ST.MODWEN

Half Year Results for the period ended 31 May 2017

Released : 04/07/2017

RNS Number : 9974J
St. Modwen Properties PLC
04 July 2017

Date of issue: 4th July 2017

LEI: 213800WMV4WVES8TQH05
Classification: Half yearly financial reports and audit reports and Inside information
This announcement contains inside information

ST. MODWEN PROPERTIES PLC
("St. Modwen" or "the Company")
Half Year Results for the period ended 31st May 2017

BUSINESS SHOWS CONTINUED RESILIENCE

Mark Allan, Chief Executive of St. Modwen, commented:
"The business continued its resilient performance across the first six months of the year, despite an uncertain market environment, with all parts of the Group contributing positively. We also concluded our strategy and portfolio review, which has confirmed the significant potential present in our business and pipeline and we are now focused on realising these opportunities in the months and years ahead."

Financial highlights

Non-statutory measures(*)	May 2017	Prior period	Statutory measures	May 2017	Prior period
EPRA NAV per share (pence)	468.4	460.5	NAV per share (pence)	439.6	431.0
Total accounting return (%)	2.6	1.8	Interim dividend per share (pence)	2.02	1.94
Profit before all tax (£m)	29.3	30.0	Profit before tax (£m)	31.6	35.5
Trading profit (£m)	26.4	34.4	Earnings per share (pence)	12.1	11.8

- EPRA NAV per share up 1.7% to 468.4 pence (Nov 2016: 460.5 pence) and NAV per share up 2.0% to 439.6 pence from 431.0 pence.
- Total accounting return for the six months of 2.6% (2016: 1.8%).
- Profit before all tax of £29.3m (2016: £30.0m), reflecting a more stable valuation environment.
- Earnings per share of 12.1 pence (2016: 11.8 pence).
- Interim dividend increased by 4.1% to 2.02 pence per share (2016: 1.94 pence per share).

Operational highlights

- Resilient commercial performance with approximately 400,000 sq ft of commercial space delivered in the first half.

- Strong residential performance with operating profits of £13.4m (2016: £12.9m) supported by excellent progress from St. Modwen Homes which achieved 55% growth in profits, offsetting the planned decline in the Persimmon JV as it winds down.
- Good progress with major projects:
    - *Nine Elms Square, New Covent Garden Market, London* - in June, exchanged contracts for the sale of our interest in the 10-acre Nine Elms Square site in London to Wanda Commercial Properties (Hong Kong) Co Ltd.
    - *Bay Campus, Swansea University* - progressing with the sale of our student accommodation assets to take advantage of the strong investment demand for student housing.

Strategy and portfolio review

- Review of strategy and portfolio now complete and highlighting significant potential within business and portfolio.
- Upon completion, sale of Nine Elms Square releases significant capital to pursue strategic opportunities.

Enquiries:

St. Modwen Properties PLC

Mark Allan, Chief Executive	Tel: 0121 222 9400
Rob Hudson, Group Finance Director	www.stmodwen.co.uk
Charlotte McCarthy, Head of Corporate Communications	

FTI Consulting

Dido Laurimore	Tel: 020 3727 1000
Tom Gough	stmodwen@fticonsulting.com
Ellie Sweeney	

A presentation for analysts and investors will be held at 9.30am today at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD.
If you would like to attend please contact Ellie Sweeney at FTI on +44 (0)20 3727 1622 or stmodwen@fticonsulting.com. A live webcast of the presentation will be available at www.stmodwen.co.uk and presentation slides will also be available to download.

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

Participants (UK):	Tel: +44(0)20 3059 8125
Passcode:	St Modwen

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

(*) 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. In particular, profit before all tax is used because it reflects the way the Group is run on a proportionally consolidated basis, and because it also removes the taxation effects on equity accounted entities from the statutory profit before tax figure. Prior period measures are for the equivalent period in the prior year other than NAV per share and EPRA NAV per share, which are as at 30th November 2016.

OVERVIEW

Performance

St. Modwen continued to deliver a resilient performance during the first six months of the 2017 financial year, despite ongoing uncertainty in the broader economy. Profit before all tax was £29.3m (2016: £30.0m), resulting in earnings per share of 12.1 pence for the six months (2016: 11.8 pence) and the Group delivered a total accounting return (NAV growth plus dividends) of 2.6%, taking NAV per share to 439.6 pence (Nov 2016: 431.0 pence) or EPRA NAV of 468.4 pence per share (Nov 2016: 460.5 pence). An interim dividend of 2.02 pence per share (2016: 1.94 pence) is proposed. This will be paid on 5th September 2017 to shareholders on the register at 11th August 2017.

Our resilience was broad-based with residential activity, commercial development and asset management initiatives all making meaningful profit contributions, while net rental income continued to cover recurring overhead and interest costs. Our key performance metrics for the period are set out below:

Measure	May 2017	Prior period
EPRA NAV per share*	**468.4 pence**	460.5 pence
NAV per share	**439.6 pence**	431.0 pence
Total accounting return*	**2.6%**	1.8%
Interim dividend per share	**2.02 pence**	1.94 pence
Trading profit*	**£26.4m**	£34.4m
Profit before all tax*	**£29.3m**	£30.0m
Profit before tax	**£31.6m**	£35.5m
Earnings per share	**12.1 pence**	11.8 pence
Net borrowings*	**£554.6m**	£470.0m
See-through net borrowings*	**£580.3m**	£517.0m
See-through LTV ratio*	**33.1%**	30.5%

*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. In particular, profit before all tax is used because it reflects the way the Group is run on a proportionally consolidated basis, and because it also removes the taxation effects on equity accounted entities from the statutory profit before tax figure. Prior period measures are for the equivalent period in the prior year other than NAV per share, EPRA NAV per share, net borrowings, see-through net borrowing and see-through LTV ratio, which are as at 30th November 2016.

Although overall profit performance was broadly in line with the prior year, its constituent parts looked somewhat different. Commercial development profits reduced by £9.6m, reflecting a deliberate slowdown in activity following the Brexit referendum and non-cash interest charges were £8.9m higher, principally because a higher share price increases the fair value of the liability for our Convertible Bond. These movements were offset by a more stable valuation environment, with a total positive movement of £10.8m (2016: a total negative movement of £5.4m) including an increase in the provision for NCGM market costs of £9.2m.

Strategy and portfolio

During the six month period we concluded our strategy and portfolio review, which clearly demonstrates the depth and breadth of potential within the portfolio and business. As a result of the review we have established four strategic objectives, against which future performance and prospects will be measured and reported, and these are set out below. They combine to create a strategy which builds on our clear areas of competitive advantage: our deep and diverse land bank and pipeline of projects and our unrivalled expertise in creating valuable developments and development land from challenging situations. Our core purpose as a business is: ***Changing places. Creating better futures*.**

- **Accelerating our commercial development activity**. We have a 17.3m sq ft pipeline of opportunities capable of delivery in the medium term, of which 7.5m sq ft represents high quality industrial and logistics projects (where fundamentals are strong) that are deliverable over the next few years. These projects alone equate to nine years' worth of work at recent levels of activity so, provided that market conditions remain supportive, we believe there is clear opportunity to accelerate. Assuming a profit on cost in line with our historic performance, the potential profit in this pipeline could be approximately £115m;

- **Growing our residential and housebuilding business**. Our residential pipeline contains approximately 16,900 plots (of which nearly 14,000 benefit from planning recognition), plus a further 10,730 plots across three larger sites that require a different strategic approach. Based on recent levels of housebuilding and land sales activity, the 16,900 plot pipeline equates to over ten years' worth of activity and, provided that the new homes market (particularly in the regions) remains robust, we believe there is a clear opportunity to accelerate. Of this total pipeline opportunity, we have identified 7,700 units for St. Modwen Homes. In the half year period, St. Modwen Homes delivered 230 units with an operating profit of £9.0m and we expect to deliver approximately 700 units for 2017. The rate of volume growth in St. Modwen Homes thereafter is unlikely to exceed 25% per annum;

- **Cementing and growing our regeneration reputation**. Our major projects at Longbridge, Swansea and New Covent Garden Market have contributed approximately 30% of our returns over the past five years and collectively, are still only approximately half complete. We will continue to add value through these major projects as our activities progress but we will also pursue new opportunities to apply our unique skills set;

- **Portfolio focus and capital discipline**. We intend to (i) rebalance our portfolio towards sectors with strong structural growth prospects, principally through asset recycling to allow us to retain a greater proportion of our industrial and logistics focused pipeline; (ii) focus on fewer, larger projects to ensure our capabilities are not diluted and (iii) reduce leverage further beyond its already low levels and thus recognising the importance of a strong balance sheet in a development-led business.

The above strategic objectives will require meaningful levels of investment and we believe there are clear liquidity opportunities within our portfolio to achieve this. Since the period end, we have exchanged contracts for the sale of Nine Elms Square, within our VSM joint venture, with our share of gross proceeds equating to £190m and completion expected later in the summer. We are also progressing with the sale of our student accommodation assets at the Bay Campus, Swansea University, to take advantage of the strong investment demand for student housing and we would expect a successful sale to release over £90m in proceeds. Together, these disposals provide the capital required to pursue our strategic objectives.

People

Our unrivalled expertise in creating valuable developments and development land from challenging situations is rooted firmly in our people; they have formed the basis of the Group's success to date and will continue to do so in the future. It is therefore important that we invest in them and ensure we provide an environment that fosters their sustained success.

With this in mind, we have recently made some changes to the way our business is organised. The changes establish a stronger link to the four strategic objectives outlined above while also seeking to create a framework of clearer accountability, more empowerment and appropriate support for our teams. The changes will be concluded by late summer and be followed with investment in leadership and management development, such that we can be confident of building a team capable of delivering on the significant potential ahead.

In March this year we were devastated by the sudden passing of Steve Burke, our Group Construction Director. Steve was with the business for over 20 years, serving on the Board since 2006, and he was instrumental in delivering many of the large scale projects that form the basis of St. Modwen's success. He is sorely missed but it is testament to his approach that he developed a highly capable team which, together with other senior colleagues, have stepped up to assume his responsibilities. Our thoughts remain with his family and friends.

Financing

It is crucial that a development-led business with significant land investments maintains a strong balance sheet. Sustainable borrowing levels and healthy covenant headroom are key to this.

Over the six months our net borrowings increased by £85m, principally reflecting the fact that acquisition and development capex exceeded proceeds from asset sales. As at 31 May 2017 see-through net borrowings were £580.3m (Nov 2016: £517.0m) and see through loan to value was 33.1%. Adjusting for the sale of Nine Elms Square mentioned above, see through net borrowings would reduce to £390m on a pro-forma basis and see through loan to value to 25%.

Outlook

We remain in uncertain times, particularly politically, and consequently we will maintain an agile approach to delivering our strategy, ensuring that we can adapt quickly if the circumstances demand.

However, our strategy and portfolio is underpinned by dynamics that go beyond simple political and economic considerations; the UK housing shortage, the need for a sustainable approach to brownfield regeneration and the significant shift in how consumers and businesses buy and behave are all clear, longer-term trends that we are well positioned to benefit from. As a result, we feel optimistic about the future.

OPERATING AND PORTFOLIO REVIEW

Portfolio summary

Total portfolio[1]	Commercial land/ development	Residential land/ development	Income generating	Total
Nov 2016 valuation	**223.6**	**742.0**	**786.7**	**1,752.3**
Additions/ other movements[2]	66.8	118.7	10.9	**196.4**
Disposals	(38.3)	(90.8)	(26.2)	**(155.3)**
Added value gains	3.2	3.5	6.1	**12.8**
Market valuation gains	(0.1)	9.4[3]	(2.1)	**7.2**
May 2017 valuation	**255.2**	**782.8**	**775.4**	**1,813.4**

[1] Stated on a proportionally consolidated basis, including our share of joint ventures and associates. See Note 2 to the condensed Group financial statements

[2] Additions/ other movements include purchases, capital expenditure and reclassifications

[3] Residential land market valuation gain includes £9.4m relating to NCGM

Commercial land and development

Our commercial development activity is proceeding in line with expectations, with good ongoing levels of occupier demand across the UK for both new and existing commercial space, particularly in the industrial and logistics sector where rents have remained robust.

We invested £70m into commercial development activity in the six months to 31 May 2017, booking profits of £11.5m and delivering approximately 400,000 sq ft of new commercial space. Highlights include:

- *Bet 365, Etruria Valley, Stoke-on-Trent* - completed the pre-sale and design and build of a 33,000 sq ft training and leisure facility for Bet 365 which will serve the company's corporate headquarters.
- *Tamworth West, Staffordshire* - works now complete on the final 153,000 sq ft industrial/logistics unit with strong levels of occupier interest received.

Commercial development pipeline (May 2017)

	No. of schemes	Sq ft (000)	Pre-let/ sold (%)	Cost to complete	Total cost	GDV
Industrial/ logistics	19	1,253	27%	£55m	£116m	£140m
Retail	7	247	56%	£12m	£46m	£52m
Student accommodation/ other	5	307	94%	£42m	£84m	£103m
Total	**31**	**1,807**	**43%**	**£109m**	**£246m**	**£295m**

As at 31 May 2017, the anticipated value on completion of our committed development pipeline was £295m (Nov 2016: £237m) and weighted towards sectors with healthy long-term structural growth prospects (47% industrial/logistics and 35% student accommodation).

Our anticipated yield on cost for the full committed development pipeline is approximately 8% with an expected valuation yield on completion of approximately 6.5% and a profit on cost of approximately 20%. We expect the rate of delivery of the pipeline to increase in the second half of the year. The total cost is approximately £246m, with an associated profit still to book of approximately £45m, to be delivered over the next 18 months.

Occupier demand for commercial property remains steady and we continue to complete a range of design and build projects for a mix of tenants. In addition, we continue to undertake a proportion of development activity speculatively, particularly for industrial and logistics assets where we believe the immediacy of availability is an important factor for prospective occupiers. In response to this anticipated demand, of our 1.3m sq ft of committed industrial/logistics pipeline, 73% is being developed speculatively (Nov 2016: 79%). For the full-year, we expect to deliver 1m sq ft, of which 50% is sold, let or pre-let and there are good levels of interest on the remaining vacant space.

Commercial pipeline - medium term potential

As part of our strategic review, we analysed the potential of our existing commercial land bank over the medium-term (five years) and categorised it in terms of strength of location and readiness of deliverability:

Location/demand	Deliverability (sq ft) 1	2	3	Total	
A	7.5m	3.0m	2.2m	12.7m	74%
B	1.9m	1.8m	-	3.7m	21%
C	-	0.8m	0.1m	0.9m	5%
Total	9.4m	5.6m	2.3m	**17.3m**	
	55%	32%	13%		

Key:

Location/ demand		Deliverability	
A	Strong sustained demand due to a combination of macro and micro economic factors	1	Immediately deliverable, with excellent demand potential. Vast majority with outline or detailed planning consent.
B	Good sustained demand due to a combination of macro and micro economic factors	2	Subject to detailed planning, answering ongoing demand.
C	Site offers future development potential	3	Subject to planning and infrastructure.

Going forward, our commercial development activity will be focused primarily on those 7.5m sq ft of sites with the greatest potential in terms of demand (A) and near-term deliverability (1) which at current rates of development, represent over nine years' of supply. This represents a clear opportunity to accelerate our development activity in these areas whilst carefully managing the risks of delivery. The rate of production in 2017 is expected to be around 1m sq ft, with near term (one to two years) growth unlikely to exceed 25% per annum, subject to demand and risk management.

The 7.5m sq ft of A1 sites have an end GDV of approximately £700m, £45m of rental value, build capex of approximately £425m, land capex of around £65m and a current land book value of £90m. Assuming profit on cost of our commercial developments is approximately 20%, this would equate to £115m potential profit across these sites.

In the first half of the year, commercial land values demonstrated ongoing resilience, with values holding firm, reflecting investment market conditions.

Residential land and development

Our residential business continues to have three streams of activity:

- The sale of 'oven ready' development sites to third party housebuilders
- St. Modwen Homes
- Persimmon joint venture

The UK housebuilding market has remained resilient to date in 2017, particularly in the regions, with continued good demand for new homes delivered by the Group's housebuilding business, St. Modwen Homes, coupled with good levels of ongoing demand from third party house builders for 'oven ready' land for development.

Housebuilding

	May 2017	May 2016	Nov 2016
Total units sold SMH:			

Private	220	182	438
Affordable	10	20	47
Private sales rate SMH	0.8	0.6	0.8
Sales active sites	13	9	11
Average selling price SMH:			
Private	£262k	£199k	£217k
Affordable	£86k	£83k	£90k
Share of profit £m:			
SMH	9.0	5.8	15.3
Persimmon JV (SMP share)	4.4	7.1	11.8
Total residential (£m)	**13.4**	**12.9**	**27.1**
SMH Operating profit margin	**15.3%**	**15.2%**	**13.4%**

St. Modwen Homes is currently build-active on 17 sites across the UK, three of which were launched this year including a scheme of 85 homes at the Group's St. Andrews Park development in Uxbridge, Greater London. We anticipate this figure to grow to 20 sites by the end of 2017.

Sales volumes for St. Modwen Homes in the first half increased by 14% over the same period last year, with the associated growth in profits more than offsetting the reducing returns from the Persimmon JV as it concludes activity on the majority of the sites under the agreement and in line with plan.

Overall, housebuilding contributed £13.4m (2016: £12.9m) to profit before all tax comprising £9.0m from St. Modwen Homes (2016: £5.8m). These results are based on 230 units sold (2016: 202 units sold) and £4.4m (2016: £7.1m) from our Persimmon JV, based on a 50% share of 121 (2016: 259) units sold.

During the half year period, demonstrating the strength of demand for quality housing in the regions, the average private selling price of a St. Modwen Homes unit increased by 21% to £262,000 (2016: £217,000). This reflects a 4% increase in average selling prices, with the balance due to an increase in average unit size.

As previously indicated, activity in the Persimmon JV will reduce in line with plan over the next two years as it reaches its conclusion, with expected unit volumes reducing by 40% in 2017. Conversely, we expect St. Modwen Homes to increase unit volumes meaningfully and this should at least offset the reduced returns from the JV, with unit volumes in St. Modwen Homes anticipated to increase to approximately 700 units in 2017.

In the period, net operating margins for St. Modwen Homes were 15.3% (2016: 15.2%). Land is transferred to St. Modwen Homes from the Group at current market value rather than cost. Including the approximate £5m per annum of residential planning gains we generate each year, the margins would be approximately three percentage points higher.

Over the near term, margins are expected to remain close to current levels, reflecting our focus on maintaining our reputation for quality and brand, having recently been awarded with a 5* customer service and quality award from the Homebuilders Federation (HBF). In the medium term, opportunities have been identified to improve margins by approximately 2-3%, these include driving a reduction in site overhead costs, supply chain initiatives and buying, adding value through sales extras and ongoing efficiencies in overheads as the business scales up.

Residential land

In the period, we made £47m of acquisitions, principally into land for residential development at St. Andrew's Park, Uxbridge.

In response to ongoing appetite from third party housebuilders we have continued to agree and complete sales of residential land for prices at or above book value. Over the last six months, including our share of joint ventures, we sold or agreed for sale 35 acres of land representing 500 units for proceeds of £17m, in line with, or slightly above book value. For the full year we anticipate total sales proceeds of around £40m.

Residential pipeline - medium-term potential

As part of our strategic review, we also analysed the potential of our existing residential land bank over the medium-term (five years) and categorised it in terms of strength of location and readiness of deliverability. Our pipeline is summarised below:

Total residential pipeline - medium-term potential (excluding NCGM and South Wales)

Total plots	**25,230**
NCGM / South Wales	(10,730)
Total plots excl. NCGM / South Wales	**14,500**
Third-party controlled	2,400
Pipeline: total residential plots	**16,900**

	Deliverability (units)				
Location/ demand	**1**	**2**	**3**	**Total**	
A	6,450	1,750	1,760	9,960	59%
B	4,300	940	1,240	6,480	38%
C	340	120	-	460	3%
Total	11,090	2,810	3,000	**16,900**	
	66%	17%	17%		

These plots are broadly balanced between 9,200 identified for third party land sales and a pipeline of 7,700 for St. Modwen Homes. More than one third of our residential land bank is identified in A1 sites which are particularly well positioned in terms of location (concentrated in the Midlands and South) and readiness for delivery.

At current activity levels, the potential supply equates to approximately 10 years' of build for St. Modwen homes and 11 years' of third party sales, highlighting the opportunity to accelerate activity in both areas.

This year, we anticipate St. Modwen Homes will deliver up to 700 units. Growth in St. Modwen Homes will be carefully managed to balance against risk and protecting our brand and quality, with volume growth in the near term unlikely to exceed 25% per annum. The current average private selling price per unit is approximately £262,000 with operating margins of around 14%, build capex per unit of approximately £140,000 and land capex per unit of £22,000.

We expect residential land sales to other housebuilders over the medium term to increase to approximately £50-£60m per annum, with associated capital expenditure costs of £30-£40m to be netted off in bringing the land forward for sale. Our larger land holdings in South Wales are likely to require a different strategic approach to accelerate development activity and we are considering our options carefully.

Income generating portfolio

Representing £775m of value (43% of the portfolio), our income generating properties provided a robust and diverse see-through net rental and other income of £27.0m for the six months (2016: £26.9m) from over 1,700 occupiers. Managed by our skilled team of asset managers, the portfolio covers a broad range of sectors, such as industrial/ logistics, student accommodation and retail and can be separated into two distinct categories of assets:

- High yielding - comprising £320m of high yielding assets that provide opportunity for further development and value

creation in the longer term; and
- Investment portfolio - comprising £455m of assets where our development and asset management activities are substantially complete.

As at 31st May 2017 our income generating portfolio was made up as follows:

	High yielding portfolio			Investment portfolio			Total income generating		
Category	**Valuation (£m)**	**Eq. yield**	**Initial yield**	**Valuation (£m)**	**Eq. yield**	**Initial yield**	**Valuation (£m)**	**Eq. yield**	**Initial yield**
Industrial/ Logistics	204	8.6%	6.5%	64	7.4%	6.0%	268	8.4%	**6.4%**
Retail	103	9.5%	7.1%	238	6.8%	5.8%	341	7.7%	**6.2%**
Student/ PRS/ Other	13	9.5%	4.7%	153	5.4%	5.4%	166	5.9%	**5.8%**
Total	**320**	**8.8%**	**6.6%**	**455**	**6.6%**	**5.9%**	**775**	**7.6%**	**6.7%**

During the first half of the year, our income producing portfolio demonstrated continued resilience in both our industrial and logistics, and student accommodation sectors. Equivalent yields in industrial/ logistics remained steady at 8.4% (Nov 2016: 8.4%) and student accommodation equivalent yields moved inwards slightly to 5.9% (2016: 6.0%). Conversely and as previously indicated for 2017, there was some weakness in our retail portfolio in the first half, with some outward yield movement to 7.7% (Nov 2016: 7.5%) as inflation puts pressure on consumer spending. We expect a continuation of these themes by sector into the second half.

Realising value from the portfolio is an important element of our business model. During the first half we completed or agreed a number of notable sales totaling £36m of proceeds with £2m income and including Celtic Business Park in Newport, South Wales where specialist warehouse firm, Tilstone, acquired a 50,000 sq ft unit let to Amazon for £3.9m, representing a net initial yield of 6.3%.

As part of the six month strategic review, we have identified a £100m portfolio of 93 smaller value assets, equating to only 6% of our portfolio by value. We now intend to dispose of this portfolio over the next few years and in doing so, free up our resources to concentrate on fewer, larger projects as well as generating liquidity for reinvestment. We made good progress in the first half of the year, disposing of £15m of these assets.

Furthermore, we have also identified the opportunity to reposition the income producing portfolio over time towards sectors with good structural growth prospects by retaining a greater proportion of our higher yielding industrial/ logistics development pipeline as it completes, where the average yield on cost is approximately 8%. This will be substantially funded through the sale of our drier, lower yielding investment assets over time, principally in the retail sector, where the average yield is 7.7%.

Finally, as a result of sustained investor appetite for student housing, we are progressing with the sale of our student accommodation assets at the Bay Campus, Swansea University and we would expect a successful sale to release over £90m in proceeds.

Asset Management

During the half year, we have continued to add value through our actions to the portfolio, delivering £12.8m of added-value gains in the period, principally in our student accommodation and industrial and logistics assets, where we have delivered low single digit rental growth.

FINANCIAL REVIEW

Presentation of financial information

As we use a number of 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. In particular, profit before all tax is used because it reflects the way the Group is run on a proportionally consolidated basis, and because it also removes the taxation effects on equity accounted entities from the statutory profit before tax figure.

Income statement

	2017 (£m)	**2016 (£m)**
Net rental and other income	**27.0**	26.9
Property profits		
• commercial	**11.5**	21.1
• residential[1]	**13.4**	12.9
Overheads	**(14.0)**	(14.9)
Operating profit	**37.9**	46.0
Interest	**(11.5)**	(11.6)
Trading profit	**26.4**	34.4
Valuation - added value	**12.8**	14.9
Valuation - market	**(2.2)**	0.5
Valuation - NCGM	**9.4**	(20.8)
Increase in provision for NCGM market costs	**(9.2)**	-
Other finance (charges)/credits	**(7.9)**	1.0
Profit before all tax	**29.3**	30.0
Earnings per share (pence)	**12.1**	11.8
Cost coverage[2]	**106%**	101%

1. Residential property profits include direct residential overheads of £3.2m (2016: £2.1m)
2. Cost coverage - the ratio of recurring rental and other income to operating costs comprising interest and overheads, excluding the direct overheads relating to the residential business.

Net rental and other income

Our cost coverage is now 106% (2016: 101%), covering recurring overheads and interest costs with revenue from our income generating portfolio. We expect some short-term variability in this ratio as we execute strategic sales. The Group's share of net rental and other income increased marginally to £27.0m (2016: £26.9m) as asset management activity offset the loss of income from asset sales.

This proactive asset management also saw our occupancy levels maintained at 90% and, excluding the Bay Campus student accommodation at Swansea University, the average lease length has been maintained at five years.

Overheads

Administrative expenses for the period decreased to £14.0m (2016: £14.9m) through cost control and a reduction in one-off costs compared to the prior period.

Profit before all tax

Profit before all tax for the period was £29.3m (2016: £30.0m), and is stated before tax on joint venture income but after other finance charges, comprising non-cash movements, principally for discount unwinds and the market value of both our interest rate swaps and our convertible bond. The fair value of the convertible bond increased in the period to be trading slightly above par to 31st May 2017, principally as a result of our higher share price, resulting in a charge of £4.0m (2016: credit of £5.2m). This £9.2m variance from the prior period is the chief component of the increase in other finance charges, which together with the other non-cash financial items, totaled £7.9m (2016: £1.0m credit).

Taxation and profits after tax

Our total tax charge (including joint venture tax and deferred tax included in negative goodwill) for the year reduced to £2.4m (2016: £3.7m) resulting in profit after tax on a proportionally consolidated basis of £26.9m (2016: £26.3m).

Basic earnings per share were 12.1 pence (2016: 11.8 pence). 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 probable. The effective rate of tax for the period excluding our JVs decreased slightly to 15.1% (2016: 16.8%) due to higher indexation allowances from a higher inflationary environment. We expect our effective tax rate to remain slightly below the standard rate of tax of 19%, due to normal trading reliefs from which the Group can benefit.

Balance sheet

At the period end the shareholders' equity value of net assets was £974.3m (Nov 2016: £955.2m) or 439.6 pence per share (Nov 2016: 431.0 pence per share) representing a 2.0% increase after the 2016 final dividend payment of £9.0m (4.06 pence per share). Our interim dividend payable for 2017 is 2.02 (2016: 1.94) pence, an increase of 4.1% in line with management expectations of our full year result. Our EPRA net asset value rose 1.7% to 468.4 pence per share (Nov 2016: 460.5 pence per share).

	May 2017			Nov 2016
	Group	**JV**	**Total**	Total
	£m	**£m**	**£m**	£m
Property portfolio	1,462.0	351.4	**1,813.4**	1,752.3
Other assets	135.4	33.0	**168.4**	166.4
Gross assets	**1,597.4**	**384.4**	**1,981.8**	1,918.7
Net borrowings	(554.6)	(25.7)	**(580.3)**	(517.0)
Finance leases	(56.2)	(0.9)	**(57.1)**	(57.7)
Other liabilities	(187.1)	(177.6)	**(364.7)**	(381.9)
Gross liabilities	**(797.9)**	**(204.2)**	**(1,002.1)**	(956.6)
Net assets	**799.5**	**180.2**	**979.7**	962.1
Non-controlling interests	(5.4)	-	**(5.4)**	(6.9)
Equity attributable to owners of the Company	**794.1**	**180.2**	**974.3**	955.2
NAV per share (pence)			**439.6**	431.0
EPRA NAV per share (pence)			**468.4**	460.5
See-through LTV			**33.1%**	30.5%
Total accounting return			**2.6%**	1.8%

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. The comparative for total accounting return is for the equivalent six month period in the prior year.

NCGM

Since the period end we have exchanged contracts for the sale of our interest in Nine Elms Square, London. Our expected share of VSM's cash proceeds after overage, enabling costs and tax will be £190m upon contractual completion, of which £70m will be held in a restricted development account to fund our share of future obligations in respect of the completion of the new market facilities. The transaction is in line with our net book value.

The pro-forma impact on the key lines of the balance sheet is as follows:

NCGM post disposal pro-forma

	May 2017 Total	**NCGM disposal**	**Pro-forma post disposal**
	£m	**£m**	**£m**
Property portfolio	1,813.4	(202.5)	**1,610.9**
Net borrowings	(580.3)	190.0	**(390.3)**
Other assets and liabilities	(258.8)	12.5	**(246.3)**
Equity attributable to owners of the Company	**974.3**	**-**	**974.3**
LTV	33.1%		**25.2%**
LTV (excl. residential land)	59.7%		**40.2%**

Financing

Taking into account growth in the valuation of the Group's portfolio, see-through loan-to-value increased to 33.1% (Nov 2016: 30.5%) and adjusted gearing (at amortised cost and excluding finance leases) increased to 56.6% (Nov 2016: 48.9%). Excluding residential land value, the Group's see-through loan-to-value ratio rose to 59.7% (Nov 2016: 54.3%). Although the Company's capital structure remains strong, we intend to reduce our see-through loan-to-value (excluding residential land) to below 40% over time by retaining a portion of the proceeds from both major asset sales highlighted above and normal cash generation.

	Nov 2013	Nov 2014	Nov 2015	Nov 2016	**May 2017**
Group adjusted gearing	54.3%	46.6%	48.1%	48.9%	**56.6%**
See-through loan-to-value	32.7%	30.6%	29.9%	30.5%	**33.1%**
See-through loan-to-value excluding residential land value	56.6%	55.4%	55.6%	54.3%	**59.7%**

Group adjusted gearing, see-through loan-to-value and see-through loan-to-value excluding residential land value are reconciled in Note 2i to the condensed Group financial statements.

Corporate facilities

Our weighted average facility life is 3.2 years (Nov 2016: 3.7 years) and we have no facility maturities until 2019. We have reduced our weighted average cost of debt to 3.7% (Nov 2016: 3.8%) and, with £722m of see-through committed facilities against see-through net borrowings of £580.3m, we have ample funding to transact.

Hedging, cost of debt and corporate funding covenants

We aim to have predictable costs attached to our borrowing and therefore hedge a significant portion of our interest rate risk. At the period end, 65% (Nov 2016: 50%) of our borrowings were fixed or hedged. As any new financing is put in place we will ensure that our hedging positions are appropriate for our future development expectations. Covenant compliance continues at all levels and across all metrics and we continue to operate with considerable headroom against all measures.

Principal risks and uncertainties

The key risks which could have a material impact on the Group's performance, together with the corresponding mitigating actions, are set out on pages 49 to 52 of the Annual Report for the year ended 30th November 2016, which is available at www.stmodwen.co.uk.

These risks comprise uncertainty in the economic, political and market environment; the availability of funding and the management of cash flow fluctuations; management of construction and development (including joint venture arrangements); regulatory, operational and compliance risk; and recruiting, developing and retaining highly skilled staff. These risks are expected to continue to remain relevant for the second half of the financial year.

Mark Allan	**Rob Hudson**
Chief Executive	Group Finance Director

3rd July 2017

Condensed Group income statement

for the six months ended 31st May 2017

	Notes	**Unaudited 31st May 2017 £m**	Unaudited 31st May 2016 £m	Audited 30th Nov 2016 £m
Revenue	1	**151.4**	159.7	287.7
Net rental income	1	**22.4**	21.8	40.5

Development profits	1	**25.0**	34.9	51.7
Gains on disposals of investments/investment properties	1	**1.0**	0.5	9.5
Investment property revaluation gains		**9.3**	16.8	30.3
Other net income	1	**2.0**	2.1	4.2
Profits/(losses) of joint ventures and associates (post-tax)	3	**0.4**	(19.4)	(28.2)
Administrative expenses		**(17.0)**	(16.8)	(33.0)
Profit before interest and tax		**43.1**	39.9	75.0
Finance costs	4	**(17.0)**	(11.2)	(23.0)
Finance income	4	**5.5**	6.8	14.9
Profit before tax		**31.6**	35.5	66.9
Taxation	7a	**(4.7)**	(9.2)	(13.3)
Profit for the year		**26.9**	26.3	53.6
Attributable to:				
Owners of the Company		**26.8**	26.1	53.4
Non-controlling interests		**0.1**	0.2	0.2
Profit for the year		**26.9**	26.3	53.6

		Unaudited	Unaudited	Audited
		31st May 2017	31st May 2016	30th Nov 2016
	Notes	**Pence**	Pence	Pence
Basic earnings per share	5	**12.1**	11.8	24.1
Diluted earnings per share	5	**12.0**	9.1	19.8

Condensed Group statement of comprehensive income

for the six months ended 31st May 2017

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	£m	£m	£m
Profit for the year	**26.9**	26.3	53.6
Items that will not be reclassified to profit and loss:			
Pension fund actuarial losses	**-**	-	(0.1)
Total comprehensive income for the year	**26.9**	26.3	53.5
Attributable to:			
Owners of the Company	**26.8**	26.1	53.4
Non-controlling interests	**0.1**	0.2	0.2
Total comprehensive income for the year	**26.9**	26.3	53.6

Condensed Group balance sheet

as at 31st May 2017

		Unaudited	Unaudited	Audited
		31st May 2017	31st May 2016	30th Nov 2016
	Notes	**£m**	£m (restated)	£m (restated)
Non-current assets				
Investment properties		**1,167.2**	1,136.2	1,144.7
Operating property, plant and equipment		**4.4**	4.2	4.2
Investments in joint ventures and associates		**180.2**	194.3	184.8
Trade and other receivables		**2.1**	6.4	8.2
		1,353.9	1,341.1	1,341.9
Current assets				
Inventories		**298.7**	186.1	229.7
Trade and other receivables		**123.6**	95.5	104.1
Derivative financial instruments	6	**1.4**	0.8	1.6
Cash and cash equivalents		**8.8**	4.5	4.2
		432.5	286.9	339.6
Current liabilities				
Trade and other payables		**(144.9)**	(130.9)	(150.5)
Derivative financial instruments	6	**(8.7)**	(8.5)	(8.8)

Borrowings and finance lease obligations	**(0.4)**	(0.4)	(0.4)
Current tax liabilities	**(8.9)**	(12.8)	(7.1)
	(162.9)	(152.6)	(166.8)
Non-current liabilities			
Trade and other payables	**(3.7)**	(3.9)	(3.6)
Borrowings and finance lease obligations	**(619.6)**	(513.6)	(527.0)
Deferred tax	**(20.5)**	(18.5)	(22.0)
	(643.8)	(536.0)	(552.6)
Net assets	**979.7**	939.4	962.1
Capital and reserves			
Share capital	**22.2**	22.2	22.2
Share premium account	**102.8**	102.8	102.8
Retained earnings	**797.5**	756.6	779.7
Share incentive reserve	**6.3**	5.5	4.9
Own shares	**(0.7)**	(0.9)	(0.6)
Other reserves	**46.2**	46.2	46.2
Equity attributable to owners of the Company	**974.3**	932.4	955.2
Non-controlling interests	**5.4**	7.0	6.9
Total equity	**979.7**	939.4	962.1

Condensed Group statement of changes in equity

for the six months ended 31st May 2017

	Six months ended 31st May 2017 (unaudited)								
	Share capital	**Share premium account**	**Retained earnings**	**Share incentive reserve**	**Own shares**	**Other reserves**	**Equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Equity at 1st 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	**-**	**-**	**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 31st May 2017	**22.2**	**102.8**	**797.5**	**6.3**	**(0.7)**	**46.2**	**974.3**	**5.4**	**979.7**

	Six months ended 31st May 2016 (unaudited)								
	Share capital	Share premium account	Retained earnings	Share incentive reserve	Own shares	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equity at 1st December 2015	22.2	102.8	739.3	5.2	(1.0)	46.2	914.7	6.8	921.5
Profit for the year attributable to shareholders	-	-	26.1	-	-	-	26.1	0.2	26.3
Total comprehensive income for the period	-	-	26.1	-	-	-	26.1	0.2	26.3
Share-based payments	-	-	-	0.9	-	-	0.9	-	0.9
Deferred tax on share-based payments	-	-	-	(0.5)	-	-	(0.5)	-	(0.5)
Settlement of share-based payments	-	-	(0.3)	(0.1)	0.1	-	(0.3)	-	(0.3)
Dividends paid	-	-	(8.5)	-	-	-	(8.5)	-	(8.5)
Equity at 31st May 2016	22.2	102.8	756.6	5.5	(0.9)	46.2	932.4	7.0	939.4

	Share capital	Share premium account	Retained earnings	Share incentive reserve	Own shares	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Year ended 30th November 2016 (audited)								
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equity at 1st December 2015	22.2	102.8	739.3	5.2	(1.0)	46.2	914.7	6.8	921.5
Profit for the year attributable to shareholders	-	-	53.4	-	-	-	53.4	0.2	53.6
Pension fund actuarial losses	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total comprehensive income for the year	-	-	53.3	-	-	-	53.3	0.2	53.5
Share-based payments	-	-	-	1.6	-	-	1.6	-	1.6
Deferred tax on share-based payments	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Settlement of share-based payments	-	-	(0.1)	(1.1)	0.4	-	(0.8)	-	(0.8)
Dividends paid	-	-	(12.8)	-	-	-	(12.8)	(0.1)	(12.9)
Equity at 30th November 2016	22.2	102.8	779.7	4.9	(0.6)	46.2	955.2	6.9	962.1

Own shares represent the cost of 251,820 (31st May 2016: 603,303, 30th November 2016: 269,334) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 31st May 2017 was £875,830 (31st May 2016: £1,969,784, 30th November 2016: £754,135).

The other reserves comprise a capital redemption reserve of £0.3m (31st May 2016: £0.3m, 30th November 2016: £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 (31st May 2016: £45.9m, 30th November 2016: £45.9m).

Condensed Group cash flow statement

for the six months ended 31st May 2017

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	£m	£m	£m
Operating activities			
Profit before interest and tax	**43.1**	39.9	75.0
Gains on disposal of investments/investment properties	**(1.0)**	(0.5)	(9.5)
(Profits)/losses of joint ventures and associates (post-tax)	**(0.4)**	19.4	28.2
Investment property revaluation gains	**(9.3)**	(16.8)	(30.3)
Depreciation	**0.3**	0.3	0.7
Impairment losses on inventories	**0.2**	0.3	0.3
Increase in inventories	**(55.0)**	(2.7)	(31.2)
(Increase)/decrease in trade and other receivables	**(15.2)**	3.2	(14.3)
(Decrease)/increase in trade and other payables	**(11.3)**	(15.0)	4.3
Share options and share awards	**1.3**	0.1	-
Tax paid	**(4.4)**	(4.4)	(10.7)
Net cash (outflow)/inflow from operating activities	**(51.7)**	23.8	12.5
Investing activities			
Proceeds from investment property disposals	**15.5**	22.8	64.3
Investment property additions	**(34.6)**	(54.9)	(90.0)
Interest received	**5.1**	1.1	5.4
Property, plant and equipment additions	**(0.5)**	(0.3)	(0.6)
Dividends received from joint ventures and associates	**5.0**	14.3	14.3
Net cash outflow from investing activities	**(9.5)**	(17.0)	(6.6)
Financing activities			
Dividends paid	**(9.0)**	(8.5)	(12.8)
Dividends paid to non-controlling interests	**(1.6)**	-	(0.1)
Interest paid	**(11.2)**	(10.9)	(20.7)
Amounts advanced under finance lease arrangements	**(1.6)**	1.7	0.6
Borrowings drawn	**133.2**	51.6	160.5
Repayment of borrowings	**(44.0)**	(41.0)	(134.0)
Net cash inflow/(outflow) from financing activities	**65.8**	(7.1)	(6.5)
Increase/(decrease) in cash and cash equivalents	**4.6**	(0.3)	(0.6)
Cash and cash equivalents at start of period	**4.2**	4.8	4.8
Cash and cash equivalents at end of period	**8.8**	4.5	4.2
Cash	**8.8**	4.5	4.2
Bank overdrafts	**-**	-	-
Cash and cash equivalents at end of period	**8.8**	4.5	4.2

Condensed Group accounting policies
for the six months ended 31st May 2017

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 30th November 2016, except for the presentation of lease incentive assets on the balance sheet as set out below.

In the six months ended 31st May 2017 the Group has adopted:
• Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*
• Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
• Amendments to IAS 1 and IAS 7 *Disclosure Initiative*
• Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
• Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
• Amendments to IFRSs *Annual Improvements to IFRSs 2012 - 2014 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 30th November 2016 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 auditors 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.

Prior period restatement
During the six months ended 31st May 2017, the presentation of lease incentive assets arising from rent-free periods, stepped rent agreements and cash tenant incentives has been reviewed and compared with industry peers. These assets were previously reported as a separate receivable on the balance sheet and deducted from the external property valuation in arriving at the reported investment properties balance. In order to better reflect the property portfolio balance reported in note 2 and to align the presentation with that adopted by many industry peers, these assets of £11.8m have been reclassified from trade and other receivables to investment properties in the six months ended 31st May 2017.

As a result of this change in accounting policy, the balance sheets as at both 31st May 2016 and 30th November 2016 have been retrospectively restated in these condensed financial statements by reclassifying £11.7m from trade and other receivables to investment properties. This restatement has had no impact on the income statement, total assets, net assets or any of the numbers or metrics disclosed in note 2.

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.

The review included an assessment of future funding requirements based on cash flow forecasts extending to 30th November 2018, 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.

There are no Group or joint venture facilities that require renewal before 2019. Principal risks and uncertainties are discussed in the Financial review.

Based on their assessment, the directors are of the opinion that the Group has adequate committed 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 31st May 2017

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:
• residential development, being 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 31st May 2017 (unaudited)		
	Portfolio	Residential development	Total
	£m	£m	£m
Rental income	**27.2**	**-**	**27.2**
Development	**43.7**	**77.6**	**121.3**
Other income	**2.9**	**-**	**2.9**
Revenue	**73.8**	**77.6**	**151.4**

	Six months ended 31st May 2016 (unaudited)		
	Portfolio	Residential development	Total
	£m	£m	£m
Rental income	26.7	-	26.7
Development	60.2	69.8	130.0
Other income	3.0	-	3.0
Revenue	89.9	69.8	159.7

	Year ended 30th November 2016 (audited)		
	Portfolio	Residential development	Total
	£m	£m	£m
Rental income	53.1	-	53.1
Development	77.8	150.0	227.8
Other income	6.8	-	6.8
Revenue	137.7	150.0	287.7

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

	Six months ended 31st May 2017 (unaudited)		
	Portfolio	Residential development (1)	Total
	£m	£m	£m
Net rental income	**22.4**	**-**	**22.4**
Development profits	**8.4**	**16.6**	**25.0**
Gains on disposal of investments/investment properties	**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)**	**-**
Finance costs (3)	**(11.1)**	**-**	**(11.1)**
Finance income (4)	**5.1**	**-**	**5.1**
Attributable profit	**25.8**	**11.4**	**37.2**
Other losses of joint ventures and associates (2)			**(0.1)**
Other finance costs (3)			**(5.9)**
Other finance income (4)			**0.4**
Profit before tax			**31.6**

	Six months ended 31st May 2016 (unaudited)		
	Portfolio	Residential development (1)	Total
	£m	£m	£m
Net rental income	21.8	-	21.8
Development profits	19.9	15.0	34.9
Gains on disposal of investments/investment properties	0.5	-	0.5
Investment property revaluation gains	16.8	-	16.8
Other net income	2.1	-	2.1
Losses of joint ventures and associates (2)	(22.5)	-	(22.5)

Administrative expenses	(14.7)	(2.1)	(16.8)
Allocation of administrative expenses	2.4	(2.4)	-
Finance costs (3)	(8.1)	(0.8)	(8.9)
Finance income (4)	1.1	-	1.1
Attributable profit	19.3	9.7	29.0
Other profits of joint ventures and associates (2)			3.1
Other finance costs (3)			(2.3)
Other finance income (4)			5.7
Profit before tax			35.5

	Year ended 30th November 2016 (audited)		
	Portfolio	Residential development (1)	Total
	£m	£m	£m
Net rental income	40.5	-	40.5
Development profits	20.1	31.6	51.7
Gains on disposal of investments/investment properties	9.5	-	9.5
Investment property revaluation gains	30.3	-	30.3
Other net income	4.2	-	4.2
Losses of joint ventures and associates (2)	(18.4)	-	(18.4)
Administrative expenses	(28.5)	(4.5)	(33.0)
Allocation of administrative expenses	5.2	(5.2)	-
Finance costs (3)	(19.2)	-	(19.2)
Finance income (4)	5.4	-	5.4
Attributable profit	49.1	21.9	71.0
Other losses of joint ventures and associates (2)			(9.8)
Other finance costs (3)			(3.8)
Other finance income (4)			9.5
Profit before tax			66.9

(1) In the half year results, housebuilding profit of £13.4m (six months ended 31st May 2016: £12.9m, year ended 30th November 2016: £27.1m) is stated before the allocation of administrative expenses and finance costs of £2.0m (six months ended 31st May 2016: £3.2m, year ended 30th November 2016: £5.2m).

(2) Stated before non-cash finance costs and income (being amortisation and movements in the fair value of derivative financial instruments) and tax of £0.1m (six months ended 31st May 2016: £3.1m, year ended 30th November 2016: £9.8m). These amounts are reclassified to other profits/(losses) of joint ventures and associates.

(3) Finance costs represent interest payable on borrowings and finance lease obligations. Other finance costs represent non-cash items, being amortisation, movements in the fair value of financial instruments and interest on pension scheme liabilities, as set out in note 4.

(4) Finance income represents interest receivable. Other finance income represents non-cash items, being movements in the fair value of financial instruments and interest on pension scheme assets, as set out in note 4.

c. Segment assets and liabilities

	As at 31st May 2017 (unaudited)		
	Portfolio	**Residential development**	**Total**
	£m	**£m**	**£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			**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 31st May 2016 (unaudited and restated)		
	Portfolio	Residential development	Total
	£m	£m	£m
Investment property	1,136.2	-	1,136.2
Inventories	76.7	109.4	186.1
Investments in joint ventures and associates	194.3	-	194.3
Attributable assets	1,407.2	109.4	1,516.6

Operating property plant and equipment	4.2
Trade and other receivables	101.9
Cash and cash equivalents	4.5
Trade and other payables	(134.8)
Derivative financial instruments	(7.7)
Borrowings and finance lease obligations	(514.0)
Tax payable	(12.8)
Deferred tax	(18.5)
Net assets	939.4

	As at 30th November 2016 (audited and restated)		
	Portfolio	Residential development	Total
	£m	£m	£m
Investment property	1,144.7	-	1,144.7
Inventories	103.5	126.2	229.7
Investments in joint ventures and associates	184.8	-	184.8
Attributable assets	1,433.0	126.2	1,559.2
Operating property plant and equipment			4.2
Trade and other receivables			112.3
Cash and cash equivalents			4.2
Trade and other payables			(154.1)
Derivative financial instruments			(7.2)
Borrowings and finance lease obligations			(527.4)
Tax payable			(7.1)
Deferred tax			(22.0)
Net assets			962.1

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 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:

Profit before all tax (See note 2a): This proportionally consolidated measure adjusts profit before tax to remove taxation on joint venture and associate profits from the profit before tax figure.

Trading profit (See note 2a): Trading profit is derived similarly to profit before all tax, but is stated before the principal non-cash income statement items included in this measure, being revaluation gains and losses, changes in the estimate of the obligation to establish the new Covent Garden flower market and non-cash financing charges. For a property company with a low depreciation charge and no intangible amortisation charge, this therefore represents a more useful measure than the EBITDA alternative performance measure used by many other companies. We also disclose a trading cash flow measure in note 2f, which represents cash flows before the non-trading items of finance leases, net borrowings and dividends.

Property profits (See note 2a): This measure represents proportionally consolidated development profits plus proportionally consolidated gains on disposals of investment properties and therefore, like profit before all tax, ostensibly represents the proportionally consolidated amounts in respect of these two income statement lines, after a (historically de minimis) adjustment for net realisable value provisions.

EPRA NAV per share (See note 2g): Whilst it is a non-GAAP measure, EPRA NAV is a standard real estate measure. Its objective 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.

Total accounting return (See note 2g): Our shareholders measure their returns in terms of both the Group's growth and the dividend return. Total accounting return combines these two items by adding EPRA NAV per share (defined above) to the dividend paid per share during the period and measuring this against opening EPRA NAV per share. 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.

a. Trading profit and profit before all tax

The non-statutory measures of trading profit and profit before all tax, which include the Group's share of joint ventures and associates, have been calculated as set out below:

	Six months ended 31st May 2017 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**
Net rental income	**22.4**	**2.6**	**25.0**
Development profits (1)	**25.2**	**0.9**	**26.1**
Gains on disposal of investments/investment properties	**1.0**	**1.0**	**2.0**
Other net income	**2.0**	**-**	**2.0**
Administrative expenses	**(17.0)**	**(0.2)**	**(17.2)**
Finance costs (2)	**(11.1)**	**(5.5)**	**(16.6)**
Finance income (3)	**5.1**	**-**	**5.1**
Trading profit/(loss)	**27.6**	**(1.2)**	**26.4**
Investment property revaluation gains (1)	**9.1**	**10.9**	**20.0**
Change in estimated cost to establish a market in Nine Elms	**-**	**(9.2)**	**(9.2)**
Other finance costs (2)	**(5.9)**	**(2.7)**	**(8.6)**
Other finance income (3)	**0.4**	**0.3**	**0.7**
Profit/(loss) before all tax	**31.2**	**(1.9)**	**29.3**
Taxation	**(4.7)**	**2.3**	**(2.4)**
Profit for the year	**26.5**	**0.4**	**26.9**
Effective tax rate	**15.1%**	**121.1%**	**8.2%**

	Six months ended 31st May 2016 (unaudited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Net rental income	21.8	3.0	24.8
Development profits (1)	35.2	-	35.2
Gains on disposal of investments/investment properties	0.5	0.4	0.9
Other net income	2.1	-	2.1
Administrative expenses	(16.8)	(0.2)	(17.0)
Finance costs (2)	(8.9)	(3.9)	(12.8)
Finance income (3)	1.1	0.1	1.2
Trading profit/(loss)	35.0	(0.6)	34.4
Investment property revaluation gains/(losses) (1)	16.5	(21.9)	(5.4)
Other finance costs (2)	(2.3)	(2.4)	(4.7)
Other finance income (3)	5.7	-	5.7
Profit/(loss) before all tax	54.9	(24.9)	30.0
Taxation	(9.2)	5.5	(3.7)
Profit/(loss) for the year	45.7	(19.4)	26.3
Effective tax rate	16.8%	22.1%	12.3%

	Year ended 30th November 2016 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Net rental income	40.5	5.4	45.9
Development profits (1)	52.0	-	52.0
Gains on disposal of investments/investment properties	9.5	0.5	10.0
Other net income	4.2	-	4.2
Administrative expenses	(33.0)	(0.8)	(33.8)
Finance costs (2)	(19.2)	(9.2)	(28.4)
Finance income (3)	5.4	0.8	6.2
Trading profit/(loss)	59.4	(3.3)	56.1
Investment property revaluation gains/(losses) (1)	30.0	(25.9)	4.1
Other finance costs (2)	(3.8)	(5.8)	(9.6)
Other finance income (3)	9.5	0.7	10.2
Profit/(loss) before all tax	95.1	(34.3)	60.8
Taxation	(13.3)	6.1	(7.2)
Profit/(loss) for the year	81.8	(28.2)	53.6
Effective tax rate	14.0%	17.8%	11.8%

(1) Stated before the deduction of net realisable valuation provisions within the Group of £0.2m (six months ended 31st May 2016: £0.3m, year ended 30th November 2016: £0.3m) and for joint ventures and associates of £nil (six months ended 31st May 2016: £nil, year ended 30th November 2016: £nil). These items are reclassified to investment property revaluation gains/(losses).

(2) Finance costs represent interest payable on borrowings and finance lease obligations. Other finance costs represent non-cash items,

being amortisation, movements in the fair value of financial instruments and interest on pension scheme liabilities, as set out in note 4.

(3) Finance income represents interest receivable. Other finance income represents non-cash items, being movements in the fair value of financial instruments and interest on pension scheme assets, as set out in note 4.

b. Property valuations

Property valuations, including, the Group's share of joint ventures and associates, have been calculated as set out below, with the split of property valuation gains/(losses) between added value and market movements being based on an analysis of total property valuation movements provided by the Group's external valuers:

	Six months ended 31st May 2017 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**
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**
Added value	**10.2**	**2.6**	**12.8**
Market movements	**(1.1)**	**8.3**	**7.2**
Property valuation gains	**9.1**	**10.9**	**20.0**

	Six months ended 31st May 2016 (unaudited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Property revaluation gains/(losses)	16.8	(21.9)	(5.1)
Net realisable value provisions	(0.3)	-	(0.3)
Property valuation gains/(losses)	16.5	(21.9)	(5.4)
Added value	14.9	-	14.9
Market movements	1.6	(21.9)	(20.3)
Property valuation gains/(losses)	16.5	(21.9)	(5.4)

	Year ended 30th November 2016 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Property revaluation gains/(losses)	30.3	(25.9)	4.4
Net realisable value provisions	(0.3)	-	(0.3)
Property valuation gains/(losses)	30.0	(25.9)	4.1
Added value	27.5	0.8	28.3
Market movements	2.5	(26.7)	(24.2)
Property valuation gains/(losses)	30.0	(25.9)	4.1

c. 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 31st May 2017 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£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 31st May 2016 (unaudited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Property portfolio	1,318.4	380.5	1,698.9
Other assets	110.8	42.6	153.4
Gross assets	1,429.2	423.1	1,852.3
Net borrowings	(453.8)	(46.8)	(500.6)

Finance leases	(56.8)	(1.8)	(58.6)
Other liabilities	(173.5)	(180.2)	(353.7)
Gross liabilities	(684.1)	(228.8)	(912.9)
Net assets	745.1	194.3	939.4
Non-controlling interests	(7.0)	-	(7.0)
Equity attributable to owners of the Company	738.1	194.3	932.4

	As at 30th November 2016 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Property portfolio	1,370.5	381.8	1,752.3
Other assets	122.0	44.4	166.4
Gross assets	1,492.5	426.2	1,918.7
Net borrowings	(470.0)	(47.0)	(517.0)
Finance leases	(56.8)	(0.9)	(57.7)
Other liabilities	(188.4)	(193.5)	(381.9)
Gross liabilities	(715.2)	(241.4)	(956.6)
Net assets	777.3	184.8	962.1
Non-controlling interests	(6.9)	-	(6.9)
Equity attributable to owners of the Company	770.4	184.8	955.2

d. 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 31st May 2017 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£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 31st May 2016 (unaudited and restated)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Investment properties	1,136.2	379.7	1,515.9
Less assets held under finance leases not subject to revaluation	(3.9)	(1.2)	(5.1)
Inventories	186.1	2.0	188.1
Property portfolio	1,318.4	380.5	1,698.9

	As at 30th November 2016 (audited and restated)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Investment properties	1,144.7	376.3	1,521.0
Less assets held under finance leases not subject to revaluation	(3.9)	(0.9)	(4.8)
Inventories	229.7	6.4	236.1
Property portfolio	1,370.5	381.8	1,752.3

As at 31st May 2017 the Group had assets of £351.9m (31st May 2016: £650.1m, 30th November 2016: £328.3m) included within the Group property portfolio (excluding joint ventures and associates) which were wholly owned, unencumbered and able to be pledged as security for the Group's debt facilities.

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

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	£m	£m	£m
Industrial and logistics	**267.8**	301.3	283.5
Retail	**341.9**	344.7	342.2
Residential and other	**165.7**	158.1	161.0
Income producing property	**775.4**	804.1	786.7
Residential land	**782.8**	737.7	742.0
Commercial land	**255.2**	157.1	223.6
Property portfolio	**1,813.4**	1,698.9	1,752.3

e. Movement in net debt

The movement in net debt is set out below:

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	£m	£m	£m
Movement in cash and cash equivalents	**4.6**	(0.3)	(0.6)
Borrowings drawn	**(133.2)**	(51.6)	(160.5)
Repayment of borrowings	**44.0**	41.0	134.0
Increase in net borrowings	**(84.6)**	(10.9)	(27.1)
Fair value movement on convertible bonds	**(4.0)**	5.2	7.7
Finance leases	**0.6**	(1.7)	(1.7)
Increase in net debt	**(88.0)**	(7.4)	(21.1)

f. Trading cash flow

Trading cash flows are derived from the Group cash flow statement as set out below:

	Six months ended 31st May 2017 (unaudited)					
	Operating activities	**Investing activities**	**Financing activities**	**Total**	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Net rent and other income	**24.4**	**-**	**-**	**24.4**	**2.6**	**27.0**
Property disposals	**119.8**	**15.5**	**-**	**135.3**	**45.8**	**181.1**
Property acquisitions	**(34.6)**	**(12.4)**	**-**	**(47.0)**	**-**	**(47.0)**
Property expenditure	**(118.4)**	**(22.7)**	**-**	**(141.1)**	**(3.5)**	**(144.6)**
Working capital and other movements	**(23.1)**	**-**	**-**	**(23.1)**	**(11.9)**	**(35.0)**
Overheads and interest	**(15.4)**	**5.1**	**(11.2)**	**(21.5)**	**(5.7)**	**(27.2)**
Taxation	**(4.4)**	**-**	**-**	**(4.4)**	**(1.0)**	**(5.4)**
Trading cash flow	**(51.7)**	**(14.5)**	**(11.2)**	**(77.4)**	**26.3**	**(51.1)**
Finance leases	**-**	**-**	**(1.6)**	**(1.6)**	**-**	**(1.6)**
Net borrowings	**-**	**-**	**89.2**	**89.2**	**(6.6)**	**82.6**
Net dividends	**-**	**5.0**	**(10.6)**	**(5.6)**	**(5.0)**	**(10.6)**
Movement in cash and cash equivalents	**(51.7)**	**(9.5)**	**65.8**	**4.6**	**14.7**	**19.3**

	Six months ended 31st May 2016 (unaudited)					
	Operating activities	Investing activities	Financing activities	Total	Joint ventures and associates	Total
	£m	£m	£m	£m	£m	£m
Net rent and other income	23.9	-	-	23.9	3.0	26.9
Property disposals	177.1	22.8	-	199.9	12.5	212.4
Property acquisitions	-	(20.1)	-	(20.1)	-	(20.1)
Property expenditure	(157.8)	(35.1)	-	(192.9)	(5.1)	(198.0)
Working capital and other movements	1.4	-	-	1.4	6.8	8.2
Overheads and interest	(16.4)	-	(9.8)	(26.2)	(4.0)	(30.2)
Taxation	(4.4)	-	-	(4.4)	(0.5)	(4.9)
Trading cash flow	23.8	(32.4)	(9.8)	(18.4)	12.7	(5.7)
Finance leases	-	-	10.6	10.6	0.6	11.2
Net borrowings	-	-	1.7	1.7	(2.1)	(0.4)
Net dividends	-	14.3	(8.5)	5.8	(14.3)	(8.5)
Movement in cash and cash equivalents	23.8	(18.1)	(6.0)	(0.3)	(3.1)	(3.4)

	Year ended 30th November 2016 (audited)					
	Operating activities	Investing activities	Financing activities	Total	Joint ventures and associates	Total
	£m	£m	£m	£m	£m	£m
Net rent and other income	44.7	-	-	44.7	5.4	50.1
Property disposals	244.9	64.3	-	309.2	25.1	334.3
Property acquisitions	-	(38.5)	-	(38.5)	-	(38.5)
Property expenditure	(208.8)	(52.1)	-	(260.9)	(10.1)	(271.0)
Working capital and other movements	(25.3)	-	-	(25.3)	3.8	(21.5)
Overheads and interest	(32.3)	5.4	(20.7)	(47.6)	(9.2)	(56.8)
Taxation	(10.7)	-	-	(10.7)	(1.0)	(11.7)
Trading cash flow	12.5	(20.9)	(20.7)	(29.1)	14.0	(15.1)
Finance leases	-	-	0.6	0.6	(0.3)	0.3
Net borrowings	-	-	26.5	26.5	(2.8)	23.7
Net dividends	-	14.3	(12.9)	1.4	(14.3)	(12.9)
Movement in cash and cash equivalents	12.5	(6.6)	(6.5)	(0.6)	(3.4)	(4.0)

g. Net assets per share and total accounting return

Net assets per share and total accounting return are calculated as set out below:

	£m	Pence per share [1]	Movement Pence per share [1]	%
Total equity	**979.7**			
Less non-controlling interests	**(5.4)**			
Equity attributable to owners of the Company	**974.3**	**439.6**	**8.6**	**2.0%**
Adjustments of inventories to fair value	**10.7**			
EPRA triple net assets	**985.0**	**444.4**	**7.2**	**1.6%**
Deferred tax on capital allowances and revaluations	**45.8**			
Mark-to-market of derivative financial instruments	**7.4**			
EPRA net assets	**1,038.2**	**468.4**	**7.9**	**1.7%**
Dividend paid per share			**4.1**	
Total accounting return			**12.0**	**2.6%**

	£m	Pence per share [1]	Movement Pence per share [1]	%
Total equity	939.4			
Less non-controlling interests	(7.0)			
Equity attributable to owners of the Company	932.4	421.4	7.9	1.9%
Adjustments of inventories to fair value	10.4			
EPRA triple net assets	942.8	426.1	7.2	1.7%
Deferred tax on capital allowances and revaluations	48.0			
Mark-to-market of derivative financial instruments	6.9			
EPRA net assets	997.7	450.9	4.5	1.0%
Dividend paid per share			3.9	
Total accounting return			8.4	1.8%

	£m	Pence per share [1]	Movement Pence per share [1]	%
Total equity	962.1			
Less non-controlling interests	(6.9)			
Equity attributable to owners of the Company	955.2	431.0	17.5	4.2%
Adjustments of inventories to fair value	13.6			
EPRA triple net assets	968.8	437.2	18.3	4.4%
Deferred tax on capital allowances and revaluations	47.9			
Mark-to-market of derivative financial instruments	3.8			
EPRA net assets	1,020.5	460.5	14.1	3.2%
Dividend paid per share			5.8	
Total accounting return			19.9	4.5%

(1) The number of shares in issue used to calculate the net asset values per share is 221,625,168 (31st May 2016: 221,273,685, 30th November 2016: 221,607,654), excluding those shares held by The St. Modwen Properties PLC Employee Share Trust.

h. Net borrowing and net debt

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

	Unaudited 31st May 2017 £m	Unaudited 31st May 2016 £m	Audited 30th Nov 2016 £m
Cash and cash equivalents	**8.8**	4.5	4.2
Borrowings due within one year	**-**	-	-
Borrowings due after more than one year	**(563.8)**	(457.2)	(470.6)
Adjustment to restate convertible bonds at book value	**0.4**	(1.1)	(3.6)
Net borrowings	**(554.6)**	(453.8)	(470.0)
Reversal of adjustment to restate convertible bonds at book value	**(0.4)**	1.1	3.6
Finance lease liabilities due within one year	**(0.4)**	(0.4)	(0.4)
Finance lease liabilities due after more than one year	**(55.8)**	(56.4)	(56.4)
Net debt	**(611.2)**	(509.5)	(523.2)

i. 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 land is a less attractive asset for security purposes, we also disclose see-through loan-to-value (excluding residential land) 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 bonds) 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 bonds) less cash and cash equivalents (all including the Group's share of its joint ventures and associates). This includes the development account beneficially owned by one of our joint ventures, VSM (NCGM) Ltd, held for the purpose of funding the establishment of a market at Nine Elms, which would otherwise need to be funded by injecting cash into the joint venture in the future.

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

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

	As at 31st May 2017 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2d)	**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 land (note 2d)	**(518.6)**	**(264.2)**	**(782.8)**
Net property portfolio (excluding residential land)	**884.1**	**87.2**	**971.3**
Total equity	**979.7**	**N/A**	**979.7**
Net debt (note 2h)	**611.2**	**26.6**	**637.8**
Net borrowings (note 2h)	**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 land)	**N/A**		**59.7%**

	As at 31st May 2016 (unaudited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2d)	1,318.4	380.5	1,698.9
Less valued assets held under finance leases	(57.4)	-	(57.4)
Net property portfolio	1,261.0	380.5	1,641.5
Less residential land (note 2d)	(451.6)	(286.1)	(737.7)
Net property portfolio (excluding residential land)	809.4	94.4	903.8
Total equity	939.4	N/A	939.4
Net debt (note 2h)	509.5	48.6	558.1
Net borrowings (note 2h)	453.8	46.8	500.6
Gearing	54.2%		59.4%
Adjusted gearing	48.3%		53.3%
Loan to value	36.0%		30.5%
Loan to value (excluding residential land)	N/A		55.4%

	As at 30th November 2016 (audited)		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2d)	1,370.5	381.8	1,752.3
Less valued assets held under finance leases	(57.8)	-	(57.8)

Net property portfolio	1,312.7	381.8	1,694.5
Less residential land (note 2d)	(460.2)	(281.8)	(742.0)
Net property portfolio (excluding residential land)	852.5	100.0	952.5
Total equity	962.1	N/A	962.1
Net debt (note 2h)	523.2	47.9	571.1
Net borrowings (note 2h)	470.0	47.0	517.0
Gearing	54.4%		59.4%
Adjusted gearing	48.9%		53.7%
Loan to value	35.8%		30.5%
Loan to value (excluding residential land)	N/A		54.3%

Bank covenant compliance is based on the ratio of gearing being net debt to equity of 62.4% (31st May 2016: 54.2%, 30th November 2016: 54.4%) against a covenant of 175.0% (31st May 2016: 175.0%, 30th November 2016: 175.0%).

3. Joint ventures and associates

The Group's share of the results for the six months ended 31st May 2017 of its joint ventures and associates is:

	Six months ended 31st May 2017 (unaudited)					
	Key Property Investments Ltd	VSM Estates Uxbridge (Group) Ltd	VSM Estates (Holdings) Ltd	VSM (NCGM) Ltd	Other joint ventures and associates	Total
	£m	£m	£m	£m	£m	£m
Revenue	**6.0**	**-**	**-**	**-**	**1.2**	**7.2**
Net rental income	**2.6**	**(0.1)**	**-**	**-**	**0.1**	**2.6**
Development profits	**0.9**	**-**	**-**	**-**	**-**	**0.9**
Gains/(losses) on disposal of investments/investment properties	**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**

	Six months ended 31st May 2016 (unaudited)					
	Key Property Investments Ltd	VSM Estates Uxbridge (Group) Ltd	VSM Estates (Holdings) Ltd	VSM (NCGM) Ltd	Other joint ventures and associates	Total
	£m	£m	£m	£m	£m	£m
Revenue	3.9	-	-	-	0.1	4.0
Net rental income	3.0	(0.1)	-	-	0.1	3.0
Gains/(losses) on disposal of investments/investment properties	0.4	-	(0.1)	-	0.1	0.4
Investment property revaluation gains/(losses)	0.4	(1.6)	0.2	(20.9)	-	(21.9)
Administrative expenses	(0.1)	-	(0.1)	-	-	(0.2)
Profit/(loss) before interest and tax	3.7	(1.7)	-	(20.9)	0.2	(18.7)
Finance costs	(1.1)	(1.3)	(0.7)	(3.1)	(0.1)	(6.3)
Finance income	0.1	-	-	-	-	0.1
Profit/(loss) before tax	2.7	(3.0)	(0.7)	(24.0)	0.1	(24.9)
Taxation	(0.5)	0.6	-	5.4	-	5.5
Profit/(loss) for the period	2.2	(2.4)	(0.7)	(18.6)	0.1	(19.4)

	Year ended 30th November 2016 (audited)					
	Key Property Investments Ltd	VSM Estates Uxbridge (Group) Ltd	VSM Estates (Holdings) Ltd	VSM (NCGM) Ltd	Other joint ventures and associates	Total
	£m	£m	£m	£m	£m	£m
Revenue	7.5	-	-	-	0.2	7.7
Net rental income	5.5	(0.1)	-	-	-	5.4
Gains/(losses) on disposal of investments/investment properties	0.8	-	(0.2)	-	(0.1)	0.5
Investment property revaluation gains/(losses)	1.2	(1.8)	(1.1)	(24.3)	0.1	(25.9)

Administrative expenses	(0.3)	-	(0.1)	(0.1)	(0.3)	(0.8)
Profit/(loss) before interest and tax	7.2	(1.9)	(1.4)	(24.4)	(0.3)	(20.8)
Finance costs	(2.2)	(3.4)	(1.9)	(7.3)	(0.2)	(15.0)
Finance income	0.4	0.4	0.7	-	-	1.5
Profit/(loss) before tax	5.4	(4.9)	(2.6)	(31.7)	(0.5)	(34.3)
Taxation	(0.6)	0.9	(0.5)	6.3	-	6.1
Profit/(loss) for the year	4.8	(4.0)	(3.1)	(25.4)	(0.5)	(28.2)

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.

4. Finance costs and finance income

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	£m	£m	£m
Interest payable on borrowings	**10.1**	8.9	18.1
Interest payable on finance lease obligations	**1.0**	0.5	1.1
Amortisation of loan arrangement fees	**1.1**	0.4	1.2
Amortisation of discount on deferred payment arrangements	**0.3**	0.4	0.4
Movement in fair value of convertible bonds	**4.0**	-	-
Movement in fair value of derivative financial instruments	**0.1**	0.5	1.3
Interest on pension scheme liabilities	**0.4**	0.5	0.9
Total finance costs	**17.0**	11.2	23.0

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	£m	£m	£m
Interest receivable	**5.1**	1.1	5.4
Movement in fair value of convertible bonds	**-**	5.2	7.7
Movement in fair value of derivative financial instruments	**-**	-	0.8
Interest income on pension scheme assets	**0.4**	0.5	1.0
Total finance income	**5.5**	6.8	14.9

5. Earnings per share

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	Number of shares	Number of shares	Number of shares
Weighted number of shares in issue	**221,613,476**	221,233,995	221,368,096
Weighted number of diluted shares relating to the convertible bond	**-**	18,867,925	18,867,925
Weighted number of diluted shares relating to share options	**1,952,433**	2,001,705	1,923,809
Weighted number of shares for the purposes of diluted earnings per share	**223,565,909**	242,103,625	242,159,830

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	£m	£m	£m
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	**26.8**	26.1	53.4
Effect of dilutive potential ordinary shares:			
Interest on convertible bond (net of tax)	**-**	1.2	2.3
Movement in fair value of the convertible bond	**-**	(5.2)	(7.7)
Earnings for the purposes of diluted earnings per share	**26.8**	22.1	48.0

	Unaudited	Unaudited	Audited
	31st May 2017	31st May 2016	30th Nov 2016
	Pence	Pence	Pence
Basic earnings per share	**12.1**	11.8	24.1
Diluted earnings per share	**12.0**	9.1	19.8

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

As the Group is principally a development business, EPRA earnings per share on a basic and diluted basis are not provided. These calculations exclude all revaluation gains, including value added by management actions, and development profits. These are the key activities of the Group and excluding such gains and profits would not provide a meaningful measure of the performance of the business.

6. Financial instruments held at fair value

Derivative financial instruments and the convertible bonds 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	Unaudited	Audited
		31st May 2017	31st May 2016	30th Nov 2016
		£m	£m	£m
Derivative financial instrument assets	Level 2	**1.4**	0.8	1.6
Derivative financial instrument liabilities	Level 2	**(8.7)**	(8.5)	(8.8)
Convertible bonds liability	Level 2	**(100.4)**	(98.9)	(96.4)
Financial instruments held at fair value through profit or loss		**(107.7)**	(106.6)	(103.6)

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).

7. Other information

a. Taxation

The effective rate of Group tax for the period is 15.1% (six months ended 31st May 2016: 16.8%, year ended 30th November 2016: 14.0%).

As a property group, this rate benefits predominantly from certain investment gains not being taxable because of indexation, together with capital allowances, land remediation and other reliefs on certain property expenditure.

b. Dividends

The proposed interim dividend of 2.02 pence (six months ended 31st May 2016: 1.94 pence) per share was approved by a Committee of the Board on 3rd July 2017 and will amount to £4.5m (six months ended 31st May 2016: £4.3m).

c. Valuation of investment properties

Investment properties were valued at 31st May 2017, 30th November 2016 and 31st May 2016 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 31st May 2017 or any material changes to those related party transactions described in the Group financial statements for the year ended 30th November 2016.

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 £3.8m (six months ended 31st May 2016: £2.0m, year ended 30th November 2016: £2.0m).

f. Post balance sheet event

On 21st June 2017, it was announced that one of the Group's joint ventures, VSM (NCGM) Ltd, had exchanged contracts for the sale of its interest in the 10-acre Nine Elms Square site in Nine Elms, London to Wanda Commercial Properties (Hong Kong) Co. Ltd, at book value for a cash consideration totalling £470m. Taking into account our share in the joint venture and the joint venture's contractual obligations to the Covent Garden Market Authority, the Group's share of the cash proceeds after overage, enabling costs, and tax are expected to be £190m upon contractual completion, of which £70m will be held in a restricted development account to fund our share of future obligations in respect of completion of 500,000 sq ft of new purpose built market facilities and associated infrastructure. As the site was sold at book value, there is not expected to be any significant profit or loss arising from this transaction in the second half of the year ending 30th November 2017.

The Group, together with VINCI PLC, has provided a joint and several guarantee in respect of the obligations of VSM (NCGM) Ltd relating to the redevelopment of New Covent Garden Market, London. This is a guarantee in the ordinary course of business and would require the guarantors to comply with the terms of the development agreement and to indemnify Covent Garden Market Authority against any breach of those terms.

Directors' responsibility statement

for the six months ended 31st May 2017

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
Group Finance Director

3rd July 2017

Independent review report to St. Modwen Properties PLC

for the six months ended 31st May 2017

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 31st May 2017 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 31st May 2017 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
E14 5GL

3rd July 2017

END

IR BRGDRSXGBGRX