



ST.MODWEN

**THE UK'S LEADING
REGENERATION SPECIALIST**

HALF YEAR REPORT 2012





ST. MODWEN IS THE UK'S LEADING REGENERATION SPECIALIST

St. Modwen is the UK's leading regeneration specialist. Through a focus on long-term added value we aim to secure dependable and consistently strong returns.

Investment Themes:

- The UK's leading regeneration specialist operating through a network of seven regional offices and through joint ventures with industry leading partners
- We are an entrepreneurial development business supported by a strong financial base and the revenues from a portfolio of income producing properties
- We are focused on the long-term development of commercial property and residential land throughout the economic cycles
- We have an extensive land bank of more than 5,800 net developable acres. We look to expand the land bank through capital efficient means
- Our outstanding 25 year track record shows us adding value by managing schemes through the planning process, remediating contaminated land, active asset management and development
- We have a diverse UK wide portfolio preventing over exposure to any single scheme, tenant or sector
- We have huge experience in dealing with complex and challenging sites
- We develop in response to market conditions, creating a stream of assets to be sold once no further significant value can be added, thereby providing recycled capital for new schemes



See further information online:
www.stmodwen.co.uk

Cover Picture

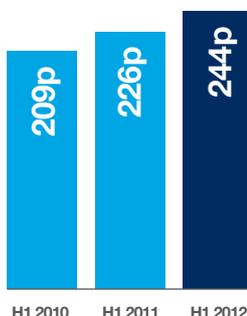
£66m Bournville College —
Longbridge, Birmingham

Highlights

Equity net assets per share 244p

5% increase in net assets per share

(based on equity attributable to owners of the Company excluding non-controlling interests).



Trading Profits £17.2m

64% increase in Trading Profits

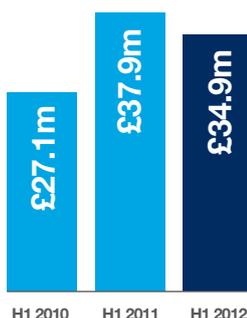
(trading profit is defined in Note 2(a) to the financial statements).



Profit before all tax £34.9m

Strong profit before all tax result

(Profit before all tax is defined in Note 2(a) to the financial statements. Profit before tax £30.4m (H1 2011: £37.4m)).



Financial Highlights:

- 5% increase in NAV per share in first six months to 244p (Nov 2011: 232p) and EPRA NAV up 6% to 264p per share (Nov 2011: 250p).
- Profit before all tax £34.9 million (H1 2011: £37.9 million).
- Added value gains of £35 million (H1 2011: £24 million) have offset market-driven valuation reductions of £14 million (H1 2011: £1 million increase) to provide net gains of £21 million (H1 2011: £25 million).
- 48% increase in realised property profits to £16.6 million (H1 2011: £11.2 million).
- 3% increase in net rental income to £18.3 million (H1 2011: £17.8 million).
- Gearing of 74% (Nov 2011: 73%).
- 10% increase in interim dividend to 1.21p per share.

Operational Highlights:

- London residential transactions generating significant valuation gains (and cash flow).
- Active portfolio management successfully generating value in weak market conditions.
- Development programme for 2012 progressing well, with strong performance achieved in 2011 expected to be surpassed.
- Positive outlook for residential land activity, with good housing sales already achieved and strong on-going demand at an increased number of sales outlets.
- Substantial future pipeline in place, with significant opportunities at:
 - New Covent Garden Market
 - Elephant & Castle
 - Swansea University
 - Longbridge

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Overview

HALF YEAR REVIEW

“Our year has started very well, enabling us to deliver a strong set of first half results. Our strategy of an increasing residential focus, with more emphasis on London and the South East, has enabled us to continue to grow the Net Asset Value of the Company. We have secured significant opportunities in London and we are confident that this progress, together with strong momentum on our housebuilding sites, will deliver additional property profits to boost our results for 2012 and future years.”

Bill Oliver Chief Executive

This positive set of half year results demonstrates clearly that our long term approach and our development driven business model is working. Our increased focus on the residential market has helped to produce a 5% increase in NAV per share in the first half of the year to 244p.

The revenues from our income producing assets continue to serve as the financial backbone of the Company. In the face of an increased risk of tenant failures across the UK, we have grown rental income by 3% to £18.3 million (H1 2011: £17.8 million) and maintained occupancy levels at 88% (H1 2011: 88%) across our commercial portfolio, demonstrating that, our assets remain attractive to occupiers, both in terms of location and affordability.

Active management of our assets, combined with the value created by our increased residential transactions during the period, have led to our added value gains of £35 million (H1 2011: £24 million). These have enabled us to offset market-driven valuation reductions of £14 million (H1 2011: £1 million increase) in our secondary income portfolio and deliver net gains of £21 million (H1 2011: £25 million).

In the short term, the investment market for secondary property remains a challenge and it is this that has led to the shortfalls in our valuations. However, as these valuations are on a current market basis, they do not recognise the future potential that is contained across our portfolio. We therefore continue to adopt our long term strategy of retaining

our assets for future development while benefiting from their resilient income stream, and only realising their value when that future potential has been crystallised and market conditions are right.

Over the last six months, we have continued to grow our development pipeline with opportunities secured from within our own land bank and also via new business; the most prominent being our selection as the preferred developer, with our joint venture partner VINCI PLC (as VSM Estates), for the £2 billion regeneration of New Covent Garden Market in Nine Elms, London. We expect to exchange contracts for this substantial scheme before the year end and pursue an improved planning permission during the course of 2013. This extremely high profile opportunity further enhances our weighting of London and South East development assets, which already make up over a third by value of our entire portfolio.

New Covent Garden Market is another example of how VSM Estates continues to prosper and we continue to work together with VINCI PLC to secure additional projects, including the potential development of Swansea University's second campus, which comprises 430,000 sq ft of academic buildings, plus student accommodation of *circa* 900 rooms.

We are also experiencing good returns from house sales through both the joint venture with Persimmon and our own housebuilding arm, St. Modwen Homes. In total, over the six months to 31st May

2012, we have completed the sale of 77 houses (H2 2011: 15) and have a further 145 houses reserved for sale (H2 2011: 96) of which 76 have exchanged contracts (H2 2011: 58).

This overall performance has given the Board the confidence to increase the Company's interim dividend by 10% to 1.21p per share which will be paid on 3rd September 2012 to shareholders on the register at 10th August 2012.

PORTFOLIO

Our £1.1 billion portfolio comprises the following categories of assets; Residential and Commercial Land, which account for 37% and 12% of the portfolio, respectively, and Income Producing Properties which make up the remaining 51%. Of this UK-wide portfolio, over a third is in London and the South East, where 50% by value of our residential assets are also located. Due to its market resilience, we are taking advantage of our growing presence in this area of the country to further strengthen our pipeline of both residential and commercial development opportunities.

Residential

Moving from strength to strength

The growth and success of our residential business continues to gather pace and its three tier structure continues to provide us with the ability to maximise opportunities arising from this growing market:

- **Residential Land** — The development and sale of ‘oven ready’ predominantly brownfield sites with viable planning permissions in place.
- **Persimmon Joint Venture** — Maximising value through development.
- **St. Modwen Homes** — In-house development under our own housebuilding brand to capture additional development profits.

Residential Land

Continue to add value

We continue to add value to the residential land bank by securing planning permissions and either selling ‘oven ready’ sites to housebuilders or releasing value from these sites ourselves by developing them out either through our joint venture with Persimmon or under the St. Modwen Homes brand.

Pictured:

Proposed scheme at New Covent Garden Market, Nine Elms, London

Housebuilder appetite for our residential land is gaining momentum. Over the last six months we have committed to the sale of 103 acres of residential land (including that committed to the Persimmon joint venture) for a total of £146 million, with all transactions achieving book value or above. The demand is most apparent in London and the South East but there is also good interest across the rest of the country for well located, de-risked sites.

Highlights:

- **RAF Uxbridge** — In March, VSM Estates accelerated the outright acquisition of RAF Uxbridge from the Ministry of Defence under Project MoDEL. The site covers 110 acres, of which 45 are developable, and has planning consent for 1,340 residential units and *circa* 200,000 sq ft of commercial office and retail development, as well as associated facilities. Contracts have been exchanged for the sale of 23 acres of the developable land to Persimmon for the construction of 453 homes under St. Modwen and Persimmon’s joint venture arrangements.

- **RAF Mill Hill** — VSM has a 57% share of this 100 acre site which is held in consortium with partners Annington Homes and London Borough of Barnet Council. Two land sales, totalling 15 acres have now exchanged for a total value of £38 million.
- **South Ockenden** — The sale of 4.2 acres of land to Persimmon* has exchanged for a sum of £3.1 million.
- **Langford Mead, Taunton** — Solicitors are instructed on the sale of 6.3 acres to a national housebuilder for £5.5 million. This is anticipated to complete by the end of 2012.

*not linked to the St. Modwen/Persimmon joint venture



Courtesy of CGMA and Foster + Partners

Overview

HALF YEAR REVIEW**Persimmon Joint Venture****Successful partnership working**

Our residential joint venture with Persimmon is proving an extremely successful partnership that has enabled us to realise optimal value from our land bank and generate good returns. Excellent progress has been made on the eight sites already included within the joint venture.

Highlights:

- **Under construction** — Goodyear, Wolverhampton (314 units); Glan Llyn, South Wales (307 units) and Sunderland (212 units) are currently in development and have all commenced house sales.
- **Imminent site starts** — Construction work is due to commence imminently on three sites: at RAF Uxbridge (453 units); at Coed Darcy, South Wales (302 units); and at Longbridge East, Birmingham (229 units).
- **In planning** — Two applications are currently going through the planning process; the first is for 284 units at Long Marston, Warwickshire which we anticipate starting on site towards the end of 2012. The second is for 211 homes on 11.5 acres at Vulcan Works, Newton le Willows - a site owned by Key Property Investments ("KPI"), another of our joint ventures, between St. Modwen and Salhia Real Estate Co. An application has been submitted for planning by KPI, together with Persimmon, under the standard joint venture agreement. Planning is anticipated to be granted in July 2012 with a site start scheduled for August 2012.

St. Modwen Homes**Gaining significant momentum**

St. Modwen Homes is making substantial progress, with initial sales rates for the last six months averaging 5.5 per outlet per month. These rates are 120% more than the national average of 2.5 per month, demonstrating that there is a good residential market in the regions for good quality, well priced homes.

To 31 May 2012

	2012		
	Completions	Exchanges	Reservations
Park View, Longbridge	47	17	15
Locking Parklands, Weston-super-Mare	10	39	15
Goodyear, Wolverhampton	15	12	24
Glan Llyn, Llanwern, South Wales	5	8	4
Sunderland	—	—	11
Total	77	76	69

Commercial Land and Development**Development profits increasingly secure**

Our current major schemes across the country are progressing well and our pipeline of future property development profits is increasingly secure, with significant opportunities already identified at Longbridge, Swansea University, Hednesford and Elephant & Castle. As a result, we remain confident in our ability to continue to deliver consistent development profits that will underpin the future growth of the Group.

Highlights:

- **Elephant and Castle** — The joint working agreement with Lend Lease and the London Borough of Southwark Council to ensure the delivery of a comprehensive redevelopment of the area is expected to be formally agreed before the end of 2012. Planning will be pursued in 2013 for 450,000 sq ft of retail and up to 1,000 apartments, with construction targeted to commence in 2015.
- **Hednesford, Cannock** — Construction works are well underway on an 85,000 sq ft foodstore pre-sold to Tesco, with 70% of the associated retail within this phase (31,000 sq ft) now exchanged or under offer to national retailers.

With a target of building up to 250 units a year, such is the success of our two current schemes, that we are already looking to include six more sites within the portfolio (at Dursley, Worcester, Coalville, Rugby, Trentham and Locking Parklands phase II) with a view to two starting on site before the year end and the remaining four in 2013.

- **Swansea University, New Science and Innovation Campus** — We

have concluded the details of our proposals to develop Swansea University's £500 million second campus. The proposals for the 700,000 sq ft first phase of the development include 430,000 sq ft of academic space and 900 student apartments, to be built at our 50 acre Transit site where an outline planning application has already been approved by Neath Port Talbot County Borough Council.

- **Longbridge** — Plans have been submitted for the next phase of the Town Centre. Based on a provision of a new 130,000 sq ft retail store and associated parking, these plans have been designed as a direct response to an approach by a major UK retailer which is actively seeking to open a store at Longbridge in summer 2014. The proposals also include a new 65,000 sq ft mixed-use building and the relocation of 45,000 sq ft of retail units which already have planning consent as part of the first phase of the Town Centre. The first construction phase of the Longbridge Town Centre is now well underway and will see the opening of an 85,000 sq ft Sainsbury's, a 75 bedroom Premier Inn and a Beefeater Grill next year, together with a new £2 million two acre park which forms the centrepiece of the Town Centre.

**Income Producing
Robust asset management
programme produces positive income**

Across the country, our regional management teams continue to ‘sweat hard’ our income producing properties with a robust and proven programme of asset management initiatives. Our net rental income has risen by 3% to £18.3 million (H1 2011: £17.8 million), whilst void rates have been maintained at 12% (2011: 12%). Against the backdrop of the current economic climate, this highlights that our property offering in terms of location, affordability and quality, hits the right tone with occupiers.

Highlights:

- **Longbridge** — Our largest individual lease, for Shanghai Automotive at Longbridge in Birmingham, which is currently producing rent at £1.5 million per year, has been extended until at least 2024 as a result of successful discussions, following the expiry of a break notice period.
- **Resilience to the retail market** — Further highlighting the appeal of our property portfolio and our resilience to difficult market conditions, the demise of Peacocks and Bon Marché earlier in the year left us with the prospect of eight empty units. However, as a result of our active asset management, only one of these units now remains on the market.

Whilst there is market pressure on yields, our portfolio contains some substantial development opportunities and we will continue to work hard to realise these as the year progresses and beyond.

Portfolio Yield Analysis

	Equivalent		Net Initial	
	May 2012	Nov 2011	May 2012	Nov 2011
Retail	9.2%	8.6%	7.6%	7.4%
Offices	9.1%	8.7%	7.0%	6.4%
Industrial	9.2%	9.1%	8.1%	7.7%
Portfolio	9.2%	8.8%	7.8%	7.4%

Pictured:
St. Modwen Homes at Locking Parklands, Weston-super-Mare



Overview

HALF YEAR REVIEW

“We have delivered another strong set of results for the first half of the financial year. This performance has been helped by the start of a stream of profits from housing sales that we believe will become increasingly important to the Company. Overheads and interest remain tightly controlled and we are therefore pleased to report that our trading profit has increased by 64% to £17.2 million.”

Michael Dunn Group Finance Director

FINANCE

Our business model is based on core rental and other income covering the costs of running the business (property outgoings, overheads and interest). This provides a solid base from which the Group can drive profits from its development activities and add value to its existing assets through planning and asset management activities.

As we utilise a number of joint venture arrangements, the statutory financial

statement disclosures do not always provide a straightforward way of understanding our business. To enable a better understanding, we also provide information including the Group's share of joint ventures. A full reconciliation is provided in note 2 to the condensed financial statements.

Financial Performance

We have delivered another strong set of results for the first half of the financial year. Profit before all tax is in line with the good results from the equivalent period last year at £34.9 million (2011: £37.9 million)

(see note 2 to the condensed financial statements). Our income is underpinned by consistent rental income, while realised property profits have risen by 48% to £16.6 million (2011: £11.2 million). This performance has been helped by the start of a stream of profits from housing sales that we believe will become increasingly important to the Company. Overheads and interest remain tightly controlled and we are therefore pleased to report that our trading profit has increased by 64% to £17.2 million (2011: £10.5 million).

Pictured:

Longbridge, Phase II of the Town Centre



Property Valuation Movements

There are two principal components to property valuation movements: those movements resulting from activities that we undertake specifically to add value to our assets, and those resulting from changes in the overall property market. Jones Lang LaSalle provides this valuation split for us as part of the independent property valuations that they undertake every six months.

In line with market movements, yields for our income producing property portfolio have moved outwards in 2012, reducing the value of our income producing portfolio by around 5%. Driven by our London assets, the valuation of our residential portfolio has increased by 2% giving us a net market driven reduction in our property portfolio of £14 million (2011: £1 million increase).

Valuation gains arising from our own activities of £35 million (2011: £24 million) have, however, materially outweighed this market driven reduction. Lease extensions have contributed but, in particular, the valuation gains from the restructuring of our North London assets have created substantial gains in the period.

Financial Results

Our profit before tax is also stated after movements in the market value of our interest rate derivatives (hedges and swaps). The valuations are based on the financial market's forward prediction curves for interest rates. At the end of the financial reporting period, these curves implied a substantially reduced expectation of future interest rate increases, raising costs by £6.3 million compared to the equivalent period last year.

The valuation gains for our joint venture residential assets led to an increased deferred tax charge for the year. Nevertheless, the profit after tax of £28.7 million was broadly equivalent to the strong result in the first half of last year (2011: £30.3 million).

Balance Sheet

During the first half of the year, we undertook two transactions that have altered the shape of our balance sheet:

1. Through our VSM Estates vehicle, we accelerated the purchase of RAF Uxbridge. This land and its associated purchase price liability were previously consolidated. The land and the debt used to acquire the land are held in VSM Uxbridge, a new vehicle, and are now accounted for as a joint venture.
2. We acquired full ownership of the Sowcrest and Holaw investments that own our Wembley properties from our previous joint venture partner. As a result, the assets and remaining debt in both entities are now fully consolidated into St. Modwen's results.

Net Assets

At the period end the shareholders' equity value of assets was £488 million or 244p per share, up 5% from the end of November 2011 (Nov 2011: £464 million or 232p per share). On an EPRA basis there was a similar increase with EPRA NAV increasing 6% to £529 million or 264p per share (Nov 2011: £500 million or 250p per share).

Funding

On a like-for-like basis, our levels of debt have remained steady and we continue to operate comfortably within our covenant and headroom levels. During the period, we refinanced our KPI joint venture with a new five year debt facility and ensured that our VSM joint venture facilities can run to at least 2017. Consequently, we now have no corporate or joint venture facilities that require renewal before November 2014.

On a like-for-like basis, our consolidated debt has remained steady at £345 million (Nov 2011: £347 million). The consolidation of the Sowcrest and Holaw debt brings this to £370 million. The comparable consolidated figure for November 2011 would have been £374 million.

The KPI joint venture debt continues to reduce and at the period end was £129 million (Nov 2011: £146 million). The acquisition of the Uxbridge land was financed with a new £60 million facility in our VSM Uxbridge joint venture.

Allowing for all of these transactions gives us steady financing ratios with on balance sheet gearing of 74% (Nov 2011: 73%; like-for-like Nov 2011: 79%) and a loan to value ratio (including our share of both joint venture assets and debt) of 42% (Nov 2011: 39%).

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company/Group in the remaining six months remain as set out on pages 42 to 45 of the Annual Report for the year ended 30th November 2011, where we noted the wider economic risks posed by the on-going Eurozone crisis.

OUTLOOK

Although the wider economic environment remains unpredictable and there may still be further challenges for the sector, we remain confident that our asset portfolio, development pipeline and significant London opportunities will continue to provide us with many opportunities to add considerable value for our shareholders and will help drive the growth of the Group through 2012 and beyond.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director
2nd July 2012

Condensed Financial Statements

Group Income Statement

for the period to 31st May 2012

	Notes	Unaudited 31st May 2012 £m	Unaudited 31st May 2011 £m	Audited 30th Nov 2011 £m
Revenue	3	81.0	61.3	109.6
Net rental income	3	13.9	13.8	27.5
Development profits	3	15.0	8.6	20.4
Gains on disposals of investments/investment properties		0.9	—	0.5
Investment property revaluation (losses)/gains		(1.8)	27.3	36.2
Other net income	3	1.5	1.5	3.2
Profits of joint ventures and associates (post tax)	4	19.2	2.4	2.9
Administrative expenses		(8.3)	(8.4)	(16.6)
Profit before interest and tax		40.4	45.2	74.1
Finance cost	5	(11.5)	(12.0)	(26.2)
Finance income	5	1.5	4.2	2.5
Profit before tax		30.4	37.4	50.4
Taxation	8(iii)	(1.7)	(7.1)	(4.9)
Profit for the period		28.7	30.3	45.5
Attributable to:				
Equity attributable to owners of the company		28.6	28.7	43.5
Non-controlling interests		0.1	1.6	2.0
		28.7	30.3	45.5
Basic earnings per share (pence)	6	14.3	14.3	21.7
Diluted earnings per share (pence)	6	14.2	14.3	21.7

Group Statement of Comprehensive Income

for the period to 31st May 2012

	Unaudited 31st May 2012 £m	Unaudited 31st May 2011 £m	Audited 30th Nov 2011 £m
Profit for the period	28.7	30.3	45.5
Pension fund:			
— Actuarial losses	(0.2)	—	(0.2)
— Deferred tax	—	—	—
Total comprehensive income for the period	28.5	30.3	45.3
Attributable to:			
Owners of the company	28.4	28.7	43.3
Non-controlling interests	0.1	1.6	2.0
Total comprehensive income for the period	28.5	30.3	45.3

Group Balance Sheet

as at 31st May 2012

	Notes	Unaudited 31st May 2012 £m	Unaudited 31st May 2011 £m	Audited 30th Nov 2011 £m
Non-current assets				
Investment properties	8(i)	795.3	835.5	848.7
Operating property, plant & equipment		6.9	7.3	7.1
Investments in joint ventures and associates		72.0	49.8	50.3
Trade and other receivables		12.9	8.4	8.4
		887.1	901.0	914.5
Current assets				
Inventories		149.5	166.1	191.1
Trade and other receivables		55.1	69.8	51.2
Cash and cash equivalents		11.8	11.3	5.2
		216.4	247.2	247.5
Current liabilities				
Trade and other payables		(150.6)	(130.1)	(132.2)
Borrowings		(20.8)	(20.9)	—
Tax payables		(1.3)	(10.3)	(0.2)
		(172.7)	(161.3)	(132.4)
Non-current liabilities				
Trade and other payables		(61.6)	(184.2)	(192.6)
Borrowings		(361.0)	(332.8)	(352.3)
Deferred tax		(8.1)	(6.8)	(8.7)
		(430.7)	(523.8)	(553.6)
Net assets				
		500.1	463.1	476.0
Capital and reserves				
Share capital		20.0	20.0	20.0
Share premium		102.8	102.8	102.8
Capital redemption reserve		0.3	0.3	0.3
Retained earnings		365.8	329.4	341.8
Own shares		(0.5)	(0.6)	(0.5)
Equity attributable to owners of the company		488.4	451.9	464.4
Non-controlling interest		11.7	11.2	11.6
Total equity		500.1	463.1	476.0

Condensed Financial Statements

Group Statement of Changes in Equity

for the period to 31st May 2012

31st May 2012 (Unaudited)	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Own shares £m	Equity attributable to owners of the company £m	Non- controlling interests £m	Total £m
Profit for the period	—	—	—	28.6	—	28.6	0.1	28.7
Pension fund actuarial losses	—	—	—	(0.2)	—	(0.2)	—	(0.2)
Total comprehensive income for the period	—	—	—	28.4	—	28.4	0.1	28.5
Dividends paid	—	—	—	(4.4)	—	(4.4)	—	(4.4)
Equity at 30th November 2011	20.0	102.8	0.3	341.8	(0.5)	464.4	11.6	476.0
Equity at 31st May 2012	20.0	102.8	0.3	365.8	(0.5)	488.4	11.7	500.1

31st May 2011 (Unaudited)	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Own shares £m	Equity attributable to owners of the company £m	Non- controlling interests £m	Total £m
Profit for the period	—	—	—	28.7	—	28.7	1.6	30.3
Total comprehensive income for the period	—	—	—	28.7	—	28.7	1.6	30.3
Dividends paid	—	—	—	(4.0)	—	(4.0)	—	(4.0)
Equity at 30th November 2010	20.0	102.8	0.3	304.7	(0.6)	427.2	9.6	436.8
Equity at 31st May 2011	20.0	102.8	0.3	329.4	(0.6)	451.9	11.2	463.1

30th November 2011 (Audited)	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Own shares £m	Equity attributable to owners of the company £m	Non- controlling interests £m	Total £m
Profit for the period	—	—	—	43.5	—	43.5	2.0	45.5
Pension fund actuarial losses	—	—	—	(0.2)	—	(0.2)	—	(0.2)
Total comprehensive income for the year	—	—	—	43.3	—	43.3	2.0	45.3
Dividends paid	—	—	—	(6.2)	—	(6.2)	—	(6.2)
Net purchase of own shares	—	—	—	—	0.1	0.1	—	0.1
Equity at 30th November 2010	20.0	102.8	0.3	304.7	(0.6)	427.2	9.6	436.8
Equity at 30th November 2011	20.0	102.8	0.3	341.8	(0.5)	464.4	11.6	476.0

Group Cash Flow Statement

for the period to 31st May 2012

	Unaudited 31st May 2012 £m	Unaudited 31st May 2011 £m	Audited 30th Nov 2011 £m
Operating activities			
Profit before interest and tax	40.4	45.2	74.1
Gains on investment property disposals	(0.9)	—	(0.5)
Joint ventures and associates (post tax)	(19.2)	(2.4)	(2.9)
Investment property revaluation losses/(gains)	1.8	(27.3)	(36.2)
Depreciation	0.2	0.3	0.5
Impairment losses on inventories	0.5	2.6	2.6
Decrease/(increase) in inventories	58.8	10.2	(2.7)
Increase in trade and other receivables	(6.5)	(24.8)	(6.3)
Decrease in trade and other payables	(45.7)	(11.4)	(3.3)
Share options and share awards	0.4	0.9	0.1
Tax paid	(1.2)	—	(6.0)
Net cash inflow/(outflow) from operating activities	28.6	(6.7)	19.4
Investing activities			
Investment property disposals	6.7	11.7	19.2
Investment property additions	(20.2)	(20.1)	(42.7)
Acquisition of subsidiary	—	—	(4.4)
Property, plant and equipment additions	—	(0.2)	(0.3)
Cash and cash equivalents acquired with subsidiary undertakings	0.4	—	1.1
Interest received	—	0.3	0.8
Dividends received	—	2.0	2.0
Net cash outflow from investing activities	(13.1)	(6.3)	(24.3)
Financing activities			
Dividends paid	(4.4)	(4.0)	(6.2)
Interest paid	(8.8)	(10.5)	(21.1)
Net borrowings drawn	12.0	40.0	131.3
Repayment of borrowings	(8.3)	(17.5)	(105.2)
Net cash (outflow)/inflow from financing activities	(9.5)	8.0	(1.2)
Increase/(decrease) in cash and cash equivalents	6.0	(5.0)	(6.1)
Cash and cash equivalents at start of period	5.2	11.3	11.3
Cash and cash equivalents at end of period	11.2	6.3	5.2
Cash	11.8	11.3	5.2
Bank overdrafts	(0.6)	(5.0)	—
Cash and cash equivalents at end of period	11.2	6.3	5.2

Condensed Financial Statements

Notes to the Condensed Financial Statements

1. ACCOUNTING POLICIES

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

The same accounting policies and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The following standards have been adopted in the period but have no impact on the Group's condensed financial statements:

IAS 24 (revised 2009)	Related Party Disclosures
IFRIC 14 (amended 2009)	Prepayments of a Minimum Funding Requirement
IFRS 1 (amended 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
IFRS 7 (amended 2010)	Disclosures — Transfers of Financial Assets
Annual Improvements to IFRS (issued 2010)	

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. NON STATUTORY INFORMATION**(a) Trading profit and profit before all tax**

The non-statutory measure of trading profit and profit before all tax, which include the Group's share of joint ventures and associates, have been calculated as set out below:

	Six Months to 31st May 2012			
	Group	Joint Ventures and Associates		Total
		£m	£m	
Net rental income	13.9	4.4	18.3	
⁽¹⁾ Development profit	15.5	0.1	15.6	
Gains on disposal of investments/ investment properties	0.9	0.1	1.0	
Other income	1.5	—	1.5	
Administrative expenses	(8.3)	(0.2)	(8.5)	
⁽²⁾ Finance costs	(8.3)	(2.4)	(10.7)	
⁽³⁾ Finance income	—	—	—	
Trading profit	15.2	2.0	17.2	
⁽¹⁾ Investment property revaluation (losses)/gains	(2.3)	23.2	20.9	
⁽²⁾ Other finance costs	(3.2)	(1.5)	(4.7)	
⁽³⁾ Other finance income	1.5	—	1.5	
Profit before all tax	11.2	23.7	34.9	

	Six Months to 31st May 2011			
	Group	Joint Ventures and Associates		Total
		£m	£m	
Net rental income	13.8	4.0	17.8	
⁽¹⁾ Development profit	11.2	—	11.2	
Gains on disposal of investments/investment properties	—	—	—	
Other income	1.5	—	1.5	
Administrative expenses	(8.4)	(0.1)	(8.5)	
⁽²⁾ Finance costs	(9.6)	(2.2)	(11.8)	
⁽³⁾ Finance income	0.3	—	0.3	
Trading profit	8.8	1.7	10.5	
⁽¹⁾ Investment property revaluation gains	24.7	0.3	25.0	
⁽²⁾ Other finance costs	(2.4)	—	(2.4)	
⁽³⁾ Other finance income	3.9	0.9	4.8	
Profit before all tax	35.0	2.9	37.9	

2. NON STATUTORY INFORMATION CONTINUED**(a) Trading profit and profit before all tax (continued)**

	Year to 30th November 2011		
	Group £m	Joint Ventures and Associates £m	Total £m
Net rental income	27.5	8.0	35.5
⁽¹⁾ Development profit	23.0	0.3	23.3
Gains on disposal of investments/ investment properties	0.5	—	0.5
Other income	3.2	—	3.2
Administrative expenses	(16.6)	(0.1)	(16.7)
⁽²⁾ Finance costs	(19.5)	(4.2)	(23.7)
⁽³⁾ Finance income	0.7	—	0.7
Trading profit	18.8	4.0	22.8
⁽¹⁾ Investment property revaluation gains	33.6	0.3	33.9
⁽²⁾ Other finance costs	(6.7)	(0.1)	(6.8)
⁽³⁾ Other finance income	1.8	—	1.8
Profit before all tax	47.5	4.2	51.7

⁽¹⁾ (Stated before the deduction of net realisable valuation provisions of: Group £0.5m (Period to 31st May 2011: £2.6m, Year ended 30th November 2011: £2.6m); Joint ventures and associates £0.1m (Period to 31st May 2011: £nil, Year ended 30th November 2011: £0.1m). These items are reclassified to investment property revaluations.

⁽²⁾ Stated before mark-to-market of derivatives and other non-cash items of: Group £3.2m (Period to 31st May 2011: £2.4m, Year ended 30th November 2011: £6.7m); Joint ventures and associates £1.5m (Period to 31st May 2011: £nil, Year ended 30th November 2011: £0.1m). These items are reclassified to other finance costs.

⁽³⁾ Stated before mark-to-market of derivatives and other non-cash items of: Group £1.5m (Period to 31st May 2011: £3.9m, Year ended 30th November 2011: £1.8m); Joint ventures and associates £nil (Period to 31st May 2011: £0.9m, Year ended 30th November 2011: £nil). These items are reclassified to other finance income.

(b) Property valuations

Property valuations, including, the Group's share of joint ventures and associates, have been calculated as set out below:

	Six Months to 31st May 2012		
	Group £m	Joint Ventures and Associates £m	Total £m
Property revaluation (losses)/gains	(1.8)	23.3	21.5
Net realisable value provisions	(0.5)	(0.1)	(0.6)
Property valuation (losses)/gains	(2.3)	23.2	20.9
Added value	8.9	25.6	34.5
Market movements	(11.2)	(2.4)	(13.6)
Property valuation (losses)/gains	(2.3)	23.2	20.9

	Six Months to 31st May 2011		
	Group £m	Joint Ventures and Associates £m	Total £m
Property revaluation gains	27.3	0.3	27.6
Net realisable value provisions	(2.6)	—	(2.6)
Property valuation gains	24.7	0.3	25.0
Added value	23.8	0.2	24.0
Market movements	0.9	0.1	1.0
Property valuation gains	24.7	0.3	25.0

Condensed Financial Statements

Notes to the Condensed Financial Statements continued**2. NON STATUTORY INFORMATION CONTINUED****(b) Property valuations** (continued)

	Year to 30th November 2011		
	Group £m	Joint Ventures and Associates £m	Total £m
Property revaluation gains	36.2	0.4	36.6
Net realisable value provisions	(2.6)	(0.1)	(2.7)
Property valuation gains	33.6	0.3	33.9
Added value	33.4	(0.5)	32.9
Market movements	0.2	0.8	1.0
Property valuation gains	33.6	0.3	33.9

The split of property valuation gains between added value and market movements is based on an analysis of total property valuation movements provided by our external valuers: Jones Lang LaSalle LLP, Chartered Surveyors.

(c) Property portfolio

The property portfolio, including the Group's share of joint ventures and associates, is derived from the balance sheet as detailed below:

	31st May 2012		
	Group £m	Joint Ventures and Associates £m	Total £m
Investment properties	795.3	181.0	976.3
⁽¹⁾ Adjust for non-property elements of investment properties	—	1.2	1.2
Inventories	149.5	7.7	157.2
⁽²⁾ Less pre-sold properties under construction	(34.4)	—	(34.4)
Property portfolio	910.4	189.9	1,100.3

	31st May 2011		
	Group £m	Joint Ventures and Associates £m	Total £m
Investment properties	835.5	138.9	974.4
⁽¹⁾ Adjust for non-property elements of investment properties	(3.9)	(0.4)	(4.3)
Inventories	166.1	14.7	180.8
⁽²⁾ Less pre-sold properties under construction	(85.0)	—	(85.0)
Property portfolio	912.7	153.2	1,065.9

	30th November 2011		
	Group £m	Joint Ventures and Associates £m	Total £m
Investment properties	848.7	140.3	989.0
⁽¹⁾ Adjust for non-property elements of investment properties	(0.8)	0.8	—
Inventories	191.1	9.1	200.2
⁽²⁾ Less pre-sold properties under construction	(86.3)	(0.4)	(86.7)
Property portfolio	952.7	149.8	1,102.5

⁽¹⁾ Represents the deduction of assets held under finance leases and the add back of lease incentive payments recognised in receivables.

⁽²⁾ Represents deductions for pre-sold properties under construction, principally RAF Northolt as part of the Project MoDEL arrangements between VSM Estates Limited and the Ministry of Defence.

2. NON STATUTORY INFORMATION CONTINUED

(c) Property portfolio (continued)

The Group's property portfolio, including share of joint ventures can be split by category as detailed below:

	31st May 2012 £m	31st May 2011 £m	30th Nov 2011 £m
Residential land	406.1	386.2	404.4
Commercial land	136.2	139.7	149.3
Retail	227.7	206.1	209.3
Offices	66.1	69.2	70.2
Industrial	264.2	264.7	269.3
Property portfolio	1,100.3	1,065.9	1,102.5

(d) Movement in net debt

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

	Six months to 31st May 2012 £m	Six months to 31st May 2011 £m	Year to 30th Nov 2011 £m
Movement in cash and cash equivalents	6.0	(5.0)	(6.1)
Borrowings acquired with subsidiary undertakings	(25.2)	—	—
Borrowings drawn	(12.0)	(40.0)	(131.3)
Repayment of borrowings	8.3	17.5	105.2
(Increase)/decrease in net debt	(22.9)	(27.5)	(32.2)

Included in the increase in net debt for the six months to 31st May 2012 is £24.8m as a result of the Group now consolidating both Sowcrest Limited and Holaw (462) Limited as subsidiary undertakings. Both entities were previously accounted for as joint ventures with net debt of £32.8m as at 31st May 2011 and £26.8m as at 31st November 2011.

(e) Trading cash flow

Trading cash flows are derived from the Group cash flow statement as set out below:

	Six Months to 31st May 2012			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	15.4	—	—	15.4
Property disposals	57.1	6.7	—	63.8
Property acquisitions	(1.5)	(3.2)	—	(4.7)
Capital expenditure	(19.4)	(17.0)	—	(36.4)
Working capital and other movements	(14.1)	—	—	(14.1)
Overheads and interest	(7.7)	—	(8.8)	(16.5)
Taxation	(1.2)	—	—	(1.2)
Trading cash flow	28.6	(13.5)	(8.8)	6.3
Net borrowings	—	0.4	3.7	4.1
Net dividends	—	—	(4.4)	(4.4)
Movement in cash and cash equivalents	28.6	(13.1)	(9.5)	6.0

	Six Months to 31st May 2011			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	13.8	—	—	13.8
Property disposals	30.9	11.7	—	42.6
Property acquisitions	(0.2)	(5.4)	—	(5.6)
Capital expenditure	(16.4)	(14.9)	—	(31.3)
Working capital and other movements	(27.6)	—	—	(27.6)
Overheads and interest	(7.2)	0.3	(10.5)	(17.4)
Taxation	—	—	—	—
Trading cash flow	(6.7)	(8.3)	(10.5)	(25.5)
Net borrowings	—	—	22.5	22.5
Net dividends	—	2.0	(4.0)	(2.0)
Movement in cash and cash equivalents	(6.7)	(6.3)	8.0	(5.0)

Condensed Financial Statements

Notes to the Condensed Financial Statements continued**2. NON STATUTORY INFORMATION CONTINUED****(e) Trading cash flow** (continued)

	Year to 30th November 2011			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	30.7	—	—	30.7
Property disposals	75.5	19.2	—	94.7
Property acquisitions	(0.2)	(6.5)	—	(6.7)
Capital expenditure	(48.8)	(40.9)	—	(89.7)
Working capital and other movements	(15.8)	1.1	—	(14.7)
Overheads and interest	(16.0)	0.8	(21.1)	(36.3)
Taxation	(6.0)	—	—	(6.0)
Trading cash flow	19.4	(26.3)	(21.1)	(28.0)
Net borrowings	—	—	26.1	26.1
Net dividends	—	2.0	(6.2)	(4.2)
Movement in cash and cash equivalents	19.4	(24.3)	(1.2)	(6.1)

(f) Group balance sheet

VSM Estates (Holdings) Limited and its subsidiary undertakings ("VSM") are party to a series of contracts with the Ministry of Defence known as Project MoDEL. The property assets of VSM are subject to purchase on deferred terms and, to increase disclosure of the impact of these arrangements, the following additional split of the Group balance sheet showing the proportion attributable to VSM has been provided:

During the period to 31st May 2012 RAF Uxbridge was transferred from VSM and the Project MoDEL arrangements to VSM Uxbridge (Group) Limited, a separate joint venture between St. Modwen Properties PLC and Vinci plc. This transfer had a limited effect on the net assets of VSM but, as a result of the Project MoDEL arrangements, results in reductions to the investment property, inventories and liability components of the VSM balance sheet.

	31st May 2012		
	Group £m	VSM £m	Total £m
Investment property	708.1	87.2	795.3
Other non-current assets	84.9	6.9	91.8
Inventories	116.5	33.0	149.5
Cash and cash equivalents	2.9	8.9	11.8
Other current assets	37.6	17.5	55.1
Total assets	950.0	153.5	1,103.5
Current liabilities	(118.5)	(33.4)	(151.9)
Borrowings	(345.5)	(36.3)	(381.8)
Other non-current liabilities	(11.1)	(58.6)	(69.7)
Total liabilities	(475.1)	(128.3)	(603.4)
Net assets	474.9	25.2	500.1
Equity attributable to owners of the Company	469.5	18.9	488.4
Non-controlling interests	5.4	6.3	11.7
Total equity	474.9	25.2	500.1

2. NON STATUTORY INFORMATION CONTINUED

(f) Group balance sheet (continued)

	31st May 2011		
	Group £m	VSM £m	Total £m
Investment property	675.5	160.0	835.5
Other non-current assets	59.1	6.4	65.5
Inventories	84.6	81.5	166.1
Cash and cash equivalents	9.5	1.8	11.3
Other current assets	52.9	16.9	69.8
Total assets	881.6	266.6	1,148.2
Current liabilities	(124.7)	(15.7)	(140.4)
Borrowings	(308.6)	(45.1)	(353.7)
Other non-current liabilities	(10.2)	(180.8)	(191.0)
Total liabilities	(443.5)	(241.6)	(685.1)
Net assets	438.1	25.0	463.1
Equity attributable to owners of the Company	433.2	18.7	451.9
Non-controlling interests	4.9	6.3	11.2
Total equity	438.1	25.0	463.1
	30th November 2011		
	Group £m	VSM £m	Total £m
Investment property	687.4	161.3	848.7
Other non-current assets	65.8	—	65.8
Inventories	108.7	82.4	191.1
Cash and cash equivalents	5.2	—	5.2
Other current assets	23.9	27.3	51.2
Total assets	891.0	271.0	1,162.0
Current liabilities	(121.6)	(10.8)	(132.4)
Borrowings	(307.7)	(44.6)	(352.3)
Other non-current liabilities	(11.0)	(190.3)	(201.3)
Total liabilities	(440.3)	(245.7)	(686.0)
Net assets	450.7	25.3	476.0
Equity attributable to owners of the Company	445.4	19.0	464.4
Non-controlling interests	5.3	6.3	11.6
Total equity	450.7	25.3	476.0

Condensed Financial Statements

Notes to the Condensed Financial Statements continued**2. NON STATUTORY INFORMATION CONTINUED****(g) Net assets per share**

Net assets per share are calculated as set out below.

	31st May 2012	31st May 2011	30th Nov 2011
Total equity (£m)	500.1	463.1	476.0
Less: Non-controlling interests	(11.7)	(11.2)	(11.6)
Equity attributable to owners of the Company	488.4	451.9	464.4
Deferred tax on capital allowances and revaluations	20.2	10.6	13.0
Mark-to-market of interest rate swaps	20.1	14.2	18.6
Fair value of inventories	—	0.6	4.1
Diluted EPRA net assets	528.7	477.3	500.1
Shares in issue (number)	200,360,931	200,360,931	200,360,931
Total equity net assets per share (pence)	249.6p	231.1p	237.6p
Percentage increase	5%		
Equity attributable to owners of the Company net assets per share (pence)	243.8p	225.5p	231.8p
Percentage increase	5%		
Diluted EPRA net assets per share (pence)	263.9p	238.2p	249.6p
Percentage increase	6%		

(h) Gearing and LTV

The following table shows the calculation of:

- Gearing being the ratio of net debt to total equity; and
- Loan-to-Value ('LTV') being the ratio of net debt to the property portfolio (representing amounts that could be used as security for that debt).

In addition "like-for-like" net debt and associated metrics are discussed in the interim review. These calculations assume that both Sowcrest Limited ('Sowcrest') and Statedale Limited/Holaw (462) Limited ('Holaw') were consolidated at 31st May 2011 and 30th November 2011. Adjustments to derive these figures are also detailed below.

	31st May 2012		
	Group	Joint Ventures and Associates	Total
	£m	£m	£m
Property portfolio (Note 2c)	910.4	189.9	1,100.3
Total equity	500.1	N/A	500.1
Net debt	370.0	94.2	464.2
Gearing	74%		93%
LTV	41%		42%

2. NON STATUTORY INFORMATION CONTINUED

(h) Gearing and LTV (continued)

	31st May 2011		
	Group £m	Joint Ventures and Associates £m	Total £m
Property portfolio (Note 2c)	912.7	153.2	1,065.9
Adjustment assuming Sowcrest and Holaw consolidated	46.4	(23.2)	23.2
Comparable property portfolio	959.1	130.0	1,089.1
Total equity	463.1	N/A	463.1
Adjustment assuming Sowcrest and Holaw consolidated	(2.0)	N/A	(2.0)
Comparable equity	461.1	N/A	461.1
Net debt	342.4	94.5	436.9
Adjustment assuming Sowcrest and Holaw consolidated	32.8	(16.4)	16.4
Comparable debt	375.2	78.1	453.3
Gearing	74%		94%
LTV	38%		41%
Like-for-like Gearing	81%		98%
Like-for-like LTV	39%		42%
	30th November 2011		
	Group £m	Joint Ventures and Associates £m	Total £m
Property portfolio (Note 2c)	952.7	149.8	1,102.5
Adjustment assuming Sowcrest and Holaw consolidated	40.4	(20.2)	20.2
Comparable property portfolio	993.1	129.6	1,122.7
Total equity	476.0	N/A	476.0
Adjustment assuming Sowcrest and Holaw consolidated	(2.3)	N/A	(2.3)
Comparable equity	473.7	N/A	473.7
Net debt	347.1	84.5	431.6
Adjustment assuming Sowcrest and Holaw consolidated	26.8	(13.4)	13.4
Comparable debt	373.9	71.1	445.0
Gearing	73%		91%
LTV	36%		39%
Like-for-like Gearing	79%		94%
Like-for-like LTV	38%		40%

Condensed Financial Statements

Notes to the Condensed Financial Statements continued**3. REVENUE AND GROSS PROFIT**

	Six months to 31st May 2012			Six months to 31st May 2011			Year to 30th Nov 2011		
	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental income	18.3	(4.4)	13.9	17.3	(3.5)	13.8	36.6	(9.1)	27.5
Development	60.0	(45.0)	15.0	41.0	(32.4)	8.6	67.0	(46.6)	20.4
Other	2.7	(1.2)	1.5	3.0	(1.5)	1.5	6.0	(2.8)	3.2
Total	81.0	(50.6)	30.4	61.3	(37.4)	23.9	109.6	(58.5)	51.1

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.

4. JOINT VENTURES AND ASSOCIATES

	Six months to 31st May 2012			Six months to 31st May 2011			Year to 30th Nov 2011		
	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m	Revenue £m	Costs £m	Total £m
Rental Income	5.7	(1.3)	4.4	5.5	(1.5)	4.0	10.9	(2.9)	8.0
Development	1.1	(1.1)	—	3.7	(3.7)	—	8.5	(8.3)	0.2
	6.8	(2.4)	4.4	9.2	(5.2)	4.0	19.4	(11.2)	8.2
Gains on investment property disposals			0.1			—			—
Investment property revaluation gains			23.3			0.3			0.4
Administrative expenses			(0.2)			(0.1)			(0.1)
Profit before interest and tax			27.6			4.2			8.5
Finance cost			(3.9)			(2.2)			(4.3)
Finance income			—			0.9			—
Profit before tax			23.7			2.9			4.2
Taxation			(4.5)			(0.5)			(1.3)
Profit for the period			19.2			2.4			2.9

5. NET FINANCE COST

	Six months to 31st May 2012 £m	Six months to 31st May 2011 £m	Year to 30th Nov 2011 £m
Interest payable on loans and overdrafts	8.2	9.5	19.3
Amortisation of loan arrangement fees	0.5	0.7	1.3
Amortisation of discount on deferred payment arrangements	0.6	1.0	2.3
Head rents treated as finance leases	0.1	0.1	0.2
Movement in fair value of interest rate derivatives	0.8	—	1.8
Interest on pension scheme liabilities	1.3	0.7	1.3
Total finance cost	11.5	12.0	26.2
Interest receivable on cash deposits	—	0.3	0.7
Credit in respect of discount on deferred receivables	—	0.1	0.3
Movement in fair value of interest rate derivatives	—	3.1	—
Expected return on pension scheme assets	1.5	0.7	1.5
Total finance income	1.5	4.2	2.5
Net finance cost	10.0	7.8	23.7

6. EARNINGS PER SHARE

	31st May 2012 Number of shares	31st May 2011 Number of shares	30th Nov 2011 Number of shares
Weighted number of shares in issue	200,145,177	200,101,517	200,110,380
Weighted number of diluted shares	1,255,402	521,470	520,113
	201,400,579	200,622,987	200,630,493
	31st May 2012 £m	31st May 2011 £m	30th Nov 2011 £m
Earnings (basic and diluted)	28.6	28.7	43.5
	31st May 2012 pence	31st May 2011 pence	30th Nov 2011 pence
Basic earnings per share	14.3	14.3	21.7
Diluted earnings per share	14.2	14.3	21.7

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 share options being classified as equity-settled. Where applicable, the number of shares included in the calculation have been adjusted accordingly.

Condensed Financial Statements

Notes to the Condensed Financial Statements continued**7. ACQUISITION OF SUBSIDIARY UNDERTAKING**

On 31 May 2012, the Company acquired the power to govern the financial and operating policies of its joint venture entities Sowcrest ('Sowcrest') and Holaw (462) Limited together with its 100% parent company Statedale Limited ('Holaw'). These linked transactions were facilitated by entering into a sale and purchase agreement to simultaneously acquire the remaining 50% equity interest in each company for nil consideration.

As required by IFRS 3 (2008) Business Combinations, these deemed acquisitions of control have resulted in the joint venture interests being remeasured to their fair values at the acquisition date and the net goodwill arising, which is not deemed to be recoverable, has been written off to the income statement. The acquisitions provide the Group with full control of Sowcrest and Holaw, enabling it to develop the second phase at Wembley Central as well as providing it with additional rental income from the investment property held by those entities. Fair values are reported as provisional for 12 months to allow the incorporation of subsequent amendments.

The recognised amounts of identifiable assets acquired and liabilities assumed are set out in the table below:

	Sowcrest £m	Holaw (462) £m	Total £m
Net assets acquired:			
Investment Property	23.6	8.0	31.6
Work in progress	7.2	—	7.2
Trade and other receivables	0.2	0.4	0.6
Cash at bank	—	0.4	0.4
Trade and other payables	(17.0)	(1.1)	(18.1)
Bank borrowings	(20.2)	(5.0)	(25.2)
Total identifiable net assets	(6.2)	2.7	(3.5)
Net goodwill	2.6	(1.3)	1.3
Total consideration	(3.6)	1.4	(2.2)
Satisfied by:			
Fair value of joint venture interest previously owned	(3.6)	1.4	(2.2)

If the acquisitions had been completed on the first day of the financial year, they would have increased group revenue by £1m and the Group's profit before tax by £0.2m.

8. OTHER INFORMATION

(i) Investment properties were valued at 31st May 2012 by Jones Lang LaSalle LLP, Chartered Surveyors and at 31st May 2011 and 30th November 2011. All valuations were in accordance with the Appraisal and Valuation method of the Royal Institution of Chartered Surveyors, on the basis of market value. Jones Lang LaSalle LLP are professionally qualified independent 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 2011 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 charge of 15.2%. The tax charge booked in the period is disproportionately low as a result of the use and recognition of brought forward losses. For the full year tax is expected to remain below the standard rate of tax.

(iv) The proposed dividend of 1.21p (6 months to 31st May 2011: 1.1p) per share was approved by the Board on 2nd July 2012 and will amount to £2.4m (6 months to 31st May 2011: £2.2m).

(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 or terms defined in the glossary since the year end.

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 'Interim Financial Reporting';
- (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 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors of St. Modwen Properties PLC are listed in the Company's Annual Report for the year ended 30th November 2011.

By order of the Board

Bill Oliver
Chief Executive
2nd July 2012

Michael Dunn
Group Finance Director

Condensed Financial Statements

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 2012 which comprises the income statement, the balance sheet, the statement of changes in equity, 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 it 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 31st May 2012 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 Accounts and Statutory Auditors
Birmingham, United Kingdom

2nd July 2012

Company Information

St. Modwen's reports and publications are available to view online or download from www.stmodwen.co.uk



You can order St. Modwen's printed publications free of charge from:

Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham
B32 1AF



Industrial



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Partnerships

Registered office

Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham
B32 1AF

Company number

349201

Website

www.stmodwen.co.uk

Joint Stockbrokers

JP Morgan Cazenove
Numis Securities



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ST. MODWEN PROPERTIES PLC
Company No. 349201

HEAD OFFICE, MIDLANDS
REGIONAL OFFICE &
RESIDENTIAL ENQUIRIES
Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham
B32 1AF
0121 222 9400

www.stmodwen.co.uk
info@stmodwen.co.uk

REGIONAL OFFICES:
LONDON & SOUTH EAST
180 Great Portland Street
London
W1W 5QZ
020 7788 3700

SOUTH WEST & SOUTH WALES
Green Court
King's Weston Lane
Avonmouth
Bristol
BS11 8AZ
0117 316 7780

YORKSHIRE & NORTH EAST
Ground Floor, Unit 2
Landmark Court
Elland Road
Leeds
LS11 8JT
0113 272 7070

NORTH STAFFORDSHIRE
The Trentham Estate
Management Suite
Stone Road
Trentham
Stoke-on-Trent
ST4 8AX
01782 281844

NORTH WEST
Chepstow House
Trident Business Park
Daten Avenue
Risley
Warrington
WA3 6BX
01925 825950

NORTHERN HOME COUNTIES
First Floor, Unit E1
The Courtyard
Alban Park
Hatfield Road
St Albans
Hertfordshire
AL4 0LA
01727 732690

www.stmodwen.co.uk

STOCK CODE: SMP

