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This announcement contains inside information

ST. MODWEN PROPERTIES PLC

("St. Modwen" or "the Company")

Results for the half year ended 31 May 2019

St. Modwen delivers improving returns with focused growth strategy

Mark Allan, Chief Executive of St. Modwen, commented:

"We have had a positive first half of 2019 and our expectations for the full year remain unchanged. Following our significant portfolio repositioning last year through the sale of retail and other non-core assets, our focus has now shifted to growth, building on the substantial opportunities we have in our existing portfolio. This is reflected in a further increase in housebuilding volumes and industrial and logistics development activity, where the structural growth drivers remain positive despite the ongoing economic uncertainty. We continue to expect the delivery of this strategy to drive a meaningful improvement in return on capital and earnings over time."

Financial highlights

Non-statutory measures(1)	May 2019	Prior period(2)	Statutory measures	May 2019	Prior period(2)
EPRA NAV per share (pence)(3)	492.5	484.0	NAV per share (pence)(3)	476.4	470.2
Total accounting return (%)	2.2	2.0	Interim dividend per share (pence)	3.6	3.1
Adjusted EPRA earnings (£m)	16.2	13.9	Profit for the half year (£m)	23.1	20.8
Adjusted EPRA EPS (pence)	7.3	6.3	Basic EPS (pence)	10.5	9.4
See-through loan-to-value (%)	20.7	16.9	Group net debt (£m)	326.1	274.3

- NAV per share up 1.3% to 476.4 pence (Nov 2018: 470.2 pence)(3).
- Total accounting return up to 2.2% (2018: 2.0%) despite a 1.2ppt drag from residual non-core retail.
- Adjusted EPRA EPS up 15.9% to 7.3 pence (2018: 6.3 pence) notwithstanding major disposals during 2018.
- Interim dividend up 16.1% to 3.6 pence (2018: 3.1 pence) reflecting solid growth in earnings.
- See-through LTV up 3.8ppt to 20.7% (Nov 2018: 16.9%) due to reinvestment of disposal proceeds.

Operational highlights

Strong momentum in executing our growth-focused strategy, building on the substantial opportunities in our existing portfolio across three sectors and areas with good structural growth prospects.

- Industrial & logistics: substantial growth and capturing ERV
  - Continued to grow industrial & logistics exposure to 39% of total portfolio by value (Nov 2018: 33%) driven by successful developments and underlying growth.
  - Delivered 0.3m sq ft of new space during the period, of which 97% will be retained, with 91% of the associated £2.2m ERV let or under offer.
  - Grown committed pipeline from 1.5m sq ft to 1.6m sq ft since start of 2019, of which 1.5m sq ft will be retained with an ERV of £10.4m (start of 2019: 1.3m sq ft and £9.2m), 14% of which is under offer.
  - Continued to progress total pipeline of over 15m sq ft, c. 60% of which already has planning with an associated c. £60m ERV, providing clear opportunity to further accelerate development activity.

- St. Modwen Homes: continued growth in volumes and margins
  - Delivered 36% growth in volumes with 411 units sold in the first half (2018: 302 units) and increased margins to 14.8% (2018: 14.6%), driving 37% growth in operating profit to £15.2m (2018: £11.1m).
  - Continue to target up to 25% growth in volumes and a c. 0.5ppt improvement in margins from last year's 14.4% for the full year, with private order book up 25% compared to this time last year.
  - Clear visibility and full control of pipeline to continue to grow volumes by up to 25% p.a. until 2021, with new outlets focused on more affordable locations outside London and South East.

- Strategic land & regeneration: monetising residential land and good progress across major projects
  - Sold 374 residential plots to third-party housebuilders for £13m during the half year (2018: £27m) and agreed terms for the sale of over 1,500 plots across two large sites in South Wales via two separate deals which are currently being progressed.
  - Completed latest phase of 411 student beds at Swansea Bay Campus and commenced latest phase of fully pre-let office development at Longbridge.
  - Sold £18m of non-core assets, leaving residual non-core assets of £143m including £72m of retail, with c. 25% of the latter sold or under offer and a further c. 40% in active negotiations.

- Strong growth from existing pipeline and capital base expected to deliver meaningful improvement in return on capital and potential to broadly double adjusted EPRA EPS in medium term.

Enquiries:

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A presentation for analysts and investors will be held at 9.30am today at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD.

If you would like to attend, please contact Ellie Sweeney at FTI on +44 (0)20 3727 1622 or stmodwen@fticonsulting.com. A live webcast of the presentation will be available at www.stmodwen.co.uk and presentation slides will also be available to download.

Alternatively, details for the live dial-in facility are as follows:

Participants (UK):	**Tel: +44 (0)330 336 9411**
Password:	**3135004**
Webcast link:	**https://webcasting.brrmedia.co.uk/broadcast/5cee47b7bfcf9b13b48e256e**

This announcement contains inside information as set out in Article 17 of the Market Abuse Regulation (MAR).

(1) Reconciliations between all the statutory and non-statutory measures and the explanations as to why the non-statutory measures give valuable further insight into the Group's performance are given in notes 2 and 3 to the condensed Group financial statements.

(2) Prior period measures are for the six months ended 31 May 2018 other than EPRA NAV per share, NAV per share, see-through loan-to-value and Group net borrowings, which are as at 30 November 2018. Comparative references to 2018 are for the six months ended 31 May 2018 and comparative references to Nov 2018 are as at 30 November 2018.

(3) Following the adoption of IFRS 9 *Financial Instruments* during the six months ended 31 May 2019, the comparative values of EPRA NAV per share and NAV per share at 30 November 2018 have been reduced by 0.1 pence and 0.2 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model. The Group has also adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* during the six months ended 31 May 2019, but there has been no impact on the reported measures as a result of the adoption of these standards. Further detail is given in the accounting policies note to the condensed Group financial statements.

CHIEF EXECUTIVE'S REVIEW

Overview

We have had a positive start to 2019 and our expectations for the full year remain unchanged. Following the substantial repositioning of our portfolio during the preceding 18 months, our focus since the start of 2019 has been on driving growth based on our three strategic objectives: build a high quality industrial & logistics business; grow our residential & housebuilding business; and leverage our regeneration reputation. Each of these three sectors and activities continue to be underpinned by structural growth characteristics and in each area, we have a deep pipeline of opportunities in our existing portfolio. Momentum has been positive in each segment during the first half of 2019, with terms agreed on industrial & logistics development lettings which will deliver £2.8m of annualised rent, a 36% increase in volumes for St. Modwen Homes, and the agreement of terms for the sale of over 1,500 plots of regenerated residential land on our two large sites in South Wales.

These results show the first signs of the improvement in returns and earnings created through the delivery of our refocussed strategy and vindicate the disposal of the majority of our retail assets last year. Our total accounting return improved to 2.2% (2018: 2.0%), despite a 1.2ppt drag from valuation weakness in our small amount of residual non-core retail assets. NAV per share increased 1.3% to 476.4 pence (Nov 2018: 470.2 pence)(1), whilst EPRA NAV per share increased 1.8% to 492.5 pence (Nov 2018: 484.0 pence)(1). Although net rental income reduced due to last year's disposals, adjusted EPRA earnings increased 16.5% to £16.2m (2018: £13.9m) and adjusted EPRA EPS rose 15.9% to 7.3 pence (2018: 6.3 pence) which, based on a 50% pay-out ratio, results in a 16.1% increase in our interim dividend to 3.6 pence per share (2018: 3.1 pence).

Key financial performance metrics	**May 2019**	**Prior period**	**Change %**
NAV per share (pence)(1)	476.4	470.2	+1.3
EPRA NAV per share (pence)(1)	492.5	484.0	+1.8
Interim dividend per share (pence)	3.6	3.1	+16.1
Total accounting return (%)	2.2	2.0	+0.2ppt
Adjusted EPRA earnings (£m)	16.2	13.9	+16.5
Profit for the half year (£m)	23.1	20.8	+11.1
Basic earnings per share (pence)	10.5	9.4	+11.7
Adjusted EPRA earnings per share (pence)	7.3	6.3	+15.9
See-through net borrowings(2) (£m)	304.9	236.9	+28.7
See-through loan-to-value(2) (%)	20.7	16.9	+3.8ppt
See-through loan-to-value (excluding residential)(2) (%)	35.8	29.3	+6.5ppt

(1) Following the adoption of IFRS 9 *Financial Instruments* during the six months ended 31 May 2019, the comparative values of EPRA NAV per share and NAV per share at 30 November 2018 have been reduced by 0.1 pence and 0.2 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model.

(2) Including the Group's share of net borrowings (being net debt at amortised cost less lease liabilities) and property held in joint ventures and associates.

People and organisation

The positive performance of our business during the period could not have been achieved without the dedication and commitment of our people. In order to strengthen the alignment between individual roles and our three strategic objectives, we changed our organisational design during the first half of the year from what had historically been a regional structure to a functional structure with three dedicated business units: Industrial & Logistics, St. Modwen Homes and Strategic Land & Regeneration. Our purpose 'Changing places. Creating better futures.' sits at the heart of everything we do in each of these three parts of our business.

Our three strategic objectives to build a high quality industrial and logistics business; grow our residential and housebuilding business; and leverage our regeneration reputation, and our operational and financial performance ambitions remain unchanged, but this new organisational design will further enhance our culture of empowerment and accountability and we plan to align our external reporting to this by the end of this year. This change in organisational design led to £1.0m of restructuring costs during the half year, which will be offset by a similar cost saving in the second half. Our people are key in delivering on the existing opportunities we have in each of our three business units, so we will continue to invest in our strong and experienced workforce.

Industrial & Logistics

Our Industrial & Logistics business had a positive start in 2019 and industrial and logistics now make up 39% of our assets. Development completions are weighted toward the second half of the year, but we completed 0.3m sq ft of space of which we will retain 97% with an ERV of £2.2m; 91% of which is let or under offer. The assets we retained from our 2018 pipeline are now 58% let with a further 7% under offer, up from 38% and 17% at the start of the year, and we expect the remaining space to be substantially let during the rest of the year.

As we continue to see good customer interest in the high-quality space we develop, we have increased our committed pipeline to 1.6m sq ft, up from 1.5m sq ft at the start of the year. Whilst there has been an increase in speculative supply of mega box logistics units of over 400,000 sq ft in the wider UK market, 80% of our pipeline is focused on small to medium sized units of less than 150,000 sq ft, which leaves it well positioned to benefit from the growing demand for last mile delivery and warehouse space near urban areas. The total development cost of our committed pipeline is £142m (early 2019: £137m), of which we plan to retain 94% (early 2019: 87%). With an ERV of £10.4m this is expected to deliver a yield on cost of 7.7% once fully let (early 2019: 7.8%). Our total pipeline has the potential to deliver over 15m sq ft of space in the long term, of which close to 10m sq ft has planning. We estimate the latter could deliver c. £60m of ERV, which with a yield on cost of c. 8% and a yield on incremental capex of c. 9% offers room for substantial income growth and development upside.

St. Modwen Homes

Demand for high quality new build homes in the regions has remained robust. Reflecting this, St. Modwen Homes, which makes up 25% of our property assets, sold 411 units during the half year, marking an increase of 36% compared to the first half of last year (2018: 302 units). Our private order book is currently up 25% vs last year and we continue to expect growth in volumes of up to 25% for the full year. The operating margin for the first half of 2019 improved to 14.8% (2018: 14.6%), in line with our target to improve our operating margin for the full year by c. 50bps from last year's level of 14.4%. Our private average sales price reduced by 5.7%, driven by changes in sales mix and location, but like-for-like sales prices increased 2.5%.

We are currently sales active on 23 outlets, up from 20 at the start of the year and we expect to open a further four outlets in the second half of 2019. We expect this to continue to grow beyond this year as our substantial land bank provides us with good visibility and control over a pipeline to continue to grow volumes by up to 25% p.a. until 2021 and improve our operating margin to our c. 16-17% medium term target. Working safely, delivering quality and ensuring a positive customer experience remain paramount in growing our business and our HBF recommend rating is currently tracking at over 90%, which is consistent with a 5* home builder status.

Strategic Land & Regeneration

Our Strategic Land & Regeneration business unit sits at the heart of our business and combines the delivery of residential land for our own housebuilding activities or third-party housebuilders, often through substantial regeneration, and the delivery of major regeneration projects, which often have a large residential element.

Our focus for strategic residential land, which excluding land for St. Modwen Homes makes up 17% of our assets, remains to monetise the value we create and sell at least the same amount of land in 2019 as last year (Nov 2018: £53m). Demand from third-party housebuilders remains robust and we sold £13m of residential land during the half year. We also agreed terms on the disposal of over 1,500 plots across our two large sites in South Wales via two deals which are currently being progressed. Completion of both deals would mean c. 40% of the plots on these sites would be completed, under construction or controlled by housebuilders for a near term start on site.

We continue to progress our existing regeneration projects. We completed the latest phase of 411 student beds at Swansea Bay Campus during the period and we have developed plans which materially enhance the vision for Longbridge which we now aim to embed as we bring forward the significant opportunities that remain at this flagship scheme. At NCGM, the relocation of the existing market facilities is ongoing and we continue to progress the positive early-stage discussions on our potential longer-term mixed-use scheme at Wythenshawe.

As our Industrial & Logistics business unit is solely focused on industrial and logistics assets, the dedicated team focused on the divestment of our remaining non-core assets now forms part of our Strategic Land & Regeneration business unit. Since the start of 2019, we agreed the disposal of £18m of non-core retail and other assets. We recognised an 18% reduction in the valuation of our residual non-core retail assets at the end of May, which reduced our total accounting return for the half year by 1.2ppt to 2.2% (2018: 2.0%), but non-core retail is now only 5% of our assets – down from 16% at the start of 2018, before the disposal of £177m of retail assets at less than 1% below book value last year – of which over half is under offer or in active negotiations to be sold.

Looking forward

In line with our outlook at the start of the year, following our major portfolio repositioning over the preceding 18 months, 2019 is set to be a year of growth and ongoing delivery against each of our three strategic objectives.

The general economic environment is uncertain and likely to remain so for some time to come. The extended ambiguity around Brexit has added to the already heightened level of political uncertainty in the UK, but even though we are mindful of the potential longer-term effects this could have, the impact on our current trading activity so far has remained limited. Nevertheless, as we outlined at the start of the year, we remain proactive in our efforts to insulate the business as much as possible from any potential trade disruption related to Brexit, and we maintain a tight control of discretionary spend until the economic and political outlook normalises.

Importantly, our strategy is focused on sectors which continue to benefit from structural growth. Government policy remains supportive to grow housebuilding in the UK and most of our residential pipeline sits in the regions, where affordability remains much better than in London and the South East. At the same time, changes in the way people work and shop continue to drive demand for modern, well located industrial and logistics space. Combined with our strong balance sheet, this provides us with confidence for the future, although the short-cycle nature of our projects means we can adjust our activity quickly in case of any sudden changes in demand.

Looking ahead, our ambition remains to deliver a sustainable, low double-digit total return over time, and we continue to see the potential to broadly double our adjusted EPRA EPS in the medium term from last year's level of 14.3 pence, assuming markets remain stable. We continue to work towards delivering on both medium term targets and despite the £13m loss of rent from last year's disposals and £1m of one-off restructuring costs, we expect growth in adjusted EPRA EPS for the full year of 2019 to be broadly in line with the rate of growth for the first half of the year.

PORTFOLIO AND OPERATIONAL REVIEW

Portfolio overview

Investments & disposals

Following more than £800m of disposals over the preceding 18 months, our focus since the start of 2019 has been on reinvestment in our substantial and profitable pipeline. We invested £57m in developments (excluding housebuilding activities) and £22m in the acquisition of land for near-term development starts, mostly reflecting the drawdown of land under existing development agreements at Chippenham and Gloucester.

In line with our guidance, disposals moderated during the first half of 2019 following the high level of disposal activity during 2018. We agreed the sale of 13 non-core retail and other commercial assets for £18m, £6m of which will complete in the second half of the year, on average slightly below their 2018 book value, and we sold £13m of residential land during the first half year.

Looking forward, we continue to expect the disposal of our residual £143m of non-core assets to be broadly balanced over the next 2-3 years. We remain open to new opportunities in each of our three segments but given the size of the opportunity in our existing pipeline we will remain selective when it comes to acquisitions.

	Amount(1)	**Initial yield(2)**
	£m	**%**
Acquisitions during first half of 2019		
Residential land	11	N/A
Industrial and logistics land	11	N/A
Total	**22**	N/A
Disposals during first half of 2019(3)		
Industrial and logistics	2	5.7
Non-core retail	3	8.5
Non-core other	15	5.0
Residential land	13	N/A
Total	**33**	**5.2**

(1) Based on the Group's share of amounts relating to joint ventures.

(2) EPRA net initial yield on income producing assets excluding land.

(3) Excluding land transfers to St. Modwen Homes and completed home sales.

Portfolio valuation

Our portfolio value grew to £1.47bn during the first half of the year, marking an increase of 1.0% adjusted for investments and disposals. Industrial and logistics assets make up 39% of this (Nov 2018: 33%), including our industrial assets which form part of our regeneration site at Longbridge, and we expect this share to continue to grow in the coming years. The rest of our regeneration assets and strategic residential land make up 26%, whilst St. Modwen Homes work in progress and land comprises a further 25%. Residual non-core assets are 10%, split evenly between retail and other commercial properties.

Our industrial and logistics portfolio increased in value by 4.0% during the first half of 2019, with developments up 17.6% and completed investment properties up 1.5%. Yields were broadly stable, as expected, and ERVs increased 0.9% on a like-for-like basis. As we flagged at the start of the year, retail remained under pressure so our residual non-core retail was down 18.0% in value. Our other strategic land and regeneration assets were up 1.5%, with upside from planning at one of our residential sites partly offset by our existing asset in Wythenshawe, which is currently valued as retail ahead of a potential mixed-use redevelopment longer term.

Looking forward, we expect future capital value growth in industrial and logistics to remain chiefly reliant on rental value growth and developments. With house price inflation offset by build cost inflation, we expect upside in residential land values to remain limited. Following the £177m of disposals last year our residual non-core retail is now £72m, or 5% of our portfolio. Of this, £3m has been sold, c. 20% is under offer and we are in active negotiations on the sale of a further c. 40%, but in the current market we expect values to continue to soften.

	Portfolio value	**Valuation movement**	**EPRA net initial yield(1)**	**Equivalent yield(1)**	**LFL ERV growth(1)**
	£m	**%**	**%**	**%**	**%**
Industrial and logistics:					
Industrial and logistics	503	4.0	4.9	6.9	0.9
Total	**503**	**4.0**	**4.9**	**6.9**	**0.9**
Housebuilding:					
St Modwen Homes	374	(0.1)			
Total	**374**	**(0.1)**			
Strategic land and regeneration:					
Residential land	247	5.5			
Retail-led regeneration	81	(5.8)	7.7	8.5	(3.9)
Other regeneration	124	0.6	6.1	7.1	4.0
Non-core retail	72	(18.0)	7.5	11.2	(7.8)
Non-core other	71	3.1	6.1	6.8	1.7
Total	**595**	**(1.3)**	**6.7**	**8.9**	**(3.8)**
Total portfolio	**1,472**	**1.0**	**5.6**	**7.6**	**(1.3)**

(1) On completed investment assets only, excluding current developments and land.

Operational performance

The annualised passing rent on our portfolio, which excludes £3.3m of contracted rent subject to rent-frees, stood at £42.4m as of the end of May 2019, up from £39.4m as of the end of November 2018 due to new lettings and an increase in like-for-like rental income of £1.0m. Including contracted rent subject to rent-frees on our recent developments, industrial and logistics rent now makes up well over half of our overall rental income.

Overall vacancy decreased from 18.9% at the end of 2018 to 17.2%. Around 40% of this vacancy relates to our recent industrial and logistics developments, most of which we completed during the first half of 2019 or shortly before the end of 2018. Around half of this space is currently under offer and we expect the remainder to be substantially let during the second half of 2019. Around a quarter of our vacant space continues to be deliberately held back for future development.

We signed 1.2m sq ft of new leases and lease renewals during the half year, generating £7.4m of annualised rental income. On average, re-lettings and renewals were agreed 3% above previous passing rent and in line with ERV. The average lease term to first break of our portfolio increased from 4.1 years to 4.3 years.

	Passing rent(1) £m	ERV £m	Vacancy %
Industrial and logistics:			
Industrial and logistics	20.9	30.9	18.5
Total	**20.9**	**30.9**	**18.5**
Housebuilding:			
St. Modwen Homes	–	–	–
Total	–	–	–
Strategic land and regeneration:			
Residential land	0.6	1.4	21.4
Retail-led regeneration	7.0	7.5	9.7
Other regeneration	5.2	5.4	1.8
Non-core retail	6.7	9.2	24.8
Non-core other	2.0	3.0	25.9
Total	**21.5**	**26.5**	**15.8**
Total portfolio	**42.4**	**57.4**	**17.2**

(1) Excluding £1.1m of annualised turnover rent at Trentham Gardens.

Industrial & Logistics

Development completions

During the first half of 2019 we invested £44m in industrial and logistics capex. We completed 0.3m sq ft of space, of which we plan to retain 97% with an associated ERV of £2.2m. We have already let 24% of this and a further 67% is currently under offer. With total development cost of £28m, these assets are expected to deliver a 7.8% yield on cost once fully let. The assets we retained from our 2018 pipeline are now 58% let with a further 7% under offer, up from 38% and 17% at the start of the year, and we expect most of the remaining space to be let during the second half of the year. In total, we agreed terms on £2.8m of development lettings since the start of 2019, including our recently completed 150,000 sq ft unit at Avonmouth, the entire 60,000 sq ft second phase at Doncaster to a high-end engineering firm and the entire 95,000 sq ft first phase at Lincoln, where one of the units was let to DHL and the other is currently under offer.

Current developments

Our committed pipeline currently stands at 1.6m sq ft, up from 1.5m sq ft at the start of the year, with total development cost of £142m (early 2019: £137m). We intend to retain 94% of this, with an associated ERV of £10.4m (early 2019: 87% and £9.2m), representing an expected yield on cost of 7.7%. Since the start of the year, we have committed amongst others to the next 108,000 sq ft phase at Doncaster across three units, the next two units at Lincoln covering 75,000 sq ft and the first three units at Gloucester totalling 176,000 sq ft. The expected completion of the first units at Chippenham and Gatwick has moved from November 2019 to early 2020 due to some additional preparation works required to open up these new sites.

Our committed pipeline is 80% focused on small to medium sized units, with an average size of c. 40,000 sq ft. This leaves it well positioned to benefit from the growing demand for last mile delivery and warehouse space near urban areas, whilst much of the increase in speculative supply in the wider market has been in mega box logistics units over 400,000 sq ft where we have no exposure. In total, we have terms agreed to lease 14% of the committed pipeline we plan to retain and we are seeing good interest in the remaining space.

Project	Size 000 sq ft	Units	Expected completion	Pre-let/ sold[(1)] %	Total dev cost £m	Current book value £m	Future capex £m	ERV £m	Yield on cost %
Avonmouth	69	2	H2 2019	–					
Avonmouth	65	2	H2 2020	–					
Burton Gateway	103	1	H2 2019	–					
Bury	99	12	H1 2020	–					
Doncaster	108	3	H1 2020	–					
Gloucester	176	3	H2 2019	–					
Liverpool	52	1	H2 2019	–					
Tamworth	89	3	H2 2019	–					
Tamworth	319	1	H1 2020	–					
Stoke	43	1	H1 2020	–					
Lincoln	75	2	H2 2020	–					
Chippenham	106	1	H1 2020	–					
Gatwick	100	1	H1 2020	–					
Worcester	95	3	H1 2020	–					
Industrial and logistics – to be retained	**1,499**	**36**		**–**	**136**	**39**	**97**	**10.4**	**7.7**
Bury	37	3	H1 2020	100					
Stoke	43	1	H1 2020	100					
Industrial and logistics – to be sold	**80**	**4**		**100**	**6**	**1**	**5**		
Longbridge – 3 Devon Way	21	1	H1 2020	100					
Other	**21**	**1**		**100**	**5**	**0**	**4**		
Total	**1,600**	**41**		**6**	**147**	**40**	**106**		

(1) Based on ERV for projects to be retained and total development cost for projects to be sold.

Future pipeline

Our total pipeline remains more than 15m sq ft, of which c. 60% has planning, with flexibility on the range of unit sizes we can develop. In addition to our committed pipeline, we have a further 8.0m sq ft of consented space in our future pipeline, which could deliver a further c. £50m of ERV. With future capex of £550-600m and total development cost including land we already own of £620-670m, this consented pipeline is expected to deliver a c. 9% yield on incremental capex and c. 8% yield on cost. Given the clear margin versus the c. 5% net yield on our residual non-core properties and land, recycling capital and reinvesting disposal proceeds is expected to drive significant growth in rental income and earnings. Moreover, the healthy margin versus current valuation yields is expected to deliver meaningful development upside. We will remain disciplined in our approach to bringing forward future developments but continue to aim to further grow our committed pipeline to c. 2m sq ft in the near future.

St. Modwen Homes

Development completions

Demand for high-quality new homes in the UK regions has remained robust. Reflecting this, we sold 411 homes during the first half of 2019, representing a 36% increase versus last year (2018: 302 units); well on track to meet our target to grow volumes by up to 25% this year. Quality and safety remain paramount in growing our business and our HBF customer satisfaction rating is currently tracking at more than 90%, equivalent to a 5* home builder status, whilst our accident frequency rate remains less than half the industry average.

Our private average sales price during the half year was down 5.7% to £267,000 (2018: £283,000), as the increase in like-for-like sales prices of 2.5% was offset by changes in the mix of units and sites. Our operating margin increased to 14.8% (2018: 14.6%), in line with our expectations. We are currently sales active on 23 outlets, up from 20 at the start of the year and our private sales rate was stable at 0.8 (2018: 0.8).

Operational performance metrics	**Six months to 31 May 2019**	**Six months to 31 May 2018**	**Change %**
Total units sold	411	302	36
Private units sold	359	238	51
Affordable units sold	52	64	(19)
Private sales rate	0.8	0.8	–
Private ASP (£k)	267	283	(6)
Affordable ASP (£k)	127	129	(2)
Operating margin (%)	14.8	14.6	0.2ppt

Current developments

Our recent trading activity has remained encouraging and our private order book is currently up 25% compared to this time last year. We plan to open a further four sales outlets in the remainder of the year and, assuming market conditions remain stable, we continue to expect volumes to grow by up to 25% this year to more than 1,000 units. We continue to expect margins to improve by c. 0.5ppt this year from the 14.4% in 2018.

Future pipeline

Our existing land bank provides us with clear visibility to maintain our target to grow volumes by up to 25% p.a. by 2021 and maintain a volume of c. 1,300-1,400 units p.a. in the medium to longer term, with potential growth beyond that. As land is transferred from the Group to St. Modwen Homes at market value, upside from house price inflation and planning gains is captured through revaluation gains elsewhere in the Group, which continues to reduce St. Modwen Homes' margin by an estimated c. 2-3ppt relative to housebuilders who hold their land at historic cost, yet we maintain our target to improve margins to c. 16-17% in the next few years due to an optimisation of site coverage, scale efficiencies and a range of other, smaller initiatives.

Strategic Land & Regeneration

Development completions

At Swansea Bay Campus we completed the latest phase of 411 student beds which we expect to sell in due course, as we did with the first phase, and in Uxbridge we completed and handed over the 207-unit PRS scheme we forward sold for £75m in early 2018.

We made good progress against our target to sell at least the same amount of residential land in 2019 as we did last year (Nov 2018: £53m). At Llanwern, the improvement to certain planning conditions we secured in during the period has unlocked an acceleration in the delivery of new homes across this major site over the coming years. Following the sale of 152 plots for £7m during the period, we have now agreed terms for the disposal of over 1,500 plots across Llanwern and our other major site in South Wales, Coed Darcy. Assuming both deals complete, the transfer of land would be phased over the coming years, but combined with the next phase for St. Modwen Homes, this would leave c. 40% of the plots at our two large South Wales sites completed, under construction or controlled by different house builders for near term development.

Current developments

The relocation of the market facilities at NCGM through our 50/50 JV with VINCI is ongoing, ahead of the release of 10 acres of residential development to the JV in the medium term. At Longbridge, we are now on site with the final 21,100 sq ft phase of our Devon Way office cluster, which is pre-let on a 15-year fixed term, and the site is currently seeing the delivery of 355 new homes by St. Modwen Homes and a third-party housebuilder.

Future pipeline

In terms of major regeneration projects, we have established an enhanced vision for our flagship project at Longbridge, which is c. 45% developed, and are now in discussions with the city council and relevant authorities to embed this as we bring forward future phases of development. At Swansea Bay Campus, which is c. 60% developed, we are in active discussions with the university about the next steps for this successful scheme. We also continue to progress our positive early-stage discussions with the council at Wythenshawe about a large-scale mixed-use redevelopment of our existing 1960's retail centre.

In residential land, we owned a land bank of c. 17,900 plots at the end of May (Nov 2018: 18,400). This included 7,600 plots for St. Modwen Homes, representing c. 7.5 years of land bank based on its current level of activity. The remainder is held by our Strategic Land & Regeneration business, either as strategic land which is still subject to planning (c. 3,100 plots), or land with planning which we continue to invest in as we prepare it for disposal to third-party housebuilders. The latter comprised c. 7,200 plots at May, of which the two potential South Wales deals above make up c. 20%. In addition, we control land via development agreements which could cater for a further c. 11,700 homes in the long term (Nov 2018: 11,800), around 40% of which is still subject to planning.

FINANCIAL REVIEW

Overview

Our financial performance for the half year shows the first signs of the improvement in returns and earnings we expect the delivery of our strategy to bring over the coming years and vindicates the disposal of the majority of our retail assets last year at a less than 1% discount to book value. Despite recognising an 18.0% write-down on our small amount of residual non-core retail, our NAV per share increased 1.3% to 476.4 pence (Nov 2018: 470.2 pence)[(1)] and EPRA NAV per share increased 1.8% to 492.5 pence (Nov 2018: 484.0 pence)[(1)]. Net profit increased by 11.1% to £23.1m (2018: £20.8m) resulting in an increase in basic EPS of 11.7% to 10.5 pence (2018: 9.4 pence). Despite the loss of £9.7m in net rental income due to last year's disposals and £1.0m of restructuring costs within administrative expenses, adjusted EPRA earnings increased 16.5% to £16.2m (2018: £13.9m) due to new lettings, lower interest costs and growth in housebuilding profits. As a result, adjusted EPRA EPS grew 15.9% to 7.3 pence (2018: 6.3 pence) and including the dividends paid during the period, our total accounting return increased to 2.2% (2018: 2.0%). As we set out at the start of the year, net borrowings increased due to the reinvestment of part of last year's disposal proceeds into our pipeline, but our see-through loan-to-value remains modest at 20.7% (Nov 2018: 16.9%).

Our dividend policy is aligned to cash profitability and we intend to pay a dividend equivalent to c. 50% of adjusted EPRA EPS per year, with the aim of providing a sustainable, progressive dividend for our shareholders. Reflecting this, we will pay an interim dividend of 3.6 pence per share, to be paid on 4 September 2019 to shareholders on the register as at 9 August 2019, marking an increase of 16.1% versus last year (2018: 3.1 pence).

(1) Following the adoption of IFRS 9 *Financial Instruments* during the six months ended 31 May 2019, the comparative values of NAV per share and EPRA NAV per share at 30 November 2018 have been reduced by 0.2 pence and 0.1 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model.

Presentation of financial information

Due to the number of significant joint venture arrangements, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. Reconciliations between all the statutory and non-statutory measures and the explanations as to why the non-statutory measures give valuable further insight into the Group's performance are given in notes 2 and 3 to the condensed Group financial statements. The Group has four material joint ventures; three of which are in partnership with VINCI, comprising the NCGM operation and joint ventures at Uxbridge and Mill Hill (the latter through The Inglis Consortium), both of which are engaged in the remediation and subsequent sale of land, and one is in partnership with Salhia, Key Property Investments (KPI), which owns a portfolio of principally income producing industrial assets.

During the period, the Group adopted three new accounting standards, being IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. The 2018 results have been restated for IFRS 9 and IFRS 15, but they have not been restated for IFRS 16 as it has been applied from 1 December 2018 using the modified retrospective approach outlined in the standard. These restatements have had limited impact on the condensed Group financial statements and there is no change to the summarised income statement presented below. Further detail is provided in the accounting policies note to the condensed Group financial statements.

We use adjusted EPRA earnings and adjusted EPRA EPS as key performance measures, which exclude non-cash valuation gains and losses. As our residential developments are built to sell, residential profits are cash-based and therefore included in this metric, but as our commercial developments are predominantly built to hold, commercial development profits are largely non-cash. As such, these are excluded from adjusted EPRA earnings, other than development fee income.

	Six months to 31 May 2019 £m(1)	Six months to 31 May 2018 £m(1)
Gross rental income	**25.0**	32.6
Property outgoings	**(5.1)**	(6.9)
Other net income	**0.7**	0.5
Net rental and other income	**20.6**	26.2
Housebuilding operating profit	**18.7**	12.7
Development fee income	**1.6**	1.4
Administrative expenses	**(16.7)**	(14.4)
Net interest costs	**(4.5)**	(8.9)
Taxation on adjusted EPRA earnings	**(3.5)**	(3.1)
Adjusted EPRA earnings	**16.2**	13.9
Property revaluation and development gains	**13.1**	18.5
Property disposal gains/(losses)	**0.2**	(4.9)
Net other finance costs	**(5.2)**	(5.5)
Taxation on other earnings	**(1.2)**	(1.2)
Less non-controlling interests	**0.2**	–
Profit attributable to owners of the Company	**23.3**	20.8
Basic earnings per share (pence)	**10.5**	9.4

(1) This table is presented on a proportionally consolidated basis, including the Group's share of profits and losses of joint ventures and associates in the income statement categories to which they relate, rather than on a statutory basis as one line representing the share of net losses of those joint ventures and associates.

Net rental and other income

As expected, last year's disposals reduced our net rental income during the first half of 2019 by £9.7m. This was partly offset by £3.1m income from retained developments and £1.0m like-for-like income growth, but overall the Group's share of net rental and other income decreased to £20.6m (2018: £26.2m). With development completions weighted towards the end of this year and further non-core asset disposals planned, we expect net rental income to be broadly stable in the second half, before growing over subsequent years.

Housebuilding operating profit

Our overall housebuilding operating profit increased 47.2% to £18.7m (2018: £12.7m). Reflecting its strong growth, St. Modwen Homes operating profit increased 36.9% to £15.2m (2018: £11.1m), whilst a change in sales mix in the Persimmon JV drove an increase in profits to £3.5m (2018: £1.6m). However, we do not expect the latter to be repeated in the second half of the year as sales activity in the JV is expected to slow. The JV is still anticipated to largely draw to a close by the end of 2020.

Administrative expenses

Administrative expenses for the first half of 2019 increased to £16.7m (2018: £14.4m), partly reflecting £1.0m of restructuring costs related to our organisational redesign during the period. Despite this increase in the first half of the year, the resulting cost savings in the second half mean we continue to expect overhead costs for 2019 as a whole to be broadly in line with 2018 and our portfolio repositioning to improve efficiency in the medium term.

Interest and other finance costs

Net interest costs for the half year fell to £4.5m (2018: £8.9m) on a see-through basis, principally due to a reduction in debt due to our disposals last year and the early redemption of our retail bond in November 2018. We capitalised £1.5m of interest costs on commercial developments during the period (2018: £0.5m). As we continue to reinvest in our pipeline, we expect net interest costs in the second half to increase slightly but remain well below last year's level for the full year.

Net other finance costs were £5.2m (2018: £5.5m). This includes a £1.9m charge for discount unwinds, principally on our share of the long-term commitment to deliver the NCGM project, and a £0.9m charge for the amortisation of arrangement fees in relation to our loan facilities. The final element of our other finance costs relates to the mark-to-market valuation of our derivatives, which is driven by the movement in swap rates and resulted in a £2.4m expense in the period.

Investment property revaluation, development and disposal gains/losses

All our investment properties are independently valued every six months by our external valuers, Cushman & Wakefield, who base their valuations upon open market transactions between a willing buyer and a willing seller at the balance sheet date. In accordance with accounting standards, valuation movements are reflected as gains or losses in the income statement. We also independently assess our work in progress for any impairment issues.

During the first half of 2019 our portfolio saw a net revaluation and development gain of £13.1m, compared to a £18.5m gain in the first six months of 2018. This reduction was chiefly driven by the write-down on our residual non-core retail assets, but the overall impact compared with the first six months of 2018 was offset by the fact that we recorded a £0.2m gain on property disposals during the period, compared to a £4.9m loss in the first half of last year.

Taxation and profit

Our total tax charge (including joint venture tax) for the half year was £4.7m (2018: £4.3m) resulting in a statutory net profit after tax of £23.1m (2018: £20.8m).

As a property group, tax and its treatment is often an integral part of transactions. The outcome of tax treatments is recognised by the Group to the extent that the outcome is reasonably certain. Overall, the Group effective tax rate for the half year of 17.4% was broadly stable (2018: 17.7%). As signalled previously, the effective tax rate is expected to remain at broadly similar levels, slightly below the standard rate of tax of 19%.

Balance sheet and net asset value

The net asset value attributable to shareholders of the Group increased to £1,058.1m (Nov 2018: £1,044.1m)(1) or 476.4 pence per share, which represents a 1.3% increase over the period (Nov 2018: 470.2 pence)(1). Combined with the final 2018 dividend of 4.0 pence per share paid during the half year, this reflects a total accounting return of 2.2% (2018: 2.0%). EPRA NAV per share increased by 1.8% to 492.5 pence (Nov 2018: 484.0 pence)(1).

	31 May 2019			30 Nov 2018
	Group	**Joint ventures and associates**	**Total[1]**	Total[1][2]
	£m	**£m**	**£m**	£m
Property portfolio	**1,375.0**	**96.7**	**1,471.7**	1,403.3
Other assets	**113.4**	**91.4**	**204.8**	198.3
Gross assets	**1,488.4**	**188.1**	**1,676.5**	1,601.6
Net borrowings	**(317.3)**	**12.4**	**(304.9)**	(236.9)
Lease liabilities	**(8.8)**	**(0.9)**	**(9.7)**	(3.9)
Other liabilities	**(187.2)**	**(110.9)**	**(298.1)**	(310.8)
Gross liabilities	**(513.3)**	**(99.4)**	**(612.7)**	(551.6)
Net assets	**975.1**	**88.7**	**1,063.8**	1,050.0
Non-controlling interests	**(5.7)**	**–**	**(5.7)**	(5.9)
Equity attributable to owners of the Company	**969.4**	**88.7**	**1,058.1**	1,044.1
NAV per share (pence)[1]			**476.4**	470.2
EPRA NAV per share (pence)[1]			**492.5**	484.0

(1) This table is presented on a proportionally consolidated basis, including the Group's share of assets and liabilities of joint ventures and associates in the balance sheet categories to which they relate, rather than on a statutory basis as one line representing the share of net assets of those joint ventures and associates.

(2) Following the adoption of IFRS 9 *Financial Instruments* during the six months ended 31 May 2019, the comparative values of NAV per share and EPRA NAV per share at 30 November 2018 have been reduced by 0.2 pence and 0.1 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model. This restatement reduced other assets, gross assets, net assets and equity attributable to owners of the Company at 30 November 2018 by £0.3m.

Net borrowings

In line with our expectations at the start of the year, net borrowings increased during the first half of 2019, following the substantial £151.3m reduction during 2018. Cash generated before new investment, tax and dividends during the period of £136.3m (2018: £256.4m) was more than offset by new investment of £196.9m (2018: £206.2m). As a result, see-through gross borrowings increased £35.7m during the half year to £357.2m (Nov 2018: £321.5m). See-through net borrowings increased by £68.0m to £304.9m (Nov 2018: £236.9m). This excludes £37.5m (representing our 50% share) held in a development account for the delivery of the NCGM project which continues to be held in a one-year deposit account and therefore does not qualify as cash in our net borrowings calculation.

Consequently, our see-through LTV increased to 20.7% (Nov 2018: 16.9%), or 18.2% including the £37.5m held on one-year deposit. Excluding residential investments, our see-through LTV increased to 35.8% (Nov 2018: 29.3%), or 31.4% including the £37.5m held on one-year deposit, which remains below our 40% target. We expect see-through net borrowings to increase during the second half of 2019 as we continue to reinvest part of the proceeds from our disposals during 2018 into our pipeline, but we continue to expect this to remain below 2017 year-end levels (Nov 2017: £388.2m).

See-through	31 May 2019(1)	30 Nov 2018(1)
Gross borrowings (£m)	**357.2**	321.5
Net borrowings (£m)	**304.9**	236.9
Loan-to-value(2) (%)	**20.7**	16.9
Loan-to-value (excluding residential)(2) (%)	**35.8**	29.3

(1) Proportionally consolidated, including the Group's share of joint ventures and associates.

(2) See-through loan-to-values are reconciled in note 2 to the condensed Group financial statements.

Financing

During the period, we drew down the £75m facility from the Homes England Home Building Fund we signed shortly before the end of 2018 and repaid our £100m convertible bond upon its scheduled maturity in March. We also extended the maturity of our small £30m KPI JV facility (£15m our share) from July 2019 to January 2021. Aside from this, we now have no further debt maturing until December 2023 and our average debt maturity increased to 4.7 years (Nov 2018: 4.5 years).

See-through	31 May 2019	30 Nov 2018
Available facilities (£m)	**565.0**	680.0
Average duration of facilities (years)	**4.7**	4.5
Weighted average interest rate(1) (%)	**3.5**	3.8
Percentage of gross borrowings fixed or hedged (%)	**56.9**	66.9

(1) The weighted average interest rate is calculated using current interest rates, commitment fees and hedging profile applied to the see-through gross borrowings at 31 May 2019, thereby assuming constant net borrowing levels for 2019.

Hedging and cost of debt

Our weighted average interest rate reduced slightly to 3.5% (Nov 2018: 3.8%) due to the drawdown of relatively cheaper borrowings. We aim to have predictable costs attached to our borrowings, so our policy is to hedge a significant portion of our interest rate risk. The proportion of borrowings which are fixed or hedged is 56.9% (Nov 2018: 66.9%) and we continue to manage our interest rate risk via a combination of caps and hedges.

Corporate funding covenants

Covenant compliance continues at all levels and across all metrics and we continue to operate with considerable headroom against all measures. Our portfolio could withstand an almost 40% fall in values before our tightest covenant would be breached.

Principal risks and uncertainties

The key risks which could have a material impact on the Group's performance, together with the corresponding mitigating actions, are set out on pages 56 to 64 of the annual report for the year ended 30 November 2018, which is available at www.stmodwen.co.uk.

These risks comprise changes in economic, political and market conditions, including in relation to Brexit, social and technological change, product and service delivery, customer and supply chain management, management of the portfolio and future pipeline, financial risk, people risk and management of health, safety and environment. These risks are expected to continue to remain relevant for the second half of the financial year and we continue to monitor and proactively manage our risks, as we are mindful of the risks to consumer and wider economic confidence, particularly in relation to the ongoing political uncertainty.

Mark Allan
Chief Executive

Rob Hudson
Chief Financial Officer

1 July 2019

CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 May 2019

	Notes	**Unaudited 31 May 2019 £m**	Unaudited 31 May 2018 £m (restated)(1)	Audited 30 Nov 2018 £m (restated)(1)
Revenue	1	**173.2**	213.7	436.2
Costs	1	**(129.5)**	(174.9)	(320.4)
Investment property disposal (losses)/gains		**(0.5)**	7.4	7.1
Investment property revaluation gains		**15.3**	12.8	19.2
Net loss of joint ventures and associates (post-tax)	5	**(0.7)**	(2.9)	(3.1)
Administrative expenses	1	**(22.2)**	(18.1)	(43.2)
Profit before interest and tax		**35.6**	38.0	95.8
Finance costs	6	**(8.9)**	(13.7)	(25.8)
Finance income	6	**1.4**	1.6	2.4
Profit before tax		**28.1**	25.9	72.4
Taxation	9a	**(5.0)**	(5.1)	(11.9)
Profit for the period		**23.1**	20.8	60.5
Attributable to:				
Owners of the Company		**23.3**	20.8	60.2
Non-controlling interests		**(0.2)**	–	0.3
Profit for the period		**23.1**	20.8	60.5

(1) Revenue and costs have been restated following the adoption of IFRS 15 *Revenue from Contracts with Customers* during the six months ended 31 May 2019, as set out in the condensed Group accounting policies note. The restatements have had no impact on profit for the period.

	Notes	**Unaudited 31 May 2019 Pence**	Unaudited 31 May 2018 Pence	Audited 30 Nov 2018 Pence
Basic earnings per share	7	**10.5**	9.4	27.1
Diluted earnings per share	7	**10.4**	8.8	25.5

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 May 2019

	Unaudited 31 May 2019 £m	Unaudited 31 May 2018 £m	Audited 30 Nov 2018 £m
Profit for the period	**23.1**	20.8	60.5
Items that will not be reclassified to profit and loss:			
Pension fund actuarial losses	**(0.1)**	–	–
Total comprehensive income for the period	**23.0**	20.8	60.5
Attributable to:			
Owners of the Company	**23.2**	20.8	60.2
Non-controlling interests	**(0.2)**	–	0.3
Total comprehensive income for the period	**23.0**	20.8	60.5

CONDENSED GROUP BALANCE SHEET
as at 31 May 2019

	Notes	**Unaudited 31 May 2019 £m**	Unaudited 31 May 2018 £m (restated)(1)	Audited 30 Nov 2018 £m (restated)(1)
Non-current assets				
Investment properties		**1,008.0**	979.2	939.3
Operating property, plant and equipment and intangibles		**25.7**	6.8	17.4
Investments in joint ventures and associates		**88.7**	90.8	89.1
Trade and other receivables		**3.5**	2.2	6.7
		1,125.9	1,079.0	1,052.5
Current assets				
Inventories		**370.0**	358.5	366.4
Trade and other receivables		**80.9**	89.0	89.9
Derivative financial instruments	8	**0.3**	0.9	0.9
Cash and cash equivalents		**32.7**	2.0	38.9
Assets held for sale		**–**	36.0	–
		483.9	486.4	496.1
Current liabilities				
Trade and other payables		**(137.7)**	(137.3)	(158.2)
Derivative financial instruments	8	**(3.1)**	–	(0.9)
Borrowings and lease liabilities		**(1.6)**	(100.1)	(100.2)
Current tax liabilities		**(0.5)**	(4.3)	(0.9)
		(142.9)	(241.7)	(260.2)
Non-current liabilities				
Trade and other payables		**(22.9)**	(17.0)	(5.7)
Borrowings and lease liabilities		**(357.2)**	(273.1)	(213.0)
Deferred tax		**(23.0)**	(17.2)	(19.7)
		(403.1)	(307.3)	(238.4)
Net assets		**1,063.8**	1,016.4	1,050.0
Capital and reserves				
Share capital		**22.2**	22.2	22.2
Share premium account		**102.8**	102.8	102.8
Retained earnings		**883.3**	836.7	869.5
Share incentive reserve		**4.7**	4.2	4.7
Own shares		**(1.1)**	(1.4)	(1.3)
Other reserves		**46.2**	46.2	46.2
Equity attributable to owners of the Company		**1,058.1**	1,010.7	1,044.1
Non-controlling interests		**5.7**	5.7	5.9
Total equity		**1,063.8**	1,016.4	1,050.0

(1) Current trade and other receivables and retained earnings have been restated following the adoption of IFRS 9 *Financial Instruments* during the six months ended 31 May 2019, as set out in the condensed Group accounting policies note.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 May 2019

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 1 December 2018 (restated)(1)	**22.2**	**102.8**	**869.5**	**4.7**	**(1.3)**	**46.2**	**1,044.1**	**5.9**	**1,050.0**
Profit for the period	**–**	**–**	**23.3**	**–**	**–**	**–**	**23.3**	**(0.2)**	**23.1**
Pension fund actuarial losses	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Total comprehensive income for the period	**–**	**–**	**23.2**	**–**	**–**	**–**	**23.2**	**(0.2)**	**23.0**
Share-based payments	**–**	**–**	**–**	**0.9**	**–**	**–**	**0.9**	**–**	**0.9**
Deferred tax on share-based payments	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**	**–**	**0.1**
Settlement of share-based payments	**–**	**–**	**(0.5)**	**(1.0)**	**0.2**	**–**	**(1.3)**	**–**	**(1.3)**
Dividends paid	**–**	**–**	**(8.9)**	**–**	**–**	**–**	**(8.9)**	**–**	**(8.9)**
Equity at 31 May 2019	**22.2**	**102.8**	**883.3**	**4.7**	**(1.1)**	**46.2**	**1,058.1**	**5.7**	**1,063.8**

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributed to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 1 December 2017 (restated)(1)	22.2	102.8	825.4	5.1	(1.7)	46.2	1,000.0	5.7	1,005.7
Profit and total comprehensive income for the period	–	–	20.8	–	–	–	20.8	–	20.8
Share-based payments	–	–	–	1.0	–	–	1.0	–	1.0
Deferred tax on share-based payments	–	–	–	(0.2)	–	–	(0.2)	–	(0.2)
Settlement of share-based payments	–	–	–	(1.7)	0.3	–	(1.4)	–	(1.4)
Dividends paid	–	–	(9.5)	–	–	–	(9.5)	–	(9.5)
Equity at 31 May 2018 (restated)(1)	22.2	102.8	836.7	4.2	(1.4)	46.2	1,010.7	5.7	1,016.4

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributed to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 1 December 2017 (restated)(1)	22.2	102.8	825.4	5.1	(1.7)	46.2	1,000.0	5.7	1,005.7
Profit and total comprehensive income for the year	–	–	60.2	–	–	–	60.2	0.3	60.5
Share-based payments	–	–	–	1.8	–	–	1.8	–	1.8
Deferred tax on share-based payments	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Settlement of share-based payments	–	–	0.3	(2.1)	0.4	–	(1.4)	–	(1.4)
Dividends paid	–	–	(16.4)	–	–	–	(16.4)	(0.1)	(16.5)
Equity at 30 November 2018 (restated)(1)	22.2	102.8	869.5	4.7	(1.3)	46.2	1,044.1	5.9	1,050.0

(1) Retained earnings have been restated following the adoption of IFRS 9 *Financial Instruments* during the six months ended 31 May 2019, as set out in the condensed Group accounting policies note.

Own shares represent the cost of 267,054 (31 May 2018: 360,983, 30 November 2018: 345,744) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 31 May 2019 was £1.2m (31 May 2018: £1.4m, 30 November 2018: £1.3m). The other reserves comprise a capital redemption reserve of £0.3m (31 May 2018: £0.3m, 30 November 2018: £0.3m) and the balance of net proceeds in excess of the nominal value of shares arising from an equity placing in 2013 of £45.9m (31 May 2018: £45.9m, 30 November 2018: £45.9m).

CONDENSED GROUP CASH FLOW STATEMENT

for the six months ended 31 May 2019

	Unaudited 31 May 2019 £m	Unaudited 31 May 2018 £m	Audited 30 Nov 2018 £m
Operating activities			
Profit before interest and tax	**35.6**	38.0	95.8
Net loss of joint ventures and associates (post-tax)	**0.7**	2.9	3.1
Investment property disposal losses/(gains)	**0.5**	(7.4)	(7.1)
Investment property revaluation gains	**(15.3)**	(12.8)	(19.2)
Depreciation and amortisation	**1.6**	0.4	1.0
Increase/(decrease) in net realisable value provisions	**2.9**	0.4	(0.4)
(Increase)/decrease in inventories	**(13.0)**	27.6	(21.9)
Decrease/(increase) in trade and other receivables	**12.2**	(19.5)	(29.1)
Decrease in trade and other payables	**(0.8)**	(33.8)	(27.0)
Share-based payments expense and settlement	**(0.3)**	(0.6)	0.4
Tax paid	**(2.1)**	(6.4)	(14.2)
Net cash inflow/(outflow) from operating activities	**22.0**	(11.2)	(18.6)
Investing activities			
Proceeds from investment property disposals	**15.5**	131.4	322.7
Investment property additions	**(65.1)**	(46.2)	(112.5)
Interest received	**0.7**	0.6	1.2
Capital injection into joint ventures and associates	**(0.3)**	(0.4)	(0.4)
Operating property, plant and equipment and intangibles additions	**(3.9)**	(2.1)	(6.3)
Dividends received from joint ventures and associates	**–**	26.3	27.8
Net cash (outflow)/inflow from investing activities	**(53.1)**	109.6	232.5
Financing activities			
Dividends paid	**(8.9)**	(9.5)	(16.4)
Dividends paid to non-controlling interests	**–**	–	(0.1)
Interest paid	**(5.7)**	(9.0)	(17.6)
Repayment of obligations under lease arrangements	**(0.5)**	(0.4)	(0.5)
Refinancing outflows	**–**	(11.7)	(16.6)
Borrowings drawn	**261.0**	423.0	612.0
Repayment of borrowings	**(221.0)**	(489.3)	(736.3)
Net cash inflow/(outflow) from financing activities	**24.9**	(96.9)	(175.5)
(Decrease)/increase in cash and cash equivalents	**(6.2)**	1.5	38.4
Cash and cash equivalents at start of period	**38.9**	0.5	0.5
Cash and cash equivalents at end of period	**32.7**	2.0	38.9

CONDENSED GROUP ACCOUNTING POLICIES

for the six months ended 31 May 2019

Basis of preparation

The annual financial statements of the St. Modwen Properties PLC group (the Group) are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), applied in accordance with the provisions of the Companies Act 2006. The condensed Group financial statements included in this half year results announcement have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The condensed Group financial statements have been prepared on the basis of the accounting policies and methods of computation as set out in the notes to the Group's annual financial statements for the year ended 30 November 2018, except as set out below.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 *Financial Instruments* in the six months ended 31 May 2019 to all financial instruments that had not been derecognised at 1 December 2018, replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

On adoption, the classification of all financial assets of the Group, excluding derivative financial assets, has changed from loans and receivables to amortised cost, but this has not had a quantitative impact on the financial statements as loans and receivables have previously, subsequent to initial recognition, been measured at amortised cost. This classification has been determined appropriate as all such financial assets are held to collect contractual cash flows, which consist only of payments of principal and, where relevant, interest on the principal outstanding. The classification of all other financial instruments has remained unchanged.

IFRS 9 introduces an expected credit loss model for measuring the impairment of financial assets, rather than an incurred loss model previously applied. The introduction of an expected credit loss model has resulted in the Group evaluating its provision against trade and other receivables using a probability-weighted approach of a range of possible outcomes on each class of financial asset, which differs from the previous approach of providing against estimated irrecoverable trade and other receivables past due. Credit losses are measured as the present value of the difference between the contractual cash flows due and the cash flows that the Group expects to receive. This has resulted in an additional £0.3m being provided, reducing both trade and other receivables and retained earnings by this amount, at each of 30 November 2017, 31 May 2018 and 30 November 2018. The comparative results presented in these condensed Group financial statements have been retrospectively restated in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This restatement has no impact on basic or diluted earnings per share in any of the comparative periods presented in these condensed Group financial statements.

The new hedging requirements of IFRS 9 are not applicable to the Group as the Group does not currently hedge account and does not currently intend to designate any hedging instruments in a hedging relationship with hedged items.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* in the six months ended 31 May 2019 with effect from 1 December 2018. This standard replaces a number of existing revenue standards and interpretations (principally IAS 18 *Revenue* and IAS 11 *Construction Contracts*) and introduces a five-step, principles-based, model for the recognition of revenue. The Group has chosen to apply IFRS 15 retrospectively to each prior reporting period presented, taking the practical expedient for not restating contracts that begin and end within the same reporting period. The Group does not believe that this practical expedient has any significant effect.

The new standard does not apply to the rental income revenue stream, which is accounted for under IFRS 16 Leases, but does apply to the remainder of the Group's revenue streams. The Group has reviewed all its revenue streams and the disaggregation of the Group's revenue is disclosed in note 1. Furthermore, the Group has updated its revenue accounting policies to reflect the adoption of IFRS 15, which include a description of the typical performance obligations of each of the significant revenue streams.

The only quantitative impact arising from the Group's existing contracts with customers relates to the recognition of revenue on the sale of part-exchange properties. Revenue was previously recognised as a reduction in housebuilding cost of sales as the purchase and subsequent sale of part-exchange properties is considered an integral part of the sale of the associated St. Modwen Homes unit. However, under IFRS 15, as the sale of a part-exchange property is a distinct contract with a separate customer, the proceeds are now recognised as revenue. This has no impact on the overall profit, cash flow or taxation of St. Modwen Homes, but alters the presentation of its results. Accordingly, the condensed Group income statement for the year ended 30 November 2018 has been restated to reflect an additional £3.2m of revenue and an equivalent £3.2m of costs being recognised and the condensed Group income statement for the six months ended 31 May 2018 has been restated to reflect an additional £1.8m of revenue and an equivalent £1.8m of costs being recognised.

The Group considered the potential impact on adopting IFRS 15 of unbundling contracts due to an assessment of the performance obligations to be delivered to customers. The assessment varies depending on the terms of the specific contracts entered into by the Group. However, the Group's assessment concluded that this impact was immaterial for contracts in progress at the date of implementation and therefore no transitional adjustment to equity has been required.

The accounting policies for revenue, set out below, have been updated to reflect the Group's application of IFRS 15 on its different revenue streams. In each case below, revenue is recognised at the transaction price, which is the amount of consideration that the Group expects to be entitled to, excluding VAT and other sales taxes or duties. Any non-cash consideration is measured at fair value and any deferred consideration is measured at present value, unless the deferral is for a period of one year or less, in which case no adjustment is made to the consideration. Revenue is recognised when performance obligations are satisfied by transferring a promised good or service to a customer. The specific performance obligations identified for each of the Group's significant revenue streams (other than rental income, which is accounted for under IFRS 16 *Leases* and for which there is no change) are set out below.

Sale of property held in inventory
This includes the sale of completed units developed by St. Modwen Homes, the sale of part-exchange properties within St. Modwen Homes (disclosed within other housebuilding activities), non-housebuilding inventory development income and the disposal of other property inventory.

Revenue is recognised on legal completion of the sale of the property. Such disposals are typically for a fixed cash consideration received on completion, although part of this consideration may be on deferred terms or, in the case of housebuilding, in the form of a part-exchange property that is measured at fair value.

Construction contracts
This includes housebuilding contract income and pre-sold property construction contract income where the Group is providing construction services, resulting in a completed developed property, on land that is not owned by the Group during the development.

Revenue is recognised over time, with reference to the stage of completion of the contract. The stage of completion is determined using input methods that reflect the development work certified as a proportion of the total expected development cost as the amount of costs incurred is considered proportionate to the satisfaction of the performance obligation. These contracts are typically for a fixed cash consideration received in stage payments over the duration of the contract that broadly, but not exactly, match the satisfaction of the performance obligation over time.

Development fee income
This is for income earned on development agreements with third parties.

Revenue is recognised over time, with reference to the stage of completion of the agreement. The stage of completion is determined using input methods that reflect the costs incurred at each reporting period as a proportion of the total expected cost to fulfil the agreement as this cost is considered proportionate to the satisfaction of performance obligations. These agreements are typically for a variable consideration, comprising one or both of fee income at a fixed percentage of costs incurred and profit share arrangements for the residual amounts. Payments are often not received until the completion and disposal of individual phases and therefore contract assets arise in the early stages that reduce over time and may become contract liabilities if the disposal of these phases is accelerated. Variable consideration is estimated at each period end as the most-likely outcome, but only to the extent that it is highly probable that a significant reversal in the amount recognised will not subsequently occur.

IFRS 16 Leases

IFRS 16 *Leases* is not mandatorily effective for the Group until the year ending 30 November 2020, but the Group has elected to early adopt the standard at the same time as IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* in the six months ended 31 May 2019 with effect from 1 December 2018. The new standard removes the existing distinction between finance leases and operating leases and requires all lessee contracts, with exemptions taken for short-term and low-value leases, to be recognised in the Group balance sheet as a right-of-use asset, depreciated on a straight-line basis, and a lease liability recognised at amortised cost, amortised using the effective interest method. There is no impact on the Group's lessor accounting.

The Group has applied the modified retrospective approach under IFRS 16, whereby the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at 1 December 2018. In doing so, the Group has elected to measure the right-of-use asset at an amount equal to the lease liability recognised on transition. Therefore, there is no impact on retained earnings on adoption and comparative information has not been restated.

The Group has recognised right-of-use assets and corresponding lease liabilities at 1 December 2018 of £6.0m in respect of its leases of certain office premises, motor vehicles and office equipment that were previously accounted for as operating leases. This lease liability reflects a weighted average incremental borrowing rate of 6.4%. The lease liability recognised on transition is higher than the operating lease commitments disclosed at 30 November 2018 discounted at the incremental borrowing rate due to the treatment of break clauses within the leases of buildings. The previous operating lease commitment disclosure only included non-cancellable obligations, whereas under IFRS 16, the Group has assessed whether for each lease whether it is reasonably certain that these break clauses will not be exercised and therefore certain buildings have a longer lease term under IFRS 16 than was assumed for the previously disclosed operating lease commitment disclosure. At 31 May 2019, the carrying value of right-of-use assets was £5.7m, with the corresponding lease liabilities held at £5.8m.

As a result of the adoption of IFRS 16, the accounting policy for leases has been updated as follows where the Group is a lessee. At the commencement of a lease with a term in excess of 12 months, a right-of use asset is recognised at cost, comprising the initial measurement of the lease liability, adjusted for any lease payments made before the commencement date and any lease incentives, together with any initial direct costs incurred and an estimate of any retirement obligations. The right-of-use asset is recognised within operating property, plant and equipment and intangibles. A lease liability is also recognised, measured at the present value of the future lease payments, discounted using either the interest rate implicit in the lease or, if that is not readily determinable, the Group's incremental borrowing rate for such assets. Subsequently, the right-of-use asset is depreciated over the shorter of the estimated useful life of the asset and the lease term, with the asset held at cost less accumulated depreciation and any accumulated impairment losses. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. The lease liability is subsequently increased by the unwinding of the discount and decreased by any payments made. For interests in leasehold investment properties, the right-of-use asset is not depreciated, but is revalued in accordance with the accounting policy for investment properties at an amount equal to the lease liability.

In addition to the standards outlined above, the Group has also adopted the below interpretations, amendments and clarifications in the six months ended 31 May 2019, which have had no material impact on the condensed Group financial statements.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*

The financial information for the year ended 30 November 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, but is derived from those accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor 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 sections 498(2) or (3) of the Companies Act 2006.

All results are derived from continuing activities, which the directors do not consider to be seasonal.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the half year results. The directors have considered these factors and reviewed the financial position of the Group, including its joint ventures and associates.

The review included an assessment of future funding requirements based on cash flow forecasts extending to 30 November 2020, valuation projections and the ability of the Group to meet covenants on existing borrowing facilities. The directors were satisfied that the forecasts and projections were based on realistic assumptions and that the sensitivities applied in reviewing downside scenarios were appropriate.

Having refinanced all our bank debt facilities in December 2017 and agreed an additional facility with Homes England in October 2018, no further refinancing action is required to support the strategic growth of the business. As a result, the directors are satisfied that the Group will have sufficient ongoing facilities available to meet its financing requirements. Based on their assessment, the directors believe the Group has adequate available resources to fund its operations for the foreseeable future and so determine that it remains appropriate for the condensed Group financial statements to be prepared on a going concern basis.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS
for the six months ended 31 May 2019

1. Detailed income statement

	Six months ended 31 May 2019 (unaudited)				
	Revenue £m	Costs £m	Statutory profit/(loss) £m	Reallocation of joint ventures and associates £m	Total £m
Rental income	22.5	(4.5)	18.0	1.9	19.9
Other activities	1.6	(0.9)	0.7	–	0.7
Net rental and other income	**24.1**	**(5.4)**	**18.7**	**1.9**	**20.6**
Housebuilding developments	110.1	(86.2)	23.9	–	23.9
Housebuilding construction contracts	0.6	(0.5)	0.1	–	0.1
Other housebuilding activities	2.4	(2.0)	0.4	–	0.4
Housebuilding development profits	**113.1**	**(88.7)**	**24.4**	**–**	**24.4**
Non-housebuilding inventory developments	0.9	(1.1)	(0.2)	1.5	1.3
Pre-sold property construction contracts	24.2	(23.2)	1.0	–	1.0
Property development gains	**25.1**	**(24.3)**	**0.8**	**1.5**	**2.3**
Inventory disposal gains	2.2	(1.1)	1.1	–	1.1
Investment property disposal losses	–	–	(0.5)	(0.4)	(0.9)
Property disposal gains/(losses)	**2.2**	**(1.1)**	**0.6**	**(0.4)**	**0.2**
Net realisable value provisions	–	(2.9)	(2.9)	–	(2.9)
Investment property revaluation gains/(losses)	–	–	15.3	(1.6)	13.7
Property valuation gains/(losses)	**–**	**(2.9)**	**12.4**	**(1.6)**	**10.8**
Development fee income	8.7	(7.1)	1.6	–	1.6
Total	**173.2**	**(129.5)**			
Housebuilding administrative expenses			(5.7)	–	(5.7)
Non-housebuilding administrative expenses			(16.5)	(0.2)	(16.7)
Administrative expenses			**(22.2)**	**(0.2)**	**(22.4)**
Net loss of joint ventures and associates (post-tax)			(0.7)	0.7	–
Profit before interest and tax			**35.6**	**1.9**	**37.5**
Interest costs			(5.2)	(1.1)	(6.3)
Other finance costs			(3.7)	(1.9)	(5.6)
Finance costs			**(8.9)**	**(3.0)**	**(11.9)**
Interest income			1.2	0.6	1.8
Other finance income			0.2	0.2	0.4
Finance income			**1.4**	**0.8**	**2.2**
Profit before tax			**28.1**	**(0.3)**	**27.8**
Taxation			(5.0)	0.3	(4.7)
Profit for the year			**23.1**	**–**	**23.1**

	Six months ended 31 May 2018 (unaudited)				
	Revenue £m (restated)	Costs £m (restated)	Statutory profit/(loss) £m	Reallocation of joint ventures and associates £m	Total £m
Rental income	29.5	(6.6)	22.9	2.8	25.7
Other activities	1.5	(1.0)	0.5	–	0.5
Net rental and other income	31.0	(7.6)	23.4	2.8	26.2
Housebuilding developments	84.9	(68.4)	16.5	–	16.5
Other housebuilding activities	1.8	(1.8)	–	–	–
Housebuilding development profits	86.7	(70.2)	16.5	–	16.5
Non-housebuilding inventory developments	25.1	(20.4)	4.7	–	4.7
Pre-sold property construction contracts	41.4	(36.6)	4.8	–	4.8
Property development gains	66.5	(57.0)	9.5	–	9.5
Inventory disposal losses	23.2	(34.8)	(11.6)	–	(11.6)
Investment property disposal gains/(losses)	–	–	7.4	(0.7)	6.7
Property disposal losses	23.2	(34.8)	(4.2)	(0.7)	(4.9)
Net realisable value provisions	–	(0.4)	(0.4)	–	(0.4)
Investment property revaluation gains/(losses)	–	–	12.8	(3.4)	9.4
Property valuation gains/(losses)	–	(0.4)	12.4	(3.4)	9.0
Development fee income	6.3	(4.9)	1.4	–	1.4
Total	213.7	(174.9)			
Housebuilding administrative expenses			(3.8)	–	(3.8)
Non-housebuilding administrative expenses			(14.3)	(0.1)	(14.4)
Administrative expenses			(18.1)	(0.1)	(18.2)
Net loss of joint ventures and associates (post-tax)			(2.9)	2.9	–
Profit before interest and tax			38.0	1.5	39.5
Interest costs			(9.0)	(1.6)	(10.6)
Other finance costs			(4.7)	(1.8)	(6.5)
Finance costs			(13.7)	(3.4)	(17.1)
Interest income			1.0	0.7	1.7
Other finance income			0.6	0.4	1.0
Finance income			1.6	1.1	2.7
Profit before tax			25.9	(0.8)	25.1
Taxation			(5.1)	0.8	(4.3)
Profit for the year			20.8	–	20.8

	Year ended 30 November 2018 (audited)				
	Revenue £m (restated)	Costs £m (restated)	Statutory profit/(loss) £m	Reallocation of joint ventures and associates £m	Total £m
Rental income	53.5	(12.1)	41.4	5.4	46.8
Other activities	4.6	(2.4)	2.2	–	2.2
Net rental and other income	58.1	(14.5)	43.6	5.4	49.0
Housebuilding developments	227.8	(183.1)	44.7	–	44.7
Other housebuilding activities	3.2	(3.2)	–	–	–
Housebuilding development profits	231.0	(186.3)	44.7	–	44.7
Non-housebuilding inventory developments	40.4	(10.2)	30.2	1.3	31.5
Pre-sold property construction contracts	68.0	(62.5)	5.5	–	5.5
Property development gains	108.4	(72.7)	35.7	1.3	37.0
Inventory disposal losses	23.2	(35.2)	(12.0)	–	(12.0)
Investment property disposal gains/(losses)	–	–	7.1	(2.2)	4.9
Property disposal gains/(losses)	23.2	(35.2)	(4.9)	(2.2)	(7.1)
Net realisable value provisions	–	0.4	0.4	–	0.4
Investment property revaluation gains/(losses)	–	–	19.2	(8.2)	11.0
Property valuation gains/(losses)	–	0.4	19.6	(8.2)	11.4
Development fee income	15.5	(12.1)	3.4	–	3.4
Total	436.2	(320.4)			
Housebuilding administrative expenses			(10.8)	–	(10.8)
Non-housebuilding administrative expenses			(32.4)	(0.1)	(32.5)
Administrative expenses			(43.2)	(0.1)	(43.3)
Credit from increased discount of market liability			–	4.7	4.7
Net loss of joint ventures and associates (post-tax)			(3.1)	3.1	–
Profit before interest and tax			95.8	4.0	99.8
Interest costs			(15.6)	(2.8)	(18.4)
Other finance costs			(10.2)	(3.5)	(13.7)
Finance costs			(25.8)	(6.3)	(32.1)
Interest income			2.0	1.8	3.8
Other finance income			0.4	0.6	1.0
Finance income			2.4	2.4	4.8
Profit before tax			72.4	0.1	72.5
Taxation			(11.9)	(0.1)	(12.0)
Profit for the year			60.5	–	60.5

All revenues in the table above are derived from continuing operations exclusively in the UK.

Housebuilding operating profit is derived from the above table as follows:

	Unaudited 31 May 2019 £m	Unaudited 31 May 2018 £m	Audited 30 Nov 2018 £m
Housebuilding development profits	**24.4**	16.5	44.7
Housebuilding administrative expenses	**(5.7)**	(3.8)	(10.8)
Housebuilding operating profit	**18.7**	12.7	33.9

2. Non-statutory information

The purpose of this note is to explain, analyse and reconcile a number of non-statutory financial performance and financial position metrics, which are used extensively by the Group to monitor its performance. These metrics reflect the way in which the Group is run, that the Group is in the real estate sector, and in particular that the Group reviews and reports performance of its joint ventures and associates in the same way as it would if they were subsidiaries. This means that proportionally consolidated measures (often referred to as see-through in the half year results) are particularly relevant, whilst also having the benefit of removing the taxation effects on equity accounted entities from the statutory profit before tax figure. A number of these measures are explained below, together with the EPRA-based measures that are discussed in note 3.

a. Income statement

The non-statutory measure of adjusted EPRA earnings, which includes the Group's share of joint ventures and associates, is calculated as set out below, with the reconciliation of the individual line items to the statutory Group income statement detailed in note 1:

	Six months ended 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Gross rental income	**22.5**	**2.5**	**25.0**
Property outgoings	**(4.5)**	**(0.6)**	**(5.1)**
Other net income	**0.7**	**–**	**0.7**
Net rental and other income	**18.7**	**1.9**	**20.6**
Housebuilding operating profit	**18.7**	**–**	**18.7**
Development fee income	**1.6**	**–**	**1.6**
Administrative expenses	**(16.5)**	**(0.2)**	**(16.7)**
Interest costs	**(5.2)**	**(1.1)**	**(6.3)**
Interest income	**1.2**	**0.6**	**1.8**
Taxation on adjusted EPRA earnings	**(3.3)**	**(0.2)**	**(3.5)**
Adjusted EPRA earnings	**15.2**	**1.0**	**16.2**
Property revaluation gains/(losses)	**12.4**	**(1.6)**	**10.8**
Property development gains	**0.8**	**1.5**	**2.3**
Property disposal gains/(losses)	**0.6**	**(0.4)**	**0.2**
Other finance costs	**(3.7)**	**(1.9)**	**(5.6)**
Other finance income	**0.2**	**0.2**	**0.4**
Taxation on other earnings	**(1.7)**	**0.5**	**(1.2)**
Less non-controlling interests on other earnings	**0.2**	**–**	**0.2**
Profit for the period attributable to owners of the Company	**24.0**	**(0.7)**	**23.3**

	Six months ended 31 May 2018 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Gross rental income	29.5	3.1	32.6
Property outgoings	(6.6)	(0.3)	(6.9)
Other net income	0.5	–	0.5
Net rental and other income	23.4	2.8	26.2
Housebuilding operating profit	12.7	–	12.7
Development fee income	1.4	–	1.4
Administrative expenses	(14.3)	(0.1)	(14.4)
Interest costs	(9.0)	(1.6)	(10.6)
Interest income	1.0	0.7	1.7
Taxation on adjusted EPRA earnings	(2.8)	(0.3)	(3.1)
Adjusted EPRA earnings	12.4	1.5	13.9
Property revaluation gains/(losses)	12.4	(3.4)	9.0
Property development gains	9.5	–	9.5
Property disposal losses	(4.2)	(0.7)	(4.9)
Other finance costs	(4.7)	(1.8)	(6.5)
Other finance income	0.6	0.4	1.0
Taxation on other earnings	(2.3)	1.1	(1.2)
Profit for the period attributable to owners of the Company	23.7	(2.9)	20.8

	Year ended 30 November 2018 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Gross rental income	53.5	6.2	59.7
Property outgoings	(12.1)	(0.8)	(12.9)
Other net income	2.2	–	2.2
Net rental and other income	43.6	5.4	49.0
Housebuilding operating profit	33.9	–	33.9
Development fee income	3.4	–	3.4
Administrative expenses	(32.4)	(0.1)	(32.5)
Interest costs	(15.6)	(2.8)	(18.4)
Interest income	2.0	1.8	3.8
Taxation on adjusted EPRA earnings	(6.2)	(1.0)	(7.2)
Less non-controlling interests on adjusted EPRA earnings	(0.3)	–	(0.3)
Adjusted EPRA earnings	28.4	3.3	31.7
Property revaluation gains/(losses)	19.6	(8.2)	11.4
Property development gains	35.7	1.3	37.0
Property disposal losses	(4.9)	(2.2)	(7.1)
Credit from increased discount of market liability	–	4.7	4.7
Other finance costs	(10.2)	(3.5)	(13.7)
Other finance income	0.4	0.6	1.0
Taxation on other earnings	(5.7)	0.9	(4.8)
Profit for the period attributable to owners of the Company	63.3	(3.1)	60.2

b. Balance sheet

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

	As at 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Property portfolio	**1,375.0**	**96.7**	**1,471.7**
Other assets	**113.4**	**91.4**	**204.8**
Gross assets	**1,488.4**	**188.1**	**1,676.5**
Net borrowings	**(317.3)**	**12.4**	**(304.9)**
Lease liabilities	**(8.8)**	**(0.9)**	**(9.7)**
Other liabilities	**(187.2)**	**(110.9)**	**(298.1)**
Gross liabilities	**(513.3)**	**(99.4)**	**(612.7)**
Net assets	**975.1**	**88.7**	**1,063.8**
Non-controlling interests	**(5.7)**	**–**	**(5.7)**
Equity attributable to owners of the Company	**969.4**	**88.7**	**1,058.1**

	As at 31 May 2018 (unaudited)		
	Group £m (restated)	Joint ventures and associates £m	Total £m (restated)
Property portfolio	1,368.5	118.9	1,487.4
Other assets	104.1	96.4	200.5
Gross assets	1,472.6	215.3	1,687.9
Net borrowings	(366.0)	6.4	(359.6)
Lease liabilities	(5.2)	(0.9)	(6.1)
Other liabilities	(175.8)	(130.0)	(305.8)
Gross liabilities	(547.0)	(124.5)	(671.5)
Net assets	925.6	90.8	1,016.4
Non-controlling interests	(5.7)	–	(5.7)
Equity attributable to owners of the Company	919.9	90.8	1,010.7

	As at 30 November 2018 (audited)		
	Group £m (restated)	Joint ventures and associates £m	Total £m (restated)
Property portfolio	1,302.6	100.7	1,403.3
Other assets	118.0	80.3	198.3
Gross assets	1,420.6	181.0	1,601.6
Net borrowings	(271.1)	34.2	(236.9)
Lease liabilities	(3.0)	(0.9)	(3.9)
Other liabilities	(185.6)	(125.2)	(310.8)
Gross liabilities	(459.7)	(91.9)	(551.6)
Net assets	960.9	89.1	1,050.0
Non-controlling interests	(5.9)	–	(5.9)
Equity attributable to owners of the Company	955.0	89.1	1,044.1

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

	As at 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Investment properties	**1,008.0**	**87.4**	**1,095.4**
Less assets held under leases not subject to revaluation	**(3.0)**	**(0.9)**	**(3.9)**
Inventories	**370.0**	**10.2**	**380.2**
Property portfolio	**1,375.0**	**96.7**	**1,471.7**

	As at 31 May 2018 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Investment properties	979.2	108.8	1,088.0
Less assets held under leases not subject to revaluation	(5.2)	(0.9)	(6.1)
Assets held for sale	36.0	–	36.0
Inventories	358.5	11.0	369.5
Property portfolio	1,368.5	118.9	1,487.4

	As at 30 November 2018 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Investment properties	939.3	92.0	1,031.3
Less assets held under leases not subject to revaluation	(3.1)	(0.9)	(4.0)
Inventories	366.4	9.6	376.0
Property portfolio	1,302.6	100.7	1,403.3

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

	As at 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Industrial and logistics	**462.4**	**41.0**	**503.4**
St. Modwen Homes	**370.4**	**3.3**	**373.7**
Residential land	222.2	24.4	246.6
Retail-led regeneration	80.9	–	80.9
Other regeneration	115.0	8.5	123.5
Non-core retail	59.9	12.5	72.4
Non-core other	64.2	7.0	71.2
Strategic land and regeneration	**542.2**	**52.4**	**594.6**
Property portfolio	**1,375.0**	**96.7**	**1,471.7**

	As at 31 May 2018 (unaudited) Group £m	Joint ventures and associates £m	Total £m
Industrial and logistics	371.3	23.6	394.9
St. Modwen Homes	336.4	26.5	362.9
Residential land	173.6	22.8	196.4
Retail-led regeneration	86.6	–	86.6
Other regeneration	43.6	7.9	51.5
Non-core retail	200.7	15.4	216.1
Non-core other	156.3	22.7	179.0
Strategic land and regeneration	660.8	68.8	729.6
Property portfolio	1,368.5	118.9	1,487.4

	As at 30 November 2018 (audited) Group £m	Joint ventures and associates £m	Total £m
Industrial and logistics	437.6	23.1	460.7
St. Modwen Homes	371.4	19.0	390.4
Residential land	182.3	23.4	205.7
Retail-led regeneration	85.3	–	85.3
Other regeneration	72.7	7.9	80.6
Non-core retail	73.9	13.9	87.8
Non-core other	79.4	13.4	92.8
Strategic land and regeneration	493.6	58.6	552.2
Property portfolio	1,302.6	100.7	1,403.3

d. Total accounting return

The Group's shareholders measure their returns in terms of both the Group's growth and the dividend return and total accounting return combines these two items. Whilst this is often measured by Total Shareholder Return which combines share price growth and dividend return, in the real estate sector, it is also insightful to consider net asset growth, which therefore directly reflects the most recent valuation of assets. Total accounting return is calculated as set out below:

	Unaudited 31 May 2019 Pence per share	Unaudited 31 May 2018 Pence per share (restated)	Audited 30 Nov 2018 Pence per share (restated)
Net asset value per share at end of year (note 3)	**476.4**	455.2	470.2
Less net asset value per share at start of year (note 3)	**(470.2)**	(450.7)	(450.7)
Increase in net asset value per share	**6.2**	4.5	19.5
Dividend paid per share	**4.0**	4.3	7.4
Total accounting return per share	**10.2**	8.8	26.9
Total accounting return	**2.2%**	2.0%	6.0%

e. Movements in net borrowings and net debt

The movements in net borrowings and net debt are set out below:

	As at 31 May 2019 (unaudited) Group £m	**Joint ventures and associates £m**	**Total £m**
Movement in cash and cash equivalents	**(6.2)**	**(26.1)**	**(32.3)**
Borrowings drawn	**(261.0)**	**(0.2)**	**(261.2)**
Repayment of borrowings	**221.0**	**4.5**	**225.5**
Increase in net borrowings	**(46.2)**	**(21.8)**	**(68.0)**
Fair value movement on convertible bonds	**0.2**	**–**	**0.2**
Movement in lease liabilities	**(5.8)**	**–**	**(5.8)**
Increase in net debt	**(51.8)**	**(21.8)**	**(73.6)**

	As at 31 May 2018 (unaudited) Group £m	Joint ventures and associates £m	Total £m
Movement in cash and cash equivalents	1.5	(43.5)	(42.0)
Borrowings drawn	(423.0)	(7.5)	(430.5)
Repayment of borrowings	489.3	11.8	501.1
Decrease/(increase) in net borrowings	67.8	(39.2)	28.6
Fair value movement on convertible bonds	0.6	–	0.6
Movement in lease liabilities	51.8	–	51.8
Decrease/(increase) in net debt	120.2	(39.2)	81.0

	As at 30 November 2018 (audited) Group £m	Joint ventures and associates £m	Total £m
Movement in cash and cash equivalents	38.4	(28.9)	9.5
Borrowings drawn	(612.0)	(15.0)	(627.0)
Repayment of borrowings	736.3	32.5	768.8
Decrease/(increase) in net borrowings	162.7	(11.4)	151.3
Fair value movement on convertible bonds	(0.4)	–	(0.4)
Movement in lease liabilities	2.1	–	2.1
Decrease/(increase) in net debt	164.4	(11.4)	153.0

f. Net borrowings and net debt

Net borrowings and net debt are calculated as set out below:

	As at 31 May 2019 (unaudited) Group £m	**Joint ventures and associates £m**	**Total £m**
Cash and cash equivalents	**32.7**	**19.6**	**52.3**
Bank overdraft	**–**	**(0.2)**	**(0.2)**
Borrowings due after more than one year	**(350.0)**	**(7.0)**	**(357.0)**
Net borrowings	**(317.3)**	**12.4**	**(304.9)**
Lease liabilities due within one year	**(1.6)**	**–**	**(1.6)**
Lease liabilities due after more than one year	**(7.2)**	**(0.9)**	**(8.1)**
Net debt	**(326.1)**	**11.5**	**(314.6)**

	As at 31 May 2018 (unaudited) Group £m	Joint ventures and associates £m	Total £m
Cash and cash equivalents	2.0	31.1	33.1
Bank overdraft	–	(3.1)	(3.1)
Borrowings due within one year	(100.0)	–	(100.0)
Borrowings due after more than one year	(268.0)	(21.6)	(289.6)
Net borrowings	(366.0)	6.4	(359.6)
Lease liabilities due within one year	(0.1)	–	(0.1)
Lease liabilities due after more than one year	(5.1)	(0.9)	(6.0)
Net debt	(371.2)	5.5	(365.7)

	As at 30 November 2018 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Cash and cash equivalents	38.9	45.7	84.6
Borrowings due within one year	(100.2)	–	(100.2)
Borrowings due after more than one year	(210.0)	(11.5)	(221.5)
Adjustment to restate convertible bond at book value	0.2	–	0.2
Net borrowings	(271.1)	34.2	(236.9)
Reversal of adjustment to restate convertible bond at book value	(0.2)	–	(0.2)
Lease liabilities due after more than one year	(3.0)	(0.9)	(3.9)
Net debt	(274.3)	33.3	(241.0)

g. Gearing and loan-to-value

The Group's capacity to borrow is primarily linked to the value of the property portfolio excluding assets held under leases. Accordingly, both adjusted gearing and see-through loan-to-value are calculated using the comparable measure of net borrowings and see-through net borrowings respectively. Reflecting that residential assets are less attractive for security purposes, we also disclose see-through loan-to-value (excluding residential) using the comparable measure of see-through net borrowings. These terms are defined as follows:

Net borrowings: Total borrowings (at amortised cost and excluding lease liabilities and fair value movements on the Group's convertible bond) less cash and cash equivalents.

See-through net borrowings: Total borrowings (at amortised cost and excluding lease liabilities and fair value movements on the Group's convertible bond) less cash and cash equivalents (including the Group's share of its joint ventures and associates). This includes the development account beneficially owned by one of our joint ventures VSM (NGCM) Limited, held for the purpose of funding the establishment of a market at Nine Elms, which would otherwise need to be funded by injecting cash into the joint venture in the future.

Adjusted gearing: The ratio of net borrowings to total equity.

See-through loan-to-value: See-through net borrowings expressed as a percentage of the Group's property portfolio excluding valued assets held under leases, calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

See-through loan-to-value (excluding residential): See-through net borrowings expressed as a percentage of the Group's property portfolio excluding valued assets held under leases and residential land and developments, calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

	As at 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Property portfolio (note 2c)	**1,375.0**	**96.7**	**1,471.7**
Less St. Modwen Homes and residential land assets (note 2c)	**(592.6)**	**(27.7)**	**(620.3)**
Net property portfolio (excluding residential)	**782.4**	**69.0**	**851.4**
Total equity	**1,063.8**	**N/A**	**1,063.8**
Net debt (note 2f)	**326.1**	**(11.5)**	**314.6**
Net borrowings (note 2f)	**317.3**	**(12.4)**	**304.9**
Gearing	**30.7%**		**29.6%**
Adjusted gearing	**29.8%**		**28.7%**
Loan-to-value	**23.1%**		**20.7%**
Loan-to-value (excluding residential)	**N/A**		**35.8%**

	As at 31 May 2018 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	1,368.5	118.9	1,487.4
Less St. Modwen Homes and residential land assets (note 2c)	(545.8)	(37.1)	(582.9)
Net property portfolio (excluding residential)	822.7	81.8	904.5
Total equity (restated)	1,016.4	N/A	1,016.4
Net debt (note 2f)	371.2	(5.5)	365.7
Net borrowings (note 2f)	366.0	(6.4)	359.6
Gearing	36.5%		36.0%
Adjusted gearing	36.0%		35.4%
Loan-to-value	26.7%		24.2%
Loan-to-value (excluding residential)	N/A		39.8%

	As at 30 November 2018 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	1,302.6	100.7	1,403.3
Less St. Modwen Homes and residential land assets (note 2c)	(553.7)	(42.4)	(596.1)
Net property portfolio (excluding residential)	748.9	58.3	807.2
Total equity (restated)	1,050.0	N/A	1,050.0
Net debt (note 2f)	274.3	(33.3)	241.0
Net borrowings (note 2f)	271.1	(34.2)	236.9
Gearing (restated)	26.1%		23.0%
Adjusted gearing	25.8%		22.6%
Loan-to-value	20.8%		16.9%
Loan-to-value (excluding residential)	N/A		29.3%

3. EPRA performance measures

This note sets out two performance measures of the European Public Real Estate Association (EPRA), calculated in accordance with their Best Practices Recommendations (BPR). These measures are intended to provide comparability and are explained in detail below:

EPRA earnings (see note 3a): For investors of real estate companies, a key measure of ongoing operational performance and the extent to which dividend payments are underpinned by earnings is the level of income arising from operational activities. EPRA earnings exclude unrealised valuation movements and profits on disposal to provide an indicator of the leasing and property management performance of a business.

Adjusted EPRA earnings (see note 3a): Whilst EPRA earnings provides a comparable measure for investors, it is not a relevant measure for housebuilders as it excludes all profits from such activity. On the basis that these profits are realised in cash and represent a core ongoing activity for the Group, a company specific adjustment is made to EPRA earnings in respect of this profit. Furthermore, the amortisation of loan arrangement fees represents a non-cash interest charge on an ongoing basis and therefore a further company specific adjustment is made for this. After adjusting these two items for tax, EPRA earnings can be reconciled to adjusted EPRA earnings, which provides a relevant cash-based profit measure that underpins the dividend policy of the Group.

EPRA net asset value (see note 3b): The objective of EPRA net asset value is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of derivative financial instruments and deferred taxes on property valuation surpluses are therefore excluded, which facilitates a more objective comparison with peer companies.

a. Adjusted EPRA earnings

Adjusted EPRA earnings is calculated as set out below:

	Six months ended 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Profit for the period	**23.8**	**(0.7)**	**23.1**
Less non-controlling interests	**0.2**	**–**	**0.2**
Profit for the period attributable to owners of the Company	**24.0**	**(0.7)**	**23.3**
Investment property revaluation (gains)/losses	**(15.3)**	**1.6**	**(13.7)**
Investment property disposal losses	**0.5**	**0.4**	**0.9**
Housebuilding operating profit[2]	**(18.7)**	**–**	**(18.7)**
Non-housebuilding inventory development losses/(gains)	**0.2**	**(1.5)**	**(1.3)**
Net realisable value provisions	**2.9**	**–**	**2.9**
Pre-sold property development gains[3]	**(1.0)**	**–**	**(1.0)**
Inventory disposal gains	**(1.1)**	**–**	**(1.1)**
Amortisation of discount on deferred payment arrangements[4]	**0.1**	**1.8**	**1.9**
Taxation in respect of gains or losses on disposal	**2.5**	**(0.2)**	**2.3**
Movement in fair value of financial instruments	**2.6**	**(0.2)**	**2.4**
Deferred tax in respect of EPRA adjustments	**2.7**	**(0.3)**	**2.4**
Non-controlling interests in respect of the above	**(0.2)**	**–**	**(0.2)**
EPRA earnings	**(0.8)**	**0.9**	**0.1**
Housebuilding operating profit	**18.7**	**–**	**18.7**
Amortisation of loan arrangement fees	**0.8**	**0.1**	**0.9**
Taxation in respect of company specific adjustments	**(3.5)**	**–**	**(3.5)**
Adjusted EPRA earnings	**15.2**	**1.0**	**16.2**

	Six months ended 31 May 2018 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Profit for the period and profit for the period attributable to owners of the Company	23.7	(2.9)	20.8
Investment property revaluation (gains)/losses	(12.8)	3.4	(9.4)
Investment property disposal (gains)/losses	(7.4)	0.7	(6.7)
Housebuilding operating profit[2]	(12.7)	–	(12.7)
Non-housebuilding inventory development gains	(4.7)	–	(4.7)
Net realisable value provisions	0.4	–	0.4
Pre-sold property development gains[3]	(4.8)	–	(4.8)
Inventory disposal losses	11.6	–	11.6
Amortisation of discount on deferred payment arrangements[4]	0.1	1.8	1.9
Taxation in respect of gains or losses on disposal	5.6	0.5	6.1
Movement in fair value of financial instruments	(0.4)	(0.4)	(0.8)
Deferred tax in respect of EPRA adjustments	(0.1)	(1.6)	(1.7)
EPRA earnings	(1.5)	1.5	–
Housebuilding operating profit	12.7	–	12.7
Amortisation of loan arrangement fees	4.4	–	4.4
Taxation in respect of company specific adjustments	(3.2)	–	(3.2)
Adjusted EPRA earnings	12.4	1.5	13.9

	Year ended 30 November 2018 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Profit for the year	63.6	(3.1)	60.5
Less non-controlling interests	(0.3)	–	(0.3)
Profit for the year attributable to owners of the Company	63.3	(3.1)	60.2
Investment property revaluation (gains)/losses	(19.2)	8.2	(11.0)
Investment property disposal (gains)/losses	(7.1)	2.2	(4.9)
Credit from increased discount of market liability[1]	–	(4.7)	(4.7)
Housebuilding operating profit[2]	(33.9)	–	(33.9)
Non-housebuilding inventory development gains	(30.2)	(1.3)	(31.5)
Net realisable value provisions	(0.4)	–	(0.4)
Pre-sold property development gains[3]	(5.5)	–	(5.5)
Inventory disposal losses	12.0	–	12.0
Amortisation of discount on deferred payment arrangements[4]	0.1	3.4	3.5
Taxation in respect of gains or losses on disposal	11.2	1.5	12.7
Movement in fair value of financial instruments	0.7	(0.6)	0.1
Early redemption of retail bond[5]	3.7	–	3.7
Deferred tax in respect of EPRA adjustments	1.9	(2.3)	(0.4)
EPRA earnings	(3.4)	3.3	(0.1)
Housebuilding operating profit	33.9	–	33.9
Amortisation of loan arrangement fees	5.3	0.1	5.4
Taxation in respect of company specific adjustments	(7.4)	(0.1)	(7.5)
Adjusted EPRA earnings	28.4	3.3	31.7

(1) The credit from increased discount of market liability and change in estimated cost to establish a market in Nine Elms represent property development gains and losses and therefore forms part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.

(2) Housebuilding operating profit includes overheads directly attributable to the residential housebuilding business as these form part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.

(3) Pre-sold property development gains arise from property disposals and their development and therefore should be adjusted in arriving at EPRA earnings.

(4) The amortisation of discounts on deferred payment arrangements are linked to the disposal of either investment properties or inventory and are therefore adjusted in arriving at EPRA earnings.

(5) The early redemption of the retail bond represents a material close-out cost associated with debt and therefore should be adjusted in arriving at EPRA earnings.

Whilst the BPR defines EPRA earnings with reference to adjustments to the reported profit for the year, it can also be presented in the form of an income statement, comprising those items in the income statement not adjusted for in the reconciliation above:

	Six months ended 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Net rental and other income	**18.7**	**1.9**	**20.6**
Development fee income	**1.6**	**–**	**1.6**
Administrative expenses	**(16.5)**	**(0.2)**	**(16.7)**
Interest costs[1]	**(6.0)**	**(1.2)**	**(7.2)**
Interest income	**1.2**	**0.6**	**1.8**
Taxation in respect of EPRA earnings measures	**0.2**	**(0.2)**	**–**
EPRA earnings	**(0.8)**	**0.9**	**0.1**
Housebuilding operating profit	**18.7**	**–**	**18.7**
Amortisation of loan arrangement fees	**0.8**	**0.1**	**0.9**
Taxation in respect of company specific adjustments	**(3.5)**	**–**	**(3.5)**
Adjusted EPRA earnings	**15.2**	**1.0**	**16.2**

	Six months ended 31 May 2018 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Net rental and other income	23.4	2.8	26.2
Development fee income	1.4	–	1.4
Administrative expenses	(14.3)	(0.1)	(14.4)
Interest costs(1)	(13.4)	(1.6)	(15.0)
Interest income	1.0	0.7	1.7
Taxation in respect of EPRA earnings measures	0.4	(0.3)	0.1
EPRA earnings	(1.5)	1.5	–
Housebuilding operating profit	12.7	–	12.7
Amortisation of loan arrangement fees	4.4	–	4.4
Taxation in respect of company specific adjustments	(3.2)	–	(3.2)
Adjusted EPRA earnings	12.4	1.5	13.9

	Year ended 30 November 2018 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Net rental and other income	43.6	5.4	49.0
Development fee income	3.4	–	3.4
Administrative expenses	(32.4)	(0.1)	(32.5)
Interest costs(1)	(20.9)	(2.9)	(23.8)
Interest income	2.0	1.8	3.8
Taxation in respect of EPRA earnings measures	1.2	(0.9)	0.3
Non-controlling interests in respect of the above	(0.3)	–	(0.3)
EPRA earnings	(3.4)	3.3	(0.1)
Housebuilding operating profit	33.9	–	33.9
Amortisation of loan arrangement fees	5.3	0.1	5.4
Taxation in respect of company specific adjustments	(7.4)	(0.1)	(7.5)
Adjusted EPRA earnings	28.4	3.3	31.7

(1) Interest costs for the purposes of EPRA include the amortisation of loan arrangement fees, as set out in note 6.

	Six months ended 31 May 2019 (unaudited)		
	£m	**Pence per share(1)**	**Percentage movement(2)**
Earnings	**23.3**	**10.5**	**11.7%**
EPRA earnings	**0.1**	**–**	**N/A**
Adjusted EPRA earnings	**16.2**	**7.3**	**15.9%**

	Six months ended 31 May 2018 (unaudited)		
	£m	Pence per share(1)	Percentage movement(2)
Earnings	20.8	9.4	(22.3)%
EPRA earnings	–	–	N/A
Adjusted EPRA earnings	13.9	6.3	6.8%

	Year ended 30 November 2018 (audited)		
	£m	Pence per share(1)	Percentage movement(2)
Earnings	60.2	27.1	0.7%
EPRA earnings	(0.1)	–	(100.0)%
Adjusted EPRA earnings	31.7	14.3	7.5%

(1) The number of shares in issue used to calculate the earnings per share is 222,046,418 (six months ended 31 May 2018: 221,906,003, year ended 30 November 2018: 221,964,567), as disclosed in note 7, excluding those shares held by The St. Modwen Properties PLC Employee Share Trust.

(2) Percentage movements are in comparison to the equivalent period in the previous financial year.

b. EPRA net asset value

EPRA net asset value is calculated as set out below:

	As at 31 May 2019 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Total equity	**975.1**	**88.7**	**1,063.8**
Less non-controlling interests	**(5.7)**	**–**	**(5.7)**
Net asset value	**969.4**	**88.7**	**1,058.1**
Adjustments of inventories to fair value	**7.1**	**–**	**7.1**
EPRA triple net asset value	**976.5**	**88.7**	**1,065.2**
Deferred tax on capital allowances and revaluations	**24.4**	**2.1**	**26.5**
Mark-to-market of derivative financial instruments	**2.3**	**–**	**2.3**
EPRA net asset value	**1,003.2**	**90.8**	**1,094.0**

	As at 31 May 2018 (unaudited)		
	Group £m (restated)	Joint ventures and associates £m	Total £m (restated)
Total equity	925.6	90.8	1,016.4
Less non-controlling interests	(5.7)	–	(5.7)
Net asset value	919.9	90.8	1,010.7
Adjustments of inventories to fair value	19.6	0.9	20.5
EPRA triple net asset value	939.5	91.7	1,031.2
Deferred tax on capital allowances and revaluations	18.8	3.1	21.9
Mark-to-market of derivative financial instruments	(0.6)	0.4	(0.2)
EPRA net asset value	957.7	95.2	1,052.9

	As at 30 November 2018 (audited)		
	Group £m (restated)	Joint ventures and associates £m	Total £m (restated)
Total equity	960.9	89.1	1,050.0
Less non-controlling interests	(5.9)	–	(5.9)
Net asset value	955.0	89.1	1,044.1
Adjustments of inventories to fair value	6.7	0.7	7.4
EPRA triple net asset value	961.7	89.8	1,051.5
Deferred tax on capital allowances and revaluations	20.5	2.2	22.7
Mark-to-market of derivative financial instruments	0.2	0.2	0.4
EPRA net asset value	982.4	92.2	1,074.6

	As at 31 May 2019 (unaudited)		
	£m	**Pence per share(1)**	**Percentage movement(2)**
Net asset value	**1,058.1**	**476.4**	**1.3%**
EPRA triple net asset value	**1,065.2**	**479.6**	**1.3%**
EPRA net asset value	**1,094.0**	**492.5**	**1.8%**

	As at 31 May 2018 (unaudited)		
	£m (restated)	Pence per share (restated)(1)	Percentage movement(2)
Net asset value	1,010.7	455.2	1.0%
EPRA triple net asset value	1,031.2	464.5	1.4%
EPRA net asset value	1,052.9	474.2	0.7%

	As at 30 November 2018 (audited)		
	£m (restated)	Pence per share (restated)[1]	Percentage movement[2]
Net asset value	1,044.1	470.2	4.3%
EPRA triple net asset value	1,051.5	473.6	3.4%
EPRA net asset value	1,074.6	484.0	2.7%

(1) The number of shares in issue used to calculate the net asset values per share is 222,109,934 (six months ended 31 May 2018: 222,016,005, year ended 30 November 2018: 222,031,244), excluding those shares held by The St. Modwen Properties PLC Employee Share Trust.

(2) Percentage movements are in comparison to 30 November of the previous financial year.

4. Segmental information

a. Reportable segments

IFRS 8 *Operating Segments* requires the identification of the Group's operating segments, defined as being discrete components of the Group's operations whose results are regularly reviewed by the chief operating decision maker (being the Chief Executive) to allocate resources to those segments and to assess their performance. For the six months ended 31 May 2019, the Group divided its business into the following segments:

• housebuilding activity through St. Modwen Homes and the Persimmon joint venture; and

• the balance of the Group's portfolio of properties which the Group manages internally, and reports, as a single business segment.

As discussed in the half year results, the Group has recently completed an internal restructure that aligns more closely with its three strategic objectives. At the date of issue of these condensed Group financial statements, the chief operating decision maker does not review detailed financial information for these three business units, but it is anticipated that this will take place during the second half of the year ending 30 November 2019, following the amendment of some internal financial reporting systems. As a result, the Group anticipates reviewing the identification of its operating segments in accordance with IFRS 8 for the year ending 30 November 2019.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

b. Segment results

	Six months ended 31 May 2019 (unaudited)		
	Portfolio £m	**Housebuilding[1] £m**	**Total £m**
Revenue	**60.1**	**113.1**	**173.2**
Net rental income	**18.0**	**–**	**18.0**
Development profits	**0.6**	**24.4**	**25.0**
Investment property disposal losses	**(0.5)**	**–**	**(0.5)**
Investment property revaluation gains	**15.3**	**–**	**15.3**
Other net income	**0.7**	**–**	**0.7**
Profits of joint ventures and associates[2]	**0.7**	**–**	**0.7**
Administrative expenses	**(16.5)**	**(5.7)**	**(22.2)**
Allocation of administrative expenses	**1.5**	**(1.5)**	**–**
Interest costs	**(5.2)**	**–**	**(5.2)**
Interest income	**1.2**	**–**	**1.2**
Attributable profit	**15.8**	**17.2**	**33.0**
Other losses of joint ventures and associates[2]			**(1.4)**
Other finance costs			**(3.7)**
Other finance income			**0.2**
Profit before tax			**28.1**

	Six months ended 31 May 2018 (unaudited) Portfolio £m	Housebuilding[1] £m (restated)	Total £m
Revenue	127.0	86.7	213.7
Net rental income	22.9	–	22.9
Development (losses)/profits	(1.1)	16.5	15.4
Investment property disposal gains	7.4	–	7.4
Investment property revaluation gains	12.8	–	12.8
Other net income	0.5	–	0.5
Losses of joint ventures and associates[2]	(2.3)	–	(2.3)
Administrative expenses	(14.3)	(3.8)	(18.1)
Allocation of administrative expenses	2.1	(2.1)	–
Interest costs	(9.0)	–	(9.0)
Interest income	1.0	–	1.0
Attributable profit	20.0	10.6	30.6
Other losses of joint ventures and associates[2]			(0.6)
Other finance costs			(4.7)
Other finance income			0.6
Profit before tax			25.9

	Year ended 30 November 2018 (audited) Portfolio £m	Housebuilding[1] £m (restated)	Total £m
Revenue	205.2	231.0	436.2
Net rental income	41.4	–	41.4
Development profits	27.5	44.7	72.2
Investment property disposal gains	7.1	–	7.1
Investment property revaluation gains	19.2	–	19.2
Other net income	2.2	–	2.2
Losses of joint ventures and associates[2]	(0.1)	–	(0.1)
Administrative expenses	(32.4)	(10.8)	(43.2)
Allocation of administrative expenses	1.7	(1.7)	–
Interest costs	(15.6)	–	(15.6)
Interest income	2.0	–	2.0
Attributable profit	53.0	32.2	85.2
Other losses of joint ventures and associates[2]			(3.0)
Other finance costs			(10.2)
Other finance income			0.4
Profit before tax			72.4

(1) In the half year results, operating profit from the housebuilding segment of £18.7m (six months ended 31 May 2018: £12.7m, year ended 30 November 2018: £33.9m) is stated before the allocation of administrative expenses of £1.5m (six months ended 31 May 2018: £2.1m, year ended 30 November 2018: £1.7m). Housebuilding operating profit comprises £15.2m (six months ended 31 May 2018: £11.1m, year ended 30 November 2018: £31.3m) from St. Modwen Homes and £3.5m (six months ended 31 May 2018: £1.6m, year ended 30 November 2018: £2.6m) from the Persimmon joint venture.

(2) Stated before other finance costs and income (being amortisation and movements in the fair value of derivative financial instruments) and tax of £1.4m (six months ended 31 May 2018: £0.6m, year ended 30 November 2018: £3.0m). These amounts are reclassified to other losses of joint ventures and associates.

c. Segment assets and liabilities

	As at 31 May 2019 (unaudited)		
	Portfolio £m	**Housebuilding £m**	**Total £m**
Investment property	**1,008.0**	**–**	**1,008.0**
Inventories	**65.3**	**304.7**	**370.0**
Investments in joint ventures and associates	**88.7**	**–**	**88.7**
Attributable assets	**1,162.0**	**304.7**	**1,466.7**
Operating property, plant and equipment and intangibles			**25.7**
Trade and other receivables			**84.4**
Cash and cash equivalents			**32.7**
Trade and other payables			**(160.6)**
Derivative financial instruments			**(2.8)**
Borrowings and lease liabilities			**(358.8)**
Tax payable			**(0.5)**
Deferred tax			**(23.0)**
Net assets			**1,063.8**

	As at 31 May 2018 (unaudited)		
	Portfolio £m	Housebuilding £m	Total £m (restated)
Investment property	979.2	–	979.2
Inventories	96.0	262.5	358.5
Assets held for sale	36.0	–	36.0
Investments in joint ventures and associates	90.8	–	90.8
Attributable assets	1,202.0	262.5	1,464.5
Operating property, plant and equipment and intangibles			6.8
Trade and other receivables			91.2
Cash and cash equivalents			2.0
Trade and other payables			(154.3)
Derivative financial instruments			0.9
Borrowings and lease liabilities			(373.2)
Tax payable			(4.3)
Deferred tax			(17.2)
Net assets			1,016.4

	As at 30 November 2018 (audited)		
	Portfolio £m	Housebuilding £m	Total £m (restated)
Investment property	939.3	–	939.3
Inventories	74.1	292.3	366.4
Investments in joint ventures and associates	89.1	–	89.1
Attributable assets	1,102.5	292.3	1,394.8
Operating property, plant and equipment and intangibles			17.4
Trade and other receivables			96.6
Cash and cash equivalents			38.9
Trade and other payables			(163.9)
Borrowings and lease liabilities			(313.2)
Tax payable			(0.9)
Deferred tax			(19.7)
Net assets			1,050.0

Investment and commercial property assets as defined in our banking facility agreement at 31 May 2019 was £634.7m (31 May 2018: £763.7m, 30 November 2018: £619.7m).

5. Joint ventures and associates

The Group's share of the results for the six months ended 31 May 2019 of its joint ventures and associates is:

	Six months ended 31 May 2019 (unaudited)					
	Key Property Investments Ltd £m	**VSM Estates Uxbridge (Group) Ltd £m**	**VSM Estates (Holdings) Ltd £m**	**VSM (NCGM) Ltd £m**	**Other joint ventures and associates £m**	**Total £m**
Net rental income	**1.8**	**–**	**–**	**–**	**0.1**	**1.9**
Development profits	**0.1**	**–**	**1.4**	**–**	**–**	**1.5**
Investment property disposal losses	**(0.4)**	**–**	**–**	**–**	**–**	**(0.4)**
Investment property revaluation (losses)/gains	**(0.8)**	**(1.5)**	**–**	**0.6**	**0.1**	**(1.6)**
Administrative expenses	**(0.1)**	**–**	**(0.1)**	**–**	**–**	**(0.2)**
Profit/(loss) before interest and tax	**0.6**	**(1.5)**	**1.3**	**0.6**	**0.2**	**1.2**
Finance costs	**(0.5)**	**(0.5)**	**–**	**(1.8)**	**(0.2)**	**(3.0)**
Finance income	**0.2**	**–**	**0.1**	**0.5**	**–**	**0.8**
Profit/(loss) before tax	**0.3**	**(2.0)**	**1.4**	**(0.7)**	**–**	**(1.0)**
Taxation	**(0.1)**	**0.4**	**(0.2)**	**0.2**	**–**	**0.3**
Profit/(loss) for the period	**0.2**	**(1.6)**	**1.2**	**(0.5)**	**–**	**(0.7)**

	Six months ended 31 May 2018 (unaudited)					
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	Total £m
Net rental income	2.7	–	–	–	0.1	2.8
Investment property disposal losses)	(0.3)	–	(0.4)	–	–	(0.7)
Investment property revaluation (losses)/gains	(2.6)	(0.2)	–	(0.7)	0.1	(3.4)
Administrative expenses	(0.1)	–	–	–	–	(0.1)
(Loss)/profit before interest and tax	(0.3)	(0.2)	(0.4)	(0.7)	0.2	(1.4)
Finance costs	(0.8)	(0.6)	(0.1)	(1.8)	(0.1)	(3.4)
Finance income	0.4	–	0.3	0.4	–	1.1
(Loss)/profit before tax	(0.7)	(0.8)	(0.2)	(2.1)	0.1	(3.7)
Taxation	0.1	0.3	–	0.4	–	0.8
(Loss)/profit for the period	(0.6)	(0.5)	(0.2)	(1.7)	0.1	(2.9)

	Year ended 30 November 2018 (audited)					
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	Total £m
Net rental income	5.3	–	–	–	0.1	5.4
Development profits	1.3	–	–	–	–	1.3
Investment property disposal losses	(1.8)	–	(0.4)	–	–	(2.2)
Investment property revaluation losses	(7.3)	(0.1)	–	(0.8)	–	(8.2)
Credit from increased discount of market liability	–	–	–	4.7	–	4.7
Administrative expenses	(0.1)	–	–	–	–	(0.1)
(Loss)/profit before interest and tax	(2.6)	(0.1)	(0.4)	3.9	0.1	0.9
Finance costs	(1.4)	(1.1)	(0.1)	(3.5)	(0.2)	(6.3)
Finance income	0.6	–	0.8	1.0	–	2.4
(Loss)/profit before tax	(3.4)	(1.2)	0.3	1.4	(0.1)	(3.0)
Taxation	(0.8)	0.8	0.1	(0.2)	–	(0.1)
(Loss)/profit for the year	(4.2)	(0.4)	0.4	1.2	(0.1)	(3.1)

In the half year results, a series of commercial contracts with Persimmon is referred to as the 'Persimmon joint venture'. This is not a statutory entity and the results from these commercial contracts are not included in the figures disclosed in this note. Revenue and profit from the Persimmon joint venture are recognised in Group development profit on legal completion of housing unit sales to third party customers.

6. Finance costs and finance income

	Unaudited 31 May 2019 £m	Unaudited 31 May 2018 £m	Audited 30 Nov 2018 £m
Interest costs			
Interest payable on borrowings	**4.5**	8.2	14.3
Interest payable on lease liabilities	**0.3**	0.4	0.5
Interest on pension scheme liabilities	**0.4**	0.4	0.8
Interest costs	**5.2**	9.0	15.6
Other finance costs			
Amortisation of loan arrangement fees	**0.8**	4.4	5.3
Amortisation of discount on deferred payment arrangements	**0.1**	0.1	0.1
Movement in fair value of derivative financial instruments	**2.8**	0.2	1.1
Early redemption of retail bond	**–**	–	3.7
Other finance costs	**3.7**	4.7	10.2
Total finance costs	**8.9**	13.7	25.8

	Unaudited 31 May 2019 £m	Unaudited 31 May 2018 £m	Audited 30 Nov 2018 £m
Interest income			
Interest receivable	**0.7**	0.6	1.2
Interest income on pension scheme assets	**0.5**	0.4	0.8
Interest income	**1.2**	1.0	2.0
Other finance income			
Movement in fair value of convertible bond	**0.2**	0.6	0.4
Other finance income	**0.2**	0.6	0.4
Total finance income	**1.4**	1.6	2.4

7. Earnings per share

	Unaudited 31 May 2019 Number of shares	Unaudited 31 May 2018 Number of shares	Audited 30 Nov 2018 Number of shares
Weighted number of shares in issue	**222,046,418**	221,906,003	221,964,567
Weighted number of diluted shares relating to the convertible bond	**–**	19,177,294	19,177,294
Weighted number of diluted shares relating to share options	**2,330,571**	2,097,723	2,166,608
Weighted number of shares for the purposes of diluted earnings per share	**224,376,989**	243,181,020	243,308,469

	Unaudited 31 May 2019 £m	Unaudited 31 May 2018 £m	Audited 30 Nov 2018 £m
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	**23.3**	20.8	60.2
Effect of dilutive potential ordinary shares:			
Interest on the convertible bond (net of tax)	**–**	1.2	2.3
Movement in fair value of the convertible bond	**–**	(0.6)	(0.4)
Earnings for the purposes of diluted earnings per share	**23.3**	21.4	62.1

	Unaudited 31 May 2019 Pence	Unaudited 31 May 2018 Pence	Audited 30 Nov 2018 Pence
Basic earnings per share	**10.5**	9.4	27.1
Diluted earnings per share	**10.4**	8.8	25.5

Shares held by The St. Modwen Properties PLC Employee Share Trust are excluded from the above calculation.

Note 3 sets out details of EPRA and adjusted EPRA earnings per share.

8. Financial instruments held at fair value

Derivative financial instruments and the convertible bond are externally valued based on the present value of future cash flows estimated and discounted based on the applicable yield curves derived from market expectations for future interest rates at the balance sheet date. Where applicable, the value of early termination or conversion options in favour of the issuing party are included in the external valuations. The following table sets out the net assets and liabilities in respect of financial instruments classified as fair value through profit or loss:

		Unaudited 31 May 2019 £m	Unaudited 31 May 2018 £m	Audited 30 Nov 2018 £m
Derivative financial instrument assets	Level 2	**0.3**	0.9	0.9
Derivative financial instrument liabilities	Level 2	**(3.1)**	–	(0.9)
Convertible bond liability	Level 2	**–**	(100.0)	(100.2)
Financial instruments classified as fair value through profit or loss		**(2.8)**	(99.1)	(100.2)

Fair value hierarchy

Assets and liabilities that are measured subsequent to initial recognition at fair value must be grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

9. Other information

a. Taxation

The effective rate of Group tax for the period is 17.4% (six months ended 31 May 2018: 17.7%, year ended 30 November 2018: 15.8%). As a property group, this rate is marginally lower than the standard rate of corporation tax due predominantly to the benefit of land remediation relief on certain property expenditure.

b. Dividends

The proposed interim dividend of 3.6 pence (six months ended 31 May 2018: 3.1 pence) per share was approved by a Committee of the Board on 1 July 2019 and will amount to £8.0m (six months ended 31 May 2018: £6.9m).

c. Valuation of investment properties

Investment properties were valued at 31 May 2019, 30 November 2018 and 31 May 2018 by Cushman & Wakefield, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. At 31 May 2018 and 30 November 2018, the investment property within one of the Group's joint ventures, VSM (NCGM) Limited, was valued by Jones Lang LaSalle. Cushman & Wakefield and Jones Lang LaSalle are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

d. Related party transactions

There have been no material new related party transactions in the six months ended 31 May 2019 or any material changes to those related party transactions described in the Group financial statements for the year ended 30 November 2018.

e. Pensions

The Group operates a UK based pension scheme, the St. Modwen Pension Scheme, with both defined benefit and defined contribution sections. The defined benefit section is closed to both new members and future accrual. The unrecognised surplus arising on the fair value of assets over the actuarial value of liabilities in the defined benefit section of the scheme was £5.9m (six months ended 31 May 2018: £4.2m, year ended 30 November 2018: £4.8m).

DIRECTORS' RESPONSIBILITY STATEMENT

for the six months ended 31 May 2019

We confirm that to the best of our knowledge:

(a) the condensed Group financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU; and

(b) the half year results include a fair review of the information required by:

   (i) 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed Group financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

   (ii) 4.2.8R of the Disclosure and Transparency Rules, being material related parties transactions that have taken place in the first six months of the current financial year and any material changes in the related parties transactions described in the last Annual Report.

A list of the current directors of St. Modwen Properties PLC is maintained on the Company's website at www.stmodwen.co.uk.

By order of the Board

Mark Allan	**Rob Hudson**
Chief Executive	*Chief Financial Officer*

1 July 2019

INDEPENDENT REVIEW REPORT TO ST. MODWEN PROPERTIES PLC

for the six months ended 31 May 2019

Conclusion

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 2019 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group balance sheet, the condensed Group statement of changes in equity, the condensed Group cash flow statement, the condensed Group accounting policies and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 May 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

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 UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 DTR of the UK FCA.

As disclosed in the condensed Group accounting policies, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

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.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

William Meredith
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E15 5GL

1 July 2019