

## Half Yearly Report

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St. Modwen Properties PLC

30 June 2015

**Date of issue:** 30<sup>th</sup> June 2015

**ST. MODWEN PROPERTIES PLC**  
**("St. Modwen", the "Company" or the "Group")**  
**Half Year Results for the six months to 31<sup>st</sup> May 2015**

**ST. MODWEN DELIVERS 306% INCREASE IN HALF YEAR PROFITS TO £203.1M**

St. Modwen Properties PLC (LSE: SMP), the UK's leading regeneration specialist, announces its half year results for the six months to 31<sup>st</sup> May 2015.

### Financial Highlights

- 306% increase in profit before all tax to £203.1m (H1 2014: £50.0m)
- 21% increase in NAV per share to 394p (Nov 2014: 325p) and EPRA NAV per share up 25% to 427p (Nov 2014: 342p)
- Earnings per share up 281% to 75.4p (H1 2014: 19.8p)
- Initial recognition of New Covent Garden Market (NCGM) contributes £128.0m to net valuation increase of £170.2m (H1 2014: £33.7m)
- Realised property profits of £41.3m (H1 2014: £19.1m)
- 30% increase in interim dividend to 1.9p per share (2014: 1.463p per share)

### Operational Highlights

- Major projects reaching significant milestones:
  - o NCGM - unconditional status achieved on 57-acre Nine Elms site in April 2015, with project now included on balance sheet
  - o Swansea University, Bay Campus - initial development phases on schedule to complete, ready to welcome first students in September 2015
  - o Longbridge - 150,000 sq ft Marks & Spencer store on track to open in November 2015
- Commercial property development pipeline delivers strong flow of profits
- Continued activity across the residential market, with good sales rates achieved across the Persimmon joint venture and for St. Modwen Homes, with continued housebuilder appetite for residential land

### Bill Oliver, Chief Executive, St. Modwen said:

"These record-breaking results are underpinned by the growth in the UK property sector and are testament to our continued belief in the regional marketplace and our long-term approach to regeneration as a whole. They are positively supported by our three major projects reaching significant milestones in the period. Most notably the New Covent Garden Market site in Nine Elms, London reached unconditional status in April.

"We continue to increase our levels of both residential and commercial development and to add further value to our major projects and our broader £1.5bn property portfolio, delivering maximum returns for the business and for our

shareholders."

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As the Group utilises a number of joint venture arrangements, additional disclosures are provided to give a better understanding of our business. These include information on the Group including its share of joint ventures together with non-statutory measures such as trading profit and profit before all tax. A full reconciliation of such measures is provided in Note 2 to the Condensed Financial Statements.

***A presentation for analysts and investors will be held at 9.30am today at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. If you would like to attend, please contact Jenni Nkomo at FTI on +44 (0)20 3727 1000 or [jenni.nkomo@fticonsulting.com](mailto:jenni.nkomo@fticonsulting.com)***

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**St. Modwen**

**Webcast Link:**

<http://www.axisto-live.com/investis/clients/st-modwen/presentations/556dbc2eccba32d94005ad0a/hy15>

**HALF YEAR REVIEW**

Our long-term approach to regeneration and development and our continued ability to deliver value has produced another set of record-breaking results. In the period, we have achieved an increase in profit before all tax of 306% to £203.1m (H1 2014: £50.0m). This reflects an increase in shareholders' NAV per share of 21% to 394p (Nov 2014: 325p per share).

These results are a testament to our long-standing business model which focusses on sustainable, long-term development of our 6,000 acre UK-wide land bank to which we continually seek to add value at every stage of the development life cycle. The highlight of the period is undoubtedly achieving unconditional status for the New Covent Garden Market (NCGM) project which has contributed £128.0m of value to these results and supported total added value gains across the portfolio of £149.8m.

Encouragingly, even excluding the positive impact on initial recognition of NCGM, we would still be announcing record half year results with profit before all tax excluding this gain up 50% to £75.1m (H1 2014: £50.0m). This highlights the growing strength of the UK property market and in particular the commercial sector which is now gathering good momentum in the regions, both in terms of occupancy levels and investor interest. This has delivered market-driven valuation increases of £20.4m across the portfolio.

We have taken advantage of the investor appetite in the commercial sector and in line with our core strategy, have disposed of a number of mature assets in the period. There is good interest from businesses for new and secondary space and our portfolio of income producing assets continues to provide good returns with rental income increased to £18.6m (H1 2014: £18.5m) with consistent occupancy levels which remain at 89% (H1 2014: 89%). At the same time, we continue to build on our £1.5bn portfolio by remaining acquisitive and securing the right opportunities as they arise across the UK.

Two of our other major projects, the regeneration of Longbridge and the development of Swansea University's, Bay Campus, have also played their part in this record half year. Both are progressing well and illustrate the good momentum across our major projects and our UK project portfolio as a whole.

As an innovative business we regularly review our routes to market across the portfolio to ensure that we are exploiting the full potential of our 6,000 acre land bank. In particular, the Private Rental Sector is an area on which we

are focussing our attentions currently as a growing number of sites across our UK portfolio lend themselves to this particular sub-sector and could offer additional development opportunities. We also continue to explore ways to use our land bank to support energy sector opportunities.

We are continuing to see good appetite for our residential land and this is supporting good levels of development and positive sales rates. As our joint venture with Persimmon nears its conclusion in 2017/18, we are increasing the number of sites across the UK delivered by our own housebuilding brand St. Modwen Homes.

Whilst we are not immune to the challenges of the current planning system, we remain successful in our ability to secure planning consents for schemes across our land bank which in turn, continue to deliver value for the business.

Today we see a more stable property market following the outcome of the UK General Election in May this year and whilst any longer-term uncertainty may remain regarding the Eurozone and adjustments to interest rates, we are already sensing a more positive market outlook.

This record performance and the prospects for the year have given the Board the confidence to increase the Company's interim dividend in line with NAV growth. Together with the impact of the full year 2014 increase, this results in an interim dividend of 1.9p per share, up 30% on H1 2014 (1.463p per share). This will be paid on 3<sup>rd</sup> September 2015 to shareholders on the register at 7<sup>th</sup> August 2015.

## **PORTFOLIO**

Our £1.5bn property portfolio comprises the following categories of assets:

- Commercial land and development
- Residential land and development
- Income producing properties

### **COMMERCIAL LAND AND DEVELOPMENT - *continued growth across the UK***

We continue to grow our pipeline of development opportunities through an increasing number of enquiries for new property and through our selection as Development Partner for a range of emerging projects, including our appointment by the Defence Infrastructure Organisation as its development manager for the redevelopment of MOD Ashchurch into a new mixed-use community comprising around 2,100 new homes. Our prepared land continues to put us on the front foot in terms of our ability to react quickly to enquiries and deliver properties for businesses seeking additional or alternative premises. In turn, this approach continues to impact positively on our property profits which are then reinvested into the business to acquire new opportunities for delivery.

Highlights in the period include:

**New Covent Garden Market, Nine Elms, London** - we achieved unconditional status in April 2015 and this project is now included on the balance sheet. Based on a forecast average sale price of £1,333 per sq ft for private residential, as determined by our valuers Jones Lang LaSalle LLP, the project has contributed £128.0m to the half year net valuation increase of £170.2m (H1 2014: £33.7m).

This long-term project, expected to take up to 10 years to complete, is one of the largest in the Nine Elms opportunity area. It will secure the future of the UK's largest fruit, vegetable and flower market and delivers development of 3,019 new homes (600 affordable), 100,000 sq ft of commercial space and new community facilities on 19 acres of land surplus to the market's requirements. Enabling works for the new 500,000 sq ft market are due to begin this summer.

The entire project will contribute around 5% of the new employment created across the whole opportunity area. It therefore plays a major part in supporting the economy both in this important area of London and across the rest of the Capital.

Under the terms of the agreement with the Covent Garden Market Authority, VINCI St. Modwen will take possession of the first 10 acres of the surplus land in 2017, with possession of the additional remaining tranches of land anticipated in 2022.

<b>N C G M - valuation</b>	<b>Acres</b>	<b>Private units</b>	<b>Affordable</b>	<b>Density/ acre</b>	<b>Land values £m</b>
Nine Elms Square	10.2	1,821	94 (5%)	188	621

Nine Elms Gardens/ Nine Elms Grove	8.5	598	506 (46%)	130	39
<b>Total</b>	<b>18.7</b>	<b>2,419</b>	<b>600 (20%)</b>	<b>162</b>	<b>660</b>

**Swansea University, Bay Campus** - the initial phases, comprising 1m sq ft of research, innovation and education facilities and 899 student apartments are nearing completion and will be ready for the first students in September 2015. St. Modwen has agreed with the University to manage the student apartments and associated facilities under its newly established 'St. Modwen Student Living' brand which will provide an annualised £2m net rental income stream from 2015, increasing to £3m by the end of 2016. Further demonstrating our ability to extract maximum value from long-term development sites, additional future phases are expected to start on site in 2016.

**Longbridge, Birmingham** - having marked 10 years since the closure of MG Rover in April this year, the regeneration of this 468 acre site continues to progress well. The second phase of the Town Centre is now nearing completion as the 150,000 sq ft store has been handed over to Marks & Spencer and fit out has commenced in time for opening in November 2015. Within the same phase, we are progressing lettings to national occupiers for the remaining 45,000 sq ft of retail space available at the scheme.

Also in the period, ExtraCare is advancing works to its £35m retirement village and planning has been granted for One Park Square, a 90,000 sq ft HQ-style office building. Furthermore, planning has been submitted for 180-bed accommodation for the Royal Centre for Defence Medicine for the Defence Industry Organisation (DIO) at Longbridge West, adjacent to the Town Centre.

Across our broader portfolio we continue to make good progress on our development projects. We are also gradually increasing the amount of speculative development undertaken across the UK. Key commercial development highlights in the period include:

**Whitley Business Park, Coventry** - following the £14.5m sale of land to Jaguar Land Rover for expansion of its global headquarters, we completed a £10.7m land sale, coupled with a build agreement, to national builders' merchant Travis Perkins for a 214,000 sq ft regional distribution centre across 21 acres of this site. Works are anticipated to start this summer.

**DPD (UK)** - endorsing our well-located portfolio of sites, works are now progressing to completion on three distribution centres for express delivery service DPD (UK). The centres are located at our Skypark scheme situated adjacent to Exeter airport (60,000 sq ft), at Etruria Valley in Stoke-on-Trent (60,000 sq ft), and at Stonebridge, Liverpool (69,000 sq ft). All three investments are already in solicitors' hands for sale.

**Letchworth Business Park, Letchworth** - we commenced construction on 90,000 sq ft of speculative development at this 4.5 acre former RWE site in December 2014 for which works are scheduled to complete in July 2015. We have since agreed terms to lease 100% of this space, comprising four buildings and providing 15,000 sq ft to 30,000 sq ft of B8 industrial warehousing and distribution accommodation.

#### **RESIDENTIAL LAND AND DEVELOPMENT - sustained levels of activity**

Our residential development pipeline continues to grow and good sales rates are being consistently achieved. Our three clear routes to market provide us with a focussed approach to residential development which enables us to maximise the opportunities inherent in our residential land bank:

- **Residential Land Sales** - the development and sale of predominantly brownfield sites that have been cleaned up, serviced and prepared for market with viable implementable planning permissions in place
- **St. Modwen Homes** - in-house development under our own brand, using our extensive housebuilding expertise to capture additional development profits, and;
- **Persimmon Joint Venture** - maximising value through development with one of the UK's leading large housebuilders.

#### **Residential Land Sales**

We continue to achieve a steady stream of sales of our land to housebuilders keen to meet the current demand for housing across the UK. In the first half of the year we agreed five land sales, representing 53.5 acres and £54m of value. For the second half of the year, we have already agreed three land sales totalling 24 acres and £13m of value.

### **Residential Development**

In line with our expectations, the residential market has continued to improve but at more stable levels than those experienced during 2014.

There is now a definite sense of a more balanced UK-wide recovery. This is reflected in the good sales rates achieved by our joint venture with Persimmon and our St. Modwen Homes business, the latter bringing an increasing number of sites to the market. Whilst the long-awaited potential adjustment in interest rates is yet to happen, this recovery is further assisted by an increasingly supportive mortgage market, growing consumer confidence and the continued success of the Government's Help to Buy scheme.

This activity has resulted in a half year increase in residential development profit of 36% to £12.8m (H1 2014: £9.4m) from residential housebuilding.

### **Persimmon Joint Venture**

There are eight sites under the agreement, comprising 2,364 plots of which a total of 1,221 are now complete and 319 of these were achieved in the first half of the year (H1 2014: 231). This highly successful joint venture is scheduled to conclude as sites are completed by 2017/18.

### **St. Modwen Homes**

Our own housebuilding brand continues to build its presence across the UK and in the period has experienced good customer interest and visitor levels leading to 110 completions in the period (H1 2014: 121).

Currently under construction, St. Modwen Homes has 10 sites, of which nine have been launched to the market for sale. An additional four sites are scheduled to commence in the second half of the year.

Our overall sales position for both St. Modwen Homes and our joint venture with Persimmon for the first six months of the year is shown in the table below:

	(units)			Total sales secured as at HY 2015	Targeted completions FY 2015	Actual completions FY 2014
	Reservations	Exchanges	Completions			
St. Modwen	121	25	110	256	325	258
Persimmon JV	148	142	319	609	575	562
<b>TOTAL</b>	<b>269</b>	<b>167</b>	<b>429</b>	<b>865</b>	<b>900</b>	<b>820</b>

### **INCOME PRODUCING PROPERTIES - increasing investor appetite and growing income stream**

Our net rental income of £18.6m (H1 2014: £18.5m) remains robust, demonstrating the continued good health of the market and the ongoing improvement in business confidence.

In the period, we have continued to grow our gross rent roll, both organically and through acquisitions, to £47.7m (Nov 2014: £45.4m). Acquisitions include Old Mill Industrial Estate, Preston; Moorgate Point, Liverpool and Great Wyrley, South Staffordshire which deliver a combined gross rent roll of £1.9m.

In the second half of the year, we expect this to further improve as income from Swansea University, Bay Campus and Marks & Spencer at Longbridge come online.

Occupancy levels have been maintained at 89% (H1 2014: 89%) whilst the average lease length is now 4.6 years (H1 2014: 5.1 years), reflecting the sale of mature assets and acquisition of new properties with shorter lease terms where we have the ability to add value.

Portfolio yield analysis	Equivalent		Net Initial	
	May 2015	Nov 2014	May 2015	Nov 2014
Retail	8.2%	8.9%	6.2%	7.1%
Offices	8.7%	9.2%	6.7%	7.3%

Industrial	8.6%	8.8%	7.1%	7.7%
<b>Portfolio</b>	<b>8.5%</b>	<b>8.9%</b>	<b>6.7%</b>	<b>7.4%</b>

## FINANCE

At the foundation of our business model the running costs of the business (property outgoings, overheads and interest) are substantially covered by core rental and other income. This provides us with a firm base on which we can add value to the portfolio through planning gain, strong asset management and from which we can maximise our development profits.

We operate a number of joint venture arrangements and consequently, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. To provide clarity, information that includes the Group's share of joint ventures is also provided in Note 2 to the Condensed Financial Statements which forms the basis for comments in this Half Year Review.

During the period we were required to adopt a number of new accounting standards including IFRS 10 Consolidated Financial Statements. The adoption of this standard requires that we equity account for VSM Estates (Holdings) Limited on the basis this is jointly controlled with our joint venture partner, VINCI PLC. This entity was previously consolidated under SIC 12 as a result of our greater economic interest. Comparative information has been restated accordingly and details are included in the Accounting Policies note to the Condensed Financial Statements.

### **Financial Performance**

Continuing the momentum from the full year announced in February 2015, we have once again produced a record set of results, achieving an exceptional 306% increase in profit before all tax to £203.1m (H1 2014: £50.0m).

Our major project, New Covent Garden Market, achieved unconditional status in April 2015 and has played a significant part in these results, contributing, on initial recognition, £128.0m of valuation gain to a total of £170.2m.

Furthermore, two of our other major projects, the development of Swansea University, Bay Campus and the regeneration of the Longbridge site, will both generate a strong income stream. The Bay Campus will open its doors to the first students in September 2015, whereupon it will secure an annualised net rental income stream of £2m, increasing to £3m by the end of 2016. In addition, within phase II of Longbridge Town Centre, the 150,000 sq ft Marks & Spencer and additional retail space is due to open in November 2015, at which point the rental income of the Town Centre will increase to £4m per annum.

We substantially cover our recurring overhead and interest costs with revenue from our income producing portfolio. In the first half of the year, coverage of 92% (H1 2014: 89%) demonstrates a good rate particularly given the ongoing growth of the business, most notably St. Modwen Homes, bringing headcount of the entire business to 343 employees (H1 2014: 315 employees).

This cost base also fully absorbs the housebuilding business, income from which is included in property profits. Were these costs to be excluded from the ratio calculation, the recurring costs of the business would be fully covered by recurring income.

Property profits for the half year of £41.3m (H1 2014: £19.1m) comprise:

- £21.6m (H1 2014: £3.9m) from commercial development as our pipeline delivers into a strong market and converts into realised profits;
- £6.9m (H1 2014: £5.8m) from continued delivery at Swansea University, Bay Campus; and
- £12.8m (H1 2014: £9.4m) from residential development which continues to provide positive, tangible returns and improved levels of delivery.

Our resultant trading profit for the six months of £39.4m represents a 137% increase on the £16.6m achieved in the first half of H1 2014 and represents a strong underlying performance from the business in the last six months.

### **Property Valuation Movements**

Our property valuations are made up of two distinct parts: movements resulting from activities we undertake to add value to our assets (land renewal, planning gain, robust asset management), and those resulting from changes in the overall property market. Our valuers provide this valuation split for us as part of the independent property valuations

that they undertake every six months.

The most significant added value movement in the six months is the recognition of the New Covent Garden Market site which achieved unconditional status in April and contributes £128.0m of added value.

The gain represents the Group's share of the value of the 19 acres of surplus land in Nine Elms (after overage and enabling costs) less the obligations of our VSM (NCGM) Limited joint venture to deliver a new market for the Covent Garden Market Authority.

Jones Lang LaSalle LLP has valued the VSM (NCGM) Limited land interest at a net £440m. This is after deducting £220m for enabling costs and overage and implies a current serviced land value of £660m for the 19 acres of surplus land. The resultant gross valuation gain of £256m (Group share £128m) represents the excess of the £440m valuation over the initial land value recognised of £184m, being equal to the net present value of the liability to CGMA for delivery of the new market.

In addition to this gain, we have continued to generate significant added value from the balance of our portfolio with further residential-led gains of £21.8m taking total added value in the period to £149.8m (H1 2014: £14.5m).

For the first six months of the year, in line with market movements, yields for our income producing portfolio have improved with equivalent yields now at 8.5% (Nov 2014: 8.9% ).

This yield compression, and some limited regional rental growth, led to a market driven valuation increase for our portfolio of £20.4m (H1 2014: £19.2m). This highlights the continuing improvement in this area of the market and also benefits future prospects for our commercial land.

### **Financial Results**

Profit before all tax has increased by 306% to £203.1m (H1 2014: £50.0m). This record result shows excellent growth, and even without the impact of New Covent Garden Market is 50% ahead of the levels achieved in the first half of 2014 at £75.1m (H1 2014: £50.0m).

Profit before all tax is also stated after movements in the market value of our interest rate swaps and convertible bonds. The majority of our net £5.7m charge relates to our convertible bonds where the market valuation has increased as a result of lower yield expectations increasing the value of our coupon coupled with our share price performance making the conversion option more valuable to the bond holder.

After allowing for the above and tax costs for both joint ventures, most notably VSM (NCGM) Limited, the Group profit after tax was £167.1m (H1 2014: £44.0m). The resultant earnings per share of 75.4p is up 281% on the same period of the prior year (H1 2014: 19.8p).

### **Balance Sheet - New Covent Garden Market**

With the contract for New Covent Garden Market now fully unconditional as of April 2015, we now recognise the value of the extra 19 acres of land as an asset and the cost of developing and building 500,000 sq ft of new market facilities as a liability. The contract is in joint venture with VINCI PLC and so appears in the joint venture line of our balance sheet. This represents a step change to our asset base and on a see-through basis, with the value of our property portfolio now exceeding £1.5bn.

### **Net Assets (NAV)**

At the period end, the shareholders' equity value of net assets was £870.3m or 394p per share (Nov 2014: 325p per share), reflecting an increase of 21%. In line with industry best practice we also report net assets per share using EPRA (European Public Real Estate Association) methodology\*. In the period our diluted EPRA NAV increased 25% to 427p per share (Nov 2014: 342p per share).

\*As a development business many of the EPRA metrics are inappropriate as they are geared to property investors. EPRA metrics are reported in Note 2 (f) to the Condensed Financial Statements.

### **Funding**

We continue to benefit from substantial headroom in our banking facilities with £170.4m of undrawn facilities in place.

The weighted average facility maturity now stands at 4.1 years (Nov 2014: 4.6 years), and the weighted average interest rate continues to reduce at 4.4% (Nov 2014: 4.8%).

As expected our debt levels have increased in the period as we remain acquisitive and continue to invest in site development in order to generate future returns. Net debt now stands at £383.6m (Nov 2014: £337.4m) however, as a result of the increase in our net assets, gearing levels have reduced to 44% (Nov 2014: 47%). Similarly, our increased property portfolio results in a see-through loan-to-value ratio of 29% (Nov 2014: 31%).

### **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 40 to 43 of the Annual Report for the year ended 30<sup>th</sup> November 2014, which is available at [www.stmodwen.co.uk](http://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.

### **OUTLOOK**

The regional, residential and commercial property markets continue to gather momentum which is leading to good returns across the business. As we realise our pipeline of development opportunities these are contributing positively to property profits.

Investor appetite continues to increase for commercial property and we will selectively dispose of mature assets and seek to replenish these with new opportunities in the marketplace. Combined with a residential market that is performing at more sustainable levels, we anticipate continued positive momentum in the second half of the year with good prospect to further add to the net asset value of the Group.

**Bill Oliver**                      **Andy Taylor**  
**Chief Executive**              **Acting Group Finance Director**

**29<sup>th</sup> June 2015**

## **Group Income Statement**

for the period to 31<sup>st</sup> May 2015

	Notes	Unaudited 31 <sup>st</sup> May 2015 £m	Unaudited 31 <sup>st</sup> May 2014 £m restated	Audited 30 <sup>th</sup> Nov 2014 £m restated
<b>Revenue</b>	1	<b>150.1</b>	110.1	282.1
Net rental income	2	<b>15.7</b>	15.5	31.2
Development profits	1	<b>28.9</b>	17.6	47.7
Gains on disposals of investments/investment properties	1	<b>12.0</b>	0.8	5.2
Investment property revaluation gains	1	<b>43.1</b>	21.5	55.5
Negative goodwill	7	-	2.1	2.1
Other net income		<b>2.1</b>	1.6	3.6
Profits of joint ventures and associates (post-tax)	3	<b>100.6</b>	9.6	27.1
Administrative expenses		<b>(11.9)</b>	(10.3)	(22.7)
<b>Profit before interest and tax</b>		<b>190.5</b>	58.4	149.7
Finance cost	4	<b>(15.6)</b>	(14.5)	(26.2)
Finance income	4	<b>2.7</b>	4.7	5.3
<b>Profit before tax</b>		<b>177.6</b>	48.6	128.8
Taxation	8 (ii)	<b>(10.5)</b>	(4.6)	(11.2)



<b>Profit for the period</b>		<b>167.1</b>	44.0	117.6
<b>Attributable to:</b>				
Owners of the Company		<b>166.6</b>	43.8	116.2
Non-controlling interests		<b>0.5</b>	0.2	1.4
		<b>167.1</b>	44.0	117.6
	Notes	pence	pence	pence
Basic earnings per share	5	<b>75.4</b>	19.8	52.7
Diluted earnings per share	5	<b>73.6</b>	19.4	51.6

## Group Statement of Comprehensive Income

for the period to 31<sup>st</sup> May 2015

	Unaudited 31 <sup>st</sup> May 2015 £m	Unaudited 31 <sup>st</sup> May 2014 £m restated	Audited 30 <sup>th</sup> Nov 2014 £m restated
Profit for the period	<b>167.1</b>	44.0	117.6
Items that will not be reclassified to profit and loss:			
Pension fund actuarial losses	-	(0.1)	-
<b>Total comprehensive income for the period</b>	<b>167.1</b>	43.9	117.6
<b>Attributable to:</b>			
Owners of the Company	<b>166.6</b>	43.7	116.2
Non-controlling interests	<b>0.5</b>	0.2	1.4
<b>Total comprehensive income for the period</b>	<b>167.1</b>	43.9	117.6

## Group Balance Sheet

as at 31<sup>st</sup> May 2015

	Notes	Unaudited 31 <sup>st</sup> May 2015 £m	Unaudited 31 <sup>st</sup> May 2014 £m restated	Audited 30 <sup>th</sup> Nov 2014 £m restated
<b>Non-current assets</b>				
Investment properties	6	<b>905.7</b>	790.8	834.1
Operating property, plant and equipment		<b>7.0</b>	6.6	7.0
Investments in joint ventures and associates		<b>222.7</b>	109.7	127.2
Trade and other receivables		<b>6.0</b>	6.0	6.0
		<b>1,141.4</b>	913.1	974.3
<b>Current assets</b>				
Inventories		<b>205.6</b>	197.7	201.0
Trade and other receivables		<b>94.8</b>	63.0	65.8
Cash and cash equivalents		<b>4.0</b>	3.1	3.2
		<b>304.4</b>	263.8	270.0
<b>Current liabilities</b>				
Trade and other payables		<b>(146.4)</b>	(135.9)	(154.2)
Borrowings		-	(8.5)	-

Tax payables	(8.4)	(2.6)	(6.7)
	(154.8)	(147.0)	(160.9)
<b>Non-current liabilities</b>			
Trade and other payables	(6.8)	(3.6)	(7.4)
Borrowings	(392.8)	(358.2)	(340.6)
Deferred tax	(14.7)	(13.6)	(11.7)
	(414.3)	(375.4)	(359.7)
<b>Net assets</b>	<b>876.7</b>	<b>654.5</b>	<b>723.7</b>
<b>Capital and reserves</b>			
Share capital	22.1	22.1	22.1
Share premium account	102.8	102.8	102.8
Retained earnings	695.5	476.0	543.7
Share incentive reserve	5.2	4.0	4.8
Own shares	(1.5)	(1.3)	(1.8)
Other reserves	46.2	46.2	46.2
Equity attributable to owners of the Company	870.3	649.8	717.8
Non-controlling interests	6.4	4.7	5.9
<b>Total equity</b>	<b>876.7</b>	<b>654.5</b>	<b>723.7</b>

## Group Statement of Changes in Equity

for the period to 31<sup>st</sup> May 2015

31 <sup>st</sup> May 2015 (Unaudited)	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 30 <sup>th</sup> November 2014 restated	22.1	102.8	543.7	4.8	(1.8)	46.2	717.8	5.9	723.7
Profit for the period	-	-	166.6	-	-	-	166.6	0.5	167.1
Pension fund actuarial gains	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	166.6	-	-	-	166.6	0.5	167.1
Equity issue	-	-	-	-	0.3	-	0.3	-	0.3
Share-based payments	-	-	(7.9)	0.4	-	-	(7.5)	-	(7.5)
Share transfers	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(6.9)	-	-	-	(6.9)	-	(6.9)
Equity at 31 <sup>st</sup> May 2015	22.1	102.8	695.5	5.2	(1.5)	46.2	870.3	6.4	876.7
<b>31st May 2014 (Unaudited and restated)</b>									
Equity at 30th November 2013 as reported	22.0	102.8	441.4	2.1	(0.3)	46.2	614.2	12.8	627.0
Prior year adjustment	-	-	-	-	-	-	-	(8.3)	(8.3)

Equity at 30th November 2013 restated	22.0	102.8	441.4	2.1	(0.3)	46.2	614.2	4.5	618.7
Profit for the period	-	-	43.8	-	-	-	43.8	0.3	44.1
Pension fund actuarial losses	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total comprehensive income for the period	-	-	43.7	-	-	-	43.7	0.3	44.0
Equity issue	0.1	-	-	-	(0.1)	-	-	-	-
Share-based payments	-	-	(4.2)	1.9	-	-	(2.3)	-	(2.3)
Share transfers	-	-	0.9	-	(0.9)	-	-	-	-
Dividends paid	-	-	(5.8)	-	-	-	(5.8)	(0.1)	(5.9)
Equity at 31st May 2014	22.1	102.8	476.0	4.0	(1.3)	46.2	649.8	4.7	654.5

30th November 2014 (Audited and restated)	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 30th November 2013 as reported	22.0	102.8	441.4	2.1	(0.3)	46.2	614.2	12.8	627.0
Prior year adjustment	-	-	-	-	-	-	-	(8.3)	(8.3)
Equity at 30th November 2013 restated	22.0	102.8	441.4	2.1	(0.3)	46.2	614.2	4.5	618.7
Profit for the period	-	-	116.2	-	-	-	116.2	1.4	117.6
Pension fund actuarial losses	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	116.2	-	-	-	116.2	1.4	117.6
Equity issue	0.1	-	-	-	(0.1)	-	-	-	-
Share-based payments	-	-	(6.2)	2.7	-	-	(3.5)	-	(3.5)
Share transfers	-	-	1.4	-	(1.4)	-	-	-	-
Dividends paid	-	-	(9.1)	-	-	-	(9.1)	-	(9.1)
Equity at 30th November 2014	22.1	102.8	543.7	4.8	(1.8)	46.2	717.8	5.9	723.7

## Group Cash Flow Statement

for the period to 31<sup>st</sup> May 2015

	Unaudited 31 <sup>st</sup> May 2015 £m	Unaudited 31 <sup>st</sup> May 2014 £m restated	Audited 30 <sup>th</sup> Nov 2014 £m restated
<b>Operating activities</b>			
Profit before interest and tax	190.5	58.4	149.7
Gains on disposal of investments/investment properties	(12.0)	(0.8)	(5.2)
Share of profits of joint ventures and associates (post-tax)	(100.6)	(9.6)	(27.1)
Investment property revaluation gains	(43.1)	(21.5)	(55.5)
Negative goodwill	-	(2.1)	(2.1)
Depreciation	0.3	0.2	0.5
Impairment losses on inventories	-	0.2	0.1
(Increase)/decrease in inventories	(4.6)	5.7	10.1
Increase in trade and other receivables	(19.1)	(9.8)	(0.2)
(Decrease)/increase in trade and other payables	(16.9)	(27.2)	3.0

Pensions	-	-	(0.1)
Share options and share awards	0.7	(1.9)	(3.4)
Tax paid	(5.8)	(0.5)	(5.4)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(10.6)</b>	<b>(8.9)</b>	<b>64.4</b>
<b>Investing activities</b>			
Investment property disposals	50.9	5.5	31.4
Investment property additions	(75.4)	(27.0)	(83.5)
Acquisition of subsidiary undertaking	-	(0.8)	(0.8)
Property, plant and equipment additions	(0.4)	(0.2)	(1.0)
Interest received	-	1.0	-
Dividends received	5.0	20.0	20.0
<b>Net cash outflow from investing activities</b>	<b>(19.9)</b>	<b>(1.5)</b>	<b>(33.9)</b>
<b>Financing activities</b>			
Dividends paid	(6.9)	(5.8)	(9.1)
Dividends paid to non-controlling interests	-	(0.1)	-
Interest paid	(8.8)	(12.4)	(23.9)
Net borrowings drawn	47.0	124.5	115.0
Repayment of borrowings	-	(95.9)	(112.5)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>31.3</b>	<b>10.3</b>	<b>(30.5)</b>
Increase/(decrease) in cash and cash equivalents	0.8	(0.1)	-
Cash and cash equivalents at start of period	3.2	3.2	3.2
<b>Cash and cash equivalents at end of period<sup>(1)</sup></b>	<b>4.0</b>	<b>3.1</b>	<b>3.2</b>

(1) Cash and cash equivalents at end of period comprises cash balances only.

## Accounting Policies

### for the period to 31<sup>st</sup> May 2015

The annual Financial Statements of St. Modwen Properties PLC are prepared in accordance with IFRSs issued by the International Accounting Standards Board, as adopted by the European Union (EU) and applied in accordance with the provisions of the Companies Act 2006. The Condensed Financial Statements included in this Half Year Report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the EU.

#### Adoption of new Accounting Standards

Except as described below, the Condensed Financial Statements have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the notes to the Group's annual Financial Statements for the year ended 30<sup>th</sup> November 2014.

The following accounting standards or interpretations were effective for the financial year beginning 1<sup>st</sup> December 2014 and have been applied in preparing these Condensed Financial Statements to the extent they are relevant to the preparation of interim financial information:

IFRS 10 'Consolidated Financial Statements'

IFRS 11 'Joint Arrangements'

IFRS 12 'Disclosure of Interests in Other Entities'

IAS 27 (revised) 'Separate Financial Statements'

IAS 28 (revised) 'Investments in Associates and Joint Ventures'

IAS 32 (amendment) 'Financial instruments: Presentation' (assets and liability offsetting)

IAS 36 (amendment) 'Impairment of Assets'

IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'

Amendments to IFRS 10, IFRS 11, IFRS 12 (transition guidance)

IFRS 10 replaces those parts of IAS 27 that relate to consolidated Financial Statements and SIC 12 in its entirety. It outlines the requirements for the preparation of consolidated Financial Statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

VSM Estates (Holdings) Limited is 50% owned by St. Modwen Properties PLC, however under the funding agreement the Group obtains the majority of the benefits of the entity and also retains the majority of the residual risks. In prior years, this entity was consolidated in line with SIC 12 'Consolidation - Special Purpose Entities', however the conditions for consolidation set out in IFRS 10 do not exist and accordingly, the entity is now required to be accounted for using the equity method (see below).

Under the equity method, the interest is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The income statement reflects the Group's share of the

results after interest and tax.

The adoption of IFRS 10 requires the restatement of the comparative financial information for the six months ended 31<sup>st</sup> May 2014 and as at 30<sup>th</sup> November 2014.

The impact on previously reported financial information is as follows:

**Income statement for the six months ended 31<sup>st</sup> May 2014 and year ended 30<sup>th</sup> November 2014**

	Six months ended 31 <sup>st</sup> May 2014 £m	Year ended 30 <sup>th</sup> Nov 2014 £m
Decrease in gains on disposals of investments/investment properties	-	(4.0)
Decrease in investment property revaluation gains	(6.2)	(20.3)
Increase in profits of joint ventures and associates (post-tax)	3.5	13.5
Decrease in administrative expenses	0.1	0.2
Decrease in profit before interest and tax	(2.6)	(10.6)
Decrease in finance cost	0.9	1.7
Decrease in profit before tax	(1.7)	(8.9)
Decrease in tax charge	0.5	4.4
Decrease in profit for the year: attributable to non-controlling interests	(1.2)	(4.5)

**Assets, Liabilities and Equity at 1<sup>st</sup> December 2013 and 2014**

	As at 1 <sup>st</sup> December 2013			As at 1 <sup>st</sup> December 2014		
	Previously reported £m	IFRS 10 adjustments £m	Restated £m	Previously reported £m	IFRS 10 adjustments £m	Restated £m
Investment properties	813.3	(68.7)	744.6	903.3	(69.2)	834.1
Operating property, plant and equipment	6.6	-	6.6	7.0	-	7.0
Investments in joint ventures and associates	95.3	24.8	120.1	88.9	38.3	127.2
Non-current trade and other receivables	17.6	(10.6)	7.0	14.5	(8.5)	6.0
Inventories	205.9	(6.2)	199.7	201.0	-	201.0
Current trade and other receivables	59.7	(7.6)	52.1	82.1	(16.3)	65.8
Cash and cash equivalents	7.4	(4.2)	3.2	6.5	(3.3)	3.2
Current trade and other payables	(170.2)	14.9	(155.3)	(172.4)	18.2	(154.2)
Current borrowings	(62.5)	-	(62.5)	-	-	-
Tax payables	(3.4)	(0.2)	(3.6)	(9.3)	2.6	(6.7)
Non-current trade and other payables	(46.2)	37.1	(9.1)	(28.5)	21.1	(7.4)
Non-current borrowings	(285.6)	10.0	(275.6)	(340.6)	-	(340.6)
Deferred tax	(10.9)	2.4	(8.5)	(16.0)	4.3	(11.7)
Total effect on net assets	627.0	(8.3)	618.7	736.5	(12.8)	723.7
Equity attributable to owners of the Company	614.2	-	614.2	717.8	-	717.8
Non-controlling interests	12.8	(8.3)	4.5	18.7	(12.8)	5.9
Total effect on equity	627.0	(8.3)	618.7	736.5	(12.8)	723.7

The impact on cash flows for the six months ended 31<sup>st</sup> May 2014 and the year ended to 30<sup>th</sup> November 2014 from these adjustments is to increase the movement on cash and cash equivalents by £0.2m and £0.9m, respectively.

The impact on other, previously reported non-statutory financial information is shown in note 2.

IFRS 11 replaced IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities - Non-monetary Contributions by Venturers'. It defines two types of joint arrangement (joint operations and joint ventures) and specifies the accounting for each arrangement. Joint operations must be accounted for by including the owner's share of the assets, liabilities, income and expenses on a line by line basis. Joint ventures are equity accounted in accordance with IAS 28 (revised).

VSM Estates (Holdings) Limited is 50% owned by St. Modwen Properties PLC and is accounted for as a joint venture under IFRS 11.

None of the other standards above have impacted the Group's reporting.

#### 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 Review. 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 30<sup>th</sup> November 2016, 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.

As set out in the notes to the Group's annual Financial Statements for the year ended 30<sup>th</sup> November 2014, there are no corporate or joint venture facilities that require renewal before 2018.

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 Financial Statements to be prepared on a going concern basis.

## 1. SEGMENTAL INFORMATION

IFRS 8 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 arrangements; and
- The balance of the Group's portfolio of properties which the Group manages internally, and reports as a single business segment.

Revenue	Six months to 31 <sup>st</sup> May 2015		
	Portfolio £m	Residential development £m	Total £m
<b>Rental income</b>	<b>19.1</b>	<b>-</b>	<b>19.1</b>
<b>Development</b>	<b>68.0</b>	<b>59.4</b>	<b>127.4</b>
<b>Other income</b>	<b>3.6</b>	<b>-</b>	<b>3.6</b>
<b>Total revenue</b>	<b>90.7</b>	<b>59.4</b>	<b>150.1</b>

Revenue	Six months to 31 <sup>st</sup> May 2014 restated		
	Portfolio £m	Residential development £m	Total £m
Rental income	18.8	-	18.8
Development	39.0	49.2	88.2
Other income	3.1	-	3.1
Total revenue	60.9	49.2	110.1

Revenue	Year to 30 <sup>th</sup> November 2014 restated		
	Portfolio £m	Residential development £m	Total £m
Rental income	39.2	-	39.2
Development	119.8	116.7	236.5
Other income	6.4	-	6.4
Total revenue	165.4	116.7	282.1

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

## 1. SEGMENTAL INFORMATION continued

Profit before tax	Six months to 31 <sup>st</sup> May 2015		
	Portfolio £m	Residential development £m	Total £m
<b>Net rental income</b>	<b>15.7</b>	<b>-</b>	<b>15.7</b>
<b>Development profits</b>	<b>16.1</b>	<b>12.8</b>	<b>28.9</b>
<b>Gains on disposal of investments/investment properties</b>	<b>12.0</b>	<b>-</b>	<b>12.0</b>
<b>Investment property revaluation gains</b>	<b>43.1</b>	<b>-</b>	<b>43.1</b>
<b>Other net income</b>	<b>2.1</b>	<b>-</b>	<b>2.1</b>
<b>Profits of joint ventures and associates<sup>(2)</sup></b>	<b>123.5</b>	<b>-</b>	<b>123.5</b>

<b>Administrative expenses</b>	<b>(9.2)</b>	<b>(2.7)</b>	<b>(11.9)</b>
<b>Finance costs<sup>(3)</sup></b>	<b>(7.4)</b>	<b>(0.8)</b>	<b>(8.2)</b>
<b>Finance income<sup>(4)</sup></b>	<b>1.8</b>	<b>-</b>	<b>1.8</b>
<b>Attributable profit</b>	<b>197.7</b>	<b>9.3</b>	<b>207.0</b>
<b>Other profits of joint ventures and associates<sup>(2)</sup></b>			<b>(22.9)</b>
<b>Other finance costs<sup>(3)</sup></b>			<b>(7.4)</b>
<b>Other finance income<sup>(4)</sup></b>			<b>0.9</b>
<b>Profit before tax</b>			<b>177.6</b>

Profit before tax	Six months to 31 <sup>st</sup> May 2014 restated		
	Portfolio £m	Residential development £m	Total £m
Net rental income	15.5	-	15.5
Development profits	8.2	9.4	17.6
Gains on disposal of investments/investment properties	0.8	-	0.8
Investment property revaluation gains	21.5	-	21.5
Negative goodwill attributable to property assets <sup>(1)</sup>	2.6	-	2.6
Other net income	1.6	-	1.6
Profits of joint ventures and associates <sup>(2)</sup>	11.2	-	11.2
Administrative expenses	(7.9)	(2.4)	(10.3)
Finance costs <sup>(3)</sup>	(8.2)	(1.2)	(9.4)
Finance income <sup>(4)</sup>	1.0	-	1.0
Attributable profit	46.3	5.8	52.1
Negative goodwill attributable to tax <sup>(1)</sup>			(0.5)
Other profits of joint ventures and associates <sup>(2)</sup>			(1.6)
Other finance costs <sup>(3)</sup>			(5.1)
Other finance income <sup>(4)</sup>			3.7
Profit before tax			48.6

Profit before tax	Year to 30 <sup>th</sup> November 2014 restated		
	Portfolio £m	Residential development £m	Total £m
Net rental income	31.2	-	31.2
Development profits	23.3	24.4	47.7
Gains on disposal of investments/investment properties	5.2	-	5.2
Investment property revaluation gains	55.5	-	55.5
Negative goodwill attributable to property assets <sup>(1)</sup>	2.6	-	2.6
Other net income	3.6	-	3.6
Profits of joint ventures and associates <sup>(2)</sup>	25.6	-	25.6
Administrative expenses	(17.7)	(5.0)	(22.7)
Finance costs <sup>(3)</sup>	(15.5)	(2.4)	(17.9)
Finance income <sup>(4)</sup>	2.2	-	2.2
Attributable profit	116.0	17.0	133.0

Negative goodwill attributable to tax <sup>(1)</sup>	(0.5)
Other profits of joint ventures and associates <sup>(2)</sup>	1.5
Other finance costs <sup>(3)</sup>	(8.3)
Other finance income <sup>(4)</sup>	3.1
Profit before tax	128.8

(1) Negative goodwill has been split between amounts relating to property revaluations arising as a result of fair value adjustments of Enil (31<sup>st</sup> May 2014: £2.6m, 30<sup>th</sup> November 2014: £2.6m) and deferred tax thereon of Enil (31<sup>st</sup> May 2014: £0.5m, 30<sup>th</sup> November 2014: £0.5m).

(2) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees, other non-cash items and tax of £22.9m (31<sup>st</sup> May 2014: £1.6m, 30<sup>th</sup> November 2014: £1.5m). These amounts are reclassified to other profits of joint ventures and associates.

(3) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees and other non-cash items of £7.4m (31<sup>st</sup> May 2014: £5.1m, 30<sup>th</sup> November 2014: £8.3m). These amounts are reclassified to other finance costs.

(4) Stated before mark-to-market of derivatives and other non-cash items of £0.9m (31<sup>st</sup> May 2014: £3.7m, 30<sup>th</sup> November 2014: £3.1m). These items are reclassified to other finance income.

Net assets	Six months to 31 <sup>st</sup> May 2015		
	Portfolio £m	Residential development £m	Total £m
Investment property	905.7	-	905.7
Inventories	92.0	113.6	205.6
Investments in joint ventures and associates	222.7	-	222.7
Attributable assets	1,220.4	113.6	1,334.0
Operating property plant and equipment			7.0
Trade and other receivables			100.8
Cash and cash equivalents			4.0
Trade and other payables			(153.2)
Borrowings			(392.8)
Tax payable			(8.4)
Deferred tax			(14.7)
Net assets			876.7

Net assets	Six months to 31 <sup>st</sup> May 2014 restated		
	Portfolio £m	Residential development £m	Total £m
Investment property	790.8	-	790.8
Inventories	88.5	109.2	197.7
Investments in joint ventures and associates	109.7	-	109.7
Attributable assets	989.0	109.2	1,098.2
Operating property plant and equipment			6.6
Trade and other receivables			69.0
Cash and cash equivalents			3.1
Trade and other payables			(139.5)
Borrowings			(366.7)
Tax payable			(2.6)
Deferred tax			(13.6)
Net assets			654.5

Net assets	Year to 30 <sup>th</sup> November 2014 restated		
	Portfolio £m	Residential development £m	Total £m
Investment property	834.1	-	834.1
Inventories	90.0	111.0	201.0
Investments in joint ventures and associates	127.2	-	127.2



Attributable assets	1,051.3	111.0	1,162.3
Operating property plant and equipment			7.0
Trade and other receivables			71.8
Cash and cash equivalents			3.2
Trade and other payables			(161.6)
Borrowings			(340.6)
Tax payable			(6.7)
Deferred tax			(11.7)
Net assets			723.7

## 2. NON STATUTORY INFORMATION

### (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 to 31 <sup>st</sup> May 2015		
	Group £m	Joint ventures and associates £m	Total £m
<b>Net rental income</b>	<b>15.7</b>	<b>2.9</b>	<b>18.6</b>
<b>Development profit<sup>(1)</sup></b>	<b>28.9</b>	<b>0.4</b>	<b>29.3</b>
<b>Gains on disposal of investments/investment properties</b>	<b>12.0</b>	<b>-</b>	<b>12.0</b>
<b>Other income</b>	<b>2.1</b>	<b>-</b>	<b>2.1</b>
<b>Administrative expenses</b>	<b>(11.9)</b>	<b>(0.2)</b>	<b>(12.1)</b>
<b>Finance costs<sup>(2)</sup></b>	<b>(8.2)</b>	<b>(3.9)</b>	<b>(12.1)</b>
<b>Finance income<sup>(3)</sup></b>	<b>1.8</b>	<b>(0.2)</b>	<b>1.6</b>
<b>Trading profit</b>	<b>40.4</b>	<b>(1.0)</b>	<b>39.4</b>
<b>Investment property revaluation gains<sup>(1)</sup></b>	<b>43.1</b>	<b>127.1</b>	<b>170.2</b>
<b>Other net finance costs<sup>(2)</sup></b>	<b>(7.4)</b>	<b>(0.6)</b>	<b>(8.0)</b>
<b>Other finance income<sup>(3)</sup></b>	<b>0.9</b>	<b>0.6</b>	<b>1.5</b>
<b>Profit before all tax</b>	<b>77.0</b>	<b>126.1</b>	<b>203.1</b>
<b>Taxation<sup>(4)</sup></b>	<b>(10.5)</b>	<b>(25.5)</b>	<b>(36.0)</b>
<b>Profit for the year</b>	<b>66.5</b>	<b>100.6</b>	<b>167.1</b>

	Six months to 31 <sup>st</sup> May 2014 restated		
	Group £m	Joint ventures and associates £m	Total £m
Net rental income	15.5	3.0	18.5
Development profit <sup>(1)</sup>	17.8	-	17.8
Gains on disposal of investments/investment properties	0.8	0.5	1.3
Other income	1.6	-	1.6
Administrative expenses	(10.3)	(0.2)	(10.5)
Finance costs <sup>(2)</sup>	(9.4)	(3.7)	(13.1)
Finance income <sup>(3)</sup>	1.0	-	1.0
Trading profit	17.0	(0.4)	16.6
Investment property revaluation gains <sup>(1)</sup>	23.9	9.8	33.7
Other net finance costs <sup>(2)</sup>	(5.1)	-	(5.1)

Other finance income <sup>(3)</sup>	3.7	1.1	4.8
Profit before all tax	39.5	10.5	50.0
Taxation <sup>(4)</sup>	(5.1)	(0.9)	(6.0)
Profit for the year	34.4	9.6	44.0

**(a) Trading profit and profit before all tax continued**

	Year to 30 <sup>th</sup> November 2014 restated		
	Group £m	Joint ventures and associates £m	Total £m
Net rental income	31.2	5.9	37.1
Development profit <sup>(1)</sup>	47.8	-	47.8
Gains on disposal of investments/investment properties	5.2	3.7	8.9
Other income	3.6	-	3.6
Administrative expenses	(22.7)	(0.5)	(23.2)
Finance costs <sup>(2)</sup>	(17.9)	(7.4)	(25.3)
Finance income <sup>(3)</sup>	2.2	-	2.2
Trading profit	49.4	1.7	51.1
Investment property revaluation gains <sup>(1)</sup>	58.0	27.1	85.1
Other net finance costs <sup>(2)</sup>	(8.3)	(0.1)	(8.4)
Other finance income <sup>(3)</sup>	3.1	1.5	4.6
Profit before all tax	102.2	30.2	132.4
Taxation <sup>(4)</sup>	(11.7)	(3.1)	(14.8)
Profit for the year	90.5	27.1	117.6

(1) Stated before the deduction of net realisable valuation provisions of: Group Enil (Period to 31<sup>st</sup> May 2014: £0.2m, Year ended 30<sup>th</sup> November 2014: £0.1m); Joint ventures and associates Enil (Period to 31<sup>st</sup> May 2014: Enil, Year ended 30<sup>th</sup> November 2014: Enil). These items are reclassified to investment property revaluations together with negative goodwill arising on acquisitions as a result of fair value adjustments to property assets of Enil (Period to 31<sup>st</sup> May 2014: £2.6m, Year ended 30<sup>th</sup> November 2014: £2.6m).

(2) Stated before mark-to-market of derivatives and other non-cash items of: Group £7.4m (Period to 31<sup>st</sup> May 2014: £5.1m, Year ended 30<sup>th</sup> November 2014: £8.3m); Joint ventures and associates £0.6m (Period to 31<sup>st</sup> May 2014: Enil, Year ended 30<sup>th</sup> November 2014: £0.1m). These items are reclassified to other finance costs.

(3) Stated before mark-to-market of derivatives and other non-cash items of: Group £0.9m (Period to 31<sup>st</sup> May 2014: £3.7m, Year ended 30<sup>th</sup> November 2014: £3.1m); Joint ventures and associates £0.6m (Period to 31<sup>st</sup> May 2014: £1.1m, Year ended 30<sup>th</sup> November 2014: £1.5m). These items are reclassified to other finance income.

(4) Stated after inclusion of negative goodwill arising as a result of deferred tax on property revaluations included as part of fair value adjustments of Enil (Period to 31<sup>st</sup> May 2014: £0.5m, Year ended 30<sup>th</sup> November 2014: £0.5m).

**(b) Property valuations**

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

	Six months to 31 <sup>st</sup> May 2015		
	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	43.1	127.1	170.2
Net realisable value provisions	-	-	-
Property valuation gains	43.1	127.1	170.2
Added value	21.8	128.0	149.8
Market movements	21.3	(0.9)	20.4
Property valuation gains	43.1	127.1	170.2

  

	Six months to 31 <sup>st</sup> May 2014 restated		
	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	21.5	9.8	31.3
Negative goodwill	2.6	-	2.6
Net realisable value provisions	(0.2)	-	(0.2)

Property valuation gains	23.9	9.8	33.7
Added value	8.6	5.9	14.5
Market movements	15.3	3.9	19.2
Property valuation gains	23.9	9.8	33.7

	Year to 30 <sup>th</sup> November 2014 restated		
	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	55.5	27.1	82.6
Negative goodwill	2.6	-	2.6
Net realisable value provisions	(0.1)	-	(0.1)
Property valuation gains	58.0	27.1	85.1
Added value	14.1	13.4	27.5
Market movements	43.9	13.7	57.6
Property valuation gains	58.0	27.1	85.1

The split of property valuation gains between added value and market movements is based on an analysis of total property valuation movements provided by the Group's external valuers.

#### (c) Property portfolio

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

	31 <sup>st</sup> May 2015		
	Group £m	Joint ventures and associates £m	Total £m
<b>Investment properties</b>	<b>905.7</b>	<b>407.7</b>	<b>1,313.4</b>
<b>Less assets held under finance leases</b>	<b>(3.9)</b>	<b>(1.2)</b>	<b>(5.1)</b>
<b>Add back lease incentives (recorded in receivables)</b>	<b>5.8</b>	<b>1.0</b>	<b>6.8</b>
<b>Inventories</b>	<b>205.6</b>	<b>8.0</b>	<b>213.6</b>
<b>Property portfolio</b>	<b>1,113.2</b>	<b>415.5</b>	<b>1,528.7</b>

	31 <sup>st</sup> May 2014		
	Group £m	Joint ventures and associates £m	Total £m
Previously reported:			
Investment properties	859.2	145.9	1,005.1
Less assets held under finance leases	(3.9)	(1.2)	(5.1)
Add back lease incentives (recorded in receivables)	6.0	1.2	7.2
Inventories	202.3	1.8	204.1
Less pre-sold properties under construction <sup>(1)</sup>	(4.6)	-	(4.6)
Property portfolio as previously reported	1,059.0	147.7	1,206.7
IFRS 10 Investment Properties adjustments	(73.0)	55.0	(18.0)
Property portfolio as restated	986.0	202.7	1,188.7

#### (c) Property portfolio continued

	30 <sup>th</sup> November 2014		
	Group £m	Joint ventures and associates £m	Total £m

Previously reported:

Investment properties	903.3	148.0	1,051.3
Less assets held under finance leases	(3.9)	(1.2)	(5.1)
Add back lease incentives (recorded in receivables)	5.5	1.1	6.6
Inventories	201.0	5.4	206.4
Less pre-sold properties under construction <sup>(1)</sup>	(0.7)	-	(0.7)
Property portfolio as previously reported	1,105.2	153.3	1,258.5
IFRS 10 Investment Properties adjustments	(69.2)	52.0	(17.2)
Property portfolio as restated	1,036.0	205.3	1,241.3

<sup>(1)</sup> Represents deductions for non-property assets within inventory. Through to May 2014 this included deductions for 'barter' properties, principally RAF Northolt, as part of the Project MoDEL arrangements between VSM Estates Limited and the DfO.

As at 31<sup>st</sup> May 2015 the Group had assets of £488.4m (Period to 31<sup>st</sup> May 2014: £326.3m, Year ended 30<sup>th</sup> November 2014: £461.7m) included within the Group's 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 its share of joint ventures and associates can be split by category as detailed below:

	31 <sup>st</sup> May 2015 £m	31 <sup>st</sup> May 2014 £m restated	30 <sup>th</sup> Nov 2014 £m restated
Retail	269.2	204.6	230.3
Offices	58.9	59.7	61.0
Industrial	274.3	268.7	248.1
<b>Income producing</b>	<b>602.4</b>	<b>533.0</b>	<b>539.4</b>
Residential land - VSM (NCGM) Limited	220.0	-	2.6
Residential land - other	557.4	503.4	553.4
<b>Total residential land</b>	<b>777.4</b>	<b>503.4</b>	<b>556.0</b>
Commercial land	148.9	152.3	145.9
<b>Property portfolio</b>	<b>1,528.7</b>	<b>1,188.7</b>	<b>1,241.3</b>

#### (d) Movement in net debt

Movement in net debt as discussed in the Half Year Review is calculated as set out below:

	Six months to 31 <sup>st</sup> May 2015 £m	Six months to 31 <sup>st</sup> May 2014 £m restated	Year to 30 <sup>th</sup> Nov 2014 £m restated
Movement in cash and cash equivalents	0.8	(0.1)	-
Borrowings drawn	(52.2)	(124.5)	(115.0)
Repayment of borrowings	-	95.9	112.5
<b>Increase in equivalent net debt as previously reported</b>	<b>(51.4)</b>	<b>(28.7)</b>	<b>(2.5)</b>

#### (e) Trading cash flow

Trading cash flows are derived from the Group Cash Flow Statement as set out below:

	Six months to 31 <sup>st</sup> May 2015			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	17.8	-	-	17.8
Property disposals	116.7	50.9	-	167.6
Property acquisitions	-	(19.8)	-	(19.8)
Capital expenditure	(125.8)	(56.0)	-	(181.8)
Working capital and other movements	(2.6)	-	-	(2.6)
Overheads and interest	(10.9)	-	(8.8)	(19.7)
Taxation	(5.8)	-	-	(5.8)
<b>Trading cash flow</b>	<b>(10.6)</b>	<b>(24.9)</b>	<b>(8.8)</b>	<b>(44.3)</b>

<b>Net borrowings</b>	-	-	<b>47.0</b>	<b>47.0</b>
<b>Net dividends</b>	-	<b>5.0</b>	<b>(6.9)</b>	<b>(1.9)</b>
<b>Movement in cash and cash equivalents</b>	<b>(10.6)</b>	<b>(19.9)</b>	<b>31.3</b>	<b>0.8</b>

	Six months to 31 <sup>st</sup> May 2014 restated			
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m
Net rent and other income	17.2	-	-	17.2
Property disposals	82.3	5.5	-	87.8
Property acquisitions	-	(4.3)	-	(4.3)
Capital expenditure	(91.5)	(23.7)	-	(115.2)
Working capital and other movements	(4.3)	-	-	(4.3)
Overheads and interest	(12.1)	1.0	(12.4)	(23.5)
Taxation	(0.5)	-	-	(0.5)
Trading cash flow	(8.9)	(21.5)	(12.4)	(42.8)
Net borrowings	-	-	28.6	28.6
Net dividends	-	20.0	(5.9)	14.1
Movement in cash and cash equivalents	(8.9)	(1.5)	10.3	(0.1)

	Year to 30 <sup>th</sup> November 2014 restated			
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m
Net rent and other income	31.0	-	-	31.0
Property disposals	245.4	31.4	-	276.8
Property acquisitions	(5.6)	(33.6)	-	(39.2)
Capital expenditure	(181.0)	(51.7)	-	(232.7)
Working capital and other movements	5.9	-	-	5.9
Overheads and interest	(25.9)	-	(23.9)	(49.8)
Taxation	(5.4)	-	-	(5.4)
Trading cash flow	64.4	(53.9)	(23.9)	(13.4)
Net borrowings	-	-	2.5	2.5
Net dividends	-	20.0	(9.1)	10.9
Movement in cash and cash equivalents	64.4	(33.9)	(30.5)	-

**(f) Net assets per share**

Net assets per share are calculated as set out below.

	31 <sup>st</sup> May 2015 £m	31 <sup>st</sup> May 2014 £m restated	30 <sup>th</sup> Nov 2014 £m restated
<b>Total equity</b>	<b>876.7</b>	654.5	723.7
<b>Less: Non-controlling interests</b>	<b>(6.4)</b>	(4.7)	(5.9)
<b>Equity attributable to owners of the Company</b>	<b>870.3</b>	649.8	717.8
<b>Fair value of inventories</b>	<b>12.0</b>	12.1	11.5
<b>Diluted EPRA triple net assets</b>	<b>882.3</b>	661.9	729.3
<b>Deferred tax on capital allowances and revaluations</b>	<b>49.4</b>	20.4	19.2
<b>Fair value adjustments to borrowings and derivative financial instruments</b>	<b>12.8</b>	9.6	7.5
<b>Diluted EPRA net assets</b>	<b>944.5</b>	691.9	756.0

Shares in issue\* (number) **221,079,844** 220,886,639 220,916,561

Equity attributable to owners of the Company, net assets per share (pence)	<b>393.7p</b>	294.2p	324.9p
Percentage increase	<b>21%</b>		
Diluted triple net assets per share (pence)	<b>399.1p</b>	299.7p	330.1p
Percentage increase	<b>21%</b>		
Diluted EPRA net assets per share (pence)	<b>427.2p</b>	313.2p	342.2p
Percentage increase	<b>25%</b>		

\* Shares in issue exclude 297,144 shares held by the Company's Employee Benefit Trust (31<sup>st</sup> May 2014: 490,349, 30<sup>th</sup> November 2014: 460,427).

**(g) Gearing and loan-to-value**

The following table shows the calculation of:

- gearing being the ratio of net debt<sup>(1)</sup> to total equity; and
- loan-to-value being the ratio of net debt to the property portfolio (representing amounts that could be used as security for that debt).

	31 <sup>st</sup> May 2015		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	<b>1,113.2</b>	<b>415.5</b>	<b>1,528.7</b>
Total equity	<b>876.7</b>	<b>N/A</b>	<b>876.7</b>
Net debt <sup>(1)</sup>	<b>383.6</b>	<b>52.3</b>	<b>435.9</b>
Gearing	<b>44%</b>		<b>50%</b>
Loan-to-value	<b>34%</b>		<b>29%</b>

(1) Net debt is before fair value movements on the convertible loan.

	31 <sup>st</sup> May 2014 restated		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c) - as previously reported	1,059.0	147.7	1,206.7
<i>IFRS 10 adjustments</i>	(73.0)	55.0	(18.0)
Property portfolio as restated	986.0	202.7	1,188.7
Total equity as previously reported	663.9	-	663.9
<i>IFRS 10 adjustments</i>	(9.4)	-	(9.4)
Total equity as restated	654.5	-	654.5
Net debt as previously reported	367.9	53.6	421.5
<i>IFRS 10 adjustments</i>	(4.3)	3.2	(1.1)
Net debt as restated	363.6	56.8	420.4
Gearing as previously reported	55%		63%
Gearing as restated	56%		64%
Loan-to-value as previously reported	35%		35%
Loan-to-value as restated	37%		35%

	30 <sup>th</sup> November 2014 restated		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c) - as previously reported	1,105.2	153.3	1,258.5
<i>IFRS 10 adjustments</i>	(69.2)	52.0	(17.2)
Property portfolio as restated	1,036.0	205.3	1,241.3
Total equity as previously reported	736.5	-	736.5
<i>IFRS 10 adjustments</i>	(12.8)	-	(12.8)

Total equity as restated	723.7	-	723.7
Net debt as previously reported	334.1	45.3	379.4
<i>IFRS 10 adjustments</i>	3.3	(2.5)	0.8
Net debt as restated	337.4	42.8	380.2
Gearing as previously reported	45%		52%
Gearing as restated	47%		53%
Loan-to-value as previously reported	30%		30%
Loan-to-value as restated	33%		31%

### 3. JOINT VENTURES AND ASSOCIATES

The Group's share of the results for the period to 31<sup>st</sup> May 2015 of its joint ventures and associates is:

	Six months to 31 <sup>st</sup> May 2015					Total £m
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	
<b>Revenue</b>	<b>3.9</b>	-	-	<b>0.4</b>	<b>0.1</b>	<b>4.4</b>
<b>Net rental income</b>	<b>3.0</b>	<b>(0.1)</b>	-	-	-	<b>2.9</b>
<b>Development profits</b>	-	-	-	<b>0.4</b>	-	<b>0.4</b>
<b>Gains on disposal of investments/investment properties</b>	-	-	-	-	-	-
<b>Investment property revaluation gains/(losses)</b>	<b>1.9</b>	<b>(2.5)</b>	<b>(0.6)</b>	<b>128.0</b>	<b>0.3</b>	<b>127.1</b>
<b>Administrative expenses</b>	<b>(0.1)</b>	-	<b>(0.1)</b>	-	-	<b>(0.2)</b>
<b>Profit before interest and tax</b>	<b>4.8</b>	<b>(2.6)</b>	<b>(0.7)</b>	<b>128.4</b>	<b>0.3</b>	<b>130.2</b>
<b>Finance cost</b>	<b>(1.0)</b>	<b>(1.6)</b>	<b>(1.3)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(4.5)</b>
<b>Finance income</b>	<b>0.3</b>	<b>0.1</b>	-	-	-	<b>0.4</b>
<b>Profit before tax</b>	<b>4.1</b>	<b>(4.1)</b>	<b>(2.0)</b>	<b>127.9</b>	<b>0.2</b>	<b>126.1</b>
<b>Taxation</b>	<b>(0.1)</b>	-	<b>0.1</b>	<b>(25.5)</b>	-	<b>(25.5)</b>
<b>Profit for the period</b>	<b>4.0</b>	<b>(4.1)</b>	<b>(1.9)</b>	<b>102.4</b>	<b>0.2</b>	<b>100.6</b>

	Six months to 31 <sup>st</sup> May 2014 restated					Total £m
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	
Revenue	5.7	-	-	-	0.8	6.5
Net rental income	2.9	-	-	-	0.1	3.0
Development profits	-	-	-	-	-	-
Gains on disposal of investments/investment properties	0.5	-	-	-	-	0.5
Investment property revaluation gains	4.0	0.9	4.7	-	0.2	9.8
Administrative expenses	(0.1)	-	(0.1)	-	-	(0.2)
Profit before interest and tax	7.3	0.9	4.6	-	0.3	13.1
Finance cost	(0.9)	(1.0)	(0.7)	-	-	(2.6)
Finance income	-	-	-	-	-	-
Profit before tax	6.4	(0.1)	3.9	-	0.3	10.5
Taxation	(0.5)	-	(0.4)	-	-	(0.9)
Profit for the period	5.9	(0.1)	3.5	-	0.3	9.6

	Year to 30 <sup>th</sup> November 2014 restated					Total
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	£m
Revenue	9.4	-	-	-	1.1	10.5
Net rental income	5.7	-	-	-	0.2	5.9
Development profits	-	-	-	-	-	-
Gains on disposal of investments/investment properties	0.7	-	3.0	-	-	3.7
Investment property revaluation gains	11.1	0.4	15.2	-	0.4	27.1
Administrative expenses	(0.2)	-	(0.2)	-	(0.1)	(0.5)
Profit before interest and tax	17.3	0.4	18.0	-	0.5	36.2
Finance cost	(3.1)	(3.0)	(1.2)	-	(0.1)	(7.4)
Finance income	0.7	0.8	-	-	-	1.5
Profit before tax	14.9	(1.8)	16.8	-	0.4	30.3
Taxation	(0.4)	0.6	(3.3)	-	(0.1)	(3.2)
Profit for the period	14.5	(1.2)	13.5	-	0.3	27.1

Included in the results of 'Other Joint Ventures and Associates' are results from associates for the period to 31<sup>st</sup> May 2015 of £0.1m (Period to 31<sup>st</sup> May 2014: £nil, Year ended 30<sup>th</sup> November 2014: £nil).

#### 4. NET FINANCE COST

	Six months to 31 <sup>st</sup> May 2015 £m	Six months to 31 <sup>st</sup> May 2014 £m restated	Year to 30 <sup>th</sup> Nov 2014 £m restated
Interest payable on borrowings	(8.2)	(9.5)	(17.9)
Amortisation of loan arrangement fees	(0.5)	(0.8)	(2.6)
Convertible bond issue costs	-	(2.4)	(2.4)
Amortisation of discount on deferred payment arrangements	(0.2)	(0.6)	(1.9)
Head rents treated as finance leases	(0.1)	(0.1)	(0.2)
Movement in fair value of derivative financial instruments	(6.1)	(0.5)	-
Interest on pension scheme liabilities	(0.5)	(0.6)	(1.2)
<b>Total finance cost</b>	<b>(15.6)</b>	<b>(14.5)</b>	<b>(26.2)</b>
Interest receivable	1.8	1.0	2.2
Movement in fair value of derivative financial instruments	0.4	3.0	1.9
Expected return on pension scheme assets	0.5	0.7	1.2
<b>Total finance income</b>	<b>2.7</b>	<b>4.7</b>	<b>5.3</b>
<b>Net finance cost</b>	<b>(12.9)</b>	<b>(9.8)</b>	<b>(20.9)</b>

#### 5. EARNINGS PER SHARE

	31 <sup>st</sup> May 2015 Number of shares	31 <sup>st</sup> May 2014 Number of shares	30 <sup>th</sup> Nov 2014 Number of shares
Weighted number of shares in issue	221,018,453	220,673,034	220,617,339
Weighted number of diluted shares	5,319,354	5,179,185	4,602,679
	<b>226,337,807</b>	225,852,219	225,220,018

31<sup>st</sup> May                      31<sup>st</sup> May                      30<sup>th</sup> Nov



	2015 £m	2014 £m	2014 £m
Profit attributable to equity shareholders (basic and diluted)	<b>166.6</b>	43.8	116.2

  

	31 <sup>st</sup> May 2015 pence	31 <sup>st</sup> May 2014 pence	30 <sup>th</sup> Nov 2014 pence
Basic earnings per share	<b>75.4</b>	19.8	52.7
Diluted earnings per share	<b>73.6</b>	19.4	51.6

Shares held by the Company's Employee Benefit 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 development profits and would not provide a meaningful measure of the performance of the Group.

## 6. FAIR VALUE MEASUREMENTS SUBSEQUENT TO INITIAL RECOGNITION

Financial assets and financial liabilities that are measured subsequent to initial recognition at fair value are required to be grouped into Levels 1 to 3 based on the degree to which 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).

The following table provides an analysis of the categorisation of the Group's financial assets and liabilities measured subsequent to initial recognition at fair value:

Investment property		31 <sup>st</sup> May 2015 £m	31 <sup>st</sup> May 2014 £m restated	30 <sup>th</sup> Nov 2014 £m restated
- Income producing properties	Level 3	<b>470.0</b>	434.6	428.4
- Residential land	Level 3	<b>336.8</b>	245.7	299.3
- Commercial land	Level 3	<b>100.8</b>	112.6	106.5
Assets held under finance leases	N/A	<b>3.9</b>	3.9	3.9
Lease incentives (recorded in receivables)	N/A	<b>(5.8)</b>	(6.0)	(4.0)
		<b>905.7</b>	790.8	834.1

Investment properties were valued at 31<sup>st</sup> May 2015 by DTZ Debenham Tie Leung and for the VSM (NCGM) Limited properties by Jones Lang LaSalle LLP, Chartered Surveyors (31<sup>st</sup> May 2014 by Jones Lang LaSalle LLP and 30<sup>th</sup> November 2014 by DTZ Debenham Tie Leung). All valuations were in accordance with the Appraisal and Valuation method of the Royal Institution of Chartered Surveyors, on the basis of market value. Both DTZ Debenham Tie Leung and Jones Lang LaSalle LLP are professionally qualified independent external valuers and have recent experience in the relevant location and category of the properties being valued.

Income producing properties have been valued using the investment method which involves applying a yield to rental income streams. Inputs include equivalent yields, current rent and ERV. The resulting valuations are cross checked against the resulting initial yields and, for certain assets, the land value underpin if the assets were to be redeveloped. For the valuation as at 31<sup>st</sup> May 2015 equivalent yields ranged from 7.0% to 14.5% (31<sup>st</sup> May 2014: 7.1% to 14.3%, 30<sup>th</sup> November 2014 7.0% to 14.5%).

Residential land is valued using the residual development method. To derive the value of land the valuers will estimate the gross development value of completed residential units on a site from which deductions will be made for build costs (including costs to remediate and service land), finance costs and an appropriate profit margin.

For commercial land the fair value the external valuers estimate is the value of fully serviced land, from which any costs required to remediate and service the land are deducted.

The table below presents the Group's financial assets and liabilities recognised at fair value.

		31 <sup>st</sup> May 2015 £m	31 <sup>st</sup> May 2014 £m restated	30 <sup>th</sup> Nov 2014 £m restated
Derivative financial instruments held at fair value through profit and loss - Assets	Level 2	<b>1.0</b>	-	1.9
Derivative financial instruments held at fair value through profit and loss - Liabilities	Level 2	<b>(8.3)</b>	(10.3)	(8.7)
Convertible bonds held at fair value through profit and loss	Level 1	<b>(105.2)</b>	-	(100.0)
Total liabilities		<b>(113.5)</b>	(10.3)	(108.7)

Derivative financial instruments 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.

There were no transfers between categories in the current or prior period.

## 7. TRANSACTION WITH DIRECTOR

In 2010, the Group entered into an option to acquire the entire issued share capital of Branston Properties Limited (Branston), of which Simon Clarke is a shareholder, at market value. The price paid for the option was £0.1m with exercise contingent on the achievement of certain planning milestones in relation to land held by Branston.

Following achievement of these planning milestones the option was exercised by the Group on 22<sup>nd</sup> May 2014 and 87.5% of the issued share capital of Branston was acquired. A conditional agreement to acquire the remaining 12.5% of the issued share capital, which is held by Simon Clarke, was also entered into on 22<sup>nd</sup> May 2014. Total consideration payable for the entire issued capital of Branston was:

- £0.8m on completion;
- £0.1m payable on shareholder approval;
- £0.1m 12 months after completion which was paid on 22<sup>nd</sup> May 2015;
- Contingent consideration payable based on the level of future development gains achieved in respect of the land and property held by Branston. Based on the provisional fair values detailed below, no contingent consideration has been recognised.

The consideration payable to Mr. Clarke under the conditional agreement equated to 12.5% of the amounts above. As the consideration payable to Mr. Clarke was in excess of £100,000, the conditional agreement constituted a substantial property transaction with a director of the Company under sections 190 and 191 of the Companies Act 2006. As a result, the agreement was conditional, among other things, on approval of shareholders of St. Modwen Properties PLC; this approval was given at the Company's Annual General Meeting held on 27<sup>th</sup> March 2015.

As required by IFRS 3 (2008) Business Combinations, this acquisition has resulted in the assets and liabilities of Branston being remeasured to fair value at the acquisition date and the resulting negative goodwill arising of £2.1m has been credited to the income statement.

## 8. OTHER INFORMATION

- (i) The information for the year ended 30<sup>th</sup> November 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. 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 Section 498(2) or (3) of the Companies Act 2006.
- (ii) The effective tax rate for the current period (excluding the effect of prior period adjustments) is 13.7% (six months to 31<sup>st</sup> May 2014: 12.8%). The tax charge booked in the period is disproportionately low mainly as a result of deferred tax not being applicable to a proportion of revaluation gains. For the full year tax is expected to remain below the standard rate of tax.
- (iii) The proposed dividend of 1.9p (six months to 31<sup>st</sup> May 2014: 1.463p) per share was approved by the Board on 29<sup>th</sup> June 2015 and will amount to £4.2m (six months to 31<sup>st</sup> May 2014: £3.2m).
- (iv) Principal risks and uncertainties are discussed in the Outlook section of the Half Year Review. All results are derived from continuing activities, which the directors do not consider to be seasonal.
- (v) There have been no new and no material changes to the transactions with related parties set out in note 22 to the Group Financial Statements for the year ended 30<sup>th</sup> November 2014. Additional information in respect of transactions in which directors have an interest is set out in note 7 to the Condensed Financial Statements.
- (vi) As set out in note 18 to the Group Financial Statements for the year ended 30<sup>th</sup> November 2014, 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 new members and, from 1<sup>st</sup> September 2009, to 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 £1.6m (six months to 31<sup>st</sup> May 2014: £1.7m).
- (vii) There have been no material changes to items included in the glossary of terms to the Group Financial Statements for the year ended 30<sup>th</sup> November 2014.

## Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- (a) the Condensed Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- (b) the Half Year Report includes a fair review of the information required by:
  - (i) DTR 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 Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - (ii) DTR 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](http://www.stmodwen.co.uk).

By order of the Board

Bill Oliver  
Chief Executive

29<sup>th</sup> June 2015

## Independent Review Report to St. Modwen Properties PLC

We have been engaged by the Company to review the Condensed Financial Statements in the half-yearly financial report for the six months ended 31<sup>st</sup> May 2015 which comprises the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes 1 to 8. We have read the other information contained in the half-yearly financial report and

considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed Financial Statements.

This report is made solely to the Company 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.

Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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 formed.

#### **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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The Condensed Financial Statements included in this half-yearly financial report have been prepared in accordance with IAS 34, 'Interim Financial Reporting,' as adopted by the EU.

#### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the Condensed Financial Statements in the half-yearly financial report based on our review.

#### **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 United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Financial Statements in the half-yearly financial report for the six months ended 31<sup>st</sup> May 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom

29<sup>th</sup> June 2015

This information is provided by RNS  
The company news service from the London Stock Exchange

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