)	32.4
Other	**6.1**	**(1.9)**	**4.2**	3.1	(2.0)	1.1	6.1	(3.7)	2.4
Total	**70.8**	**(46.1)**	**24.7**	47.7	(21.4)	26.3	127.5	(66.4)	61.1

3 JOINT VENTURES AND ASSOCIATES

	Six months to 31st May 2008			Six months to 31st May 2007			Year to 30th November 2007		
	Revenue £m	**Costs £m**	**Total £m**	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental income	**5.0**	**(1.6)**	**3.4**	5.8	(1.2)	4.6	11.1	(2.5)	8.6
Development property	**5.2**	**(4.5)**	**0.7**	12.6	(9.0)	3.6	30.0	(23.7)	6.3
	10.2	**(6.1)**	**4.1**	18.4	(10.2)	8.2	41.1	(26.2)	14.9
Gains on investment property disposals			**—**			4.3			4.4
Investment property revaluation (losses)/gains			**(9.5)**			1.3			2.5
Administrative expenses			**(0.1)**			—			(0.1)
Finance cost (net)			**(3.1)**			(2.8)			(6.4)
(Loss)/profit before tax			**(8.6)**			11.0			15.3
Taxation			**5.3**			(3.3)			(2.8)
(Loss)/profit after tax			**(3.3)**			7.7			12.5
Post-tax profits of associate			**—**			0.2			0.1
(Loss)/profit for the period			**(3.3)**			7.9			12.6

4 NET FINANCE COST

	Six months to 31st May 2008 £m	Six months to 31st May 2007 £m	Year to 30th Nov 2007 £m
Interest payable on loans and overdrafts	**11.1**	9.3	19.6
Amortisation of discount on deferred payment arrangements	**4.6**	5.4	9.9
Amortisation of refinancing expenses	**0.2**	0.1	0.6
Head rents treated as finance leases	**0.1**	0.1	0.2
Movement in market value of interest rate derivatives	**—**	—	0.7
Interest on pension scheme liabilities	**0.8**	0.8	1.5
Total finance cost	**16.8**	15.7	32.5
Interest receivable on cash deposits	**0.6**	1.3	1.8
Credit in respect of discount on deferred receivables	**1.5**	—	—
Movement in market value of interest rate derivatives	**1.5**	2.3	—
Expected return on pension scheme assets	**1.0**	0.9	1.8
Total finance income	**4.6**	4.5	3.6
Net finance cost	**12.2**	11.2	28.9

5 RECONCILIATION OF MOVEMENTS IN EQUITY

Period ended 31st May 2008	Equity shareholders £m	Minority interests £m	**Total £m**
Total recognised income and expense	(10.6)	1.3	**(9.3)**
Dividends paid	(9.4)	(1.0)	**(10.4)**
Net disposal of own shares	0.2	—	**0.2**
Equity at 30th November 2007	458.2	9.5	**467.7**
Equity at 31st May 2008	438.4	9.8	**448.2**

Period ended 31st May 2007	Equity shareholders £m	Minority interests £m	**Total £m**
Total recognised income and expense	51.6	2.7	**54.3**
Dividends paid	(8.2)	(0.5)	**(8.7)**
Net disposal of own shares	0.3	—	**0.3**
Equity at 30th November 2006	385.0	4.8	**389.8**
Equity at 31st May 2007	428.7	7.0	**435.7**

Year ended 30th November 2007	Equity shareholders £m	Minority interests £m	**Total £m**
Total recognised income and expense	86.0	5.3	**91.3**
Dividends paid	(12.9)	(0.6)	**(13.5)**
Net disposal of own shares	0.1	—	**0.1**
Equity at 30th November 2006	385.0	4.8	**389.8**
Equity at 30th November 2007	458.2	9.5	**467.7**

6 EARNINGS PER SHARE

(Loss)/earnings per share are calculated as follows:

	31st May 2008 Number of shares	31st May 2007 Number of shares	30th Nov 2007 Number of shares
Weighted number of shares in issue*	**120,681,670**	120,634,233	120,636,100
Weighted number of dilutive shares	**—**	—	1,506,851
	120,681,670	120,634,233	122,142,951

	31st May 2008 £m	31st May 2007 £m	30th Nov 2007 £m
(Loss)/earnings (basic and diluted)	**(10.8)**	51.6	88.4

	31st May 2008 pence	31st May 2007 pence	30th Nov 2007 pence
Basic (loss)/earnings per share	**(8.9)**	42.8	73.3
Diluted (loss)/earnings per share	**(8.9)**	42.8	72.4

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

The group's share options are accounted for as cash-settled share-based payments as it is the group's practice not to issue new shares in satisfaction of employee options. The potential dilutive effect on earnings per share on the assumption that such shares were to be issued is set out above, together with the impact which would have resulted from the options being classified as equity-settled.

7 OTHER INFORMATION

(i) Investment properties were valued at 31st May 2008, 31st May 2007 and 30th November 2007 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.

(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 2007 have been derived from the statutory accounts, which have been filed with the Registrar of Companies and on which the auditors, Deloitte & Touche 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 62.9% with the tax credit booked in the period being disproportionately high as a result of one-off adjustments to deferred taxation brought forward. For the full year these one-off factors will continue to result in a favourable tax position compared to the standard rate of tax.

(iv) The proposed dividend of 3.9p per share was approved by the board on 11th July 2008 and will amount to £4.7m (6 months to 31st May 2007: 3.9p, £4.7m).

(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.

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 during 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 4.2.8T (disclosure of related party transactions and changes therein).

By order of the Board

Anthony Glossop
Chairman
11th July 2008

Tim Haywood
Finance Director

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 31st May 2008 which comprises the group income statement, the group statement of recognised income and expense, the group balance sheet, 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 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 enquiries, 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 31st May 2008 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 & Touche LLP
Chartered Accountants
11th July 2008
Birmingham, UK

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