St. MODWEN PROPERTIES PLC
INTERIM REPORT 2005

"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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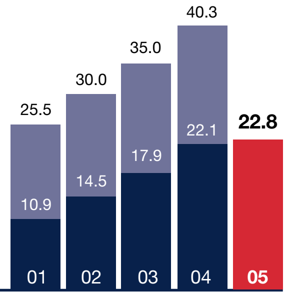
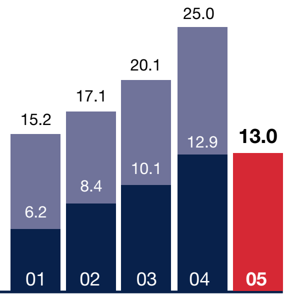
Financial Highlights

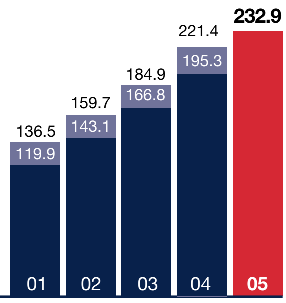
Profit before tax up
3% to £22.8m



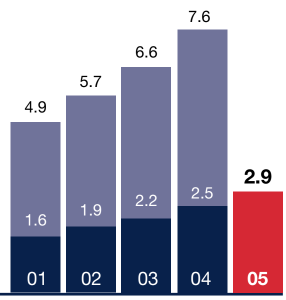
Earnings per share up
1% to 13.0p



Net asset value per share up
19% to 232.9p



Interim dividend up
16% to 2.9p



Key:
- Half year
- Full year
- Current half year

Chairman's Statement

Interim Results

I am very pleased to report that your company has had another strong first half performance, with profits before tax of £22.8m, a 3% increase on the exceptional 2004 performance of £22.1m. Major contributions to these results were:

- The sale of the North City shopping centre in Harpurhey, Manchester for £19m (an initial yield of 6.1%), construction of which was completed in the period.
- The disposal of the second phase of the Shrub Hill Retail Park at Worcester for £5.1m (an initial yield of 6.2%).
- Residential land sales at Norton Park, Stoke-on-Trent and Halebank, Widnes for £11.7m.
- Sales of a number of office, business and trade park units on speculative schemes in Avonmouth, Birmingham, Halesowen, Huddersfield, Stoke-on-Trent, Walsall and Warrington for £17.7m.
- Disposals of a number of investment properties where we felt that there was limited scope for us to add further value. These realised £18.7m, an average uplift of 14% on last year's valuation.

Earnings per share of 13.0p were 1% ahead of 2004.

The results have been achieved after charging £3.3m (2004: £2.7m) of employee share option costs, a consequence of the significant increase in the share price during the period.

Dividends

These results together with the prospects for the full year have led the board to declare a 16% increase in the interim dividend to 2.9p per ordinary share (2004: 2.5p) which will be paid on 2 September 2005 to shareholders on the register at 5 August 2005.

Current Trading

The trading progress I referred to at our AGM in April has continued. Our development activities are running at record levels, we have successfully acquired several significant sites for future development and are selling completed developments and mature investments well.

The second half has commenced strongly:

- We have sold our interest in the Kirkby Shopping Centre for £35.5m (an initial yield of 5.6%). The price achieved showed an uplift of 33% on our book value. We had completed our programme of active asset management and when we were not selected by the Council for the wider development we sold our interest to the selected party.
- We have exchanged on or completed the sale of further tranches of residential land at Coalville and Hilton for £5.2m.
- Construction is well advanced on a pre-sold 365,000 sq ft distribution facility for Pirelli near Burton upon Trent for £20.5m on our Centre 38 joint venture with Prologis, and on a 55,000 sq ft office at Yeovil pre-let to Screwfix.
- Further forward sales of major industrial and distribution facilities have been exchanged with Rieter Automotive (100,000 sq ft) and Glen Dimplex (437,000 sq ft) at Trentham Lakes, Stoke-on-Trent. The land sale elements will be reflected in this year's figures with the construction elements reflected in next year's results.

The combined effect of these and other transactions is that we have already secured property profits of more than £15m for the second half of this year.

The Hopper

We have continued to add to the Hopper with a number of medium size opportunities.

- In Burton upon Trent as part of the transaction with Pirelli we entered into a sale and leaseback of 350,000 sq ft of industrial buildings on 20 acres. The site, which has an extensive canal frontage, has longer term residential potential but can be used in the medium term for reuse of the existing buildings once Pirelli has vacated and whilst the longer term planning situation is progressed.
- We have acquired two industrial complexes in Telford totalling 290,000 sq ft of existing buildings on 40 acres, including 22 acres of land for additional development. One of the sites has potential for some medium-term residential use but both are good, well-located employment opportunities.
- We have entered into two transactions at Quedgeley, Gloucester, which bring our total land holding by Junction 12 of the M5 to over 100 acres. The first is a development agreement on 35 acres adjoining our existing Quedgeley East site, which should enable us to obtain a much-improved access to that site. The second is the acquisition of 15 acres of employment land in the Hunts Grove development.
- In Weston-super-Mare we have acquired an existing let 55,000 sq ft storage building on 15 acres, which adjoins the major proposed housing area on the former airfield.
- At Bedford and Hatfield, where we have been selected by the Councils as their development partner, we are continuing to acquire further interests to enable the schemes to be brought forward expeditiously. In a similar manner we have invested further at Harpurhey by acquiring a closed Kwik Save foodstore, still the subject of a lease to that company, to enable further development to be added to that successful scheme.

A number of other opportunities are being pursued and we are well placed to meet our annual target of replacing assets used from the Hopper by at least 120%.

Marshalling

A key element in our strategy will always be marshalling schemes from the Hopper into the active development programme. We have continued to make good progress in this regard.

- Detailed planning consent has finally been obtained, after two judicial challenges, for the main phase of the proposed redevelopment of Farnborough town centre, where our interest is held through our Key Properties joint venture. We are now pursuing the required road closure permissions and seeking to agree final details with our anchor occupiers so that the scheme can proceed.
- The demolition phase at Edmonton is complete and construction of the leisure centre, primary care facility, the two residential towers and associated retail is proceeding well.
- At Wembley Central Shopping Centre, held through our joint venture with Rotch Property Group, we have exchanged agreements with Network Rail for the acquisition of the necessary interests to enable the scheme to proceed. Demolition should commence shortly which will be followed by construction of the social housing and hotel elements. Site assembly, supported by a CPO, will then clear the way for the remaining retail, leisure and private housing parts of the scheme.
- We are continuing to work up proposals for the redevelopment of Elephant & Castle held in our Key Properties joint venture, having been selected by Southwark Borough Council as one of seven short-listed parties.

In our AGM statement we reported on the position at Longbridge. Currently the Administrator is remaining in occupation and is paying full rent. Whilst the final outcome of the Administration is still uncertain, we are co-operating with the Administrator. Our aim is to provide a flexible approach which will ensure that we obtain full rent for space retained by the Administrator whilst allowing him to surrender space that is not required but is capable of independent access and use. In the meantime, on the assumption that much, if not all, of the site will be handed back to us in due course, we are talking to all the relevant regional and local authorities with a view to expediting its re use as a major employment-led mixed-use site.

On a lighter note we were delighted to have been associated with Laurent Perrier in sponsoring the gold medal winning Trentham Garden at Chelsea designed by Tom Stuart-Smith. The gardens at Trentham, Staffordshire are already giving more than a hint of the wonderful display they will provide at maturity. Further phases are under discussion and will be brought forward progressively over the next few years. The commercial side is performing well although the visitor numbers to the gardens will only build up over some time. The scheme demonstrates how a flagship regeneration scheme providing real quality can be delivered within the private sector.

Non-Executive Directors

At the AGM, I reported that James Shaw, who had taken a position with UK Coal advising that company on its property portfolio, had decided not to offer himself for re-election. In the four years that James was with the company, he proved an extremely useful board member and his interest in and advice on a number of our projects was of benefit both to the board and the executive team.

I would, therefore, like to take this opportunity of thanking him for his support and wishing him every success in his new position.

I am pleased to announce the appointment of Mary Francis, until recently Director-General of the Association of British Insurers (ABI), as a non-executive director with effect from 1 June 2005.

Mary brings extensive experience to St. Modwen, gained through the wide variety of important public and private sector roles she has fulfilled. I am delighted to welcome her to the board, and am confident that she will make an important contribution to our business.

Future Prospects

The investment market is strong and appears likely to remain so. The occupational market is patchy, particularly in the office sector, but there is business to be won on the right site if the product is competitive. The market for residential land continues to be buoyant and the mixed-use apartment sector that we address, which is affordable and owner-occupier led, is also holding up.

We therefore remain on course to meet 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 thirteenth consecutive year.

CC Anthony Glossop MA
Chairman
11 July 2005

Group Profit and Loss Account

	Note	Unaudited 6 months to 31 May 2005 £'000	Unaudited 6 months to 31 May 2004 £'000	Audited 12 months to 30 Nov 2004 £'000
Turnover				
Group and share of joint ventures	1	**81,046**	63,833	130,140
Less: share of joint ventures' turnover		**(8,344)**	(5,895)	(12,886)
		72,702	57,938	117,254
Operating profit				
Group operating profit		**25,484**	18,394	33,801
Share of operating profit in joint ventures		**5,474**	4,707	9,808
Share of operating profit in associates		**197**	38	967
	1	**31,155**	23,139	44,576
Profit on sale of fixed assets		**1,916**	6,852	12,964
Net interest payable	2	**(10,309)**	(7,934)	(17,202)
Profit on ordinary activities before taxation		**22,762**	22,057	40,338
Taxation		**(6,527)**	(6,217)	(9,861)
Profit on ordinary activities after taxation		**16,235**	15,840	30,477
Equity minority interests		**(653)**	(425)	(464)
Profit attributable to shareholders		**15,582**	15,415	30,013
Dividends		**(3,495)**	(3,007)	(9,132)
Transferred to reserves		**12,087**	12,408	20,881
Basic earnings per ordinary share	3	**13.0p**	12.9p	25.0p
Dividend per ordinary share		**2.9p**	2.5p	7.6p

Group Balance Sheet

	Note	Unaudited at 31 May 2005 £'000	Unaudited at 31 May 2004 £'000	Audited at 30 Nov 2004 £'000
Fixed assets				
Tangible fixed assets	4	**373,615**	328,484	367,238
Investment in joint ventures				
Share of gross assets		**151,025**	123,185	147,765
Share of gross liabilities		**(108,740)**	(88,128)	(105,777)
		42,285	35,057	41,988
Associated companies		**10,201**	9,566	10,167
		426,101	373,107	419,393
Current assets				
Stocks		**113,065**	90,615	118,032
Debtors		**16,552**	10,069	12,312
Cash at bank and in hand		**1,461**	5,909	3,652
		131,078	106,593	133,996
Creditors: amounts falling due within one year		**(74,402)**	(48,700)	(47,098)
Net current assets		**56,676**	57,893	86,898
Total assets less current liabilities		**482,777**	431,000	506,291
Creditors: amounts falling due after more than one year		**(192,133)**	(189,149)	(230,513)
Provisions for liabilities and charges		**(5,793)**	(2,962)	(5,305)
Equity minority interests		**(3,543)**	(3,062)	(3,103)
Net assets		**281,308**	235,827	267,370
Capital and reserves				
Share capital		**12,077**	12,077	12,077
Other reserves		**9,532**	9,532	9,532
Revaluation reserve		**110,175**	90,690	114,236
Profit and loss account		**150,285**	124,986	133,499
		282,069	237,285	269,344
Own shares at cost		**(761)**	(1,458)	(1,974)
Equity shareholders' funds	5	**281,308**	235,827	267,370
Net assets per ordinary share		**232.9p**	195.3p	221.4p
Gearing		**74%**	80%	85%

Group Cash Flow Statement

	Unaudited 6 months to 31 May 2005 £'000	Unaudited 6 months to 31 May 2004 £'000
Net cash inflow from operating activities	**40,005**	6,566
Dividends received from joint ventures	**1,500**	1,250
Returns on investments and servicing of finance	**(6,695)**	(5,545)
Taxation paid	**(6,779)**	(5,000)
Capital expenditure and financial investment	**(4,408)**	(45,586)
Acquisitions and disposals	**—**	(477)
Equity dividends paid	**(6,135)**	(5,624)
Cash inflow/(outflow) before use of liquid resources and financing	**17,488**	(54,416)
Net cash (outflow)/inflow from financing	**(19,679)**	60,233
(Decrease)/increase in cash in the period	**(2,191)**	5,817
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the period	**(2,191)**	5,817
Cash inflow/(outflow) from change in debt	**19,996**	(60,233)
Decrease/(increase) in net debt resulting from cash flows	**17,805**	(54,416)
Net debt at 30 November	**(227,302)**	(134,968)
Net debt at 31 May	**(209,497)**	(189,384)
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	**25,484**	18,394
Depreciation and amortisation	**239**	110
Decrease/(increase) in stocks	**4,967**	(11,199)
Increase in debtors	**(4,240)**	(760)
Increase in creditors	**13,555**	21
Net cash inflow from operating activities	**40,005**	6,566

Notes to the Accounts

1. Turnover and Profit Analysis

	Unaudited 6 months to 31 May 2005 Turnover £'000	Unaudited 6 months to 31 May 2005 Profit £'000	Unaudited 6 months to 31 May 2004 Turnover £'000	Unaudited 6 months to 31 May 2004 Profit £'000
Rental income				
Group	**17,550**	**15,765**	16,597	14,114
Share of joint ventures	**6,208**	**5,355**	5,303	4,467
Property development				
Group	**53,564**	**18,394**	40,696	12,457
Share of joint ventures	**2,136**	**160**	592	270
Other activities	**1,588**	**208**	645	(245)
	81,046	**39,882**	63,833	31,063
Share of operating profit of associates		**197**		38
Administrative and other operating expenses				
Other operating expenses		**(5,578)**		(5,204)
Employee share option costs		**(3,305)**		(2,728)
Share of joint ventures		**(41)**		(30)
Operating profit		**31,155**		23,139

2. Net Interest Payable

	Unaudited 6 months to 31 May 2005 £'000	Unaudited 6 months to 31 May 2004 £'000
Group	**7,248**	5,457
Joint ventures	**2,906**	2,355
Associates	**155**	122
	10,309	7,934

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 £15,582,000 (2004: £15,415,000) 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 group) of 120,228,189 (2004: 119,916,862).

(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. There would be no material dilution of earnings per share if all shares currently held in the Employee Benefit Trust were allocated to the employees.

Notes to the Accounts

4. Tangible Fixed Assets

Investment properties included in tangible fixed assets have been stated at the November 2004 valuation. Additions subsequent to the year end have been included at cost.

5. Reconciliation of Movements in Shareholders' Funds

	£'000
Profit attributable to shareholders	15,582
Dividends	(3,495)
	12,087
Tax on realisation of prior year revaluations	638
Net additions to shareholders' funds	12,725
Net disposal of own shares	1,213
Shareholders' funds 30 November 2004	267,370
Shareholders' funds 31 May 2005	281,308

6. Other Information

(i) The abridged accounts for the year ended 30 November 2004 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 results for the six months ended 31 May 2005 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 2004.

(iii) All profits derive from continuing activities.

(iv) The effective tax rate used for the period is 28.7%, which is in line with the expected full year rate.

(v) The interim statement was approved by the board on 11 July 2005.

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 2005, which comprises the Group Profit and Loss Account, Group Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 6. 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 directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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 'Review of interim financial information' 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 2005.

Ernst & Young LLP
Birmingham
11 July 2005

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