

# St. Modwen Properties PLC

St Modwen, the UK's leading regeneration specialist, announces half-year results for the six months ended 31<sup>st</sup> May 2009

## HIGHLIGHTS

- \* Successful equity issue, raising £102m net proceeds, and refinancing of bank facilities, has strengthened the Group balance sheet and provides significant firepower
- \* Trading profit of £6.8m in the period
- \* Net assets per share decline of 20% to 266p per share since 30<sup>th</sup> November 2008
- \* Strong progress in marshalling projects for future delivery and continued progress in adding schemes to the hopper

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

*"Our confidence in the longer-term remains undiminished, despite the turbulence in the general economy and in the property sector. The Company's 5,000 acre Hopper, experienced management team and strong balance sheet provides us with an excellent platform for a return to growth."*

6<sup>th</sup> July 2009

## ENQUIRIES:

**St. Modwen Properties PLC**  
Bill Oliver, Chief Executive  
Tim Haywood, Finance Director  
Charlotte McCarthy, PR Manager

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## Half Year Review

In response to adverse market conditions, we have taken a number of steps to improve the Group's financial position:-

- Throughout 2008 and 2009, cash management and cost control have continued to be priorities. We have scaled-back speculative schemes, disposed of certain mature assets to which no further significant value could be added, suspended dividend payments, and reduced staff numbers and costs.
- On 14<sup>th</sup> May 2009, we announced that we had entered into agreements with our lending banks to amend the covenants on our existing borrowing facilities to provide additional headroom.
- On 8<sup>th</sup> June 2009, following approval at an Extraordinary General Meeting, we announced the successful completion of a share issue to raise gross proceeds of £107.4 million by the issue of 79.6 million new ordinary shares through a Firm Placing and Placing and Open Offer at 135 pence per new ordinary share.

As a result of the above actions, we now look forward to operating from a position of financial strength and building on our reputation as the UK's leading regeneration specialist. We will do this by pursuing appropriate opportunities to supplement our existing Hopper, adding value to our portfolio of income producing assets and prioritising those long term development projects for which there is current market opportunity.

## Equity Issue and Refinancing

The Firm Placing and Placing and Open Offer was undoubtedly the key event of the period, and we were pleased that the high level of interest shown by both existing shareholders and new institutional investors enabled the issue to be undertaken without significant dilution of existing shareholders' interests. This was the first time that the Group had raised new equity for over 20 years, and the opportunity to participate was taken by a number of high quality new institutional investors, whose participation strengthens and diversifies our share register.

We continue to benefit from the longstanding relationships with our principal banks (Lloyds Banking Group, RBS, HSBC, Barclays and Bank of Ireland), whose support for the Group was demonstrated by the terms and conditions that we obtained for our new banking arrangements, which stand favourable comparison with similar refinancing exercises undertaken by our peers.

Following the amendment agreements, the revised covenants which apply to our banking facilities are:-

- net assets must be greater than £250 million;
- gearing must not exceed 175 per cent.; and
- interest cover ratio (which excludes non-cash items, such as revaluation movements) must be greater than 1.25x

We believe these levels are more than adequate for our worst-case scenarios, and that we will once again be able to manage our business for property, rather than bank covenant, reasons.

The maturity dates of a number of Group facilities were extended as part of this exercise, with the result that our earliest maturity is now November 2011, and our average unexpired facility duration is 3.5 years. We therefore do not have any pressing re-financing issues.

Discussions concerning the refinancing of our Sowcrest joint venture are proceeding well, and we anticipate that the existing £46m bank facility for our Wembley scheme will be extended on its maturity in September.

The arrangement fees payable to the lenders and related advisory fees for these amendments amounted to approximately £2 million. The weighted average margin will increase by 116 basis points to 199 basis points.

With the receipt of the proceeds from the equity issue, and the significant level of undrawn capacity within our existing arrangements, we also took the opportunity to cancel £100m of our previous facilities. Consequently we now have total Group facilities of £519m, which leaves approximately £194m of undrawn capacity to finance appropriate development and acquisition opportunities. Our gearing level, following receipt of the proceeds is 77%.

## **Results for the Half Year**

### **TRADING PROFIT**

During the period the Group has continued to trade profitably, before valuation and mark to market adjustments, reporting a trading profit of £6.8m (2008: £9.8m) – see note 2.

This result has been underpinned by strong rental income, with like-for-like growth of 4% compared with H1 2008, and 5% compared with H2 2008. Although we are not immune to the current challenging market conditions, and have experienced a higher than usual level of churn, our portfolio of flexible and affordable space in good locations continues to prove resilient. Our ability to meet the administrative and debt-servicing costs of the business from recurring rental income has proven invaluable at a time when property investment markets have been effectively closed for all but a few transactions.

A further contributor to the positive trading result has been the actions taken last year to reduce overheads. Following these steps, overhead costs have been reduced by £3.5m (38 %) to £5.7m for the period.

### **PROPERTY VALUATION**

As was reported in the prospectus that accompanied the equity issue, activity in the property investment market has improved somewhat in the period since last year end, but at pricing levels that were significantly lower than had previously been anticipated. Retail properties were particularly affected, with our town centre schemes marked down by 21% in the period to reflect net initial yields of 9%. The valuation exercise at 31<sup>st</sup> May identified an adverse market movement of £112m (12%), with our portfolio now carried at a weighted average equivalent yield of 9.3%. As in previous periods, we were able to mitigate some of the impact of these market movements, adding some £25m of value through planning gains and asset management activities.

### **NET ASSET VALUE**

In these circumstances, restricting the loss before tax to £98.3m (2008: £20.0m) required significant efforts by our team, with the gains from marshalling and cost reductions, together with property profits of £3.1m and £18.2m of rental and other income helping to mitigate the valuation impact of adverse market conditions. As a result, the net asset value of the Group has fallen by £80.9m to £321.3m (266 p per share), a decline of 20.4% since November 2008. On a pro-forma basis, following the receipt of the proceeds of the equity issue, net asset value is £422.9m (211p per share).

Despite difficult market conditions, the Group continues to transact a steady flow of business, we are still achieving planning and other successes in marshalling our sites for future development, and we continue to find good acquisition opportunities.

### **THE HOPPER**

We continue to add to the Hopper, which now stands at 5,094 acres, with the following transactions occurring in the half year:

#### **Skypark, Exeter**

We have now signed the partnership agreement with Devon County Council to develop the 107 acre Skypark scheme in Exeter, which includes 1.4 million sq ft of office and industrial/manufacturing space. We are currently working up the masterplan and the Section 106 agreement, with a view to starting construction in 2011.

## **Firepool, Taunton**

In April we signed a development agreement with Taunton Deane Borough Council for the £270 million regeneration of Firepool town centre. We are now actively marketing the scheme to potential occupiers with a view to commencing development work at the end of 2009.

## **BP Portfolio**

We have exchanged contracts for the acquisition of a 2,500 acre portfolio of former BP sites situated across South Wales, Scotland, The Midlands and South East England. Over 2,000 acres of the portfolio is located in South Wales. Together with our existing Coed Darcy site, this acquisition sees St. Modwen responsible for an extensive development programme for the regeneration of an area extending from Neath Port Talbot to Swansea.

Characteristic of the Group's ability to complete innovatively structured transactions, the portfolio will be acquired for a nominal sum, with an undisclosed dowry received from BP in exchange for St. Modwen taking on the liability for remediation works.

## **MARSHALLING**

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

**Long Marston, Warwickshire** – in parallel with our submission for an eco-town on this site, which is progressing through the selection process, alternative plans for a 478 acre mixed-use leisure-led scheme have been submitted to Stratford-upon-Avon district council to regenerate this former Ministry of Defence army engineering base. The proposals include the retention of circa 800,000 sq ft of employment space and current rail storage and restoration uses as well as the development of a rail based leisure attraction. Permission is also being sought for up to 150 self catering lodges, 150 holiday homes, a touring caravan park, club house and leisure hub, outdoor activity centre, sports pitches and up to 500 homes.

**Coombs Wood, Halesowen** – Planning permission has been secured for a £2 million development of 80 new family homes, new sports facilities for a local school and a new sports club for the local community.

### **Project MoDEL:**

Victoria House, Woolwich – planning permission and conservation area consent has been granted for a 75 bedroom care home involving the retention of the front and side facades of a locally listed building.

RAF Uxbridge – Our development proposals have been incorporated within the adopted Supplemental Planning Document, and comprise: 50 acres of public park and open space, 1,600 new homes, up to 400,000 sq ft of mixed-use commercial development, a primary school and funding towards secondary school places, healthcare and associated infrastructure.

Inglis Barracks, Mill Hill - The London Borough of Barnet has adopted its Area Action Plan for Mill Hill East, with a residential-led masterplan including 2,000 homes on our site.

**Longbridge** – a conditional confirmation of funding has been received from the Learning and Skills Council for the construction of a new £84 million educational facility for Bournville College

**Connah's Quay** – a conditional contract has been agreed for the sale of the 52,000 sq ft Morrisons supermarket which anchors this scheme to a local authority pension fund at a yield of 6.65%

## **DELIVERY**

The Group's well located and well priced properties continue to encourage pre-let and pre-sale opportunities and attract a variety of tenants and investors from across the country:

**North Staffordshire** – a 22,400 sq ft facility is being built for Staffordshire Fire and Rescue Service at our 400 acre Trentham Lakes Business Park development.

**Innovation Centre, Blackburn** – Nine months after the official opening of the 44,000 sq ft Innovation Centre in Blackburn, we have achieved 100% occupancy. The Centre is primarily aimed at the medical/knowledge sectors and has been designed to foster new and innovative small businesses situated in and around the Blackburn area. It forms part of the first phase of development at our £25 million Evolution Park, which will eventually comprise 223,000 sq ft of office space.

**Hull** - a 26,150 sq ft supply and distribution centre has been completed for East Riding of Yorkshire Council at Melton Business Park, Hull. The building was pre-sold to the Council for £2.25m.

**Etruria Valley, Stoke-on-Trent** – The investment sale of an 80,000 sq ft call centre building, with a sixteen year lease (subject to a break at year eleven) to Vodafone, has exchanged and will complete when construction is completed in August. The building has been sold to a private investor for £10.7 million, reflecting a net initial yield of 8.0%.

**South West/ South Wales office** – Our South West team has moved into its new BREEAM Excellent offices at Avonmouth in Bristol, in response to our continued growth in this region; having recently secured several new projects including Taunton, Exeter and the BP portfolio.

We have continued with our long term strategy of disposing of those assets to which no further value can be added. During the period these include:

- The sale of part of the site at Thurleigh Business Park in Bedfordshire to MSV Group Ltd for £5.3 million, reflecting a net initial yield of 8.5%.
- The sale of the investment interest in a Tesco foodstore at the 148,000 sq ft Catford Shopping Centre in Lewisham. The asset has been acquired by a private investor for £9.1 million, reflecting a net initial yield of 6.9% and is let to Tesco for a further 62 years.
- The sale to a private investor of a 40,000 sq ft industrial building at Langford Mead Business Park in Taunton, Somerset for £2.9 million, reflecting a net initial yield of 7.25%.

Following the period end, we have also exchanged contracts for the sale of 7 acres of residential land at Taunton, at a price which is above the carrying value at 31<sup>st</sup> May.

## **Dividends**

As indicated in the Annual Report, the Board believes that funds remain better used in the operations of the business until market conditions are clearer and more positive. Consequently, no interim dividend is declared (2008: 3.9p per share).

## **Risks and Uncertainties**

Following the equity raising and refinancing, current forecasts and projections, taking account of our view of reasonably possible changes in property valuations, and anticipated marshalling gains, show that the Group should be able to operate comfortably within its current facilities and comply with its banking covenants.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining 6 months of the financial year. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30<sup>th</sup> November 2008. (Those risks are: economic / property risks; financial risks; organizational / people factors; regulatory factors; failure to secure schemes; social, ethical and environmental risks; reputational risks; and construction risks).

## **Going Concern**

The Directors, in their consideration of going concern, have considered the factors described above, reviewed the Group's future cash forecasts and valuation projections, which they believe are based on realistic assumptions, and believe, based on those forecasts and assumptions, that it is appropriate to prepare the financial statements of the Group on the going concern basis.

## **Outlook**

In the commercial property sector, we expect some further reduction in values, principally due to the worsening climate for occupiers, and a consequent slowing of demand for new space, and increasing pressures on rental levels (although this may be less severe for the type of flexible and affordable space in our secondary portfolio than elsewhere in the market).

The residential market is beginning to show early signs of improvement, despite a continued shortage of mortgage finance and a lack of buyers. The sales of residential land to housebuilders which we are currently progressing are an encouraging sign of a restoration of activity.

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 finances are sound, and the planning process, whilst cumbersome, is delivering the permissions we require for our future success.

**ANTHONY GLOSSOP**  
Chairman

**BILL OLIVER**  
Chief Executive

**3<sup>rd</sup> July 2009**

**GROUP INCOME STATEMENT  
FOR THE PERIOD TO 31ST MAY 2009**

		Unaudited	Unaudited	Audited
		31st May	31st May	30th November
		2009	2008	2008
	Notes	£m	£m	£m
Revenue	2	43.2	70.8	146.5
Net rental income	2	13.0	12.6	25.7
Development (loss)/profit	2	(4.9)	7.9	9.0
Gains on disposals of investments/investment properties		1.7	2.2	0.1
Investment property revaluation losses		(68.6)	(22.3)	(49.7)
Other net income	2	1.1	4.2	7.3
Joint ventures and associates (post tax)	3	(20.6)	(3.3)	(8.9)
Administrative expenses		(5.6)	(9.1)	(14.0)
Loss before interest and tax		(83.9)	(7.8)	(30.5)
Finance cost	4	(16.7)	(16.8)	(49.3)
Finance income	4	2.3	4.6	6.7
Loss before tax		(98.3)	(20.0)	(73.1)
Taxation		17.7	10.5	22.4
<b>Loss for the period</b>		<b>(80.6)</b>	<b>(9.5)</b>	<b>(50.7)</b>
Attributable to:				
Equity shareholders		(79.9)	(10.8)	(51.7)
Minority interests		(0.7)	1.3	1.0
		<b>(80.6)</b>	<b>(9.5)</b>	<b>(50.7)</b>
Basic loss per share (pence)	6	(66.2)	(8.9)	(42.8)
Diluted loss per share (pence)	6	(66.2)	(8.9)	(42.8)
Dividend per share (pence)	7 (iv)	-	3.9	3.9

**GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE PERIOD TO 31ST MAY 2009**

		Unaudited	Unaudited	Audited
		31st May	31st May	30th November
		2009	2008	2008
		£m	£m	£m
Loss for the period		(80.6)	(9.5)	(50.7)
Revaluation of owner occupied property		-	0.4	-
Pension fund:				
- actuarial losses		(0.1)	(0.3)	(0.4)
- deferred tax		-	0.1	0.1
<b>Total recognised income and expense</b>		<b>(80.7)</b>	<b>(9.3)</b>	<b>(51.0)</b>
Attributable to:				
Equity shareholders		(80.0)	(10.6)	(52.0)
Minority interests		(0.7)	1.3	1.0
<b>Total recognised income and expense</b>		<b>(80.7)</b>	<b>(9.3)</b>	<b>(51.0)</b>

**GROUP BALANCE SHEET  
AS AT 31ST MAY 2009**

	Notes	Unaudited 31st May 2009 £m	Unaudited 31st May 2008 £m	Audited 30th November 2008 £m
<b>Non-current assets</b>				
Investment properties	7(i)	<b>743.4</b>	814.8	814.3
Operating property, plant & equipment		<b>3.9</b>	4.5	4.3
Investments in joint ventures and associates		<b>43.6</b>	74.2	64.2
Trade and other receivables		<b>4.5</b>	19.3	20.6
		<b>795.4</b>	912.8	903.4
<b>Current assets</b>				
Inventories		<b>225.4</b>	227.3	228.1
Trade and other receivables		<b>63.3</b>	63.5	48.5
Cash and cash equivalents		<b>6.0</b>	14.8	12.7
		<b>294.7</b>	305.6	289.3
<b>Current liabilities</b>				
Trade and other payables		<b>(130.0)</b>	(162.5)	(131.1)
Borrowings		<b>(0.9)</b>	(2.1)	(0.4)
Tax payables		<b>(8.6)</b>	(3.7)	(5.7)
		<b>(139.5)</b>	(168.3)	(137.2)
<b>Non-current liabilities</b>				
Trade and other payables		<b>(197.6)</b>	(141.5)	(201.4)
Borrowings		<b>(431.4)</b>	(433.3)	(433.8)
Deferred tax		<b>(0.3)</b>	(27.1)	(18.1)
		<b>(629.3)</b>	(601.9)	(653.3)
Net assets		<b>321.3</b>	448.2	402.2
<b>Capital and reserves</b>				
Share capital		<b>12.1</b>	12.1	12.1
Share premium		<b>9.1</b>	9.1	9.1
Capital redemption reserve		<b>0.3</b>	0.3	0.3
Retained earnings		<b>291.3</b>	417.0	371.3
Revaluation reserve		<b>-</b>	0.4	-
Own shares		<b>(0.1)</b>	(0.5)	(0.1)
Shareholders' equity	5	<b>312.7</b>	438.4	392.7
Minority interests	5	<b>8.6</b>	9.8	9.5
Total equity	5	<b>321.3</b>	448.2	402.2

**GROUP CASH FLOW STATEMENT**  
**for the period to 31st May 2008**

	<b>Unaudited</b> <b>31st May</b> <b>2009</b> <b>£m</b>	Unaudited 31st May 2008 £m	Audited 30th November 2008 £m
<b>Operating activities</b>			
Loss before interest and tax	<b>(83.9)</b>	(7.8)	(30.5)
Gains of the disposal of investments	-	-	(0.3)
(Gains)/losses on investment property disposals	<b>(1.7)</b>	(2.2)	0.2
Joint ventures and associates (post tax)	<b>20.6</b>	3.3	8.9
Investment property revaluation losses	<b>68.6</b>	22.3	49.7
Depreciation	<b>0.5</b>	0.1	0.5
Decrease/(increase) in inventories	<b>3.6</b>	(19.9)	(19.7)
Increase in trade and other receivables	<b>(6.2)</b>	(14.7)	(3.1)
Share options and share awards	<b>1.3</b>	0.3	3.9
(Decrease)/increase in trade and other payables	<b>(10.1)</b>	42.9	53.3
Pension funding	<b>(0.1)</b>	(0.1)	(0.1)
Tax refunded/(paid)	<b>2.9</b>	(2.3)	(4.8)
<b>Net cash outflow from operating activities</b>	<b>(4.5)</b>	21.9	58.0
<b>Investing activities</b>			
Investment property disposals	<b>23.6</b>	39.1	44.4
Investment property additions	<b>(16.5)</b>	(55.5)	(89.1)
Investment in joint ventures	-	(2.7)	-
Investment in associate	-	-	(2.3)
Disposal of investments	-	-	0.9
Property, plant and equipment additions	<b>(0.3)</b>	(0.7)	(0.9)
Interest received	<b>1.2</b>	0.6	2.5
Dividends received	-	-	4.0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>8.0</b>	(19.2)	(40.5)
<b>Financing activities</b>			
Dividends paid	-	(9.4)	(14.1)
Dividends paid to minorities	<b>(0.2)</b>	(1.0)	(1.0)
Interest paid	<b>(8.1)</b>	(11.6)	(22.0)
Sale of own shares	-	0.6	-
Net borrowings (repaid)/drawn	<b>(2.4)</b>	13.9	14.4
<b>Net cash outflow from financing activities</b>	<b>(10.7)</b>	(7.5)	(22.7)
Decrease in cash and cash equivalents	<b>(7.2)</b>	(4.8)	(5.2)
Cash and cash equivalents at start of period	<b>12.7</b>	17.9	17.9
<b>Cash and cash equivalents at end of period</b>	<b>5.5</b>	13.1	12.7
Cash	<b>6.0</b>	14.8	12.7
Bank overdrafts	<b>(0.5)</b>	(1.7)	-
<b>Cash and cash equivalents at end of period</b>	<b>5.5</b>	13.1	12.7

## 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.

Going concern is discussed in the half-year review. Based on the assessment described, 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 2009			Six months to 31st May 2008			Year to 30th Nov 2008		
	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental Income	16.6	(3.6)	13.0	16.2	(3.6)	12.6	33.7	(8.0)	25.7
Development	24.0	(28.9)	(4.9)	48.5	(40.6)	7.9	101.8	(92.8)	9.0
Other	2.6	(1.5)	1.1	6.1	(1.9)	4.2	11.0	(3.7)	7.3
<b>Total</b>	<b>43.2</b>	<b>(34.0)</b>	<b>9.2</b>	<b>70.8</b>	<b>(46.1)</b>	<b>24.7</b>	<b>146.5</b>	<b>(104.5)</b>	<b>42.0</b>

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

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:

	31st May 2009	31st May 2008	30th Nov 2008
	£m	£m	£m
<b>Net rental income</b>	<b>17.1</b>	16.0	33.2
(1) <b>Property profits</b>	<b>3.1</b>	12.5	20.9
<b>Other income</b>	<b>1.1</b>	4.2	7.3
<b>Administrative expenses</b>	<b>(5.7)</b>	(9.2)	(14.1)
(2) <b>Bank interest</b>	<b>(8.8)</b>	(13.7)	(27.8)
<b>Trading Profit</b>	<b>6.8</b>	9.8	19.5

(1) Comprises development profits and gains on disposal of investments/investment properties before the deduction of net realisable value provisions of £10.3m (Period to 31 May 2008: £1.7m, Year ended 30th November 2008: £11.3m).

(2) Excluding mark-to-market adjustments and other non-cash items of £8.3m (Period to 31 May 2008: £1.7m, Year ended 30th November 2008: £23.7m).

### 3. Joint venture and associates

	Six months to 31st May 2009			Six months to 31st May 2008			Year to 30th Nov 2008		
	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental Income	4.8	(0.7)	4.1	5.0	(1.6)	3.4	15.9	(8.4)	7.5
Development	8.9	(12.9)	(4.0)	5.2	(4.5)	0.7	5.8	(5.1)	0.7
	<b>13.7</b>	<b>(13.6)</b>	<b>0.1</b>	10.2	(6.1)	4.1	21.7	(13.5)	8.2
Losses on investment property disposals			-			-			(0.2)
Investment property revaluation losses			(18.7)			(9.5)			(14.9)
Administrative expenses			(0.1)			(0.1)			(0.1)
Finance cost (net)			(2.7)			(3.1)			(8.9)
Loss before tax			(21.4)			(8.6)			(15.9)
Taxation			0.8			5.3			7.0
Loss for the period			(20.6)			(3.3)			(8.9)

### 4. Net finance cost

	Six months to 31st May 2009	Six months to 31st May 2008	Year to 30th Nov 2008
	£m	£m	£m
Interest payable on loans and overdrafts	7.9	11.3	24.3
Amortisation of discount on deferred payment arrangements	2.2	4.6	7.8
Head rents treated as finance leases	0.1	0.1	0.2
Movement in market value of interest rate derivatives	5.8	-	15.4
Interest on pension scheme liabilities	0.7	0.8	1.6
<b>Total finance costs</b>	<b>16.7</b>	<b>16.8</b>	<b>49.3</b>
Interest receivable on cash deposits	0.9	0.6	2.5
Credit in respect of discount on deferred receivables	0.7	1.5	2.2
Movement in market value of interest rate derivatives	-	1.5	-
Expected return on pension scheme assets	0.7	1.0	2.0
<b>Total finance income</b>	<b>2.3</b>	<b>4.6</b>	<b>6.7</b>
<b>Net finance cost</b>	<b>14.4</b>	<b>12.2</b>	<b>42.6</b>

## 5 Reconciliation of movements in equity

	Equity shareholders	Minority interests	Total
	£m	£m	£m
<b>Period ended 31st May 2009</b>			
Total recognised income and expense	(80.0)	(0.7)	<b>(80.7)</b>
Dividends paid	-	(0.2)	<b>(0.2)</b>
Equity at 30th November 2008	392.7	9.5	<b>402.2</b>
<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>Period ended 31st May 2008</b>			
Total recognised income and expense	(10.6)	1.3	<b>(9.3)</b>
Dividends paid	(9.4)	(1.0)	<b>(10.4)</b>
Net disposal of own shares	0.2	-	<b>0.2</b>
Equity at 30th November 2007	458.2	9.5	<b>467.7</b>
<b>Equity at 31st May 2008</b>	<b>438.4</b>	<b>9.8</b>	<b>448.2</b>

	Equity shareholders	Minority interests	Total
	£m	£m	£m
<b>Year ended 30th November 2008</b>			
Total recognised income and expense	(52.0)	1.0	<b>(51.0)</b>
Dividends paid	(14.1)	(1.0)	<b>(15.1)</b>
Net disposal of own shares	0.6	-	<b>0.6</b>
Equity at 30th November 2007	458.2	9.5	<b>467.7</b>
<b>Equity at 30th November 2008</b>	<b>392.7</b>	<b>9.5</b>	<b>402.2</b>

## 6 Earnings per share

	<b>31st May 2009</b>	31st May 2008	30th November 2008
	<b>Number of shares</b>	Number of shares	Number of shares
Weighted number of shares in issue*	<b>120,740,364</b>	120,681,670	120,688,232
	<b>31st May 2009</b>	31st May 2008	30th November 2008
	<b>£m</b>	£m	£m
Loss (basic and diluted)	<b>(79.9)</b>	(10.8)	(51.7)
	<b>31st May 2009</b>	31st May 2008	30th November 2008
	<b>pence</b>	pence	pence
Basic loss per share	<b>(66.2)</b>	(8.9)	(42.8)
Diluted loss per share	<b>(66.2)</b>	(8.9)	(42.8)

\* 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. 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 have been adjusted accordingly.

## 7. Other information

(i) Investment properties were valued at 31st May 2009, 31st May 2008 and 30th November 2008 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 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. 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 237(2) or (3) of the Companies Act 1985.

(iii) The effective tax rate used for the period is 22.8%. The tax credit booked in the period is disproportionately low as tax credits on investment property losses are not able to be fully recognised in deferred tax. For the full year tax credits are expected to remain below the standard rate of tax.

(iv) No interim dividend (31st May 2008: 3.9p per share) has been proposed by the Board.

(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.

## 8 Post balance sheet event

As disclosed in the half year review the company completed a Firm Placing and Placing and Open Offer on 8th June 2009, raising a net £101.6m of proceeds. The pro forma information below has been prepared to show the impact of the Firm Placing and Placing and Open Offer on the net assets of the Group as if this event had taken place on 31st May 2009.

	<b>As at 31st May 2009 £m</b>	<b>Pro forma adjustments £m</b>	<b>Pro forma as at 31st May 2009 £m</b>
Net assets	321.3	101.6	422.9
Net debt	(426.3)	101.6	(324.7)
Gearing	133%		77%
Net assets per share	266p		211p

## **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

Anthony Glossop  
Chairman

Tim Haywood  
Finance Director

3<sup>rd</sup> July 2009

## **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 2009 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 8. 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 2009 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

3<sup>rd</sup> July 2009