St. Modwen Properties PLC
Interim Report 2006

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

Contents

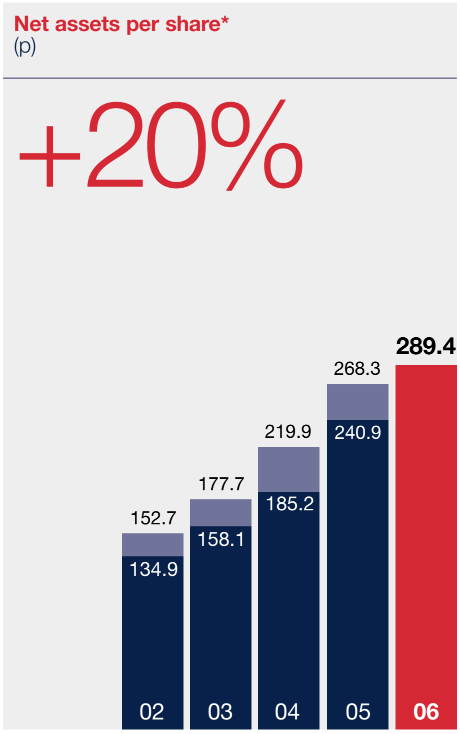
Financial highlights
for the period to 31st May 2006

Profit before tax increased by 11% to £43.9m

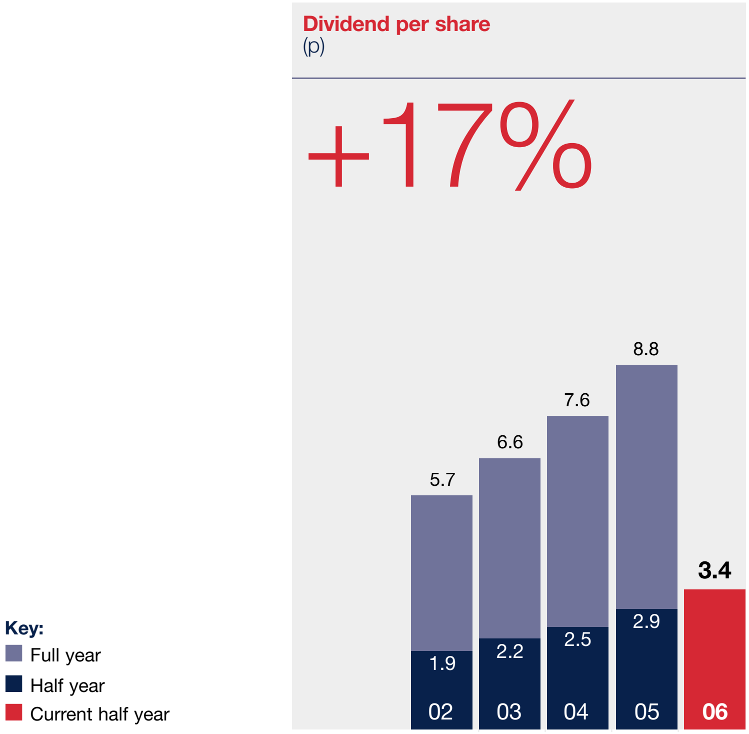
Earnings per share increased by 6% to 26.8p

Net asset value per share increased by 20% since May 2005 to 289.4p

Dividend increased by 17% to 3.4p



* Net asset figures prior to 30th November 2004 are restated on an IFRS basis, but do not reflect half year revaluations or the reclassification of certain work in progress assets.



Chairman's statement

Etruria Valley, Stoke-on-Trent
A 45,000 sq ft office village scheme completed in the period, with two of the three buildings let and sold.

Interim results

I am pleased to report on another strong first half performance by your company.

You will see that the results are presented in a very different format from that to which you have been accustomed. This arises from the introduction of International Financial Reporting Standards ("IFRS"), the principal effects of which, apart from purely presentational ones, are that revaluations are shown on the face of the income statement and deferred tax provision on revaluations is included in both the income statement and the balance sheet.

In addition, the introduction of IFRS has led us to make a couple of other changes. In common with most other quoted property companies, we are now undertaking half-yearly revaluations and, as many of our schemes are now taking place over many years, we have reclassified a large part of our work-in-progress as investment properties which have, therefore, been included in the revaluation.

Prior year comparatives have been restated in the IFRS format and to reflect half-yearly revaluations and the work-in-progress reclassification so that the figures presented are on a like for like basis.

On the IFRS basis, the profit before tax has increased by 11% to £43.9m (2005: £39.6m) which includes an unrealised property valuation gain, including our share of joint venture

gains, of £21.9m (2005: £22.2m).
The net asset value of the company is £349.5m (2005: £290.9m), an increase of 20%. The increase in the first half alone is £25.5m, an increase of 8%. On the traditional accounting basis, the pre-tax profit would have been £23.0m (2005: £22.8m).

Dividends

In the light of this strong performance and the prospects for the full year, the board has declared an interim dividend of 3.4p per ordinary share (2005: 2.9p), an increase of 17%, which will be paid on 1st September 2006 to shareholders on the register at 4th August 2006.

People

Richard Froggatt, who has been a main board executive director since 1995, has resigned to pursue other interests and will be leaving the company around the end of July. He has played a significant part in the growth of the hopper and I would like to thank him for his contribution and wish him well for the future.

We continue to be active in strengthening the team. Tim Seddon has joined us from Land Securities to be the London and South East Regional Director, and we have made significant new appointments in the regions, and in the construction team.

We will not be replacing Richard on a like for like basis. Much of his work has now been taken over by the regional teams, and we will be undertaking further recruitment to help us meet our demanding financial objectives

Trentham Lakes, Stoke-on-Trent
A 437,000 sq ft distribution facility, pre-sold to Glen Dimplex, completed in the period.

Prospects

The investment market continues to remain strong as does the market for residential land. The occupational market is more patchy but there is business to be won on acceptable terms if the product and the price is right.

We remain on course to grow in line with our long-term financial objective of doubling the net asset value per share of the company every five years and I look forward with confidence to a strong second half.

C.C.A. Glossop
Chairman
10th July 2006

Business review

We remain committed to our business model and strategy. We are at heart a property development company, the aim being that no property should be held unless significant value can be added to that property by the company's own efforts in a flat market over a five to fifteen year horizon.

The key to the strategy is the hopper, which is a bank of long-term development opportunities, broadly based, geographically spread, and focused upon regeneration. The opportunities are sourced by and serviced through a network of regional offices, and are often the outcome of working in partnership.

Development and performance of the business

Trading

An 11% increase in profit before tax was driven by a 13% increase in property disposals, including our share of joint ventures and a £0.8m improvement in other income. Twenty-six property disposals were completed in the period with 4 projects contributing profits of over £1m. Net rental income, again including our share of joint ventures, declined by 18% to £17.3m (2005: £21.2m). This was expected, and reflects the sales made last year and the reduced income on the Longbridge property.

Trentham Lakes, Stoke-on-Trent, saw considerable activity with the completion of a 437,000 sq ft warehouse for Glen Dimplex, the construction of a 64,000 sq ft warehouse let to Portmeiron which has been pre-sold, and an extension to the Pets at Home facility which has been pre-sold to Prudential together with a number of smaller transactions.

At Centre 38, Burton-upon-Trent, our joint venture with Prologis, we completed and sold the 70,000 sq ft facility let to Intier. At Hilton, Derby, we are constructing a 70,000 sq ft facility for Daher Sawley which has been pre-sold, and at Quedgeley West, Gloucester, we are constructing a 95,000 sq ft facility for Prestoplan which has also been pre-sold.

The Edmonton and Wembley town centre schemes saw further progress in construction or site clearance and we took the opportunity of the strong investment market to sell two small investment properties in Urmston and London.

Two significant residential land sales took place in the period of 12 acres at Bestwood, north of Nottingham, and 11 acres at Hilton, Derby.

At Etruria Valley, Stoke-on-Trent, the first two buildings in the 45,000 sq ft office village scheme have been sold shortly after the end of the period, these being the units let to the Probation Service and the Crown Prosecution Service. The remaining building which is to be in multiple occupancy, is either let or in solicitors' hands and should be available for sale in the second half.

This year we have introduced half-yearly valuations and have reclassified much of our work-in-progress as investment properties. This brings us into line with most other quoted property companies and reflects the long-term nature of most of our schemes. The impact of the reclassification of certain work in progress was £24.4m, of which £6.8m related to the current period and £17.6m to earlier periods.

Our valuers continue to adopt a conservative approach to revaluations, particularly in the area of change of use where they do not tend to recognise increased value until some significant milestone, such as the actual grant of planning permission or the signing of a development agreement, is achieved.

Marshalling (projects in active preparation)

We have continued to make good progress in marshalling projects for the second half of 2006 and beyond.

- At Trentham Gardens, the construction of the major section of the second phase retail is well advanced and lettings are going well. An agreement for lease has also been exchanged with Golden Tulip Hotels for a 120 bedroom hotel and planning negotiations are at an advanced stage.
- At Guiseley, a favourable planning resolution was obtained for eight acres of residential development subject to a Section 106 agreement.
- Planning was obtained for a major mixed-use scheme at Norton Fitzwarren, Taunton. This will provide 550 homes and 170,000 sq ft of employment space. The development joint venture with AXA is in the process of being finalised.
- In Wolverhampton, a favourable planning resolution was obtained for the Goodyear site for 46 acres of residential development and 33,000 sq ft of new or refurbished employment space subject to signing a Section 106 agreement.

- In February, Nanjing Automotive Group UK Ltd took an assignment of the remaining 33 years on 105 acres of MG Rover's lease at Longbridge. This assignment is subject to a six month break clause aimed at giving Nanjing the time to complete its operational plans to restart motor manufacturing. This cleared the way for the masterplanning of the major employment-led mixed-use scheme on the remaining 238 acres on which we have been working closely with the two local authorities involved, and have commenced public consultation.

- In Newham, we have exchanged a development agreement with the local authority for the scheme at Upton Park.

- We are one of three parties short-listed by the London Borough of Southwark for the overall Elephant & Castle scheme. Phase 3 submissions in the selection process are expected to be required by this autumn. In the meantime, we are managing the shopping centre so as to maximise income whilst facilitating its future redevelopment and have, therefore, relaunched Hannibal House which was vacated by the Department of the Environment as a business centre.

Acquisitions

We continued to add to the hopper with net acquisitions in the first half, increasing the hopper by 220 acres to 7,150 acres, of which some 4,900 acres are developable.

Edmonton Green, Enfield
Construction work on this £100m mixed-use town centre regeneration scheme is proceeding to programme and on budget.

In addition to the acquisition at Melton Park, Hull, which was referred to in the 2005 Annual Report, we have acquired this year a 23.4-acre employment site in Worcester which will be launched as Great Western Business Park.

We have also acquired seven former Kwiksave properties from Somerfield. Apart from one in Hull which will be developed by our new Yorkshire office, the remainder were in the North West.

In addition, we have been selected as preferred developer by Ford and Coventry City Council for a 57.5 acre employment development at Whitley, Coventry. At Cannock, Staffordshire we have entered into a development agreement on an 8-acre site fronting the A5 suitable for car showrooms, a trade park or other high value uses.

We have also been selected as preferred developer for a 223,000 sq ft business park in Blackburn by Blackburn with Darwen Council and have entered into a development agreement with Knowsley Borough Council for a 12-acre business village in Prescot.

Most significantly, we have been selected with our partners Vinci plc as the MoD's preferred development partner for MoDEL which encompasses the £150m redevelopment of RAF Northolt and the marshalling and disposal of 250 acres of MoD's London Estate.

For further information, please visit our website www.stmodwen.co.uk

Group income statement
for the period to 31st May 2006

	Notes	Unaudited 31st May 2006 £m	Unaudited 31st May 2005 £m	Audited 30th November 2005 £m
Revenue	1	**64.6**	55.5	98.4
Net rental income	1	**12.6**	15.9	29.5
Development profit	1	**6.4**	12.1	14.1
Gains on investment property disposals		**14.4**	6.8	22.4
Investment property revaluation gains		**17.8**	12.2	26.9
Other income	1	**1.0**	0.2	0.6
Joint ventures and associates (post tax)	2	**5.2**	8.6	19.6
Administrative expenses		**(7.8)**	(8.8)	(16.8)
Profit before interest and tax		**49.6**	47.0	96.3
Finance cost	3	**(7.0)**	(7.5)	(14.3)
Finance income	3	**1.3**	0.1	0.9
Profit before tax		**43.9**	39.6	82.9
Taxation		**(11.0)**	(8.7)	(15.5)
Profit for the period		**32.9**	30.9	67.4
Attributable to:				
Equity shareholders		**32.4**	30.3	66.7
Minority interests		**0.5**	0.6	0.7
		32.9	30.9	67.4
Basic and diluted earnings per share (pence)	4	**26.8**	25.2	55.4
Dividend per share (pence)		**3.4**	2.9	8.8

Group statement of recognised income and expense

	Unaudited 31st May 2006 £m	Unaudited 31st May 2005 £m	Audited 30th November 2005 £m
Profit for the period	**32.9**	30.9	67.4
Pension fund:			
— actuarial gains and losses	**—**	(0.4)	(0.8)
— deferred tax	**—**	0.1	0.3
Total recognised income and expenditure	**32.9**	30.6	66.9
Attributable to:			
Equity shareholders	**32.4**	30.0	66.2
Minority interests	**0.5**	0.6	0.7
	32.9	30.6	66.9

Group balance sheet
as at 31st May 2006

	Notes	**Unaudited 31st May 2006 £m**	Unaudited 31st May 2005 £m	Audited 30th November 2005 £m
Non-current assets				
Investment properties		**531.6**	451.6	481.2
Operating property, plant and equipment		**4.0**	3.4	4.0
Investments in joint ventures and associates		**73.7**	57.6	68.5
Trade and other receivables		**0.9**	0.2	0.1
		610.2	512.8	553.8
Investment properties held for resale		**—**	26.5	—
Current assets				
Trade and other receivables		**26.0**	16.7	20.7
Stocks and work in progress		**49.6**	36.3	36.1
Cash and cash equivalents		**0.3**	1.5	0.7
		75.9	54.5	57.5
Current liabilities				
Trade and other payables		**(44.9)**	(46.0)	(36.0)
Borrowings		**(4.3)**	(18.8)	(2.9)
Tax payables		**(6.6)**	(5.1)	(1.7)
		(55.8)	(69.9)	(40.6)
Non-current liabilities				
Trade and other payables		**(6.2)**	(6.4)	(5.8)
Borrowings		**(233.5)**	(192.1)	(205.6)
Deferred tax		**(41.1)**	(34.5)	(35.3)
		(280.8)	(233.0)	(246.7)
Net assets		**349.5**	290.9	324.0
Capital and reserves				
Share capital		**12.1**	12.1	12.1
Share premium		**9.1**	9.1	9.1
Capital redemption reserve		**0.3**	0.3	0.3
Retained earnings	5	**324.6**	266.6	299.3
Own shares		**(0.5)**	(0.7)	(0.4)
Shareholders' equity		**345.6**	287.4	320.4
Minority interests		**3.9**	3.5	3.6
Total equity	6	**349.5**	290.9	324.0

Group cash flow statement
for the period to 31st May 2006

	Unaudited 31st May 2006 £m	Unaudited 31st May 2005 £m	Audited 30th November 2005 £m
Operating activities			
Profit before interest and tax	**49.6**	47.0	96.3
Gains on investment property disposals	**(14.4)**	(6.8)	(22.4)
Share of profit of joint ventures and associates (post tax)	**(5.2)**	(8.6)	(19.6)
Investment property revaluation gains	**(17.8)**	(12.2)	(26.9)
Depreciation	**0.3**	0.2	0.5
	12.5	19.6	27.9
Changes in stocks and work in progress	**(13.5)**	11.8	21.6
Changes in trade and other receivables	**(4.8)**	(3.7)	(7.9)
Changes in trade and other payables	**9.0**	13.3	4.7
Interest paid	**(7.0)**	(6.6)	(13.9)
Interest received	**—**	0.1	0.4
Tax paid	**—**	(6.8)	(16.9)
Net cash (out)/inflow from operating activities	**(3.8)**	27.7	15.9
Investing activities			
Investment property disposals	**32.5**	18.3	73.1
Investment property additions	**(50.7)**	(23.0)	(60.3)
Property, plant and equipment additions	**(0.3)**	(0.5)	(1.4)
Dividends received	**—**	1.5	1.6
Net cash (out)/inflow from investing activities	**(18.5)**	(3.7)	13.0
Financing activities			
Dividends paid	**(7.3)**	(6.4)	(9.9)
(Purchase)/sale of own shares	**(0.1)**	0.3	0.5
Net drawing/(repayment) of borrowings	**27.9**	(23.4)	(24.9)
Net cash in/(out) flow from financing activities	**20.5**	(29.5)	(34.3)
Decrease in cash and cash equivalents	**(1.8)**	(5.5)	(5.4)
Cash and cash equivalents at start of year	**(1.8)**	3.6	3.6
Cash and cash equivalents at end of year	**(3.6)**	(1.9)	(1.8)

Accounting policies

Basis of preparation
For the year ended 30th November 2006 the group will be required to prepare consolidated financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Commission. These interim results have therefore been prepared in accordance with the IFRS accounting policies expected to apply at 30th November 2006. The results of prior periods have been restated using IFRS so that proper comparison can be made with the results for the current period.

As permitted, this interim announcement has been prepared in accordance with the UK listing rules and not in accordance with IAS34 "Interim Financial Reporting" and is therefore not fully compliant with IFRS.

The group's IFRS accounting policies are set out below. Reconciliations of the results for the periods to 31st May 2005 and 30th November 2005 from UK GAAP to IFRS are set out in note 8.

Basis of consolidation
The group financial statements consolidate the financial statements of St. Modwen Properties PLC and the entities it controls (its subsidiaries).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the group and is presented separately within equity in the consolidated balance sheet.

Interests in joint ventures
The group recognises its interest in joint ventures' assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the group's share of its net assets, less distributions received and less any impairment in value of individual investments. The group income statement reflects the group's share of the jointly controlled entity's results after tax.

Financial statements of jointly controlled entities are prepared for the same reporting period as the group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the group.

Interests in associates
The group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting, as described above.

Properties
Investment properties
Investment properties, being freehold and long leasehold properties, held for capital appreciation and/or to earn rental income, are carried at fair value following initial recognition at cost. To establish fair value, investment properties are independently valued twice yearly on an open market basis. Any surplus or deficit arising is recognised in the income statement for the period.

Once classified as an investment property, a property remains in this category until development with a view to sale is authorised, at which point the asset is transferred to development properties at its current valuation.

Where an investment property is being redeveloped for continued use as an investment property, the property remains within investment property and any movement in valuation is recognised in the income statement.

Stocks and work in progress
Stocks and work in progress principally comprise development properties, properties under construction, and trading properties. Development properties and trading properties are recorded at the lower of cost and net realisable value. Properties under construction are accounted for at cost plus attributable profit less payments received on account. Attributable profit is ascertained based on the estimated outcome of the development and the amount of the work undertaken to date.

Transfers from investment property are made at value not cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Properties held for sale
Investment properties that are anticipated to be sold within twelve months of the balance sheet date continue to be valued as investment properties but are classified as properties held for sale.

Interest
Interest incurred is not capitalised, but written off to the income statement on an accruals basis.

Accounting policies

Operating property, plant and equipment
Operating property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all operating property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Leasehold land and buildings	— over the lease term where less than 25 years
Plant and equipment	— over 2 to 5 years

Leases
Non-property assets held under finance leases are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Non-property assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold investment properties are accounted for as finance leases with the present value of guaranteed minimum ground rents included within the carrying value of the property and within long term liabilities. On payment of a guaranteed ground rent virtually all of the cost is charged to the income statement, as interest payable, and the balance reduces the liability.

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

Lease incentives
Lease incentives including rent-free periods and payments to tenants, are allocated to the income statement over the lease term.

Trade and other receivables
Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is evidence that the group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, loans and borrowings are measured at amortised cost.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Derivative financial instruments and hedging
The group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. The Group has determined that the derivative financial instruments in use do not qualify for hedge accounting, and consequently any gains or losses arising from changes in the fair value of derivatives are taken to the income statement.

Pensions
The group operates a pension scheme, which has both a defined contribution section and a defined benefit section. The defined benefit section is closed to new members.

The cost of providing benefits under the defined benefit section is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement immediately the benefits have vested.

The interest element of the defined benefit cost represents the change in present value of scheme obligations. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised income and expense in the period in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Own shares
St. Modwen Properties PLC shares held by the group to satisfy share awards under the various share option plans are classified in shareholders' equity and are recognised at cost.

Revenue recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of property
Revenue arising from the sale of property is recognised on legal completion of the sale.

Construction contracts
Revenue arising from construction contracts is recognised only when the outcome of the contract can be ascertained with reasonable certainty. The amount of revenue recognised is based on the prudently estimated outcome and the amount of the work undertaken to date.

Rental income
Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

Share based payments
The group accounts for its share option schemes as cash-settled share-based payments as shares are not issued to satisfy employee share option plans. The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model and amortised through the income statement over the vesting period. The liability is remeasured at each period end. Revisions to the fair value of the accrued liability after the end of the vesting period are recorded in the income statement of the period in which they occur.

New standards and interpretations not applied
The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of this financial information:

		Effective date
IFRS7	Financial Instruments: Disclosures	1st January 2007
IAS1	Amendment — Presentation of Financial Statements: Capital Disclosures	1st January 2007

The directors do no anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements in the period of initial application.

Upon adoption of IFRS7, the group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

Notes to the accounts

1 Revenue

	Six months to 31st May 2006			Six months to 31st May 2005			Year to 30th November 2005		
	Revenue £m	**Costs £m**	**Net income £m**	Revenue £m	Costs £m	Net income £m	Revenue £m	Costs £m	Net income £m
Rental income	**15.4**	**(2.8)**	**12.6**	17.7	(1.8)	15.9	33.1	(3.6)	29.5
Development property	**46.3**	**(39.9)**	**6.4**	36.2	(24.1)	12.1	61.4	(47.3)	14.1
Other income	**2.9**	**(1.9)**	**1.0**	1.6	(1.4)	0.2	3.9	(3.3)	0.6
Total	**64.6**	**(44.6)**	**20.0**	55.5	(27.3)	28.2	98.4	(54.2)	44.2

2 Joint ventures and associates

	Six months to 31st May 2006			Six months to 31st May 2005			Year to 30th November 2005		
	Rental income £m	**Develop-ment property £m**	**Total £m**	Rental income £m	Develop-ment property £m	Total £m	Rental income £m	Develop-ment property £m	Total £m
Revenue	**5.9**	**3.5**	**9.4**	6.2	2.2	8.4	12.2	10.8	23.0
Costs	**(1.2)**	**(2.8)**	**(4.0)**	(0.9)	(2.0)	(2.9)	(1.5)	(8.0)	(9.5)
Net income	**4.7**	**0.7**	**5.4**	5.3	0.2	5.5	10.7	2.8	13.5
Investment property revaluation gains			**4.1**			10.0			18.0
Administrative expenses			**—**			—			(0.1)
Finance cost			**(2.2)**			(3.2)			(6.1)
Profit before tax			**7.3**			12.3			25.3
Taxation			**(2.1)**			(3.7)			(6.7)
Profit after tax			**5.2**			8.6			18.6
Post tax profits of associate			**—**			—			1.0
Profit for the period			**5.2**			8.6			19.6

3 Finance cost

	Six months to 31st May 2006 £m	Six months to 31st May 2005 £m	Year to 30th November 2005 £m
Interest payable on loans and overdrafts	**6.9**	7.3	14.1
Finance charges on finance leases	**0.1**	0.1	0.2
Derivative instruments fair value adjustment	**—**	0.1	—
Total finance costs	**7.0**	7.5	14.3
Interest receivable on cash deposits	**0.1**	0.1	0.4
Derivative instruments fair value adjustment	**1.2**	—	0.3
Net finance income on pension fund asset/liability	**—**	—	0.2
Total finance income	**1.3**	0.1	0.9
Net finance cost	**5.7**	7.4	13.4

4 Earnings per share
Earnings per share are calculated as follows:

(a) Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of £32.4m (May 2005: £30.3m, November 2005: £66.7m) 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 120,644,491 (May 2005: 120,228,189, November 2005: 120,397,435).

(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.

5 Retained earnings
£185.5m of the retained earnings at 31st May 2006 represents realised profits. In arriving at realised profits, revaluation movements in respect of investment properties, derivatives and the associated tax have been excluded.

6 Reconciliation of movements in equity

Period ended 31st May 2006	Equity shareholders £m	Minority interests £m	**Total £m**
Total recognised income and expense	32.4	0.5	**32.9**
Dividends paid	(7.1)	(0.2)	**(7.3)**
Own shares purchased	(0.1)	—	**(0.1)**
Equity at 30th November 2005	320.4	3.6	**324.0**
Equity at 31st May 2006	345.6	3.9	**349.5**

Period ended 31st May 2005	Equity shareholders £m	Minority interests £m	**Total £m**
Total recognised income and expense	30.0	0.6	**30.6**
Dividends paid	(6.2)	(0.2)	**(6.4)**
Own shares sold	1.2	—	**1.2**
Equity at 30th November 2004	262.4	3.1	**265.5**
Equity at 31st May 2005	287.4	3.5	**290.9**

Year ended 30th November 2005	Equity shareholders £m	Minority interests £m	**Total £m**
Total recognised income and expense	66.2	0.7	**66.9**
Dividends paid	(9.7)	(0.2)	**(9.9)**
Own shares sold	1.5	—	**1.5**
Equity at 30th November 2004	262.4	3.1	**265.5**
Equity at 30th November 2005	320.4	3.6	**324.0**

7 Other information
(i) The financial information contained in this interim statement, which is unaudited, does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 30th November 2005 have been derived from the UK GAAP statutory accounts, which have been filed with the Registrar of companies and on which the auditors gave an unqualified audit opinion, as restated to comply with IFRS.

(ii) The effective tax rate used for the period is 28.4% which is in line with the expected full year rate.

(iii) The interim statement was approved by the board on 10th July 2006.

(iv) The proposed dividend of 3.4p per share will amount to £4.1m (6 months to 31st May 2005 2.9p, £3.5m).

Notes to the accounts

8 Transition from UK GAAP to IFRS

(a) Equity reconciliation	30th November 2004 £m	31st May 2005 £m	30th November 2005 £m
UK GAAP equity shareholders' funds	267.4	281.3	330.7
Revaluation of investment properties	16.0	27.1	18.7
Revaluation of derivatives	(0.8)	(0.9)	(0.5)
Pension fund actuarial gains and losses	0.6	0.4	0.2
Development profit recognition	0.3	—	1.0
Employee share option valuation	(0.6)	(0.6)	(0.4)
Lease incentive recognition	0.2	0.2	0.3
Dividends declared but not paid	6.1	3.5	7.1
Taxation on revaluations and above adjustments	(25.1)	(28.7)	(29.9)
Share of joint venture IFRS adjustments	(1.7)	5.1	(6.8)
IFRS equity shareholders' funds	262.4	287.4	320.4

(b) Profit reconciliation	Six months to 31st May 2005 £m	Year to 30th November 2005 £m
UK GAAP profit attributable to equity shareholders	15.6	34.6
Revaluation of investment properties	11.1	24.3
Revaluation of derivatives	(0.1)	0.3
Pension fund net income	0.2	0.4
Development profit recognition	(0.3)	0.7
Employee share option valuation	—	0.2
Lease incentive recognition	—	0.1
Taxation on above adjustments	(3.0)	(6.7)
Share of joint venture IFRS adjustments	6.8	12.8
IFRS profit attributable to equity shareholders	30.3	66.7

As noted in the Chairman's statement, the group is now required to prepare its annual consolidated financial statements under IFRS. Although our business, strategy and cash flows have not changed, the way in which we are required to report is significantly different. This note explains the main differences between our financial statements as reported under IFRS and as previously reported under UK GAAP.

IFRS 1 — First time adoption decisions

IFRS 1 "First time adoption of International Financial Reporting Standards" provides certain choices on transition to IFRS. The significant decisions made by the group under IFRS 1 are set out below:

Investment properties held for resale — The group has chosen to apply IFRS 5 "Non current assets held for resale and discontinued operations" from the date of transition to IFRS (30th November 2004). This is permitted by IFRS 1 as the information required to identify assets for re-sale was available at the date of transition. This decision has been taken to ensure consistency between accounting policies for the years to 30th November 2005 and 30th November 2006.

Employee benefits — The group has elected to recognise all cumulative actuarial gains and losses in relation to its defined benefit pension scheme through equity at the date of transition to IFRS. Actuarial gains and losses arising after the date of transition to IFRS will also be recognised in full in accordance with the Amendment to IAS 19.

Share based payment transactions — The group has elected to apply IFRS 2 "Share based payments" to all share options not exercised at the date of transition.

Comparative information — IAS 32 and IAS 39 — The group has decided not to take the exemption allowed by IFRS 1 in relation to IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". As a result, these two standards have been applied from the date of transition to IFRS. This decision was taken to ensure consistency between accounting policies for the years to 30th November 2005 and 30th November 2006.

The group has elected not to adopt hedge accounting in relation to existing interest rate swaps. A significant proportion of the group's swaps are not classified as effective under IAS 39 and therefore hedge accounting has not been applied.

8 Transition from UK GAAP to IFRS (continued)
Description of IFRS adjustments

Reclassification adjustments
In preparing its financial statements under IFRS a number of presentational adjustments have been made as set out below:

Revaluation reserves — As investment property revaluation movements are now reflected through the Income Statement, the balance on the revaluation reserve recorded under UK GAAP has been reclassified as retained earnings.

Leasehold investment property — Under IAS 40 leasehold investment property held under operating leases may only be held at valuation if the head lease is classified as a finance lease. Under IAS17 the net present value of guaranteed minimum lease rental payments is included in the value of leasehold properties. The resultant liability is disclosed as current/non current payables as appropriate. As a result of this change the guaranteed minimum head lease cost previously disclosed within property outgoings under UK GAAP is now reclassified as a finance cost.

Investment property held for resale — Under UK GAAP all investment properties were held in tangible fixed assets. IFRS 5 “Non current assets held for resale and discontinued operations” creates a new category of asset that is neither a current asset nor a non-current asset. Investment properties that are in the process of being sold are moved to this new category and shown separately on the balance sheet.

Dividends — Under UK GAAP dividends were shown in the profit and loss account. IAS 1 “Presentation of Financial Statements” states that dividends payable are shown in equity. The dividends line has therefore been removed from the face of the Income Statement.

Share of profit from joint ventures and associates — The group’s share of profit and losses of joint ventures was formerly reflected in the group profit and loss account as part of turnover, operating profit, interest and tax. Under IAS 1 the post tax result of the joint ventures and associates is shown as a single line entry in arriving at profit before interest and tax. The UK GAAP comparative figures have been reclassified to reflect this change.

Creditors — IAS 1 states that current tax payable and financial liabilities should be shown separately as line items in the balance sheet. These items have therefore been split out from creditors and shown separately

Cash flow statement — The transition to IFRS has no impact on the cash generation of the business. However, the format of the cash flow statement is different under IAS 7 “Cash flow statements”. IAS 7 only allows three classifications of cash flow being operating, investing and financing. As a result the cash flow items disclosed under UK GAAP have been reclassified under the most appropriate heading. The IFRS adjustments made to profit before interest and tax in the Income Statement are reflected within the reconciliation of profit before interest and tax to cash flows from operations.

Minority interests — Under UK GAAP minority interests were presented as part of net assets. Under IFRS minority interests are reclassified and shown as part of total equity.

Changes affecting the reported result or net assets
In restating its comparative financial statements under IFRS a number of adjustments have been made which impact either the reported profit or net assets of the group as set out below:

Investment properties — Investment properties continue to be held at valuation under IAS 40 “Investment Property” but the revaluation movement (and attendant deferred tax, see below) are now reflected in the income statement. Under UK GAAP revaluations (but with no deferred tax) were reflected through equity.

Under UK GAAP the company had carried land (and buildings) acquired for undetermined future use at cost within stocks. Under IAS 40, such assets are included within the definition of Investment Property. As a result assets meeting the definition have been reclassified from stock to investment property and have been valued by King Sturge, independent valuers. Where such assets are sold without being developed, the resulting profit has been classified within gains on investment property disposals in the IFRS financial statements. In the UK GAAP statements such transactions were included within property development profits.

Interim investment property valuation — As a consequence of recording the revaluation movement in the income statement, whilst not a requirement of IFRS, the group has for the first time this year obtained an interim valuation of its Investment Properties as at 31st May 2006. This was performed by King Sturge & Co on an open market, existing use basis. The comparative information for 31st May 2005 has been provided by King Sturge & Co on the basis of market conditions prevailing at that time and utilising industry indices.

Deferred tax on investment property revaluation — Under UK GAAP no deferred tax was recognised in respect of the unrealised surplus on the revaluation of investment property unless there was a binding contract to sell the property at the balance sheet date. In addition no provision was made for Capital Gains Tax on the disposal of properties where the gain was deferred through the application of capital gains roll over relief as no liability was expected to crystallise.

Notes to the accounts

8 Transition from UK GAAP to IFRS (continued)
IAS 12 "Income Tax" states that deferred tax must be provided on all temporary differences between the tax base cost and the carrying value of assets. As a result, a deferred tax liability has been recognised relating to the revaluation of investment properties and gains previously rolled over, through equity at the date of transition and through the income statement thereafter.

Lease incentives — Under UK GAAP lease incentives including rent free periods and payments to tenants, are allocated to the income statement over the period to the first rent review set out in the lease. Under SIC 15, the period over which the incentive is allocated is revised to be the lease term.

Proposed dividends — Under UK GAAP dividends were accrued and shown as a liability when they were proposed. They were therefore accounted for in the period to which they related.

IAS 10 "Events after the balance sheet date" states that dividends declared after the balance sheet date should not be shown as a liability. As a result the liability for proposed dividends has been reversed. Final dividends will now only be recognised when they are approved at the AGM and interim dividends when they are paid

Interest rate derivatives — Under UK GAAP the group's interest rate derivatives were held at amortised cost. Under IAS 39, "Financial Instruments: Recognition and Measurement" the derivatives are stated at fair value and disclosed as current/non current assets/liabilities as appropriate. Remeasurements of the derivatives are reflected in the income statement. Deferred tax is provided on the remeasurements.

Construction contracts — Under UK GAAP the group had elected to carry all property being developed with a view to sale at cost with full profit recognised when the asset was sold. Under IAS 11 "Construction Contracts", the group now recognises profit in respect of construction contracts for pre-sold projects using the stage completion method. Provided the outcome of the contract can be assessed with reasonable certainty, income and profit on such contracts is now recognised in proportion to the costs. The project is carried in the balance sheet at cost plus recognised profit less payments received on account. This revised profit recognition generates consequent adjustments to tax and minority interests.

Defined benefit pension scheme — Under UK GAAP the cost of the defined benefit pension scheme was charged to the profit and loss account so as to spread the variations in pension cost, which were identified as a result of actuarial valuations, over the service lives of employees so that the pension cost was a substantially level percentage of current and expected future pensionable pay. Under IAS 19 "Employee Benefits" actuarial gains and losses arising are recognised in full. Actuarial variations in the scheme will be recognised through the Statement of Recognised Income and Expense with the regular pension cost and net finance cost related to the scheme reflected in the Income Statement. There are consequent adjustments to deferred and current tax.

Employee share option scheme — Under UK GAAP the group's exposure to its share option schemes was remeasured at each balance sheet date based on the difference between the average share price in the three months prior to the period end and the exercise price of the option. To the extent that shares were held in the ESOP trust which would be used to meet part of this liability the liability was reduced accordingly. Under IFRS 2 "Share based payments" the liabilities arising from the grant of share options have been evaluated using a Black Scholes option pricing model. The existence of shares in the ESOP trust no longer impacts the liability.

Tax — an adjustment has been made to the tax charge to reflect the tax effect of the IFRS adjustments where necessary.

Investments in joint ventures & associates — in assessing the impact of IFRS on the group, the impact on the group's joint ventures and associates has also been assessed. There is no impact on the amounts recorded for associated undertakings. The amounts recorded in respect of joint ventures has been adjusted accordingly.

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 31st May 2006 which comprise the Group Income Statement, Group Statement of Recognised Income and Expense, Group Balance Sheet, Group Cash Flow Statement, Accounting Policies and the related notes 1 to 8. 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 the guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board. To the fullest extent permitted by 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.

As disclosed in the Accounting Policies, the next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted for use by the European Union. The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union.

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 have been applied. 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 International Standards on Auditing (UK and Ireland) 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 31st May 2006.

Ernst & Young LLP
Birmingham
10th July 2006

Printed by **Jones & Palmer Limited, Birmingham.** *tel:* **(0121) 236 9007**

St. Modwen Properties PLC
Head Office and Midlands Regional Office
Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham
B32 1AF

Tel (0121) 222 9400
Fax (0121) 222 9401
www.stmodwen.co.uk
info@stmodwen.co.uk

Regional Offices
London & South East
Tel (020) 7499 5666
Fax (020) 7629 4262

South West
Tel (0117) 316 7780
Fax (0117) 316 7788

Yorkshire
Tel (0113) 272 7070
Fax (0113) 272 7079

North Staffordshire
Tel (01782) 281844
Fax (01782) 283670

North West
Tel (01925) 825950
Fax (01925) 284808