




St. MODWEN PROPERTIES PLC

Interim Report 2004

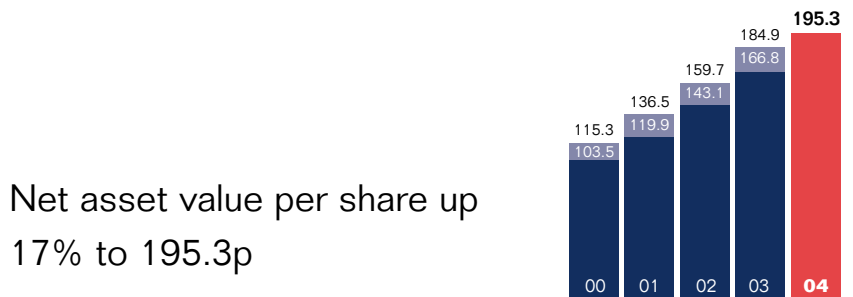
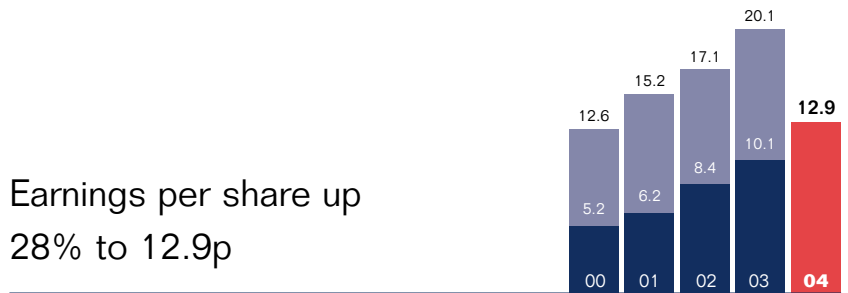
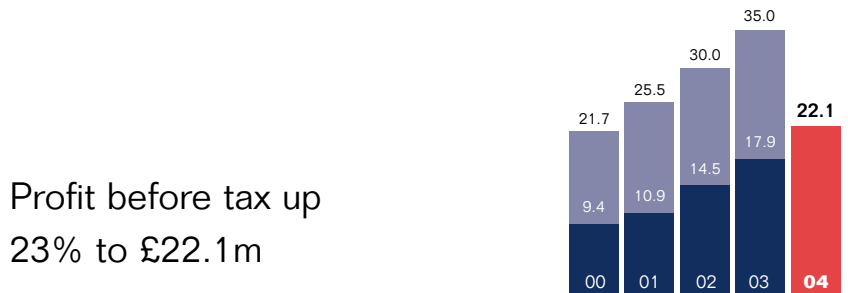


“ We remain on course to grow in line with our long-term objective of doubling the net worth of the company every five years . . . ”

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Financial Highlights



Key:
■ Half year
■ Full year
■ Current half year

Chairman's Statement

INTERIM RESULTS

I am pleased to inform you that your company had a strong first half performance with profits before tax increasing by 23% to £22.1m (2003: £17.9m).

The profits benefited from the sale of the Pubmaster investment early in the period and significant property profits from a residential land sale at Springfields and the completion of the Screwfix project at Trentham Lakes, both in Stoke-on-Trent; the sale of the first phase of the Shrub Hill Retail Park, Worcester and a supermarket site for Tesco in Stafford.

Earnings per share increased by 28% to 12.9p (2003: 10.1p).

DIVIDENDS

These results, together with the prospects for the full year, have led the board to declare a 14% increase in the interim dividend to 2.5p per ordinary share (2003: 2.2p) which will be paid on 3 September 2004 to shareholders on the register as at 6 August 2004.

CURRENT TRADING

The programme for the second half is looking increasingly secure:

- The 270,000 sq. ft. manufacturing distribution and head office complex for Duraflex at Tewkesbury has been completed.

- Further residential land sales are in solicitors' hands.
- A 20,000 sq. ft. building in the first phase at Quinton Business Park, Birmingham has been let to the Highways Agency and it, and a pre-let 10,000 sq. ft. office building, are now available for sale.
- The consolidation of the principal tenant into a smaller area of our Huddersfield site has not only produced a further potential investment sale, but has released three land or building packages for disposal, two of which have been completed, and has provided a site for a trade park for which planning has been obtained.

THE HOPPER

We have continued to add to the hopper with appointments by Liverpool City Council as preferred developer for the Great Homer Street regeneration project and by Liverpool Land Company as developer of a £40m employment scheme on the East Lancs Road.

We have also been selected by Cannock Chase Council as preferred developer for two sites in Hednesford town centre including a major foodstore opportunity.

In addition, we have acquired a number of smaller sites in Burnley, Crewe, Stoke-on-Trent and Widnes.

A key element of our strategy is the marshalling of the hopper to release opportunities for development in future years. We have made good progress in this regard:

- Planning permission was obtained for the first phase of the Longbridge development with Advantage West Midlands and we are now moving on to demolition and ground remediation.
- Planning permission, subject to agreeing a Section 106 agreement, was obtained for our joint venture redevelopment scheme at Wembley Central and we are trying to use a window of opportunity in rail closure terms to commence the scheme this year.
- The Trentham Gardens project is well under way. The gardens have reopened after a six month closure to allow basic restoration to be carried out. The garden centre will open in September and the first phase craft and leisure retail will follow this autumn.

STAFF

Another of the key elements of our strategy is recruiting and retaining a high quality team to manage the growing programme emerging from the hopper. We have made a number of important

recruitments to the construction, development and administrative teams, and further recruitment is under way.

FUTURE PROSPECTS

We remain on course to grow in line with our long-term objective of doubling the net worth of the company every five years and I look forward with confidence to reporting record full-year results for the twelfth consecutive year.



CC Anthony Glossop MA
Chairman
12 July 2004

Group Profit and Loss Account

	Note	Unaudited 6 months to 31 May 2004 £'000	Unaudited 6 months to 31 May 2003 £'000	Audited 12 months to 30 Nov 2003 £'000
Turnover				
Group and share of joint ventures	1	63,833	66,818	136,081
Less: share of joint ventures' turnover		(5,895)	(6,758)	(13,304)
		<u>57,938</u>	<u>60,060</u>	<u>122,777</u>
Operating profit				
Group operating profit		18,394	19,328	34,538
Share of operating profit in joint ventures		4,707	4,945	9,486
Share of operating profit in associates		38	425	1,550
	1	<u>23,139</u>	<u>24,698</u>	<u>45,574</u>
Profit on sale of fixed assets		6,852	1,526	5,389
Net interest payable	2	<u>(7,934)</u>	<u>(8,321)</u>	<u>(15,937)</u>
Profit on ordinary activities before taxation		22,057	17,903	35,026
Taxation		<u>(6,217)</u>	<u>(5,232)</u>	<u>(9,954)</u>
Profit on ordinary activities after taxation		15,840	12,671	25,072
Equity minority interests		<u>(425)</u>	<u>(557)</u>	<u>(989)</u>
Profit attributable to shareholders		15,415	12,114	24,083
Dividends		<u>(3,007)</u>	<u>(2,640)</u>	<u>(7,914)</u>
Transferred to reserves		<u>12,408</u>	<u>9,474</u>	<u>16,169</u>
Basic earnings per ordinary share	3	12.9p	10.1p	20.1p
Dividend per ordinary share		2.5p	2.2p	6.6p

Group Balance Sheet

	Note	Unaudited at 31 May 2004 £'000	Unaudited at 31 May 2003 Restated £'000	Audited at 30 Nov 2003 Restated £'000
Fixed assets				
Tangible fixed assets	4	328,484	264,003	269,023
Investment in joint ventures				
Share of gross assets		123,185	120,971	123,795
Share of gross liabilities		(88,128)	(101,398)	(100,480)
		35,057	19,573	23,315
Other investments	5	9,566	13,819	15,198
		<u>373,107</u>	<u>297,395</u>	<u>307,536</u>
Current assets				
Stocks		90,615	92,587	77,510
Debtors		10,069	20,615	23,801
Cash at bank and in hand		5,909	1,205	92
		<u>106,593</u>	<u>114,407</u>	<u>101,403</u>
Creditors: amounts falling due within one year		<u>(48,700)</u>	<u>(40,990)</u>	<u>(51,710)</u>
Net current assets		<u>57,893</u>	<u>73,417</u>	<u>49,693</u>
Total assets less current liabilities		<u>431,000</u>	<u>370,812</u>	<u>357,229</u>
Creditors: amounts falling due after more than one year		<u>(189,149)</u>	<u>(162,838)</u>	<u>(127,941)</u>
Provisions for liabilities and charges		<u>(2,962)</u>	<u>(3,983)</u>	<u>(2,970)</u>
Equity minority interests		<u>(3,062)</u>	<u>(2,549)</u>	<u>(2,981)</u>
Net assets		<u>235,827</u>	<u>201,442</u>	<u>223,337</u>
Capital and reserves				
Share capital		12,077	12,077	12,077
Other reserves		9,532	9,532	9,532
Revaluation reserve		90,690	75,642	89,974
Profit and loss account		124,986	105,548	113,019
		<u>237,285</u>	<u>202,799</u>	<u>224,602</u>
Own shares at cost		<u>(1,458)</u>	<u>(1,357)</u>	<u>(1,265)</u>
Equity shareholders' funds	6	<u>235,827</u>	<u>201,442</u>	<u>223,337</u>
Net assets per ordinary share		195.3p	166.8p	184.9p
Gearing		80%	82%	60%

Group Cash Flow Statement

	Unaudited 6 months to 31 May 2004 £'000	Unaudited 6 months to 31 May 2003 £'000
Net cash inflow from operating activities	6,566	5,368
Dividends received from joint ventures	1,250	6,000
Returns on investments and servicing of finance	(5,545)	(5,049)
Taxation paid	(5,000)	(48)
Capital expenditure and financial investment	(45,586)	(3,621)
Acquisitions and disposals	(477)	10,915
Equity dividends paid	(5,624)	(5,166)
Cash (outflow)/inflow before use of liquid resources and financing	(54,416)	8,399
Net cash inflow/(outflow) from financing	60,233	(9,956)
Increase/(decrease) in cash in the period	5,817	(1,557)
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the period	5,817	(1,557)
Cash (outflow)/inflow from change in debt	(60,233)	9,956
(Increase)/decrease in net debt resulting from cash flows	(54,416)	8,399
Net debt at 30 November	(134,968)	(173,774)
Net debt at 31 May	(189,384)	(165,375)
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	18,394	19,328
Depreciation and amortisation	110	343
(Increase)/decrease in stocks	(11,199)	8,592
Increase in debtors	(760)	(10,543)
Increase/(decrease) in creditors	21	(12,352)
Net cash inflow from operating activities	6,566	5,368

Notes to the Accounts

1. Turnover and Profit Analysis

	Unaudited 6 months to 31 May 2004		Unaudited 6 months to 31 May 2003	
	Turnover £'000	Profit £'000	Turnover £'000	Profit £'000
Rental income				
Group	16,597	14,114	15,725	13,335
Share of joint ventures	5,303	4,467	5,583	4,954
Property development				
Group	40,696	12,457	43,007	10,662
Share of joint ventures	592	270	1,175	35
Other activities	645	(245)	1,328	637
	<u>63,833</u>	<u>31,063</u>	<u>66,818</u>	<u>29,623</u>
Share of operating profit of associates		38		425
Administrative and other operating expenses				
Other operating expenses		(5,204)		(4,127)
Employee share option costs		(2,728)		(1,179)
Share of joint ventures		(30)		(44)
Operating profit		<u>23,139</u>		<u>24,698</u>

2. Net Interest Payable

	Unaudited 6 months to 31 May 2004 £'000	Unaudited 6 months to 31 May 2003 £'000
Group	5,457	5,780
Joint ventures	2,355	2,421
Associates	122	120
	<u>7,934</u>	<u>8,321</u>

3. Earnings per Share

Earnings per ordinary share are calculated as follows:

(a) Basic earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders of £15,415,000 (2003: £12,114,000) by the weighted average number of shares in issue during the year (which excludes the shares held for share incentive schemes which are owned by the company) of 119,916,862 (2003: 119,841,955).

(b) As the group does not currently intend to issue shares to satisfy outstanding share options, there will be no dilution of earnings arising from the exercise of employee share options.

Notes to the Accounts

4. Tangible Fixed Assets

Investment properties included in tangible fixed assets have been stated at the November 2003 valuation. Additions subsequent to the year end have been included at cost.

5. Other Investments

	Unaudited at 31 May 2004 £'000	Unaudited at 31 May 2003 Restated £'000
Investments in associates	9,566	7,819
Other investments	—	6,000
	<u>9,566</u>	<u>13,819</u>

6. Reconciliation of Movements in Shareholders' Funds

	£'000
Profit attributable to shareholders	15,415
Dividends	(3,007)
	<u>12,408</u>
Tax credit on realisation of prior years' net revaluation deficits	275
	<u>12,683</u>
Net additions to shareholders' funds	12,683
Net investment in own shares	(193)
Shareholders' funds 30 November 2003	223,337
	<u>235,827</u>
Shareholders' funds 31 May 2004	<u>235,827</u>

7. Other Information

- (i) The abridged accounts for the year ended 30 November 2003 are an extract from the full group accounts for that period on which an unqualified report was made by the group's auditors and which have been delivered to the Registrar of Companies. The financial information contained in this interim statement, which is unaudited, does not constitute statutory financial statements as defined in Section 240 of the Companies Act 1985.
- (ii) The 2003 comparative balance sheets have been restated in accordance with UITF 38, Accounting for ESOP Trusts.
- (iii) The results for the six months ended 31 May 2004 are prepared in accordance with applicable accounting standards, using the same accounting policies as set out in the group accounts for the year ended 30 November 2003.
- (iv) All profits derive from continuing activities.
- (v) The effective tax rate used for the period is 28.2%, which is in line with the expected full year rate.
- (vi) The interim statement was approved by the board on 12 July 2004.

Independent Review Report to St. Modwen Properties PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 May 2004, which comprises the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Cash Flow Statement, and the related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 May 2004.

Ernst & Young LLP
Birmingham
12 July 2004



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