Date of issue: 3 July 2018

LEI: 213800WMV4WVES8TQH05
This announcement contains inside information

ST. MODWEN PROPERTIES PLC
("St. Modwen" or "the Company")
Results for the half year ended 31 May 2018

ST. MODWEN DELIVERS STRONG PROGRESS IN EXECUTING NEW STRATEGY

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

"We have had a good start to 2018. Our expectations for the full year remain unchanged and we are firmly focused on executing the new strategy we established a year ago. We have sold £635m of assets since then, improving our portfolio mix and allowing us to reduce borrowings, whilst accelerating the delivery of our substantial industrial/logistics and regional housebuilding pipeline. Despite ongoing uncertainty in the external environment, structural growth drivers in both sectors remain positive, so we anticipate delivering a meaningful improvement in earnings and return on capital in the medium term."

Financial highlights

Non-statutory measures[1]	**May 2018**	Prior period[2]	**Statutory measures**	**May 2018**	Prior period[2]
EPRA NAV per share (pence)	**474.4**	471.2	NAV per share (pence)	**455.4**	450.9
Total accounting return (%)	**2.0**	2.9	Interim dividend per share (pence)	**3.10**	2.02
Adjusted EPRA earnings (£m)	**13.9**	13.1	Profit before tax (£m)	**25.9**	31.6
Adjusted EPRA EPS (pence)	**6.3**	5.9	Basic EPS (pence)	**9.4**	12.1
See-through loan-to-value (%)	**24.2**	24.2	Group net borrowings (£m)	**366.0**	433.8

- NAV per share up 1.0% over the six months to 455.4 pence (Nov 2017: 450.9 pence).
- Total accounting return for the half year of 2.0% (2017: 2.9%) due to disposals.
- Group net borrowings down £67.8m over the half year to £366.0m (Nov 2017: £433.8m).
- See-through LTV stable since year end at 24.2% (Nov 2017: 24.2%).
- Adjusted EPRA EPS for the half year up 0.4 pence to 6.3 pence (2017: 5.9 pence).
- Interim dividend up 53.5% to 3.10 pence per share (2017: 2.02 pence per share).

Operational highlights

Considerable progress in repositioning our portfolio towards sectors with better long-term growth prospects and accelerating the delivery of our substantial development pipeline.

- Portfolio focus and capital discipline:
    - Sold £350m of assets since the end of 2017, bringing total disposals since announcement of new strategy a year ago to £635m, driving significant improvement in portfolio mix.
    - Expect to exceed full year target to sell £100-150m of retail and small assets, with the sale of 28% of our retail portfolio for £95m during the half year and a further c. £70m of retail and small assets under offer.
    - Recycling capital out of existing assets into industrial/logistics pipeline to drive significant pick-up in income, reduction in costs and improvement in growth prospects in medium term.

- Accelerate our commercial development activity:
    - Increased committed industrial/logistics pipeline from 1.0m sq ft to 1.3m sq ft since start of the year, of which approximately two-thirds will be retained, with an ERV of £6.1m.
    - Obtained consent for 1.2m sq ft at key strategic sites at Chippenham Gateway and Copthorne, Gatwick with combined ERV of over £8m.
    - Prepared industrial/logistics pipeline for future growth; over 10m sq ft development potential across key strategic sites with ERV of over £60m deliverable over 5-8 years, partly subject to planning, plus over 5m sq ft development potential on smaller sites with over £30m ERV.

- Grow our residential and housebuilding business:
    - Delivered 31% growth in St. Modwen Homes' volumes with 302 units sold in the first half (2017: 230 units), delivering a 23.3% increase in profit to £11.1m reflecting the low level of affordable completions during the previous period. Expectation of up to 25% volume growth and 0.5ppt margin improvement for full year remains unchanged.
    - Sold 21 acres of residential land to third party housebuilders for £27m (2017: £14m), in line with book value, well on track versus our target to sell at least £56m this year.

- Cement and grow our regeneration reputation:
    - Released £141m of capital out of first phases of development at Longbridge and Swansea to bring forward significant residual development opportunities.
    - Preparing next phase of student housing and academic facilities at Swansea for delivery by 2021 and enhancing Longbridge vision ahead of employment-led next phase.

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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: 020 3936 2999
Other Locations:	Tel: +44 20 3936 2999
Password:	04 90 49
Webcast link:	https://www.investis-live.com/st-modwen/5b1aac5582f6f70a00b61348/zeuy

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 note 2 to the condensed Group financial statements.

(2) Prior period measures are for the six months ended 31 May 2017 other than EPRA NAV per share, NAV per share, see-through loan-to-value and Group net borrowings, which are as at 30 November 2017. Comparative references to 2017 are for the six months ended 31 May 2017 and comparative references to Nov 2017 are as at 30 November 2017.

This announcement contains certain forward-looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements. Any forward-looking statements made by or on behalf of the Company are made in good faith based on the information available at the time the statement is made; no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. The Company does not undertake to update forward looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast.

CHIEF EXECUTIVE'S REVIEW

Overview

We have had a good start to 2018 and our expectations for the full year remain unchanged. Our focus is firmly on executing the new, more focused strategy we set out a year ago, based on our four strategic objectives: portfolio focus and capital discipline; accelerate our commercial development activity; grow our residential and housebuilding business; and cement and grow our regeneration reputation.

Our successful execution to date is starting to pave the way for a meaningful improvement in earnings and return on capital in the years to come. Recycling capital out of our student housing, retail and smaller assets into retaining our industrial/logistics developments is expected to increase rental income and reduce costs, whilst delivering up to 25% growth in volume per year and a further improvement in margins in our St. Modwen Homes housebuilding business is expected to drive significant growth in residential profits. Importantly, we can deliver all this from our existing pipeline of opportunities and capital base without having to acquire further assets or rely on a general market recovery.

Our results for the first half year were solid. NAV per share increased 1.0% to 455.4 pence (Nov 2017: 450.9 pence) which, combined with dividends paid during the period, resulted in a total accounting return of 2.0% (2017: 2.9%). EPRA NAV per share increased 0.7% to 474.4 pence (Nov 2017: 471.2 pence). As we flagged at the start of the year, disposals have resulted in some short-term volatility in rental income, ahead of reinvesting the proceeds in our industrial/logistics pipeline. This was offset by lower interest costs, partly due to a £220.7m reduction in see-through net borrowings since 31 May 2017, so adjusted EPRA EPS increased 0.4 pence to 6.3 pence (2017: 5.9 pence). In line with the new policy we set at the start of 2018, we are increasing our interim dividend to 3.10 pence (2017: 2.02 pence).

Key financial performance metrics	**May 2018**	Prior period	Change
NAV per share (pence)	**455.4**	450.9	+1.0%
EPRA NAV per share (pence)	**474.4**	471.2	+0.7%
Interim dividend per share (pence)	**3.10**	2.02	+53.5%
Total accounting return (%)	**2.0**	2.9	-0.9ppt
Adjusted EPRA earnings (£m)	**13.9**	13.1	+6.1%
Profit before tax (£m)	**25.9**	31.6	-18.0%
Earnings per share (pence)	**9.4**	12.1	-22.3%
Adjusted EPRA earnings per share (pence)	**6.3**	5.9	+6.8%
See-through net borrowings(1) (£m)	**359.6**	388.2	-7.4%
See-through loan-to-value(1) (%)	**24.2**	24.2	-
See-through loan-to-value (excluding residential)(1) (%)	**39.8**	37.2	+2.6ppt

(1) Including the Group's share of net borrowings and property held in joint ventures and associates.

Portfolio focus and capital discipline: £635m of disposals over past year

We continue to make good progress in reshaping our portfolio. Excluding newly built homes and land transferred to St. Modwen Homes, we sold assets for £350m during the half year which means we have now sold £635m of assets since we announced our new strategy in June 2017, on average in line with book value. Representing 35% of our portfolio value a year ago, this has driven a clear improvement in our portfolio mix and, having reduced our exposure to more challenging sectors such as London residential land and UK retail by over £300m, materially improves our total return prospects.

In February we sold the first phase of student accommodation at Swansea Bay Campus for £139m, releasing £87m of proceeds net of an associated finance lease. The disposal of Longbridge Shopping Park, announced in May, also completed during the period, whilst the disposal of Wembley, announced at the same time, is expected to complete in the near term. Combined with the sale of a small asset in Liverpool, we have sold 28% of our overall retail portfolio by value within the last two months. The total proceeds of £95m were 4% below the November 2017 book value, reflecting the challenging UK retail environment, but we believe the benefits from reinvesting this capital into our higher yielding, higher growth industrial/logistics pipeline far outweigh the small initial loss.

In addition, we have agreed terms on a further c. £70m of smaller and retail assets disposals. Combined with the £95m retail disposals above this means we expect to exceed our target to sell £100-150m retail and small assets during 2018 and we now anticipate selling £150-175m of these assets this year.

Following the latest disposals, we have c. £70m of small assets and £255m of retail assets left. Approximately half of our remaining retail assets are in London or leisure oriented, where fundamentals are better than in the wider UK retail market. We expect to sell our remaining small assets and around two-thirds of our residual retail assets in the next two years, whilst we plan to retain the residual small part of our retail portfolio for the time being to explore larger mixed-use development opportunities. These disposals will allow us to keep our borrowings firmly under control as we reinvest in accelerating our residential and industrial/logistics pipeline. Despite part of our disposals completing after the period end and our continued reinvestment in the business, net borrowings reduced further during the first half of the year and our see-through LTV was maintained at 24.2% (Nov 2017: 24.2%) – down from 33.1% a year ago. We continue to expect leverage to reduce slightly over time.

Accelerating our commercial development activity: pipeline to drive strong income growth

Since the start of 2018 we have increased our committed industrial/logistics pipeline from 1.0m sq ft to 1.3m sq ft, of which we plan to retain approximately two-thirds. We continue to see healthy occupier demand for the assets we build and have agreed £2.3m of development lettings since the start of the year. As such, we now have terms agreed on 15% of the £6.1m ERV we plan to retain. Total development costs on our overall commercial development pipeline stand at £270m, of which 50% is now pre-let/pre-sold. We continued to prepare our pipeline in line with our objective to grow industrial/logistics development activity by up to 25% per year by 2020. During the half year we secured outline planning consent for a 1.0m sq ft scheme at Chippenham Gateway, adjacent to junction 17 of the M4, and cleared planning conditions and finalised consents for a 0.2m sq ft scheme at Copthorne, Gatwick, adjacent to junction 10 of the M23. With a potential ERV of over £8m, these sites are expected to become an important part of our income portfolio in the medium term, alongside our other key strategic sites.

In total, our key strategic sites offer over 10m sq ft of development potential, predominantly situated at our largest sites in the best locations. These sites could deliver over £60m of ERV over the next 5-8 years, partly subject to planning. In addition, we have over 5m sq ft of development potential on smaller sites, which could deliver over £30m of ERV in the medium term. We recently appointed a national Head of Leasing to further develop our occupier relationships and accelerate our leasing activity.

The average yield on cost on this pipeline is c. 8%, with a yield on incremental capex of c. 9%. With a gross yield on the retail, small and student housing assets we sell of c. 7%, recycling capital into our pipeline is expected to drive meaningful income growth in the medium term. In addition, with property operating costs on our older retail and small assets of c. 30%, we expect a marked reduction in costs, as we build up a modern, more efficient industrial/logistics-oriented income portfolio in the next 3-5 years.

Growing our residential and housebuilding business: 31% growth in Homes volumes

The residential market in the UK regions remains resilient. We continue to see good demand from third party housebuilders for oven-ready development land and sold £27m of land during the first six months, in line with book value. This was nearly double the £14m we sold in the first half of 2017, leaving us well on track to meet our target of selling at least £56m for the full year, as we sold last year. We also forward-sold our 207-unit PRS scheme in Uxbridge for £75m, allowing us to bring forward the next phase of development of 101 apartments for private sale by St. Modwen Homes by 12-18 months.

Our housebuilding business St. Modwen Homes continues to see strong growth. The volume of units sold in the first six months increased 31% to 302 units (2017: 230 units), with growth for the full year expected to be in line with our target of up to 25%. The business is now sales active on 19 sites, up from 16 at the end of last year, with a further three outlets due to be opened in the second half. Average private sales prices increased 8% to £283,000, with like-for-like prices up 2% and the remainder driven by changes in mix and unit size. We sold 64 affordable units during the half year relative to an unusually low 10 units in the first half of 2017, so our operating margin reduced to a more normalised level of 14.6% (2017: 15.3%), in line with our target to improve margins for the full year by c. 0.5ppt (Nov 2017: 13.9%).

St. Modwen Homes profit for the first half year increased 23.3% to £11.1m (2017: £9.0m). This increase was offset by a reduction in profit from our Persimmon JV to £1.6m (2017: £4.4m), but we expect the profit growth in St. Modwen Homes to exceed the reduction in profits in the Persimmon JV for the full year. We have started to roll out initiatives to improve margins by 2-3ppt over the medium term and have secured the pipeline to grow volumes by up to 25% p.a. by 2021. This is expected to drive significant growth in residential profits in 2018 and beyond and more than offset the reduction in Persimmon JV profits as it continues to wind down its activity over the next two years.

Cementing and growing our regeneration reputation: further progress at major schemes

In addition to the £190m cash generated by the sale of the first 10 acres of land at New Covent Garden Market in the second half of 2017, the first half of 2018 saw us release £141m of capital out of the first phases of development at our other two major regeneration schemes, Swansea Bay Campus and Longbridge, Birmingham, allowing us to progress the significant opportunities that remain at these sites.

Following the sale of the 2,005 student beds in Swansea in February, we expect to complete the next 411 beds in early 2019 and the latest 40,000 sq ft of academic facilities this autumn. We are now progressing plans for the delivery of a further 600 beds and 150,000 sq ft of academic space by 2021. After the £54m sale of the shopping park at Longbridge, we have started works on enhancing the vision for the next phase of this important scheme to make sure it fits our placemaking ambitions and creates a lasting legacy. Whilst the first phase was predominantly retail and residential led, this next phase is employment and residential led and could see us deliver around 0.7m sq ft of employment space.

People

The strong progress we have made in executing our strategy reflects the high level of performance and commitment from our teams across the business. Our people have responded well to our new organisational design, which provides much clearer alignment between individual roles and strategy and allows for an appropriate balance of empowerment and accountability.

A skilled and committed workforce will remain key to us achieving our ambitions. Alongside recruitment into new roles to help facilitate growth, we are also investing significantly in training and development at all levels within the business with encouraging early results.

Looking forward

In line with our outlook in February this year, 2018 is shaping up to be a year of growth, focus and portfolio transition for St. Modwen as we remain firmly focused on executing our new strategy.

The wider UK economic and political environment is still uncertain and likely to remain so for some time to come. Although we are of course exposed to any cyclicality in the wider UK economy, the structural growth fundamentals in our key areas of regional housebuilding and industrial/logistics, remain positive. This provides us with confidence as we accelerate our development activity, although the short-cycle nature of our projects does mean we have flexibility to adjust our pipeline to any sudden changes in demand.

Since we announced our new strategy a year ago we have made considerable progress. Our organisational structure is better aligned to our strategy, our forward pipeline of projects is clear, our net borrowings are down by over £220m and with the sale of £635m of assets we have seen a significant shift in our portfolio mix. This will continue in the years ahead, as we recycle capital out of existing assets and build up a modern industrial/logistics portfolio with better long-term growth prospects by retaining the majority of our own developments.

The c. 9% yield on incremental capex on our industrial/logistics pipeline is well ahead of the c. 7% gross yield on the assets we sell, whilst the operating costs attached to the older retail and small assets we are selling are well above more efficient, new-built assets. Although disposals will continue to create some volatility in rental income and therefore earnings in the short term, we are confident our portfolio transition will drive strong earnings growth in the medium term – further enhanced by growing volumes in our housebuilding business by up to 25% p.a.

We can deliver all of this from our existing portfolio and capital base, without having to acquire or rely on a general market upturn. Building on our strong track record and expertise, we are therefore well placed to deliver a meaningful improvement in return on capital over the medium term.

PORTFOLIO AND OPERATIONAL REVIEW

Portfolio focus and capital discipline

Valuation performance

Adjusted for investments and disposals, our portfolio value increased 1.5% during the first half of the year and is now valued at £1.5bn. Our income producing portfolio makes up 47% of this, with the balance split between land held for future development (29%) and current developments (24%).

Our income producing assets increased in value by 1.2%. The value of our industrial/logistics portfolio, which is now the largest segment of our income producing portfolio, increased by 2.3% benefitting from modest yield compression, partly offset by a £2.3m write-down on our asset in Stafford where the tenant is closing its operations. As expected, general retail values remained under pressure as valuation yields softened, although the negative effect of this was offset by a strong uplift in value of our Trentham leisure/retail asset which continues to experience high growth in visitor numbers and rental income. Overall, our income producing portfolio was valued at an 8.0% equivalent yield at the end of May, which was up slightly compared to the end of 2017 on a like-for-like basis. Commercial developments were up 9.2% in value and commercial land, the vast majority of which is earmarked for industrial/logistics development, increased in value by 0.8%, with residential land increasing by 0.6% during the period.

	Value £m	Valuation movement[1] %	EPRA net initial yield %	Equivalent yield %	LFL equivalent yield shift bps	LFL ERV growth %
Industrial/logistics	334	2.3	7.2	8.0	(10)	-
Retail	291	0.2	6.6	8.0	30	0.4
Other	67	-	5.9	8.2	(10)	(2.6)
Income producing portfolio	**692**	**1.2**	**6.8**	**8.0**	**10**	**(0.2)**
Residential developments[2]	273	N/A				
Commercial developments	90	9.2				
Total developments[3]	**363**	**9.2**				
Residential land	310	0.6				
Commercial land	122	0.8				
Total land	**432**	**0.7**				
Total portfolio	**1,487**	**1.5**				

(1) Portfolio valuation movements exclude current residential developments.

(2) Includes land held by St. Modwen Homes for future development.

(3) Excludes inventories of £4m included within the income producing portfolio.

Our outlook for the market remains broadly unchanged compared to the start of the year. The challenges in the UK retail market are well-publicised, which is resulting in subdued investment volumes and we expect retail values will see some further softening. However, there continues to be investor demand for retail assets which are realistically priced, as shown by the disposal of 28% of our retail portfolio at a modest 4% discount to the November 2017 book value. Following these disposals retail will represent just 18% of our overall portfolio, of which half is located in London or leisure oriented and benefits from a stronger outlook.

Occupier and investment demand for industrial/logistics remains robust. Although speculative supply has started to pick up, this remains relatively modest and take-up remains strong, so we expect this will continue to underpin capital values in this sector and add to the attraction of our substantial development pipeline. With general house price inflation broadly offset by construction cost inflation, we expect upside in land values to be modest and remain largely reliant on potential further planning gains.

Operational performance

At the end of May, the annualised passing rent on our £692m income producing portfolio stood at £48.5m. This was down £11.7m since the end of 2017, primarily due to the disposal of Swansea and Longbridge, as like-for-like rents increased 3.5% compared to the same period last year, with rental growth in industrial well ahead of retail, at 5.8% versus 0.4%. The disposal of Wembley which is expected to complete in the near future will further reduce annualised passing rent.

Overall vacancy is up from 11.7% in November 2017 to 12.5%, but this solely reflects the disposal of assets with no or very little vacancy, principally the Swansea student accommodation and Longbridge Shopping Park, as on a like-for-like basis our overall vacancy decreased by 0.4ppt since the end of 2017. Part of our vacant space continues to be deliberately held back for future developments.

Across our income producing portfolio we signed 1.9m sq ft of new leases and lease renewals during the half year, generating £5.8m of annualised rental income. On average, this was 31% above previous passing rent and 2% above November 2017 ERVs. The average remaining lease term to first break for our portfolio decreased from 5.3 years at the end of 2017 to 4.3 years. This chiefly reflects the sale of Longbridge, which reduced the average for the portfolio by 0.8 years.

	ERV	**Passing rent[1]**	**Vacancy**	**LFL rent growth**
	£m	**£m**	**%**	**%**
Industrial/logistics	29.0	22.6	11.1	5.8
Retail	26.8	21.0	12.9	0.4
Other	5.5	4.9	18.7	4.0
Total income producing portfolio	**61.3**	**48.5**	**12.6**	**3.5**

(1) Excluding £0.4m of passing rent on land (ERV £1.9m) and £0.7m of annualised turnover rent at Trentham Gardens.

Our income producing portfolio has historically been relatively inefficient to manage, principally due to the high c. 30% of property outgoings associated with our older retail assets and a tail of very small assets. Recycling capital out of these assets into retaining our high quality, modern industrial/logistics developments will therefore significantly improve our operational efficiency in the years to come. In addition, the creation of our dedicated asset management function during the second half of 2017 is expected to further improve the operational performance of our retained assets.

Investments and disposals

During the first half of the year we continued the significant reshaping of our portfolio we initiated a year ago. Since we announced our new strategy in June 2017 we have now sold £635m of assets, on average in line with book value, which equates to 35% of our portfolio value at 31 May 2017. During the first half of 2018 we sold £350m of assets, which more than offset our £102m investment in acquisitions and developments during the same period (excluding housebuilding activities).

As we continue to see much higher returns from investing our capital in our own development pipeline than buying assets in the current investment market, we remain selective in acquisitions. All of our £21m acquisitions during the period therefore comprised drawdowns of land under existing development agreements for near-term development starts, principally for St. Modwen Homes.

Following £285m of disposals during the second half of 2017, the largest deal during the first half of 2018 was the disposal of our 45-year leasehold interest in the first phase of student accommodation at Swansea Bay Campus for £139m in February. We also forward sold our 207-unit PRS scheme at Uxbridge for £75m, which allowed us to bring forward the next phase of development of 101 private-sale apartments for St. Modwen Homes by 12-18 months.

In May we announced that we had exchanged contracts for the disposal of Longbridge Shopping Park and Wembley Central shopping centre via two separate transactions. The sale of Longbridge completed during the same month, whilst the sale of Wembley is expected to complete in the near future. Combined with the disposal of a small retail asset in Liverpool this means we have now sold £95m of retail assets, on average 4% below their November 2017 book value. We also sold 21 acres of residential land for £27m during the first six months, in line with book value, as the market for oven-ready residential land remains resilient.

	Amount[1] £m	Initial yield[2] %
Acquisitions during the six months to 31 May 2018		
Residential land	21	N/A
Total	**21**	**N/A**
Disposals during the six months to 31 May 2018[3]		
Swansea student accommodation	139	5.4
Retail	95	5.6
Industrial	10	8.1
PRS/other	75	N/A
Small assets	2	N/A
Residential land	27	N/A
Commercial land	2	N/A
Total	**350**	**5.6**

(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.

Looking forward, we will continue to reposition our portfolio to further optimise its return prospects and momentum in this remains positive. In addition to the £350m of assets we have sold so far this year, we have already agreed terms on the disposal of a further c. £70m of small and retail assets. As such, we expect to exceed our target to sell £100-150m of retail and small assets for the full year and we now anticipate selling £150-175m of these assets during 2018.

We expect to sell our residual c. £70m of small assets and around two-thirds of our remaining £255m retail assets over the next two years, whilst we plan to retain the small residual part of our retail portfolio for the time being in order to explore potential larger-scale mixed-use development opportunities. We plan to recycle the proceeds from our disposals into retaining the majority of our industrial/logistics developments, as we aim to build up a high quality, efficient income portfolio. Although the share of income producing assets as part of our overall portfolio reduced from 51% to 47% over the last six months, primarily due to the disposal of Swansea and Longbridge, we plan to increase this to c. 60-65% over time as we intend to reduce our exposure to land, recognising the significant cost of holding a large amount of non-income producing land on our balance sheet for a longer period.

Commercial development

We increased our investment in commercial development during the first half of the year to £81m (2017: £70m), delivering £10.9m in profits (2017: £9.5m). Our committed development pipeline increased to 1.8m sq ft with a total development cost of £270m, up from 1.6m sq ft at the start of the year. This includes 1.3m sq ft of industrial/logistics space with a total cost of £131m, of which we plan to retain approximately two-thirds – a level which we expect to increase over the next few years. With an ERV of £6.1m the yield on cost on these projects equates to an attractive 8%, whilst the yield on incremental capex is over 9%. We have secured 15% of the associated rent on these schemes. In total, we agreed £2.3m of development lettings since the start of the year, in line with our expected ERVs, including 153,000 sq ft at Tamworth and 35,000 sq ft at Avonmouth to pharma logistics firm Movianto.

Our overall committed commercial pipeline is now 50% pre-let or pre-sold, up from 41% at the start of the year, with around 85% of our non-industrial/logistics pipeline comprising our forward-sold PRS scheme in Uxbridge and the latest phase of development at Swansea Bay Campus.

	No. of projects	Area m sq ft	Total cost(1) £m	Cost to complete £m	ERV £m	Pre-let/sold %
Industrial/logistics – retained	10	0.9	78	49	6.1	15
Industrial/logistics – other	6	0.4	53	28		64
Industrial/logistics – total	**16**	**1.3**	**131**	**77**		**33**
Retail	2	0.1	13	7		59
Other	6	0.4	126	54		68
Total	**24**	**1.8**	**270**	**138**		**50**

(1) Including land.

We have continued to prepare our future pipeline to deliver up to 25% growth per year in the amount of industrial/logistics space we deliver over 2018-2020, although the short lead-time of our projects means we retain flexibility to adjust our pipeline to any potential changes in occupier demand. During the half year we secured outline planning consent for our 1.0m sq ft scheme at Chippenham Gateway, adjacent to junction 17 of the M4, and cleared planning conditions and finalised consents for a 0.2m sq ft scheme at Gatwick, adjacent to junction 10 of the M23. With a potential ERV of over £8m, these sites are expected to become an important part of our income portfolio in the medium term.

Our focus is on bringing forward these and other key strategic schemes in our pipeline, which have a combined development potential of over 10m sq ft and a potential ERV of over £60m. These key strategic schemes generally comprise large projects in our best locations, which are expected to form the core of our future income portfolio and which could be delivered over the next 5-8 years, partly subject to planning. In addition, we have a number of smaller projects capable of delivering over 5m sq ft potential industrial/logistics space, with a potential ERV of over £30m. Albeit smaller, these projects are in good locations and support the near-term replacement of income from selling retail and smaller assets.

The average yield on cost on these schemes is c. 8%, with a yield on incremental capex of c. 9%. This is well above the c. 7% gross yield on our student housing, retail and smaller asset disposals, so combined with the much lower property outgoings and maintenance capex associated with newly developed industrial/logistics assets, recycling capital out of existing assets into retaining the majority of our industrial/logistics pipeline is expected to drive strong income growth over the medium term.

Residential development – housebuilding

The market for new-built housing in the UK regions remains robust and we continue to see good demand for the new homes built by our housebuilding business St. Modwen Homes. We sold 302 units during the first half of the year, which marks an increase of 31% vs the same period last year (230 units), so we are well on track to realise the up to 25% growth in volumes we target for the full year compared to the 694 units we sold in 2017.

The average private sales price increased 8% to £283,000 (2017: £262,000), with like-for-like prices up 2% driven by the good demand for the high-quality homes we build and the remainder driven by changes in the mix of units and sites. St. Modwen Homes is now sales active on 19 outlets, with a further three outlets coming forward in the second half of the year. Quality and safety remain a key focus for us as we continue to grow and we retained our RoSPA Gold accreditation.

St. Modwen Homes' operating margin for the half year was 14.6%, which was down compared to the first half of 2017 due to an unusually low level of affordable sales last year, but which is in line with our target of improving our margin by c. 0.5ppt this year (Nov 2017: 13.9%). As we transfer land to St. Modwen Homes at market value shortly before it starts construction, upside in land values from planning gains or house price inflation is captured elsewhere in the Group through property revaluations, which reduces our operating margin by c. 2-3ppt compared to housebuilder peers who carry their land at historic cost.

St. Modwen Homes: key operating metrics	**May 2018**	May 2017	Change
Private units sold	**238**	220	8.2%
Affordable units sold	**64**	10	540.0%
Total units sold	**302**	230	31.3%
Private sales rate (units/week)	**0.8**	0.8	-
Average sales-active sites	**17**	13	30.8%
Average private selling price (£k)	**283**	262	8.0%
Average affordable selling price (£k)	**129**	86	50.0%
Operating margin (%)	**14.6**	15.3	(0.7)ppt

Given the continued ramp up in activity, profit from our housebuilding activities is weighted towards the second half of the year and our expectation that, for the full year, growth in profits from St. Modwen Homes will more than offset the planned reduction in profits from our JV with Persimmon remains unchanged. This is balanced towards the second half of the year, as for the first half of 2018 our overall residential profits reduced slightly to £12.7m (2017: £13.4m). Within this, St. Modwen Homes profits rose

23.3% to £11.1m (2017: £9.0m), but this was offset by a planned reduction in profit from our Persimmon JV to £1.6m (2017: £4.4m), as the JV continues to wind down its activity over the next two years.

Looking beyond 2018, we have now secured the pipeline for St. Modwen Homes to deliver up to 25% growth in volumes per year over 2019-2021 and we have started to roll out initiatives to improve our operating margin by c. 2-3ppt over the medium term, in part through optimising site coverage, but also due to improved efficiency from scale benefits and a range of other initiatives. Combined, this is expected to drive strong growth in our overall residential profits over the next few years, as the expected growth in St. Modwen Homes profits more than compensates for the planned reduction in Persimmon JV profits.

Residential development – residential land

In addition to growing our own housebuilding business, we further accelerated the release of capital by selling residential land to third party housebuilders. Demand for oven-ready land remains good, reflecting the positive outlook for housebuilding in the regions, so we capitalised on this by selling 921 plots in the first six months of the year for £27m, principally at Mill Hill and Longbridge. This is nearly double the amount we sold in the same period last year (2017: £14m), leaving us well on track to meet our full year target to sell at least £56m of land.

Combined with the disposals in the second half of 2017, we have now sold £260m of residential land since we announced our new strategy a year ago, on average at or above book value. In addition, we have significantly de-risked our land holdings, as our exposure to London has come down from 46% a year ago to 10% now.

Our overall land bank currently consists of 21,000 plots (Nov 2017: 22,000), excluding plots where development is subject to third party consent. This remains more than we need to facilitate the growth in our own housebuilding activities, so we will continue to crystallise the value in our land bank, as we intend to reduce the proportion of land as part of our overall portfolio value. In addition to traditional housebuilding, we will continue to progress the PRS opportunities in our pipeline, but we do not envisage owning and managing these assets ourselves for the longer term.

Major regeneration projects

During the half year we have continued to progress the delivery of our three major regeneration projects, Longbridge, Swansea and New Covent Garden Market, releasing significant capital out of the first phases of development to bring forward the next phases of these successful schemes.

At Longbridge, we sold the 320,000 sq ft shopping park which made up the core of the first phase of the town centre development for £54m. The scheme continues to see further phases of new homes being delivered and we have started to work on enhancing the vision for the 468-acre site, which is now c. 50% developed. Whilst the first phase was predominantly retail and residential-led, the next phase will see us deliver c. 0.7m sq ft of employment space. Inspired by our core purpose: 'Changing places. Creating better futures.', we want to make sure this next phase fits our placemaking ambitions to create a lasting legacy at this important scheme.

At Swansea Bay Campus, we reported in February that we sold the first phase of student housing, comprising 2,005 beds, to UPP for £139m, releasing £87m of proceeds net of an associated finance lease liability. The next 411 student rooms are expected to complete in early 2019 and we are on track to complete a 40,000 sq ft academic building which is pre-sold to global education provider Navitas later this year, with a combined development cost of £40m. We are also progressing plans for the next 150,000 sq ft of academic facilities and a further 600 student beds for delivery by 2021.

Following the sale of Nine Elms Square in the second half of 2017, we have continued to work on the relocation of the existing market facilities at New Covent Garden Market via our JV with VINCI as planned. This remains a long-term project and one that will release further land for development in due course.

At our more recently added schemes, we expect to start selling the first homes at our 1,500-unit project in Wantage and we are progressing planning for our 3,000-home Buckover Garden Village scheme. We continue to pursue new regeneration opportunities on a 'capital light' basis, but by nature these projects are opportunistic, so it is difficult to make specific forecasts for this.

FINANCIAL REVIEW

Overview

Our financial performance over the first six months of the year was solid and in line with our expectations for the full year. NAV per share increased 1.0% to 455.4 pence (Nov 2017: 450.9 pence) and EPRA NAV per share increased 0.7% to 474.4 pence (Nov 2017: 471.2 pence). As we flagged at the start of the year, disposals created some short-term volatility in rental income, but this was offset by a marked reduction in interest costs, so adjusted EPRA earnings were £0.8m higher than in the first half of 2017 at £13.9m. As a result, adjusted EPRA EPS increased to 6.3 pence (2017: 5.9 pence). Whilst we expect disposals to continue to weigh on rental income in the short term, we expect earnings to increase materially over time as our industrial/logistics pipeline starts to generate income. Against a backdrop of a £220.7m reduction in see-through net borrowings over the past 12 months, our total accounting return including dividends paid over the first six months was down slightly at 2.0% (2017: 2.9%).

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 note 2 to the condensed Group financial statements. The Group has four material joint ventures, three of which are in partnership with VINCI and one in partnership with Salhia. The VINCI joint ventures comprise 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. The Salhia JV, Key Property Investments (KPI), owns a portfolio of principally income producing industrial assets acquired between 1998 and 2002.

We use adjusted EPRA earnings and an 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 will be predominantly built to hold, commercial development profits will be largely non-cash in the future. As such, these are excluded from adjusted EPRA earnings, other than development fee income.

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 3.10 pence per share for the first half of 2018, marking an increase of 53.5% compared to last year (2017 interim: 2.02 pence per share), to be paid on 4 September 2018 to shareholders on the register as at 10 August 2018.

	Six months to 31 May 2018			Six months to 31 May 2017		
	Total[1]	**Trading profit**	**Other**	Total[1]	Trading profit	Other
	£m	**£m**	**£m**	£m	£m	£m
Gross rental income	**32.6**	**32.6**	**-**	30.7	30.7	-
Property outgoings	**(6.9)**	**(6.9)**	**-**	(5.7)	(5.7)	-
Other net income	**0.5**	**0.5**	**-**	2.0	2.0	-
Net rental and other income	**26.2**	**26.2**	**-**	27.0	27.0	-
Housebuilding operating profit	**12.7**	**12.7**	**-**	13.4	13.4	-
Development fee income	**1.4**	**1.4**	**-**	1.8	1.8	-
Administrative expenses	**(14.4)**	**(14.4)**	**-**	(14.0)	(14.0)	-
Net interest costs	**(8.9)**	**(8.9)**	**-**	(11.5)	(11.5)	-
Taxation on adjusted EPRA earnings	**(3.1)**	**-**	**(3.1)**	(3.5)	-	(3.5)
Less non-controlling interests	**-**	**-**	**-**	(0.1)	-	(0.1)
Adjusted EPRA earnings	**13.9**	**17.0**	**(3.1)**	13.1	16.7	(3.6)
Property development gains	**9.5**	**9.5**	**-**	7.7	7.7	-
Property disposal (losses)/gains	**(4.9)**	**(4.9)**	**-**	2.0	2.0	-
Property revaluation gains	**9.0**	**-**	**9.0**	20.0	-	20.0
Change in estimated cost to establish a market at Nine Elms	**-**	**-**	**-**	(9.2)	-	(9.2)
Net other finance costs	**(5.5)**	**-**	**(5.5)**	(7.9)	-	(7.9)
Taxation on other earnings	**(1.2)**	**-**	**(1.2)**	1.1	-	1.1
Profit attributable to owners of the Company	**20.8**	**21.6**	**(0.8)**	26.8	26.4	0.4
Earnings per share (pence)	**9.4**			12.1		

(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

The Group's share of net rental and other income in the first half of the year decreased to £26.2m (2017: £27.0m). Disposals reduced net rental income by £2.4m, partly offset by £0.6m growth in like-for-like income, £0.3m income from acquisitions and £0.7m income from retained developments. With the disposals of Longbridge Shopping Park close to the end of May and Wembley after the period end, we expect net rental income in the second half of the year to be below the first half, reflecting the time lag of recycling capital into industrial/logistics developments.

Administrative expenses

Administrative expenses for the first half year increased slightly to £14.4m (2017: £14.0m) due to our investment in preparing our business for future growth, partly offset by the capitalisation of £0.4m of costs directly related to commercial development activities. The capitalisation of these has no impact on our overall profit or accounting return, as the benefit to overhead costs is offset by lower property development or valuation gains. However, it improves the consistency of adjusted EPRA earnings, as property development and valuation gains are excluded from this measure. Our expectation for overhead costs for the full year to be c. 5% ahead of the £30.5m underlying level last year remains unchanged.

Interest and other finance costs

Net interest costs for the half year fell to £8.9m (2017: £11.5m) on a see-through basis, principally due to a reduction in debt due to our disposals, the lower average cost of borrowing following the refinancing of our bank facilities in December 2017 and the capitalisation of £0.5m interest costs on commercial developments. Similar to capitalised overhead costs, the latter has no impact on our overall profit or accounting return for the year, as the benefit to net finance cost is offset by a reduction in property development or valuation gains. As our net borrowings reduced slightly, we expect interest costs for the second half of the year to be slightly lower than the first half.

Net other finance costs were £5.5m (2017: £7.9m). 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 £0.8m charge for the amortisation of arrangement fees in relation to our loan facilities. Combined, these two costs have been just over £7m p.a. over the last two years and we expect these to recur at relatively constant levels. It also includes a £3.6m one-off expense related to the refinancing of our secured debt facilities in December. The final element of our non-cash finance costs relates to the mark-to-market valuation of our convertible bond and derivatives, which is driven by the movement in our share price and swap rates and resulted in a £0.8m credit in the first half.

Investment property revaluation and disposal gains/losses

All our investment properties are independently valued every six months by our external valuers Cushman & Wakefield and Jones Lang LaSalle (the latter for NCGM only), who base their valuations upon an open market transaction 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. Where applicable asset valuations have been validated with reference to open market transactions.

Over the first six months our portfolio saw a total valuation gain of £9.0m. During the first half of 2017 the portfolio recorded a gross revaluation gain of £20.0m, which was partly offset by a £9.2m cost impairment related to NCGM. During the first half of 2018 we recorded a £4.9m loss on property disposals (2017: £2.0m gain), principally related to Longbridge Shopping Park.

Taxation and IFRS net profit

Our total tax charge (including joint venture tax) for the half year was £4.3m (2017: £2.4m) resulting in IFRS net profit after tax of £20.8m (2017: £26.9m).

As a property group, tax and its treatment is often an integral part of transactions. The outcome of tax treatments, including tax planning, is recognised by the Group to the extent that the outcome is reasonably certain. Overall, the Group effective tax rate for the half year was above the same period last year at 17.7% (2017: 15.1%), resulting predominantly from the freezing of indexation allowance from 31 December 2017. 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 £1,011.0m (Nov 2017: £1,000.3m) or 455.4 pence per share, which represents a 1.0% increase over the six-month period (Nov 2017: 450.9 pence). Combined with the 2017 final dividend of 4.26 pence per share paid during the period, this reflects a total accounting return of 2.0% (2017: 2.9%). EPRA NAV per share increased by 0.7% to 474.4 pence (Nov 2017: 471.2 pence), as the crystallisation of £5.1m interest rate swap liabilities upon refinancing our bank facilities in December reduced EPRA NAV by 1.9 pence per share.

	31 May 2018			30 Nov 2017
	Group £m	**Joint ventures and associates £m**	**Total[(1)] £m**	Total[(1)] £m
Property portfolio	1,368.5	118.9	**1,487.4**	1,664.0
Other assets	104.4	96.4	**200.8**	167.5
Gross assets	**1,472.9**	**215.3**	**1,688.2**	1,831.5
Net borrowings	(366.0)	6.4	**(359.6)**	(388.2)
Finance leases	(5.2)	(0.9)	**(6.1)**	(57.9)
Other liabilities	(175.8)	(130.0)	**(305.8)**	(379.4)
Gross liabilities	**(547.0)**	**(124.5)**	**(671.5)**	(825.5)
Net assets	**925.9**	**90.8**	**1,016.7**	1,006.0
Non-controlling interests	(5.7)	-	**(5.7)**	(5.7)
Equity attributable to owners of the Company	**920.2**	**90.8**	**1,011.0**	1,000.3
NAV per share (pence)			**455.4**	450.9
EPRA NAV per share (pence)			**474.4**	471.2

(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.

Net borrowings

Cash generated before new investment, tax and dividends during the first half year increased to £256.4m (2017: £144.3m) and was well in excess of new investment, largely driven by our substantial disposals, whilst inventories increased by £7.6m at £369.5m (Nov 2017: £361.9m).

As a result, see-through gross borrowings fell £73.7m during the first half of the year to £389.6m (Nov 2017: £463.3m). See-through net borrowings reduced by £28.6m to £359.6m (Nov 2017: £388.2m), as the reduction in gross borrowings was partly offset by the fact that during the period £37.5m of cash (representing our 50% share) held in a Development Account for the delivery of the NCGM project was placed in a one-year deposit so this no longer qualifies as cash in our net borrowings calculation. The sale of Swansea reduced our finance lease liabilities by £51.8m to £6.1m.

Consequently, our see-through loan-to-value was stable at 24.2% (Nov 2017: 24.2%), or 21.7% including the cash held on one-year deposit. Excluding residential investments, our see-through loan-to-value increased slightly to 39.8% (Nov 2017: 37.2%), or decreased to 35.6% including the cash on one-year deposit, which remains within our target of sub 40%. Since we announced our new strategy a year ago, see-through net borrowings have come down £220.7m whilst our 24.2% LTV is down 8.9ppt.

	31 May 2018[(1)]	30 Nov 2017[(1)]
Gross borrowings (£m)	**389.6**	463.3
Net borrowings (£m)	**359.6**	388.2
Loan-to-value[(2)] (%)	**24.2**	24.2
Loan-to-value (excluding residential)[(2)] (%)	**39.8**	37.2

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

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

Financing

As reported previously, in December we refinanced £488m of secured bilateral debt facilities expiring in 2019/2021 with a new £475m unsecured club facility with a maturity of five years and an option to extend this to seven years, improving flexibility and resulting in initial interest savings of c. £2.5m p.a. As a result, our average duration of debt increased to 3.6 years, or 5.0 years including the extension options. Our first debt maturities are our £100m convertible bond and £80m retail bond which mature in 2019 and which have an average borrowing cost of 4.4%. With total committed see-through facilities of £693m (Nov 2017: £703m) compared to £359.6m see-through net borrowings, we maintain substantial financial headroom.

	31 May 2018	30 Nov 2017
Average duration of facilities (years)	**3.6**	2.7
Weighted average interest rate[(1)] (%)	**4.1**	4.4
Percentage of net borrowings fixed or hedged (%)	**66.9**	82.8

(1) The weighted average interest rate is calculated using current interest rates, commitment fees and hedging profile applied to the Group net borrowings at 31 May 2018, thereby assuming constant net borrowing levels for 2018.

Hedging and cost of debt

The refinancing of our bank facilities in December reduced our weighted average cost of borrowing from 4.4% to 3.7%, although this has increased to 4.1% since then due to the £73.7m reduction in our overall gross borrowings, which increased the proportion of our gross borrowings relating to our bonds, which have a higher cost of debt than our bank borrowings.

As we aim to have predictable costs attached to our borrowings our policy is to hedge a significant portion of our interest rate risk. The proportion of borrowings which are fixed or hedged is 66.9% (Nov 2017: 82.8%) and we continue to manage our ongoing 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 more than a 35% fall in values before our covenants would be breached.

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

2 July 2018

CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 May 2018

	Notes	**Unaudited 31 May 2018 £m**	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Revenue	1	**211.9**	151.4	318.6
Net rental income	1	**22.9**	22.4	48.8
Development profits	1	**15.4**	25.0	58.9
Investment property disposal gains	1	**7.4**	1.0	6.7
Investment property revaluation gains		**12.8**	9.3	16.2
Other net income	1	**0.5**	2.0	2.0
Net (loss)/profit of joint ventures and associates (post-tax)	4	**(2.9)**	0.4	(8.5)
Administrative expenses		**(18.1)**	(17.0)	(35.9)
Profit before interest and tax		**38.0**	43.1	88.2
Finance costs	5	**(13.7)**	(17.0)	(30.0)
Finance income	5	**1.6**	5.5	12.1
Profit before tax		**25.9**	31.6	70.3
Taxation	8a	**(5.1)**	(4.7)	(10.2)
Profit for the period		**20.8**	26.9	60.1
Attributable to:				
Owners of the Company		**20.8**	26.8	59.6
Non-controlling interests		**-**	0.1	0.5
Profit for the period		**20.8**	26.9	60.1

	Notes	**Unaudited 31 May 2018 Pence**	Unaudited 31 May 2017 Pence	Audited 30 Nov 2017 Pence
Basic earnings per share	6	**9.4**	12.1	26.9
Diluted earnings per share	6	**8.8**	12.0	26.7

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 May 2018

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Profit for the period	**20.8**	26.9	60.1
Items that will not be reclassified to profit and loss:			
Pension fund actuarial losses	**-**	-	(0.1)
Total comprehensive income for the period	**20.8**	26.9	60.0
Attributable to:			
Owners of the Company	**20.8**	26.8	59.5
Non-controlling interests	**-**	0.1	0.5
Total comprehensive income for the period	**20.8**	26.9	60.0

CONDENSED GROUP BALANCE SHEET
as at 31 May 2018

	Notes	**Unaudited 31 May 2018 £m**	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Non-current assets				
Investment properties		**979.2**	1,167.2	1,168.5
Operating property, plant and equipment and intangibles		**6.8**	4.4	5.1
Investments in joint ventures and associates		**90.8**	180.2	119.6
Trade and other receivables		**2.2**	2.1	2.3
		1,079.0	1,353.9	1,295.5
Current assets				
Inventories		**358.5**	298.7	352.7
Trade and other receivables		**89.3**	123.6	72.1
Derivative financial instruments	7	**0.9**	1.4	0.8
Cash and cash equivalents		**2.0**	8.8	0.5
Assets held for sale	8f	**36.0**	-	-
		486.7	432.5	426.1
Current liabilities				
Trade and other payables		**(137.3)**	(144.9)	(176.0)
Derivative financial instruments	7	**-**	(8.7)	(4.8)
Borrowings and finance lease obligations		**(100.1)**	(0.4)	(0.6)
Current tax liabilities		**(4.3)**	(8.9)	(6.2)
		(241.7)	(162.9)	(187.6)
Non-current liabilities				
Trade and other payables		**(17.0)**	(3.7)	(20.1)
Borrowings and finance lease obligations		**(273.1)**	(619.6)	(491.3)
Deferred tax		**(17.2)**	(20.5)	(16.6)
		(307.3)	(643.8)	(528.0)
Net assets		**1,016.7**	979.7	1,006.0
Capital and reserves				
Share capital		**22.2**	22.2	22.2
Share premium account		**102.8**	102.8	102.8
Retained earnings		**837.0**	797.5	825.7
Share incentive reserve		**4.2**	6.3	5.1
Own shares		**(1.4)**	(0.7)	(1.7)
Other reserves		**46.2**	46.2	46.2
Equity attributable to owners of the Company		**1,011.0**	974.3	1,000.3
Non-controlling interests		**5.7**	5.4	5.7
Total equity		**1,016.7**	979.7	1,006.0

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 May 2018

	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
Six months ended 31 May 2018 (unaudited)									
Equity at 1 December 2017	**22.2**	**102.8**	**825.7**	**5.1**	**(1.7)**	**46.2**	**1,000.3**	**5.7**	**1,006.0**
Profit for the period attributable to shareholders	**-**	**-**	**20.8**	**-**	**-**	**-**	**20.8**	**-**	**20.8**
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	**22.2**	**102.8**	**837.0**	**4.2**	**(1.4)**	**46.2**	**1,011.0**	**5.7**	**1,016.7**

	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
Six months ended 31 May 2017 (unaudited)									
Equity at 1 December 2016	22.2	102.8	779.7	4.9	(0.6)	46.2	955.2	6.9	962.1
Profit for the period attributable to shareholders	-	-	26.8	-	-	-	26.8	0.1	26.9
Total comprehensive income for the period	-	-	26.8	-	-	-	26.8	0.1	26.9
Share-based payments	-	-	-	1.2	-	-	1.2	-	1.2
Deferred tax on share-based payments	-	-	-	0.3	-	-	0.3	-	0.3
Settlement of share-based payments	-	-	-	(0.1)	(0.1)	-	(0.2)	-	(0.2)
Dividends paid	-	-	(9.0)	-	-	-	(9.0)	(1.6)	(10.6)
Equity at 31 May 2017	22.2	102.8	797.5	6.3	(0.7)	46.2	974.3	5.4	979.7

Year ended 30 November 2017 (audited)	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 2016	22.2	102.8	779.7	4.9	(0.6)	46.2	955.2	6.9	962.1
Profit for the year attributable to shareholders	-	-	59.6	-	-	-	59.6	0.5	60.1
Pension fund actuarial losses	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total comprehensive income for the year	-	-	59.5	-	-	-	59.5	0.5	60.0
Share-based payments	-	-	-	1.8	-	-	1.8	-	1.8
Deferred tax on share-based payments	-	-	-	0.3	-	-	0.3	-	0.3
Settlement of share-based payments	-	-	-	(1.9)	(1.1)	-	(3.0)	-	(3.0)
Dividends paid	-	-	(13.5)	-	-	-	(13.5)	(1.7)	(15.2)
Equity at 30 November 2017	22.2	102.8	825.7	5.1	(1.7)	46.2	1,000.3	5.7	1,006.0

Own shares represent the cost of 360,983 (31 May 2017: 251,820, 30 November 2017: 519,906) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 31 May 2018 was £1,441,766 (31 May 2017: £875,830, 30 November 2017: £2,031,793).

The other reserves comprise a capital redemption reserve of £0.3m (31 May 2017: £0.3m, 30 November 2017: £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 2017: £45.9m, 30 November 2017: £45.9m).

CONDENSED GROUP CASH FLOW STATEMENT

for the six months ended 31 May 2018

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Operating activities			
Profit before interest and tax	**38.0**	43.1	88.2
Investment property disposal gains	**(7.4)**	(1.0)	(6.7)
Net loss/(profit) of joint ventures and associates (post-tax)	**2.9**	(0.4)	8.5
Investment property revaluation gains	**(12.8)**	(9.3)	(16.2)
Depreciation	**0.4**	0.3	1.1
Net realisable value provisions	**0.4**	0.2	2.0
Decrease/(increase) in inventories	**27.6**	(55.0)	(97.7)
(Increase)/decrease in trade and other receivables	**(19.5)**	(15.2)	36.1
(Decrease)/increase in trade and other payables	**(33.8)**	(11.3)	17.4
Share options and share awards	**(0.6)**	1.3	(1.2)
Tax paid	**(6.4)**	(4.4)	(16.2)
Net cash (outflow)/inflow from operating activities	**(11.2)**	(51.7)	15.3
Investing activities			
Proceeds from investment property disposals	**131.4**	15.5	60.1
Investment property additions	**(46.2)**	(34.6)	(61.6)
Interest received	**0.6**	5.1	12.3
Capital injection into joint ventures and associates	**(0.4)**	-	(1.4)
Property, plant and equipment additions	**(2.1)**	(0.5)	(2.0)
Dividends received from joint ventures and associates	**26.3**	5.0	58.1
Net cash inflow/(outflow) from investing activities	**109.6**	(9.5)	65.5
Financing activities			
Dividends paid	**(9.5)**	(9.0)	(13.5)
Dividends paid to non-controlling interests	**-**	(1.6)	(1.7)
Interest paid	**(9.0)**	(11.2)	(26.1)
Repayment of obligations under finance lease arrangements	**(0.4)**	(1.6)	(3.3)
Refinancing outflows	**(11.7)**	-	-
Borrowings drawn	**423.0**	133.2	209.2
Repayment of borrowings	**(489.3)**	(44.0)	(249.1)
Net cash (outflow)/inflow from financing activities	**(96.9)**	65.8	(84.5)
Increase/(decrease) in cash and cash equivalents	**1.5**	4.6	(3.7)
Cash and cash equivalents at start of period	**0.5**	4.2	4.2
Cash and cash equivalents at end of period	**2.0**	8.8	0.5

CONDENSED GROUP ACCOUNTING POLICIES

for the six months ended 31 May 2018

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 2017.

In the six months ended 31 May 2018 the Group has adopted:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRSs Annual Improvements to IFRSs 2014 – 2016 Cycle

The adoption of the above amendments has had no material impact on the condensed Group financial statements.

The financial information for the year ended 30 November 2017 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 2019, 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, 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 2018

1. 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. The Group divides 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.

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

b. Segment revenues and results

	Six months ended 31 May 2018 (unaudited)		
	Portfolio £m	**House-building £m**	**Total £m**
Rental income	**29.5**	**-**	**29.5**
Development sales	**96.0**	**84.9**	**180.9**
Other income	**1.5**	**-**	**1.5**
Revenue	**127.0**	**84.9**	**211.9**

	Six months ended 31 May 2017 (unaudited)		
	Portfolio £m	Housebuilding £m	Total £m
Rental income	27.2	-	27.2
Development sales	43.7	77.6	121.3
Other income	2.9	-	2.9
Revenue	73.8	77.6	151.4

	Year ended 30 November 2017 (audited)		
	Portfolio £m	Housebuilding £m	Total £m
Rental income	61.0	-	61.0
Development sales	57.8	195.3	253.1
Other income	4.5	-	4.5
Revenue	123.3	195.3	318.6

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

	Six months ended 31 May 2018 (unaudited)		
	Portfolio £m	**House-building(1) £m**	**Total £m**
Net rental income	**22.9**	**-**	**22.9**
Development 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 (note 5)	**(9.0)**	**-**	**(9.0)**
Interest income (note 5)	**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 (note 5)			**(4.7)**
Other finance income (note 5)			**0.6**
Profit before tax			**25.9**

	Six months ended 31 May 2017 (unaudited)		
	Portfolio £m	House-building[1] £m	Total £m
Net rental income	22.4	-	22.4
Development profits	8.4	16.6	25.0
Investment property disposal gains	1.0	-	1.0
Investment property revaluation gains	9.3	-	9.3
Other net income	2.0	-	2.0
Profits of joint ventures and associates[2]	0.5	-	0.5
Administrative expenses	(13.8)	(3.2)	(17.0)
Allocation of administrative expenses	2.0	(2.0)	-
Interest costs (note 5)	(11.5)	-	(11.5)
Interest income (note 5)	5.5	-	5.5
Attributable profit	25.8	11.4	37.2
Other losses of joint ventures and associates[2]			(0.1)
Other finance costs (note 5)			(5.5)
Other finance income (note 5)			-
Profit before tax			31.6

	Year ended 30 November 2017 (audited)		
	Portfolio £m	House-building[1] £m	Total £m
Net rental income	48.8	-	48.8
Development profits	20.3	38.6	58.9
Investment property disposal gains	6.7	-	6.7
Investment property revaluation gains	16.2	-	16.2
Other net income	2.0	-	2.0
Losses of joint ventures and associates[2]	(7.4)	-	(7.4)
Administrative expenses	(28.7)	(7.2)	(35.9)
Allocation of administrative expenses	3.9	(3.9)	-
Interest costs (note 5)	(23.7)	-	(23.7)
Interest income (note 5)	9.0	-	9.0
Attributable profit	47.1	27.5	74.6
Other losses of joint ventures and associates[2]			(1.1)
Other finance costs (note 5)			(6.3)
Other finance income (note 5)			3.1
Profit before tax			70.3

(1) In the half year results, operating profit from the housebuilding segment of £12.7m (six months ended 31 May 2017: £13.4m, year ended 30 November 2017: £31.4m) is stated before the allocation of administrative expenses of £2.1m (six months ended 31 May 2017: £2.0m, year ended 30 November 2017: £3.9m). Housebuilding operating profit comprises £11.1m (six months ended 31 May 2017: £9.0m, year ended 30 November 2017: £23.3m) from St. Modwen Homes and £1.6m (six months ended 31 May 2017: £4.4m, year ended 30 November 2017: £8.1m) 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 £2.3m (six months ended 31 May 2017: £5.5m, year ended 30 November 2017: £1.1m). These amounts are reclassified to other losses of joint ventures and associates.

c. Segment assets and liabilities

	Portfolio £m	House-building £m	Total £m
	As at 31 May 2018 (unaudited)		
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			**91.5**
Cash and cash equivalents			**2.0**
Trade and other payables			**(154.3)**
Derivative financial instruments			**0.9**
Borrowings and finance lease obligations			**(373.2)**
Tax payable			**(4.3)**
Deferred tax			**(17.2)**
Net assets			**1,016.7**

	As at 31 May 2017 (unaudited)		
	Portfolio £m	Housebuilding £m	Total £m
Investment property	1,167.2	-	1,167.2
Inventories	141.9	156.8	298.7
Investments in joint ventures and associates	180.2	-	180.2
Attributable assets	1,489.3	156.8	1,646.1
Operating property, plant and equipment and intangibles			4.4
Trade and other receivables			125.7
Cash and cash equivalents			8.8
Trade and other payables			(148.6)
Derivative financial instruments			(7.3)
Borrowings and finance lease obligations			(620.0)
Tax payable			(8.9)
Deferred tax			(20.5)
Net assets			979.7

	As at 30 November 2017 (audited)		
	Portfolio £m	Housebuilding £m	Total £m
Investment property	1,168.5	-	1,168.5
Inventories	161.1	191.6	352.7
Investments in joint ventures and associates	119.6	-	119.6
Attributable assets	1,449.2	191.6	1,640.8
Operating property, plant and equipment and intangibles			5.1
Trade and other receivables			74.4
Cash and cash equivalents			0.5
Trade and other payables			(196.1)
Derivative financial instruments			(4.0)
Borrowings and finance lease obligations			(491.9)
Tax payable			(6.2)
Deferred tax			(16.6)
Net assets			1,006.0

Investment and commercial property assets as defined in our banking facility agreement at 31 May 2018 was £763.7m (30 November 2017: £958.2m).

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.

Trading profit (See note 2a): Trading profit is calculated on a proportionally consolidated basis and is stated before the principal non-cash income statement items, being revaluation gains and losses, changes in the estimate of the obligation to establish the new Covent Garden flower market, non-cash financing charges and tax. For a property group with a low depreciation charge and no intangible amortisation charge, this has historically represented a more useful measure than the EBITDA alternative performance measure used by many other companies.

Total accounting return (see note 2f): 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.

The Group's definition of total accounting return was revised during the second half of the year ended 30 November 2017 to represent the movement in net asset value per share for the year plus dividends paid per share during the year, expressed as a percentage of net asset value per share at the start of the year. Previously, this measure was defined using EPRA net asset value rather than net asset value. This change reflected that the Group's strategy includes the repositioning and recycling of the Group's portfolio towards sectors with strong structural growth, whereas the EPRA model assumes that properties are retained.

In particular, the disposal of a property for its carrying value in the financial statements and the resulting payment of its recognised deferred tax liability does not result in a change in net assets, but does result in a decrease in EPRA net assets because the deferred tax that crystallises on disposal is no longer adjusted for in arriving at EPRA net assets. Total accounting return previously reported for the six months ended 31 May 2017 under the previous definition was 2.6%. Under the new definition and now reported in note 2f, total accounting return for the six months ended 31 May 2017 was 2.9%.

a. Income statement

The non-statutory measures of adjusted EPRA earnings and trading profit, which include the Group's share of joint ventures and associates, are calculated as set out below:

	Six months ended 31 May 2018 (unaudited)				
	Group £m	**Joint ventures and associates £m**	**Total £m**	**Trading profit £m**	**Other £m**
Gross rental income	**29.5**	**3.1**	**32.6**	**32.6**	**-**
Property outgoings	**(6.6)**	**(0.3)**	**(6.9)**	**(6.9)**	**-**
Other net income	**0.5**	**-**	**0.5**	**0.5**	**-**
Net rental and other income	**23.4**	**2.8**	**26.2**	**26.2**	**-**
Housebuilding operating profit (note 1)	**12.7**	**-**	**12.7**	**12.7**	**-**
Development fee income (note 2b)	**1.4**	**-**	**1.4**	**1.4**	**-**
Administrative expenses (note 1)	**(14.3)**	**(0.1)**	**(14.4)**	**(14.4)**	**-**
Interest costs (note 5)	**(9.0)**	**(1.6)**	**(10.6)**	**(10.2)**	**(0.4)**
Interest income (note 5)	**1.0**	**0.7**	**1.7**	**1.3**	**0.4**
Taxation on adjusted EPRA earnings	**(2.8)**	**(0.3)**	**(3.1)**	**-**	**(3.1)**
Adjusted EPRA earnings	**12.4**	**1.5**	**13.9**	**17.0**	**(3.1)**
Property development gains (note 2b)	**9.5**	**-**	**9.5**	**9.5**	**-**
Property disposal losses (note 2b)	**(4.2)**	**(0.7)**	**(4.9)**	**(4.9)**	**-**
Property revaluation gains/(losses) (note 2c)	**12.4**	**(3.4)**	**9.0**	**-**	**9.0**
Other finance costs (note 5)	**(4.7)**	**(1.8)**	**(6.5)**	**-**	**(6.5)**
Other finance income (note 5)	**0.6**	**0.4**	**1.0**	**-**	**1.0**
Taxation on other earnings	**(2.3)**	**1.1**	**(1.2)**	**-**	**(1.2)**
Profit for the period attributable to owners of the Company	**23.7**	**(2.9)**	**20.8**	**21.6**	**(0.8)**

	Six months ended 31 May 2017 (unaudited)				
	Group £m	Joint ventures and associates £m	Total £m	Trading profit £m	Other £m
Gross rental income	27.2	3.5	30.7	30.7	-
Property outgoings	(4.8)	(0.9)	(5.7)	(5.7)	-
Other net income	2.0	-	2.0	2.0	-
Net rental and other income	24.4	2.6	27.0	27.0	-
Housebuilding operating profit (note 1)	13.4	-	13.4	13.4	-
Development fee income (note 2b)	1.8	-	1.8	1.8	-
Administrative expenses (note 1)	(13.8)	(0.2)	(14.0)	(14.0)	-
Interest costs (note 5)	(11.5)	(5.5)	(17.0)	(16.6)	(0.4)
Interest income (note 5)	5.5	-	5.5	5.1	0.4
Taxation on adjusted EPRA earnings	(3.6)	0.1	(3.5)	-	(3.5)
Less non-controlling interests on adjusted EPRA earnings	(0.1)	-	(0.1)	-	(0.1)
Adjusted EPRA earnings	16.1	(3.0)	13.1	16.7	(3.6)
Property development gains (note 2b)	6.8	0.9	7.7	7.7	-
Property disposal gains (note 2b)	1.0	1.0	2.0	2.0	-
Property revaluation gains (note 2c)	9.1	10.9	20.0	-	20.0
Change in estimated cost to establish a market in Nine Elms	-	(9.2)	(9.2)	-	(9.2)
Other finance costs (note 5)	(5.5)	(2.7)	(8.2)	-	(8.2)
Other finance income (note 5)	-	0.3	0.3	-	0.3
Taxation on other earnings	(1.1)	2.2	1.1	-	1.1
Profit for the period attributable to owners of the Company	26.4	0.4	26.8	26.4	0.4

	Year ended 30 November 2017 (audited) Group £m	Joint ventures and associates £m	Total £m	Trading profit £m	Other £m
Gross rental income	61.0	6.6	67.6	67.6	-
Property outgoings	(12.2)	(1.6)	(13.8)	(13.8)	-
Other net income	2.0	-	2.0	2.0	-
Net rental and other income	50.8	5.0	55.8	55.8	-
Housebuilding operating profit (note 1)	31.4	-	31.4	31.4	-
Development fee income (note 2b)	3.8	-	3.8	3.8	-
Administrative expenses (note 1)	(28.7)	(0.3)	(29.0)	(29.0)	-
Interest costs (note 5)	(23.7)	(9.7)	(33.4)	(32.6)	(0.8)
Interest income (note 5)	9.0	0.3	9.3	8.4	0.9
Taxation on adjusted EPRA earnings	(7.8)	(0.6)	(8.4)	-	(8.4)
Less non-controlling interests on adjusted EPRA earnings	(0.1)	-	(0.1)	-	(0.1)
Adjusted EPRA earnings	34.7	(5.3)	29.4	37.8	(8.4)
Property development gains (note 2b)	18.5	0.9	19.4	19.4	-
Property disposal gains (note 2b)	6.7	0.7	7.4	7.4	-
Property revaluation gains (note 2c)	14.2	20.4	34.6	-	34.6
Change in estimated cost to establish a market in Nine Elms	-	(24.6)	(24.6)	-	(24.6)
Other finance costs (note 5)	(6.3)	(5.3)	(11.6)	-	(11.6)
Other finance income (note 5)	3.1	0.8	3.9	-	3.9
Taxation on other earnings	(2.4)	3.9	1.5	-	1.5
Less non-controlling interests on other earnings	(0.4)	-	(0.4)	-	(0.4)
Profit for the year attributable to owners of the Company	68.1	(8.5)	59.6	64.6	(5.0)

b. Portfolio property profits

Non-housebuilding property profits, including the Group's share of joint ventures and associates, comprise development fee income and gains and losses arising from property development and property disposals, as shown in note 2a. These are derived from development profits in the condensed Group income statement as set out below:

	Six months ended 31 May 2018 (unaudited) Group £m	**Joint ventures and associates £m**	**Total £m**
Inventory development gains	**20.8**	**-**	**20.8**
Inventory disposal losses	**(11.6)**	**-**	**(11.6)**
Pre-sold property construction contract profits	**4.8**	**-**	**4.8**
Development fee income	**1.4**	**-**	**1.4**
Development profits	**15.4**	**-**	**15.4**
Investment property disposal gains/(losses)	**7.4**	**(0.7)**	**6.7**
Net realisable value provisions (note 2c)	**0.4**	**-**	**0.4**
Less residential development profits (note 1)	**(16.5)**	**-**	**(16.5)**
Portfolio property profits	**6.7**	**(0.7)**	**6.0**
Development fee income (note 2a)	**1.4**	**-**	**1.4**
Property development gains (note 2a)	**9.5**	**-**	**9.5**
Property disposal losses (note 2a)	**(4.2)**	**(0.7)**	**(4.9)**
Portfolio property profits	**6.7**	**(0.7)**	**6.0**

	Six months ended 31 May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Inventory development gains	19.3	0.9	20.2
Pre-sold property construction contract profits	3.9	-	3.9
Development fee income	1.8	-	1.8
Development profits	25.0	0.9	25.9
Investment property disposal gains	1.0	1.0	2.0
Net realisable value provisions (note 2c)	0.2	-	0.2
Less residential development profits (note 1)	(16.6)	-	(16.6)
Portfolio property profits	9.6	1.9	11.5
Development fee income (note 2a)	1.8	-	1.8
Property development gains (note 2a)	6.8	0.9	7.7
Property disposal gains (note 2a)	1.0	1.0	2.0
Portfolio property profits	9.6	1.9	11.5

	Year ended 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Inventory development gains	50.5	0.9	51.4
Pre-sold property construction contract profits	4.6	-	4.6
Development fee income	3.8	-	3.8
Development profits	58.9	0.9	59.8
Investment property disposal gains	6.7	0.7	7.4
Net realisable value provisions (note 2c)	2.0	-	2.0
Less residential development profits (note 1)	(38.6)	-	(38.6)
Portfolio property profits	29.0	1.6	30.6
Development fee income (note 2a)	3.8	-	3.8
Property development gains (note 2a)	18.5	0.9	19.4
Property disposal gains (note 2a)	6.7	0.7	7.4
Portfolio property profits	29.0	1.6	30.6

c. Property valuations

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

	Six months ended 31 May 2018 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Investment property revaluation gains/(losses)	**12.8**	**(3.4)**	**9.4**
Net realisable value provisions	**(0.4)**	**-**	**(0.4)**
Property valuation gains/(losses)	**12.4**	**(3.4)**	**9.0**

	Six months ended 31 May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	9.3	10.9	20.2
Net realisable value provisions	(0.2)	-	(0.2)
Property valuation gains	9.1	10.9	20.0

	Year ended 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	16.2	20.4	36.6
Net realisable value provisions	(2.0)	-	(2.0)
Property valuation gains	14.2	20.4	34.6

d. 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 2018 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Property portfolio	**1,368.5**	**118.9**	**1,487.4**
Other assets	**104.4**	**96.4**	**200.8**
Gross assets	**1,472.9**	**215.3**	**1,688.2**
Net borrowings	**(366.0)**	**6.4**	**(359.6)**
Finance leases	**(5.2)**	**(0.9)**	**(6.1)**
Other liabilities	**(175.8)**	**(130.0)**	**(305.8)**
Gross liabilities	**(547.0)**	**(124.5)**	**(671.5)**
Net assets	**925.9**	**90.8**	**1,016.7**
Non-controlling interests	**(5.7)**	**-**	**(5.7)**
Equity attributable to owners of the Company	**920.2**	**90.8**	**1,011.0**

	As at 31 May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio	1,462.0	351.4	1,813.4
Other assets	135.4	33.0	168.4
Gross assets	1,597.4	384.4	1,981.8
Net borrowings	(554.6)	(25.7)	(580.3)
Finance leases	(56.2)	(0.9)	(57.1)
Other liabilities	(187.1)	(177.6)	(364.7)
Gross liabilities	(797.9)	(204.2)	(1,002.1)
Net assets	799.5	180.2	979.7
Non-controlling interests	(5.4)	-	(5.4)
Equity attributable to owners of the Company	794.1	180.2	974.3

	As at 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio	1,516.0	148.0	1,664.0
Other assets	85.5	82.0	167.5
Gross assets	1,601.5	230.0	1,831.5
Net borrowings	(433.8)	45.6	(388.2)
Finance leases	(57.0)	(0.9)	(57.9)
Other liabilities	(224.3)	(155.1)	(379.4)
Gross liabilities	(715.1)	(110.4)	(825.5)
Net assets	886.4	119.6	1,006.0
Non-controlling interests	(5.7)	-	(5.7)
Equity attributable to owners of the Company	880.7	119.6	1,000.3

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

	As at 31 May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Investment properties	1,167.2	346.3	1,513.5
Less assets held under finance leases not subject to revaluation	(3.9)	(0.9)	(4.8)
Inventories	298.7	6.0	304.7
Property portfolio	1,462.0	351.4	1,813.4

	As at 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Investment properties	1,168.5	139.7	1,308.2
Less assets held under finance leases not subject to revaluation	(5.2)	(0.9)	(6.1)
Inventories	352.7	9.2	361.9
Property portfolio	1,516.0	148.0	1,664.0

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

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Industrial and logistics	**333.6**	267.8	305.8
Retail	**291.0**	341.9	342.8
Residential and other	**67.4**	165.7	194.9
Income producing property	**692.0**	775.4	843.5
Residential land	**582.9**	782.8	561.2
Commercial land	**212.5**	255.2	259.3
Property portfolio	**1,487.4**	1,813.4	1,664.0

f. Total accounting return

Total accounting return is calculated as set out below:

	Unaudited 31 May 2018 Pence per share	Unaudited 31 May 2017 Pence per share	Audited 30 Nov 2017 Pence per share
Net asset value per share at end of year (note 3)	**455.4**	439.6	450.9
Less net asset value per share at start of year (note 3)	**(450.9)**	(431.0)	(431.0)
Increase in net asset value per share	**4.5**	8.6	19.9
Dividend paid per share	**4.3**	4.1	6.1
Total accounting return per share	**8.8**	12.7	26.0
Total accounting return	**2.0%**	2.9%	6.0%

g. Cash generated before new investment, tax and dividends

Cash generated before new investment, tax and dividends is derived from the Group cash flow statement as set out below:

	Six months ended 31 May 2018 (unaudited)					
	Operating activities £m	**Investing activities £m**	**Financing activities £m**	**Total £m**	**Joint ventures and associates £m**	**Total £m**
Net rent and other income	**23.4**	**-**	**-**	**23.4**	**2.8**	**26.2**
Overheads and interest	**(14.5)**	**0.6**	**(20.7)**	**(34.6)**	**(1.0)**	**(35.6)**
Property disposal and development proceeds	**177.5**	**131.4**	**-**	**308.9**	**34.8**	**343.7**
Finance leases	**-**	**-**	**(0.4)**	**(0.4)**	**-**	**(0.4)**
Working capital and other movements	**(35.1)**	**(2.5)**	**-**	**(37.6)**	**(39.9)**	**(77.5)**
Cash generated before new investment, tax and dividends	**151.3**	**129.5**	**(21.1)**	**259.7**	**(3.3)**	**256.4**
Taxation	**(6.4)**	**-**	**-**	**(6.4)**	**(5.7)**	**(12.1)**
Net dividends	**-**	**26.3**	**(9.5)**	**16.8**	**(26.3)**	**(9.5)**
Property acquisitions	**(22.2)**	**(7.3)**	**-**	**(29.5)**	**-**	**(29.5)**
Property and development expenditure	**(133.9)**	**(38.9)**	**-**	**(172.8)**	**(3.9)**	**(176.7)**
Net repayment of borrowings	**-**	**-**	**(66.3)**	**(66.3)**	**(4.3)**	**(70.6)**
Movement in cash and cash equivalents	**(11.2)**	**109.6**	**(96.9)**	**1.5**	**(43.5)**	**(42.0)**

	Six months ended 31 May 2017 (unaudited)					
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m	Joint ventures and associates £m	Total £m
Net rent and other income	24.4	-	-	24.4	2.6	27.0
Overheads and interest	(15.4)	5.1	(11.2)	(21.5)	(5.7)	(27.2)
Property disposal and development proceeds	119.8	15.5	-	135.3	45.8	181.1
Finance leases	-	-	(1.6)	(1.6)	-	(1.6)
Working capital and other movements	(23.1)	-	-	(23.1)	(11.9)	(35.0)
Cash generated before new investment, tax and dividends	105.7	20.6	(12.8)	113.5	30.8	144.3
Taxation	(4.4)	-	-	(4.4)	(1.0)	(5.4)
Net dividends	-	5.0	(10.6)	(5.6)	(5.0)	(10.6)
Property acquisitions	(34.6)	(12.4)	-	(47.0)	-	(47.0)
Property and development expenditure	(118.4)	(22.7)	-	(141.1)	(3.5)	(144.6)
Net drawing/(repayment) of borrowings	-	-	89.2	89.2	(6.6)	82.6
Movement in cash and cash equivalents	(51.7)	(9.5)	65.8	4.6	14.7	19.3

	Year ended 30 November 2017 (audited)					
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m	Joint ventures and associates £m	Total £m
Net rent and other income	50.8	-	-	50.8	5.0	55.8
Overheads and interest	(36.0)	12.3	(26.1)	(49.8)	(9.7)	(59.5)
Property disposal and development proceeds	260.8	60.1	-	320.9	258.8	579.7
Finance leases	-	-	(3.3)	(3.3)	-	(3.3)
Working capital and other movements	53.5	(3.4)	-	50.1	(80.1)	(30.0)
Cash generated before new investment, tax and dividends	329.1	69.0	(29.4)	368.7	174.0	542.7
Taxation	(16.2)	-	-	(16.2)	(7.8)	(24.0)
Net dividends	-	58.1	(15.2)	42.9	(58.1)	(15.2)
Property acquisitions	(50.8)	(17.5)	-	(68.3)	-	(68.3)
Property and development expenditure	(246.8)	(44.1)	-	(290.9)	(15.5)	(306.4)
Net repayment of borrowings	-	-	(39.9)	(39.9)	(21.7)	(61.6)
Movement in cash and cash equivalents	15.3	65.5	(84.5)	(3.7)	70.9	67.2

h. Movements in net borrowings and net debt

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

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Movement in cash and cash equivalents	**1.5**	4.6	(3.7)
Borrowings drawn	**(423.0)**	(133.2)	(209.2)
Repayment of borrowings	**489.3**	44.0	249.1
Increase/(decrease) in net borrowings	**67.8**	(84.6)	36.2
Fair value movement on convertible bonds	**0.6**	(4.0)	(4.2)
Finance leases	**-**	0.6	(0.2)
Increase/(decrease) in net debt	**68.4**	(88.0)	31.8

i. Net borrowings and net debt

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

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Cash and cash equivalents	**2.0**	8.8	0.5
Borrowings due within one year	**(100.0)**	-	-
Borrowings due after more than one year	**(268.0)**	(563.8)	(434.9)
Adjustment to restate convertible bond at book value	**-**	0.4	0.6
Net borrowings	**(366.0)**	(554.6)	(433.8)
Reversal of adjustment to restate convertible bond at book value	**-**	(0.4)	(0.6)
Finance lease liabilities due within one year	**(0.1)**	(0.4)	(0.6)
Finance lease liabilities due after more than one year	**(5.1)**	(55.8)	(56.4)
Net debt	**(371.2)**	(611.2)	(491.4)

j. 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 finance 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 asset 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 finance leases 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 finance leases and fair value movements on the Group’s convertible bond) less cash and cash equivalents (all including the Group’s share of its joint ventures and associates).

See-through loan-to-value: see-through net borrowings expressed as a percentage of the Group’s property portfolio excluding valued assets held under finance 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 finance 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 2018 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Property portfolio (note 2e)	**1,368.5**	**118.9**	**1,487.4**
Less residential assets (note 2e)	**(545.8)**	**(37.1)**	**(582.9)**
Net property portfolio (excluding residential)	**822.7**	**81.8**	**904.5**
Total equity	**1,016.7**	**N/A**	**1,016.7**
Net debt (note 2i)	**371.2**	**(5.5)**	**365.7**
Net borrowings (note 2i)	**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 31 May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2e)	1,462.0	351.4	1,813.4
Less valued assets held under finance leases	(59.3)	-	(59.3)
Net property portfolio	1,402.7	351.4	1,754.1
Less residential assets (note 2e)	(518.6)	(264.2)	(782.8)
Net property portfolio (excluding residential)	884.1	87.2	971.3
Total equity	979.7	N/A	979.7
Net debt (note 2i)	611.2	26.6	637.8
Net borrowings (note 2i)	554.6	25.7	580.3
Gearing	62.4%		65.1%
Adjusted gearing	56.6%		59.2%
Loan-to-value	39.5%		33.1%
Loan-to-value (excluding residential)	N/A		59.7%

	As at 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2e)	1,516.0	148.0	1,664.0
Less valued assets held under finance leases	(59.0)	-	(59.0)
Net property portfolio	1,457.0	148.0	1,605.0
Less residential assets (note 2e)	(504.1)	(57.1)	(561.2)
Net property portfolio (excluding residential)	952.9	90.9	1,043.8
Total equity	1,006.0	N/A	1,006.0
Net debt (note 2i)	491.4	(44.7)	446.7
Net borrowings (note 2i)	433.8	(45.6)	388.2
Gearing	48.8%		44.4%
Adjusted gearing	43.1%		38.6%
Loan-to-value	29.8%		24.2%
Loan-to-value (excluding residential)	N/A		37.2%

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 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)**
Inventory development gains(2)	**(17.0)**	**-**	**(17.0)**
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**	**-**
Residential 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**

	Six months ended 31 May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Profit for the period	26.5	0.4	26.9
Less non-controlling interests	(0.1)	-	(0.1)
Profit for the period attributable to owners of the Company	26.4	0.4	26.8
Investment property revaluation gains	(9.3)	(10.9)	(20.2)
Investment property disposal gains	(1.0)	(1.0)	(2.0)
Change in estimated cost to establish a market in Nine Elms(1)	-	9.2	9.2
Inventory development gains(2)	(16.1)	(0.9)	(17.0)
Pre-sold property development gains(3)	(3.9)	-	(3.9)
Amortisation of discount on deferred payment arrangements(4)	0.3	2.6	2.9
Taxation in respect of gains or losses on disposal	5.2	(1.2)	4.0
Movement in fair value of financial instruments	4.1	(0.3)	3.8
Deferred tax in respect of EPRA adjustments	(1.3)	(1.0)	(2.3)
EPRA earnings	4.4	(3.1)	1.3
Residential operating profit	13.4	-	13.4
Amortisation of loan arrangement fees	1.1	0.1	1.2
Taxation in respect of company specific adjustments	(2.8)	-	(2.8)
Adjusted EPRA earnings	16.1	(3.0)	13.1

	Year ended 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Profit for the year	68.6	(8.5)	60.1
Less non-controlling interests	(0.5)	-	(0.5)
Profit for the year attributable to owners of the Company	68.1	(8.5)	59.6
Investment property revaluation gains	(16.2)	(20.4)	(36.6)
Investment property disposal gains	(6.7)	(0.7)	(7.4)
Change in estimated cost to establish a market in Nine Elms(1)	-	24.6	24.6
Inventory development gains(2)	(43.3)	(0.9)	(44.2)
Pre-sold property development gains(3)	(4.6)	-	(4.6)
Amortisation of discount on deferred payment arrangements(4)	0.3	4.9	5.2
Taxation in respect of gains or losses on disposal	13.7	14.2	27.9
Movement in fair value of financial instruments	1.1	(0.8)	0.3
Deferred tax in respect of EPRA adjustments	(5.0)	(18.0)	(23.0)
Non-controlling interests in respect of the above	0.4	-	0.4
EPRA earnings	7.8	(5.6)	2.2
Residential operating profit	31.4	-	31.4
Amortisation of loan arrangement fees	1.8	0.4	2.2
Taxation in respect of company specific adjustments	(6.3)	(0.1)	(6.4)
Adjusted EPRA earnings	34.7	(5.3)	29.4

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

(2) Inventory development gains exclude 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 unwinding 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.

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 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)**
Finance costs(1)	**(13.4)**	**(1.6)**	**(15.0)**
Finance income(2)	**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**	**(0.0)**
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**

	Six months ended 31 May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Net rental and other income	24.4	2.6	27.0
Development fee income	1.8	-	1.8
Administrative expenses	(13.8)	(0.2)	(14.0)
Finance costs(1)	(12.6)	(5.6)	(18.2)
Finance income(2)	5.5	-	5.5
Taxation in respect of EPRA earnings measures	(0.8)	0.1	(0.7)
Non-controlling interests in respect of the above	(0.1)	-	(0.1)
EPRA earnings	4.4	(3.1)	1.3
Housebuilding operating profit	13.4	-	13.4
Amortisation of loan arrangement fees	1.1	0.1	1.2
Taxation in respect of company specific adjustments	(2.8)	-	(2.8)
Adjusted EPRA earnings	16.1	(3.0)	13.1

	Year ended 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Net rental and other income	50.8	5.0	55.8
Development fee income	3.8	-	3.8
Administrative expenses	(28.7)	(0.3)	(29.0)
Finance costs(1)	(25.5)	(10.1)	(35.6)
Finance income(2)	9.0	0.3	9.3
Taxation in respect of EPRA earnings measures	(1.5)	(0.5)	(2.0)
Non-controlling interests in respect of the above	(0.1)	-	(0.1)
EPRA earnings	7.8	(5.6)	2.2
Housebuilding operating profit	31.4	-	31.4
Amortisation of loan arrangement fees	1.8	0.4	2.2
Taxation in respect of company specific adjustments	(6.3)	(0.1)	(6.4)
Adjusted EPRA earnings	34.7	(5.3)	29.4

(1) Finance costs for the purposes of EPRA earnings exclude movements in the fair value of financial instruments and amortisation of discount on deferred payment arrangements, as set out in note 5.

(2) Finance income for the purposes of EPRA earnings excludes movements in the fair value of financial instruments, as set out in note 5.

	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%**

	Six months ended 31 May 2017 (unaudited) £m	Pence per share[1]	Percentage movement[2]
Earnings	26.8	12.1	N/A
EPRA earnings	1.3	0.6	N/A
Adjusted EPRA earnings	13.1	5.9	N/A

	Year ended 30 November 2017 (audited) £m	Pence per share[1]	Percentage movement[2]
Earnings	59.6	26.9	11.6%
EPRA earnings	2.2	1.0	(266.7)%
Adjusted EPRA earnings	29.4	13.3	37.1%

(1) The number of shares in issue used to calculate the earnings per share is 221,906,003 (six months ended 31 May 2017: 221,613,476, year ended 30 November 2017: 221,697,244), as disclosed in note 6, 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 2018 (unaudited) Group £m	Joint ventures and associates £m	Total £m
Total equity	**925.9**	**90.8**	**1,016.7**
Less non-controlling interests	**(5.7)**	**-**	**(5.7)**
Net asset value	**920.2**	**90.8**	**1,011.0**
Adjustments of inventories to fair value	**19.6**	**0.9**	**20.5**
EPRA triple net asset value	**939.8**	**91.7**	**1,031.5**
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	**958.0**	**95.2**	**1,053.2**

	As at 31 May 2017 (unaudited) Group £m	Joint ventures and associates £m	Total £m
Total equity	799.5	180.2	979.7
Less non-controlling interests	(5.4)	-	(5.4)
Net asset value	794.1	180.2	974.3
Adjustments of inventories to fair value	10.7	-	10.7
EPRA triple net asset value	804.8	180.2	985.0
Deferred tax on capital allowances and revaluations	23.4	22.4	45.8
Mark-to-market of derivative financial instruments	6.3	1.1	7.4
EPRA net asset value	834.5	203.7	1,038.2

	As at 30 November 2017 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Total equity	886.4	119.6	1,006.0
Less non-controlling interests	(5.7)	-	(5.7)
Net asset value	880.7	119.6	1,000.3
Adjustments of inventories to fair value	16.2	0.2	16.4
EPRA triple net asset value	896.9	119.8	1,016.7
Deferred tax on capital allowances and revaluations	18.8	4.2	23.0
Mark-to-market of derivative financial instruments	5.0	0.7	5.7
EPRA net asset value	920.7	124.7	1,045.4

	As at 31 May 2018 (unaudited)		
	£m	**Pence per share(1)**	**Percentage movement(2)**
Net asset value	**1,011.0**	**455.4**	**1.0%**
EPRA triple net asset value	**1,031.5**	**464.6**	**1.4%**
EPRA net asset value	**1,053.2**	**474.4**	**0.7%**

	As at 31 May 2017 (unaudited)		
	£m	Pence per share(1)	Percentage movement(2)
Net asset value	974.3	439.6	2.0%
EPRA triple net asset value	985.0	444.4	1.6%
EPRA net asset value	1,038.2	468.4	1.7%

	As at 30 November 2017 (audited)		
	£m	Pence per share(1)	Percentage movement(2)
Net asset value	1,000.3	450.9	4.6%
EPRA triple net asset value	1,016.7	458.3	4.8%
EPRA net asset value	1,045.4	471.2	2.3%

(1) The number of shares in issue used to calculate the net asset values per share is 222,016,005 (six months ended 31 May 2017: 221,625,168, year ended 30 November 2017: 221,857,082), 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. Joint ventures and associates

The Group's share of the results for the six months ended 31 May 2018 of its joint ventures and associates is:

	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)**

	Six months ended 31 May 2017 (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	2.6	(0.1)	-	-	0.1	2.6
Development profits	0.9	-	-	-	-	0.9
Investment property disposal gains/(losses)	1.1	-	(0.1)	-	-	1.0
Investment property revaluation gains/(losses)	3.7	(2.5)	0.3	9.4	-	10.9
Change in estimated cost to establish a market in Nine Elms	-	-	-	(9.2)	-	(9.2)
Administrative expenses	(0.1)	-	(0.1)	-	-	(0.2)
Profit/(loss) before interest and tax	8.2	(2.6)	0.1	0.2	0.1	6.0
Finance costs	(1.0)	(1.0)	(0.6)	(5.5)	(0.1)	(8.2)
Finance income	0.3	-	-	-	-	0.3
Profit/(loss) before tax	7.5	(3.6)	(0.5)	(5.3)	-	(1.9)
Taxation	(0.5)	0.8	-	2.0	-	2.3
Profit/(loss) for the period	7.0	(2.8)	(0.5)	(3.3)	-	0.4

	Year ended 30 November 2017 (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	4.9	(0.1)	-	-	0.2	5.0
Development profits	0.9	-	-	-	-	0.9
Investment property disposal gains/(losses)	0.1	-	(0.2)	0.8	-	0.7
Investment property revaluation gains/(losses)	9.5	(2.3)	(1.5)	14.5	0.2	20.4
Change in estimated cost to establish a market in Nine Elms	-	-	-	(24.6)	-	(24.6)
Administrative expenses	(0.1)	-	(0.1)	(0.1)	-	(0.3)
Profit/(loss) before interest and tax	15.3	(2.4)	(1.8)	(9.4)	0.4	2.1
Finance costs	(2.0)	(2.2)	(1.9)	(8.8)	(0.1)	(15.0)
Finance income	0.8	0.1	-	0.2	-	1.1
Profit/(loss) before tax	14.1	(4.5)	(3.7)	(18.0)	0.3	(11.8)
Taxation	(0.9)	0.5	(0.5)	4.2	-	3.3
Profit/(loss) for the year	13.2	(4.0)	(4.2)	(13.8)	0.3	(8.5)

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.

5. Finance costs and finance income

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Interest costs			
Interest payable on borrowings	**8.2**	10.1	20.8
Interest payable on finance lease obligations	**0.4**	1.0	2.1
Interest on pension scheme liabilities	**0.4**	0.4	0.8
Interest costs	**9.0**	11.5	23.7
Other finance costs			
Amortisation of loan arrangement fees	**4.4**	1.1	1.8
Amortisation of discount on deferred payment arrangements	**0.1**	0.3	0.3
Movement in fair value of convertible bond	**-**	4.0	4.2
Movement in fair value of derivative financial instruments	**0.2**	0.1	-
Other finance costs	**4.7**	5.5	6.3
Total finance costs	**13.7**	17.0	30.0

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Interest income			
Interest receivable	**0.6**	5.1	8.1
Interest income on pension scheme assets	**0.4**	0.4	0.9
Interest income	**1.0**	5.5	9.0
Other finance income			
Movement in fair value of convertible bond	**0.6**	-	-
Movement in fair value of derivative financial instruments	**-**	-	3.1
Other finance income	**0.6**	-	3.1
Total finance income	**1.6**	5.5	12.1

6. Earnings per share

	Unaudited 31 May 2018 Number of shares	Unaudited 31 May 2017 Number of shares	Audited 30 Nov 2017 Number of shares
Weighted number of shares in issue	**221,906,003**	221,613,476	221,697,244
Weighted number of diluted shares relating to the convertible bond	**19,177,294**	-	-
Weighted number of diluted shares relating to share options	**2,097,723**	1,952,433	1,832,311
Weighted number of shares for the purposes of diluted earnings per share	**243,181,020**	223,565,909	223,529,555

	Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	**20.8**	26.8	59.6
Effect of dilutive potential ordinary shares:			
Interest on convertible bond (net of tax)	**1.2**	-	-
Movement in fair value of the convertible bond	**(0.6)**	-	-
Earnings for the purposes of diluted earnings per share	**21.4**	26.8	59.6

	Unaudited 31 May 2018 Pence	Unaudited 31 May 2017 Pence	Audited 30 Nov 2017 Pence
Basic earnings per share	**9.4**	12.1	26.9
Diluted earnings per share	**8.8**	12.0	26.7

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.

7. 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 held at fair value through profit or loss:

		Unaudited 31 May 2018 £m	Unaudited 31 May 2017 £m	Audited 30 Nov 2017 £m
Derivative financial instrument assets	Level 2	**0.9**	1.4	0.8
Derivative financial instrument liabilities	Level 2	**-**	(8.7)	(4.8)
Convertible bond liability	Level 2	**(100.0)**	(100.4)	(100.6)
Financial instruments held at fair value through profit or loss		**(99.1)**	(107.7)	(104.6)

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).

8. Other information

a. Taxation

The effective rate of Group tax for the period is 17.7% (six months ended 31 May 2017: 15.1%, year ended 30 November 2017: 12.9%).

As a property group, this rate benefits predominantly from capital allowances, land remediation and other reliefs on certain property expenditure. Previously this rate has benefited from certain investment gains not being taxable because of indexation, but this has been phased out from 1 January 2018.

b. Dividends

The proposed interim dividend of 3.10 pence (six months ended 31 May 2017: 2.02 pence) per share was approved by a Committee of the Board on 2 July 2018 and will amount to £6.9m (six months ended 31 May 2017: £4.5m).

c. Valuation of investment properties

Investment properties were valued at 31 May 2018, 30 November 2017 and 31 May 2017 by Cushman & Wakefield and Jones Lang LaSalle for New Covent Garden Market, both Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Both 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 2018 or any material changes to those related party transactions described in the Group financial statements for the year ended 30 November 2017.

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 £4.2m (six months ended 31 May 2017: £3.8m, year ended 30 November 2017: £3.2m).

f. Non-current assets held for sale

The Group exchanged contracts during the six months ended 31 May 2018 for the disposal of Wembley Central in London, which comprises an 118,000 sq ft shopping centre and 86-bed Travelodge. This transaction has not completed at the date of approval of these condensed financial statements but is expected to complete during the second half of the year ending 30 November 2018. As the Group considers that this transaction satisfied the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the property has been classified as an asset held for sale at 31 May 2018. No gain or loss has been recognised on the value of this property during the six months ended 31 May 2018 as a result of this treatment.

DIRECTORS' RESPONSIBILITY STATEMENT

for the six months ended 31 May 2018

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
Chief Executive

Rob Hudson
Chief Financial Officer

2 July 2018

INDEPENDENT REVIEW REPORT TO ST. MODWEN PROPERTIES PLC

for the six months ended 31 May 2018

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 2018 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 2018 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.

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.

Bill Holland
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E15 5GL

2 July 2018