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St. Modwen Properties PLC
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This announcement contains inside information.

ST. MODWEN PROPERTIES PLC
("St. Modwen" or "the Company")
Results for the half year ended 31 May 2020

St. Modwen rebuilds momentum with focus on structural growth sectors

Rob Hudson, Interim Chief Executive of St. Modwen, commented:
"Since the start of the COVID-19 pandemic our focus has been on protecting our people and customers and preserving our strong financial position. Whilst our results for the half year reflect the disruption of the crisis, our decisive actions have worked to rebuild the momentum achieved over recent years, with strong demand for industrial/logistics space and new homes. Although the wider economic outlook will remain uncertain for some time to come, structural growth trends in these key markets for us remain positive and, to an extent, have even accelerated further. With our proven strategy and solid balance sheet, we stand well placed for future growth."

Financial highlights

Non-statutory measures[1]	**May 2020**	Prior period[2]	**Statutory measures**	**May 2020**	Prior period[2]
EPRA NTA per share (pence)[3]	**430.8**	490.8	NAV per share (pence)	**423.1**	484.2
Total accounting return (%)	**(12.6)**	2.2	Interim dividend per share (pence)	**1.1**	3.6
Adjusted EPRA earnings (£m)	**4.7**	16.2	(Loss)/profit for the half year (£m)	**(134.5)**	23.1
Adjusted EPRA EPS (pence)	**2.1**	7.3	Basic EPS (pence)	**(60.5)**	10.5
See-through loan-to-value (%)	**28.1**	19.6	Group net debt (£m)	**418.3**	314.1

- NAV per share down 12.6% to 423.1 pence (Nov 2019: 484.2 pence) due to pressure on land/retail values.
- Total accounting return of (12.6)% (2019: 2.2%), in line with reduction in NAV.
- Adjusted EPRA EPS of 2.1 pence (2019: 7.3 pence), in line with guidance in June.
- Interim dividend of 1.1 pence (2019: 3.6 pence), reflecting our standard dividend policy.
- Half year loss of £134.5m (2019: £23.1m profit), 43% of which revaluation of large, complex Wales sites.
- See-through LTV of 28.1% (Nov 2019: 19.6%), or 25.7% including cash held on short-term deposit.

Operational highlights
Momentum has been rebuilt after initial disruption, resulting in operational performance being ahead of initial expectations, whilst positive structural trends in industrial/logistics have accelerated even further and residential demand has returned since lockdown. With a solid financial base, this leaves us well placed for future growth.

- Industrial & Logistics:
  - o Industrial and logistics exposure now accounts for 48% of portfolio (Nov 2019: 44%) following new developments, improving overall resilience, with valuations largely stable and 95% of March and 86% of June rent received, ahead of this point last quarter, and the overall Group collection of 82% and 71%.
  - o On track to deliver 1.2m sq ft of new space this year, with 53% of associated £7.7m ERV let or under offer, up from 18% of committed pipeline at start of 2020, reflecting continued strong demand.
  - o Preparing to grow committed pipeline to c. 1.5m sq ft in 2021, with significant further potential in 19m sq ft future pipeline and attractive c. 8% yield on cost and c. 9% yield on incremental capex.

- St. Modwen Homes:
  - o Sold 280 units (2019: 411 units) reflecting a pause in build activity during lockdown, with margins down by similar proportion to 10.7% (2019: 14.8%) as operating costs are spread over lower number of sales.
  - o Overall private sales, including reserved and exchanged units, on par vs this time last year, with sales rate of 0.8 per week since end of March, ASP in line with book value and private order book up 31%.
  - o Home Builders Federation customer satisfaction rating tracking over 95%, supporting 5* rating, and net promotor score of 70 (2019: 76), underlining high quality and continued focus on customer service.

- Strategic Land & Regeneration:
  - o Residual retail assets impacted by mandatory closure of non-essential shops during lockdown, with 65% of March rent received and, so far, 51% of June, ahead of this time last quarter.
  - o Exchanged contracts to sell £47m of residential land, £17m of which in July at pricing in line with pre-COVID levels, plus £12m of non-core assets, with c. £200m of disposals planned for the next c. 3 years.

- o Valuation of retail assets and residential land down £113m, 61% driven by large, complex Wales sites.

- Responding to the current climate:
  - o Protected financial strength, with see-through cash of £157m and no Group debt maturing until 2023.
  - o Amended interest cover covenants of Group debt facilities and eligible to access CCFF funding scheme, which remains unutilised but provides assurance in the event of a severe market deterioration.
  - o Reduced cost base, resulting in c. £6-7m saving this year, or c. 15% of 2019 business unit operating and central administrative expenses; St. Modwen decided not to use Government CJRS furlough support.

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A webcast for analysts and investors will be held at 9.00am today and presentation slides will be available to download via www.stmodwen.co.uk. Details for the live dial-in facility and webcast are as follows:

Participants (UK):	**Tel: +44 (0)330 336 9105**
Password:	**6469711**
Webcast link:	**https://webcasting.brrmedia.co.uk/broadcast/5efb0d30c61412571796328f**

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

(2) Prior period measures are for the six months ended 31 May 2019 other than EPRA NTA per share, NAV per share, see-through loan-to-value and Group net borrowings, which are as at 30 November 2019. Comparative references to 2019 are for the six months ended 31 May 2019 and comparative references to Nov 2019 are as at 30 November 2019.

(3) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior period comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the condensed Group financial statements.

The person responsible for arranging the release of this information on behalf of the Company is Rob Hudson, Interim Chief Executive.

CHAIR'S STATEMENT

Following a positive start to 2020, our response to the COVID-19 pandemic which since ensued has been focused on our responsibility towards all our stakeholders. In March, we paused activity across our sites to protect the health of our people and customers. During this time we continued to pay our employees who were temporarily furloughed their full entitled salary, although we decided against using the Government's Coronavirus Job Retention Scheme to fund this cost. The period saw us working closely with our customers to support those impacted by site closures, and whilst we protected our liquidity and strong balance sheet, we ensured continued prompt payments to our supply chain.

We also took a number of measures to reduce our cost base, including a reduction in all discretionary spend and bonuses, the 20% reduction in Board pay and fees we announced in March, a temporary tapered reduction in pay for our higher earners and some selective redundancies. In March, at the onset of the crisis, the Board also took the difficult decision to cancel the proposed payment of the 2019 final dividend, preserving £11m of liquidity in the business. We fully recognise the impact of these decisions and the Board appreciates the support of our people and shareholders during this difficult period. In particular, we are grateful for the dedication of all our teams, whose hard work under challenging circumstances, either at home or on our sites, has meant that our recent operational performance has been ahead of the assumptions we made in our initial stress-testing. We have seen a reduction in the valuation of our residual retail assets and residential land portfolio, with our two large sites in South Wales in particular impacted by a number of factors specific to these complex sites. Whilst the wider economic outlook remains uncertain, our positive operational performance means we are pleased to announce that we will pay an interim dividend of 1.1 pence per share, based on our policy to pay out c. 50% of our adjusted EPRA EPS.

Looking forward, the structural growth trends underpinning our strategic focus on industrial/logistics and residential remain positive. As a Board, we therefore remain highly supportive of the Company's strategy, which is built around our core purpose 'Changing places. Creating better futures.' and we currently do not intend for this to change. The search process for a new CEO was inevitably paused during lockdown, but we will provide an update on this when appropriate. Despite the uncertainties around the near-term economic outlook, the Board is confident that continued delivery on our strategy will create significant value for all our stakeholders over time.

INTERIM CHIEF EXECUTIVE'S REVIEW

Overview

We had a positive start to 2020, but at the end of March the growing momentum in our business was disrupted by the unprecedented social and economic challenges caused by the COVID-19 pandemic. We paused virtually all activity on our sites at the end of March but were able to restart activity safely in May. Having strengthened our financial position further and reduced our cost base we have been able to rebuild momentum quickly. Although the near-term outlook remains highly uncertain, the structural growth trends in our key sectors, residential and industrial/logistics, remain positive and with respect to the latter have even accelerated, so with a solid financial base, this leaves us well placed for the future.

Our results reflect the impact of the COVID-19 crisis during the half year. Our NAV per share fell 12.6% to 423.1 pence (Nov 2019: 484.2 pence) due to a 12.1% reduction in our portfolio valuation. 43% of this is related to our two residential sites in South Wales, driven by an increase in development risk premium, changes in legislation, Section 106 and remediation cost, yet the value of the core part of our portfolio, Industrial & Logistics, proved resilient (-1.1%). As a result, EPRA NTA per share fell 12.2% to 430.8 pence (Nov 2019: 490.8 pence) (1) and our total accounting return for the period was (12.6)% (2019: 2.2%). Adjusted EPRA earnings were £4.7m (2019: £16.2m), in line with our guidance in our trading update in June, reflecting £7.6m lower St. Modwen Homes profit due to the pause in build activity, plus a £6.1m reduction in rental income due to last year's disposals and higher expected credit loss provisions. As such, adjusted EPRA EPS was 2.1 pence (2019: 7.3 pence), resulting in an interim dividend of 1.1 pence per share. Driven by the fall in property values, the loss for half year was £134.5m (2019: £23.1m profit), resulting in basic EPS of (60.5) pence (2019: 10.5 pence). Our see-through LTV stands at 28.1%, or 25.7% including cash held on a short-term deposit.

Key financial performance metrics	**2020**	Prior period	Change %
NAV per share (pence)	**423.1**	484.2	-12.6
EPRA NTA per share (pence)(1)	**430.8**	490.8	-12.2
Interim dividend per share (pence)	**1.1**	3.6	-69.4
Total accounting return (%)	**(12.6)**	2.2	-14.8ppt
(Loss)/profit for the half year (£m)	**(134.5)**	23.1	N/A
Adjusted EPRA earnings (£m)	**4.7**	16.2	-71.0
Basic earnings per share (pence)	**(60.5)**	10.5	N/A
Adjusted EPRA earnings per share (pence)	**2.1**	7.3	-71.2
See-through net borrowings(2) (£m)	**395.4**	290.6	+36.1
See-through loan-to-value(2) (%)	**28.1**	19.6	+8.5ppt

(1) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior period comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the condensed Group financial statements.

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

Responding to the current climate

The start of 2020 saw a continuation of the positive momentum that we achieved during 2019, with housing sales by the middle of March ahead of our planned growth rate and industrial and logistics completions on track to grow by over 50% this year; yet, as the COVID-19 pandemic spread, we quickly adjusted our focus.

- People: to protect our people, customers and partners, we paused activity across our sites on 24 March and closed our sales outlets, non-essential shops and Trentham estate. We temporarily furloughed most of our site-based employees but, following Government guidelines, we restarted work on our sites safely in May and reopened our sales outlets, retail assets and Trentham shortly after, bringing back most of our people. Our office-based employees continue to predominantly work from home, in line with Government advice.

- Liquidity and financial strength: to protect our liquidity and balance sheet, we cut any uncommitted spend, cancelled the 2019 final dividend, and drew down all our revolving credit facilities in March. We ran scenario analyses to stress-test the impact of varying degrees of falls in housebuilding profits and rental income and amended our interest cover covenants at no extra cost, providing headroom to withstand a substantial fall in both items until the end of 2021. We secured access to £175m of funding under the Government's Covid Corporate Finance Facility (CCFF), which remains unutilised but provides assurance in the event of a severe deterioration in market conditions and since the period-end, we have repaid the surplus cash drawn on our revolving credit facility. As a result of all this, our financial position remains strong.

- Adapting ways of working: given the temporary closure of non-essential shops and pause in build activity, we worked closely with our customers, be it tenants or homebuyers, to support them during this period, but we also expanded our digital offer and marketing efforts to capture new opportunities. As a result, our St. Modwen Homes customer satisfaction rate is over 95% and since late March our average sales rate has been 0.8 per week, whilst Industrial & Logistics leasing is ahead of this time last year. We took a number of steps to manage costs, including a 20% reduction in Board pay and fees, a reduction in all discretionary spend and bonuses, a temporary tapered reduction in pay for higher earners, and in June, some selective redundancies.

- Our wider impact: recognising the significant social challenges this crisis brings for many, we have made donations to local causes in the heart of the communities that we serve and we are working with local organisations, from foodbanks to volunteering groups, where we can make a meaningful difference, with a combined £150,000 of funding initially pledged. We also offer a discount for key workers when buying a new home from us. We continued to pay any employees on furlough their full entitled salaries, whilst we decided it would not be appropriate to use the Government's Coronavirus Job Retention Scheme (CJRS) to fund this cost. We have worked closely with our supply chain partners and continued to pay them on time.

We are mindful that the significant economic and social challenges resulting from COVID-19 could affect consumer and business confidence for some time to come. That being said, the structural growth drivers in our two key strategic sectors, residential and industrial/logistics, remain positive and have even accelerated in recent months in the case of the latter. Combined with our solid financial base, this leaves us well placed for the future.

Industrial & Logistics

The COVID-19 pandemic has dramatically sped up the shift from physical to online retail; a trend which has been a major driver for logistics demand in recent years. It took seven years for online to grow from 10% to 20% of UK retail sales, but it took broadly seven weeks to grow from 20% to 30% by April this year. This shift has continued since and whilst some of this will likely revert as social distancing normalises, much of it will likely prove permanent, as consumer habits have changed for good. In addition, the disruption caused by the pandemic has increased the focus on the resilience of supply chains. With a total potential pipeline of nearly 20m sq ft, we are well positioned to capitalise on the demand for modern industrial and logistics space this is set to generate. With a yield on cost of c. 8% and yield on incremental capex of c. 9%, this is a key source of future growth and returns, hence our priority is to accelerate investment into this part of our business.

Reflecting the strong underlying trends, performance in our Industrial & Logistics business has been solid in the first half of 2020. Industrial and logistics assets now make up 48% of our portfolio, up from 19% three years ago, and this will continue to grow. We received 95% of the rent due in the March quarter and so far, 86% of the rent due in June, which is ahead of this time last quarter. A delay in build activity and a pause in uncommitted spend at the start of the crisis in March means we expect to complete 1.2m sq ft of space in 2020 instead of the 1.5m sq ft planned at the start of the year (2019: 0.9m sq ft). 53% of the associated £7.7m ERV is already let or under offer, up from 18% in February, whilst 74% of the £5.5m ERV we completed last year is now let or under offer (Feb 2020: 58%), with around half of these lettings secured during lockdown. We plan to start c. 0.6m sq ft of new projects shortly as we prepare for 2021 completions to grow to c. 1.5m sq ft, subject to continued demand.

St. Modwen Homes

The UK population continues to grow, underpinning structural long-term demand for affordable homes and, whilst it is early days, the increased time spent at home as a result of the pandemic may well raise people's focus on the quality and suitability of their living space. Our differentiated homes, designed around height and light; focus on the regions, where affordability remains much better than in London; and our high-quality product and customer experience, reflected in our 5* HBF customer satisfaction rating and 70 net promoter score (Feb 2020: 76), all mean that with an existing 6,100-plot pipeline we are well positioned.

Customer demand has remained resilient so far. The pause in build activity between March and the middle of May means we completed the sale of 280 units during the half year, 32% less than the first half of 2019 (411 units). As business unit operating costs are spread over this smaller number of sales, our operating margin for the half year was down by a broadly similar amount at 10.7% (2019: 14.8%). However, our average sales rate since the end of March has been well ahead of the overall market average, at 0.8 per week (net of cancellations) and since reopening our sales offices in May, this has been well ahead of that. As such, to date, overall private sales, including units which are reserved or exchanged, are on par vs this time last year at just over 800 units (excl. 142 affordable). Over 98% of our homes are below the new £500,000 stamp duty threshold in England.

We are mindful that uncertainty remains and unemployment is set to rise but are encouraged that going into the second half of the year, our private forward order book is up 31% vs last year and average sales prices remain stable. Should current conditions persist, we would expect margins in the second half of 2020 to improve. However, we are unlikely to fully make up for the impact of the effectively c. 9-10 weeks of build activity we lost in volumes and margin relative to 2019, when we sold 1,060 units at a 14.8% margin. Beyond 2020, we aim to return to volume growth and margin improvement, dependent on market conditions remaining stable.

Strategic Land & Regeneration

Our priority for Strategic Land & Regeneration is to monetise the value from our portfolio, either by accelerating the delivery of our current projects, such as Longbridge, where despite a pause in the first half, momentum remains positive, or by selling assets which no longer fit our strategy. Our focus for strategic land is on capital-light opportunities, to improve our overall return on capital and grow our income. We reduced our portfolio from £1.2bn in May 2017 to £513m at the end of 2019, selling retail assets and land without any overall negative impact on valuations. This improved our resilience, yet our residual assets were significantly impacted by the pandemic.

Despite the mandatory closing of our residual non-core retail and retail regeneration assets and closing of Trentham at the end of March, we received 65% of the SL&R rent due over the March quarter. With all assets now reopened, we have received 51% of the June quarter rent so far, which is well ahead of this time last quarter. Reflecting these challenging market conditions, our residual retail valuations were down 19% over the half year. Excluding our two sites in South Wales, residential land values were down 16%, principally reflecting an increase in the assumed development risk premium in the current climate. In the case of the two sites in Wales, additional changes in legislation, Section 106 and remediation costs resulted in a write-down of £69m (-53%). As a result, our SL&R portfolio is now valued at £385m, equating to 27% of our total portfolio. Our two Wales sites make up £61m of this, of which c. 20% is contracted to be sold, and our residual non-core commercial assets are £58m.

We continue to recycle capital, as the returns from reinvesting our capital into our profitable industrial and logistics pipeline outweigh the returns from retaining non-income producing surplus land on our balance sheet. We have exchanged contracts for the sale of £17m of residential land this month, in line with pre-COVID-19 prices, in addition to £30m during the half year, and we sold £12m of non-core assets since the start of 2020. In total, we intend to sell c. £200m of non-core assets and land over the next c. 3 years.

Looking forward

Unsurprisingly, the positive momentum in our business during the first few months of 2020 saw an abrupt impact in March due to the COVID-19 pandemic. However, we have managed to quickly rebuild momentum since then. As a result, in St Modwen Homes our sales rate has been well ahead of the wider market, in Industrial & Logistics development lettings are ahead of this time last year and in Strategic Land & Regeneration we have already sold a broadly similar amount of residential land in 2020 than in any of the last five full financial years. This would not have been possible without the incredibly hard work of all our people, whose dedication throughout this most challenging period in living memory is something we are immensely proud of and grateful for.

Whilst our financial results for the half year are inevitably impacted by the COVID-19 crisis, the long-term structural growth drivers supporting our key markets, industrial/logistics and residential, remain positive and arguably have strengthened even further. Government policy remains supportive for housebuilding in particular, as shown by the recently announced increase in stamp duty threshold, proposals to simplify planning and plans to stimulate investment in the regions, where most of our activity sits. Still, near-term economic risks remain elevated, as the pandemic adds to the pre-existing uncertainties around Brexit, with the UK having formally left the EU in January and the current transition period set to end in December.

Importantly, our financial position is strong, with ample liquidity, a modest 25.7% see-through LTV (incl. cash on short-term deposit), no Group debt maturities until 2023 and significant headroom against our covenants. As we remain mindful of the wider risks, we continue to focus on protecting this strong position but as the last few months have proven, the short-cycle nature of our developments means we can adjust activity quickly to any changes in demand. Our strategy is clear, built around our core purpose 'Changing places. Creating better futures.', and the launch of our six responsible business ambitions earlier this year will help truly bring our purpose to life in the coming years. Whilst visibility in the near term remains low, with 77% of our portfolio in industrial and logistics and St. Modwen Homes, compared to just 35% three years ago, the majority of our portfolio is now focused on those parts of our business which generate the highest return on capital employed and both sectors are underpinned by structural growth drivers. As a result, we remain confident that delivering on our strategy will continue to deliver a significant improvement in income and return on capital over time.

PORTFOLIO AND OPERATIONAL REVIEW

Portfolio overview

Investments & disposals

Our strategy remains focused on recycling capital out of the lower returning parts of our portfolio, to build a high-quality industrial and logistics business by accelerating the delivery of our substantial and profitable pipeline, and to accelerate the delivery of new homes on land we already own and control. We sold £950m of assets in the 2.5 years prior to the start of 2020, which improved our portfolio quality, resilience and returns, as this significantly reduced our exposure to residential land and retail assets. Despite the challenges presented by lockdown and some inevitable delays, the momentum in further repositioning our portfolio is encouraging.

We invested £73m in developments during the first half of 2020 (excluding housebuilding). We sold six non-core assets for £8m during the half year and agreed the sale of £30m of residential land. This includes £25m in South Wales, where completion is phased over the coming years. Since the end of May, we have exchanged contracts for the sale of £17m of residential land, in line with pre-COVID-19 prices, plus a further four non-core assets for £4m. We are in active negotiations on further disposals and are targeting the sale of c. £200m of non-core assets and land over the next c. 3 years.

	Amount(1) £m	EPRA net initial yield(2) %
Disposals during first half of 2020 (3)		
Industrial and logistics	4	5.8
Non-core retail	1	1.3
Non-core other	7	9.2
Residential land	30	N/A
Total	**42**	**4.9**
Disposals post period end(3)		
Non-core retail	1	7.3
Non-core other	3	N/A
Residential land	17	N/A
Total	**21**	**7.3**

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

(2) Based on income producing assets excluding land.

(3) Excluding land transfers to St. Modwen Homes and completed home sales, but including agreements to sell.

Portfolio valuation

Our portfolio value reduced to £1.41bn during the first half of 2020, representing a decrease of 12.1% adjusted for investments and disposals. This partly reflects the effects of COVID-19 as at the May valuation date, reflected in higher risk premiums and some yield softening, although uncertainty appears to have slightly abated since then in some parts of the investment market. Our industrial and logistics exposure continues to grow, now making up 48% of our portfolio compared to 19% three years ago (Nov 2019: 44%), including the industrial assets which are part of our Longbridge regeneration site. The rest of our regeneration assets, non-core assets and strategic land make up 23%, while St. Modwen Homes work in progress and land comprises a further 29%.

The value of our Industrial & Logistics assets was resilient despite the wider economic turmoil. Valuations were down a marginal 1.1%, as 11.4% upside on developments was offset by a 3.1% reduction in the value of our existing assets. ERVs were virtually stable on a like-for-like basis but yields softened slightly as a result of COVID-19, principally for more secondary assets or assets with shorter lease terms. We expect valuations to remain relatively resilient, as occupier and investor interest both remain strong.

Conversely, the valuation of our residual Strategic Land & Regeneration assets was down materially. We reduced our capital invested in this part of the business from £1.2bn in mid-2017 to £513m by the end of 2019, but our residual portfolio saw a 25.2% fall in value in the first half of 2020. This was principally driven by a 53.3% fall in the value of our two sites in South Wales, Coed Darcy in Neath and Llanwern in Newport, which combined made up around half of our residential land by value at the end of 2019. This valuation reduction is driven by a reassessment of the development risk premium in the current climate reflecting the size and nature of both sites, which at c.

4,000 plots each are considerably larger than any of our other sites, new legislation around surface water drainage in Wales, Section 106 changes and remediation cost. As land values in Wales are much lower in proportion to house prices than in the rest of the UK, due to its lower house prices, small movements in development value or cost per plot have a highly geared impact on land values.

As a result, Coed Darcy now makes up £15m of the £385m SL&R portfolio. Llanwern makes up £46m, of which 26% is contracted to be sold, and with four housebuilders on site or about to start building, demand and activity at this site is positive. Any investment in servicing future phases of land is matched to land sales, matching cash outflow with guaranteed inflows.

Valuations of the rest of our other residential land were down 16.4% on average, chiefly reflecting an increase in assumed development risk premium attributable to COVID-19. Elsewhere, the valuation of our non-core retail assets and retail regeneration assets, which combined make up 7% of our portfolio by value, was down 19.2%.
This reflected a combination of yield expansion and pressure on rental income given the challenging environment for retailers over the past few months. The value of our other regeneration assets was down 11.9% and our £33m other non-core assets were down 16.3%. Whilst structural challenges remain for retail in particular, we continue to see good interest in residential land in attractive locations.

	Portfolio value £m	Valuation movement %	EPRA net initial yield(1) %	Equivalent yield(1) %	LFL equivalent yield shift(1) bps	LFL ERV growth(1) %
Industrial & Logistics	**618**	**(1.1)**	**3.7**	**6.6**	**10**	**(0.6)**
St. Modwen Homes	**402**	**-**				
Residential land	172	(34.6)				
Retail-led regeneration	67	(19.9)	8.1	8.9	40	(3.9)
Other regeneration	88	(11.9)	6.8	7.3	10	(2.3)
Non-core retail	25	(17.5)	9.5	13.4	90	(4.4)
Non-core other	33	(16.3)	6.4	7.2	30	(1.0)
Strategic Land & Regeneration	**385**	**(25.4)**	**7.5**	**8.9**	**-**	**(3.4)**
Total portfolio	**1,405**	**(12.1)**	**4.6**	**7.1**	**-**	**(1.5)**

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

Operational performance

At the end of May 2020, the annualised passing rent on our portfolio amounted to £41.3m, excluding £2.5m of contracted rent which is currently subject to rent-frees. This represents an increase compared to the £38.4m at the end of 2019, chiefly due to new lettings and the expiry of rent-free periods on recently completed developments. With £6.1m of ERV let since the period-end, pre-let or under offer, and good interest in our remaining space, we expect this number to continue to grow.

Like-for-like rental income was down £4.7m, which reflected an increase in credit loss provision and a £1.7m reduction in income from the temporary closure of Trentham Gardens due to COVID-19, a one-off adjustment vs last year's rent and £1.1m reduction from properties being vacated for future redevelopment. Aside from these effects, like-for-like income was stable. Industrial & Logistics now makes up 59% of our overall passing rent, which will continue to grow and improve our resilience of income. This is reflected in our rent collection, as, to date, we have received 95% of the rent due in Industrial & Logistics for the March quarter and we have so far received 86% for June, which is ahead of the same point last quarter. In SL&R, where c. 60% of rent is retail related, we received 65% of the rent due in the March quarter and 51% so far for June - again ahead of the same point this time last quarter. As a result, our overall rent received for the Group is 82% for the March quarter and 71% for June. We agreed to waive 3% of rent and continue to work with our customers on the remaining element.

Our overall vacancy increased to 24.1% during the half year, up from 20.8% at the end of 2019, but excluding the impact of disposals and developments our like-for-like occupancy improved 1.4ppt during the period. Around 50% of the vacancy at the end of May comprised newly developed industrial and logistics space, of which c. 40% is under offer. Around 20% of our vacant space is deliberately held back for future development. We signed 0.5m sq ft of new leases and lease renewals during the year, generating £2.8m of annualised rental income. On average, re-lettings and renewals were agreed 5% above previous passing rent and in line with ERV. The average lease term to first break of our portfolio was virtually stable at 4.6 years (Nov 2019: 4.7 years).

	Passing rent(1) £m	ERV £m	Vacancy %
Industrial & Logistics	**24.5**	**37.8**	**29.2**
St. Modwen Homes	**-**	**-**	**-**
Residential land	0.8	1.3	29.4
Retail-led regeneration	6.6	7.1	11.2
Other regeneration	4.6	3.8	2.3
Non-core retail	3.6	4.1	21.7
Non-core other	1.2	1.4	23.9
Strategic Land & Regeneration	**16.8**	**17.7**	**13.1**
Total portfolio	**41.3**	**55.5**	**24.1**

(1) Excluding turnover rent at Trentham Gardens.

Industrial & Logistics

Development completions

During the first half of 2020, we invested £44m in industrial and logistics capex. We completed 0.5m sq ft of space during the period, so combined with the 0.7m sq ft we expect to complete in the second half of the year we are on track to deliver 1.2m sq ft of space in 2020 (2019: 0.9m sq ft). The expected ERV on this has increased slightly to £7.7m, which with total development cost of £102m represents a 7.5% yield on cost once fully let. At present, 32% of our 2020 pipeline is let, with a further 21% under offer, which shows continued momentum in leasing, as this time last year only 36% of our 2019 pipeline was let or under offer. Completions during the period included a 321,000 sq ft unit in Tamworth and two units in Doncaster totalling 74,000 sq ft, of which one is let.

In total, we signed £5.1m development lettings during the half year, including the second unit at our scheme in Gloucester (56,000 sq ft), which was let to a multi-channel retailer on a 15-year fixed lease, the second unit at Tamworth (49,000 sq ft), which was let to a food supply chain business on a 10-year fixed lease, and the second unit at Worcester (48,000 sq ft), which was let for 8 years to a food takeaway and delivery packaging company.

On average, lettings have been slightly above our expected ERVs although we have seen a small increase in incentives on some individual deals. Our 2019 completions are currently 74% let or under offer, up from 58% at the start of 2020. Whilst we have seen some inevitable delays in decision-making during lockdown, this is a step up from last year, as one year ago, our 2018 pipeline was 65% let or under offer.

Current developments

At the end of March we paused two projects in our committed pipeline that we had not yet started, totalling 0.3m sq ft, so following the completion of 0.5m sq ft of space in the first half of 2020, we are on site with a further 0.7m sq ft to complete in the second half. Future expenditure on this is £19m and we expect these projects to deliver a 7.2% yield on cost once let. This partly reflects our pre-let development at Gatwick, as valuation yields around London are lower than in the rest of the UK. 11 out of the 13 units set to complete in the second half are pre-let or under offer, at terms ahead of our investment appraisals. This provides us with confidence for future developments hence we plan to shortly start a further c. 0.6m sq ft of projects for delivery mostly in the first half of 2021, as we prepare to grow completions to c. 1.5m sq ft next year, subject to continued occupier demand.

Our current pipeline and planned near-term starts are focused on small to medium sized units, with an average size of c. 50,000 sq ft. This leaves us well placed to meet the growing demand for last mile delivery space and modern warehouses near urban locations and good availability of labour. Overall availability in the logistics market has remained stable since the end of 2019, especially at the smaller to medium end of the market, whilst take-up has been very strong in the first half of 2020. We continue to avoid speculative development of mega-box space although we remain open to develop larger units on a pre-let basis.

Project	Size	Units	Expected completion	Let/pre-sold(1)	Total dev cost	Current book value	Future capex	ERV	Yield on cost
	000 sq ft			%	£m	£m	£m	£m	%
Chippenham	106	1	H2 2020	-					
Gatwick	100	1	H2 2020	100					
Worcester	95	3	H2 2020	80					
Lincoln	80	2	H2 2020	32					
Stoke Central	43	1	H2 2020	-					
Stoke South	103	2	H2 2020	-					
Stoke South	81	3	H2 2020	-					
Industrial & Logistics - to be retained	**608**	**13**		**45**	**65**	**60**	**19**	**4.7**	**7.2**
Stoke Central	43	1	H2 2020	100					
Industrial & Logistics - to be sold	**43**	**1**		**100**	**4**	**-**	**1**		
Total	**651**	**14**		**45**	**69**	**60**	**20**		

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

Future pipeline

The COVID-19 pandemic is dramatically accelerating the ongoing shift from physical to online retail, which has been a major structural growth driver for demand for warehouse space in recent years. In addition, the disruption caused by the pandemic has increased the focus on the resilience of supply chains. With a c. 19m sq ft total pipeline we are well placed to capture the demand for modern space this is expected to generate, so our priority is to accelerate investment in this part of our business and to that extent, we also continue to invest in our own capabilities to further improve our customer relationships. In addition to our 0.7m sq ft committed pipeline, we have a further 7.6m sq ft of consented space, which could deliver c. £48.5m of ERV. With future capex of £510-560m and total development cost including land we already own of £580-630m, this could deliver a c. 9% yield on incremental capex and c. 8% yield on cost. However, as we aim to further grow our built to suit activity, we will be pragmatic about the trade-off between development risk and return. Despite the temporary delay in 2020 due to the COVID-19 pandemic, we continue to aim to grow our development activity to up to c. 2m sq ft p.a. in the near future, which is expected to drive meaningful growth in earnings and development upside.

St. Modwen Homes

Development completions

Our decision to temporarily close our sites and sales offices on 24 March significantly affected completions for the first half of 2020. We reopened our sites in the middle of May, but the delay in build activity meant we completed the sale of 280 units in the half year; 32% less than in the first half of last year (2019: 411 units). As business unit operating costs were spread over this lower number of sales, our operating margin fell by a broadly similar proportion to 10.7% (2019: 14.8%). Our private ASP increased 0.7% to £269,000 (2019: £267,000), with like-for-like sales prices up 1.5%. Despite the challenging environment, we are pleased our quality and safety remained outstanding: our HBF customer satisfaction rating is currently tracking at over 95%, supporting our 5* rating; our net promotor score stands at 74 (Feb 2020: 76); and our accident frequency rate remains less than one-tenth of the industry average.

Operational performance metrics	**Six months to 31 May 2020**	Six months to 31 May 2019	Change %
Total units sold	**280**	411	-31.9
Private units sold	**249**	359	-30.6
Affordable units sold	**31**	52	-40.4
Private sales rate	**0.6**	0.8	-25.0
Private ASP (£k)	**269**	267	+0.7
Affordable ASP (£k)	**119**	127	-6.3
Operating margin (%)	**10.7**	14.8	-4.1ppt

Current developments

Despite the lower level of completions in the first half of 2020, customer demand has remained strong. As a result, our total private sales for the year to date, including units which are exchanged and reserved, are on par with this time last year at 800 units. 427 of these units have already completed or exchanged. Since the start of lockdown at the end of March, our average sales rate has been 0.8 per week net of any cancellations and since reopening our sales offices, this has been well ahead of this. Whilst this may reflect some element of pent-up demand, we are encouraged to go into the second half of 2020 with a private order book which is up 31% year on year and average sales prices in line with book value. Moreover, over 98% of our homes fall under the recently increased stamp duty threshold of £500,000.

We originally targeted to grow volumes by up to 20% this year, but in March we put on hold the planned opening of any new sales outlets which underpinned this level of growth. As such, we are currently sales active on 24 outlets (early 2020: 21) but given the better than expected performance so far, we now expect to open a further two outlets in the coming months, subject to market conditions remaining supportive. Our sites had been operating at c. 75% efficiency since restarting activity in May, reflecting social distancing rules but are now getting close to 100% efficiency. If current market conditions persist, we would expect margins and volumes to recover in the second half of 2020, but we do not expect to fully make up for the c. 9-10 weeks of lost time in terms of build activity relative to last year, when we sold 1,060 units and achieved an operating margin of 14.8%.

Future pipeline

The long-term structural trends underpinning demand for more, affordable homes remain positive, so with an existing land bank of c. 6,100 plots, excluding strategic land held by the Group, focused on the regions where affordability remains good, St. Modwen Homes is well placed to benefit from this. Moreover, having spent much more time at home recently, for many people there is an increased focus on the quality and suitability of their living space, which our differentiated homes, built around height and light, and high-quality product are perfectly suited to. As we continue to diversify our offering to our customers following the first partnerships with a shared-ownership and registered provider last year, we expanded activity in this space this year.

As such, our pipeline provides optionality to return to volume growth and margin improvement in 2021, subject to market conditions remaining stable. Still, as our land bank has been transferred from the Group to St. Modwen Homes at market value over the last couple of years, this continues to reduce our margin by an estimated c. 2-3ppt relative to housebuilders who have always held their land at historic cost.

Strategic Land & Regeneration

Current developments

At Longbridge, we completed the development of our 15-year pre-let 21,100 sq ft office building and at New Covent Garden Market, the relocation of the market facilities through our 50/50 JV with VINCI is ongoing, ahead of the release of 10 acres of residential development land to the JV in the medium term. Following the sale of our interests at Kirkby last year, the development of the retail extension for which we are acting as development manager for the Council is progressing well.

Future pipeline

Consistent with our strategy over the last three years, we continue to focus on monetising the value in our portfolio, either by accelerating the delivery of existing projects, or by selling those assets which are surplus to our own development needs, or no longer fit our strategy. At Longbridge, we paused the investment in new development starts we had planned for this year at the onset of the pandemic, but we continue to see positive momentum in preparing the future phases of this important scheme. This site is currently c. 45% developed and significant opportunities remain, so we continue to progress this flagship project. We also continue to actively progress disposals, as we see more upside in recycling capital into our profitable industrial and logistics pipeline than holding on to surplus land which does not generate any return.

Aside from monetising the value in our existing portfolio, we continue to focus on new capital-light strategic land opportunities, as these underpin the longer-term growth potential of our two other business units. The Group's owned residential land bank at the end of May comprised c. 17,000 plots (Nov 2019: 17,500), of which 6,100 plots were held by St. Modwen Homes and 10,900 by our Strategic Land & Regeneration business. Of the latter, c. 3,300 plots comprise strategic land which is still subject to planning, while the remaining c. 7,600 plots are sites that we will continue to invest in to prepare for disposal to third-party housebuilders. These include 660 plots where we have already exchanged contracts to sell, but where the transfer of land is set to complete in the near future. In addition, we control land via development agreements which could cater for a further c. 11,200 homes in the long term (Nov 2019: 11,300), around 40% of which is still subject to planning.

FINANCIAL REVIEW

Overview

Our financial performance for the half year has, as expected, been impacted markedly by the disruption caused by the COVID-19 pandemic. In line with our guidance in our trading update in June, adjusted EPRA earnings came out at £4.7m (2019: £16.2m), driven by a £10.6m reduction in gross housebuilding profit and a £6.1m reduction in net rental and other income due to last year's disposals and an increase in expected credit loss provision, partly offset by £4.6m lower operating and administrative expenses. As a result, adjusted EPRA EPS was 2.1 pence (2019: 7.3 pence). Whilst our core Industrial & Logistics portfolio proved resilient, the revaluation deficit on our residential land and residual retail assets meant we recorded a net loss for the half year of £134.5m (2019: £23.1m net profit). As a result, basic EPS was (60.5) pence (2019: 10.5 pence). This resulted in a 12.6% reduction in NAV per share to 423.1 pence (Nov 2019: 484.2 pence), whilst EPRA NTA per share reduced 12.2% to 430.8 pence (Nov 2019: 490.8 pence)(1).

As we indicated at the start of the year, net borrowings increased due to the reinvestment of disposal proceeds into our pipeline, but despite this and the reduction in asset values, our see-through LTV remains modest at 28.1%, or 25.7% including our share of £34.5m of cash held on a short-term deposit. This means we have headroom to withstand a further c. 40% fall in values before we reach our tightest LTV covenant and following an amendment of our Group debt facilities, our interest cover covenants could now withstand a downside scenario of a material fall in housing sales volumes and prices and a loss of the majority of retail rent until the end of 2021.

Our total accounting return for the half year was similar to the movement in NAV per share at (12.6)% as we decided at the onset of the crisis in March to not pay our 5.1 pence per share final 2019 dividend. Since then, our performance has been better than we had assumed in our initial stress-testing, our financial position has been strengthened and we decided it would not be appropriate to use the Government's CJRS support scheme. In view of this, we will therefore pay an interim dividend of 1.1 pence per share (2019: 3.6 pence), based on our standard dividend policy to pay out c. 50% of adjusted EPRA EPS. This interim dividend is to be paid on 2 September to shareholders on the register as at 7 August 2020.

(1) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior period comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the condensed Group financial statements.

Presentation of financial information

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

We use adjusted EPRA earnings and adjusted EPRA EPS as key performance measures, which exclude non-cash valuation gains and losses. As our residential developments are built to sell, residential profits are cash-based and therefore included in this metric, but as our commercial developments are predominantly built to hold, commercial development profits are largely non-cash. As such, these are excluded from adjusted EPRA earnings, other than development fee income. Following the release of new best practice recommendations by EPRA, we have replaced the reporting of EPRA net asset value (EPRA NAV) with EPRA net tangible assets (EPRA NTA) within these results. A reconciliation between the two measures is given in note 3 to the condensed Group financial statements.

Our financial reporting is aligned to our three operational business units, Industrial & Logistics, St. Modwen Homes, and Strategic Land & Regeneration, with items which are not directly allocated to specific business activities, such as borrowings and interest costs, held centrally and presented separately.

Six months ended 31 May	**2020**					2019
	Industrial & Logistics £m	**St. Modwen Homes £m**	**Strategic Land & Regeneration £m**	**Unallocated £m**	**Total £m(1)**	Total £m(1)
Gross rental income	**12.2**	**-**	**8.9**	**-**	**21.1**	25.0
Property outgoings	**(3.0)**	**-**	**(3.6)**	**-**	**(6.6)**	(5.1)
Other net income	**-**	**-**	**-**	**-**	**-**	0.7
Net rental and other income	**9.2**	**-**	**5.3**	**-**	**14.5**	20.6
Housebuilding profit	**-**	**12.1**	**1.7**	**-**	**13.8**	24.4
Development fee income	**0.1**	**-**	**0.7**	**-**	**0.8**	1.6
Business unit direct	**(1.0)**	**(4.5)**	**(2.5)**	**-**	**(8.0)**	(11.1)

operating expenses						
Central administrative expenses	**-**	**-**	**-**	**(9.8)**	**(9.8)**	(11.3)
Net interest costs	**-**	**-**	**-**	**(5.5)**	**(5.5)**	(4.5)
Taxation on adjusted EPRA earnings	**-**	**-**	**-**	**(1.1)**	**(1.1)**	(3.5)
Adjusted EPRA earnings	**8.3**	**7.6**	**5.2**	**(16.4)**	**4.7**	16.2
Property revaluation & development (losses)/gains	**(6.9)**	**(1.8)**	**(131.9)**	**(12.1)**	**(152.7)**	13.1
Property disposal (losses)/gains	**(1.1)**	**-**	**(3.0)**	**-**	**(4.1)**	0.2
Impairment of intangibles	**-**	**-**	**-**	**(3.0)**	**(3.0)**	**-**
Net other finance costs	**-**	**-**	**(1.4)**	**(2.5)**	**(3.9)**	(5.2)
Tax on other earnings	**-**	**-**	**-**	**24.5**	**24.5**	(1.2)
Less non-controlling interests on other earnings	**-**	**-**	**-**	**0.1**	**0.1**	0.2
Profit/(loss) attributable to the owners of the Company	**0.3**	**5.8**	**(131.1)**	**(9.4)**	**(134.4)**	23.3
Basic earnings per share (pence)					**(60.5)**	10.5

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

Net rental and other income

The Group's share of gross rental income decreased to £21.1m, with £2.7m of the £3.9m decline vs 2019 driven by last year's non-core asset disposals and £0.6m by a fall in income at Trentham as a result of its temporary closure. Gross rental income in Industrial & Logistics increased to £12.2m (2019: £11.3m), but this is expected to grow more meaningfully in the second half of 2020. Gross rental income in Strategic Land & Regeneration reduced to £8.9m (2019: £13.7m) due to the aforementioned disposals and Trentham impact. Overall net rental and other income was down £6.1m to £14.5m, with the difference compared with the £3.9m reduction in gross rent primarily reflecting a £1.4m expected credit provision as a result of COVID-19. Whilst we expect net rental income to grow in the second half of the year, we now expect net rental and other income for 2020 to remain well below last year (2019: £40.1m). Nevertheless, we still anticipate rental income to grow in 2021, driven by Industrial & Logistics developments.

Housebuilding profit

Gross profit from housebuilding activities decreased to £13.8m (2019: £24.4m). Within this, St. Modwen Homes' gross profit fell to £12.1m (2019: £20.9m) due to the reduction in sales as a result of the delay in build activity during lockdown, whilst net operating profit reduced to £7.6m (2019: £15.2m). Should current market conditions persist, we would expect this to grow meaningfully in the second half of the year given our current order book. The Persimmon JV, which forms part of our Strategic Land & Regeneration business, delivered £1.7m of profit (2019: £3.5m). This JV is now expected to draw to a close in 2021, with relatively minimal profit to come from here.

Business unit direct operating expenses and central administrative expenses

Business unit operating expenses are those costs which are directly linked to the operating activities of our three business units. During the half year, these decreased to £8.0m (2019: £11.1m), whilst central administrative expenses decreased to £9.8m (2019: £11.3m). This reflects the measures we have taken to reduce our cost base and, as a result of these, we expect business unit operating and administrative expenses combined to come out lower than expected, at a level which is c. 15% below last year (2019: £44.1m).

Interest and other finance costs

Net interest costs for the half year increased to £5.5m (2019: £4.5m) on a see-through basis, partly due to an increase in borrowings due to investment in our pipeline but also due to our decision to draw all our available facilities at the end of March. We have repaid most of this since the period-end, but as our net borrowings are higher than at the start of the year, we expect net interest cost in the second half of 2020 to be broadly similar to the first half of the year. We capitalised £1.7m of interest costs on commercial developments during the half year (2019: £1.5m).

Net other finance costs were down slightly to £3.9m (2019: £5.2m). This includes a £1.4m charge for discount unwinds, principally on our share of the long-term commitment to deliver the NCGM project, and a £0.3m charge for the amortisation of arrangement fees in relation to our loan facilities. Combined, these costs have averaged c. £7m p.a. in recent years. The final element of our other finance costs relates to the mark-to-market valuation of our derivatives, which is driven by the movement in swap rates and resulted in a £2.2m expense in the half year (2019: £2.4m).

Investment property revaluation, development and disposal gains/losses

All our investment properties are independently valued every six months by our external valuers, Cushman & Wakefield, who base their valuations upon open market transactions between a willing buyer and a willing seller at the balance sheet date. In accordance with accounting standards, valuation movements are reflected as gains or losses in the income statement. We also independently assess our work in progress for any impairment issues. The external valuation report from Cushman & Wakefield contains a material uncertainty clause, which is in line with the RICS guidance to valuers at the end of May and solely reflects the increased difficulty in determining asset values when few, if any, comparable transactions have occurred in the period leading up the May valuation. We note that since the period end, RICS guidance has been to remove this material uncertainty clause for a number of sub-sectors, including industrial, which makes up c. 60% of our investment properties.

During the first half of 2020, we recorded a net revaluation and development loss of £152.7m, compared to a £13.1m gain in 2019. At £131.9m, most of this loss was driven by Strategic Land & Regeneration, reflecting significant write-downs on its residential land and retail assets in particular, as downwards valuation movements in Industrial & Logistics were relatively small at £6.9m. The remaining £13.9m includes an element of COVID-19 related costs for site-based staff which were temporarily furloughed during lockdown, a small element of historical utility cost write-offs and an increase in a number of provisions. We recognised a £4.1m loss on disposals (2019: £0.2m gain), which reflects the selling cost of a number of disposals we made, plus the write-down of a small element of WIP on potential future projects, which is treated as a disposal.

Taxation and profit

Our net loss for the half year was £134.5m (2019: £23.1m profit), while our total tax credit (including joint venture tax) for the half year was £23.4m (2019: £4.7m tax charge).

The tax rate is lower than the standard rate of corporation tax of 19%, predominantly due to the increase in the rate used to recognise deferred tax from 17% to 19%. This gave rise to a tax charge of £3.0m, being 2.0% of Group profit before tax. As signalled previously, the effective tax rate is expected to remain slightly below the standard rate of tax.

Return on capital

Our total accounting return for the half year amounted to (12.6)% (2019: 2.2%). Our segmental reporting below provides insight into how our three business units contribute to our overall Group returns. The return on capital employed over the past 12 months for St. Modwen Homes is highest at 8.5%, ahead of Industrial & Logistics at 6.5% and Strategic Land & Regeneration at (26.3)%. We expect the ROCE in Industrial & Logistics and St. Modwen Homes to remain ahead of Strategic Land & Regeneration.

	31 May 2020					30 Nov 2019
	Industrial & Logistics	**St. Modwen Homes**	**Strategic Land & Regeneration**	**Unallocated**	**Total(1)**	Total(1)
	£m	**£m**	**£m**	**£m**	**£m**	£m
Property portfolio	**618.2**	**401.9**	**385.2**	**-**	**1,405.3**	1,484.6
Other assets	**7.7**	**21.3**	**73.5**	**94.2**	**196.7**	206.6
Gross assets	**625.9**	**423.2**	**458.7**	**94.2**	**1,602.0**	1,691.2
Net borrowings	**-**	**-**	**-**	**(395.4)**	**(395.4)**	(290.6)
Lease liabilities	**-**	**-**	**-**	**(8.6)**	**(8.6)**	(9.2)
Other liabilities	**(18.3)**	**(22.3)**	**(111.5)**	**(102.8)**	**(254.9)**	(311.0)
Gross liabilities	**(18.3)**	**(22.3)**	**(111.5)**	**(506.8)**	**(658.9)**	(610.8)
Net assets	**607.6**	**400.9**	**347.2**	**(412.6)**	**943.1**	1,080.4
Non-controlling interests	**-**	**-**	**-**	**(3.0)**	**(3.0)**	(4.7)
Equity attributable to owners of the Company	**607.6**	**400.9**	**347.2**	**(415.6)**	**940.1**	1,075.7
Business unit ROCE(2)	**6.5%**	**8.5%**	**(26.3)%**			
NAV per share (pence)(1)					**423.1**	484.2
EPRA NTA per share (pence)(1) (3)					**430.8**	490.8

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

(2) Business unit returns on capital employed are calculated as the business unit profit before interest and tax for the a rolling 12-month period divided by the average business unit net assets, after adding back any business unit specific net borrowings, for the 12-month period.

(3) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior period comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the condensed Group financial statements.

Net asset value

The reduction in property values reduced the net asset value attributable to shareholders of the Group for the first half of 2020 by £135.6m to £940.1m (Nov 2019: £1,075.7m). As a result, net asset value per share decreased 12.6% over the year to 423.1 pence (Nov 2019: 484.2 pence). EPRA NTA per share decreased by 12.2% to 430.8 pence (Nov 2019: 490.8 pence)(1).

Net borrowings and loan-to-value

Net borrowings on a see-through basis increased by £104.8m to £395.4m (Nov 2019: £290.6m) during the first half of 2020 as we, as planned, reinvested part of last year's disposal proceeds. This excludes £34.5m (representing our 50% share) of cash held in a development account for the NCGM project delivery, which is held in a deposit account until 1 December 2020 and therefore does not qualify as cash in our net borrowings calculation.

As a result of the increase in borrowings and reduction in property values, our see-through LTV increased to 28.1% (Nov 2019: 19.6%), or 25.7% including the £34.5m of cash held on deposit until December. The latter is in line with our target to keep our overall LTV in the mid to high-20s, but we remain conservative in our approach to financial leverage and with £35m disposal receipts contracted to come in and further disposals expected, we anticipate see-through net borrowings to reduce in the second half of 2020.

	May 2020[(1)]	Nov 2019[(1)]
Gross borrowings[(2)] (£m)	552.1	357.8
Net borrowings[(2)] (£m)	395.4	290.6
Loan-to-value[(3)] (%)	28.1	19.6
Loan-to-value (including cash held on short-term deposit)[(3)] (%)	25.7	17.1

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

(2) Borrowings are stated at amortised cost and exclude lease liabilities.

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

Financing

Aside from the KPI JV facility (£15m our share, of which £1.8m is drawn) which matures in January 2021, we have no debt maturing until December 2023 and our average debt maturity stands at 4.4 years (Nov 2019: 4.9 years). Since the period end we received confirmation that we are eligible to access up to £175m of funding under the Government's Covid Corporate Financing Facility, should that be required, which provides assurance in the event of a severe deterioration in market conditions.

	May 2020	Nov 2019
Available facilities (£m)	565.0	565.0
Average duration of facilities (years)	4.4	4.9
Weighted average interest rate[(1)] (%)	2.7	3.5
Percentage of gross borrowings fixed or hedged (%)	42.6	65.7

(1) The weighted average interest rate is calculated using current interest rates, commitment fees and hedging profile applied to the see-through gross borrowings at 31 May 2020, thereby assuming constant net borrowing levels for 2020.

Hedging and cost of debt

Our weighted average interest rate reduced to 2.7% (Nov 2019: 3.5%) due to the full drawdown of our revolving credit facility at the end of March. Since the period end, we have started to normalise our cash balances, so as a result, part of the reduction in interest rate in the first half of the year will revert in the second half. We aim to have predictable costs attached to our borrowings, so our policy is to hedge a significant portion of our interest rate risk. The proportion of borrowings which are fixed or hedged at the end of May was lower than usual at 42.6% (Nov 2019: 65.7%) due to our large cash balance, but this will increase as this cash is reduced and we continue to manage our interest rate risk via a combination of caps and hedges.

Corporate funding covenants

Covenant compliance continues at all levels and across all metrics and we continue to operate with considerable headroom against all measures. Our portfolio could withstand an almost 40% fall in values before our tightest loan-to-value covenant would be breached. We have also agreed an amendment of the interest cover covenants on our Group debt facilities since the period-end. This has no impact on our interest cost but means that our interest cover could now withstand a downside scenario of a very material fall in housing sales volumes and prices and a loss of the majority of retail rent until the end of 2021. Further detail is provided in the going concern statement within the condensed Group accounting policies note.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks are listed below. They are monitored by the Risk Assurance and Compliance Committee, the Executive Committee, the Audit Committee and the Board. Our principal risks have been amended in comparison to those detailed on pages 36-39 of our 2019 annual report, with the risk in relation to Customer and supply chain management being split into two specific risks. COVID-19 has also had a significant impact on the evaluation of our risks, as set out below, and in relation to the principal risks. We do not believe, however, that there has been any material change to Environmental risk since our 2019 annual report.

The impact of COVID-19

In response to COVID-19, we quickly enacted our crisis management and business continuity procedures to manage the immediate impact of the pandemic, with regular daily/weekly Executive Committee and bi-weekly Board updates to continually assess and review our risks and how we mitigate the increased impacts being felt across the Group. The impact of COVID-19 is being managed under five key themes: macroeconomics; health & safety; finance; supply chain; and people. Key actions in respect of COVID-19 have included:

- Closing our offices, retail assets and construction sites in March following Government guidelines. In line with updated Government guidelines, our sites and retail assets have now been reopened on a phased basis, with significant work undertaken with our staff, customers, suppliers and tenants to manage the health and safety risks and robust COVID-19 safeguards in place in line with Government guidelines;

- Due to temporarily closing our sites, furloughing around 50% of staff across the Group on full entitled pay, without use of the Coronavirus Job Retention Scheme. Most of our staff have now returned to work as most of our sites have reopened;

- Managing our cost base during this period of uncertainty, including cancelling any discretionary spend, reducing all bonuses and variable pay and a 20% voluntary reduction in Board pay and fees, and a temporary tapered reduction in pay for higher earners;

- Protecting our liquidity and financial position, including cancelling our final dividend for the year ended 30 November 2019, pausing uncommitted capital expenditure, drawing down on our revolving credit facilities, agreeing revised covenants and securing access to the CCFF programme, although we currently have no intention of utilising the latter;

- Enabling all of our office-based staff to work from home in line with our crisis management plans, which had been tested in 2019 well ahead of this pandemic. Our business continuity and remote working plans have worked well and our staff have benefitted from increased communications and engagement on mental health and wellbeing, which has and will continue to be a major area of focus throughout 2020; and

- Preparing, in advance of the easing of lockdown restrictions, bounce back plans focussing on health and rebuilding momentum, with continued strong relationship management with customers and the supply chain to manage associated risks.

Due to the impacts of COVID-19 the UK has seen the largest fall in GDP, 20.4% in April, and forecasters warn of recession in the UK and global economies, so our principal risks below have inherently increased due to this. However, our significant portfolio repositioning over the past three years means that the majority of our assets are focused on residential and industrial and logistics; sectors where long term structural growth drivers remain positive, and we are also adapting our ways of working to capture any opportunities where possible.

Brexit

Significant focus in 2019 was on Brexit and having left the EU on 31 January 2020, the UK and EU entered into a 'transition period' designed to agree future trading arrangements by the end of 2020. We have continued to assess our risk exposure and the Group's principal risks and uncertainties take into account the potential for the UK and EU to not reach agreement on future trading arrangements. We continue to assess the impact this could have on the Group, however, we have already put in place mitigating actions and we continue to monitor and adjust our responses along with consideration of the effects of COVID-19.

A summary of those principal risks that we believe have seen the most material change is provided below.

Principal risk	**Change in our assessment of the risk**
Changes in economic and market conditions	The COVID-19 crisis is causing significant economic challenges which could affect consumer and business confidence for some time to come. This will have a significant impact on our financial and operational performance in the short term, but our focus on residential and industrial and logistics means the majority of our business is in areas where long-term demand remains positive. In the near-term, a rise in unemployment could affect housing sales and house prices and our residual retail assets have been impacted significantly by lockdown measures, on top of what were already challenging trading conditions. Conversely, our industrial and logistics portfolio has been relatively resilient, as demand for space remains robust, so we have continued to improve our resilience by selling non-core assets and land to reinvest in industrial and logistics.
Social and technological change	COVID-19 has had a significant impact on customer behaviour and we expect much of this to continue. This affects the way in which customers interact and engage with us, so we have revised our digital strategy and marketing materials and are focusing on customers in more resilient areas. We are also evaluating changes to future customer demands, such as an increase in home office and green space in residential, and growth in logistics space from an acceleration in the shift from physical to online retail.
Product and service delivery	We temporarily closed down activity on the majority of our sites across SMH, Industrial & Logistics, and at Trentham, at the end of March to protect the health and safety of our people, partners and customers. We have since restarted work in line with Government guidelines, but the delays caused by the temporary pause in activity and changes in ways of working based on new social distancing rules have had an impact on the planned delivery of our homes and industrial and logistics projects. We have stayed in close contact with our customers throughout this to manage expectations and continue to focus on delivering a high-quality product safely.
Customer management and engagement	The effects of the crisis have a major impact on customers across the business, so we have continued to liaise with them to support them where necessary and mitigate the risk of customer failure. This has resulted in a rent collection rate with 82% of rent due in March, April and May being collected and positive performance in housebuilding, with a sales rate of 0.8 since the end of March 2020, in line with our sales rate over the last few years. We are mindful of the economic challenges ahead and continue to monitor this closely. We have realigned and added resource to our various teams to support this.
Supply chain management	Supply chain risk has increased as a result of a deterioration in overall market conditions, so we continually monitor the financial health of key suppliers and seek alternatives to cover any potential exposure. We have maintained a close dialogue with our supply chain partners throughout this crisis and maintain a robust level of materials inventory, in addition to a significant amount of imported materials held to mitigate any risks from Brexit.
Management of health and safety	We have followed the changing Government guidelines since the onset of the crisis and have continued to communicate any changes promptly to our staff, supply chain and customers. This culminated in closing the majority of our sites in March 2020, but these have gradually been reopened, in accordance with Government guidance and following stringent protocols to ensure the safety of our staff and customers. This also includes return to work protocols for our office-based staff. Prior to restarting activity on sites, we established detailed return to site plans and communicated these with the supply chain. We maintain strict social distancing protocols and processes, along with hygiene protocols and clear processes for on-site working, plot restrictions and one-way traffic.
Financial	We have significantly reduced the amount of borrowings in the business over the past three years and as we had no near-term debt maturities, we entered the

Principal risk	Change in our assessment of the risk
	crisis on strong financial footing. As financial risk increased materially in light of the COVID-19 crisis, we responded quickly to maintain this strong financial position, amongst others by cancelling our final dividend, reducing our cost base, cutting non-committed capital expenditure, drawing down our RCF to ensure access to cash, agreeing revised covenants with our lenders to increase headroom in the event of a material reduction in trading performance and obtaining access to the CCFF programme, although we currently have no intention of utilising the latter.
Management of the portfolio and future pipeline	The COVID-19 crisis has increased the risk around management of the portfolio and future pipeline, so we have realigned and increased resource in our business to manage this, focusing on leasing our projects and existing assets, rent recovery, working with tenants to support them throughout this challenging period, operating assets safely based on Government guidelines and recycling capital out of our non-core assets into higher growth parts of our business.
People	The COVID-19 crisis continues to have a significant impact on our people. As we have temporarily closed our offices, our office-based staff continue to work from home, many of our site-based staff had been temporarily furloughed whilst activity on our sites was paused during lockdown. Most of our staff have since returned, as we restarted activity on site, and we have continued to pay those on furlough their full entitled salary without using the Government CJRS scheme. A temporary tapered reduction in pay for higher earners has been reverted to normal, reflecting the positive operational performance. Our investments in IT and robust business continuity plans has meant that the transition to working from home has been smooth, with relatively few concerns. We are mindful of the challenges to prolonged working from home and reduced face-to-face contact, so we have introduced dedicated communications around wellbeing and mental health support and have established policies around a future return to the office in a safe way.

Rob Hudson
Interim Chief Executive

21 July 2020

CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 May 2020

		Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019		
		Total	Total	Underlying	Exceptional[1]	Total
	Notes	**£m**	£m	£m	£m	£m
Revenue	1	**120.5**	173.2	429.9	-	429.9
Costs	1	**(110.2)**	(129.5)	(331.1)	(22.5)	(353.6)
Investment property disposal losses		**(2.5)**	(0.5)	(5.2)	-	(5.2)
Investment property revaluation (losses)/gains		**(128.4)**	15.3	47.5	-	47.5
Net loss of joint ventures and associates (post-tax)	5	**(9.2)**	(0.7)	(2.6)	-	(2.6)
Administrative expenses	1	**(20.7)**	(22.2)	(43.8)	-	(43.8)
(Loss)/profit before interest and tax		**(150.5)**	35.6	94.7	(22.5)	72.2
Finance costs	6	**(8.6)**	(8.9)	(15.8)	-	(15.8)
Finance income	6	**1.0**	1.4	2.5	-	2.5
(Loss)/profit before tax		**(158.1)**	28.1	81.4	(22.5)	58.9
Taxation	9b	**23.6**	(5.0)	(13.4)	4.0	(9.4)
(Loss)/profit for the period		**(134.5)**	23.1	68.0	(18.5)	49.5
Attributable to:						
Owners of the Company		**(134.4)**	23.3	68.0	(17.3)	50.7
Non-controlling interests		**(0.1)**	(0.2)	-	(1.2)	(1.2)
(Loss)/profit for the period		**(134.5)**	23.1	68.0	(18.5)	49.5

(1) Refer to note 9a for details of the exceptional item in the year ended 30 November 2019.

	Notes	**Unaudited 31 May 2020**	Unaudited 31 May 2019	Audited 30 Nov 2019
		Pence	Pence	Pence
Basic earnings per share	7	**(60.5)**	10.5	22.8
Diluted earnings per share	7	**(60.5)**	10.4	22.6

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 May 2020

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
	£m	£m	£m
(Loss)/profit for the period	**(134.5)**	23.1	49.5
Items that will not be reclassified to profit and loss:			
Pension fund actuarial gains/(losses)	**0.1**	(0.1)	0.1
Total comprehensive (expense)/income for the period	**(134.4)**	23.0	49.6
Attributable to:			
Owners of the Company	**(134.3)**	23.2	50.8
Non-controlling interests	**(0.1)**	(0.2)	(1.2)
Total comprehensive (expense)/income for the period	**(134.4)**	23.0	49.6

CONDENSED GROUP BALANCE SHEET
as at 31 May 2020

	Notes	**Unaudited 31 May 2020 £m**	Unaudited 31 May 2019 £m	Audited 30 Nov 2019 £m
Non-current assets				
Investment properties		**860.3**	1,008.0	958.1
Operating property, plant and equipment and intangibles		**24.3**	25.7	26.7
Investments in joint ventures and associates		**75.2**	88.7	86.0
Trade and other receivables		**11.1**	3.5	11.3
Derivative financial instruments	8	**-**	0.3	0.2
		970.9	1,126.2	1,082.3
Current assets				
Inventories		**432.1**	370.0	416.5
Assets held for sale	9g	**26.3**	-	15.8
Trade and other receivables		**91.3**	80.9	88.5
Current tax assets		**1.8**	-	-
Cash and cash equivalents		**139.4**	32.7	48.2
		690.9	483.6	569.0
Current liabilities				
Trade and other payables		**(103.4)**	(137.7)	(140.4)
Borrowings and lease liabilities		**(1.2)**	(1.6)	(1.4)
Provisions		**(35.9)**	-	(24.5)
Current tax liabilities		**-**	(0.5)	-
		(140.5)	(139.8)	(166.3)
Non-current liabilities				
Trade and other payables		**(14.2)**	(22.9)	(14.8)
Derivative financial instruments	8	**(5.3)**	(3.1)	(3.3)
Borrowings and lease liabilities		**(556.5)**	(357.2)	(360.9)
Deferred tax		**(2.2)**	(23.0)	(25.6)
		(578.2)	(406.2)	(404.6)
Net assets		**943.1**	1,063.8	1,080.4
Capital and reserves				
Share capital		**22.2**	22.2	22.2
Share premium account		**102.8**	102.8	102.8
Retained earnings		**766.7**	883.3	901.4
Share incentive reserve		**2.9**	4.7	3.9
Own shares		**(0.7)**	(1.1)	(0.8)
Other reserves		**46.2**	46.2	46.2
Equity attributable to owners of the Company		**940.1**	1,058.1	1,075.7
Non-controlling interests		**3.0**	5.7	4.7
Total equity		**943.1**	1,063.8	1,080.4

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 May 2020

	Share capital £m	**Share premium account £m**	**Retained earnings £m**	**Share incentive reserve £m**	**Own shares £m**	**Other reserves £m**	**Equity attributable to owners of the Company £m**	**Non-controlling interests £m**	**Total equity £m**
Equity at 1 December 2019	**22.2**	**102.8**	**901.4**	**3.9**	**(0.8)**	**46.2**	**1,075.7**	**4.7**	**1,080.4**
Loss for the period	**-**	**-**	**(134.4)**	**-**	**-**	**-**	**(134.4)**	**(0.1)**	**(134.5)**
Pension fund actuarial losses	**-**	**-**	**0.1**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Total comprehensive expense	**-**	**-**	**(134.3)**	**-**	**-**	**-**	**(134.3)**	**(0.1)**	**(134.4)**
Share-based payments	**-**	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Deferred tax on share-based payments	**-**	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Settlement of share-based payments	**-**	**-**	**(0.4)**	**(0.6)**	**0.1**	**-**	**(0.9)**	**-**	**(0.9)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Equity at 31 May 2020	**22.2**	**102.8**	**766.7**	**2.9**	**(0.7)**	**46.2**	**940.1**	**3.0**	**943.1**

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 1 December 2018	22.2	102.8	869.5	4.7	(1.3)	46.2	1,044.1	5.9	1,050.0
Profit for the period	-	-	23.3	-	-	-	23.3	(0.2)	23.1
Pension fund actuarial losses	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total									

comprehensive income	-	-	23.2	-	-	-	23.2	(0.2)	23.0
Share-based payments	-	-	-	0.9	-	-	0.9	-	0.9
Deferred tax on share-based payments	-	-	-	0.1	-	-	0.1	-	0.1
Settlement of share-based payments	-	-	(0.5)	(1.0)	0.2	-	(1.3)	-	(1.3)
Dividends paid	-	-	(8.9)	-	-	-	(8.9)	-	(8.9)
Equity at 31 May 2019	22.2	102.8	883.3	4.7	(1.1)	46.2	1,058.1	5.7	1,063.8

	Share capital	Share premium account	Retained earnings	Share incentive reserve	Own shares	Other reserves	Equity attribut-able to owners of the Company	Non-control-ling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equity at 1 December 2018	22.2	102.8	869.5	4.7	(1.3)	46.2	1,044.1	5.9	1,050.0
Profit for the year	-	-	50.7	-	-	-	50.7	(1.2)	49.5
Pension fund actuarial losses	-	-	0.1	-	-	-	0.1	-	0.1
Total comprehensive income	-	-	50.8	-	-	-	50.8	(1.2)	49.6
Share-based payments	-	-	-	1.4	-	-	1.4	-	1.4
Settlement of share-based payments	-	-	(2.0)	(2.2)	0.5	-	(3.7)	-	(3.7)
Dividends paid	-	-	(16.9)	-	-	-	(16.9)	-	(16.9)
Equity at 30 November 2019	22.2	102.8	901.4	3.9	(0.8)	46.2	1,075.7	4.7	1,080.4

Own shares represent the cost of 184,465 (31 May 2019: 267,054, 30 November 2019: 210,434) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 31 May 2020 was £0.6m (31 May 2019: £1.2m, 30 November 2019: £1.0m).

The other reserves comprise a capital redemption reserve of £0.3m (31 May 2019: £0.3m, 30 November 2019: £0.3m) and the balance of net proceeds in excess of the nominal value of shares arising from an equity placing in 2013 of £45.9m (31 May 2019: £45.9m, 30 November 2019: £45.9m).

CONDENSED GROUP CASH FLOW STATEMENT

for the six months ended 31 May 2020

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
	£m	£m	£m
Operating activities			
(Loss)/profit before interest and tax	**(150.5)**	35.6	72.2
Net loss of joint ventures and associates (post-tax)	**9.2**	0.7	2.6
Investment property disposal losses	**2.5**	0.5	5.2
Investment property revaluation losses/(gains)	**128.4**	(15.3)	(47.5)
Depreciation and amortisation and impairment of intangibles	**4.3**	1.6	3.7
Increase in net realisable value provisions	**0.6**	2.9	3.9
(Increase)/decrease in inventories	**(25.1)**	(13.0)	2.9
(Increase)/decrease in trade and other receivables	**(5.5)**	12.2	12.5
(Decrease)/increase in trade and other payables	**(32.1)**	(0.8)	0.6
Increase in provisions	**11.4**	-	24.5
Pensions	**0.1**	-	0.2
Share-based payments expense and settlement	**(1.3)**	(0.3)	(2.3)
Tax paid	**(1.6)**	(2.1)	(4.4)
Net cash (outflow)/inflow from operating activities	**(59.6)**	22.0	74.1
Investing activities			
Proceeds from investment property disposals	**22.7**	15.5	67.3
Investment property additions	**(60.1)**	(65.1)	(139.3)
Interest received	**0.7**	0.7	1.4
Capital injection into joint ventures and associates	**(0.7)**	(0.3)	(0.3)
Operating property, plant and equipment and intangibles additions	**(1.9)**	(3.9)	(7.0)
Dividends received from joint ventures and associates	**2.3**	-	0.8
Net cash outflow from investing activities	**(37.0)**	(53.1)	(77.1)
Financing activities			
Dividends paid	**-**	(8.9)	(16.9)
Dividends paid to non-controlling interests	**(1.6)**	-	-
Interest paid	**(5.7)**	(5.7)	(12.4)
Repayment of obligations under lease arrangements	**(0.9)**	(0.5)	(1.1)
Refinancing outflows	**-**	-	(1.3)
Borrowings drawn	**196.0**	140.0	144.0
Repayment of borrowings	**-**	(100.0)	(100.0)
Net cash inflow from financing activities	**187.8**	24.9	12.3
Increase/(decrease) in cash and cash equivalents	**91.2**	(6.2)	9.3
Cash and cash equivalents at start of period	**48.2**	38.9	38.9
Cash and cash equivalents at end of period	**139.4**	32.7	48.2

CONDENSED GROUP ACCOUNTING POLICIES

for the six months ended 31 May 2020

Basis of preparation

The annual financial statements of the St. Modwen Properties PLC group (the Group) are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union

(EU), applied in accordance with the provisions of the Companies Act 2006. The condensed Group financial statements included in this half year results announcement have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The condensed Group financial statements have been prepared on the basis of the accounting policies and methods of computation as set out in the notes to the Group's annual financial statements for the year ended 30 November 2019, except as set out below.

The Group has adopted the below interpretations, amendments and clarifications in the six months ended 31 May 2020, which have had no material impact on the condensed Group financial statements.
• IFRIC 23 *Uncertainty over Income Tax Treatments*
• Amendments to IAS 1 and IAS 28 *Definition of Material*
• Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
• Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
• Amendments to IFRS 3 *Definition of a Business*
• Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
• Amendments to IFRSs *Annual Improvements to IFRSs 2015 - 2017 Cycle*
• Amendments to *References to the Conceptual Framework in IFRS Standards*

Full details of key sources of estimation uncertainty are set out in the Group accounting policies note to the Group's annual financial statements for the year ended 30 November 2019. The directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and so actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

IAS 34 *Interim Financial Statements* requires disclosure of the nature and amount of changes in estimates of amounts reported in prior financial years. During the six months ended 31 May 2020, the condensed Group financial statements reflect a change in the estimates of future costs of two residential land sites in Wales, as set out in more detail within the half year results.

The financial information for the year ended 30 November 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, but is derived from those accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

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

Going concern
The directors are required to assess the Group's ability to continue as a going concern for a period of at least the next 12 months. Given the significant impact of the COVID-19 crisis on the economy and the activities of the Group, a thorough review of the going concern assumption has been undertaken in preparing the condensed Group financial statements. The Group's going concern assessment considers the Group's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to continue to operate the Group's facilities within its financial covenants.

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 the potential range of future financial performance and several steps have been taken to ensure that the Group maintains a strong balance sheet and liquidity position. This includes securing access to funding under the Government's Covid Corporate Financing Facility (CCFF) should that be required in the event of a severe deterioration in market conditions and agreeing an amendment of the interest cover covenants on our Group debt facilities.

The detailed review of the going concern assumption included an assessment of future funding requirements based on cash flow forecasts, valuation projections and the ability of the Group to meet amended covenants on existing borrowing facilities, all over a period extending to 30 November 2021. The Group has no debt maturities during this period. The directors were satisfied that the forecasts and projections were based on realistic assumptions and that the sensitivities applied in reviewing the severe but plausible downside scenario adopted were appropriate and considered the potential impacts of COVID-19.

The cash flow forecasts prepared assumed the following changes compared with pre-COVID-19 levels:
• house price falls of 5% in the each of the six months ending 30 November 2020 and 31 May 2021, before recovering slightly in the remainder of 2021;
• a reduction in sales volumes of 25%;
• further rent collection reductions beyond those experienced to 31 May 2020; and
• a reduced development pipeline.
Current performance for house prices, sales rates and rent collections indicate that these assumptions are conservative.

The severe but plausible downside scenario modelled adopted the following key assumptions:
• a fall in house prices of 20% over the period to November 2021;
• a reduction in the house sales rate by nearly half;
• a fall in the value of residential land of 40% by November 2021;
• a reduction in the collection of rents of nearly a third of gross rents;
• no further asset disposals;
• a reduction in capital expenditure;
• no dividend payments; and
• reductions in discretionary spend, bonuses and other administrative expenses.

The review shows that the Group maintains significant borrowing headroom and continues to meet all of its covenants under the severe but plausible downside scenario adopted. There is no expectation that there will be a requirement to use the CCFF. Therefore, the directors are satisfied that the Group will have sufficient ongoing facilities available throughout the period to 30 November 2021 used to assess the going concern assumption.

Based on their assessment, the directors believe the Group has adequate available resources to fund its operations for the foreseeable future, and not less than 12 months from the date of these condensed Group financial statements, and so determine that it remains appropriate for the condensed Group financial statements to be prepared on a going concern basis.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

for the six months ended 31 May 2020

1. Detailed income statement

This note sets out the detail of the income statement by category of revenue under IFRS 15 *Revenue from Contracts with Customers* and to assist in reconciling the non-statutory disclosures in notes 2 and 3.

	Six months ended 31 May 2020 (unaudited)				
	Revenue £m	**Costs £m**	**Statutory profit/(loss) £m**	**Reallocation of joint ventures and associates £m**	**Total £m**
Rental income	**18.9**	**(5.9)**	**13.0**	**1.5**	**14.5**
Other activities	**1.0**	**(1.0)**	**-**	**-**	**-**
Net rental and other income	**19.9**	**(6.9)**	**13.0**	**1.5**	**14.5**
Housebuilding developments	**69.8**	**(57.4)**	**12.4**	**-**	**12.4**
Housebuilding construction contracts	**4.3**	**(3.8)**	**0.5**	**-**	**0.5**
Other housebuilding activities	**13.4**	**(12.5)**	**0.9**	**-**	**0.9**
Housebuilding development profits	**87.5**	**(73.7)**	**13.8**	**-**	**13.8**
Non-housebuilding developments	**-**	**(15.9)**	**(15.9)**	**-**	**(15.9)**
Pre-sold property construction contracts	**4.7**	**(4.5)**	**0.2**	**-**	**0.2**
Property development losses	**4.7**	**(20.4)**	**(15.7)**	**-**	**(15.7)**
Inventory disposal losses	**0.8**	**(1.8)**	**(1.0)**	**-**	**(1.0)**
Investment property disposal losses	**-**	**-**	**(2.5)**	**(0.6)**	**(3.1)**
Property disposal losses	**0.8**	**(1.8)**	**(3.5)**	**(0.6)**	**(4.1)**
Net realisable value provisions	**-**	**(0.6)**	**(0.6)**	**-**	**(0.6)**
Investment property revaluation losses	**-**	**-**	**(128.4)**	**(8.0)**	**(136.4)**
Property revaluation losses	**-**	**(0.6)**	**(129.0)**	**(8.0)**	**(137.0)**
Development fee income	**7.6**	**(6.8)**	**0.8**	**-**	**0.8**
Total	**120.5**	**(110.2)**			
Housebuilding administrative expenses			**(4.5)**	**-**	**(4.5)**
Non-housebuilding administrative expenses			**(13.2)**	**(0.1)**	**(13.3)**
Impairment of intangibles			**(3.0)**	**-**	**(3.0)**
Administrative expenses			**(20.7)**	**(0.1)**	**(20.8)**
Net loss of joint ventures and associates (post-tax)			**(9.2)**	**9.2**	**-**
Loss before interest and tax			**(150.5)**	**2.0**	**(148.5)**
Interest costs			**(6.1)**	**(0.8)**	**(6.9)**
Other finance costs			**(2.5)**	**(1.4)**	**(3.9)**
Finance costs			**(8.6)**	**(2.2)**	**(10.8)**
Interest income			**1.0**	**0.4**	**1.4**
Finance income			**1.0**	**0.4**	**1.4**
Loss before tax			**(158.1)**	**0.2**	**(157.9)**
Taxation			**23.6**	**(0.2)**	**23.4**
Loss for the period			**(134.5)**	**-**	**(134.5)**

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

Interest costs	(5.2)	(1.1)	(6.3)
Other finance costs	(3.7)	(1.9)	(5.6)
Finance costs	(8.9)	(3.0)	(11.9)
Interest income	1.2	0.6	1.8
Other finance income	0.2	0.2	0.4
Finance income	1.4	0.8	2.2
Profit before tax	28.1	(0.3)	27.8
Taxation	(5.0)	0.3	(4.7)
Profit for the period	23.1	-	23.1

	Year ended 30 November 2019 (audited)				
	Revenue £m (restated)	Costs £m (restated)	Statutory profit/(loss) £m	Reallocation of joint ventures and associates £m	Total £m
Rental income	43.2	(10.3)	32.9	4.1	37.0
Other activities	5.6	(2.5)	3.1	-	3.1
Net rental and other income	48.8	(12.8)	36.0	4.1	40.1
Housebuilding developments	277.7	(223.4)	54.3	-	54.3
Housebuilding construction contracts	7.8	(6.9)	0.9	-	0.9
Other housebuilding activities	6.7	(6.4)	0.3	-	0.3
Housebuilding development profits	292.2	(236.7)	55.5	-	55.5
Non-housebuilding developments	38.2	(55.2)	(17.0)	1.5	(15.5)
Pre-sold property construction contracts	25.0	(24.5)	0.5	-	0.5
Property development (losses)/gains	63.2	(79.7)	(16.5)	1.5	(15.0)
Inventory disposal gains	8.4	(7.6)	0.8	-	0.8
Investment property disposal losses	-	-	(5.2)	(0.6)	(5.8)
Property disposal losses	8.4	(7.6)	(4.4)	(0.6)	(5.0)
Net realisable value provisions	-	(3.9)	(3.9)	-	(3.9)
Investment property revaluation gains/(losses)	-	-	47.5	(4.2)	43.3
Property valuation gains/(losses)	-	(3.9)	43.6	(4.2)	39.4
Development fee income	17.3	(12.9)	4.4	-	4.4
Total	429.9	(353.6)			
Housebuilding administrative expenses			(11.3)	-	(11.3)
Non-housebuilding administrative expenses			(32.5)	(0.3)	(32.8)
Administrative expenses			(43.8)	(0.3)	(44.1)
Net loss of joint ventures and associates (post-tax)			(2.6)	2.6	-
Profit before interest and tax			72.2	3.1	75.3
Interest costs			(11.0)	(1.9)	(12.9)
Other finance costs			(4.8)	(2.6)	(7.4)
Finance costs			(15.8)	(4.5)	(20.3)
Interest income			2.3	1.3	3.6
Other finance income			0.2	0.2	0.4
Finance income			2.5	1.5	4.0
Profit before tax			58.9	0.1	59.0
Taxation			(9.4)	(0.1)	(9.5)
Profit for the year			49.5	-	49.5

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

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

	Unaudited 31 May 2020 £m	Unaudited 31 May 2019 £m	Audited 30 Nov 2019 £m
Housebuilding development profits	**13.8**	24.4	55.5
Housebuilding administrative expenses	**(4.5)**	(5.7)	(11.3)
Housebuilding operating profit	**9.3**	18.7	44.2

2. Non-statutory information

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

a. Income statement

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

	Six months ended 31 May 2020 (unaudited)		
	Group £m	**Joint ventures and associates £m**	**Total £m**
Gross rental income	**18.9**	**2.2**	**21.1**
Property outgoings	**(5.9)**	**(0.7)**	**(6.6)**
Net rental and other income	**13.0**	**1.5**	**14.5**

Housebuilding development profit	**13.8**	**-**	**13.8**
Development fee income	**0.8**	**-**	**0.8**
Business unit direct operating expenses	**(8.0)**	**-**	**(8.0)**
Central administrative expenses	**(9.7)**	**(0.1)**	**(9.8)**
Interest costs	**(6.1)**	**(0.8)**	**(6.9)**
Interest income	**1.0**	**0.4**	**1.4**
Taxation on adjusted EPRA earnings	**(0.9)**	**(0.2)**	**(1.1)**
Adjusted EPRA earnings	**3.9**	**0.8**	**4.7**
Property revaluation losses	**(129.0)**	**(8.0)**	**(137.0)**
Property development losses	**(15.7)**	**-**	**(15.7)**
Property disposal losses	**(3.5)**	**(0.6)**	**(4.1)**
Impairment of intangibles	**(3.0)**	**-**	**(3.0)**
Other finance costs	**(2.5)**	**(1.4)**	**(3.9)**
Taxation on other earnings	**24.5**	**-**	**24.5**
Less non-controlling interests on other earnings	**0.1**	**-**	**0.1**
Loss for the period attributable to owners of the Company	**(125.2)**	**(9.2)**	**(134.4)**

The loss for the six months ended 31 May 2020 is stated after the deduction of a £2.6m charge for the impairment of intangible assets and a £2.7m charge for the costs of employees ordinarily undertaking development activities placed on furlough or otherwise unable to undertake that activity due to COVID-19. Both of these items are excluded from the definition of profit before interest and tax for the purposes of interest cover as defined in our banking facility agreement.

	Six months ended 31 May 2019 (unaudited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Gross rental income	22.5	2.5	25.0
Property outgoings	(4.5)	(0.6)	(5.1)
Other net income	0.7	-	0.7
Net rental and other income	18.7	1.9	20.6
Housebuilding development profit	24.4	-	24.4
Development fee income	1.6	-	1.6
Business unit direct operating expenses[1]	(11.1)	-	(11.1)
Central administrative expenses[1]	(11.1)	(0.2)	(11.3)
Interest costs	(5.2)	(1.1)	(6.3)
Interest income	1.2	0.6	1.8
Taxation on adjusted EPRA earnings	(3.3)	(0.2)	(3.5)
Adjusted EPRA earnings	15.2	1.0	16.2
Property revaluation gains/(losses)	12.4	(1.6)	10.8
Property development gains	0.8	1.5	2.3
Property disposal gains/(losses)	0.6	(0.4)	0.2
Other finance costs	(3.7)	(1.9)	(5.6)
Other finance income	0.2	0.2	0.4
Taxation on other earnings	(1.7)	0.5	(1.2)
Less non-controlling interests on other earnings	0.2	-	0.2
Profit/(loss) for the period attributable to owners of the Company	24.0	(0.7)	23.3

(1) As disclosed in note 4, following the restatement of the segmental analysis comparatives for the six months ended 31 May 2019, administrative expenses have been split between business unit direct operating expenses and central administrative expenses and housebuilding administrative expenses of £5.7m that were previously presented within housebuilding operating profit are now presented within business unit direct operating expenses.

	Year ended 30 November 2019 (audited)				
	Group	Joint ventures and associates	Total	Exceptionals	Total
	£m	£m	£m	£m	£m
Gross rental income	43.2	5.4	48.6	-	48.6
Property outgoings	(10.3)	(1.3)	(11.6)	-	(11.6)
Other net income	3.1	-	3.1	-	3.1
Net rental and other income	36.0	4.1	40.1	-	40.1
Housebuilding development profit	55.5	-	55.5	-	55.5
Development fee income	4.4	-	4.4	-	4.4
Business unit direct operating expenses	(21.7)	-	(21.7)	-	(21.7)
Central administrative expenses	(22.1)	(0.3)	(22.4)	-	(22.4)
Interest costs	(11.0)	(1.9)	(12.9)	-	(12.9)
Interest income	2.3	1.3	3.6	-	3.6
Taxation on adjusted EPRA earnings	(7.4)	(0.4)	(7.8)	-	(7.8)
Less non-controlling interests on adjusted EPRA earnings	(0.1)	-	(0.1)	-	(0.1)
Adjusted EPRA earnings	35.9	2.8	38.7	-	38.7
Property revaluation gains/(losses)	43.6	(4.2)	39.4	-	39.4
Property development gains/(losses)	6.0	1.5	7.5	(22.5)	(15.0)
Property disposal losses	(4.4)	(0.6)	(5.0)	-	(5.0)
Other finance costs	(4.8)	(2.6)	(7.4)	-	(7.4)
Other finance income	0.2	0.2	0.4	-	0.4
Taxation on other earnings	(6.0)	0.3	(5.7)	4.0	(1.7)
Less non-controlling interests on other earnings	0.1	-	0.1	1.2	1.3
Profit/(loss) for the period attributable to owners of the Company	70.6	(2.6)	68.0	(17.3)	50.7

b. Balance sheet

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

As at 31 May 2020 (unaudited)

	Group	Joint ventures and associates	Total
	£m	**£m**	**£m**
Property portfolio	**1,318.7**	**86.6**	**1,405.3**
Other assets	**128.6**	**68.1**	**196.7**
Gross assets	**1,447.3**	**154.7**	**1,602.0**
Net borrowings	**(410.6)**	**15.2**	**(395.4)**
Lease liabilities	**(7.7)**	**(0.9)**	**(8.6)**
Other liabilities	**(161.1)**	**(93.8)**	**(254.9)**
Gross liabilities	**(579.4)**	**(79.5)**	**(658.9)**
Net assets	**867.9**	**75.2**	**943.1**
Non-controlling interests	**(3.0)**	**-**	**(3.0)**
Equity attributable to owners of the Company	**864.9**	**75.2**	**940.1**

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

	As at 30 November 2019 (audited)		
	Group £m (restated)	Joint ventures and associates £m	Total £m (restated)
Property portfolio	1,390.4	94.2	1,484.6
Other assets	126.7	79.9	206.6
Gross assets	1,517.1	174.1	1,691.2
Net borrowings	(305.8)	15.2	(290.6)
Lease liabilities	(8.3)	(0.9)	(9.2)
Other liabilities	(208.6)	(102.4)	(311.0)
Gross liabilities	(522.7)	(88.1)	(610.8)
Net assets	994.4	86.0	1,080.4
Non-controlling interests	(4.7)	-	(4.7)
Equity attributable to owners of the Company	989.7	86.0	1,075.7

c. Property portfolio

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

	As at 31 May 2020 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**
Investment properties	**860.3**	**73.2**	**933.5**
Assets held for sale	**26.3**	**-**	**26.3**
Inventories	**432.1**	**13.4**	**445.5**
Property portfolio	**1,318.7**	**86.6**	**1,405.3**

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

(1) Assets held under leases are no longer excluded from the presentation of the Group's property portfolio.

	As at 30 November 2019 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Investment properties	958.1	82.9	1,041.0
Assets held for sale	15.8	-	15.8
Inventories	416.5	11.3	427.8
Property portfolio	1,390.4	94.2	1,484.6

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

	As at 31 May 2020 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**
Industrial & Logistics	**583.4**	**34.8**	**618.2**
St. Modwen Homes	**401.9**	**-**	**401.9**

	Group	Joint ventures and associates	Total
Residential land	138.6	33.8	172.4
Retail-led regeneration	67.1	-	67.1
Other regeneration	78.4	9.4	87.8
Non-core retail	18.4	6.4	24.8
Non-core other	30.9	2.2	33.1
Strategic Land & Regeneration	**333.4**	**51.8**	**385.2**
Property portfolio	**1,318.7**	**86.6**	**1,405.3**

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

	As at 30 November 2019 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Industrial & Logistics	553.5	34.6	588.1
St. Modwen Homes	384.2	-	384.2
Residential land	218.4	40.3	258.7
Retail-led regeneration	83.6	-	83.6
Other regeneration	86.7	8.9	95.6
Non-core retail	21.8	8.3	30.1
Non-core other	42.2	2.1	44.3
Strategic Land & Regeneration	452.7	59.6	512.3
Property portfolio	1,390.4	94.2	1,484.6

Investment and commercial property assets as defined in our banking facility agreement at 31 May 2020 was £651.5m (31 May 2019: £634.7m, 30 November 2019: £642.5m).

d. Total accounting return

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

	Unaudited 31 May 2020 Pence per share	Unaudited 31 May 2019 Pence per share	Audited 30 Nov 2019 Pence per share
Net asset value per share at end of year (note 3)	**423.1**	476.4	484.2
Less net asset value per share at start of year (note 3)	**(484.2)**	(470.2)	(470.2)
(Decrease)/increase in net asset value per share	**(61.1)**	6.2	14.0
Dividend paid per share	**-**	4.0	7.6
Total accounting return per share	**(61.1)**	10.2	21.6
Total accounting return	**(12.6)%**	2.2%	4.6%

e. Movements in net borrowings and net debt

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

	As at 31 May 2020 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**
Movement in cash and cash equivalents	**91.2**	**(1.7)**	**89.5**
Borrowings drawn	**(196.0)**	**-**	**(196.0)**
Repayment of borrowings	**-**	**1.7**	**1.7**
Increase in net borrowings	**(104.8)**	**-**	**(104.8)**
Movement in lease liabilities	**0.6**	**-**	**0.6**
Increase in net debt	**(104.2)**	**-**	**(104.2)**

	As at 31 May 2019 (unaudited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Movement in cash and cash equivalents	(6.2)	(26.1)	(32.3)
Borrowings drawn	(140.0)	-	(140.0)
Repayment of borrowings	100.0	4.3	104.3
Increase in net borrowings	(46.2)	(21.8)	(68.0)
Fair value movement on convertible bonds	0.2	-	0.2
Movement in lease liabilities	(5.8)	-	(5.8)
Increase in net debt	(51.8)	(21.8)	(73.6)

	As at 30 November 2019 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m

Movement in cash and cash equivalents	9.3	(26.7)	(17.4)
Borrowings drawn	(144.0)	-	(144.0)
Repayment of borrowings	100.0	7.7	107.7
Increase in net borrowings	(34.7)	(19.0)	(53.7)
Fair value movement on convertible bonds	0.2	-	0.2
Movement in lease liabilities	(5.3)	-	(5.3)
Increase in net debt	(39.8)	(19.0)	(58.8)

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

	As at 31 May 2020 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**
Cash and cash equivalents	**139.4**	**17.3**	**156.7**
Bank overdraft	**-**	**(0.3)**	**(0.3)**
Borrowings due after more than one year	**(550.0)**	**(1.8)**	**(551.8)**
Net borrowings	**(410.6)**	**15.2**	**(395.4)**
Lease liabilities due within one year	**(1.2)**	**-**	**(1.2)**
Lease liabilities due after more than one year	**(6.5)**	**(0.9)**	**(7.4)**
Net debt	**(418.3)**	**14.3**	**(404.0)**

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

	As at 30 November 2019 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Cash and cash equivalents	48.2	19.0	67.2
Borrowings due after more than one year	(354.0)	(3.8)	(357.8)
Net borrowings	(305.8)	15.2	(290.6)
Lease liabilities due within one year	(1.4)	-	(1.4)
Lease liabilities due after more than one year	(6.9)	(0.9)	(7.8)
Net debt	(314.1)	14.3	(299.8)

g. Gearing and loan-to-value
The Group's capacity to borrow is primarily linked to the value of the property portfolio. 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. These terms are defined as follows:

Net borrowings: Total borrowings (at amortised cost and excluding leases) less cash and cash equivalents.

See-through net borrowings: Total borrowings (at amortised cost excluding leases) less cash and cash equivalents (including the Group's share of its joint ventures and associates). This includes the development account beneficially owned by one of our joint ventures VSM (NGCM) Limited (held for the purpose of funding the establishment of a market at Nine Elms, which would otherwise need to be funded by injecting cash into the joint venture in the future), but excludes the balance of the development account that is held on short-term deposit as it does not meet the definition of cash or cash equivalents.

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, calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

	As at 31 May 2020 (unaudited)		
	Group	**Joint ventures and associates**	**Total**
	£m	**£m**	**£m**
Property portfolio (note 2c)	**1,318.7**	**86.6**	**1,405.3**
Total equity	**943.1**	**N/A**	**943.1**
Net debt (note 2f)	**418.3**	**(14.3)**	**404.0**
Net borrowings (note 2f)	**410.6**	**(15.2)**	**395.4**
Gearing	**44.4%**		**42.8%**
Adjusted gearing	**43.5%**		**41.9%**
Loan-to-value	**31.1%**		**28.1%**

	As at 31 May 2019 (unaudited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Property portfolio (note 2c)	1,375.0	96.7	1,471.7
Total equity	1,063.8	N/A	1,063.8

Net debt (note 2f)	326.1	(11.5)	314.6
Net borrowings (note 2f)	317.3	(12.4)	304.9
Gearing	30.7%		29.6%
Adjusted gearing	29.8%		28.7%
Loan-to-value	23.1%		20.7%

	As at 30 November 2019 (audited)		
	Group	Joint ventures and associates	Total
	£m	£m	£m
Property portfolio (note 2c)	1,390.4	94.2	1,484.6
Total equity	1,080.4	N/A	1,080.4
Net debt (note 2f)	314.1	(14.3)	299.8
Net borrowings (note 2f)	305.8	(15.2)	290.6
Gearing	29.1%		27.7%
Adjusted gearing	28.3%		26.9%
Loan-to-value	22.0%		19.6%

3. EPRA performance measures

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

a. EPRA earnings measures

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

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

The EPRA earnings measures are calculated as set out below:

	Six months ended 31 May 2020 (unaudited)		
	IFRS earnings	**EPRA earnings**	**Adjusted EPRA earnings**
	£m	**£m**	**£m**
Loss for the period attributable to owners of the Company	**(134.4)**	**(134.4)**	**(134.4)**
Property revaluation losses	**-**	**137.0**	**137.0**
Property disposal losses	**-**	**4.1**	**4.1**
Property development losses	**-**	**15.7**	**15.7**
Housebuilding operating profit(1)	**-**	**(9.3)**	**-**
Amortisation of discount on deferred payment arrangements(2)	**-**	**1.4**	**1.4**
Impairment of intangibles	**-**	**3.0**	**3.0**
Movement in fair value of financial instruments	**-**	**2.2**	**2.2**
Amortisation of loan arrangement fees	**-**	**-**	**0.4**
Taxation in respect of adjustments	**-**	**(22.9)**	**(24.6)**
Non-controlling interests in respect of the above	**-**	**(0.1)**	**(0.1)**
Earnings for the period	**(134.4)**	**(3.3)**	**4.7**
Weighted average number of shares(3)	222,181,270	222,181,270	222,181,270
Earnings per share (pence)	**(60.5)**	**(1.5)**	**2.1**

	Six months ended 31 May 2019 (unaudited)		
	IFRS earnings	EPRA earnings	Adjusted EPRA earnings
	£m	£m	£m
Profit for the period attributable to owners of the Company	23.3	23.3	23.3
Property revaluation gains	-	(10.8)	(10.8)
Property disposal gains	-	(0.2)	(0.2)
Property development gains	-	(2.3)	(2.3)
Housebuilding operating profit(1)	-	(18.7)	-
Amortisation of discount on deferred payment arrangements(2)	-	1.9	1.9
Movement in fair value of financial instruments	-	2.4	2.4
Amortisation of loan arrangement fees	-	-	0.9
Taxation in respect of adjustments	-	4.7	1.2
Non-controlling interests in respect of the above	-	(0.2)	(0.2)
Earnings for the period	23.3	0.1	16.2
Weighted average number of shares(3)	222,046,418	222,046,418	222,046,418
Earnings per share (pence)	10.5	-	7.3

	Year ended 30 November 2019 (audited)		
	IFRS earnings	EPRA earnings	Adjusted EPRA earnings
	£m	£m	£m
Profit for the year attributable to owners of the			

Company	50.7	50.7	50.7
Property revaluation gains	-	(39.4)	(39.4)
Property disposal glosses	-	5.0	5.0
Property development losses	-	15.0	15.0
Housebuilding operating profit(1)	-	(44.2)	-
Amortisation of discount on deferred payment arrangements(2)	-	2.4	2.4
Movement in fair value of financial instruments	-	2.7	2.7
Amortisation of loan arrangement fees	-	-	1.9
Taxation in respect of adjustments	-	8.8	1.7
Non-controlling interests in respect of the above	-	(1.3)	(1.3)
Earnings for the year	50.7	(0.3)	38.7
Weighted average number of shares(3)	222,084,656	222,084,656	222,084,656
Earnings per share (pence)	22.8	(0.1)	17.4

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

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

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

(3) The number of shares in issue used to calculate the earnings per share is disclosed in note 7 and excludes those shares held by The St. Modwen Properties PLC Employee Share Trust.

b. EPRA net asset value measures

In October 2019, EPRA released updated guidelines that revised the approach to the calculation of net asset value. The new guidelines introduce three new measures to replace those previously presented, which are described below. This new set of EPRA net asset value metrics are applicable for accounting period commencing on or after 1 January 2020, however the Group has elected to early adopt these and to present comparatives in accordance with the new measures.

The objective of EPRA net disposal value (NDV) is to highlight the full extent of liabilities and resulting shareholder value if assets are sold and/or if liabilities are not held until maturity. Therefore, this measure includes an adjustment to increase the value of inventory from the lower of historical cost or net book value to fair value.

The objective of EPRA net reinstatement value (NRV) is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on derivative financial instruments and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, investment property purchaser's costs are also included.

The objective of EPRA net tangible assets (NTA) is to highlight the fair value of net assets on an ongoing, long-term basis, but on the assumption that entities buy and sell assets, thereby crystallising only certain levels of deferred tax liability. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on derivative financial instruments, deferred taxes on those property valuation surpluses that are not expected to crystallise and intangibles are therefore excluded, but no adjustment to include purchaser's costs is made. The Group considers this to be the most relevant EPRA net asset value measure.

The EPRA net asset values are calculated as set out below:

	As at 31 May 2020 (unaudited)			
	IFRS net assets	**EPRA net disposal value**	**EPRA net reinstatement value**	**EPRA net tangible assets**
	£m	**£m**	**£m**	**£m**
Equity attributable to owners of the Company	**940.1**	**940.1**	**940.1**	**940.1**
Adjustment of inventories to fair value	**-**	**8.9**	**8.9**	**8.9**
Deferred tax on capital allowances and revaluations(1)	**-**	**-**	**11.5**	**17.2**
Mark-to-market of derivative financial instruments	**-**	**-**	**4.3**	**4.3**
Intangibles	**-**	**-**	**-**	**(3.2)**
Purchaser's costs(2)	**-**	**-**	**62.4**	**-**
Net asset value	**940.1**	**949.0**	**1,027.2**	**967.3**
Number of shares(3)	222,192,523	224,525,163	224,525,163	224,525,163
Net asset value per share (pence)	**423.1**	**422.7**	**457.5**	**430.8**

	As at 31 May 2019 (unaudited)			
	IFRS net assets	EPRA net disposal value	EPRA net reinstatement value	EPRA net tangible assets
	£m	£m	£m	£m
Equity attributable to owners of the Company	1,058.1	1,058.1	1,058.1	1,058.1
Adjustment of inventories to fair value	-	7.1	7.1	7.1
Deferred tax on capital allowances and revaluations(1)	-	-	26.5	10.3
Mark-to-market of derivative financial instruments	-	-	2.3	2.3
Intangibles	-	-	-	(3.2)
Purchaser's costs(2)	-	-	71.2	-

Net asset value	1,058.1	1,065.2	1,165.2	1,074.6
Number of shares(3)	222,109,934	224,635,292	224,635,292	224,635,292
Net asset value per share (pence)	476.4	474.2	518.7	478.4

	As at 30 November 2019 (audited)			
	IFRS net assets	EPRA net disposal value	EPRA net reinstatement value	EPRA net tangible assets
	£m	£m	£m	£m
Equity attributable to owners of the Company	1,075.7	1,075.7	1,075.7	1,075.7
Adjustment of inventories to fair value	-	11.8	11.8	11.8
Deferred tax on capital allowances and revaluations(1)	-	-	30.1	14.5
Mark-to-market of derivative financial instruments	-	-	2.6	2.6
Intangibles	-	-	-	(4.9)
Purchaser's costs(2)	-	-	68.7	-
Net asset value	1,075.7	1,087.5	1,188.9	1,099.7
Number of shares(3)	222,166,554	224,078,242	224,078,242	224,078,242
Net asset value per share (pence)	484.2	485.3	530.6	490.8

(1) The Group has determined that only deferred tax on assets within the Industrial & Logistics portfolio as disclosed in note 2c should be added back in calculating EPRA net tangible assets as it is only in this operating segment that the general intention is to hold assets for the long term.

(2) The external valuation certificate does not separately disclose a gross valuation and therefore purchaser's costs have been estimated from the net valuation disclosed in the valuation certificate based on the standard assumption used for purchaser's costs of 6.5%.

(3) The number of shares in issue used to calculate the net asset values per share excludes those shares held by The St. Modwen Properties PLC Employee Share Trust and, for the three EPRA net asset measures, also includes the dilutive effect of share options as these measures are calculated on a diluted basis.

The Group has previously disclosed EPRA net asset value (NAV) and EPRA triple net asset value (NNNAV). EPRA NTA is similar to EPRA NAV as previously reported, but adds back a smaller amount of deferred tax and excludes intangibles and therefore is slightly lower, as detailed in the reconciliation below. For the Group, EPRA NDV is equivalent to EPRA NNNAV as previously reported and therefore no reconciliation is presented between EPRA NNNAV and EPRA NDV.

	Unaudited	Unaudited	Audited
	31 May 2020	31 May 2019	30 Nov 2019
	£m	£m	£m
EPRA net asset value	**964.8**	1,094.0	1,120.2
Difference in deferred tax on capital allowances and revaluations	**5.7**	(16.2)	(15.6)
Intangibles	**(3.2)**	(3.2)	(4.9)
EPRA net tangible assets	**967.3**	1,074.6	1,099.7

4. Segmental information

a. Reportable segments

IFRS 8 *Operating Segments* requires the identification of the Group's operating segments, defined as being discrete components of the Group's operations whose results are regularly reviewed by the chief operating decision maker (being the Chief Executive) to allocate resources to those segments and to assess their performance.

As discussed in the financial statements for the year ended 30 November 2019, following the restructure of the Group's operations to align to its three strategic objectives, the Group now divides its business into the following segments:
• Industrial & Logistics;
• St. Modwen Homes; and
• Strategic Land & Regeneration.

As the chief operating decision maker receives proportionally consolidated reports, the information disclosed below reflects presentation of results as set out in note 2. Due to the way the Group manages its support functions and treasury and tax affairs, certain balances and transactions are not allocated to segments, including central administrative expenses, net borrowings, interest and tax. However, the direct operating expenses of each business unit are included within the respective segmental result.

At 31 May 2019, the Group previously reported two segments:
• housebuilding activity through St. Modwen Homes and the Persimmon joint venture; and
• the balance of the Group's portfolio of properties which the Group managed internally, and reported, as a single business segment.
As required by IFRS 8 *Operating Segments*, the comparative information has been restated to reflect the Group's current operating segments. As the business units that are reflected in these segments did not exist during the six months ended 31 May 2019, the restated comparative information is based on assumptions and allocations for certain balances and transactions where the underlying records are not available.

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

b. Segment results

	Six months ended 31 May 2020 (unaudited)				
	Industrial & Logistics	**St. Modwen Homes**	**Strategic Land & Regeneration**	**Unallocated**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Gross rental income	**12.2**	**-**	**8.9**	**-**	**21.1**
Property outgoings	**(3.0)**	**-**	**(3.6)**	**-**	**(6.6)**
Net rental and other income	**9.2**	**-**	**5.3**	**-**	**14.5**
Housebuilding development profit	**-**	**12.1**	**1.7**	**-**	**13.8**
Development fee income	**0.1**	**-**	**0.7**	**-**	**0.8**
Business unit direct operating expenses	**(1.0)**	**(4.5)**	**(2.5)**	**-**	**(8.0)**

Business unit operating profit	**8.3**	**7.6**	**5.2**	**-**	**21.1**
Central administrative expenses	**-**	**-**	**-**	**(9.8)**	**(9.8)**
Interest costs	**-**	**-**	**-**	**(6.9)**	**(6.9)**
Interest income	**-**	**-**	**-**	**1.4**	**1.4**
Taxation on adjusted EPRA earnings	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Adjusted EPRA earnings	**8.3**	**7.6**	**5.2**	**(16.4)**	**4.7**
Property valuation losses	**(6.6)**	**-**	**(130.4)**	**-**	**(137.0)**
Property development losses	**(0.3)**	**(1.8)**	**(1.5)**	**(12.1)**	**(15.7)**
Property disposal losses	**(1.1)**	**-**	**(3.0)**	**-**	**(4.1)**
Impairment of intangibles	**-**	**-**	**-**	**(3.0)**	**(3.0)**
Other finance costs	**-**	**-**	**(1.4)**	**(2.5)**	**(3.9)**
Taxation on other earnings	**-**	**-**	**-**	**24.5**	**24.5**
Less non-controlling interests on other earnings	**-**	**-**	**-**	**0.1**	**0.1**
Profit/(loss) for the period attributable to owners of the Company	**0.3**	**5.8**	**(131.1)**	**(9.4)**	**(134.4)**

Six months ended 31 May 2019 (unaudited)

	Industrial & Logistics	St. Modwen Homes	Strategic Land & Regeneration	Unallocated	Total
	£m	£m	£m	£m	£m
Gross rental income	11.3	-	13.7	-	25.0
Property outgoings	(1.9)	-	(3.2)	-	(5.1)
Other net income	-	-	0.7	-	0.7
Net rental and other income	9.4	-	11.2	-	20.6
Housebuilding development profit	-	20.9	3.5	-	24.4
Development fee income	-	-	1.6	-	1.6
Business unit direct operating expenses	(1.7)	(5.7)	(3.7)	-	(11.1)
Business unit operating profit	7.7	15.2	12.6	-	35.5
Central administrative expenses	-	-	-	(11.3)	(11.3)
Interest costs	-	-	-	(6.3)	(6.3)
Interest income	-	-	-	1.8	1.8
Taxation on adjusted EPRA earnings	-	-	-	(3.5)	(3.5)
Adjusted EPRA earnings	7.7	15.2	12.6	(19.3)	16.2
Property valuation gains/(losses)	19.4	-	(8.6)	-	10.8
Property development gains	0.5	-	1.8	-	2.3
Property disposal gains	0.1	-	0.1	-	0.2
Other finance costs	-	-	(1.9)	(3.7)	(5.6)
Other finance income	-	-	-	0.4	0.4
Taxation on other earnings	-	-	-	(1.2)	(1.2)
Less non-controlling interests on other earnings	-	-	-	0.2	0.2
Profit for the period attributable to owners of the Company	27.7	15.2	4.0	(23.6)	23.3

Year ended 30 November 2019 (audited)

	Industrial & Logistics	St. Modwen Homes	Strategic Land & Regeneration	Unallocated	Total
	£m	£m	£m	£m	£m
Gross rental income	22.2	-	26.4	-	48.6
Property outgoings	(4.6)	-	(7.0)	-	(11.6)
Other net income	1.1	-	2.0	-	3.1
Net rental and other income	18.7	-	21.4	-	40.1
Housebuilding development profit	-	51.4	4.1	-	55.5
Development fee income	1.1	-	3.3	-	4.4
Business unit direct operating expenses	(3.3)	(11.3)	(7.1)	-	(21.7)
Business unit operating profit	16.5	40.1	21.7	-	78.3
Central administrative expenses	-	-	-	(22.4)	(22.4)
Interest costs	-	-	-	(12.9)	(12.9)
Interest income	-	-	-	3.6	3.6
Taxation on adjusted EPRA earnings	-	-	-	(7.8)	(7.8)
Less non-controlling interests on adjusted EPRA earnings	-	-	-	(0.1)	(0.1)
Adjusted EPRA earnings	16.5	40.1	21.7	(39.6)	38.7
Property valuation gains/(losses)	45.8	-	(6.4)	-	39.4
Property development gains/(losses)	0.5	-	7.0	(22.5)	(15.0)
Property disposal gains/(losses)	0.2	-	(5.2)	-	(5.0)
Other finance costs	-	-	(2.5)	(4.9)	(7.4)
Other finance income	-	-	-	0.4	0.4
Taxation on other earnings	-	-	-	(1.7)	(1.7)
Less non-controlling interests on other earnings	-	-	-	1.3	1.3
Profit for the year attributable to owners of the Company	63.0	40.1	14.6	(67.0)	50.7

The following table sets out the calculation of operating margin for the St. Modwen Homes business unit:

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
	£m	£m	£m
St. Modwen Homes developments	**66.5**	101.8	262.8
St. Modwen Homes construction contracts	**4.3**	0.6	7.8
Total St. Modwen Homes housebuilding(1)	**70.8**	102.4	270.6
St. Modwen Homes operating profit	**7.6**	15.2	40.1
St. Modwen Homes operating margin	**10.7%**	14.8%	14.8%

(1) Excludes other activities in St. Modwen Homes that do not relate to housebuilding.

c. Segment assets and liabilities

	As at 31 May 2020 (unaudited)				
	Industrial & Logistics	**St. Modwen Homes**	**Strategic Land & Regeneration**	**Unallocated**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Investment properties	604.6	-	328.9	-	933.5
Inventories	13.3	401.9	30.3	-	445.5
Assets held for sale	0.3	-	26.0	-	26.3
Property portfolio	**618.2**	**401.9**	**385.2**	**-**	**1,405.3**
Property, plant and equipment and intangibles	-	-	3.7	20.6	24.3
Trade and other receivables	7.7	21.3	69.8	71.8	170.6
Current tax assets	-	-	-	1.8	1.8
Other assets	**7.7**	**21.3**	**73.5**	**94.2**	**196.7**
Cash and cash equivalents	-	-	-	156.7	156.7
Borrowings	-	-	-	(552.1)	(552.1)
Net borrowings	**-**	**-**	**-**	**(395.4)**	**(395.4)**
Trade and other payables	(18.3)	(22.3)	(51.4)	(57.9)	(149.9)
Provisions and market liability	-	-	(60.1)	(34.0)	(94.1)
Lease liabilities	-	-	-	(8.6)	(8.6)
Derivative financial instrument liabilities	-	-	-	(5.3)	(5.3)
Current tax liabilities	-	-	-	(0.4)	(0.4)
Deferred tax	-	-	-	(5.2)	(5.2)
Other liabilities	**(18.3)**	**(22.3)**	**(111.5)**	**(111.4)**	**(263.5)**
Net assets	**607.6**	**400.9**	**347.2**	**(412.6)**	**943.1**
Less non-controlling interests	-	-	-	(3.0)	(3.0)
Net assets attributable to owners of the Company	**607.6**	**400.9**	**347.2**	**(415.6)**	**940.1**

	As at 31 May 2019 (unaudited)				
	Industrial & Logistics	St. Modwen Homes	Strategic Land & Regeneration	Unallocated	Total
	£m	£m	£m	£m	£m
Investment properties	491.8	75.4	524.3	-	1,091.5
Inventories	11.6	298.3	70.3	-	380.2
Property portfolio	503.4	373.7	594.6	-	1,471.7
Property, plant and equipment and intangibles	-	-	3.5	22.2	25.7
Trade and other receivables	5.2	13.9	79.4	80.3	178.8
Derivative financial instrument assets	-	-	-	0.3	0.3
Other assets	5.2	13.9	82.9	102.8	204.8
Cash and cash equivalents	-	-	-	52.3	52.3
Borrowings	-	-	-	(357.2)	(357.2)
Net borrowings	-	-	-	(304.9)	(304.9)
Trade and other payables	(17.7)	(68.0)	(40.6)	(73.5)	(199.8)
Provisions and market liability	-	-	(67.5)	-	(67.5)
Lease liabilities	-	-	-	(9.7)	(9.7)
Derivative financial instrument liabilities	-	-	-	(3.2)	(3.2)
Current tax liabilities	-	-	-	(1.2)	(1.2)
Deferred tax	-	-	-	(26.4)	(26.4)
Other liabilities	(17.7)	(68.0)	(108.1)	(114.0)	(307.8)
Net assets	490.9	319.6	569.4	(316.1)	1,063.8
Less non-controlling interests	-	-	-	(5.7)	(5.7)
Net assets attributable to owners of the Company	490.9	319.6	569.4	(321.8)	1,058.1

	As at 30 November 2019 (audited)				
	Industrial & Logistics	St. Modwen Homes	Strategic Land & Regeneration	Unallocated	Total
	£m	£m	£m	£m	£m
Investment properties	572.6	-	468.4	-	1,041.0
Inventories	15.5	384.2	28.1	-	427.8
Assets held for sale	-	-	15.8	-	15.8
Property portfolio	588.1	384.2	512.3	-	1,484.6
Property, plant and equipment and intangibles	-	-	3.3	23.4	26.7
Trade and other receivables	6.3	23.8	72.2	77.4	179.7
Derivative financial instrument assets	-	-	-	0.2	0.2
Other assets	6.3	23.8	75.5	101.0	206.6
Cash and cash equivalents	-	-	-	67.2	67.2
Borrowings	-	-	-	(357.8)	(357.8)
Net borrowings	-	-	-	(290.6)	(290.6)
Trade and other payables	(21.7)	(53.6)	(49.7)	(68.2)	(193.2)
Provisions and market liability	-	-	(62.5)	(22.7)	(85.2)
Lease liabilities	-	-	-	(9.2)	(9.2)
Derivative financial instrument liabilities	-	-	-	(3.3)	(3.3)
Current tax liabilities	-	-	-	(0.5)	(0.5)
Deferred tax	-	-	-	(28.8)	(28.8)
Other liabilities	(21.7)	(53.6)	(112.2)	(132.7)	(320.2)
Net assets	572.7	354.4	475.6	(322.3)	1,080.4
Less non-controlling interests	-	-	-	(5.7)	(4.7)
Net assets attributable to owners of the Company	572.7	354.4	475.6	(327.0)	1,075.7

d. Segment returns

Segment returns on capital employed are calculated as the segmental profit before interest and tax for a rolling 12-month period divided by the average segmental net assets, after adding back any segmental-specific net borrowings, for the 12-month period, as set out in the tables below:

	Twelve months ended 31 May 2020 (unaudited)		
	Industrial & Logistics	**St. Modwen Homes**	**Strategic Land & Regeneration**
	£m	**£m**	**£m**
Capital employed at start of period	**490.9**	**319.6**	**569.4**
Capital employed at end of period	**607.6**	**400.9**	**347.2**
Average capital employed	**549.3**	**360.3**	**458.3**
Profit/(loss) before interest and tax for the period	**35.6**	**30.7**	**(120.5)**
Return on capital employed	**6.5%**	**8.5%**	**(26.3)%**

	Year ended 30 November 2019 (audited)		
	Industrial & Logistics	St. Modwen Homes	Strategic Land & Regeneration
	£m	£m	£m
Capital employed at start of year	444.7	351.1	519.4
Capital employed at end of year	572.7	354.4	475.6
Average capital employed	508.7	352.8	497.5
Profit before interest and tax for the year	63.0	40.1	14.6
Return on capital employed	12.4%	11.4%	2.9%

5. Joint ventures and associates

The Group's share of the results for the six months ended 31 May 2020 of its joint ventures and associates is:

	Six months ended 31 May 2020 (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**
Net rental income	**1.2**	**-**	**-**	**0.3**	**-**	**1.5**
Investment property disposal losses	**(0.2)**	**-**	**(0.4)**	**-**	**-**	**(0.6)**
Investment property revaluation (losses)/gains	**(4.2)**	**(4.3)**	**-**	**0.5**	**-**	**(8.0)**
Administrative expenses	**(0.1)**	**-**	**-**	**-**	**-**	**(0.1)**
(Loss)/profit before interest and tax	**(3.3)**	**(4.3)**	**(0.4)**	**0.8**	**-**	**(7.2)**
Finance costs	**(0.1)**	**(0.5)**	**-**	**(1.4)**	**(0.2)**	**(2.2)**
Finance income	**-**	**-**	**-**	**0.4**	**-**	**0.4**
Loss before tax	**(3.4)**	**(4.8)**	**(0.4)**	**(0.2)**	**(0.2)**	**(9.0)**
Taxation	**(0.2)**	**0.3**	**-**	**(0.3)**	**-**	**(0.2)**
Loss for the period	**(3.6)**	**(4.5)**	**(0.4)**	**(0.5)**	**(0.2)**	**(9.2)**

	Six months ended 31 May 2019 (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
Net rental income	1.8	-	-	-	0.1	1.9
Development profits	0.1	-	1.4	-	-	1.5
Investment property disposal losses	(0.4)	-	-	-	-	(0.4)
Investment property revaluation (losses)/gains	(0.8)	(1.5)	-	0.6	0.1	(1.6)
Administrative expenses	(0.1)	-	(0.1)	-	-	(0.2)
Profit/(loss) before interest and tax	0.6	(1.5)	1.3	0.6	0.2	1.2
Finance costs	(0.5)	(0.5)	-	(1.8)	(0.2)	(3.0)
Finance income	0.2	-	0.1	0.5	-	0.8
Profit/(loss) before tax	0.3	(2.0)	1.4	(0.7)	-	(1.0)
Taxation	(0.1)	0.4	(0.2)	0.2	-	0.3
Profit/(loss) for the period	0.2	(1.6)	1.2	(0.5)	-	(0.7)

	Year ended 30 November 2019 (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
Net rental income	3.7	-	-	0.3	0.1	4.1
Development profits	-	-	1.4	-	0.1	1.5
Investment property disposal losses	(0.5)	-	(0.1)	-	-	(0.6)
Investment property revaluation (losses)/gains	(3.3)	(1.5)	-	1.0	(0.4)	(4.2)
Administrative expenses	(0.2)	-	-	(0.1)	-	(0.3)
(Loss)/profit before interest and tax	(0.3)	(1.5)	1.3	1.2	(0.2)	0.5
Finance costs	(0.7)	(1.1)	-	(2.4)	(0.3)	(4.5)
Finance income	0.2	-	0.1	1.2	-	1.5
(Loss)/profit before tax	(0.8)	(2.6)	1.4	-	(0.5)	(2.5)
Taxation	(0.5)	0.4	(0.3)	0.3	-	(0.1)
(Loss)/profit for the year	(1.3)	(2.2)	1.1	0.3	(0.5)	(2.6)

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

6. Finance costs and finance income

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
	£m	£m	£m
Interest costs			
Interest payable on borrowings	**5.5**	4.5	9.7
Interest payable on lease liabilities	**0.3**	0.3	0.5
Interest on pension scheme liabilities	**0.3**	0.4	0.8
Interest costs	**6.1**	5.2	11.0
Other finance costs			
Amortisation of loan arrangement fees	**0.3**	0.8	1.7
Amortisation of discount on deferred payment arrangements	**-**	0.1	-
Movement in fair value of derivative financial instruments	**2.2**	2.8	3.1
Other finance costs	**2.5**	3.7	4.8
Total finance costs	**8.6**	8.9	15.8

Interest of £1.6m (six months ended 31 May 2019: £1.5m, year ended 30 November 2019: £3.3m) was capitalised into investment properties and inventories during the six months ended 31 May 2020.

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
	£m	£m	£m
Interest income			
Interest receivable	**0.7**	0.7	1.4
Interest income on pension scheme assets	**0.3**	0.5	0.9
Interest income	**1.0**	1.2	2.3
Other finance income			
Movement in fair value of convertible bond	**-**	0.2	0.2
Other finance income	**-**	0.2	0.2
Total finance income	**1.0**	1.4	2.5

7. Earnings per share

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
Weighted number of shares in issue	**222,181,270**	222,046,418	222,084,656
Weighted number of diluted shares relating to share options(1)	**-**	2,330,571	2,515,371
Weighted number of shares for the purposes of diluted earnings per share	**222,181,270**	224,376,989	224,600,027

(1) In the six months ended 31 May 2020, share options are excluded from the weighted average diluted number of shares because they are not dilutive.

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
	£m	£m	£m
Net (loss)/profit attributable to owners of the Company	**(134.4)**	23.3	50.7
Earnings for the purposes of diluted earnings per share	**(134.4)**	23.3	50.7

	Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
	Pence	Pence	Pence
Basic earnings per share	**(60.5)**	10.5	22.8
Diluted earnings per share	**(60.5)**	10.4	22.6

Shares held by The St. Modwen Properties PLC Employee Share Trust are excluded from the above calculation. Note 3 sets out details of EPRA and adjusted EPRA earnings per share.

8. Financial instruments held at fair value

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

		Unaudited 31 May 2020	Unaudited 31 May 2019	Audited 30 Nov 2019
		£m	£m	£m
Derivative financial instrument assets	Level 2	**-**	0.3	0.2
Derivative financial instrument liabilities	Level 2	**(5.3)**	(3.1)	(3.3)
Financial instruments classified as fair value through profit or loss		**(5.3)**	(2.8)	(3.1)

Fair value hierarchy

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

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

9. Other information

a. Exceptional item

In the year ended 30 November 2019, an exceptional item was recognised for the expense of making a provision in relation to a potential claim against the Group for a building that the

Group developed and subsequently sold a number of years ago and in which various problems are said to have arisen. There are no exceptional items in the six months ended 31 May 2020.

b. Taxation
The effective rate of Group tax for the period is 15.8% (six months ended 31 May 2019: 17.4%, year ended 30 November 2019: 15.3%).

The tax rate is lower than the standard rate of corporation tax of 19%, predominantly due to the increase in the rate used to recognise deferred tax from 17% to 19%. This gave rise to a tax charge of £3.0m, being 2.0% of Group profit before tax.

c. Dividends
The proposed interim dividend of 1.1 pence (six months ended 31 May 2019: 3.6 pence) per share was approved by a Committee of the Board on 21 July 2020 and will amount to £2.4m (six months ended 31 May 2019: £8.0m).

d. Valuation of investment properties
Investment properties were valued at 31 May 2020, 30 November 2019 and 31 May 2019 by Cushman & Wakefield, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Cushman & Wakefield are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

Due to the disruption to the investment property market caused by COVID-19, the valuations prepared by Cushman & Wakefield have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. The inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon, but it is used in order to be clear and transparent with all parties, in a professional manner that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

e. Related party transactions
There have been no material new related party transactions in the six months ended 31 May 2020 or any material changes to those related party transactions described in the Group financial statements for the year ended 30 November 2019.

f. 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 £3.6m (six months ended 31 May 2019: £5.9m, year ended 30 November 2019: £3.9m).

g. Non-current assets held for sale
At 31 May 2020, £26.3m (six months ended 31 May 2019: £nil, year ended 30 November 2019: £15.8m) of the Group's investment properties met the definition of assets held for sale as these assets had exchanged, but not yet completed. As these assets were previously held at fair value as investment properties, no gain or loss was recognised on reclassification of these properties to assets held for sale.

By the date of signing these financial statements, £0.9m of the assets presented as held for sale had completed, with the remainder expected to complete during the remainder of the financial year. The assets held for sale at 31 May 2020 comprise £0.3m within the Industrial & Logistics operating segment and £26.0m within the Strategic Land & Regeneration operating segment.

DIRECTORS' RESPONSIBILITY STATEMENT
for the six months ended 31 May 2020

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

Rob Hudson
Interim Chief Executive

21 July 2020

INDEPENDENT REVIEW REPORT TO ST. MODWEN PROPERTIES PLC
for the six months ended 31 May 2020

Conclusion
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 May 2020 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group balance sheet, the condensed Group statement of changes in equity, the condensed Group cash flow statement, the condensed Group accounting policies and

the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 May 2020 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.

Emphasis of matter - uncertain valuation of investment property
We draw attention to note 9d to the condensed financial statements which states that the independent external valuations of investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the coronavirus pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

William Meredith
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

21 July 2020

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