ST.MODWEN

THE UK'S LEADING **REGENERATION SPECIALIST**

ANNUAL REPORT FOR THE YEAR ENDED
30TH NOVEMBER 2011

ST. MODWEN IS THE UK'S LEADING REGENERATION SPECIALIST

St. Modwen is the UK's leading regeneration specialist. Through a focus on long-term added value we aim to secure dependable and consistently strong returns.

Investment Themes:

— The UK's leading regeneration specialist operating through a network of seven regional offices and through joint ventures with industry leading partners
— We are an entrepreneurial development business supported by a strong financial base and the revenues from a portfolio of income producing properties
— We are focused on the long-term development of commercial property and residential land throughout the economic cycles
— We have an extensive land bank of more than 5,700 net developable acres. We look to expand the land bank through capital efficient means
— Our outstanding 25 year track record shows us adding value by managing schemes through the planning process, remediating contaminated land, active asset management and development
— We have a diverse UK wide portfolio preventing over exposure to any single scheme, tenant or sector
— We have huge experience in dealing with complex and challenging sites
— We develop in response to market conditions, creating a stream of assets to be sold once no further significant value can be added, thereby providing recycled capital for new schemes

See further information online: **www.stmodwen.co.uk**

Chairman's Statement
stmodwen.annualreport2011.com/overview/chairmans-statement

Business & Financial Review
stmodwen.annualreport2011.com/business-financial-review

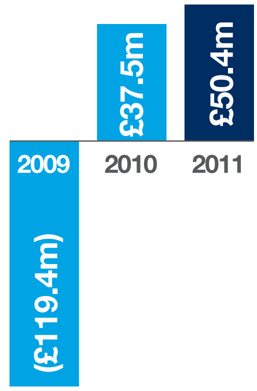
Corporate Governance
stmodwen.annualreport2011.com/corporate-governance

Cover Picture
£66m Bournville College — Longbridge, Birmingham.

Highlights

Profit before tax
£50.4m

34% increase in profit before tax



More information on page 28

Equity net assets per share
232p

9% increase in net assets per share

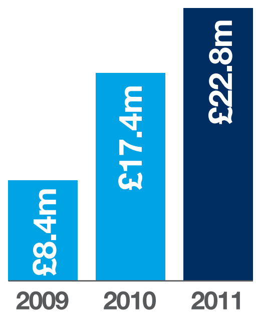
(based on equity attributable to owners of the Company excluding non-controlling interests).

More information on page 31

Trading profit
£22.8m

31% increase in trading profit

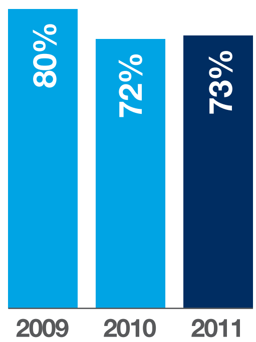
(trading profit is defined in Note 2(a) to the financial statements).



More information on page 27

Gearing (on balance sheet)
73%

Gearing steady at 73%



More information on page 29

Forward Looking Statements
The Chairman's Statement, Chief Executive's Review and the Financial Review have been prepared solely to provide additional information to shareholders. They contain statements that are forward looking. These statements are made by the directors in good faith based on the information available to them up to the time of approval of this report. Such statements should be treated with caution due to the inherent uncertainties and risks associated with forward looking information.

Pictured:
Reflex Nutrition —
Woodingdean Business Park, Brighton.

2011 Report Contents

An Overview of the Company including the Chairman's Statement

Overview

Operational and financial performance in 2011 and prospects for 2012

Business & Financial Review

Information regarding the Board and how they have run the business for the benefit of the shareholders

Corporate Governance

The statutory report of the directors comprises the Overview, Business & Financial Review and Governance sections of the annual report and has been drawn up and presented in accordance with English Company Law.

Our Financial Statements for the year

Financial Statements

See further information online

Overview

An Overview of the Company
including the Chairman's Statement

Pictured:
Coed Darcy — Neath, South Wales.

Overview

CHAIRMAN'S STATEMENT

Adding value to our diverse portfolio of properties

"The strong results for 2011 give us further confidence that the Company has a robust strategy to deliver value and future growth for its shareholders."

Bill Shannon Non-executive Chairman

Dear Shareholders,

I am very pleased that, in my first statement to you as Chairman, I am able to report a strong set of results for the year, with the Company delivering increased profit at both an operating and Group level in a difficult economic environment.

Profit before tax increased by 34% to £50.4m (2010: £37.5m) with shareholders' equity net asset value per share growing 9% to 232p per share (2010: 213p) after paying dividends of 3.1p per share during the year (2010: 1.0p).

The basis of these results is the continuing and resilient rental income stream from our assets, consistent development profits and an excellent record of adding value to our portfolio through asset management and planning initiatives, a particularly valuable attribute in a flat market.

We have also continued to improve our funding position with all the Group corporate debt maturities extended until at least 2014 and agreement reached for all our required extensions for our joint venture debt facilities. With our gearing levels held at 73% (2010: 72%), we have a solid foundation for the future.

Dividends

Given the strong set of results for the year, your Board is recommending a 10% increase in the final dividend for the year to 2.2p per share (2010: 2.0p per share), making a total distribution for the year of 3.3p (2010: 3.0p). This final dividend will be paid on 4th April 2012 to shareholders on the register at 9th March 2012.

Strategy

Our strategy remains unchanged: we aim to add significant long-term value to the properties that we control. Through our market leading expertise, we add value through remediation, management of the planning process, asset management, development and delivery. In particular, our regional teams focus on opportunities where our regeneration expertise enables us to generate profits in commercial and residential development.

Our timescales for investment are long-term, often up to 10 years, so we ensure that our business is underpinned by the reliable long-term revenue stream generated by our portfolio of income producing properties. These assets are typically held both for income and their prospects for future development. Our asset management in this area is an area of core expertise for the business and is proving very successful with net rental income having increased again this year to £35.5m (2010: £33.7m). The cash from this income stream pays for substantially all of the cash costs of our overheads and interest charges.

Our commercial development activities are underpinned by our substantial land bank with land acquired at low values providing the opportunities for commercial development. It is pleasing that we have been able to continue to deliver good results through this strategy even in a difficult marketplace, with a large proportion of our current development opportunities for 2012 being executed on land acquired more than five years ago.

We continue to create and extract value from residential land. The value of our residential land assets is increasing as we manage land through the remediation and planning processes and we have been able to crystallise significant value during the year. Through our joint venture with Persimmon and our St. Modwen Homes residential arm we have also benefitted from development profits from house building, and our success to date gives us increasing confidence that this will be a growing source of income in years to come. We continue to believe that residential land in England and Wales will prove increasingly valuable in the medium to long-term, further improving the attractiveness of this section of our portfolio.

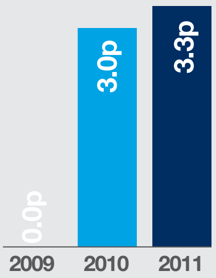
People

When I took over as Chairman in March 2011, I succeeded Anthony Glossop. Anthony had been key in establishing a positive legacy visible in the intellectual capital and the potential residing in our land assets.

In my visits to our sites and offices I have been impressed that the business has a key differentiator in the market place due to the expertise and commitment of our people. Their effort and dedication has produced strong results for your Company and will no doubt be an important asset as we address the opportunities and challenges of the year to come.

I would like to take this opportunity on behalf of the Board to thank our people for their hard work that has enabled us to produce these good results.

Dividends per share
3.3p

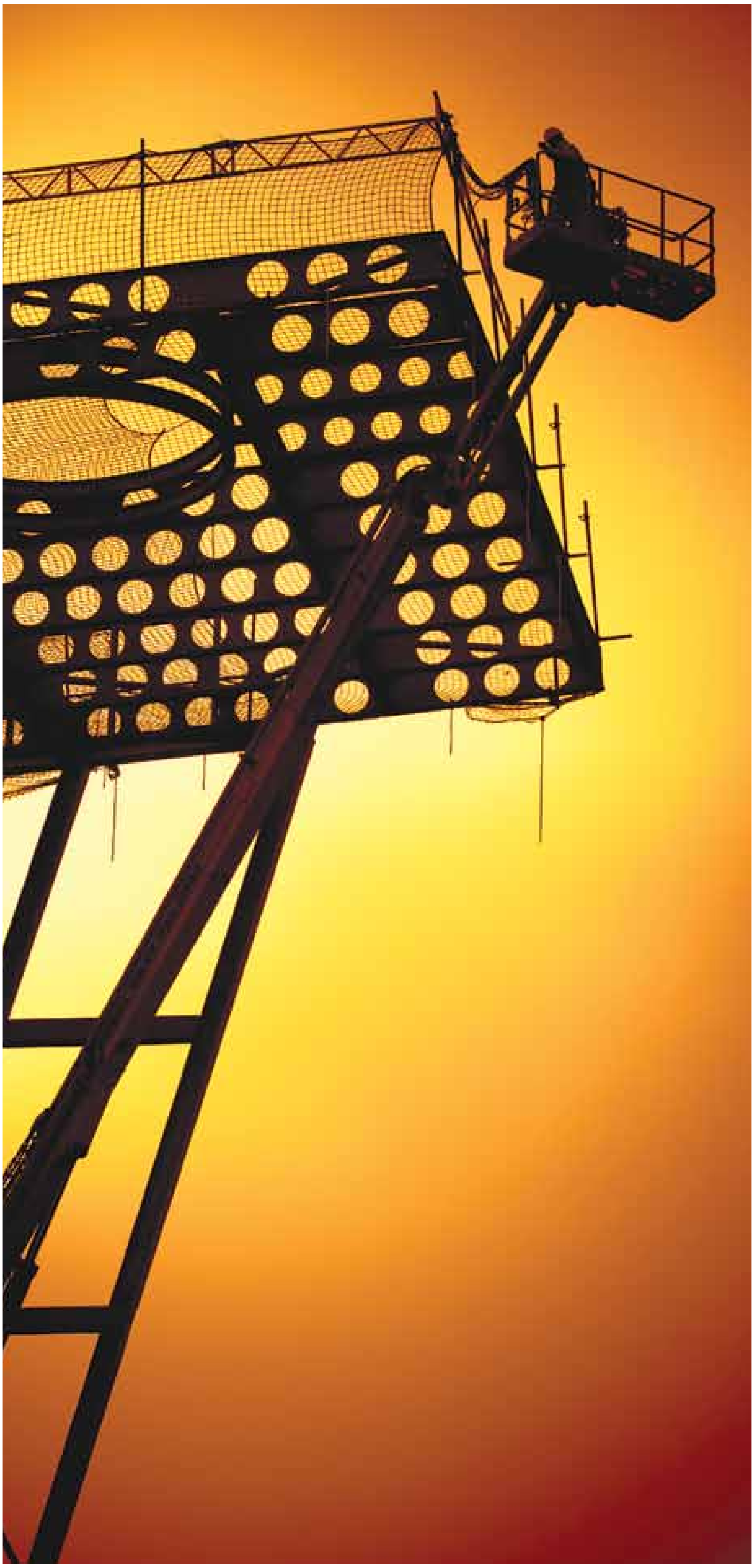


Prospects
Although the wider economic environment remains unpredictable and there may still be further challenges for the property sector, your Company remains well positioned for sustainable growth. Our results for 2011 have demonstrated our ongoing track record of delivering predictable and growing income streams while managing our costs and keeping our balance sheet in good shape.

At the same time, looking forward, we can see attractive opportunities to generate further value from our assets and pipeline. Our balance sheet is well structured, our regional teams continue to be successful in improving asset and land values and we are generating profitable commercial and residential developments from our substantial land bank.

The strong results for 2011 give us further confidence that the Company has the resources and expertise to meet whatever challenges and opportunities result from the current economic uncertainty and has a robust strategy to deliver value and future growth for its shareholders.

Bill Shannon
Non-executive Chairman



Pictured:
Under Construction.
Bournville College — Longbridge.

Overview

ST. MODWEN AT A GLANCE

A diverse, UK-wide property portfolio

Our business activities and our land bank are controlled through a network of seven regional teams of highly skilled professionals. Our regional presence provides us with local knowledge and expertise that keep us in tune with the needs of the local community and ensures that we remain politically and economically sensitive to each individual area.

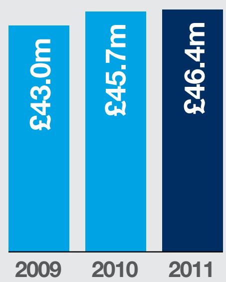
At a time of pressure on public finances, we believe our regional presence and extensive regeneration expertise will prove crucial in building on our established relationships with Local Authorities across the country who can continue to look to us to reliably deliver regeneration.

Portfolio Values

- Residential £404m 37%
- Commercial Land £149m 13%
- Income Producing Property £550m 50%

Gross Rent Roll

£46.4m



Residential

We acquire sites with the potential for residential development, and our asset management skills enable us to add value to the land throughout the development process, realising value through land sales, by development in a joint venture or in-house. Our skills in remediating and developing land, managing our landholdings through the planning process, and balancing commercial and local needs make us an attractive partner to landowners and public bodies.

Key Fact

£26m of residential valuation gains generated through St. Modwen planning and asset management activities

For more information see Feature on page 34

Commercial Land & Development

Our long-term view allows us to acquire land for minimal capital outlay and manage its development through the remediation and planning processes, taking advantage of local market conditions to realise the land for development at the most appropriate time. This strategy means that we hold large quantities of land at relatively low values, giving us access to a wide variety of development opportunities without taking on unnecessary obligations.

Key Fact

£15m of commercial development profit already contracted for 2012

For more information see Feature on page 36

Income Producing Property

While all our assets are held for the prospect of generating significant future value, we ensure that a major proportion of these assets also generate income while we hold them prior to development. We aim for the cash received from this income to pay for all of the cash expenses and financing costs of running the overall business.

Key Fact

£39m of net rental and other income produced by these properties in the 2011 Financial Year

For more information see Feature on page 40

Pictured
Top: Locking Parklands — Weston-super-Mare, Somerset.
Middle: The Hive Leisure Complex — Widnes, Cheshire.
Bottom: Etrop Court — Wythenshawe, Manchester.

See further information online

Overview

OUR STRATEGY IN ACTION

Flexibility to move with market demands

Through being the UK's leading regeneration specialist with a focus on long-term added value, secure dependable and consistently strong returns.

Strategy		2011 Outcomes	
Strategic Priority	**Strategy in Practice**	**Key Performance Indicators (KPIs) Applied**	**KPI Outcome**
Secure excellent returns	Invest at a point in the property lifecycle from where maximum development returns can be extracted.	Controllable profit growth.	↑
		Shareholders' equity NAV growth.	↑
	Maximise individual asset values through our locally based expertise.	Absolute and relative Total Shareholder Return.	↓
	Recycle assets where significant opportunities are exhausted.	Committed future profits increasing as a proportion of development profit secured in the last 12 months.	↑
Through a focus on long-term significant added value	Build land bank to bring through future opportunities.	Land bank growth – land acquisitions 120% or greater than disposals.	→
	Continued programme of recycling and reinvestment.	Significant proportion of all assets at the start of the financial year recycled by the end of the year.	→
	Create predictable, dependable and cash backed income streams.		
While protecting existing assets	Maintain sufficient income to cover business running costs. Have financing cost and availability certainty.	Rental income cash received greater than overhead and interest cash paid.	↑
		See through Loan To Value less than 50%.	→
		Corporate gearing less than 75%	→
		More than 24 months of committed facilities to cover drawn corporate debt.	↑

Legend:

Outcome ahead of KPI · In line with KPI · Behind KPI

See further information online

Priorities for 2012

Operational Results	Key Initiatives	Principal Risks
Profit before tax up 34% to £50.4m. Shareholders' equity NAV up 9% to 232p per share. Final dividend increased 10% but share price below November 2010. Over £15m of development profit (excluding residential) already committed for 2012.	Continue to grow development profits and create valuation gains, particularly in residential. Strive to demonstrate the Group's inherent value and long-term prospects. Grow net assets so that dividends can also grow. Continue to secure profitable development to generate consistent future returns.	Wider economic issues affect property values and equity valuations. The management of developments is a complex process with successful delivery depending on continued excellence in the application of our expertise.
Developable land bank increased to 5,762 acres. £75m of assets sold or committed to sell under the Persimmon Joint Venture.	Selective and capital efficient acquisitions. Continued recycling of assets with limited opportunity for significant added value.	Our work is conducted in a complex legal and regulatory environment meaning that we need to be able to successfully adapt our asset strategies over the long term.
Net rents up 5% to £35.5m. Income from income producing properties pays for substantially all of cash overhead and funding costs. See through loan to value 39%. Gearing 73%. All corporate consolidated facilities extended until at least 2014. Terms agreed for all joint venture facilities in need of extension.	Effective asset management to maximise returns. Continue to put in place extended and flexible financing facilities.	Significant contraction in available banking facilities reduces the opportunity for strategic investment.

Overview

QUESTIONS AND ANSWERS

"Our long-term approach and ability to extract significant returns means that we could find an entrepreneurial opportunity in any sector."

Bill Shannon
Non-executive Chairman

Q. After a year in the role, how have you found St. Modwen and what has surprised you the most?

A. I have taken the time to visit many sites and the biggest impression has been the depth of expertise in St. Modwen. At all levels in the business, people are committed to getting the most from the assets that they are looking after by applying their skills, collective experience and entrepreneurial culture.

Q. How do you think St. Modwen differentiates itself in the market place?

A. We are a business with a focus on extracting significant long-term value from the assets that we hold. Our local presence and relationships, delivery track record, our ability to see the opportunity in what others perceive as difficult assets and a financial structure that gives us the flexibility to act quickly, means that we are able to secure a good stream of transactions in a difficult market.

Q. Given the current environment, what steps have you taken to de-risk your business?

A. We make sure that all of our transactions are underpinned by a reliable source of income. In addition, extending all our corporate debt facilities is a clear positive. It's fair to say that St. Modwen is a business structured to prosper in more difficult environments. Our long-term focus means that we have been able to consistently derive trading profits and add value to our assets, while our income producing portfolio has always had a short lease profile in order to facilitate development. This necessitates a relatively high turnover of short-term tenants, so we are specifically structured to deal with this, which is extremely helpful in a difficult market. The fact that we have increased our net rental income every year since 2008 provides solid evidence for this.

Q. Which sectors of the property market do you regard as having the best prospects for growth?

A. Our long-term approach and ability to extract significant returns means that we could find an entrepreneurial opportunity in any sector. Over the next couple of years, we see significant opportunities in taking residential land through the planning and development process, particularly in the South East. Across the rest of England and Wales, we expect most markets to be muted but we still expect to derive consistent development returns because of the range of opportunities offered by our assets and our land bank.

Q. What do you see happening in the residential sector over the next few years?

A. We are seeing consistent demand for residential land and development particularly in the South East. While levels are clearly considerably below where they were before the recent economic problems, it seems that the housebuilders are now generally in much better shape. People are buying land, building and selling houses and, with ongoing Government support, we expect this to continue.

Q. What do you enjoy about St. Modwen?

A. It's a great feeling to track the stages in our product lifecycle. When you stand back you can see value being created as we identify the land, plan and deliver the remediation, manage the planning cycle, secure users, construct and deliver development and then hand over the property. Around the country there are properties developed by St. Modwen where literally tens of thousands of people now live, work, shop and play. To me, being a part of that process with these end results improving the lives of so many people is very rewarding.

See further information online

Bill Oliver
Chief Executive

Q. What progress has the Company made and what do you consider to be your greatest achievement during the year?

A. We had some notable successes in 2011 and we have been able to achieve these in a flat property market. As a developer, we need to be able to secure and deliver development profits and be able to add value to our assets whatever the state of the market. I'm proud that we have been able to achieve that.

Q. What are your priorities for the year ahead?

A. To take advantage of the considerable opportunities that we see in front of us; to continue to manage our income properties well so that we generate sufficient income to pay for substantially all of our overhead and financing costs; and to make sure that we continue to be well positioned for future years.

Q. How do you characterise the St. Modwen asset base and the management of those assets?

A. Our asset base is diverse with considerable scope to create asset improvement opportunities. Our size and regional network, successful experience with challenging and complex projects and the skill and commitment of our people means that we can continue to secure returns where others may struggle.

Q. Secondary property is out of favour with many investors — how are you able to create value from these kind of properties?

A. It is true that many secondary properties across the UK are likely to face issues over the next few years. If, however, you can identify and deliver added value with a long-term approach through development, management of the planning process or intensive management of the asset then you can create substantial value in any market. These opportunities characterise our portfolio, so we remain positive. Needing to preserve this scope for value also means that we are very selective about the assets that we acquire.

Q. How do you finance your business?

A. It is important for us to balance certainty of funding with the flexibility needed to take advantage of opportunities quickly. We therefore use the recurring income from our properties to finance flexible revolving credit facilities. In addition, to give us certainty of cost, we hedge against future interest rate movement risk.

Q. Given the current banking crisis, are you concerned about the future availability of bank finance?

A. We have strong banking relationships and the recent funding extensions that we have secured demonstrate the support of our banking partners. Our investments look for the creation of significant value, so our strategy would not be affected by price variations and, because all elements of our strategy evolve over time, in the medium term we will evaluate all potential sources of finance to make sure that we have the best fit for our business.

Q. Retail assets make up 19% of your portfolio and contribute heavily to your development profits — are you concerned about recent retail administrations and the less positive outlook from some major retailers?

A. Our retail assets are focused on centres with high footfall, low rents and consequently high occupancy levels. As a result, even when financing issues cause some retailers to go into administration, we have high demand for the space that they occupy. When Woolworths ceased trading, we were very successful at re-letting the space — often at a higher rent.

While some retailers may slow their expansion, we are seeing other major retail operators accelerate their growth plans. We currently have over 20 foodstore opportunities under discussion. While not all of these opportunities will come to fruition, we remain confident about the future.

Q. How do you see the year ahead?

A. We have reason to be optimistic of achieving a good trading performance based on a strong rent roll, significant profits forecast from developments already underway, opportunities to add value through the planning process and predictable and controllable costs. While it's possible that some property values may decline slightly in 2012, overall we are confident about our prospects for the year to come.

ST.MODWEN

Business & Financial Review

Operational and financial performance in 2011 and prospects for 2012

Pictured:
Siemens — Teal Park, Lincolnshire.

Business & Financial Review

CHIEF EXECUTIVE'S REVIEW

Operating from a strong financial position

"We have had a very successful year in which the application of the experience, skills and expertise in our business has resulted in almost all areas of the business performing well, despite the challenges posed by the market conditions."

Bill Oliver Chief Executive

We have had a very successful year in which the application of the experience, skills and expertise in our business has resulted in almost all areas of the business performing well, despite the challenges posed by the market conditions.

Through our intensive and active asset management we have improved rental income streams, added value to existing assets by undertaking enhancement works and, through management of the planning process, we have continued to be active in development. This has included creating a strong pipeline of opportunities for future years, and successfully continuing to recycle our assets.

As a result of these efforts, profits before tax are up 34%, we have strong visibility on a pipeline of healthy opportunities for future years and we are strongly placed to take advantage of those prospects.

Strategy Overview

As a business we have always sought to add significant value to the assets that we hold. We have a long and successful track record which demonstrates our ability to achieve this and we are very pleased that 2011 has been another year in which we have generated significant value for our shareholders.

We acquire assets where we can see future development opportunities. Consequently, we are constantly working to add value to these assets through remediation, development, asset management or through our careful management of the planning process. Our regionally based teams assess each asset and evolve the strategy to suit local market conditions; so, even in difficult markets, we are able to drive good performance from our assets. Our portfolio of income producing assets (each of which also has development potential) substantially covers our business funding and running costs, while we additionally invest in commercial and residential assets that can deliver significant long-term returns.

As a result of this strategy, we hold a portfolio from which we are confident we can create future value and, while we are not able to accurately predict the effects of the current Eurozone crisis on future property values, our track record has shown that we can continue to do this even in difficult markets.

Market Overview

The wider economic environment remains challenging. The Eurozone macroeconomic issues in the second half of 2011 have restricted confidence in the UK economy and reduced the funding appetite of UK banks. Consequently the transaction levels for most property asset types remain limited.

Despite these negatives, good opportunities do exist. The strength of our business, our regional organisation, our land bank and our funding structure means that we are very much open for business with both the capacity and the will to develop. Many of our previous competitors have dropped away over recent years and so we are able to secure an increased share of a reduced market. Furthermore, the challenging market conditions also affect our suppliers and contractors, meaning that we can pass on cost savings to our customers while maintaining our own profitability.

The UK planning environment continues to evolve with the localism agenda counteracting the need for simplification of the planning system. While some unnecessary complexities look set to be removed, it remains likely that new complications will emerge. One of the Company's key strengths is its ability to guide schemes effectively through the planning process, managing the many stakeholders and their interests as well as overcoming any legal complications.

These skills, and the resources necessary to deploy them, remain scarce, particularly away from London and we are confident that this ensures we have a sustainable market advantage in progressing development across the UK.

The UK house building market is much reduced from its peak levels, but remains active. Well located and ready-to-use land remains in demand and realises sensible values. While mortgage availability is reduced, the combined factors of the long-term housing shortage in the UK, the more vibrant South East of England economy and Government initiatives to support the housing market mean that there remains a good market for new homes.

Through our agreements with Persimmon and our own St. Modwen Homes developments we are able to capitalise on this demand, with all of our sites generating house sales at rates and prices exceeding our previous expectations.

Pictured:
Morrisons – Connah's Quay, Flintshire.

Business & Financial Review

CHIEF EXECUTIVE'S REVIEW continued

Portfolio Values

Operating Review
Portfolio

There are three main areas of our business, each supported by a proven business strategy:

Residential
37% by value of our portfolio.

Commercial Land and Development
13% by value of our portfolio.

Income Producing Property
50% by value of our portfolio.

Portfolio Shape
Over the last year we have focused our investment into active developments or into income producing assets. Where we have acquired residential or commercial land we have used capital efficient development agreements or acquired the land at very low value with long-term plans in mind. The value of our residential asset portfolio has generally been increased through our own asset management initiatives, particularly in the South East of England where almost 50% by value of our residential assets are located.

Once we can no longer see opportunities to add significant value to an asset, we aim to realise the asset and recycle the money into our portfolio. During 2011 we have realised £95m from asset disposals and spent £96m on acquisitions and capital expenditure.

Pictured:
St. Modwen Homes — Locking Parklands, Weston-super-Mare.

Driving value through active management

"During this financial year we have been able to add significant value by managing our assets through the planning process, have sold assets effectively, and have commenced active development on two sites for St. Modwen Homes and three held through our joint venture with Persimmon."

Developable Acres Analysis

Total acres	**November 2011**	November 2010
Developable		
— Retail	**357**	368
— Industrial & Commercial	**2,869**	2,927
— Residential	**1,646**	1,550
— Not yet specified	**890**	891
	5,762	5,736

Residential

Strategy

We acquire sites with the potential for residential development, and our asset management skills enable us to add value to the land throughout the development process, realising value through land sales or by development in joint venture or in-house. Our skills in remediating and developing land, managing our landholdings through the planning process, and balancing commercial and local needs make us an attractive partner to landowners and public bodies.

During this financial year we have been able to add significant value by managing our assets through the planning process, have sold assets effectively, and have commenced active development on two sites for St. Modwen Homes and three held through our joint venture with Persimmon.

We have also been able to progress future opportunities; we are progressing with the development of a further four sites by our Persimmon joint venture, have identified opportunities to create significant further value through our VSM joint venture with Vinci UK plc and have targeted public sector opportunities where our strengths can lead to major value creation for both ourselves and the public sector.

Driving Value Through Active Management

During the course of the 2011 financial year our independent valuers, Jones Lang LaSalle, have assessed that our work has added £26m of value to our residential portfolio. The properties where these gains have principally been made include:

- Llanwern/Glan Llyn, Newport, South Wales where construction commenced on 311 homes. The site has outline consent for 4,000 homes, the first phase of which has been commenced by Persimmon.
- Coed Darcy, Neath, South Wales, having resolved Compulsory Purchase Order issues, detailed planning applications were submitted for further development with an increased outline consent for up to 4,000 homes.
- Long Marston, Stratford-upon-Avon, Warwickshire with outline planning consent secured for the development of up to 500 homes.
- Longbridge, Birmingham with detailed planning applications submitted for further development of 229 homes in addition to the 113 homes already under construction by St. Modwen Homes and strong levels of initial sales.

Future Opportunities

- Branston, Burton on Trent — planning application submitted for 660 homes and employment space on 280 acres of land for mixed use development.
- Pye Green, Hednesford, Cannock — planning application submitted for up to 700 high quality homes on a 142 acre development to the north of Cannock Town Centre.
- Melton Park, Hull — proposals being worked up to adapt part of the 100 acre Melton Park for residential development in response to the current need for new family homes.
- South Ockendon, Essex — outline planning permission obtained for 650 homes on a 31 acre former car factory site acquired from Ford in 2006. The scheme will form a key part of the delivery of new housing in the Thames Gateway.

Within our VSM joint venture two key sites remain: Uxbridge and Mill Hill. Our strategy for both of these sites is well developed.

Business & Financial Review

CHIEF EXECUTIVE'S REVIEW continued

Successful Persimmon Relationship

"The combination of these new sites plus the three existing Persimmon sites should provide us with a recurring consistent stream of cash-backed income and profit for the next four to six years."

At Mill Hill we have entered into a joint venture with the adjoining landowners Annington Holdings plc and the London Borough of Barnet. The site obtained planning consent in 2011 for 2,174 residential units of which VSM's share is 57.55%. We have released the first two phases for sale and have been encouraged by the level of interest and land values which clearly demonstrates the appetite for well located, de-risked residential land.

At Uxbridge we have obtained planning permission for 1,340 units plus approximately 200,000 sqft of B1/retail space. As with Mill Hill the site is well located within the M25 and we expect demand to be strong when we release the first phase for sale in 2012.

Residential Development

We continue to see an active market for residential land. Over 80% (more than 20,000 plots) of our portfolio has either planning permissions or allocations within local plans with significant further value anticipated to be extracted from this land bank over future years.

During the course of 2011 we sold residential land to the value of £45m with an additional £27m of land being contracted within the Persimmon joint venture. All of these transactions were conducted at or above book value.

Residential Development

	November 2011		November 2010	
	Acres	**Units**	Acres	Units
With planning recognition				
— Allocated in local plan or similar	**227**	**4,410**	309	6,550
— Resolution to grant	**14**	**246**	39	806
— Outline permission	**870**	**14,349**	794	12,239
— Detailed permission	**82**	**1,366**	68	1,129
	1,193	**20,371**	1,210	20,724
No planning recognition	**453**	**4,351**	340	4,081
Total residential land	**1,646**	**24,722**	1,550	24,805

Persimmon Joint Venture

Our view that the residential land market remains active is reinforced by the continued appetite for our land by Persimmon and by the positive customer response to the two joint venture sites that we have initially started marketing, at Goodyear in Wolverhampton and Glan Llyn in Newport, South Wales.

We are currently progressing for the inclusion of a further four sites into the joint venture, making a total of about 2,000 plots. The combination of these new sites plus the three existing sites should provide us with a recurring consistent stream of cash-backed income and profit for the next four to six years.

St. Modwen Homes

Our initial St. Modwen Homes sites at Park View in Birmingham and Locking Parklands in Weston-super-Mare have also seen very good initial success, with both volumes and prices being ahead of our expectations. While this part of our business is unlikely ever to generate sales of more than 500 units per year, it helps to prove the value of our projects and provides a useful additional skill set and a route to market that can be undertaken using St. Modwen's own capabilities and resources.

Residential Development Sales

Across all of our active residential development sites (both in the Persimmon joint venture and through St. Modwen Homes) both the sales rates and prices have been above our expectations with, excluding 54 pre-sold social housing units, an average of over 1.5 units confirmed reservations per site per week to date.

Residential Outlook

Our current activities should provide profitability in future years because our land is well located and represents the type of land that is currently in demand. In addition, our valuations do not factor in any future increase in values and assume standard house builder margin. Our ability to add value through the planning process is clearly visible and our current development activities are proving successful. Consequently, we believe that we will generate significant value in this area in future years.

Pictured:
Headquarters office development for Viridor — Firepool, Taunton.

Business & Financial Review

CHIEF EXECUTIVE'S REVIEW continued

Reduced but continued occupier demand

"We continue to find good commercial development opportunities that are not reliant on speculative development. Furthermore, our activity level means that we are able to secure excellent terms from financially stable main contractors, providing attractive terms for occupiers while preserving our profit levels."

Commercial Land and Development

Strategy

Our long-term view allows us to acquire land for reduced capital outlay and manage its development through the remediation and planning processes, taking advantage of local market conditions to release the land for development at the most appropriate time. This strategy means that we hold a lot of land at relatively low values, giving us access to a wide variety of development opportunities without taking on unnecessary obligations.

In the current market the extent of our land bank, again coupled with our local expertise, means that we are able to identify and meet occupiers' demands quickly and efficiently. This gives us a distinct advantage over many of our competitors, meaning that we are able to consistently generate good cash-backed profits from commercial development even in a subdued marketplace.

Market Commentary

The UK commercial development market is subdued, particularly outside of London and the South East. Few potential tenants have the confidence to make substantial investment, and those that do often expect an attractive commercial deal. We are, however, seeing increasingly limited competition in this area. There is a general unwillingness to invest in short-term commercial land and there is restricted availability of bank funding for developers.

Despite the lack of growth in the wider economy and individual retailer issues there continues to be occupier demand from retailers, particularly for foodstores. We have two major foodstores currently in development and have active negotiations or discussions in place for more in future years. Wider retailer demand for space in attractive developments is also present.

Where industrial and commercial occupiers have pressing needs for new premises through business growth, lease expiry or new location requirements, we are well placed to service this demand. Our existing land bank continues to provide us with opportunities and we are able to replenish our land bank for minimal initial capital outlay. Our funding structure does not rely on development finance and our local presence means that we can be alive to opportunity.

Consequently, we continue to find good commercial development opportunities that are not reliant on speculative development. Furthermore, our activity level means that we are able to secure excellent terms from financially stable main contractors, providing attractive terms for occupiers while preserving our profit levels.

Active Developments

- Hednesford Town Centre & Tesco Foodstore, Staffordshire
- Longbridge Town Centre & Sainsbury's Foodstore, Birmingham
- myplace, Youth Centre, Longbridge, Birmingham
- Viridor Office Facility, Firepool, Taunton
- Skypark, Exeter
- Phoenix Retail Park, Longton, Stoke-on-Trent
- Siemens PLC Office & Production Facility, Teal Park, Lincoln
- The Vine, St. Matthew's Quarter, Walsall
- North Square, Edmonton, London

Developments Completed During the Year

- Etrop Court, Wythenshawe, Manchester — 48,000 sq ft office complex let to Manchester City Council. Investment sale completed.
- Bournville College, Longbridge, Birmingham — 250,000 sq ft, six storey educational facility for over 15,000 students occupying 4.2 acres of the new Longbridge Town Centre; including a learning resource centre, business school, construction workshop and leisure and sport facilities.

Developable Land Bank (acres)

5,762 acres

- The Hive Leisure Park (Venture Fields), Widnes — 100,000 sq ft leisure complex with attractions including a five-screen Reel Cinema, 16 lane Widnes Superbowl plus Nando's restaurant and 60 bedroom Premier Inn with adjoining Brewers Fayre family pub and restaurant. Investment sold.
- Connah's Quay, Flintshire — 72,000 sq ft retail scheme including a 52,000 sq ft Morrisons foodstore, creating over 300 new jobs with lettings to a wide range of national retailers including Greggs, Bargain Booze, Just Go Travel and Home Bargains. Investment sold.
- Travelodge Hotel — 73 room hotel at Edmonton, London.

Future Opportunities

Significant current commercial development opportunities with planning recognition on land owned or controlled by St. Modwen include:

- Swansea University — creation of a new campus.
- Elephant & Castle, Southwark, London — Regeneration of the existing shopping centre with the opportunity for up to 1,000 residential units above.
- Great Homer Street, Liverpool — 80,000 sq ft foodstore plus 50,000 sq ft of further retail.

Pictured:
Skypark, Exeter.

Pictured:
Aldi — Goodyear, Wolverhampton.

Land Bank Comments

During the course of the year we have increased our developable land bank from 5,736 to 5,762 acres. The main movements during the year have been:

- 65 acres of developable land have been used or sold for development during the course of the year.
- We have acquired at agricultural prices 62 acres of former Coal Board land in the Midlands that we believe has the potential for long-term development.
- We have successfully concluded a development agreement with Dyson Group plc for 105 acres of ex-industrial land that we believe will offer commercial and residential opportunities over the medium term.

Commercial Land and Development Outlook

While this market is currently difficult we have sufficient developments underway and sufficient opportunities identified to give us confidence in our ability to generate a stream of development profits in the years to come. While demand may fluctuate we typically hold our land at low values or through development agreements and so do not expect our balance sheet to be materially affected by any reductions in commercial land values. The land bank that we hold, our local expertise and our ability to manage planning processes and local stakeholders means that we remain confident of future returns in this area.

Business & Financial Review

CHIEF EXECUTIVE'S REVIEW continued

A reliable, recurring income stream

"Our ability to successfully manage our portfolio in difficult economic environments has been clearly demonstrated in recent years, and the 5% increase in net rental income in 2011 is very pleasing."

Income Producing Properties

Strategy

While all our assets are ultimately held because of the prospect of generating significant future value, we ensure that a major proportion of these assets also generate income while we hold them prior to development. We aim for the cash received from this income to pay for all of the cash expenses and financing costs of running the overall business.

Efficiency in managing this portfolio of income carries a high priority for the business. We invest in a locally based asset management capability that enables us to effectively manage tenancies, receipts and outgoings, identify opportunities to improve values and to find new tenants.

Despite the problematic economic environment we continue to be very successful in this area, and we have consistently been able to improve our gross and net rental income. Our gross and net rental income has increased again in 2011 and the income from this portfolio of properties continues to substantially cover all of our cash outgoings for running the business (see Note 2 to the accounts).

Income Producing Portfolio Analysis

The development opportunity oriented nature of our portfolio means that we typically hold properties that have high yields and low affordable rents on relatively short tenancies. At the year end we held over 100 income producing properties with a book value of £550m (2010: £525m). The average lease length at the year end was 4.6 years (2010: 5.1 years) while our active asset management means that occupancy levels have been increased to 87.9% (2010: 87.6%). Administrations have been kept to a low level and we have attracted more new tenants than have left our assets. Generally like-for-like valuations have been flat, with changes in values as a result of our asset management.

Portfolio Yield Analysis

	Equivalent		Net Initial	
	Nov 2011	Nov 2010	**Nov 2011**	Nov 2010
Retail	**8.4%**	8.6%	**7.4%**	7.3%
Offices	**8.7%**	8.9%	**6.4%**	6.7%
Industrial	**9.1%**	9.2%	**7.7%**	7.7%
Portfolio	**8.8%**	8.9%	**7.4%**	7.4%

Industrial

Industrial assets make up 49% of the income producing assets (25% of the Group's overall property portfolio). These are often older assets with a variety of future opportunities, including potential conversion through the planning process to other uses. Our active asset management and the often flexible nature of the properties has meant that we have continued to be successful in this section of the market.

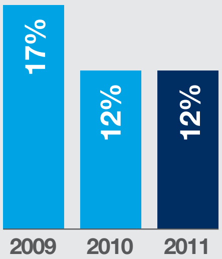
While the UK industrial environment is far from buoyant, industrial initial yields have been consistent from year to year. We have had some notable letting successes such as at Parkside in Doncaster and Long Marston in Warwickshire. Since the year end we are also pleased that our largest individual lease, for Shanghai Automotive at Longbridge in Birmingham, which is currently producing rent at £1.5m per year, will now extend until at least 2024 following the expiry of a break notice period.

Retail

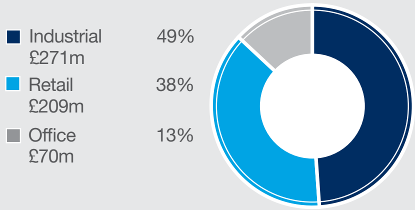
Retail assets make up 38% of the income producing portfolio (19% of the Group's overall property portfolio). We invest in well located retail assets where we believe we can create significant future value through a combination of development and effective asset management. This strategy means that we have tended to invest in retail assets where there is a high footfall of shoppers spending on essential purchases, rather than in destination shopping centres.

This strategy has meant that our retail assets have continued to perform well in the current economic environment, with retailers attracted to our centres, shoppers continuing to spend on their essential purchases and ongoing developments to improve the retail centres being successful. Credit control in this area remains a high priority.

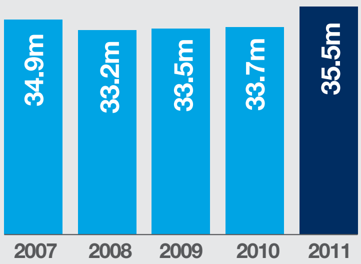
Vacancy Rates
12%



Income Producing Property Proportions



Net Rental Income
£35.5m



Nevertheless we continue to see opportunity. In the last year we have taken advantage of development opportunities at Wythenshawe in Manchester and at Edmonton in North London. We have invested in a new asset at Farnworth in Bolton, which we believe has asset management and development potential. We have also made significant progress in the development plans for Elephant & Castle in Central London where we have signed a development agreement with the London Borough of Southwark and we are pursuing a residential and retail development opportunity.

Office
Office assets make up only 13% of the income producing portfolio (6% of the Group's overall property portfolio). We have in past years invested in office assets where we could see development opportunities or where the creation of a business technology centre assisted with a wider development. We have had some success in letting existing assets during the course of the year but due to the current economic climate we do not see this as an area for substantial future investment.

Income Producing Properties Outlook
Our ability to successfully manage our portfolio in difficult economic environments has been clearly demonstrated in recent years, and the 5% increase in net rental income in 2011 is very pleasing. It seems likely that the economic environment will continue to prove difficult in 2012, but our asset management ability and flexible portfolio give us every opportunity to maintain and improve our current position.

Where opportunities arise for investment in well located properties with the chance to add significant future value, then we will continue to use our local knowledge and flexible financial position to take advantage of the investment. Over the course of the next 12 months we anticipate that this is more likely to be in the area of industrial properties than retail, and unlikely to be in offices, but we will judge each opportunity on its own merits.

People
The St. Modwen business model is based on a hands-on and proactive approach. The core skills of our people in asset management, remediation, development and the management of the planning process are locally based and fundamental to our success. Their contribution in 2011 has driven our successful results. We continue to invest in and incentivise our people in order to grow their abilities, build their success and hence build the future success of the business.

Summary and Business Outlook
2011 has been a successful year for the business and we have the foundations in place to deliver successful results in 2012. Our developments in progress at Hednesford, Longbridge, Lincoln and a variety of others, plus our active house building sites give us a pipeline of property development profits that is potentially set to exceed the results achieved in 2011, with additional opportunities still being identified.

While we are unable to predict the impact of the Eurozone sovereign debt crisis on asset values we know that our asset portfolio will provide us with many opportunities to add significant value in the years to come.

We are in the process of delivering significant residential and development projects that underpin our property profits for 2012 and beyond. We can see clear opportunities to add value to our assets through the planning process.

Our asset management ability gives us confidence in our ability to make our property assets continue to perform well.

Business & Financial Review

FINANCIAL REVIEW

Predictable Trading Profit

"Looking forward we can see predictable and consistent trading profit income streams and controllable costs."

Michael Dunn Group Finance Director

Income Statement

Our business model is based on cash from core rental and other income covering the cash costs of running the business (property outgoings, overheads and interest). This provides a solid base from which the Group can drive profits from its development activities and add value to its existing assets through planning and asset management activities.

As we utilise a number of joint venture arrangements, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. To enable a better understanding we also provide information including the Group's share of joint ventures. A full reconciliation is provided in Note 2 to the accounts.

Trading Profit

Net Rental Income

Our focus on this core area of our business has continued over the last year and we are pleased to have increased the Group's share of net rental income to £35.5m, an increase of 5% year-on-year. This has been driven both by increasing gross annualised rental income from £45.7m to £46.4m, and by successfully managing our property outgoings.

As a development business we will always hold a relatively high level of void as we prepare assets for development. Despite the difficult business environment we have been able to maintain our position

Pictured:
Phoenix Retail Park –
Longton, Stoke-On-Trent.

Pictured:
Travelodge — Edmonton Green, Enfield.

with overall occupancy levels maintained at 88%. Our weighted average lease length also remains broadly constant at 4.6 years (2010: 5.1 years), before taking into account the impact of the extension of the Shanghai Automotive lease at Longbridge.

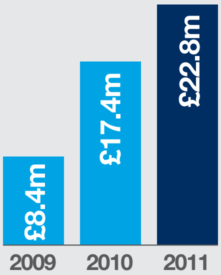
Property Profits

We have maintained our track record of recurring realised property profit delivery. Property profits, including our share of joint ventures, were £23.8m (2010: £21.9m). This included significant contributions from our portfolio of BP remediation sites and a broad portfolio of pre-let and pre-sold developments (including Bournville College, Manchester City Council and Travelodge). As well as realising profits from the disposal of residential land we are also pleased to realise the initial profits from our first St. Modwen Homes development at Park View in Birmingham.

Overheads

As a regional business with a spread of properties across England and Wales, our cost base is largely driven by the employment of skilled teams of professionals to manage the existing and potential assets. While we have gradually moved our skills towards the greater future opportunities in residential land and in the South East of England, we have been able to do this without altering our cost base. The Group's share, including joint ventures and associates, of administrative expenses for 2011 is £16.7m (2010: £17.1m).

Trading Profit
£22.8m



Finance Costs and Income

During the course of the year we have been able to replace or restructure a substantial proportion of our hedges and LIBOR swap arrangements without incurring any change costs. This has meant that the effect of a slightly higher net debt balance has been more than outweighed by the saving in overall interest costs. Consequently, net bank interest costs have been reduced by 5% to £23.0m (2010: £24.2m). The average cost of our debt for the year was 5.6% (2010: 5.8%).

Trading Profit for the Year

We are therefore pleased to report that our trading profit has increased by 31% to £22.8m, a result that is particularly pleasing given the current UK economic conditions.

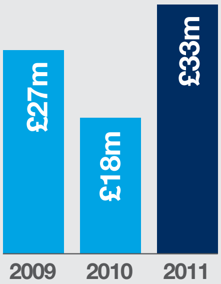
Looking forward we can see predictable and consistent trading profit income streams and controllable costs. Our rental income and recurring other income covers substantially all of our overheads and interest and we retain the ability in the business to cope with an increased future development workload.

Pictured:
Elephant & Castle Shopping Centre — Southwark, London.

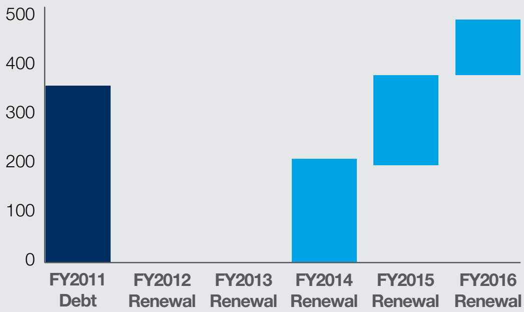
Business & Financial Review

FINANCIAL REVIEW continued

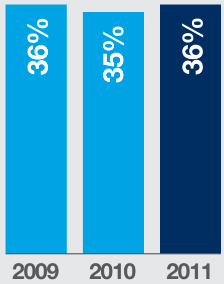
Added Value Valuation Increases
£33m



Current Banking Facilities (£m)



LTV (on balance sheet)
36%



Property Valuation Movements in the Year

There are two principal components to property valuation movements: those movements resulting from activities that we undertake specifically to add value to our assets, and those resulting from changes in the overall property market. Jones Lang LaSalle provides this valuation split for us.

Valuation Improvements as a Result of St. Modwen Actions

An important part of our business model is to actively manage our asset base in order to add value to the existing portfolio. This year has delivered some successful results, particularly in managing residential land through the planning process.

Our success in attracting new tenants and in improving lease terms has also resulted in added value valuation gains for both our retail and industrial portfolios.

Based on the independent valuations from Jones Lang LaSalle we have been able to generate revaluation gains of £32.9m from our activities, an increase of 79% from 2010 (£18.4m). While 2011 has been a particularly good year we expect to continue to be able to consistently generate valuation improvements through our own activities in future years.

Property Valuation Movements in the Year

Property Valuation Movements £m	**2011** As a result of St. Modwen actions	**2011** Market value movements	**2011** Total	2010 As a result of St. Modwen actions	2010 Market value movements	2010 Total
Residential	**26**	**2**	**28**	8	8	16
Commercial land	**1**	**(2)**	**(1)**	(1)	(9)	(10)
Income Producing:						
— Retail	**2**	**1**	**3**	5	9	14
— Office	**—**	**—**	**—**	1	(1)	—
— Industrial	**4**	**—**	**4**	5	4	9
Total	**33**	**1**	**34**	18	11	29

Market Driven Valuation Movements

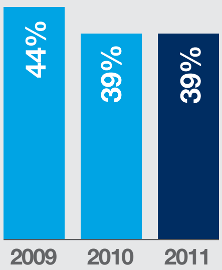
During the course of the year we have not materially benefited from any market driven improvement in the value of our portfolio, with a market driven gain of £1.0m (2010: £4.6m). Given the current UK economic environment we are not expecting any market driven valuation gains in 2012.

Profit Before Tax

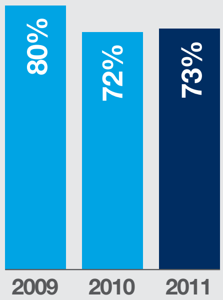
Our profit before tax is also stated after movements in the market value of our interest rate derivatives (hedges and swaps). The valuations are based on the financial markets forward prediction curves for interest rates and over the second half of the year these have implied reduced expectation of future interest rate increases. Other finance cost and income items are broadly consistent with 2010. We therefore have a charge to the income statement of £5.0m in 2011 (2010: £2.2m).

The combination of all the above factors means that profit before tax has increased by 34% to £50.4m (2010: £37.5m), a very pleasing result given the difficult economic environment.

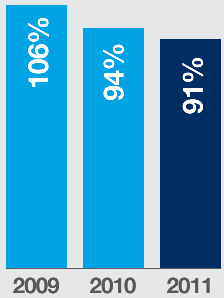
LTV (including JV debt)
39%



Gearing (on balance sheet)
73%



Gearing (including JV debt)
91%



Taxation and Profits After Tax

Our Group tax charge for the year of £4.9m reflects an effective rate of tax of 10%, which includes the utilisation of losses brought forward. Losses brought forward in 2010 resulted in a tax credit for 2011 of £0.8m. Looking forward we expect tax rates to increase slightly given that the bulk of the losses brought forward have now been utilised.

Despite the increase in tax charge, profits after tax of £45.5m are 19% ahead of the equivalent period last year (2010: £38.3m). Similarly Earnings per Share have increased 17% to 21.7p (2010: 18.6p).

Funding

As a development business it is important for us to retain flexibility in our funding structures. We therefore maintain a series of bilateral revolving credit facilities with clearing banks that have a large UK presence. Where we have joint ventures we have funding arrangements in place as appropriate for each vehicle.

We have been active in development during the year and consequently have invested in developments in progress. This has meant that our net debt has increased in the year from £315m to £347m although gearing levels remain similar to the end of 2010 (2011: 73%, 2010: 72%).

Corporate Facilities

During the course of this year we have replaced or extended all of our corporate bilateral facilities. Facilities with Lloyds, Barclays and HSBC were renewed or extended during the 2011 financial year and a new facility was put in place with Santander. All Group bilateral facilities now extend until at least November 2014, giving us an average debt maturity of 3.5 years (2010: 3.3 years).

Headroom in Corporate Facilities

In total we have corporate debt facilities excluding VSM Estates of £434m against drawn debt of £303m at the year end, giving us substantial potential headroom to meet future development and funding needs.

Our VSM joint venture and its associated debt is treated as on balance sheet for the purposes of the financial accounts. We have reduced this facility in order to reduce the costs of unnecessary undrawn facilities, but still provide sufficient funding to meet future obligations. The facility extends until March 2014 and has £44m debt drawn against a remaining facility of £48m. Since the balance sheet date, VSM has received a further £10m of deferred land sale receipts with a further tranche of £14m due in January 2013.

Substantial headroom remains in our debt facilities to enable us to continue to pursue active development of our business.

Hedging & Cost of Debt

We aim to have predictable costs attached to our borrowing and so we hedge the majority of our interest rate risk. At the year end we were 86% hedged against our corporate debt (2010: 98%). Our hedging maturities are spread between 2012 and 2018 so that we are not overly exposed to re-hedging risks in any one year.

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FINANCIAL REVIEW continued

Active Property Portfolio

"We now have a property portfolio worth £1,103m (2010: £1,055m). Over the course of the year we have been actively managing our property portfolio with £96m having been spent on acquisitions and capital expenditure and £95m realised from asset disposals."

Corporate Funding Covenants

We are operating well within the covenants that apply to our corporate banking facilities. The covenants are:

- Net assets must be greater than £250m (actual £476m);
- Gearing must not exceed 175% (actual 73%); and
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 2.0x).

Although the current economic conditions still have an element of uncertainty, we have considered available market information, consulted with our advisers and applied our own knowledge and experience. Consequently, we believe that covenant levels are adequate for our possible negative scenarios.

Joint Venture Facilities

In addition to VSM we have two further joint venture facilities:

1. Key Property Investments ('KPI')

KPI, our 50:50 joint venture with Salhia Real Estate Company K.S.C., holds significant retail and commercial assets with the potential for future development. Asset profitability and sales have meant that our financing requirements have reduced over the last year. 'KPI' debt at November 2011 was £146m (2010: £165m) and this is expected to reduce further in the near-term. The existing £200m facility has very advantageous terms but expires in September 2012. Consequently, we are in the process of putting in place a new facility for 'KPI'. The new club has been identified, we have agreed terms and received credit approval and are currently in legal process to finalise a new five year facility.

2. Sowcrest & Holaw

These joint ventures are with Rotch Property Group Ltd and relate principally to our Wembley development. Over the course of the last year asset sales have significantly reduced the debt associated with this project to £22m at November 2011 (2010: £33m). We aim for the pace of asset sales to continue to accelerate over the coming months leaving a minimal level of debt requirement by May 2012.

We are in advanced negotiations with Rotch to acquire its share of the joint ventures. If we successfully conclude this transaction we expect the assets and remaining debt in both Sowcrest and Holaw to be wholly consolidated into St. Modwen's results.

Pictured:
Baglan Bay — Port Talbot, South Wales.

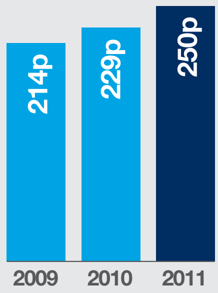
Pictured:
myplace Youth Centre — Longbridge, Birmingham.

Equity Net Assets Per Share

232p

EPRA Net Asset Value Per Share

250p



Balance Sheet

Net Assets

At the year end the shareholders' equity value of net assets was £464m or 232p per share. This represents a 9% increase over the year (2010: £427m or 213p per share). In addition to this increase dividends of £6.2m or 3.1p per share were paid during 2011 (2010: £2.0m or 1p per share).

EPRA Net Asset Value

In line with industry best practice we also report net assets per share using the EPRA (European Public Real Estate Association) methodology. Our diluted EPRA net asset value also rose 9% from 229p per share to 250p per share.

A full reconciliation of our net assets is provided in note 2 to the Group Financial Statements.

Property Portfolio

We now have a property portfolio worth £1,103m (2010: £1,055m). Over the course of the year we have been actively managing our property portfolio with £96m having been spent on acquisitions and capital expenditure and £95m realised from asset disposals. In addition to these disposals we have committed £27m of land to our Persimmon arrangements. The sale of this land is only recognised in line with house completions and therefore remains part of our property portfolio.

The land committed to Persimmon is held as part of inventories. Assets held in inventories principally comprise of development properties where development has commenced and assets held for resale. Inventories also include RAF Northolt that has been pre-sold to the Ministry of Defence under Project MoDEL. As it is matched by an equal and opposite obligation within trade payables, we exclude this asset from our property portfolio. A full reconciliation of the property portfolio is provided in Note 2 to the Group Financial Statements.

Property Portfolio — Value Movements 2011

	At Nov 2010 £m	Market value movements £m	Value added by St. Modwen £m	Net additions and movements £m	**At Nov 2011 £m**
Residential	400	2	26	(24)	**404**
Commercial land	130	(2)	1	20	**149**
Income producing:					
Retail	194	1	2	12	**209**
Offices	60	—	—	10	**70**
Industrial	271	—	4	(4)	**271**
Total	**1,055**	**1**	**33**	**14**	**1,103**

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FINANCIAL REVIEW continued

Financial Outlook

"Our very good financial results for the year and strong pipeline of opportunities are backed by our solid financing structure and committed funding arrangements. While the times ahead will undoubtedly be challenging we believe that we are well equipped to meet those challenges and prosper."

Property Valuation Bases

All our investment properties are independently valued every six months by Jones Lang LaSalle LLP, a global real estate professional services business, one of whose specialisations is property valuation. Jones Lang LaSalle based its valuations upon an open market transaction between a willing buyer and a willing seller at the balance sheet date. Therefore no value is taken for any future expectations of value increases but discounts are applied to reflect future uncertainties. Where appropriate we will also independently assess our work in progress for any impairment issues. In accordance with accounting standards valuation movements are put through the income statement as gains or losses. Valuations in all our asset classes have been substantiated by open market transactions during the course of the year. Yields on our income producing properties have remained largely stable in the flat market during the year, with any movements reflecting our success in attracting tenants.

Weighted Average Yields on Income Producing Property

	Equivalent		Net Initial	
	2011	2010	**2011**	2010
Retail	**8.4%**	8.6%	**7.4%**	7.3%
Office	**8.7%**	8.9%	**6.4%**	6.7%
Industrial	**9.1%**	9.2%	**7.7%**	7.7%
Total	**8.8%**	8.9%	**7.4%**	7.4%

Trade Payables

Around two thirds of our trade payables balance relates to the deferred payment arrangements related to land owned by our VSM joint venture, including RAF Northolt as referred to above. As this joint venture progresses and land is sold off for development these payables amounts will naturally reduce. Other trade payables relate to development activities in the normal course of our business.

Pension Scheme

Our defined benefit pension scheme continues to be fully funded on an IAS19 basis. The results of the triennial valuation from April 2011 are well advanced and show a fully funded scheme. With the scheme being closed to new entrants and closed to future accrual we do not expect any significant material future increase in scheme contributions.

Financial Outlook

Our very good financial results for the year and strong pipeline of opportunities are backed by our solid financing structure and committed funding arrangements. While the times ahead will undoubtedly be challenging we believe that we are well equipped to meet those challenges and prosper.

Pictured
Top: Showhome interior — Locking Parklands, Weston-super-Mare.
Middle: Bournville College aerial — Longbridge, Birmingham.
Llanwern / Glan Llyn aerial — Newport, South Wales.
Bottom: Wythenshawe Town Centre — Manchester.

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FEATURES

Significant Projects in 2011

Residential

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The residential business in focus featuring three areas of activity including St. Modwen Homes, Joint Ventures and Residential Land.

Commercial Land & Development

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Regeneration Timeline

Featuring the £1 billion regeneration of Longbridge, Birmingham with £85 million invested in the 458 acre site since its acquisition in 1993.

PAGE 38

Regeneration & Remediation

St. Modwen's remediation expertise continues to make excellent progress across South Wales transforming brownfield sites into mixed use developments.

Income Producing Property

PAGE 40

Showcasing the development opportunity oriented nature of the Company's portfolio and its ability to generate income from the assets held.

Business & Financial Review

FEATURES:

PARK VIEW, LONGBRIDGE

Residential

St. Modwen's residential business can be split into three distinctive areas:

- **St. Modwen Homes**
  Established in 2010 St. Modwen is now building and selling under its own house building brand.

- **Joint Ventures**
  St. Modwen identifies joint venture partners to develop its land in order to capture development profit.

- **Residential Land**
  The Company specialises in obtaining planning permission for residential use and selling fully serviced land to residential developers.

This approach ensures the ability to dispose of land as effectively as possible using one or more of these strategies on any one of our sites. It also demonstrates to development partners/landowners that the Company can maximise the value of their land.

St. Modwen Homes

Park View was launched on 3rd September 2011 and has marketed strongly with sales rates outperforming our local competitors. By the end of January 2012 over half the homes had confirmed reservations. Locking Parklands was launched on 11th November 2011 with again very strong demand. Across these two sites, including the social housing units, reservations of a 120 units were confirmed (over 55% of units available) by the end of January 2012.

The strategy is to adopt a local developer mentality, allowing a design-led approach to be taken to both the built form and the external environment. This has allowed St. Modwen Homes to offer its purchasers a more bespoke product which differentiates it from the larger national house builders, as its houses have higher floor to ceiling heights and larger windows to maximise the feeling of light and height.

It is proposed to expand the business to a maximum of 500 units per annum and a further three outlets have been identified, where construction will commence in the second half of 2012. All land comes from within the St. Modwen portfolio and it is not proposed to actively pursue residential land in the open market.

Joint Venture

In July 2010 a joint venture was entered into with Persimmon Homes PLC to develop over 2,000 units on seven sites. Significant progress has been made in the year where legal completion was achieved on the first three sites and launched sales on two, namely Wolverhampton and Glan Llyn (Llanwern) in South Wales. Good progress has been made on the remaining four sites which it is anticipated will all start on site in 2012.

This pipeline of delivery will result in St. Modwen benefiting from a full year's profit on all seven sites in 2013. The day to day relationship with Persimmon remains strong and further sites are being identified for inclusion within the joint venture.

Residential Land

Disposal of serviced land to house builders has been St. Modwen's traditional exit route for its residential land and continues to play an important role. In 2011 £45m of land was sold in addition to the £27m of land committed to the Persimmon joint venture. The Company has over 20,000 plots with residential planning recognition in its land bank.

Business & Financial Review

FEATURES: Commercial Land & Development: Regeneration Timeline

LONGBRIDGE

NAC SIGN NEW LEASE

Nanjing Automobile Corporation (NAC) signs 33 year lease on 105 acre South Works following collapse of MG Rover in 2005.

FIRST UNITS COMPLETE AT COFTON CENTRE

Two self-contained units of 27,093 sq ft and 47,780 sq ft at the 35 acre Cofton Centre complete.

TECHNOLOGY PARK FIRST PHASE COMPLETES

45,000 sq ft Innovation Centre and 31,208 sq ft Two Devon Way delivered in Phase One of Longbridge Technology Park.

NEW BOURNVILLE COLLEGE ANNOUNCED

Bournville College signs development agreement to relocate to new 250,000 sq ft building at Longbridge.

GOVERNMENT GIVES LONGBRIDGE PLAN GREEN LIGHT

Longbridge Area Action Plan approved by Government Planning Inspector to give framework for future development.

WORK STARTS ON NEW COLLEGE

Start on site of new £66m Bournville College for up to 15,000 students on a 4.2 acre campus.

TOWN CENTRE CONSTRUCTION UNDERWAY

Start of work on new £70m Longbridge town centre to be delivered in three phases.

TOWN CENTRE OPEN FOR BUSINESS

Town centre completes and Sainsbury's opens creating up to 400 new jobs.

52 ACRES OF RESIDENTIAL LAND READY FOR DEVELOPMENT

Longbridge East remediation work completes to make way for first phase of 229 new homes.

£32M ROAD AND INFRASTRUCTURE WORKS COMPLETE

Over 300 new private sector construction jobs created as a direct result; with an additional 4,900 jobs expected to be generated through the subsequent development.

SAINSBURY'S SIGNS UP

A new 85,000 sq ft Sainsbury's foodstore announced for Longbridge town centre.

£70M TOWN CENTRE GETS GO AHEAD

Detailed planning permission granted for £70m town centre with 24 new shops and restaurants, offices, hotel and two acres of public parkland.

CONSTRUCTION OF £5M YOUTH CENTRE STARTS

Work starts on new £5m myplace youth centre to provide a wide range of innovative services for 13–19 year olds.

PLANS SUBMITTED FOR 229 NEW HOMES

Planning application submitted for 229 new homes on Longbridge East in joint venture with Persimmon Homes.

FIRST NEW HOMES ON SALE

113 new homes at Park View launched to the market offering a mix of terraced, semi-detached and detached designs.

BOURNVILLE COLLEGE OPENS

Bournville College opens its doors to its state-of-the-art new facilities.

Business & Financial Review

FEATURES:

Commercial Land & Development: Regeneration & Remediation

In 2009 St. Modwen completed the acquisition of BP's former 2,500 acre portfolio of redundant sites. Over 2,000 acres of the portfolio is located in South Wales including the 1,060 acre former Llandarcy Oil Refinery in Neath, currently being transformed into a new £1.2 billion mixed use development called Coed Darcy. Coed Darcy is one of Europe's largest brownfield redevelopment sites.

Over the next 25 years, St. Modwen will transform the site into a mixed use community, comprising over 4,000 homes, four schools and a mixture of employment and community development.

Key Project Milestones to date

Since 2008, and four years ahead of schedule, ongoing remediation and reclamation has already seen 800,000 man hours completed. To date, 400 acres of land has been reclaimed and cleaned up with 1,125km of pipeline and cable removed, and 200,000 tonnes of concrete removed and recycled. By November 2011, over 800,000 litres of oil had been recovered via an extraction process — enough to fill 16,000 tanks of fuel in the average family car, all of which went to be recycled including utilisation as a fuel source for energy production at a local power station.

Particular progress was made with the recovery of 125,000 tonnes of oily sludge from the reservoirs and separators. All material was bio-remediated on site to produce a useable landscaping soil. Further sludge was recovered in the final stage of remediation of the 25 acre North Site Reservoir.

The success of the remediation of these water bodies has already become apparent given the rapid natural repopulation of birds and aquatic life.

Extraction methods were chosen which allowed the recovery of material from the lagoons with minimal environmental impact on the adjacent Crymlyn Bog Site of Special Scientific Interest ('SSSI'), RAMSAR and Special Area of Conservation ('SAC'). Extracted waters were passed through water treatment systems prior to discharge under agreements with the Environment Agency Wales. Once stabilised, materials are remediated by low energy bio-treatment using natural bacteria to reduce concentrations of hydrocarbons. Methods using Geotube technology are also being showtrialed at Coed Darcy, the first such use in the UK.

Construction has begun on the remediation and infrastructure to serve the first phase of housing on the site and a planning application was submitted in September 2011 by Persimmon and Charles Church homes. This will comprise 302 dwellings and will set a high design standard for the future phases of Coed Darcy. Both modern and traditional building techniques will be utilised to ensure local vernacular is adhered to whilst also achieving building performance capable of meeting the latest standards. In addition St. Modwen will be working with local supply chains and labour to provide benefits to the local economy.

Remediation works also began in October 2011 on the adjacent 12 hectares of playing field and commercial area plots in order to prepare the next phase of development.

Pictured:
Coed Darcy — proposed mixed use development, Neath, South Wales.

Business & Financial Review

FEATURES:

EDMONTON GREEN

Income Producing Property

A major proportion of St. Modwen's assets generate income whilst being held for the prospect of generating significant future value. The company's continuing ability to successfully manage its portfolio in difficult economic environments has been clearly demonstrated in in recent years.

Since St. Modwen acquired the 1970's shopping mall in Edmonton Green in 1999, the key objective has been to regenerate and enhance the shopping environment to provide a viable and successful retail centre as well as a community hub.

In partnership with Enfield Council, £100m has been invested in a regeneration programme which has begun to mature and demonstrate the real improvements to the commercial and social aspects of Edmonton Green.

The site totals 10 hectares (26 acres) and the Centre comprises 450,000 sq ft of buildings which is made up of 120 retail units, 40 market stalls, 30 community uses and 24,000 sq ft of offices together with 750 residential units above, with a minimal level of voids.

Building on the success of the initial redevelopment, elements of which included a new bus station, Primary Care Centre and Leisure Centre alongside 176 residential apartments, an ASDA superstore was added in 2008, since when many other high street names have opened. Significant improvements have also been carried out to the services including new public toilets, shop mobility service, security office and CCTV system.

St. Modwen's commitment to continuing the regeneration programme during 2011 with the delivery of:

- A 73 room Travelodge Hotel which had been completed and forward sold.
- The refurbishment of South Mall which has greatly enhanced and improved the retail environment.

In addition, in excess of 200,000 sq ft of lettings have been completed in the last year including lettings to well-known high street retailers — Home Bargains, Blue Inc, Wilkinson and Sports Direct. This demonstrates clearly the success of the regeneration and skill of delivering value through asset enhancement.

This £1.5 million investment to improve the physical environment of the South Mall included a new roof, new flooring, lighting and seating as well as improved signage. Planning permission has also been gained for the refurbishment of North Square in 2012. This will include the reconfiguration of units and extension to accommodate the new Wilkinson store of 22,000 sq ft and significant improvements to the elevations of all buildings, landscaping, street furniture and lighting. During the next 12 to 18 months, these works will represent an additional £3 million investment by St. Modwen which will enhance the Centre's value and help attract as well as retain retailers.

Pictured:
Edmonton Green Shopping Centre — Enfield, London.

Business & Financial Review

RISKS AND UNCERTAINTIES

Economic & Market Risk

Uncertainty in the economic and market environment increases the risk attached to property valuation and development returns

Risk & Impact	Mitigation
Market/economic changes such as higher interest rates, reduced availability of credit and declining investment yields restrict business development and cause valuation falls.	• Regional spread and portfolio diversity mitigates sector or location-specific risks • Active portfolio management achieves a better than market utilisation of assets • Hedging policy reduces interest rate risk
Poor market intelligence (i.e. failure to anticipate market changes) leads to selection of inappropriate and, ultimately, unprofitable schemes.	• Regional offices in touch with their local market • Dedicated central resource supporting regional teams • Flexible and innovative approach to acquisitions and schemes in order to adapt to market changes • Projects, acquisitions and disposals are reviewed (and financially appraised) within clearly defined authority limits
Declining rental yields and/or loss of key tenants results in reduced profitability and cash flow.	• Diverse and extensive rent roll (over 4,000 tenants) • Financial checks carried out on new tenants • Rents at affordable end of scale
Financial collapse of, or dispute with, a key joint venture partner leads to financial loss.	• Monthly review of performance to identify if senior management intervention is required • Flexible but legally secure contracts with partners

Financial Risk

Our geared financial structure means that there are inevitable risks attached to the availability of funding and the management of fluctuations in our cash flows

Risk & Impact	Mitigation
Availability of funding reduces, causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets.	• Recurring income from rents provides funding for ongoing overhead and interest costs • Strong relationships with key banks • Financial headroom maintained to provide flexibility
Unforeseen significant changes to cash flow requirements limit the ability of the business to meet its ongoing commitments.	• Regular and detailed cash flow forecasting enables monitoring of performance and management of future cash flows
Failure to value properties fairly, leading to lower than anticipated profits/yields.	• Independent valuation by external experts and validation by external auditors • Professionally conducted and conservative property valuation process
Failure to refinance bank facilities as they fall due or failure to comply with banking covenants leads to insufficient funds to run and grow the business.	• Small number of high quality banking relationships • Weighted average expiry of covenants 3.5 years for 2011 • Acquisitions structured in self financing manner

Change	Commentary
	We choose to operate only in the UK, which is subject to relatively low risk and low returns from a stable and mature, albeit cyclical economy and property market. By involvement with all sectors of that economy and property market, we are as diversified as possible, without venturing overseas. Over the course of the last year, the worsening sovereign debt position within the Eurozone means that the overall market position has become less positive.
	The excellent reputation and financial capacity of the Company have enabled us to continue to win schemes and grow the land bank to record levels, even in the current financially-constrained climate. In this environment, with a reduced number of active competitors, we expect to be able to continue to source attractive acquisitions.
	Our diverse tenant base mitigates this risk but reduced UK economic growth prospects and declining business confidence mean that there is increased risk in this area.
	Our key partners are Persimmon, Vinci plc and Salhia plc of Kuwait. These are financially strong partners with good prospects, even in the current economic environment. Where we have financially weaker partners, we are exiting from these arrangements, meaning that the overall risk has reduced year-on-year.
	Our prudent approach to forward commitments, speculative development and asset disposals has enabled us to optimise operational cash flows and to offset the impact of fluctuating market conditions. Furthermore, we have once again recorded a trading profit in the year, demonstrating our ability to succeed in varying markets. However, the sovereign debt issues are increasing the constraints over general bank funding.
	Our year end cash position is in line with the guidelines that we set at the start of the year.
	The valuation of our properties is externally undertaken every six months. Our methodologies are consistent and cautious, always allowing for future uncertainties and for housebuilder profit on our residential land.
	Our banking facilities have been extended, our gearing is stable and interest rate risk is hedged.

Business & Financial Review

RISKS AND UNCERTAINTIES continued

Risk & Impact	Mitigation
Construction Risk The management of developments is a complex process	
Inadequate due diligence on major new schemes leads to unforeseen exposures, costs and liabilities, which prevent effective delivery and result in financial loss.	• Use and close supervision of a preferred supply chain of high quality trusted suppliers and professionals • Projects, acquisitions and disposals are reviewed and financially appraised in detail, with clearly defined authority limits • Contractual liability clearly defined
Inadequate construction delivery and procurement leads to quality issues and cost overruns causing reputational and/or financial damage.	• Strong internal construction management team • Clearly defined formal tender process that evaluates qualitative and quantitative factors in bid assessment • Use and close supervision of a preferred supply chain of high quality trusted suppliers and professionals
Regulatory & Compliance Risk Our work is undertaken in a complex environment with consequent compliance risks	
National planning policy framework changes adversely impact on our business strategy by limiting our ability to secure viable permissions and/or by removing our competitive advantage.	• Use of high quality professional advisors • Active involvement in public consultation • Constant monitoring of all aspects of the planning process by experienced in-house experts • Contacts in place with central and local government
Failure to manage long-term environmental issues relating to brownfield and contaminated sites leads to a major environmental incident, resulting in financial/reputational damage.	• Use of high quality external advisors • Highly qualified internal staff • Risk assessments conducted as part of due diligence process • Full warranties from professional consultants and remediation contractors • Defined business processes to proactively manage issues
HS&E culture leads to a major incident (e.g. serious injury to, or death of an employee, client, contractor or member of the public) or non-compliance with legislation, resulting in financial penalties and/or reputational damage.	• Performance indicators are reviewed monthly at Board level • Use of high quality external HS&E advisors • Defined business processes to proactively manage issues
Organisational Risk Our activities require highly skilled and motivated people in order to deliver consistently and effectively	
Lack of succession planning and/or over reliance on key people causes loss of/failure to attract good people and/or significant disruption/loss of IP.	• Succession planning monitored at Board level and below • Targeted recruitment with competitive, performance-driven remuneration packages

Change	Commentary
→	Our programme for the year has been delivered succesfully and we have conducted robust processes in selecting contractors for future projects.
↑	During the year, all our developments have been completed on time and within budget. Our contractor selection processes are rigorous. However, given the economic environment and the consequentially increased risk of contractor insolvency, we have this year increasingly biased our contractor selection in favour of financially stable and robust contractors.
→	Our daily exposure to all aspects of the planning process, and internal procedures for spreading best practice ensure we remain abreast of most developments. Furthermore, we continue our efforts to influence public policy debate. Although the current fluctuations in proposed planning legislation mean that future rules are uncertain, our expertise should enable us to prosper relative to our competitors, whatever the planning environment.
→	We are willing to accept a degree of environmental risk, enabling higher returns to be made. The inherent risks are passed on or minimised where possible but cannot be eliminated, although the residual risks have been acceptably low in recent years.
→	Health and Safety continues to be a high priority. The assessment of environmental costs (and the subsequent optimising of remediation solutions) is an integral part of our acquisition and post-acquisition process. We seek to minimise or pass on any such environmental risks, and believe that the residual risk remains acceptably low. In other social and ethical areas, our operations are underpinned by a simple but rigorous set of operating commitments.
→	We continue to offer attractive and competive remuneration packages as is evidenced by the lack of vacancies. We continue to adapt our recruitment strategy to source the skills that will support the Company's long-term business objectives.

ST.MODWEN

Corporate Governance

Information regarding the Board and how they have run the business for the benefit of the shareholders

Pictured:
Completed summer 2011.
Bournville College — Longbridge, Birmingham.

Corporate Governance

CORPORATE SOCIAL RESPONSIBILITY

Clarity of vision

St. Modwen takes Corporate Social Responsibility ('CSR') very seriously and as a result, ensures that it forms an integral part of everything the company does. CSR activities are grouped into three specific areas:

- Sustainability and the Environment
- Community and Economy
- St. Modwen Environmental Trust

examples of which follow within this section.

SUSTAINABILITY AND THE ENVIRONMENT

Resource Management

Coed Darcy — Neath, South Wales

At its site in South Wales St. Modwen is undertaking a significant remediation project to transform the former oil refinery into a mixed use development. During the implementation of the site remediation and reclamation the Company will ensure sustainability is enshrined in the design and works undertaken. Low carbon methodologies are encouraged which target the retention of recoverable materials allowing reductions in off-site transport and processing.

Materials recovered during the demolition, reclamation and remediation process are segregated in order to maximise their potential for reuse. These are logged, tested and tracked to provide a detailed record of all materials available on site at any one time. The small percentage of materials not suitable for reuse on site are removed for recycling. To date 1,125 km of pipeline and 800,000 litres of oil have been diverted from off-site waste disposal facilities and have been recycled.

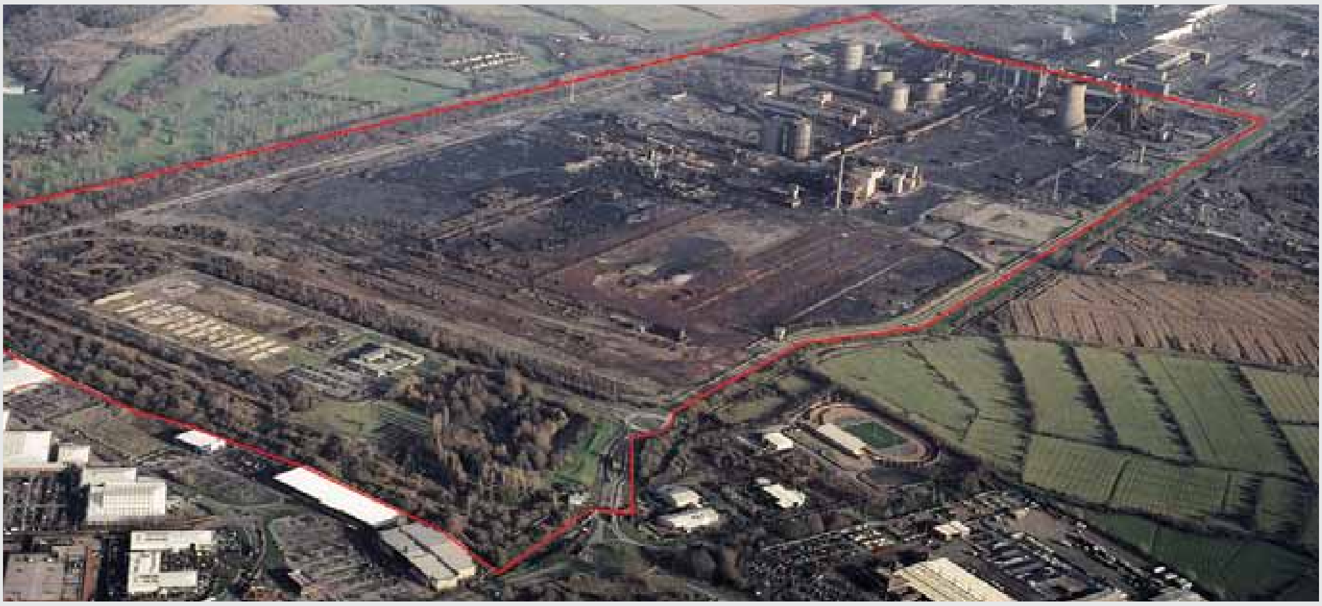
Timber and other organic material felled as part of the vegetation clearance have been utilised on site for a number of purposes. Wood chip and compost formed from cleared material is being used as an additive for bioremediation as well as a base material for the production of topsoil. The remaining woody materials are retained for habitat improvement, for wildlife within the enhanced ecological fringe of the development. The newly created ponds for Great Crested Newts and the proposed wetlands within the western part of the site have also benefited from plants propagated from onsite stocks to reduce the requirement for importation.

Woody materials have also been integral to the remediation and stabilisation of contaminated sludges which have been removed from the historic ponds and reservoirs. The use of these materials helped to transform wet contaminated sludges into a workable material that could be excavated, transported and treated to subsequently produce a further substrate for topsoil production.

St. Modwen has implemented a variety of low intensity remediation techniques which reduce energy consumption and provide an end product which can either be reused as a soil on site or as recycled fuel. These methods have also sought to minimise environmental impact on the adjacent, internationally important, Crymlyn Bog Special Area of Conservation, Special Site of Scientific Interest and RAMSAR site.

For example, Geotube technology is being used at Coed Darcy for the first time in the UK as part of the remediation of the largest of the reservoirs on site. Material is dredged from the base of the reservoir using an underwater vacuum. The dredged sludges are pumped into the Geotubes, the fabric of which allows liquids to pass out but retains the solids. In comparison with other methods, the use of Geotubes significantly reduces the volume of material requiring treatment by over 50%. The process also removes the need for high energy consuming engineering works which would require the drainage of the 400 million litre reservoir.

The majority of the contaminated materials on site are being treated by a process of bioremediation to reduce the concentrations of contamination. Bioremediation is a very low energy technology which uses natural processes to accelerate the remediation of soils using natural bacteria which occur in



the soil. This method offers considerable reduction in energy use in comparison with other forms of treatment. The process also produces an end product which will be used in landscaped areas to promote growth within the new 'green' areas of the development.

Wythenshawe Town Centre

Retailers in Wythenshawe Town Centre have been encouraged to participate in a St. Modwen initiative to reduce waste by half and recycle as much cardboard and paper as possible.

St. Modwen had already put mixed recycling bins around the centre for shoppers but wanted to ensure that their tenants could be as green as possible too. Instead of cardboard going to landfill, St. Modwen is encouraging those tenants without recycling contracts to put their card and paper waste into new orange skips and metal cages in the service yard. With 10 tonnes of cardboard recycled in just six weeks, any money credited back from the recycling is then used to fund other recycling facilities such as glass and can collections. In the longer term this will contribute towards town centre service charges.

Reclamation & Remediation

Glan Llyn — Newport, South Wales

Over the next 15–20 years St. Modwen will transform the former Llanwern steel works site into Glan Llyn, a mixed used community comprising 4,000 homes, two schools, a district shopping area and a commercial area of mixed employment with lakes and a sports area providing facilities for rugby, football and cricket. The scheme is expected to bring in well over £1m of economic investment to an area hit hard by local job losses.

To date St. Modwen has cleared a large amount of existing ground structures and delivered a first phase plot to Persimmon Homes and Charles Church. St. Modwen is currently working on delivering more potential sites for development within the site.

Key milestones:

- Infrastructure and remediation to phase one residential area to facilitate development;
- Carried out extensive Ground Investigation work to facilitate all site development — over 400 exploratory holes;
- One third of the commercial area has been remediated;
- Constructed new water ways to facilitate water migration from north to south of site;
- Constructed Western Park for community space and sport facilities;
- Constructed 200m of a new Gateway Road to facilitate access to the new Glan Llyn site;
- Demolition of seven sub-stations and reclaimed all redundant cable associated with infrastructure;
- Demolition of the residual to facilitate phase one plot construction;
- Reclaimed 156,000m^3 of concrete which is being recycled for reuse within the scheme;
- Reclaimed approximately 40,000m^3 of soil from site to be processed for reuse;
- Reclaimed 240,000 tonnes of iron ore; and
- Reclaimed 151,000 tonnes of mixed iron fine.

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CORPORATE SOCIAL RESPONSIBILITY continued

Sustainable Buildings Bournville College

Developed by St. Modwen, the £66m Bournville College opened in autumn 2011 as part of the wider regeneration of Longbridge in Birmingham. The construction programme totalled 23 months and achieved a BREEAM rating of 'Very Good' (at 64.69%).

Sustainable aspects of the development included both the construction phase and the overall design that impacts the sustainability of the building during its life cycle.

During Construction:

- 1,190 individuals were employed from the greater Birmingham area, approximately 50% of the workforce;
- 98% of construction waste was recycled;
- 100% of aggregates used were from the Longbridge area; and
- timber, both temporary and permanent, was sourced from Forest Stewardship Council ('FSC') sustainable sources.

Contractor Shepherd Construction complied with the Considerate Constructors Scheme, scoring 34 out of a possible 40. This included keeping the site clean and tidy and working with and engaging the local community. Particular community projects included re-painting St Stephen's community hall and refurbishing St John's toilets. Both initiatives utilised the skills of students undertaking the College's construction qualifications.

Sustainable Design Features included:

- windows that open automatically at night to naturally cool the concrete soffits without the need for mechanical cooling;
- utilising rain and grey water harvesting, with 50% of the water used in the flushing of the WCs;
- taps within the WCs have an auto shut off/timed facility to reduce water wastage. Showers were specified to deliver a maximum flow rate of nine litres per minute;
- water system with major leak detection on the entire mains water supply, which is audible when activated identifying different leakage rates (e.g. continuous, high and low level leaks) and can be programmed to suit occupiers' requirements;
- bettering the Part L Building Regulations by 6%, thus reducing the building's carbon impact;
- internal lighting operated by time switch sensors, includes automatic daylight dimming to reduce lighting levels; and
- allowing for a designated storage area to store and sort recyclable waste with future proofing provisions allowing for connection to the Combined Heat and Power ('CHP') plant to achieve the BREEAM 'Excellent' standard.

Residential — St. Modwen Homes

Locking Parklands — Weston-super-Mare

Code for Sustainable Homes, BREEAM and Renewable Energy

All dwellings are designed and are being built to the Code Level 4 standard. The small offices are provisionally designed to the BREEAM 'Excellent' standard. A planning condition applies requiring a 15% contribution to the site's total energy demand from renewable or low carbon technologies. This will be satisfied via solar photovoltaic arrays installed on all dwellings and small offices.

Thermal Performance

Code level 4 requires a 44% reduction in carbon dioxide emissions from a part L1A 2006 Building Regulations baseline.

All dwellings are being built to the fabric performance (detailed in the table on page 51) to meet the Code Level 3 standard. Additional solar photovoltaic panels are then installed to meet the Code Level 4 carbon dioxide reduction standard. This strategy enables compliance with the 15% renewable energy planning condition. An identical strategy has been applied to the small offices to meet the mandatory energy credits required to comply with the BREEAM 'Excellent' standard and the planning condition.

Thermal Element	Maximum Area—Weighted U-value (W/m²K) Allowable Under 2006 Building Regulations	Dwelling U-values (W/m²K)	% Improvement on 2006 Allowable U-Value Standard
Main external walls	0.35	0.22	37.14
Roof (joists)	0.25	0.09	64.00
Ground floor	0.25	0.13	48.00
Windows	2.20	1.40	36.36

Sustainable 'Highlights'

Exceptional performance was achieved in the Considerate Constructors Scheme, with a score of over 36 out of 40 points in the most recent Site Monitoring Report.

In addition, all dwellings have:

- 75% energy efficient light fittings;
- air tightness is set at 50% less than the allowed test result under Part L of current Building Regulations. Results from acoustic testing are likely to demonstrate at least an 8 decibel improvement on the standards required by Part E of building regulations for party walls and floors;
- very good standards for received daylight, with calculations verifying that all kitchens, living rooms, dining rooms and home office locations achieve an Average Daylight Factor of at least 1.50%;
- white goods provided with 'A+' and 'A' energy ratings;
- dedicated space and facilities for home offices, encouraging working from home and reducing reliance on the car. Sustainable transport choices are also promoted via provision of bicycle storage within a garage, garden shed or communal store;
- achieved a target of 105 litres per person per day for internal water consumption via the use of reduced flow taps, low flow showers and dual flush WCs. This target is 16% better than the standard set by Part G of building regulations;
- water butts to harvest rainwater;
- three internal recycling bins fitted within a kitchen cupboard, facilitating segregation of recyclable waste along with a bin for compostable waste;
- Class 5 gas boilers with very low Nitrous Oxide emissions, a gas that is a key contributor to climate change;
- Porotherm blocks used for the shell which are both recyclable and bonded using grouts that reduce the requirement of mortars and associated waste;
- timber which has been sourced sustainably;
- been designed to comply in full with Lifetime Homes' standards, facilitating potential life-long occupation of the property;
- level thresholds to entrance doors which ensure access for all and minimises disruption for disabled residents;
- rigorous security standards for doors and windows set by Secured by Design, helping to reduce the risk and fear of crime amongst the new community; and
- a Home User Guide which provides information to each new owner about the environmental features in their home, together with detailed information about their locality and its various amenities.

Corporate Governance

CORPORATE SOCIAL RESPONSIBILITY continued

Reusing and Preserving Buildings

Edmonton Green Shopping Centre — Enfield, London

The centre was acquired from Enfield Council in 1999 and since then, St. Modwen has carried out almost £100m of regeneration and development to revitalise a tired 1970s community and district centre. Whilst much of the regeneration has featured new build and facilities including an Asda foodstore, leisure centre, health centre, hotel and residential development, significant areas have been retained and enhanced to respect the original masterplan strategy.

One of the first initiatives in 2003 saw the £2.5m remodelling and new layout of the Market Square which is at the heart of the Centre. More recently in 2011 and in partnership with Enfield Council, a £1.5m refurbishment and upgrade of South Mall was completed. As well as national and independent retailers, South Mall also houses many community facilities including a library, banks, post office and Enfield Council's Housing Department, with a weekly footfall of 60,000 people.

A refurbishment scheme that retained the essence of the original structure but also created an improved experience for traders and visitors was crucial. The programme of works included replacing the roof panels within the existing structure, upgrading the lighting and installing new flooring and street furniture. This was carefully planned to enable all occupiers to trade undisturbed. The environment for visitors and traders has been significantly enhanced whilst the character of the original Mall has been retained.

Preserving Nature and our Environment

Ecology — Littlecombe, Dursley, Gloucestershire

As part of the development on site in Dursley, St. Modwen opened up the River Cam from its previous culvert. Debris was removed to maintain the river flow and landscaping was advanced to create an improved environment. This included placing new stones, located from a quarry chosen by the Environment Agency, into the river bed. Rock ramps and riparian vegetation also provided optimal flow and habitat for survival.

A subsequent Environment Agency electric fishing survey (May 2011), for a 100 metre section from road bridge to footbridge, confirmed the following progress:

- 2007: 8 Brown Trout and abundant (100+) Bullhead (a minor species);
- 2008: 13 Brown Trout and abundant Bullhead;
- 2011: 44 Brown Trout, abundant Bullhead and 3-spined Stickleback (a minor species).

These results show that Brown Trout numbers increased and encouraging levels of other more minor species. Also, the size of the trout indicated that ages varied from those that had spawned in 2011 (32mm long), to fish four years old (280mm long).

Ecology — Coed Darcy, Neath, South Wales

The development of Coed Darcy is accompanied by a rich programme of environmental and ecological enhancement. The transformation of the former oil refinery requires a two phased approach.

Firstly, existing protected species are being assessed, protected and translocated where required in advance of construction works. Secondly, a programme of habitat creation is being implemented within and around the development areas to establish an on-going vibrant ecological community and to ensure the end development retains its native fauna and flora.

Delivering biodiversity on a large scale project with a demanding timetable is about conserving biodiversity in terms of local populations rather than individuals, and in terms of habitats within the site rather than in specific locations. This means moving animals (for example: bats, Great Crested Newts, badgers and reptiles) to new locations, translocating and creating new habitats.

A survey of UK (Biodiversity Action Plan ('BAP')) priority habitats across the site resulted in proposals for the management, enhancement and creation of woodlands and heathlands. This led to the identification of locations for the delivery of new BAP habitats through advance habitat creation.

Demolition of former works buildings took account of the existing roosts of the Common Pipstrelle and other species of bats. The mitigation for the loss of roosts involved the erection of bat boxes on nearby buildings and trees and a purpose-built bat lodge on the western margin of the development.

A trapping programme focused on Great Crested Newts (a European Protected Species) has resulted in the translocation of approximately 4,000 newts along with other reptiles and amphibians. The two year trapping programme, which has been undertaken under a license issued by the Welsh Government, involved the erection of over 10km of bespoke newt barrier. A dedicated newt receptor area has been constructed that includes ponds, grassland and wet woodland areas. The receptor ponds lie outside the main construction area and it is intended that this will form part of the 'ecological fringe' which forms the whole western margin of Coed Darcy.

In the south of the site a new badger set has been constructed which will allow an existing social group of badgers to coexist within the southern rural margin of the new development.

Adjacent to the development site is the Crymlyn Bog, an internationally important wetland located immediately adjacent to the proposed village. As a Site of Special Scientific Interest ('SSSI'), RAMSAR site and Special Area for Conservation ('SAC'), its proximity is a prime asset to the development. However, this closeness provides challenges for the remediation of the former refinery site as well as the planning, design, construction and long-term operation of the development. A key issue for the development is maintaining the quality and quantity of the drainage inflows to the bog from the site. St. Modwen's ecologists are working closely with drainage engineers to ensure a surface water drainage strategy is developed such that discharges to Crymlyn Bog will be attenuated and controlled to ensure the long term impacts of the various development phases are mitigated.

Environmental & Sustainability Targets Table 2011

	2011 Achieved (percentage)	2010 Achieved (percentage)
Percentage of remediated materials reused or recycled	**99%**	99%
Percentage of demolition products reclaimed for retention on site or recycling	**95%**	94%
Percentage of construction project waste reused or recycled	**88%**	75%
Energy consumption reduction above that involved in achieving Building Regulations on speculative projects in excess of 50,000 sq ft for industrial buildings and 25,000 sq ft for offices.	**n/a***	100%
Percentage of building projects to have at least 10% of power from a renewable energy source	**57%**	33%
Percentage of schemes with water usage reduction technologies — 100%	**100%**	100%
Percentage of schemes with water recycling technology	**75%**	36%

* There were no speculative industrial or commercial projects constructed during 2011. However, we did achieve energy consumption reduction above that involved in achieving building regulations on our two housing schemes at Park View, Longbridge and Locking Parklands, Weston-super-Mare.

Corporate Governance

CORPORATE SOCIAL RESPONSIBILITY continued

COMMUNITY AND ECONOMY

Apprenticeships at Longbridge

St. Modwen welcomed local apprentices and trainees onto the £12.5m Park View residential development at Longbridge, in a bid to highlight the developer's commitment to the Longbridge Employment Charter.

Seven apprentices and trainees aged between 17 and 23 have joined tradesmen on the Park View site, including a budding carpenter, plumber, quantity surveyor, electrician, brick layer and two civil engineers, to learn their chosen trades through a hands-on training programme.

Through the Longbridge Employment Charter, St. Modwen is committed to working in partnership with Birmingham City Council, the Skills Funding Agency and Jobcentre Plus to facilitate economic regeneration and engage with local people to promote access to jobs and training.

In addition, an apprentice was taken on to assist the management team at the Longbridge Innovation Centre by undertaking reception duties.

Longbridge, St Columba's School

St. Modwen invited local school children onto the £12.5m Park View residential development at Longbridge in a bid to highlight the dangers associated with playing on building sites.

20 pupils aged between seven and 11 from St. Columba's Catholic Primary School on Lickey Road in Longbridge, attended the safety presentation just prior to the start of the summer holidays. Kitted out in fluorescent jackets, safety helmets and protective footwear, the children were led round the site by the St. Modwen team and given the opportunity to ask questions, whilst being taught about the risks regarding heavy machinery, falling objects and hazardous materials.

Andrew Smyllie, Headteacher at St. Columba's School commented: "The children learnt about the risks associated with construction sites. The pupils were taught some valuable safety lessons, which hopefully will ensure no one is ever tempted to enter a development site aside from organised tours like this."

Longbridge, myplace

myplace is a new £5m youth centre, which will be situated at the heart of Longbridge. It will provide a wide range of innovative and much needed services to 13–19 year-olds in the Longbridge area. Construction work commenced in mid 2011 to enable the centre to open its doors in summer 2012. The building has been designed to meet a BREEAM 'Very Good' rating.

The development of the centre has been made possible through a council-secured grant from the Government's myplace programme: a Big Lottery Fund scheme to invest in state-of-the-art facilities for young people across the UK. Located off Longbridge Lane, the new youth centre will address the lack of dedicated facilities for young people in the area. The location of the site was selected for its proximity to the new £66m Bournville College campus, Longbridge Railway Station and the new Longbridge Town Centre site, maximising its accessibility.

The facility will play an important part in the long-term social, cultural and economic improvement of the area, as there is currently no statutory youth provision. Providing a safe and welcoming environment, the centre will give young people the opportunity to participate in a range of activities and enterprise programmes, with the space to socialise and enjoy new learning experiences in preparation for their future. In turn, it is envisaged that this will have a positive impact on the ongoing growth and future prosperity of Longbridge.

Hednesford — Aquarius Community/Dance Hall

St. Modwen gifted part of the original dance floor from the Aquarius Community/Dance Hall, part of the £50m Hednesford Gateway development, to Cannock resident Alana Grew, whose late husband Geoff laid the flooring along with his brother Ron, in the early 1980s.

Reputed at the time to be one of the finest dance floors in the country, a 10 sq m feature area of the original floor is being relocated and preserved by St. Modwen and contractor Prosurv, within the new 250 sq m dance floor being constructed at the new hall.

"It is lovely to have a memento of my late husband's work," commented Mrs Grew. "Alongside Geoff and his brother laying the floor, we also went dancing at the old ballroom and I have many happy memories of that time. When I heard the building was being demolished I immediately contacted St. Modwen to see if I could have a piece of our history to share with the grandchildren. I am delighted that four blocks have been saved just for us and also that part of the original floor will be featured within the new Aquarius building. I hope the redevelopment of Hednesford gives the town the boost that it needs to get back on its feet and I am looking forward to seeing the new dance floor when it is completed."

Hilton Business Park — Big Tree Plant

South Derbyshire District Council and St. Modwen teamed up with Hilton Parish Council and Groundwork Derby and Derbyshire to plan and deliver a green oasis within South Derbyshire's urban core for residents to enjoy for years to come.

One thousand trees have been planted to help create an attractive open space off Welland Road and Humber Street in Hilton. Oak, Field Maple and Silver Birch species were provided by Trees Derbyshire ('MTD') following a successful bid to the Government under the Forestry Commission funded Big Tree Plant programme.

Locking Apprentices

St. Modwen launched an apprenticeship and work placement scheme with Weston College. The project's first phase will offer a minimum of five students the chance to make their mark on the business and residential community planned at the former RAF Locking site, near Weston-super-Mare.

To kick-start the partnership 18 year old Ben Scoins from nearby Locking Grove has this month started the practical element of his apprenticeship in bricklaying at the 200 acre site, where he will work on the first phase of development which includes the construction of 100 homes, 6,000 sq ft of offices and associated infrastructure.

Ben is currently enrolled as a College apprentice studying a Diploma and Level 2 NVQ in Brickwork at Weston College Construction and Engineering Centre of Excellence.

A further four apprentices from the College also started the practical elements of their apprenticeships in bricklaying, plumbing installations, plastering and carpentry this summer. Each apprentice will gain the Construction Skills Certification Scheme accreditation before starting on site, as well as gaining the hands on experience over the next 12 months, required to complete their NVQ certificates.

Around 20 College students will gain work experience placements with St. Modwen or its subcontractors over the course of the next 12 months at the site, in brickwork, plumbing, plastering, carpentry and general site management, to improve their future employment potential.

As part of the redevelopment of the site, St. Modwen is committed to working with the landowner, the Homes and Communities Agency ('HCA'), to ensure that jobs are created for local people to help grow the local economy.

For the first phase of development, St. Modwen invited tenders from contractors across the four local authority areas of Somerset County Council, Bath and North Somerset Council, North Somerset District Council and South Gloucestershire Council as agreed with West of England Partnership's West at Work project.

Around 95% of all waste materials on site will be reclaimed and diverted from landfill and with all site materials, where possible, sourced from within the South West region, with drainage and concrete currently coming from the Bristol and Weston area.

Corporate Governance

CORPORATE SOCIAL RESPONSIBILITY continued

Time Capsule, The Hive

Pupils from a Halton Primary School filled a time capsule with items and, on Friday 22nd July, it was buried at the site of The Hive, Halton's new multi-million pound leisure park.

St. Modwen and Halton Borough Council asked Year 5 pupils at Simms Cross Primary School to work on ideas to fill the capsule. Items included photos of the pupils and staff, a map of Halton, aerial pictures, individual letters to 'future friends', a weekly timetable and a newspaper.

The Council also added business cards from people involved in the development as well as a Widnes Waterfront DVD. The capsule was then welded shut by engineering students at Riverside College.

The time capsule is seen as providing a link between the present and the future and a way of celebrating the new leisure development.

Farnborough — Hoardings Competition Winners

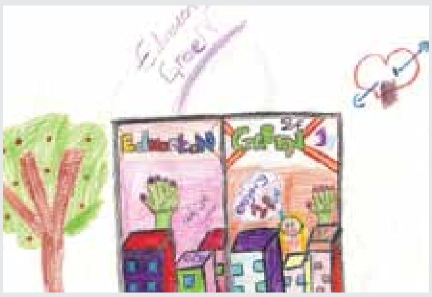
Pupils from Fernhill Primary School won a competition to have their artwork featured on temporary hoardings around The Meads in Farnborough.

The project, which saw over one hundred designs submitted by the school, was organised by St. Modwen, the developer behind the regeneration of Farnborough town centre. Budding artists Kiara Robinson (age eight), Ceilidh Westwood (age ten), Harrison Tonks (age seven) and Rebecca Downer (age nine) saw their winning drawings of 'The Meads in Spring' on display in the heart of Farnborough, between Sainsbury's and Kingsmead shopping centre.

Edmonton Green — Community Arts Project

St. Modwen teamed up with local Edmonton Green arts charity ArtStart, which helps local children express themselves through art rather than 'hanging out' on the streets.

Workshops were held in the centre, asking local children to design a mural that best represented what they loved about Edmonton Green. The winning designs will be installed in the shopping centre in February 2012.



ST. MODWEN ENVIRONMENTAL TRUST

Now in its fifth year, the St. Modwen Environmental Trust continues to provide valuable support to community and environmental projects across the UK.

Affiliated to the Government's Landfill Tax Credit Scheme and regulated by ENTRUST, it seeks to support projects where alternative funding is unlikely to be available, targeting not-for-profit organisations such as community groups and charities.

In 2011, over £100,000 was committed to 11 projects across the country and a small selection of those who applied successfully for the Trust's support now follows.

Moseley Bog

St. Modwen donated £10,000 to The Wildlife Trust for Birmingham and the Black Country's Moseley Bog and Joy's Wood regeneration project — an amount that has funded an outdoor classroom and performance area on the site that was once author J.R.R. Tolkein's local playground.

The money was donated by the St. Modwen Environmental Trust in a bid to help improve the local environment, benefitting the region in which St. Modwen operates. The outdoor classroom is part of a larger regeneration project at Moseley Bog and Joy's Wood, which will see access improved, the old woodland preserved and an attempt to reintroduce the Royal Fern, lost from the bog in the 1980s.

The Moseley Bog site, which is said to have been a childhood favourite of Tolkein and the inspiration behind characters such as Ents and Old Man Willow, will now excite the imagination of school children from across the local area through outdoor art, lessons about native wildlife and literary classes.

Oasis Children's Venture, Stockwell, Elephant & Castle

Local children benefited from a £6,400 donation from St. Modwen Environmental Trust to the Oasis Children's Venture in Stockwell, south London close to the Elephant & Castle Shopping Centre owned by St. Modwen.

The charity manages three open-access play sites: a nature garden, cycle adventure playground and go-kart track offering local children and young people a safe place to play, explore and learn. It aims to make an impact on the lives of deprived children by combining innovative play facilities with the promotion of environmental education.

The donation funded:

- a new, ground-level 'enchanted treehouse' with a stage for children to perform on – fully accessible for people with mobility difficulties and wheelchair users;
- an outdoor puppet theatre;
- a storytelling space;
- magical glade solar lighting;
- an outdoor cooking project with a natural cob-oven where children can cook produce grown in the nature garden;
- new child-size tools, allowing children to become actively involved in a gardening club and helping to promote healthy eating to young people; and
- enhancements to the outdoor classroom including outdoor bean bags and benches.

St. Mary the Virgin, Upchurch, Sittingbourne, Kent

St. Modwen Environmental Trust contributed £10,000 to support this major and urgent restoration project to repair the windows and stonework of this Grade 1 Listed building of outstanding architectural and historical importance, dating from the 13th and 14th Centuries.

Situated in the heart of this community the restoration project has enabled the church to continue to safely host not only services but wider community events.

Washpool Area Restoration Project, Chiseldon, Wiltshire

The objective of this community led project with the support of the Parish Council was to restore an historic area of land on the edge of the village of Chiseldon. This land has been neglected over the years, becoming overgrown and attracting anti-social behaviour, making it uninviting for use by the local community and wildlife alike.

St. Modwen Environmental Trust funded £23,359 in support of the second phase of the work to allow the area to be securely fenced, and creating ponds, wetland areas and auxiliary habitats, planting of native woodland trees and plants, grasslands and the creation of picnic areas, walkways and boardwalks.

Together with the local community and visitors the site has also proved to be a firm fixture in the local school's curriculum, providing a valuable teaching aid and hopes to attract interest from schools in neighbouring areas.

Corporate Governance

BOARD MEMBERS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1 Bill Shannon FCA†•
Non-executive Chairman

Appointed as a non-executive director and Chairman Designate in October 2010. He became Chairman following the company's AGM in March 2011. He is a non-executive director of Johnson Service Group plc and Rank Group plc. Previously he was Chairman of AEGON plc, Chairman of Gaucho Grill Holdings Ltd and a non-executive director of Barratt Developments plc, Matalan plc and an executive director of Whitbread plc.

2 Bill Oliver BSc, FCA
Chief Executive

Finance Director in 2000. Appointed Managing Director in 2003 and Chief Executive in 2004. He has over 30 years' experience within the housebuilding and property sectors.

3 Michael Dunn BSc, FCA
Group Finance Director and Company Secretary

Joined the Company in December 2010 from May Gurney Integrated Services plc, the AIM listed infrastructure support services business, where he spent five years as Group Finance Director. A chartered accountant, he was Finance Director of Carillion Building and Carillion Private Finance prior to joining May Gurney.

4 David Garman BA FCILT*†•
Non-executive Director

David is the Senior Independent Director; a non-executive director of Phoenix IT Group plc; a non-executive director of Kewill plc and a number of private companies. David was, until October 2008, Group Chief Executive of TDG plc, which he joined in 1999 from Associated British Foods plc, where he was an executive director having previously held senior positions in a number of leading UK food companies. Between 2004 and 2011 he was the Senior Independent Director of Carillion plc.

5 Steve Burke
Construction Director

Joined the Company as Construction Director in 1995 and appointed to the main Board as a director in November 2006. Previously contracts director and construction manager with a number of national contracting companies (including Balfour Beatty and Clarke Construction).

6 Lesley James CBE, MA, CCIPD*†•
Non-executive Director

A non-executive director appointed in October 2009. Chairman of the Remuneration Committee. Formerly HR Director of Tesco PLC and a non-executive director of Queens Moat Houses plc, Care UK plc, Alpha Airports Group plc, Inspicio plc, Liberty International plc, Selfridges plc and the West Bromwich Building Society. Currently a non-executive director of Anchor Trust.

7 Katherine Innes Ker MA DPhil*†•
Non-executive Director

A non-executive director appointed in October 2009. Formerly a non-executive director of Taylor Wimpey PLC, The Television Corporation PLC, Fibernet Group plc, Williams Lea PLC, Gyrus Group PLC, Shed Media PLC, Bryant Group plc, Ordnance Survey, ITV Digital plc, Oakley Capital Limited and Marine Farms ASA. Currently Senior Independent Director of Tribal Group plc and a non-executive of Go-Ahead Group plc.

8 John Salmon FCA*†•
Non-executive Director

A non-executive director appointed in 2005. Chairman of the Audit Committee. Formerly a partner of PricewaterhouseCoopers LLP, and a member and former Deputy Chairman of their supervisory board. Currently a trustee and council member of the British Heart Foundation.

9 Simon Clarke*†•
Non-executive Director

A non-executive director appointed in 2004. Chairman of private company, Dunstall Holdings Ltd. Previously Deputy Chairman of Northern Racing PLC and a director and the Vice-Chairman of the Racecourse Association.

* Member of the Audit Committee
† Member of the Remuneration Committee
• Member of the Nomination Committee

Corporate Governance

REGIONAL DIRECTORS

Mike Herbert
Regional Director — North Staffordshire

Rupert Joseland BSc, MRICS
Regional Director — South West & South Wales

Stephen Prosser BSc, MRICS
Regional Director — Yorkshire & North East

Tim Seddon BSc, MRICS
Regional Director — London & South East

Michelle Taylor BSc, MRICS
Regional Director — North West

Rupert Wood BSc, MRICS
Regional Director — Northern Home Counties

John Dodds BSc, FRICS
Regional Director — Midlands

Guy Gusterson BSc, MBA
Residential Director

Corporate Governance

CORPORATE GOVERNANCE REPORT

Chairman's Introduction

Bill Shannon
Non-executive Chairman

"As a Board, we have a responsibility for the stewardship of the business and a commitment to maintaining high standards of corporate governance across the Group. We believe good governance enhances business performance as well as our reputation within our marketplace and across our stakeholder relationships."

The following Corporate Governance Report outlines how the Board has adopted and applied the principles of good corporate governance as set out in the UK Corporate Governance Code 2010 ('the Code'). This report, following an introduction to the three Committees, discloses our governance approach against the core themes identified by the Code:

- Leadership
- Effectiveness
- Accountability
- Remuneration
- Relations with Shareholders

Throughout the year ended 30th November 2011, the Company has followed best practice as set out by the Code. However, the following panel acknowledges and provides a supporting explanation regarding one area where the Company departed from the Code during the reporting period.

"Comply or Explain . . ."

The Company has complied with the UK Corporate Governance Code in full except for:

B.1.1 Simon Clarke is not regarded as an independent non-executive director within the meaning of the Code given that he represents the interests of a significant shareholder block*. However, this is mitigated because there is sufficient independent representation on the Board following new appointments made in 2010/11. In addition, the Board believes that his position provides a strong interest in challenging and scrutinizing management to secure excellent performance. Simon Clarke has been subjected to a more rigorous review as he has served on the Board for more than seven years from the date of his first election to the Board.

B.2.1, C.3.1 and D.2.1 Although Simon Clarke is a member of the Committees, there continues to be sufficient independent non-executive directors across all Committees consistent with requirements of the Code.

* Simon Clarke is a representative of the Clarke and Leavesley families, who together hold approximately 24.5% of the Company's capital.

Audit Committee

John Salmon
Committee Chairman

"The Audit Committee has responsibility for monitoring the integrity of the financial statements, including formal announcements relating to its financial performance. It reviews the external valuations of the property portfolio, the risk management and internal control systems. The Committee also reviews reports from the internal and external auditors and monitors their effectiveness."

Terms of Reference — www.stmodwen.co.uk

How does the Audit Committee allocate its time?

Valuation	20%
Policy	10%
Review	60%
Disclosure	10%

Chaired By: John Salmon
Other Members: David Garman, Simon Clarke, Katherine Innes Ker and Lesley James.
Recent and relevant experience: As a former partner of PricewaterhouseCoopers LLP, John Salmon is considered by the Board to have both recent and relevant financial experience.
Number of meetings: Three scheduled meetings.
Other invitees: Group Finance Director, Group Financial Controller, Internal and External Auditors and Company Secretariat. Although he is not a member of the Committee, the Chairman of the Board attends all Committee meetings. The Committee has direct access to the internal and external auditors. The Committee also meets without management being present and has private sessions with both the internal and external auditors.
Group's Auditors: Deloitte LLP (appointed 2007). The external auditors are required to rotate the engagment partner responsible for the Group every five years which will occur after the current audit. There are no contractual obligations restricting the company's choice of external auditors.
Activities:

- Monitor the financial reporting process;
- Consider appropriateness of accounting policies;
- Review interim and annual results and reports to shareholders including significant financial reporting judgements;
- Review the annual valuation reports from Jones Lang LaSalle;
- Review plans and work of internal audit;
- Review reports from, and consulting with, the external auditors, monitoring independence and effectiveness and recommending, or not, their appointment;
- Hold private meetings with internal and external auditors; and
- Review risk management and internal control systems.

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

Nomination Committee

Bill Shannon
Committee Chairman

"The Nomination Committee has responsibility for reviewing the size, structure and composition of the Board, succession planning including the retirement and appointment of Board members and making appropriate recommendations to ensure there is an appropriate mix of skills and experience on the Board."

Terms of Reference — www.stmodwen.co.uk

How does the Nomination Committee allocate its time?

Policy	30%
Effectiveness	50%
Succession Planning	20%

Chaired By: Bill Shannon (except when discussing succession issues relating to the Chairman).
Other Members: John Salmon, David Garman, Simon Clarke, Lesley James and Katherine Innes Ker.
Number of meetings: One scheduled meeting.
Use of External Consultants: No consultants were retained during the year in respect of Nomination Committee activities.
Activities: The Committee undertook a rigorous review of John Salmon's re-appointment (extending beyond six years) and Simon Clarke's re-appointment (extending beyond six years). The Committee has concluded that both John Salmon and Simon Clarke continue to contribute effectively and demonstrate their commitment to the Board and their Committee roles. In addition, it reviewed the Committee's terms of reference and reviewed the findings of the internal Board evaluation undertaken during the period.

Remuneration Committee

Lesley James
Committee Chairman

"The Remuneration Committee has responsibility for determining and agreeing the overall compensation strategy for executive directors, determining the individual remuneration package for the Chairman and approving the design of all share incentive plans, including performance criteria."

Terms of Reference — www.stmodwen.co.uk

How does the Remuneration Committee allocate its time?

Policy	20%
Performance Objectives Review	50%
Administration	20%
Disclosure	10%

Chaired By: Lesley James
Other Members: John Salmon, David Garman, Simon Clarke, Katherine Innes Ker and Bill Shannon.
No of meetings: Three scheduled meetings and one telephone conference call.
Invitees: A representative from Company Secretariat. The Chief Executive may attend meetings but does not participate in deliberations and decisions where he has a personal interest.
Use of External Consultants: New Bridge Street ('NBS')
Activities: The Committee reviewed its terms of reference, 2009/2010 Directors' Remuneration Report and the Remuneration Policy for 2011 (including a review of executive directors' base salaries, bonus principles for 2010/11, bonus targets and bonus achievements for 2009/10). In addition, the PSP performance criteria for March 2011 awards were reviewed and adopted. Approvals of Executive Share Option Scheme ('ESOS') and Savings Related Scheme grants were also given during the period.

Our Governance Approach

Q: How frequently did the Board meet in 2010/11?

A: The Board held ten scheduled meetings during the year. Meetings are usually held at the Company's head office. Details of Board and Committee attendances by all directors who held office during 2010/11 are set out below:

Attendance Chart

Director	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Bill Shannon, Chairman (NED)	8	—	3	1
Bill Oliver, Chief Executive	10	—	4	1
Michael Dunn, Group Finance Director	10	—	—	—
Steve Burke, Construction Director	10	—	—	—
David Garman, NED (Senior Independent Director)	10	3	4	1
Simon Clarke, NED	9	2	3	1
Katherine Innes Ker, NED	9	3	4	1
Lesley James, NED	10	3	4*	1
John Salmon, NED	9	3	3	1
Former Directors				
Anthony Glossop, Chairman (NED) (until 22.03.11)	3	—	2	—
Ian Menzies-Gow, NED (until 22.03.11)	3	1	2	1
Number of meetings during the year	10	3	4	1

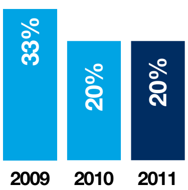
* Includes one telephone conference call

LEADERSHIP

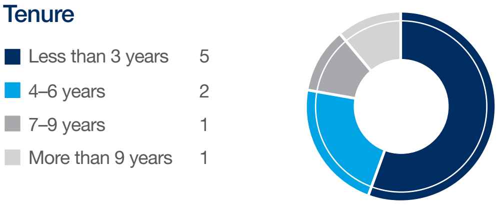
Q: How has the Board changed during the year?

A: Bill Shannon previously appointed as a non-executive director and as Chairman designate in November 2010 (deemed to be independent on appointment), succeeded Anthony Glossop as non-executive Chairman, effective 23rd March 2011. As a result, we have improved our compliance with the Code as we now have an independent non-executive Chairman in-situ. Ian Menzies-Gow retired from the Board following the 2011 Annual General Meeting ('AGM'). Michael Dunn joined the Board in December 2010 as Group Finance Director. These changes have further strengthened and refreshed the Board.

Board Turnover / Refreshment



Tenure



Q: How long are non-executive directors appointed for?

A: Non-executive directors are appointed for periods of three years, subject to shareholder approval. Terms in excess of six years are subject to a more rigorous review.

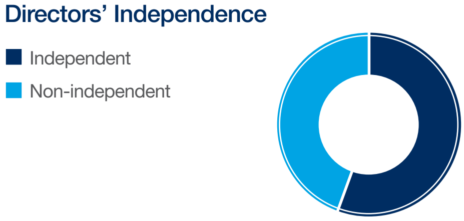
Q: Do you retain the services of an executive search firm?

A: Executive search firms are appointed on an "as needed" basis. During the year, no new Board appointments were made and as a result the services of a search firm were not required.

Q: How independent are the non-executive directors?

A: With the exception of Simon Clarke, all of the non-executive directors are regarded as being fully independent as defined in the Code.

Directors' Independence



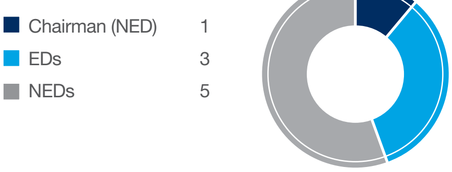
Corporate Governance

CORPORATE GOVERNANCE REPORT continued

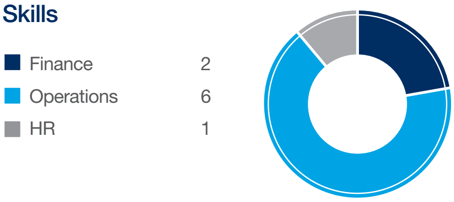
Q: What is the profile of the Board?

A: The Board believes that there should be an appropriate combination of executive and non-executive directors as well as a broad range of skills, experience, independence, knowledge and diversity including gender diversity represented on the Board. As a result, the diversity and blend of the Board continues to evolve and as at 30th November 2011 can be profiled in a number of ways:

Role



Skills



Biographies of the current directors are provided on page 59. All directors will be seeking re-election at the 2012 AGM.

Following the Board evaluation, it has been determined that all the directors seeking re-election contribute effectively and demonstrate their committment to the Board and Committee roles that they respectively hold.

Q: What is the Board's current position regarding gender diversity in the Board room?

A: In line with proposals outlined in Lord Davies' report "Women on Boards", February 2011, the Company already has 22% female representation on the Board (two out of nine directors). This is close to the 25% target for 2015 established by Lord Davies.

Gender

As at 30th November 2011 gender diversity at Board level was as follows:

Females holding directorships:	2/9	(22%)
Female Chair:	1/4	(25%)
Female executive directors:	0/3	(0%)
Female non-executive directors:	2/5	(40%)

As at 30th November 2011, gender diversity below Board level was as follows:

Percentage of women in senior executive positions:	13%
Percentage of women in the organisation:	49%

Q: What is the Board responsible for?

A: The Board maintains a formal agreed schedule of matters specifically reserved for Board approval. The schedule was last updated in October 2008 and will be updated post year-end. Matters reserved for consideration by the Board include:

- establishing long-term strategic objectives;
- approving annual operating and capital budgets;
- reviewing construction development and speculative costs;
- approving major property acquisitions and disposals;
- reviewing business performance;
- overseeing the Group's risk management and internal control systems;
- reviewing corporate governance arrangements;
- approving shareholder return policy; and
- ensuring appropriate resources are in place to enable the Group to meet its objectives.

The Board delegates responsibility for overseeing the implementation of strategy and policies to the executive directors.

Q: What is the Chairman responsible for?

A: The Chairman is primarily responsible for leading the Board and ensuring its effectiveness. In particular, the Chairman:

- chairs the Board meetings, sets the agenda and ensures that information packs containing comprehensive briefing papers are distributed to the Board at least five days prior to each board meeting;
- promotes high standards of corporate governance and ethical behaviour and ensures compliance with the Code where possible having regard for the Company's size and existing management structure;
- leads on Board performance evaluation, including the evaluation of the Board collectively, individually and the individual Board sub-committees;
- holds regular meetings with the non-executive directors without the presence of other executives to review Board matters specifically from shareholders' perspectives; and
- maintains an effective working relationship with the Chief Executive by providing support and advice.

Q: What is the Chief Executive responsible for?

A: Bill Oliver is responsible for the executive management of the Group and for ensuring the implementation of the Board's strategy and policy within the constraints of approved budgets, resources and timescales. Michael Dunn and Steve Burke as members of the executive team assist Mr Oliver in meeting his responsibilities.

Q: What is the role of the Senior Independent Director?
A: As Senior Independent Non-executive Director, David Garman (who replaced Ian Menzies-Gow following the 2011 AGM) is an additional point of contact for shareholders. In addition, David Garman acts as a sounding board to the Chairman and serves as an intermediary for the other directors when necessary.

Q: Does the Chairman hold any other appointments?
A: Yes, Bill Shannon is non-executive director of Johnson Service Group PLC and Rank Group plc.

Q: Do the non-executives have opportunities to meet outside of the scheduled board meetings?
A: During the year the Chairman and the non-executive directors met without the executive directors being present. In addition, the non-executive directors met with the Senior Independent Director, without the Chairman present, to discuss the effectiveness and performance of the Chairman.

EFFECTIVENESS

Q: How does the Board allocate its time?
A: Below is a chart summarising the approximate time spent by the Board discussing a variety of agenda items during the year to 30th November 2011:

Agenda

Strategy	20%
Operations	30%
Finance & Risk	30%
Governance	10%
Other Business	10%

Q: Has the Company adopted the Code's new recommendations for the annual re-election of directors?
A: Following the changes to the Code, the Board has decided for the period under review to voluntarily adopt the provision regarding the annual re-election of all directors at the 2012 AGM.

Q: Do the directors have access to independent professional advice?
A: Yes, in addition to having access to the advice and services of the Company Secretarial department, all directors are able to seek independent professional advice in the course of their professional duties, at the Company's expense. If any director has concerns regarding unresolved business issues they are entitled to require the Company Secretary to minute that concern. Should resignations subsequently occur in relation to unresolved business issues the Chairman would bring these concerns to the attention of the Board.

Q: How does the Board keep up to date?
A: The Group's senior managers including the Regional Directors regularly make presentations to the Board on business and operational issues. The Board also receives regular monthly and special reports on projects and is involved in several site visits and meetings with key partners. Although there is no formal meeting schedule, the Regional Directors have regular opportunities to meet the Board. Where appropriate, the Company provides the resources to enable directors to update and upgrade their knowledge.

Regional Director and Board initiatives undertaken during the year:

September 2011: The Residential Director and London Regional Director presented the New Covent Garden Scheme bid alongside Vinci (JV partner) to the Board.

November 2011: John Dodds, Midlands Regional Director updated the Board on the Longbridge site.

Continual professional development activities undertaken during the year:

- Bribery Act presentation, facilitated by the Company Secretariat.
- Longbridge site visit including the Lickey Road residential development.
- Ongoing individual NED site visits.
- Valuation updates gained through reports and presentations by Jones Lang LaSalle during the year.

Q: How do you assess the effectiveness of the Board and its Committees?
A: The Chairman led an internal evaluation of the Board (including its sub-committees and individual Board members). This involved a series of one-on-one discussions between the Chairman and Board members. An externally facilitated review will be considered in late 2012 in order to allow for sufficient time for the outcome of the internal evaluation to be implemented.

Q: How are new directors to the Board assisted?
A: The Chairman assisted by the Company Secretarial department ensures that all new Board members receive an induction that covers their duties and responsibilities as directors. In addition, new directors are provided with full briefing packs to ensure they can orientate themselves as quickly and effectively as possible. Specifically, Michael Dunn as part of his tailored induction programme met with all key advisers and spent a day with each of the eight Regional Directors and visited around 60 sites. Bill Shannon visited approximately 30 key sites as part of his transition to the role of Chairman. Major shareholders are also offered the opportunity to meet newly appointed directors should they express a desire to do so.

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

Q: How do you assess the effectiveness of the executive directors?

A: The criteria used for evaluating individual executive directors' performance are included in the Directors' Remuneration Report. Executive directors also took part in the internal evaluation of the Board led by the Chairman.

Q: How do you assess the effectiveness of the Chairman?

A: The non-executive directors led by the Senior Independent Director held a meeting to discuss the Chairman's performance in his absence. Following this assessment, it has been determined that the Chairman's performance was effective and that he demonstrated commitment to the role.

ACCOUNTABILITY

Q: What is the Board's responsibility for managing risk?

A: The Board recognises that it has overall responsibility for the identification and mitigation of risks and the development and maintenance of an appropriate system of internal control. This responsibility is delegated to the Audit Committee.

Q: How does the Board ensure that its risk management and internal control systems are adequate?

A: Both the Board and the Audit Committee review and approve the Group Risk Register, maintained by Executive management, on an annual basis. During the year, the Risk Register was refreshed following a comprehensive review of risk management which included a risk workshop involving senior management and facilitated by Ernst & Young. As a result, principal risks were agreed and prioritised, details of which can be found on pages 42 to 45. This is part of a process to ensure that our risk management system is effective, and adds value to the business.

During the year, the directors have also reviewed the effectiveness of the system of internal control in accordance with the Turnbull guidance, through a detailed report from senior management which covers: the group's control environment; the manner in which key business risks are identified; the adequacy of information systems and control procedures; and the manner in which any required corrective action is to be taken.

Q: What is the purpose of internal controls?

A: Internal controls have been put in place to:

- safeguard shareholders' investments and the Group's assets;
- maintain proper accounting and other records; and
- ensure that important financial and non financial information, used within the business or published externally, is accurate, timely and reliable.

Q: What are the Group's key internal controls and how are they monitored?

A: The group's key internal controls are centred on comprehensive monthly reporting from all activities which includes a detailed portfolio analysis, development progress reviews, management accounts and a comparison of committed expenditure against available facilities. These matters are reported to the Board monthly, with reasons for any significant variances from budget. Detailed annual budgets are reviewed by the Board and revised forecasts for the year are prepared on a regular basis. In addition to the Group Finance Director, the Group has a Group Financial Controller with finance managers at its Head Office. Key internal controls are reviewed by the internal audit manager on an ongoing basis.

Q: Have there been any changes in the Group's organisation during the year under review which has strengthened internal controls?

A: The Group has been strengthened by an increase in residential expertise together with associated finance support. In addition, there has been continued strengthening of the asset management team who monitor the regional property portfolios.

Q: Is there a Group internal audit function?

A: Yes. The Group has its own full time internal audit manager. During the year, the Board approved the Group Internal Audit Charter which defines the role and responsibilities of the function. Internal audit work is focused on the controls that mitigate the principal risks faced by the Group. Reports are prepared for the executive management and the findings are reported to the Audit Committee which also reviews, approves and monitors the progress of Internal audit plans for the year.

Q: Are there procedures in place for approving significant transactions?

A: There are clearly defined procedures for the authorisation of capital expenditure, purchases and sales of development and investment properties, contracts and commitments and a formal schedule of matters, including major investment and development decisions and strategic matters, that are reserved for Board approval. Formal policies and procedures are in place covering all elements of employment, the construction process, bribery and anti-corruption, whistleblowing, health and safety and IT.

Q: Are internal controls continually monitored by the Group and have there been any losses suffered by a failure of internal control during the period under review?

A: Internal control, by its nature, provides only reasonable and not absolute assurance against material misstatement or loss. The directors and senior management continue, however, to strive to ensure that internal control and risk management are further embedded into the operations of the business by dealing with areas for improvement as they are identified. In the year under review, no material loss was suffered by a failure of internal control.

Q: How does the Board deal with conflicts of interest?

A: Company policy requires that if a director becomes aware that they have a direct or indirect interest in an existing or proposed transaction with the Company they should notify the Board at the next Board meeting or by providing a written declaration. Directors have a continuing duty to update any changes in such interests. No conflicts of interest were recorded during the period.

Q: How has the Board responded to the Bribery and Corruption Act 2010?

A: The Bribery Act 2010 ('the Act') outlines four corporate offences, three of which also apply to individuals. These offences, whether for commercial organisations or for individuals, apply regardless of where in the world the bribes are offered or received and regardless of whether the bribery is direct or via a connected party such as an agent or partner.

The Company has a policy that is available on both the Group intranet and Internet and is in line with the Ministry of Justice's ('MOJ') guidelines, in particular, the Act requires organisations to demonstrate that "Adequate Procedures" have been implemented to prevent bribery. To this extent, our policy takes a proportionate approach to implementing procedures to prevent bribery based on risk and makes recommendations against the MOJ's six principles of compliance: proportionate procedures, top level commitment, risk assessment, due diligence, communication (including training) plus monitoring and review. Further information regarding Company policy in this area can be found on our website: **www.stmodwen.co.uk**

Specific activities undertaken include the updating of contracts of employment and a corporate gift and hospitality policy communicated to staff, including the establishment of a register. A code of conduct document for the Group is being progressed and a due diligence initiative regarding agents and intermediaries is ongoing.

Q: What is the Board's policy regarding the provision of non-audit services by the external auditors?

A: Non-audit services provided by the external auditors are monitored continually throughout the year. The Board recognizes that whilst it is cost effective for the external auditors to provide tax compliance and tax planning services to the Group, other services should only be provided where alternative providers do not exist or where it is cost effective or in the Group's interest for the external auditors to provide such services. During the year non-audit work included tax compliance and advisory services together with property and planning advice provided by Drivers Jonas Deloitte. The Board concluded that undertaking such work did not compromise auditor independence or objectivity. Given their detailed understanding of the business, Deloitte were able to provide this work more cost efficiently and effectively than an alternative provider who would not have benefitted from pre-existing knowledge of the business.

Further analysis regarding auditor remuneration is disclosed in Note 3 to the accounts.

Q: Who monitors non-audit services provided by the external auditors?

A: In all cases the provision of non-audit services is carefully monitored by the Audit Committee. The external auditors would not be invited to provide any non-audit services where it was felt that this could conflict with their independence or objectivity. Such services would include the provision of internal audit and management consulting services.

REMUNERATION

In line with the Code and applicable remuneration legislation, details on remuneration can be found in the Directors' Remuneration Report.

RELATIONS WITH SHAREHOLDERS

Q: How would you describe the responsibilities you have to shareholders?

A: The Board's primary role is to represent and promote the interests of its shareholders in addition to being accountable to them for the long-term performance and success of the business.

Q: How does the Board engage with shareholders?

A: The Board reinforces its commitment to shareholder engagement and dialogue through a number of different channels including presentations, conference calls, face-to-face meetings and the AGM. Following the announcement of results, trading updates and interim management statements, conference calls and meetings take place with analysts and major shareholders to update them on the progress the Company has made towards its goals and invite them to ask questions and to provide feedback. In addition, the Company held an investor day in July 2011 at the former RAF Uxbridge site comprising a mix of investors and analysts. The Board also has ongoing meetings throughout the year with its joint brokers (JP Morgan Cazenove and Numis Securities).

Q: To whom do shareholders address any concerns?

A: The Chief Executive and Group Finance Director are available to meet shareholders during the year. Bill Shannon, Chairman and David Garman, Senior Independent Director are available to discuss any issues or concerns that shareholders may have. During the period, there were no investor concerns raised or reported to the Board.

Q: What is the purpose of the AGM?

A: The AGM is an opportunity for all shareholders to vote on resolutions put forward and to directly ask the Board any questions they may have. At least 20 working days before the AGM, shareholders receive the Notice of AGM, a copy of this report (if they request a copy in writing) and a Form of Proxy.

Q: What provisions are in place for electronic communications?

A: We are continuing to maintain momentum regarding the move to electronic communications that we initiated last year. The take-up rate as at 30th November 2011 stood at over 75%.

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

OTHER GOVERNANCE AND STATUTORY DISCLOSURES

Dividends

The directors recommend a final dividend of 2.2p per ordinary share to be paid on 4th April 2012 to ordinary shareholders on the register on 9th March 2012 which, together with the interim dividend of 1.1p paid on 5th September 2011, makes a total of 3.3p for the year (2010: 3.0p).

Takeover directive

The Company has only one class of ordinary shares and these shares have equal voting rights. The nature of individual directors' holdings are disclosed on page 74.

As part of the resolutions approved at the 2011 AGM of shareholders, shareholders' authority was given to the Company's directors for the allotment of up to 49,639,069 ordinary shares of 10p each representing 24.7% of the issued share capital of the Company as at the date of the 2011 AGM.

During the year, the directors did not exercise the authorities given to them to allot shares.

Certain of the Company's share incentive schemes contain provisions that permit awards or options to vest or become exerciseable on a change of control in accordance with the rules of the schemes.

Substantial shareholdings

As at 6th February 2012 the Company had been notified of the following interests in more than 3% of its issued share capital:

	Shares	%
J.D. Leavesley and connected parties	18,543,382	9.25%
Lady Clarke and family holdings (excluding S.W. Clarke)	24,462,539	12.21%
Aberforth Partners	16,684,475	8.33%
Morgan Stanley Investment Management	14,298,502	7.14%
Co-operative Asset Management	9,640,359	4.81%
Simon Clarke	6,112,657	3.05%

Qualifying third party indemnity provisions

As at the date of this report, there are qualifying third party indemnity provisions governed by the Companies Act 2006 in place, under which the Company has agreed to indemnify the directors, former directors and the Company Secretary of the Company, directors and former directors of any member of the Group or of an associated company or affiliate company and members of the Executive Committee, to the extent permitted by law and the articles of association against all liability arising in respect of any act or omission in their duties. In addition the Company has in place Directors' and Officers' liability insurance for each officer of the Company and its associated companies.

Directors' interests in contracts

No contract existed during the year in relation to the Company's business in which any director was materially interested, with the exception of those detailed in note 22.

Creditor payment policy

It is the Group's policy to agree specific payment terms for its business transactions with its suppliers and to abide by those terms whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed and conditions.

During the year ended 30th November 2011, trade creditors represented an average of 29 days' purchases (2010: 32 days). This is calculated by expressing year end creditors as a fraction of purchases made in the year and multiplying the resulting fraction by 365 days.

Going concern

In consideration of the basis of going concern, the directors have considered the factors described in the Business and Financial Review and reviewed the Group's future cash forecasts and valuation projections, which the directors believe are based on realistic assumptions.

On these grounds the Board has continued to adopt the going concern basis for the preparation of the Financial Statements.

Employees

The Group encourages employee involvement and places emphasis on keeping its employees informed of the Group's activities and performance. The Company's executive runs quarterly management meetings at which staff are informed about information affecting them as employees, where their feedback is sought on decisions likely to affect their interests, and where a common awareness is achieved of the financial and economic factors affecting the Company's performance. This information is then cascaded to staff at the Company's head office and regional offices. A performance related annual bonus scheme and share option arrangements are designed to encourage employee involvement in the success of the Group.

Employment of disabled persons

It is the policy of the Company to give full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled persons during the period of their employment. The Company provides the same opportunities for training, career development and promotion for disabled as for other employees.

Political and charitable donations

The Company did not make any political donations in the year. Details of the Company's charitable activities are included in the CSR review (see pages 54 to 57). Direct charitable donations during the year, excluding donations made by the St. Modwen Environmental Trust totalled £11,000 (2010: £12,000).

Transfer of shares

The Board may refuse to register a transfer of a certificated share which is not fully paid or where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Board may also refuse to register a transfer of a certificated share if it is in respect of more than one class of share or is in favour of more than four joint holders.

Transfer of uncertificated shares must be carried out using CREST and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other limitations on the holding of Ordinary shares in the Company and the Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Variation of rights

Rights attached to any class of shares may be varied with the written consent of the holders of at least three quarters in nominal value of the issued shares of that class or by a special resolution passed at a separate general meeting of the shareholders.

Purchase of own shares

St. Modwen Properties PLC Employee Share Trust ('the Trust') currently holds a total of 215,754 shares (2010: 259,414 shares) in the Company in order to meet the Company's liabilities under the Company's share incentive schemes. The Trust deed contains a dividend waiver provision in respect of these shares. Any voting or other similar decisions relating to those shares would be taken by the Trustees, who may take account of any recommendations of the Company. There were no purchases during the year.

The issued share capital of the Company is shown in note K to the notes to the Company Financial Statements and consists of ordinary shares of 10p each. All of the issued ordinary shares rank equally.

In addition to the rights conferred by law, the rights and obligations attaching to the Company's ordinary shares are set out in the Company's articles of association, a copy of which can be obtained by writing to the Company Secretary. At the last AGM of the Company, held on 22nd March 2011, the Company was authorised by shareholders to purchase in the market up to 20,036,093 shares of 10p each, representing 10% of the issued ordinary share capital of the Company. Although this authority was not utilised by the Company during the last financial year, approval will be sought from the shareholders at the forthcoming AGM to renew this standard authority for a further year. It is the Company's intention that, should any ordinary shares be bought back, they will be cancelled or retained in treasury pending a subsequent sale, cancellation or transfer. The Company does not currently hold any shares in treasury. The Company will only purchase its own shares if the Board believes that to do so would be in shareholders' best interests and will result in an increase in earnings per ordinary share.

Electronic and website communication with shareholders

The Company's articles of association permit electronic and website communication with shareholders following the coming into force of the Companies Act 2006.

The Company has implemented electronic and website communication with its shareholders. Shareholders who consented to website communication will be notified in writing when documents and communications have been published by the Company so that they can view them on the Company's website. It is intended that the Annual Report for the year ended 30th November 2011 will be subject to the electronic and website communication regime.

Auditors

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Resolutions to reappoint Deloitte LLP as auditors to the Company and to authorise the directors to determine their remuneration will be proposed at the AGM.

Annual General Meeting

The AGM of the Company is to be held at 12.00 noon on 23rd March 2012 at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham B31 2TS.

The notice of meeting appears on pages 129 to 134 of these Financial Statements.

Corporate Governance

DIRECTORS' REMUNERATION REPORT

This Remuneration Report has been prepared in accordance with Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I.2008/410) (the 'Regulations'), the Listing and Disclosure Rules and the principles relating to directors' remuneration of the UK Corporate Governance Code (June 2010 version), and will be subject to an advisory vote at the AGM.

The information, the headings of which have been noted with an asterisk (*), are subject to audit in accordance with the Regulations.

Composition and Function of the Remuneration Committee

The Remuneration Committee (the 'Committee') comprises Lesley James (Chairman), Simon Clarke, Katherine Innes Ker, John Salmon, David Garman and Bill Shannon. Ian Menzies-Gow was a member until his resignation in March 2011.

The Committee is responsible for all aspects of the executive directors' remuneration, for setting the Company Chairman's fee, for monitoring remuneration of other senior executives and administering the Company's share schemes. It undertakes a regular review of the incentive plans to ensure that they remain appropriate to the Company's current circumstances, prospects and strategic priorities and that, in particular, the policy adopted is aligned with and based on the creation of value for shareholders and provides appropriate incentives for management to achieve this objective.

The Committee also reviews and notes annually the remuneration trends across the Company and any major changes in employee benefit structures. The Committee's terms of reference are available for inspection on the Company's website at www.stmodwen.co.uk.

New Bridge Street ('NBS') are the Committee's independent remuneration advisers. NBS do no other work for the Company. The Committee was also assisted in its deliberations by the Chairman, the Chief Executive and the Company Secretary, who were not present when their own remuneration arrangements were under discussion.

Remuneration Policy

The objective of St. Modwen's remuneration policy is to attract, retain and motivate high calibre senior executives through competitive pay arrangements which are also in the best interests of shareholders. These include performance-related elements with demanding targets, in order to align the interests of directors and shareholders and to appropriately reward financial success. This policy is structured so as to be aligned with key strategic priorities and to be consistent with a Board-approved level of business risk.

The overall aim is that executive directors' remuneration should be market competitive relative to comparable companies with a significant element being performance-related and, therefore, only payable if stretching short-term and long-term performance targets are achieved.

The main elements of executive directors' remuneration comprise:

- **Base salary:** reviewed annually in the light of information on the external market and other relevant factors such as internal relativities and individual performance.
- **Annual bonus:** a clear and direct incentive linked to annual performance targets. Bonus targets require performance based on financial, operational and strategic measures at company and personal levels.
- **Performance share plan:** an annual award of shares which vest, subject to achievement of performance targets, in whole or in part after three years. The plan was agreed by shareholders in 2007 and provides the main incentive to sustained, longer term performance. The plan rules require challenging performance targets to be set for each award to vest.
- **Pensions and benefits:** executive directors' ongoing pension benefits comprise a cash allowance or a Company contribution to the defined contribution scheme. Executive directors also receive private medical insurance, life insurance and participate in the company car plan.
- **Shareholdings:** executive directors are expected to build up their shareholdings in the Company over a five year period to be shares, at a minimum, worth one times base salary.

Executive Directors' Remuneration

The Committee, with the assistance of its independent advisers, undertook a full review of executive directors' remuneration during 2010. This review assessed existing pay arrangements in light of the Committee's policy objectives, operational and strategic priorities, corporate governance best practice, relevant market developments and pay practice throughout the Company and agreed a number of changes for 2010–11. The Committee does not consider it appropriate or necessary to make any further significant changes for 2010–12 save in relation to the introduction of clawback provisions into the Performance Share Plan.

Full details of the arrangements for 2010–12 are set out below.

Base Salaries

Base salaries for the year beginning 1st December 2011 were reviewed having regard to market conditions and the salary review being implemented for other staff which was a 3% increase. Salaries were set at the following levels: Bill Oliver (Chief Executive) — £445,832 (a 3% increase): Steve Burke (Construction Director) — £294,168 (a 3% increase); Michael Dunn (Group Finance Director) — £267,800 (a 3% increase).

Pension

Executive directors receive payments of 15% of salary either as a cash supplement or as a contribution to the defined contribution scheme.

Annual Bonus Plan

2010–11

In 2010–11, the executive directors had the opportunity to earn a bonus of up to 125% of base salary. The structure of the bonus plan for 2010–11 was:

- A mixture of corporate measures and personal targets determined bonus payments.

- The corporate measures selected were consistent with and complemented the budget and strategic plan for the year. NAV performance had the largest weighting amongst the corporate measures in 2010–11. Other measures included profit, dividend growth and gearing levels.
- Notwithstanding performance against individual measures, the Committee retained an overriding discretion to ensure that overall bonus payouts reflected its view of corporate performance during the year.
- Payment of the bonus is conditional upon the executive directors undertaking to invest at least one third of the bonus received, after payment of income tax and national insurance, in Company shares and to retain those shares for a minimum period of three years.
- All bonuses paid are subject to potential claw-back, at the Committee's discretion, for a period of four years following the end of the bonus year in the event that a later restatement of accounts occurs or there is other discovered misconduct which, if known at the time, would have meant that a lower or nil bonus would have been paid.

Payment of bonus was not dependent on achievement of any single target in isolation, since the targets were all of key importance to the short and longer-term health of the Company and the Committee did not wish to distort behaviour by focusing on a single element.

The executive directors' performance was assessed individually by the Committee against the targets, relying on audited information where appropriate, and having regard to the value which has been created for shareholders.

Corporate performance for 2010–11 was significantly ahead of both budget and market expectations as follows:

- 34% increase in profit before tax
- 9% increase in Net Asset Value per share
- 10% increase in final dividend
- Gearing maintained at below 75%

On the basis of the Committee's assessment of corporate and individual performance, bonus payments made to each of the executive directors were: Bill Oliver 95% of maximum bonus (118.75% of salary); Steve Burke 95% of maximum bonus (118.75% of salary); Michael Dunn 90% of maximum bonus (112.50% of salary).

2011–12
The structure of the bonus plan for 2011–12 is unchanged from the previous year. The corporate measures selected willl be identical to the previous year.

Performance Share Plan ('PSP')
Prior year awards
Awards granted to executive directors in 2008–09 and 2009–10 over shares worth 125% of salary, were half subject to a NAV condition and half subject to a Total Shareholder Return ('TSR') condition, both measured over a period of three years.

- NAV condition — based on cumulative growth in NAV per share ('NAV growth'). NAV growth of 5% (2009 award)/7.5% (2010 award) will earn 12.5% of the shares awarded and growth of 20% (2009 award)/30% (2010 award) will earn 50% of the shares awarded.
- TSR condition — based on TSR relative to the FTSE350 Real Estate Index. TSR equal to the Index over the three year performance period will earn 12.5% of the shares awarded and TSR of 120% of the Index will earn 50% of the shares awarded, with a straight line correlation between these points.

2010–11 Awards
In 2010–11, PSP awards to Bill Oliver and Steve Burke were over shares worth 125% of salary. To reflect his recent recruitment, the Remuneration Committee agreed a slightly larger award over shares worth 150% of salary to Michael Dunn.

Noting the concern of some investors and the potential overlap with the annual bonus plan, PSP awards in 2010–11 were not subject to a NAV related performance measure. Instead they were subject wholly to TSR related measures measured over three financial years — half based on relative performance as in previous years and half based on absolute growth. The Committee believed that this combination provides alignment with the interests of shareholders and complements the focus on operational performance measures in the annual bonus plan.

- Absolute TSR performance. TSR growth of 20% will earn 12.5% of the shares awarded and growth of 50% will earn 50% of the shares awarded, with a straight line correlation between these points.
- Relative TSR performance. TSR equal to the FTSE 350 Real Estate Investment & Services Index over the three year performance period will earn 12.5% of the shares awarded and TSR of 120% of the Index will earn 50% of the shares awarded, with a straight line correlation between these points.

In calculating TSR, a three month average is used at both ends of the performance period to ensure that the calculation is not impacted by potential volatility arising from day-to-day share price fluctuations.

Notwithstanding TSR performance the Committee also has to be satisfied that two new underpin conditions have been met before permitting 2010–11 PSP awards to vest, namely:

- The Committee needs to be satisfied that the extent of vesting under the TSR conditions is appropriate given the general financial performance of the Company over the performance period; and
- If no dividend has been paid on the last normal dividend date prior to the vesting date or if the Committee believes that no dividend will be paid in respect of the year in which the award vests, the award will not vest at that time and vesting will be delayed (subject to continued employment) until dividend payments are resumed.

2011–12 Awards
Awards for 2011–12 to all three executive directors will be over shares worth 125% of salary. Perfrormance criteria for these awards were identical to those applied to the 2010–11 awards.

Corporate Governance

DIRECTORS' REMUNERATION REPORT continued

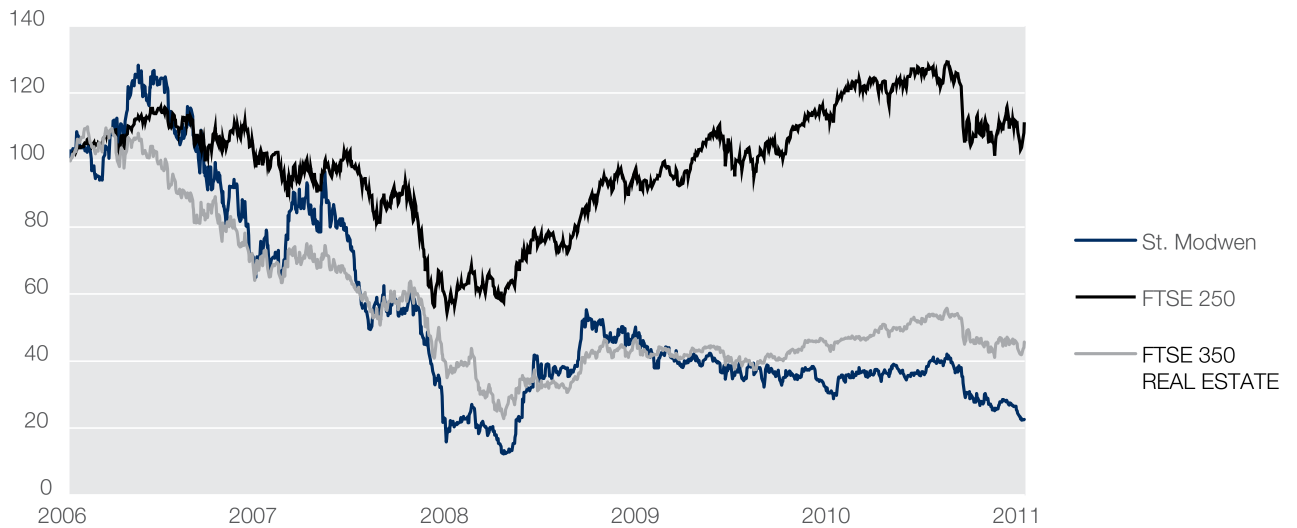
The Committee reviews these performance conditions when deciding PSP grants in each year, in order to reflect changes in the outlook for the sector and the Company, and to ensure that awards remain challenging.
A clawback arrangement has been incorporated into PSP awards granted after 1st January 2012. The PSP allows a reduction in value (calculated at vesting) of any PSP awards that were granted after 1st January 2012 where the value of future annual bonus cash payments was insufficient to fully recover the clawback applicable to the Annual Bonus Plan or, at the Committee's discretion, within a period of four years following the end of the performance period for an award, there is material misstatement of the accounts or an error in the calculation of any performance condition which resulted in excess PSP awards vesting to the employee or there is other misconduct, which if known at the time, would have meant that a lower or nil award would have vested.

The Committee has agreed, subject to HM Revenue & Customs ('HMRC') approval, a minor change to the operation of the PSP for 2012 in order to enable participants to benefit from UK tax efficiencies under the HMRC agreed share schemes legislation. Awards made in 2012 will be structured as Approved Performance Share Plan ('APSP') Awards and comprise of an HMRC approved option (in respect of the first £30,000 worth of an Award) and a PSP Award for amounts that exceed this limit. The number of shares that may be delivered under the PSP Award will be adjusted at vesting/exercise to ensure that the total pre-tax value delivered to participants remains unchanged.

Executive directors may also participate in the Company's savings-related share schemes on the same terms as all other employees.

Performance Graph

The Company's total shareholder return is shown in the graph below against a broad equity market index. Since the Company was a constituent of the FTSE 250 and FTSE Real Estate indices during the year, these are considered to be appropriate benchmarks for the graph.



Audited information*
Executive Share Option Schemes (i)

Date of Grant	W.A. Oliver	S.J. Burke	M. E. Dunn	Exercised During the Year	Exercise Price	Exercise Period
August 2004	105,610	46,315	—	—	236p	Aug 2007 –Aug 2014
August 2005	102,955	39,825	—	—	375p	Aug 2008 –Aug 2015
As at 30th November 2011	208,565	86,140	—			

(i) All share options have vested in full, having met the performance conditions, but have not been exercised.

Following the approval of the renewal of the Executive Share Option Scheme at the 2007 AGM, no further grants will be made to the executive directors other than in very exceptional circumstances.

Performance Share Plan

Directors' maximum entitlements, subject to the satisfaction of performance conditions, are as follows:

Date of Grant	Market Value on date of Grant	W.A. Oliver	S.J. Burke	M. E. Dunn	Exercise Period
24th July 2009	180.0p	294,694	194,444	—	July 2012 –July 2019
22nd February 2010	188.0p	282,154	186,170	—	Feb 2013 –Feb 2020
21st March 2011	169.2p	319,774	210,992	230,496	March 2014 –March 2021
Total		896,622	591,606	230,496	

Performance conditions applying to these awards are summarised on pages 71 and 72.

Savings Related Schemes

	Balance at 30th Nov 2010	Exercised	Granted	Lapsed	**Balance at 30th Nov 2011**	Exercise Price	Exercise Period
W.A. Oliver	6,941	—	—	—	**6,941**	224p	Oct 2014 –Mar 2015
S.J. Burke	6,941*	—	9,887	6,941	**9,887**	156p	Oct 2016 –April 2017
M.E. Dunn	—	—	9,887	—	**9,887**	156p	Oct 2016 –April 2017

* Options granted in 2009 with an exercise price of 224p have lapsed.

The share price as at 30th November 2011 was 104.9p. The highest price during the year was 195.7p and the lowest price was 103.9p.

Dilution Limits

In line with ABI Guidelines, the following limits apply to the number of shares which may be issued under the Company's Share Plan:

The number of issued, and issuable shares that may be subscribed under the Performance Share plan, or any other employee plan adopted by the Company will be restricted to 10% of the issued ordinary share capital of the Company over any ten year period. As at 6th February 2012 there was headroom of 11,402,458 shares (i.e. 5.69% of share capital) after deducting outstanding awards and options (excluding lapsed awards and options).

The Company currently satisfies vestings of awards under all employee plans from market purchased shares sourced from the St. Modwen Properties PLC Employee Share Ownership Trust ('the Trust'). For calculating the dilution limits above, such awards have not been deducted until such time as the awards are satisfied. The Trust currently holds a total of 215,574 shares in the Company (2010: 259,414).

Service Contracts

All of the executive directors have service contracts of no fixed term, with notice periods of 12 months.

The non-executive directors have Letters of Appointment with notice periods of three months.

No director has any contractual rights to compensation on loss of office (apart from payment in lieu of notice of 12 months salary and benefits, where appropriate). Rights to outstanding incentive awards would be dealt with by the Commitee in accordance with the rules of the relevant scheme.

Unless specifically approved by the Board, executive directors are not permitted to hold external non-executive directorships.

The dates of the executive directors' service contracts are as follows:

W.A. Oliver	24th January 2000
S.J. Burke	1st January 2006
M.E. Dunn	9th November 2010

Corporate Governance

DIRECTORS' REMUNERATION REPORT continued

Chairman and Non-Executive Directors

The Chairman and the other non-executive directors are paid fees for their services. During 2011, these non-executive directors were paid a standard fee of £37,000 with further fees being paid for additional duties namely £9,000 for a committee chairman and £6,000 to the Senior Independent Director. The non-executive chairman's fee is £135,000.

The Chairman's fee is determined by the Board on the recommendation of the Remuneration Committee and the fees of the non-executive directors are determined by the Board following recommendations by the executive directors. Neither the Chairman nor the other non-executive directors participate in incentive schemes.

A review by the Board was last carried out in 2007 so a review in 2012 will now take place, save in relation to the Chairman's fee which was approved by the Board in 2010 on his appointment.

Directors' Interests in Ordinary Shares

The interests of the directors in the issued share capital of the Company, are shown below:

	30th November 2011	30th November 2010
Beneficial		
S.J. Burke	**228,249**	174,643
S.W. Clarke	**6,112,657**	6,112,657
M.E. Dunn	**45,000**	30,000
D. Garman	**10,000**	10,000
L. James	**10,000**	10,000
W.A. Oliver	**442,819**	391,093
J.H. Salmon	**25,000**	25,000
W.M.F.C. Shannon	**50,000**	40,000
C.C.A. Glossop (resigned on 22.03.11)*	**1,708,792**	1,708,792
R.I. Menzies-Gow (resigned on 22.03.11)*	**14,814**	14,814
Non-beneficial		
C.C.A. Glossop (resigned on 22.03.11)*	**180,000**	180,000

* Messrs Glossop and Menzies-Gow stepped down as non-executive directors on 22nd March 2011. Their shareholdings are stated at that date.

The above interests do not include shares held under the share option schemes described in the Directors' Remuneration Report on pages 72 to 73.

There has been no change in these beneficial interests between 30th November 2011 and the date of this report.

Directors' Remuneration

The remuneration of the directors for the year ended 30th November 2011 was as follows:

				Total emoluments excluding pensions and pension contributions	
	Salary/fees £'000	Annual bonus £'000	Benefits £'000	**2011 £'000**	2010 £'000
Executive					
W.A. Oliver	433	514	37	**984**	881
S.J. Burke	286	339	27	**652**	585
M.E. Dunn	260	292	76	**628**	—
Non-Executive					
W.M.F.C. Shannon	135	—	—	**135**	11
S.W. Clarke	37	—	—	**37**	37
J.H. Salmon	46	—	—	**46**	46
L. James	46	—	—	**46**	46
K. Innes Ker	37	—	—	**37**	37
D. Garman	41	—	—	**41**	23
Former Directors					
C.C.A. Glossop (to 22.03.11)	42	—	4	**46**	138
R.I. Menzies-Gow (to 22.03.11)	14	—	—	**14**	43
	1,377	1,145	144	**2,666**	1,847

All benefits for the executive directors (comprising mainly the provision of company car, fuel and health insurance) arise from employment with the Company, and do not form part of directors' final pensionable pay.

The figures above represent emoluments earned during the relevant financial year. Such emoluments are paid in the same financial year with the exception of performance related bonuses, which are paid in the year following that in which they are earned.

Pensions

The Company operates a pension scheme with both defined benefit and defined contribution sections, covering the majority of employees, including executive directors. As an alternative to a Company contribution scheme, directors can receive a cash supplement.

In relation to the defined benefit section, benefits are based on years of credited service and final pensionable pay. The maximum pension generally payable under the scheme is two-thirds of final pensionable pay. The defined benefit section of the scheme was closed to new members in 1999, and to future accrual in 2009. Steve Burke became a deferred member of the defined benefit scheme on 1st September 2009.

The information below sets out the disclosures under the UK Listing Rules and the Large and Medium sized Companies and Group (Accounts and Reports) Regulations 2008 for the defined benefit scheme:

Director	Accrued Pensions as at 30th November 2010* £p.a.	Accrued Pension as at 30th November 2011 £p.a.	Increase in Accrued Pension during the year £p.a.	Increase in Accrued Pension during the year (excluding inflation) £p.a.	Contributions paid by the Company to the defined contribution section £	Transfer value of accrued benefits at 30th November 2010 £	Transfer value of accrued benefits at 30th November 2011 £	Increase in transfer value of accrued benefits (excluding Director's own contribution) £
W.A. Oliver	N/A	N/A	N/A	N/A/	0	N/A	N/A	N/A
S.J. Burke	24,949*	25,373*	424	0	42,900	396,058	504,217	108,744
M.E. Dunn	N/A	N/A	N/A	N/A	39,000	N/A	N/A	N/A

* These figures have been calculated by applying deferred revaluation to Mr. Burke's deferred pension as at the date that accrual ceased under the defined benefits section of the Scheme.

Membership of the defined contribution section is available to all permanent employees including executive directors joining the Company after 6th April 1999. Contributions are invested by an independent investment manager.

Company contributions into the defined contribution section of the plan during the year at the rate of 15% of base salary for Michael Dunn were £39,000 (2010: £nil) and Steve Burke £42,900 (2010: £14,000).

Cash allowances in lieu of pension contributions made for Bill Oliver during the year were £64,950 (2010: £21,000).

Further information on the Company's pension scheme is shown in note 18 of the financial statements.

Approved by the Board and signed on its behalf by

Lesley James
Chairman, Remuneration Committee
6th February 2012

ST.MODWEN

Financial Statements

Our Financial Statements for the year

Pictured:
Showhomes at Locking Parklands, Weston-super-Mare.

Financial Statements

Directors' Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Bill Oliver
Chief Executive
6th February 2012

Michael Dunn
Group Finance Director

Independent Group Auditors' Report

to the Members of St. Modwen Properties PLC

We have audited the Group financial statements of St. Modwen Properties PLC for the year ended 30th November 2011 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Accounting Policies and the related Notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30th November 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the Accounting Policies to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Corporate Governance Statement, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matters

We have reported separately on the parent company financial statements of St. Modwen Properties PLC for the year ended 30th November 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Stephen Griggs FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
6th February 2012

Financial Statements

Group Income Statement

for the year ended 30th November 2011

	Notes	2011 £m	2010 £m
Revenue	1	**109.6**	121.4
Net rental income	1	**27.5**	26.4
Development profit	1	**20.4**	12.5
Gains on disposal of investments/investment properties		**0.5**	2.5
Investment property revaluation gains	8	**36.2**	23.2
Other net income	1	**3.2**	3.1
Profits of joint ventures and associates (post tax)	10	**2.9**	7.4
Administrative expenses	3	**(16.6)**	(16.8)
Profit before interest and tax		**74.1**	58.3
Finance cost	4	**(26.2)**	(24.0)
Finance income	4	**2.5**	3.2
Profit before tax		**50.4**	37.5
Tax (charge)/credit	5	**(4.9)**	0.8
Profit for the year		**45.5**	38.3
Attributable to:			
Equity attributable to owners of the Company		**43.5**	37.2
Non-controlling interests		**2.0**	1.1
		45.5	38.3

	Notes	2011 pence	2010 pence
Basic and diluted earnings per share	6	**21.7**	18.6

A reconciliation of non-statutory measures used in the Overview together with the Business and Financial Review is included in Note 2 to the Group financial statements.

Group Balance Sheet

as at 30th November 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Investment property	8	**848.7**	828.0
Operating property, plant and equipment	9	**7.1**	7.4
Investments in joint ventures and associates	10	**50.3**	49.4
Trade and other receivables	11	**8.4**	8.2
		914.5	893.0
Current assets			
Inventories	12	**191.1**	171.6
Trade and other receivables	11	**51.2**	45.3
Cash and cash equivalents		**5.2**	11.3
		247.5	228.2
Current liabilities			
Trade and other payables	13	**(132.2)**	(133.1)
Tax payables	5	**(0.2)**	(9.3)
		(132.4)	(142.4)
Non-current liabilities			
Trade and other payables	13	**(192.6)**	(215.1)
Borrowings	14	**(352.3)**	(326.2)
Deferred tax	5	**(8.7)**	(0.7)
		(553.6)	(542.0)
Net assets		**476.0**	436.8
Capital and reserves			
Share capital	17	**20.0**	20.0
Share premium account		**102.8**	102.8
Capital redemption reserve		**0.3**	0.3
Retained earnings		**341.8**	304.7
Own shares		**(0.5)**	(0.6)
Equity attributable to owners of the Company		**464.4**	427.2
Non-controlling interests		**11.6**	9.6
Total equity		**476.0**	436.8

These financial statements were approved by the Board of directors on 6th February 2012 and were signed on its behalf by Bill Oliver and Michael Dunn.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

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Financial Statements

Group Statement of Comprehensive Income

for the year ended 30th November 2011

	Notes	**2011** **£m**	2010 £m
Profit for the year		**45.5**	38.3
Pension fund:			
— Actuarial losses	18	**(0.2)**	(0.1)
— Deferred tax thereon	18	**—**	—
Total comprehensive income for the year		**45.3**	38.2
Attributable to:			
— Owners of the Company		**43.3**	37.1
— Non-controlling interests		**2.0**	1.1
Total comprehensive income for the year		**45.3**	38.2

Group Statement of Changes in Equity

for the two years ended 30th November 2011

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Own shares £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total Equity £m
At 30th November 2009	20.0	102.8	0.3	269.6	(0.4)	392.3	8.7	401.0
Profit for the year	—	—	—	37.2	—	37.2	1.1	38.3
Pension fund actuarial losses (note 18)	—	—	—	(0.1)	—	(0.1)	—	(0.1)
Total comprehensive income	—	—	—	37.1	—	37.1	1.1	38.2
Net own shares acquired	—	—	—	—	(0.2)	(0.2)	—	(0.2)
Dividends paid	—	—	—	(2.0)	—	(2.0)	(0.2)	(2.2)
At 30th November 2010	**20.0**	**102.8**	**0.3**	**304.7**	**(0.6)**	**427.2**	**9.6**	**436.8**
Profit for the year	**—**	**—**	**—**	**43.5**	**—**	**43.5**	**2.0**	**45.5**
Pension fund actuarial losses (note 18)	**—**	**—**	**—**	**(0.2)**	**—**	**(0.2)**	**—**	**(0.2)**
Total comprehensive income	**—**	**—**	**—**	**43.3**	**—**	**43.3**	**2.0**	**45.3**
Net own shares disposed of	**—**	**—**	**—**	**—**	**0.1**	**0.1**	**—**	**0.1**
Dividends paid	**—**	**—**	**—**	**(6.2)**	**—**	**(6.2)**	**—**	**(6.2)**
At 30th November 2011	**20.0**	**102.8**	**0.3**	**341.8**	**(0.5)**	**464.4**	**11.6**	**476.0**

Own shares represent the cost of 215,754 (2010: 259,414) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2011 was £225,463 (2010: £351,246).

Financial Statements

Group Cash Flow Statement

for the year ended 30th November 2011

	Notes	2011 £m	2010 £m
Operating activities			
Profit before interest and tax		**74.1**	58.3
Gains on investment property disposals		**(0.5)**	(2.5)
Share of profits of joint ventures and associates (post-tax)	10	**(2.9)**	(7.4)
Investment property revaluation gains	8	**(36.2)**	(23.2)
Depreciation	9	**0.5**	0.7
Impairment losses on inventories	12	**2.6**	6.1
Increase in inventories		**(2.7)**	(1.6)
Increase in trade and other receivables		**(6.3)**	(12.5)
(Decrease)/increase in trade and other payables		**(3.3)**	29.0
Share options and share awards		**0.1**	(0.2)
Tax (paid)/received	5(c)	**(6.0)**	1.7
Net cash inflow from operating activities		**19.4**	48.4
Investing activities			
Investment property disposals		**19.2**	27.5
Investment property additions		**(42.7)**	(49.0)
Acquisition of subsidiary undertaking		**(4.4)**	—
Property, plant and equipment additions		**(0.3)**	(0.3)
Cash and cash equivalents acquired with subsidiary	19	**1.1**	—
Interest received		**0.8**	0.6
Dividends received		**2.0**	—
Net cash outflow from investing activities		**(24.3)**	(21.2)
Financing activities			
Dividends paid	7	**(6.2)**	(2.0)
Dividends paid to non-controlling interests		**—**	(0.2)
Interest paid		**(21.1)**	(21.1)
New borrowings drawn		**131.3**	33.1
Repayment of borrowings		**(105.2)**	(30.5)
Net cash outflow from financing activities		**(1.2)**	(20.7)
(Decrease)/increase in cash and cash equivalents		**(6.1)**	6.5
Cash and cash equivalents at start of year		**11.3**	4.8
Cash and cash equivalents at end of year		**5.2**	11.3

Accounting Policies

for the year ended 30th November 2011

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as adopted by the EU as they apply to the Group for the year ended 30th November 2011, applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties, derivative financial instruments and the defined benefit section of the Group's pension scheme.

The Group's functional currency is pounds sterling and its principal IFRSs accounting policies are set out below.

Basis of consolidation

The Group's financial statements consolidate the financial statements of St. Modwen Properties PLC and the entities it controls. Control comprises the power to govern the financial and operating policies of the investee and is achieved through direct or indirect ownership of voting rights or by contractual agreement. A list of the principal entities controlled is given in note (F) of the Company's financial statements.

VSM Estates (Holdings) Limited is 50% owned by St. Modwen Properties PLC. However, under the funding agreement, the Group obtains the majority of the benefits of the entity and also retains the majority of the residual risks. This entity is therefore consolidated in accordance with SIC 12 "Consolidation — Special Purpose Entities".

All entities are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-Group transactions, balances, income and expense are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented separately within equity in the Group Balance Sheet.

Interests in joint ventures

The Group recognises its interests in joint ventures using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received, less any impairment in value of individual investments. The income statement reflects the Group's share of the jointly controlled entities' results after interest and tax.

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group.

The Group statement of comprehensive income reflects the Group's share of any income and expense recognised by the jointly controlled entities outside the income statement.

Interests in associates

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting, as described above.

Properties

Investment properties

Investment properties, being freehold and leasehold properties held to earn rental income, for capital appreciation and/or for undetermined future use, are carried at fair value following initial recognition at the present value of the consideration payable. To establish fair value, investment properties are independently valued on the basis of market value. Any surplus or deficit arising is recognised in the income statement for the period.

Once classified as an investment property, a property remains in this category until development with a view to sale commences, at which point the asset is transferred to inventories at current valuation.

Where an investment property is being redeveloped for continued use as an investment property, the property remains within investment property and any movement in valuation is recognised in the income statement.

Investment property disposals are recognised on completion. Profits and losses arising are recognised through the income statement and the profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset.

Investment properties are not depreciated.

Financial Statements

Accounting Policies continued

for the year ended 30th November 2011

Inventories

Inventories principally comprise properties held for sale, properties under construction and land under option. All inventories are carried at the lower of cost and net realisable value.

Cost comprises land, direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition. When inventory includes a transfer from investment properties, cost is recorded as the book value at the date of transfer. Net realisable value represents the estimated selling price less any further costs expected to be incurred to completion and disposal.

Operating property, plant and equipment

Operating property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all operating property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Leasehold operating properties	— over the shorter of the lease term and 25 years
Plant, machinery and equipment	— over 2 to 5 years

Leases

The Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Non-property assets held under finance leases are capitalised at the inception of the lease with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Non-property assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Freehold interests in leasehold investment properties are accounted for as finance leases with the present value of guaranteed minimum ground rents included within the carrying value of the property and within long-term liabilities. On payment of a guaranteed ground rent, virtually all of the cost is charged to the income statement, as interest payable, and the balance reduces the liability.

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The tax currently payable is based on the taxable result for the year. The taxable result differs from the result as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using the rates of tax expected to apply based on legislation enacted or substantively enacted at the balance sheet date, with the following exceptions:

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Pensions

The Group operates a pension scheme with defined benefit and defined contribution sections. The defined benefit section is closed to new members and to future accrual.

The cost of providing benefits under the defined benefit section is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement immediately if the benefits have vested.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the year in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

When a pension asset (net surplus) arises and the directors consider it is controlled by the Company such that future economic benefits will be available to the Company, it is carried forward in accordance with the requirements of IFRIC14.

Contributions to defined contribution schemes are recognised in the income statement in the year in which they become payable.

Own shares

St. Modwen Properties PLC shares held by the Group are classified in equity attributable to owners of the Company and are recognised at cost.

Dividends

Dividends declared after the balance sheet date are not recognised as liabilities at the balance sheet date.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of property

Revenue arising from the sale of property is recognised on legal completion of the sale. Where revenue is earned for development of property assets not owned, this is recognised when the Group has substantially fulfilled its obligations in respect of the transaction.

Construction contracts

Revenue arising from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

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Accounting Policies continued

for the year ended 30th November 2011

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from joint ventures is recognised when the shareholders' rights to receive payment have been established.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The extent to which the contract is complete is determined by the total costs incurred to date as a percentage of the total anticipated costs of the entire contract. Variations in contract work, claims and incentive payments are included only to the extent they have been agreed with the purchaser.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Government grants

Government grants relating to property are treated as deferred income and released to profit or loss over the expected useful life of the assets concerned.

Share-based payments

When employee share options are exercised, the employee has the choice whether to have the liability settled by way of cash or the retention of shares. As it has been the Company's experience to satisfy the majority of share options in cash, and new shares are not issued to satisfy employee share option plans, the Group accounts for its share option schemes as cash-settled. The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model and amortised through the income statement over the vesting period. The liability is remeasured at each balance sheet date. Revisions to the fair value of the accrued liability after the end of the vesting period are recorded in the income statement of the year in which they occur. If the Company's experience or expectations change, the Group may in future be required to amend its accounting to the equity-settled method.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for any amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or expire.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value or recoverable amount. Provision is made when there is evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits with banks.

Trade and other payables

Trade and other payables on deferred payment terms are initially recorded by discounting the nominal amount payable to net present value. The discount to nominal value is amortised over the period of the deferred arrangement and charged to finance costs.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, loans and borrowings are measured at amortised cost.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in finance income or finance expense as appropriate.

The effective interest rate method is used to charge interest to the income statement.

Derivative financial instruments and hedging
The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. The Group has determined that the derivative financial instruments in use do not qualify for hedge accounting and, consequently, any gains or losses arising from changes in the fair value of derivatives are taken to the income statement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments issued by the Group are recorded at the proceeds received less direct issue costs.

Use of estimates and judgements
To be able to prepare accounts according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial accounts. These estimates are based on the Group's systems of internal control, historical experience and the advice of external experts (including qualified professional valuers and actuaries) together with various other assumptions that management and the Board of directors believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

The areas requiring the use of estimates and critical judgements that may significantly impact the Group's earnings and financial position are:

Going concern The financial statements have been prepared on a going concern basis. This is discussed in the Business and Financial Review and adoption of the going concern assumption is confirmed on page 68.

Valuation of investment properties Management has used the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is performed according to RICS rules, using appropriate levels of professional judgement for the prevailing market conditions.

Net realisable value of inventories The Group has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value. Management's assessment of any resulting provision requirement is, where applicable, supported by independent information supplied by the external valuers. The estimates and judgements used were based on information available at, and pertaining to, 30th November 2011. Any subsequent adverse changes in market conditions may result in additional provisions being required.

Estimation of remediation and other costs to complete for both development and investment properties. In making an assessment of these costs there is inherent uncertainty and the Group has developed systems of internal control to assess and review carrying values and the appropriateness of estimates made. Any changes to these estimates may impact the carrying values of investment properties and/or inventories.

Calculation of the net present value of pension scheme liabilities In calculating this liability it is necessary for actuarial assumptions to be made, including discount and mortality rates and the long-term rate of return upon scheme assets. The Group engages a qualified actuary to assist with determining the assumptions to be made and evaluating these liabilities.

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Accounting Policies continued

for the year ended 30th November 2011

Adoption of New and Revised Standards

Standards and interpretations adopted not affecting the financial statements

The following standards, amendments and interpretations have been adopted in the current year but have had no impact on the amounts reported or the disclosures in the financial statements:

IAS32 (amended 2009)	Classification of Rights Issues
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments
IFRS1 (amended 2009)	Additional Exemptions for First-time Adopters
IFRS1 (amended 2010)	Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters
IFRS1 (revised 2008)	First-time Adoption of International Financial Reporting Standards
IFRS2 (amended 2009)	Group Cash-settled Share-based Payment Transactions

In addition, minor amendments to existing standards were made under Improvements to IFRSs (issued April 2009) which have been adopted during the year.

Impact of standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following standards, amendments and interpretations which have not been adopted in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IAS1 (amended 2011)	Presentation of Items of Other Comprehensive Income
IAS12 (amended 2010)	Deferred Tax: Recovery of Underlying Assets
IAS19 (revised 2011)	Employee Benefits
IAS24 (revised 2009)	Related Party Disclosures
IAS27 (revised 2011)	Separate Financial Statements
IAS28 (revised 2011)	Investments in Associates and Joint Ventures
IFRIC14 (amended 2009)	Prepayments of a Minimum Funding Requirement
IFRIC20	Stripping Costs in the Production Phase of a Surface Mine
IFRS1 (amended 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS7 (amended 2010)	Disclosures – Transfers of Financial Assets
IFRS9	Financial instruments
IFRS10	Consolidated Financial Statements
IFRS11	Joint Arrangements
IFRS12	Disclosure of Interest in Other Entities
IFRS13	Fair Value Measurement

In addition, Improvements to IFRSs (issued May 2010) is the 2010 tranche of the Improvements to IFRSs project and these have a number of minor amendments to existing IAS and IFRSs, which have not yet been adopted.

While the directors are still assessing the impact that the adoption of these standards, amendments and interpretations will have on the financial statements of the Group in future periods, they do not currently believe that adoption will have a material impact on the reported results of the Group.

Notes to the Accounts

for the year ended 30th November 2011

1. REVENUE AND GROSS PROFIT

	2011			
	Rental £m	**Development £m**	**Other £m**	**Total £m**
Revenue	**36.6**	**67.0**	**6.0**	**109.6**
Cost of sales	**(9.1)**	**(46.6)**	**(2.8)**	**(58.5)**
Gross profit	**27.5**	**20.4**	**3.2**	**51.1**

	2010			
	Rental £m	Development £m	Other £m	Total £m
Revenue	35.1	79.9	6.4	121.4
Cost of sales	(8.7)	(67.4)	(3.3)	(79.4)
Gross profit	26.4	12.5	3.1	42.0

The Group operates exclusively in the UK and all of its revenues derive from its portfolio of properties which the Group manages as one business. Therefore, the financial statements and related notes represent the results and financial position of the Group's sole business segment.

The Group's total revenue for 2011 was £116.9m (2010: £129.1m) and in addition to the amounts above included service charge income of £6.3m (2010: £6.9m), for which there was an equivalent expense and interest income of £1.0m (2010: £0.8m).

Cost of sales in respect of rental income, as disclosed above, comprises direct operating expenses (including repairs and maintenance) related to the investment property portfolio and includes £0.3m (2010: £0.2m) in respect of properties that did not generate any rental income.

During the year the following amounts were recognised (as part of development revenue and cost of sales) in respect of construction contracts:

	2011 £m	2010 £m
Revenue	**52.7**	63.8
Cost of sales	**(39.0)**	(50.8)
Gross profit	**13.7**	13.0

Amounts recoverable on contracts as disclosed in Note 11 comprise £7.4m (2010: £11.6m) of contract revenue recognised and £1.5m (2010: £1.2m) of retentions.

There were no amounts due to customers (2010: £nil) included in trade and other payables in respect of contracts in progress at the balance sheet date.

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Notes to the Accounts continued

for the year ended 30th November 2011

2. NON-STATUTORY INFORMATION

(a) Trading profit

The non-statutory measure of trading profit, which includes the Group's share of joint ventures and associates, has been calculated as set out below:

		2011			2010		
		Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Net rental income		**27.5**	**8.0**	**35.5**	26.4	7.3	33.7
Development profit	(1)	**23.0**	**0.3**	**23.3**	18.6	0.3	18.9
Gains on disposal of investments/investment properties		**0.5**	**—**	**0.5**	2.5	0.5	3.0
Other income		**3.2**	**—**	**3.2**	3.1	—	3.1
Administrative expenses		**(16.6)**	**(0.1)**	**(16.7)**	(16.8)	(0.3)	(17.1)
Finance costs	(2)	**(19.5)**	**(4.2)**	**(23.7)**	(20.0)	(4.8)	(24.8)
Finance income	(3)	**0.7**	**—**	**0.7**	0.6	—	0.6
Trading profit		**18.8**	**4.0**	**22.8**	14.4	3.0	17.4

(1) Stated before the deduction of net realisable value provisions to inventories of: Group £2.6m (2010: £6.1m); Joint ventures and associates £0.1m (2010: £0.3m).

(2) Stated before mark-to-market of derivative financial instruments and other non-cash items of: Group £6.7m (2010: £4.0m); Joint ventures and associates £0.1m (2010: £0.8m).

(3) Stated before mark-to-market of derivative financial instruments and other non-cash items of: Group £1.8m (2010: £2.6m); Joint ventures and associates £nil (2010: £nil).

(b) Property valuations

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

	2011			2010		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	**36.2**	**0.4**	**36.6**	23.2	6.2	29.4
Net realisable value provisions	**(2.6)**	**(0.1)**	**(2.7)**	(6.1)	(0.3)	(6.4)
Property valuation gains	**33.6**	**0.3**	**33.9**	17.1	5.9	23.0
Added value	**33.4**	**(0.5)**	**32.9**	15.4	3.0	18.4
Market movements	**0.2**	**0.8**	**1.0**	1.7	2.9	4.6
Property valuation gains	**33.6**	**0.3**	**33.9**	17.1	5.9	23.0

The split of property valuation gains between added value and market movements is based on an analysis of total property valuation movements provided by our external valuers: Jones Lang Lasalle LLP, Chartered Surveyors for the year ended 30th November 2011; and (prior to the merger of the two firms) by King Sturge LLP, Chartered Surveyors for the year ended 30th November 2010.

2. NON-STATUTORY INFORMATION CONTINUED

(c) Property portfolio

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

	2011 Group £m	2011 Joint ventures and associates £m	2011 Total £m	2010 Group £m	2010 Joint ventures and associates £m	2010 Total £m
Investment properties	**848.7**	**140.3**	**989.0**	828.0	136.6	964.6
Adjust for non-property elements of investment properties (1)	**(0.8)**	**0.8**	**–**	(3.9)	(0.4)	(4.3)
Inventories	**191.1**	**9.1**	**200.2**	171.6	16.4	188.0
Less pre-sold properties in the course of construction (2)	**(86.3)**	**(0.4)**	**(86.7)**	(93.3)	–	(93.3)
Property portfolio	**952.7**	**149.8**	**1,102.5**	902.4	152.6	1,055.0

(1) Represents the deduction of assets held under finance leases and the add back of lease incentive payments recognised in receivables.

(2) Represents deductions for pre-sold properties under construction, principally RAF Northolt as part of the Project MoDEL arrangements between VSM Estates Limited and the Ministry of Defence.

The Group property portfolio, including its share of joint ventures and associates, can be split by category as detailed below:

	2011 Total £m	2010 Total £m
Retail	**209.3**	194.0
Offices	**70.2**	60.0
Industrial	**269.3**	271.0
Income producing	**548.8**	525.0
Residential land	**404.4**	400.0
Commercial land	**149.3**	130.0
Property portfolio	**1,102.5**	1,055.0

(d) Movement in net debt

	2011 £m	2010 £m
Movement in cash and cash equivalents	**(6.1)**	6.5
Borrowings drawn	**(131.3)**	(33.1)
Repayment of borrowings	**105.2**	30.5
Movement in net debt	**(32.2)**	3.9

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Notes to the Accounts continued

for the year ended 30th November 2011

2. NON-STATUTORY INFORMATION CONTINUED

(e) Trading cash flow

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

	2011			
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m
Net rent and other income	**30.7**	**—**	**—**	**30.7**
Property disposals	**75.5**	**19.2**	**—**	**94.7**
Property acquisitions	**(0.2)**	**(6.5)**	**—**	**(6.7)**
Capital expenditure	**(48.8)**	**(40.9)**	**—**	**(89.7)**
Working capital and other movements	**(15.8)**	**1.1**	**—**	**(14.7)**
Overheads and interest	**(16.0)**	**0.8**	**(21.1)**	**(36.3)**
Taxation	**(6.0)**	**—**	**—**	**(6.0)**
Trading cash flow	**19.4**	**(26.3)**	**(21.1)**	**(28.0)**
Net borrowings	**—**	**—**	**26.1**	**26.1**
Net dividends	**—**	**2.0**	**(6.2)**	**(4.2)**
Movement in cash and cash equivalents	**19.4**	**(24.3)**	**(1.2)**	**(6.1)**

	2010			
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m
Net rent and other income	29.5	—	—	29.5
Property disposals	65.4	27.5	—	92.9
Property acquisitions	(6.4)	(24.1)	—	(30.5)
Capital expenditure	(54.9)	(25.2)	—	(80.1)
Working capital and other movements	30.8	—	—	30.8
Overheads and interest	(17.7)	0.6	(21.1)	(38.2)
Taxation	1.7	—	—	1.7
Trading cash flow	48.4	(21.2)	(21.1)	6.1
Net borrowings	—	—	2.6	2.6
Net dividends	—	—	(2.2)	(2.2)
Movement in cash and cash equivalents	48.4	(21.2)	(20.7)	6.5

2. NON-STATUTORY INFORMATION CONTINUED

(f) Group balance sheet

VSM Estates (Holdings) Limited and its subsidiary undertakings ('VSM') are party to a series of contracts with the Ministry of Defence known as Project MoDEL. The property assets of VSM are subject to purchase on deferred terms and, to increase disclosure of the impact of these arrangements, the following additional split of the Group balance sheet, showing the proportion attributable to VSM has been provided:

	2011			2010		
	Group £m	**VSM £m**	**Total £m**	Group £m	VSM £m	Total £m
Investment property	**687.4**	**161.3**	**848.7**	645.3	182.7	828.0
Other non-current assets	**65.8**	**—**	**65.8**	65.0	—	65.0
Inventories	**108.7**	**82.4**	**191.1**	83.4	88.2	171.6
Cash and cash equivalents	**5.2**	**—**	**5.2**	8.9	2.4	11.3
Other current assets	**23.9**	**27.3**	**51.2**	19.4	25.9	45.3
Total assets	**891.0**	**271.0**	**1,162.0**	822.0	299.2	1,121.2
Current liabilities	**(121.6)**	**(10.8)**	**(132.4)**	(125.4)	(17.0)	(142.4)
Borrowings	**(307.7)**	**(44.6)**	**(352.3)**	(273.8)	(52.4)	(326.2)
Other non-current liabilities	**(11.0)**	**(190.3)**	**(201.3)**	(6.2)	(209.6)	(215.8)
Total liabilities	**(440.3)**	**(245.7)**	**(686.0)**	(405.4)	(279.0)	(684.4)
Net assets	**450.7**	**25.3**	**476.0**	416.6	20.2	436.8
Equity attributable to owners of the Company	**445.4**	**19.0**	**464.4**	412.0	15.2	427.2
Non-controlling interests	**5.3**	**6.3**	**11.6**	4.6	5.0	9.6
Total equity	**450.7**	**25.3**	**476.0**	416.6	20.2	436.8

(g) Net assets per share

Net assets per share are calculated as set out below:

	2011	2010
Total equity (£m)	**476.0**	436.8
Less: Non-controlling interest	**(11.6)**	(9.6)
Equity attributable to owners of the Company	**464.4**	427.2
Deferred tax on capital allowances and property revaluations	**13.0**	9.4
Mark-to-market of interest rate swaps	**18.6**	16.7
Fair value of inventories	**4.1**	5.3
Diluted EPRA net asset value	**500.1**	458.6
Shares in issue (number)	**200,360,931**	200,360,931
Total equity net assets per share (pence)	**237.6**	218.0
Percentage increase	**9.0%**	
Total equity attributable to owners of the Company net assets per share (pence)	**231.8**	213.2
Percentage increase	**8.7%**	
Diluted EPRA net asset value per share (pence)	**249.6**	228.9
Percentage increase	**9.0%**	

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Notes to the Accounts continued

for the year ended 30th November 2011

2. NON-STATUTORY INFORMATION CONTINUED

(h) Gearing and LTV

The following table shows the calculation of:

— Gearing, being the ratio of net debt to total equity; and
— Loan to Value, being the ratio of net debt to the property portfolio (representing amounts that could be used as security for that debt).

	2011			2010		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (Note 2c)	**952.7**	**149.8**	**1,102.5**	902.4	152.6	1,055.0
Total equity	**476.0**	**N/A**	**476.0**	436.8	N/A	436.8
Net debt	**347.1**	**84.5**	**431.6**	314.9	94.3	409.2
Gearing	**73%**		**91%**	72%		94%
LTV	**36%**		**39%**	35%		39%

3. OTHER INCOME STATEMENT DISCLOSURES

(a) Administrative expenses

Administrative expenses have been arrived at after charging:

	2011 £m	2010 £m
Depreciation	**0.5**	0.7
Operating lease costs	**1.0**	1.0

(b) Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2011 £'000	2010 £'000
Fees payable for the audit of the Company's annual accounts	**115**	112
The audit of subsidiary companies and joint ventures pursuant to legislation	**132**	112
Total audit fees	**247**	224
Other services pursuant to legislation	**51**	51
Tax services	**268**	446
Property consulting services	**82**	14
Total non-audit fees	**401**	511
Total fees	**648**	735

Amounts above include £82,000 (2010: £14,000) that was paid to Drivers Jonas Deloitte, the property consulting business acquired by Deloitte in March 2010. Going forward the Group will continue to use Drivers Jonas Deloitte for property consulting work where they are cost effective and the most appropriate firm to undertake the work required.

The above amounts include all amounts charged in respect of joint venture undertakings.

(c) Employees

The average number of full-time employees (including executive directors) employed by the Group during the year was as follows:

	2011 Number	2010 Number
Property	**134**	125
Leisure and other activities	**59**	64
Administration	**41**	39
	234	228

3. OTHER INCOME STATEMENT DISCLOSURES CONTINUED

The total payroll costs of these employees were:

	2011 £m	2010 £m
Wages and salaries	**10.9**	9.9
Social security costs	**1.5**	1.2
Pension costs	**0.7**	0.3
	13.1	11.4

Details of the directors' remuneration is given in the Directors' Remuneration Report.

(d) Share-based payments

The Group has a Save As You Earn share option scheme open to all employees. Employees must remain in service for a period of five years from the date of grant before exercising their options. The option period ends six months following the end of the vesting period. The Group also has an executive share option scheme and performance share plan ('PSP'), full details of which are given in the Directors' Remuneration Report.

The following table illustrates the movements in share options during the year. As the PSP includes the grant of options at £nil exercise price the weighted average prices below are calculated including and excluding the options under this plan.

	2011	2011 Weighted average price		2010	2010 Weighted average price	
	Number of options	All options £	Excluding PSP £	Number of options	All options £	Excluding PSP £
Outstanding at start of year	**6,459,561**	**1.66**	**2.01**	6,459,991	2.00	2.46
Granted	**2,882,784**	**1.32**	**1.79**	2,603,001	1.46	1.78
Forfeited	**(656,834)**	**(1.41)**	**(1.92)**	(29,143)	(2.99)	(2.99)
Lapsed	**(12,908)**	**(3.68)**	**(3.68)**	(2,548,328)	(2.30)	(2.92)
Exercised	**(49,560)**	**(1.00)**	**(1.00)**	(25,960)	(1.25)	(1.25)
Outstanding at end of year	**8,623,043**	**1.57**	**1.96**	6,459,561	1.66	2.01
Exercisable at end of year	**958,918**	**2.87**	**2.87**	1,068,363	2.77	2.77

Share options are priced using a Black–Scholes valuation model. The fair values calculated and the assumptions used are as follows:

	Charge/(credit) to income statement £m	Risk-free interest rate %	Expected volatility %	Dividend yield %	Share price £*
30th November 2011	**0.2**	**0.4-1.1**	**23.4-56.1**	**2.4**	**1.23**
30th November 2010	(0.2)	0.7-2.4	54.4-67.5	1.8	1.65

* Based on 90 day moving average.

The fair value of the balance sheet liability in respect of share options outstanding at the year end was £2.1m (2010: £1.8m) and included £0.1m (2010: £0.2m) in respect of options that had vested at the year end.

In arriving at fair value it has been assumed that, when vested, share options are exercised in accordance with historical trends. Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options.

The weighted average share price at the date of exercise was £1.37 (2010: £1.94). The executive share options outstanding at the year end had a range of exercise prices between £1.14 and £4.10 (2010: £0.97 and £4.10) with PSP options exercisable at £nil (2010: £nil). Outstanding options had a weighted average maximum remaining contractual life of 8.7 years (2010: 8.1 years).

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Notes to the Accounts continued

for the year ended 30th November 2011

4. FINANCE COST AND FINANCE INCOME

	2011 £m	2010 £m
Interest payable on borrowings	(19.3)	(19.8)
Amortisation of loan arrangement fees	(1.3)	(1.0)
Amortisation of discount on deferred payment arrangements	(2.3)	(1.6)
Head rents treated as finance leases	(0.2)	(0.2)
Movement in fair value of interest rate derivative financial instruments	(1.8)	—
Interest on pension scheme liabilities (Note 18)	(1.3)	(1.4)
Total finance cost	(26.2)	(24.0)

The finance cost on interest rate derivative financial instruments derives from financial liabilities held at fair value through profit or loss. All other finance costs derive from financial liabilities measured at amortised cost.

	2011 £m	2010 £m
Interest receivable on cash deposits	0.7	0.6
Unwinding of discount on deferred receivables	0.3	0.2
Movement in fair value of interest rate derivative financial instruments	—	0.9
Expected return on pension scheme assets (Note 18)	1.5	1.5
Total finance income	2.5	3.2

5. TAXATION

(a) Tax on profit on ordinary activities

	2011 £m	2010 £m
Tax charge/(credit) in the income statement		
Corporation tax		
Current year tax	0.2	—
Adjustments in respect of previous years	(3.3)	(0.1)
	(3.1)	(0.1)
Deferred tax		
Reversal of temporary differences	(0.2)	(1.0)
Impact of current year revaluations and indexation	2.9	(1.9)
Utilisation of tax losses	5.1	—
Carry forward of tax losses	—	1.7
Adjustments in respect of previous years	0.2	0.5
	8.0	(0.7)
Total tax charge/(credit) in the income statement	4.9	(0.8)
Tax relating to items in the statement of comprehensive income		
Deferred tax		
Actuarial losses on pension schemes	—	—
Tax credit in the statement of comprehensive income	—	—

Corporation tax adjustments in respect of previous years include a £3.2m release of tax provisions, following the settlement of a number of open items with HMRC for periods ending on or before 30th November 2009. In aggregate £6.0m was paid against items for which £9.2m was provided at 30th November 2010.

5. **TAXATION** CONTINUED

(b) Reconciliation of effective tax rate

	2011 £m	2010 £m
Profit before tax	**50.4**	37.5
Less: profits of joint ventures and associates	**(2.9)**	(7.4)
Profit before tax attributable to the Group	**47.5**	30.1
Corporation tax at 26.7% (2010: 28.0%)	**12.7**	8.4
Permanent differences	**(0.8)**	(0.6)
Short-term timing differences	**—**	(0.9)
Impact of current year revaluations and indexation	**(6.6)**	(9.1)
Difference between chargeable gains and accounting profit	**3.4**	6.9
Utilisation of tax losses not previously recognised	**(0.7)**	(5.9)
Current year charge/(credit)	**8.0**	(1.2)
Adjustments in respect of previous years	**(3.1)**	0.4
	4.9	(0.8)
Effective rate of tax	**10%**	(3%)

The post tax results of joint ventures and associates are stated after a tax charge of £1.3m (2010: £0.7m). The effective tax rate for the Group including joint ventures and associates is a charge of 12.0% (2010: 0.3%).

The Finance Act 2011 was enacted on 5th July 2011 and included provisions which reduced the main rate of corporation tax to 26% from 1st April 2011 and 25% from 1st April 2012. Current tax has therefore been provided at 26.7% and deferred tax at 25%. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1st April 2014. This has not been enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1st April 2014 are expected to be enacted separately each year. If the deferred tax assets and liabilities of the Group were all to reverse after 1st April 2014, the effect of the changes from 25% to 23% would be to reduce the net deferred tax liability by £0.7m.

(c) Balance sheet

	2011		2010	
	Corporation tax £m	**Deferred tax £m**	Corporation tax £m	Deferred tax £m
Balance at start of the year	**9.3**	**0.7**	7.7	1.4
(Credit)/charge to the income statement	**(3.1)**	**8.0**	(0.1)	(0.7)
Net (payment)/refund	**(6.0)**	**—**	1.7	—
Balance at end of the year	**0.2**	**8.7**	9.3	0.7

An analysis of the deferred tax provided by the Group is given below:

	2011			2010		
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Property revaluations	**—**	**7.3**	**7.3**	—	4.1	4.1
Capital allowances	**—**	**5.1**	**5.1**	—	4.7	4.7
Appropriations to trading stock	**—**	**0.5**	**0.5**	—	0.6	0.6
Unutilised tax losses	**—**	**—**	**—**	(5.3)	—	(5.3)
Other temporary differences	**(4.2)**	**—**	**(4.2)**	(3.4)	—	(3.4)
	(4.2)	**12.9**	**8.7**	(8.7)	9.4	0.7

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Notes to the Accounts continued

for the year ended 30th November 2011

5. TAXATION CONTINUED

At the balance sheet date, the Group has unused tax losses in relation to 2011 and prior years of £1.6m (2010: £6.6m), of which £nil (2010: £5.3m) has been recognised as a deferred tax asset. A deferred tax asset of £1.6m (2010: £1.3m) has not been recognised in respect of current and prior year tax losses as it is not considered certain that there will be taxable profits available in the short-term against which these can be offset.

(d) Factors that may affect future tax charges

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

The benefits of any tax planning are not recognised by the Group until the outcome is reasonably certain.

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is set out below:

	2011 Number of shares	2010 Number of shares
Weighted number of shares in issue	**200,110,380**	200,098,045
Weighted number of dilutive shares	**520,113**	346,115
	200,630,493	200,444,160

	2011 £m	2010 £m
Profit attributable to equity shareholders (basic and diluted)	**43.5**	37.2

	2011 pence	2010 pence
Basic and diluted earnings per share	**21.7**	18.6

Shares held by the Employee Benefit Trust are excluded from the above calculations.

The Group's share options are accounted for as cash-settled share-based payments. In calculating diluted earnings per share, earnings have been adjusted for changes which would have resulted from share options being classified as equity-settled. Where applicable, the number of shares included in the calculation has also been adjusted accordingly.

7. DIVIDENDS

Dividends paid during the year were in respect of the final dividend for 2010 and interim dividend for 2011. The proposed final dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements.

	2011 p per share	2011 £m	2010 p per share	2010 £m
Paid				
Final dividend in respect of previous year	**2.0**	**4.0**	—	—
Interim dividend in respect of current year	**1.1**	**2.2**	1.0	2.0
Total	**3.1**	**6.2**	1.0	2.0
Proposed				
Current year final dividend	**2.2**	**4.4**	2.0	4.0

The Employee Benefit Trust waives its entitlement to dividends.

8. INVESTMENT PROPERTY

	Freehold investment properties £m	Leasehold investment properties £m	Total £m
Fair value			
At 30th November 2009	455.9	307.0	762.9
Additions — new properties	23.8	—	23.8
Other additions	9.8	15.4	25.2
Net transfers from inventories (Note 12)	13.0	0.8	13.8
Transfer on acquisition of residual freehold	3.3	(3.3)	—
Disposals	(8.9)	(12.0)	(20.9)
Gain on revaluation	10.4	12.8	23.2
At 30th November 2010	507.3	320.7	828.0
Additions — new properties	8.1	—	8.1
Other additions	29.1	6.2	35.3
Net transfers to inventories (Note 12)	(7.4)	(12.0)	(19.4)
Reclassification of assets on transfer	2.7	(2.7)	—
Disposals	(2.8)	(36.7)	(39.5)
Gain on revaluation	23.7	12.5	36.2
At 30th November 2011	**560.7**	**288.0**	**848.7**

Investment properties were valued at 30th November 2011 by Jones Lang LaSalle LLP, Chartered Surveyors; and at 30th November 2010 (prior to the merger of the firms) by King Sturge LLP, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Jones Lang LaSalle LLP are professionally qualified independent external valuers and have recent experience in the relevant location and category of the properties being valued.

The historical cost of investment properties at 30th November 2011 was £744.1m (2010: £754.9m).

As at 30th November 2011, £756.9m (2010: £709.4m) of investment property was pledged as security for the Group's loan facilities.

Included within leasehold investment properties are £3.9m (2010: £3.9m) of assets held under finance leases.

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Notes to the Accounts continued

for the year ended 30th November 2011

9. OPERATING PROPERTY, PLANT AND EQUIPMENT

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30th November 2009	6.9	4.8	11.7
Additions	—	0.3	0.3
Disposals	—	(0.3)	(0.3)
At 30th November 2010	6.9	4.8	11.7
Additions	—	0.3	0.3
Disposals	—	(0.2)	(0.2)
At 30th November 2011	**6.9**	**4.9**	**11.8**
Depreciation			
At 30th November 2009	0.5	3.3	3.8
Charge for the year	0.1	0.6	0.7
Disposals	—	(0.2)	(0.2)
At 30th November 2010	0.6	3.7	4.3
Charge for the year	0.1	0.4	0.5
Disposals	—	(0.1)	(0.1)
At 30th November 2011	**0.7**	**4.0**	**4.7**
Net book value			
At 30th November 2009	6.4	1.5	7.9
At 30th November 2010	6.3	1.1	7.4
At 30th November 2011	**6.2**	**0.9**	**7.1**

Tenure of operating properties:

	2011 £m	2010 £m
Freehold	**3.5**	3.6
Leasehold	**2.7**	2.7
	6.2	6.3

10. JOINT VENTURES AND ASSOCIATES

The Group's share of the results for the year of its joint ventures and associates is:

	2011 Key Property Investments Limited £m	**2011 Other joint ventures and associates £m**	**2011 Total £m**	2010 Key Property Investments Limited £m	2010 Other joint ventures and associates £m	2010 Total £m
Income statements						
Revenue	**12.1**	**7.3**	**19.4**	14.4	4.4	18.8
Net rental income	**7.3**	**0.7**	**8.0**	6.6	0.7	7.3
Development profit	**0.2**	**—**	**0.2**	—	—	—
Gains on disposal of investment properties	**—**	**—**	**—**	0.4	0.1	0.5
Investment property revaluation gains	**0.4**	**—**	**0.4**	6.2	—	6.2
Administrative expenses	**(0.1)**	**—**	**(0.1)**	(0.2)	(0.1)	(0.3)
Profit before interest and tax	**7.8**	**0.7**	**8.5**	13.0	0.7	13.7
Finance cost	**(3.4)**	**(0.9)**	**(4.3)**	(4.4)	(1.2)	(5.6)
Profit/(loss) before tax	**4.4**	**(0.2)**	**4.2**	8.6	(0.5)	8.1
Taxation	**(1.2)**	**(0.1)**	**(1.3)**	(0.3)	(0.4)	(0.7)
Profit/(loss) for the year	**3.2**	**(0.3)**	**2.9**	8.3	(0.9)	7.4

Included in other joint ventures and associates above are the Group's share of profits from associated companies of £0.3m (2010: £0.3m).

The Group's share of the balance sheet of its joint ventures and associates is:

	2011 Key Property Investments Limited £m	**2011 Other joint ventures and associates £m**	**2011 Total £m**	2010 Key Property Investments Limited £m	2010 Other joint ventures and associates £m	2010 Total £m
Balance sheets						
Non-current assets	**120.4**	**23.7**	**144.1**	119.5	20.8	140.3
Current assets	**10.7**	**6.1**	**16.8**	11.7	14.5	26.2
Current liabilities	**(11.1)**	**(21.6)**	**(32.7)**	(11.9)	(10.1)	(22.0)
Non-current liabilities	**(74.4)**	**(3.5)**	**(77.9)**	(74.9)	(20.2)	(95.1)
Net assets	**45.6**	**4.7**	**50.3**	44.4	5.0	49.4
Equity at start of year	**44.4**	**5.0**	**49.4**	36.1	5.2	41.3
Transfer from joint venture to subsidiary undertaking	**—**	**—**	**—**	—	0.7	0.7
Profit/(loss) for the year	**3.2**	**(0.3)**	**2.9**	8.3	(0.9)	7.4
Dividends paid	**(2.0)**	**—**	**(2.0)**	—	—	—
Equity at end of year	**45.6**	**4.7**	**50.3**	44.4	5.0	49.4

Included in other joint ventures and associates above are the Group's share of net assets of £3.0m (2010: £2.7m) in relation to associated companies. These net assets comprise total assets of £4.0m (2010: £3.9m) and total liabilities of £1.0m (2010: £1.2m).

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10. JOINT VENTURES AND ASSOCIATES CONTINUED

Significant joint venture companies and associates comprise:

Name	Status	Interest	Activity
Key Property Investments Limited	Joint venture	50%	Property investment and development
Barton Business Park Limited	Joint venture	50%	Property development
Sowcrest Limited	Joint venture	50%	Property development
Holaw (462) Limited	Joint venture	50%	Property investment
Sky Park Development Partnership LLP	Joint venture	50%	Property development
Coed Darcy Limited	Associate	49%	Property investment and development
Baglan Bay Company Limited	Associate	25%	Property management

In the Business and Financial Review a series of commerical contracts with Persimmon is referred to as the "Persimmon JV". This is not a statutory entity and the results from these commercial contracts are not included in the figures disclosed above. Revenue and profit from the Persimmon JV are recognised in Group development profit on legal completion of housing unit sales to third party purchasers.

Many of the joint ventures and associates contain change of control provisions, as is common for such arrangements.

On 1st July 2011 the Group increased its shareholding in St Modwen Hungerford Limited to 100%. No goodwill arose on increasing the Group's stake in the entity, which is now accounted for as a subsidiary.

11. TRADE AND OTHER RECEIVABLES

	2011 £m	2010 £m
Non-current		
Other debtors	**8.4**	8.2
Current		
Trade receivables	**8.1**	2.3
Prepayments and accrued income	**5.2**	7.3
Other debtors	**14.1**	10.2
Amounts recoverable on contracts	**8.9**	12.8
Amounts due from joint ventures	**14.9**	12.7
	51.2	45.3

IFRS7 disclosures in respect of financial assets included above are provided in Note 16.

12. INVENTORIES

	2011 £m	2010 £m
Properties held for sale	**16.0**	37.6
Properties under construction	**152.8**	112.6
Land under option	**22.3**	21.4
	191.1	171.6

The movement in inventories during the two years ended 30th November 2011 is as follows:

	£m
At 30th November 2009	192.7
Additions	60.1
Net transfers to investment property (note 8)	(13.8)
Disposals (transferred to development cost of sales) (note 1)	(67.4)
At 30th November 2010	171.6
Additions	46.7
Net transfers from investment property (note 8)	19.4
Disposals (transferred to development cost of sales) (note 1)	(46.6)
At 30th November 2011	**191.1**

The directors consider all inventories to be current in nature. The operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues including the strength of the property market.

Included within disposals of inventories are net realisable value provisions made during the year of £2.6m (2010: £6.1m).

As at 30th November 2011 £41.0m (2010: £48.3m) of inventory was pledged as security for the Group’s loan facilities.

13. TRADE AND OTHER PAYABLES

	2011 £m	2010 £m
Current		
Trade payables	**19.3**	15.7
Amounts due to joint ventures	**4.5**	4.1
Other payables and accrued expenses	**79.7**	76.4
Provision for share options	**0.8**	0.2
Other payables on deferred terms	**7.8**	18.4
Derivative financial instruments	**20.1**	18.3
	132.2	133.1
Non-current		
Other payables and accrued expenses	**47.7**	46.4
Provision for share options	**1.0**	1.6
Other payables on deferred terms	**140.0**	163.2
Finance lease liabilities (head rents)	**3.9**	3.9
	192.6	215.1

IFRS7 disclosures in respect of financial liabilities included above are provided in note 16.

The payment terms of other payables on deferred terms are subject to contractual commitments. In the normal course of events the payments will be made in line with either the disposal of investment properties held on the balance sheet, or the commencement of development. Net cash outflows on the settlement of the deferred consideration will therefore be limited.

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for the year ended 30th November 2011

14. BORROWINGS

	2011 £m	2010 £m
Non-current		
Bank loans repayable between one and two years	**—**	107.9
Bank loans repayable between two and five years	**352.3**	218.3
	352.3	326.2

Each bank has its borrowings secured by a fixed charge over a discrete portfolio of certain of the Group's property assets.

Maturity profile of committed bank facilities

The majority of the Group's bank debt is provided by bilateral revolving credit facilities, providing the flexibility to draw and repay loans as required. The maturity profile of the Group's committed facilities is set out below:

2011	**Floating rate borrowings**			**Interest rate swaps**			
				Earliest termination		**Latest termination**	
	Drawn £m	**Undrawn £m**	**Total £m**	**£m**	**%***	**£m**	**%***
Less than one year†	**—**	**—**	**—**	**30.0**	**4.97%**	**10.0**	**5.42%**
One to two years	**—**	**—**	**—**	**30.0**	**4.66%**	**20.0**	**4.65%**
Two to three years	**165.1**	**33.3**	**198.4**	**70.0**	**3.63%**	**60.0**	**3.45%**
Three to four years	**105.9**	**73.1**	**179.0**	**50.0**	**2.91%**	**50.0**	**2.91%**
Four to five years	**81.3**	**23.7**	**105.0**	**60.0**	**2.99%**	**60.0**	**2.99%**
More than five years	**—**	**—**	**—**	**20.0**	**2.01%**	**60.0**	**3.81%**
Total	**352.3**	**130.1**	**482.4**	**260.0**	**3.29%**	**260.0**	**3.29%**

2010	Floating rate borrowings			Interest rate swaps			
				Earliest termination		Latest termination	
	Drawn £m	Undrawn £m	Total £m	£m	%*	£m	%*
Less than one year†	—	5.0	5.0	80.0	4.79%	60.0	4.83%
One to two years	107.9	56.1	164.0	90.0	5.43%	80.0	5.54%
Two to three years	30.0	40.0	70.0	10.0	4.81%	20.0	4.65%
Three to four years	89.7	35.3	125.0	10.0	4.80%	—	—
Four to five years	98.6	56.4	155.0	40.0	2.69%	40.0	2.69%
More than five years	—	—	—	30.0	4.32%	60.0	4.51%
Total	326.2	192.8	519.0	260.0	4.63%	260.0	4.63%

* Weighted average interest rate.

† In addition to the principal amounts included above, £1.8m (2010: £3.7m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

Certain of the interest rate swaps are extendable at the bank's option; therefore, the tables above show the dates of normal termination and extended termination.

£3.8m (2010: £22.6m) of the undrawn committed bank facilities are ring-fenced for VSM Estates (Holdings) Limited.

The average rate of interest payable, before taking into account the effects of hedging, on borrowings outstanding during the year was 2.6% (2010: 2.8%). At 30th November 2011 the weighted average facility maturity of the bank debt was 4 years (2010: 3 years).

14. BORROWINGS CONTINUED

Interest rate profile

The interest rate profile of the Group's borrowings after taking into account the effects of hedging is:

	Total £m	Floating rate debt £m	Fixed rate debt £m	Weighted average fixed interest rate (%)	Weighted maturity of derivatives (years)*
At 30th November 2011	**352.3**	**92.3**	**260.0**	**3.29%**	**3.05**
At 30th November 2010	326.2	66.2	260.0	4.63%	3.37

* Based on earliest termination dates.

The Group's derivative financial instruments, which are classified as fair value through profit or loss, consist of sterling denominated interest swaps from floating rate to fixed rate and range from 2.01% to 5.42% (2010: 2.46% to 5.97%). In addition the Group has a cap at 7.5% on a further £0.1m (2010: £11m) of floating rate debt. Details of the change in fair value of derivative financial instruments charged to the income statement are disclosed in Note 4.

15. LEASING

Operating lease commitments where the Group is the lessee

The Group leases certain of its premises, motor vehicles and office equipment under operating leases. Future aggregate minimum lease rentals payable under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
In one year or less	**0.7**	0.7
Between one and five years	**3.4**	2.9
More than five years	**0.5**	1.0
	4.6	4.6

Operating leases where the Group is the lessor

The Group leases its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
In one year or less	**28.4**	27.5
Between one and five years	**71.2**	71.1
More than five years	**174.6**	193.7
	274.2	292.3

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.4m (2010: £0.4m) were recognised during the year.

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for the year ended 30th November 2011

15. LEASING CONTINUED

Obligations under finance leases

Finance lease liabilities payable in respect of certain leasehold investment properties are as follows:

	2011		
	Minimum lease payments £m	**Interest £m**	**Principal £m**
Less than one year	**0.2**	**0.2**	**—**
Between one and five years	**0.9**	**0.9**	**—**
More than five years	**67.3**	**63.4**	**3.9**
	68.4	**64.5**	**3.9**

	2010		
	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.2	0.2	—
Between one and five years	0.9	0.9	—
More than five years	67.5	63.6	3.9
	68.6	64.7	3.9

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2010: 6.0%) has been used to derive the fair value of the principal amount outstanding. All lease obligations are denominated in sterling.

16. FINANCIAL INSTRUMENTS

Categories and classes of financial assets and liabilities

Financial assets		**2011 £m**	2010 £m
Loans and receivables:			
Cash and cash equivalents	a	**5.2**	11.3
Trade and other receivables	a	**40.6**	25.8
		45.8	37.1

Financial liabilities		**2011 £m**	2010 £m
Derivative financial instruments held at fair value through profit or loss	b	**20.1**	18.3
Amortised cost:			
Bank loans and overdrafts	a	**352.3**	326.2
Trade and other payables	a	**103.6**	90.3
Other payables on deferred terms	a	**147.8**	181.6
Finance lease liabilities (head rents)	a	**3.9**	3.9
		627.7	620.3

Trade and other receivables above comprise other debtors, trade receivables and amounts due from joint ventures as disclosed in note 11, for current and non-current amounts, after deduction of £4.9m (2010: £7.6m) of non-financial assets.

Trade and other payables above comprise trade payables, amounts due to joint ventures and other payables and accrued expenses as disclosed in note 13, for current and non-current amounts, after deduction of £47.6m (2010: £52.3m) of non-financial liabilities.

(a) The directors consider that the carrying amount recorded in the financial statements approximates their fair value.
(b) Derivative financial instruments are carried at fair value. The fair value is calculated using quoted market prices relevant for the term and instrument.

16. FINANCIAL INSTRUMENTS CONTINUED

Fair value hierachy of financial assets and liabilities

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

Derivative financial instruments held at fair value through profit or loss are the only financial instruments held by the Group at fair value. The net liability of £20.1m recognised as at 30th November 2011 (2010: £18.3m) is categorised as a Level 2 fair value measurement.

Capital risk

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt (as disclosed in Note 14), cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in the Group statement of changes in equity.

Market risk

Market risk is the potential adverse change in Group income or the Group net worth arising from movements in interest rates or other market prices. Interest rate risk is the Group's principal market risk and is considered below.

Interest rate risk management: The Group is exposed to interest rate risk as it borrows funds at variable interest rates. The Group uses a combination of variable rate borrowings and interest rate swaps to manage the risk.

Interest rate sensitivity: The following table details the Group's sensitivity, after tax, to a 1% change in interest rates based on year-end levels of debt.

1% increase in interest rates	2011 £m	2010 £m
Interest on borrowings	**(2.6)**	(2.3)
Effect of interest rate swaps	**1.9**	1.9
	(0.7)	(0.4)

1% decrease in interest rates	2011 £m	2010 £m
Interest on borrowings	**2.6**	2.3
Effect of interest rate swaps	**(1.9)**	(1.9)
	0.7	0.4

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations as they fall due.

The credit risk on the Group's liquid funds and derivative financial instruments is limited because the counterparties are banks with high (generally at least A+ ratings) credit ratings. Bank deposits are only placed with banks in accordance with Group policy that specifies minimum credit rating and maximum exposure. Credit risk on derivatives is closely monitored.

Trade and other receivables consist of amounts due from a large number of parties spread across geographical areas. The Group does not have any significant concentrations of credit risk as the tenant base is large and diverse with the largest individual tenant accounting for £1.5m (2010: £1.5m) of gross rental income.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date.

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Notes to the Accounts continued

for the year ended 30th November 2011

16. FINANCIAL INSTRUMENTS CONTINUED

Included within trade and other receivables is £0.5m (2010: £0.7m) which is provided against as it represents estimated irrecoverable amounts. This allowance has been determined by a review of all significant balances that are past due considering the reason for non-payment and the creditworthiness of the counterparty. A reconciliation of the changes in this account during the year is provided below.

Movement in the allowance for doubtful debts	2011 £m	2010 £m
At start of year	0.7	1.0
Impairment losses recognised	0.5	0.6
Amounts written off as uncollectable	(0.2)	(0.5)
Impairment losses reversed	(0.5)	(0.4)
At end of year	0.5	0.7

Trade and other receivables include £0.9m (2010: £0.6m) which are past due as at 30 November 2011 for which no provision has been made because the amounts are considered recoverable. The following table provides an ageing analysis of these balances.

Number of days past due but not impaired	2011 £m	2010 £m
1–30 days	0.4	0.3
31–60 days	0.2	—
60 days +	0.3	0.3
	0.9	0.6

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and through the use of bilateral facilities, overdrafts and cash with a range of maturity dates to ensure continuity of funding.

The economic climate continues to provide a difficult backdrop to the Group's operations. As such, the focus continues to be on managing cash flows and forward commitments, whilst continuing to marshal sites through the planning and remediation process and undertaking development on largely pre-let or pre-sold opportunities.

The maturity profile of the anticipated future cash flows for bank loans and overdrafts is shown in Note 14. The maturity profile for the Group's other non-derivative financial liabilities, on an undiscounted basis, is as follows:

2011	Less than one month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	More than five years £m	Total £m
Trade and other payables	26.7	3.1	22.3	47.7	67.3	167.1
Other payables on deferred terms	2.5	—	5.3	142.3	—	150.1
	29.2	3.1	27.6	190.0	67.3	317.2

2010	Less than one month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	More than five years £m	Total £m
Trade and other payables	18.3	8.8	13.3	47.3	67.7	155.4
Other payables on deferred terms	—	10.0	8.4	162.6	5.0	186.0
	18.3	18.8	21.7	209.9	72.7	341.4

The Group's approach to cash flow, financing and bank covenants is discussed further in the Business and Financial Review.

17. SHARE CAPITAL

	Ordinary 10p shares No.	£m
Allotted and fully paid:		
Equity share capital		
At start and end of year	200,360,931	20.0

See note 3(d) for details of outstanding options to acquire ordinary shares.

18. PENSIONS

The Group operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and future accrual. The income statement includes:

— a charge of £nil (2010: £0.1m) for the defined benefit section; and
— a charge of £0.5m (2010: £0.1m) for the defined contribution section.

The last formal actuarial valuation of the scheme was at 5th April 2011, when the market value of the net assets of the scheme was £33.5m, a funding level of 104% based on the Trustees' proposed assumptions for technical provisions (these are yet to be finalised). The valuation was performed using the 'Projected Unit Credit Method' under IAS19. The main actuarial assumptions were:

Investment rate of return:	pre-retirement	6.3% p.a.
	post-retirement	4.8% p.a.
Increase in pensions		3.6% p.a.

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30th November 2011 on an IAS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2011	2010	2009
Rate of increase in deferred pensions	**2.4%**	2.8%	3.6%
Rate of increase in pensions in payment:			
Pre 6th April 1997 benefits	**3.0%**	3.0%	3.0%
Post 5th April 1997 benefits	**3.1%**	3.5%	3.6%
Discount rate	**4.9%**	5.5%	5.5%
Inflation assumption	**2.4%**	2.8%	3.6%

Following the closure of the defined benefit section to future accrual, the assumption regarding the rate of increase in salaries is no longer applicable as retirement benefits will be based on salaries at 31st August 2009. Benefits earned up to the point of the scheme closure will be protected and will be increased in line with inflation, subject to a maximum of 5% per annum. From 2010 the basis of the inflation assumption has been amended, in line with market practice, from the Retail Price Index to the Consumer Price Index.

The mortality rates adopted are from the S1 year of birth and medium cohort tables with an underpin to future improvements of 1.5% to reflect the fact that medium cohort improvements will reduce over time. The resultant assumptions are, for example, male members who are currently retired are expected to draw their pensions for 26.3 years and non retired members for 28.7 years, based on the normal retirement age of 60.

The Group expects to make contributions of £0.2m to the defined benefit section of the scheme in 2012 and in future years.

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Notes to the Accounts continued

for the year ended 30th November 2011

18. PENSIONS CONTINUED

The fair values of assets in the defined benefit section of the scheme and the expected rates of return, based on market expectations, were:

	2011		2010		2009	
	%	£m	%	£m	%	£m
Equities	5.1	9.5	5.7	10.3	5.6	17.0
Bonds	4.8	7.9	5.5	7.6	5.4	1.4
Property	5.1	8.2	5.7	8.5	5.6	8.4
Cash and other assets	4.0	1.5	4.2	0.8	4.1	0.3
		27.1		27.2		27.1
Actuarial value of liabilities		(24.8)		(24.7)		(26.9)
Unrecognised surplus		(2.3)		(2.5)		(0.2)
Surplus in the scheme		–		–		–
Related deferred tax liability		–		–		–
Fair value of pension asset net of deferred tax		–		–		–

The cumulative amount of actuarial gains and losses (before unrecognised surplus of £2.3m) recorded in the Group Statement of Comprehensive Income is a loss of £0.2m (2010: £0.2m gain).

Analysis of the amount (charged)/credited to operating profit

	2011 £m	2010 £m	2009 £m
Current service cost	(0.2)	(0.2)	(0.2)
Curtailment gain	–	–	0.7
Total operating (charge)/credit	(0.2)	(0.2)	0.5

Analysis of the amount credited to finance costs and income

	2011 £m	2010 £m	2009 £m
Expected return on pension scheme assets	1.5	1.5	1.4
Interest on pension scheme liabilities	(1.3)	(1.4)	(1.4)
Total net finance credit	0.2	0.1	–

The actual return on pension scheme assets was a gain of £1.1m (2010: £2.4m). The expected return on pension scheme assets was calculated assuming cash and gilts will make returns in line with the yield on the 20 year gilt index and that equities and properties will return 2% above this. Corporate bonds have been assumed to return in line with the yield on the iboxx over 15 year corporate bond index.

Analysis of the amount recognised in the Group Statement of Comprehensive Income

	2011 £m	2010 £m	2009 £m
Difference between expected and actual return on assets	(0.4)	0.9	1.8
Experience gains and losses arising on fair value of scheme liabilities	(1.8)	(0.7)	3.7
Effects of changes in the demographic and financial assumptions underlying the fair value of the scheme liabilities	1.8	2.0	(7.4)
Change in unrecognised surplus	0.2	(2.3)	1.1
Total actuarial loss	(0.2)	(0.1)	(0.8)

18. PENSIONS CONTINUED

Analysis of the movement in the present value of scheme liabilities

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Beginning of year	**24.7**	26.9	23.6	29.0	31.1
Movement in year:					
Current service cost	**0.2**	0.2	0.2	0.4	0.5
Employee contributions	**—**	—	0.1	0.1	0.1
Interest cost	**1.3**	1.4	1.4	1.6	1.5
Actuarial gains and losses	**—**	(1.3)	3.7	(3.9)	(3.0)
Benefits paid	**(1.4)**	(2.5)	(1.4)	(3.6)	(1.2)
Curtailment gain	**—**	—	(0.7)	—	—
End of year	**24.8**	24.7	26.9	23.6	29.0

Analysis of the movement in the fair value of the scheme assets

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Beginning of year	**27.2**	27.1	24.9	35.0	33.9
Movement in year:					
Expected return on scheme assets	**1.5**	1.5	1.4	2.0	1.8
Contributions by employer	**0.2**	0.2	0.3	0.4	0.6
Employee contributions	**—**	—	0.1	0.1	0.1
Actuarial gains and losses	**(0.4)**	0.9	1.8	(9.0)	(0.2)
Benefits paid	**(1.4)**	(2.5)	(1.4)	(3.6)	(1.2)
End of year	**27.1**	27.2	27.1	24.9	35.0
Surplus in scheme at the year end	**2.3**	2.5	0.2	1.3	6.0
Unrecognised surplus	**(2.3)**	(2.5)	(0.2)	(1.3)	(6.0)
Net surplus	**—**	—	—	—	—

History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Difference between expected and actual return on scheme assets:					
Amount	**(0.4)**	0.9	1.8	(9.0)	(0.2)
Percentage of scheme assets	**(1.5%)**	3.3%	6.6%	(35.7%)	(0.3%)
Experience gains and losses on scheme liabilities:					
Amount	**(1.8)**	(0.7)	3.7	(3.8)	(3.0)
Percentage of fair value of scheme liabilities	**7.3%**	2.8%	(13.8%)	16.1%	10.3%

19. ACQUISITION OF SUBSIDIARY

On 15th August 2011 the Group acquired 100% of the issued share capital of Broomford Vange Limited for cash consideration of £4.4m. On acquisition the company had cash of £1.1m and investment property with a book value of £3.5m offset by trade and other payables of £0.2m. No fair value adjustments were made to these amounts and no goodwill arose on the acquisition. This transaction has been accounted for under the purchase method of accounting.

The subsidiary, which was principally acquired for its property asset, contributed £0.1m to both the Group's revenue and profit before tax for the year. If the acquisition had been completed on the first day of the financial year, it would have increased both Group revenues and profit before tax by £0.3m.

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for the year ended 30th November 2011

20. CAPITAL COMMITMENTS

At 30th November 2011 the Group had contracted capital expenditure of £19.9m (2010: £18.2m). In addition, the Group's share of the contracted capital expenditure of its joint venture undertakings was £0.1m (2010: £0.6m). All capital commitments relate to investment properties.

21. CONTINGENT LIABILITIES

The Group has a joint and several unlimited liability with Vinci UK PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM. This is a guarantee in the ordinary course of business and would require the guarantors to step into VSM's place in the event of a default on Project MoDEL. Completion of the project is not considered onerous as the forecast revenues exceed the anticipated costs and it is not expected that there would be any net outflow in this regard.

The Group is also party to a joint and several guarantee to BNP Paribas in respect of the performance of Sowcrest Limited which is limited to £16.0m (2010: £16.0m).

22. RELATED PARTY TRANSACTIONS

Transactions between the Group and its non-wholly owned subsidiaries, joint ventures and associates are all undertaken on an arms length basis and are detailed as follows:

Key Property Investments Limited ('KPI')

During the year the Group provided management and construction services to KPI for which it received fees totalling £0.2m (2010: £10.9m). The balance due to the Group at year end was £0.3m (2010: £0.6m). No interest is charged on this balance.

Holaw (462) Limited ('Holaw')

The balance due to the Group from Holaw at the year end was £0.3m (2010: £0.3m). No interest is charged on this balance.

Barton Business Park Limited ('Barton')

During the year the Group repaid £0.1m to Barton (2010: borrowed £0.5m). The balance due to Barton at the year end was £3.8m (2010: £3.9m). No interest is charged on this balance.

Sowcrest Limited ('Sowcrest')

During the year £1.2m was paid to Sowcrest (2010: £7.3m) leaving an amount due from Sowcrest at the year end of £12.4m (2010: £11.3m). Interest is chargeable on £10.0m (2010: £8.5m) of the amount outstanding at a fixed rate of 10% (2010: 10%).

Skypark Development Partnership LLP ('Skypark')

The balance due to the Group from Skypark at the year end was £0.5m (2010: £0.6m), of which £0.5m (2010: £0.2m) relates to loan notes issued to the Group. Purchase ledger funding provided by the Group has all been repaid (2010: £0.4m). No interest is charged on these balances.

Chertsey Road Properties Limited ('CRP')

During the year, CRP repaid £nil of its loan (2010: repaid £0.2m) and the balance due to the Group at the year end was £0.1m (2010: £0.1m). No interest is charged on this balance.

Coed Darcy Limited ('CDL')

During the year, CDL repaid £nil of its loan (2010: £0.2m). The balance due to the Group at the year end was £nil (2010: £nil).

Branston Properties Limited ('Branston')

In 2010 the Group entered into an option to acquire the entire issued share capital of Branston, a company in which the family of Simon Clarke has a financial interest, at market value. The price paid for the option was £0.1m and exercise of this is contingent on certain planning milestones being achieved.

St. Modwen Pension Scheme

The Group occupies offices owned by the pension scheme with a value of £0.5m (2010: £0.5m) with an annual rental payable of £0.1m (2010: £0.1m). The balance due to the Group at year end was £0.1m (2010: £nil).

22. RELATED PARTY TRANSACTIONS CONTINUED

Non-wholly owned subsidiaries

The Company provides administrative and management services and provides a central purchase ledger system to subsidiary companies. In addition, the Company also operates a central treasury function which lends to and borrows from subsidiary undertakings as appropriate. Management fees and interest charged/(credited) during the year and net balances due (to)/from subsidiaries in which the Company has a less than 90% interest were as follows:

	Management fees		Interest		Balance	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Stoke-on-Trent Regeneration Limited	**–**	–	**(0.1)**	(0.1)	**(4.0)**	(3.9)
Stoke-on-Trent Regeneration (Investments) Limited	**–**	–	**–**	–	**(0.4)**	(0.5)
Uttoxeter Estates Limited	**–**	–	**–**	–	**(0.5)**	(0.6)
Widnes Regeneration Limited	**–**	–	**–**	–	**2.4**	2.3
Trentham Leisure Limited	**–**	–	**1.7**	1.9	**20.4**	23.8
Norton & Proffitt Developments Limited	**–**	–	**–**	–	**(0.2)**	(0.2)
VSM Estates (Holdings) Limited	**0.3**	0.2	**–**	–	**(11.5)**	(9.9)
	0.3	0.2	**1.6**	1.8	**6.2**	11.0

All amounts due to the Group are unsecured and will be settled in cash. All amounts above are stated before provisions for doubtful debts of £nil (2010: £nil). No guarantees have been given or received from related parties.

Key Management Personnel

The directors are considered to be the Group's key management personnel and their remuneration is disclosed in the Directors' Remuneration Report.

Financial Statements

Company Balance Sheet

as at 30th November 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible fixed assets	(E)	**0.7**	0.6
Investments held as fixed assets	(F)	**602.6**	328.5
		603.3	329.1
Current assets			
Debtors (including amounts falling due within one year of £205.7m (2010: £nil))	(G)	**410.0**	473.6
Cash at bank and in hand		**3.4**	1.9
Current liabilities			
Creditors: amounts falling due within one year	(H)	**(284.8)**	(149.4)
Net current assets		**128.6**	326.1
Total assets less current liabilities		**731.9**	655.2
Creditors: amounts falling due after more than one year	(H)	**(242.5)**	(216.1)
Net assets		**489.4**	439.1
Capital and reserves			
Called up share capital	(K)	**20.0**	20.0
Share premium account	(L)	**102.8**	102.8
Capital redemption reserve	(L)	**0.3**	0.3
Revaluation reserve	(L)	**329.2**	254.6
Profit and loss account	(L)	**37.6**	62.0
Own shares	(L)	**(0.5)**	(0.6)
Shareholders' funds		**489.4**	439.1

These financial statements were approved by the Board of directors on 6th February 2012 and were signed on its behalf by Bill Oliver and Michael Dunn.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

Notes to the Company Accounts

for the year ended 30th November 2011

(A). ACCOUNTING POLICIES

Basis of preparation

The accounts and notes have been prepared in accordance with applicable UK GAAP on a going concern basis, as discussed in the Business and Financial Review and confirmed on page 68.

The principal accounting policies are summarised below and have been applied consistently in the current and preceding year.

Compliance with SSAP19 "Accounting for Investment Properties" requires departure from the Companies Act 2006 relating to depreciation and an explanation of the departure is given below.

Accounting convention

The financial statements have been prepared under the historical cost convention except for the revaluation of certain properties, derivative financial instruments and the defined benefit section of the Company's pension scheme.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts and VAT.

Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

Interest receivable

Interest receivable is recognised on an accruals basis.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all plant, machinery and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Plant, machinery and equipment — over 2 to 5 years

Depreciation is not provided on investment properties which are subject to annual revaluations.

Long leasehold investment properties

In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or temporary deficit is transferred to the revaluation reserve. Permanent diminutions are recognised through the profit and loss account. No depreciation is provided in respect of investment properties.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment in subsidiary, joint venture and associated companies

The investments in subsidiary, joint venture and associated companies are included in the Company's balance sheet at the Company's share of net asset value. The valuation recognises the cost of acquisition and changes in the book values of the underlying net assets. The surplus or deficit arising on revaluation is reflected in the Company's reserves.

Financial Statements

Notes to the Company Accounts continued

for the year ended 30th November 2011

(A). ACCOUNTING POLICIES CONTINUED

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Interest

Interest paid is charged to the profit and loss account on an accruals basis.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Share-based payment

When employee share options are exercised, the employee has the choice whether to have the liability settled by way of cash or the retention of shares. As it has been the Company's experience to satisfy the majority of share options in cash, and new shares are not issued to satisfy employee share option plans, the Company accounts for its share option schemes as cash-settled. The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model and amortised through the income statement over the vesting period. The liability is remeasured at each balance sheet date. Revisions to the fair value of the accrued liability after the end of the vesting period are recorded in the income statement of the year in which they occur. If the Company's experience or expectations change, the Company may in future be required to amend its accounting to the equity-settled method.

Pensions

The Company operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1st September 2009, to future accrual.

The cost of providing benefits under the defined benefit section is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the profit and loss account immediately if the benefits have vested.

The interest element of the defined benefit cost represents the change in present value of scheme obligations. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the year in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

(A). ACCOUNTING POLICIES CONTINUED

Derivative financial instruments and hedging

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. The Company has determined that the derivative financial instruments in use do not qualify for hedge accounting and, consequently, any gains or losses arising from changes in the fair value of derivative financial instruments are taken to the profit and loss account.

Full details of the Company's derivative financial instruments are given in note 16 to the Group financial statements.

Own shares

St. Modwen Properties PLC shares held by the Company are classified in equity and are recognised at cost.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, loans and borrowings are measured at amortised cost.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and expense.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Cash flow statement

The Company has taken advantage of the exemption permitted by FRS1 not to present a cash flow statement.

(B). LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year ended 30th November 2011 was £18.0m (2010: £22.3m).

(C). OPERATING EXPENSES

(i) Audit fees

	2011 £'000	2010 £'000
Fees payable to Deloitte LLP in respect of:		
Fees payable for the audit of the Company's annual accounts	**132**	112
Total audit fees	**132**	112
Other service pursuant to legislation	**51**	51
Tax services	**63**	210
Total non-audit fees	**114**	261
Total fees	**246**	373

Financial Statements

Notes to the Company Accounts continued

for the year ended 30th November 2011

(C). OPERATING EXPENSES CONTINUED

(ii) Employees

The average number of full-time employees (including executive directors) employed by the Company during the year was as follows:

	2011 Number	2010 Number
Property	**134**	125
Leisure and other activities	**36**	41
Administration	**41**	39
	211	205

	2011 £m	2010 £m
Wages and salaries	**10.1**	9.4
Social security costs	**1.4**	1.2
Pension costs	**0.7**	0.3
	12.2	10.9

(D). DIVIDENDS

Dividends paid during the year were a final dividend for 2010 and an interim dividend for 2011. The proposed final dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements.

	2011		2010	
	p per share	**£m**	p per share	£m
Paid				
Final dividend in respect of previous year	**2.0**	**4.0**	—	—
Interim dividend in respect of current year	**1.1**	**2.2**	1.0	2.0
Total	**3.1**	**6.2**	1.0	2.0
Proposed				
Current year final dividend	**2.2**	**4.4**	2.0	4.0

The Employee Benefit Trust waives its entitlement to dividends.

(E). TANGIBLE FIXED ASSETS

	Long leasehold investment properties £m	Plant, machinery and equipment £m	Total £m
Cost or valuation			
At 30th November 2010	0.3	2.4	2.7
Additions	—	0.3	0.3
Disposals	—	(0.2)	(0.2)
At 30th November 2011	**0.3**	**2.5**	**2.8**
Depreciation			
At 30th November 2010 and 2011	**—**	**2.1**	**2.1**
Net book value			
At 30th November 2011	**0.3**	**0.4**	**0.7**
At 30th November 2010	0.3	0.3	0.6

Investment properties were valued at 30th November 2011 by Jones Lang LaSalle LLP, Chartered Surveyors; and at 30th November 2010 (prior to the merger of the firms) by King Sturge LLP, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Jones Lang LaSalle LLP are professionally qualified independent external valuers and have recent experience in the relevant location and category of the properties being valued.

Long leasehold investment properties are currently let under operating leases for the purpose of generating rental income.

Financial Statements

Notes to the Company Accounts continued

for the year ended 30th November 2011

(F). INVESTMENTS HELD AS FIXED ASSETS

	Investment in subsidiary companies £m	Investment in joint ventures £m	Total £m
Valuation			
At 30th November 2010	274.5	54.0	328.5
Additions	199.5	—	199.5
Revaluation of investments	73.6	1.0	74.6
At 30th November 2011	**547.6**	**55.0**	**602.6**
Cost			
At 30th November 2011	**283.8**	**26.5**	**310.3**
At 30th November 2010	84.3	26.5	102.7

Additions relate to the capitalisation of certain subsidiary undertakings during the year.

Subsidiary companies:

At 30th November 2011 the principal subsidiaries, all of which were held directly by the Company, were as follows:

	Country of incorporation	Proportion of ordinary shares held	Nature of principal business
Chaucer Estates Limited	England & Wales	100%	Property investors
Leisure Living Limited	England & Wales	100%	Leisure operator
Redman Heenan Properties Limited	England & Wales	100%	Property investors
St. Modwen Developments Limited	England & Wales	100%	Property developers
St. Modwen Ventures Limited	England & Wales	100%	Property investors
St. Modwen Properties Sarl	Luxembourg	100%	Property investors
Stoke-On-Trent Regeneration Limited	England & Wales	81%	Property developers
Uttoxeter Estates Limited	England & Wales	81%	Property developers
Trentham Leisure Limited	England & Wales	80%	Leisure operator
Norton & Proffitt Developments Limited	England & Wales	75%	Property developers
VSM Estates (Holdings) Limited	England & Wales	50%	Property developers

Joint ventures

At 30th November 2011 the principal joint ventures were:

	Proportion of ordinary shares held	Nature of principal business
Key Property Investments Limited	50%	Property investment and development
Barton Business Park Limited	50%	Property development
Sowcrest Limited	50%	Property development
Holaw (462) Limited	50%	Property investment
Skypark Development Partnership LLP	50%	Property development

Many of the joint ventures contain change of control provisions, as is common for such arrangements.

(G). DEBTORS

	2011 £m	2010 £m
Amounts falling due after more than one year:		
Amounts falling due from subsidiaries	**205.7**	—
	205.7	—

	2011 £m	2010 £m
Amounts falling due within one year:		
Trade debtors	**0.4**	0.1
Amounts due from subsidiaries	**171.4**	437.4
Amounts due from joint venture and associated companies	**12.0**	12.6
Other debtors	**1.4**	6.8
Prepayments and accrued income	**3.1**	3.1
Corporation tax	**10.1**	7.9
Deferred tax asset (see note (J))	**5.9**	5.7
	204.3	473.6

(H). CREDITORS

	2011 £m	2010 £m
Amounts falling due within one year:		
Trade creditors	**1.4**	1.4
Amounts due to subsidiaries	**246.3**	112.3
Amounts due to joint venture and associated companies	**4.5**	4.1
Other tax and social security	**0.4**	0.1
Other creditors	**1.3**	1.1
Accruals and deferred income	**10.8**	12.1
Derivative financial instruments	**20.1**	18.3
	284.8	149.4

	2011 £m	2010 £m
Amounts falling due after more than one year:		
Bank loans	**241.4**	214.5
Accruals and deferred income	**1.1**	1.6
	242.5	216.1

All bank borrowings are secured by a fixed charge over the property assets of the Company and its subsidiaries.

Financial Statements

Notes to the Company Accounts continued

for the year ended 30th November 2011

(I). BORROWINGS

The maturity profile of the bank borrowings, all of which are wholly repayable within five years, is as follows:

	2011 £m	2010 £m
One to two years	–	40.0
Two to five years	241.4	174.5
Total	**241.4**	214.5

(J). DEFERRED TAXATION

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided		Unprovided	
	2011 £m	2010 £m	2011 £m	2010 £m
Other timing differences	(5.9)	(5.7)	0.8	0.8
	(5.9)	(5.7)	0.8	0.8

Reconciliation of movement on deferred tax asset included in debtors

	£m
Balance as at 30th November 2010	(5.7)
Profit and loss account	(0.2)
Balance as at 30th November 2011	**(5.9)**

Reconciliation of deferred tax liability included in pension scheme asset

	£m
Balance as at 30th November 2010	–
Profit and loss account	–
Statement of total recognised gains and losses	–
Balance as at 30th November 2011	–

(K). SHARE CAPITAL

	Ordinary 10p shares No.	£m
Allotted and fully paid:		
Equity share capital		
At start and end of year	**200,360,931**	**20.0**

See note 3(d) of the Group financial statements for details of outstanding options to acquire ordinary shares.

(L). RESERVES

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit & loss account £m	Own shares £m
At 30th November 2010	102.8	0.3	254.6	62.0	(0.6)
Deficit on revaluation of investments	—	—	74.6	—	—
Retained loss for the year (note B)	—	—	—	(18.0)	—
Net share additions	—	—	—	—	0.1
Dividends paid (note D)	—	—	—	(6.2)	—
Actuarial loss on pension scheme (note M)	—	—	—	(0.2)	—
At 30th November 2011	**102.8**	**0.3**	**329.2**	**37.6**	**(0.5)**

Own shares represents the cost of 215,754 (2010: 259,414) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2011 was £225,463 (2010: £351,246). In addition, the Employee Benefit Trust has £0.1m (2010: £0.1m) of cash and £6.4m (2010: £9.0m) due from the Company that can only be used for the benefit of employees.

(M). PENSIONS

The Company's pension schemes are the principal pension schemes of the Group and details are set out in note 18 of the Group financial statements. The directors are satisfied that this note, which contains the required IAS19 "Employee Benefits" disclosures for the Group, also covers the requirements of FRS17 "Retirement Benefits" for the Company.

Financial Statements

Notes to the Company Accounts continued

for the year ended 30th November 2011

(N). OPERATING LEASE COMMITMENTS

Operating lease commitments where the Company is the lessee

Annual commitments under non-cancellable operating leases are as follows:

	2011 Land and buildings £m	**2011** Other £m	2010 Land and buildings £m	2010 Other £m
Operating leases which expire:				
In one year or less	**—**	**—**	—	0.1
Between one and five years	**—**	**0.6**	—	0.3
In more than five years	**0.5**	**—**	0.5	—
	0.5	**0.6**	0.5	0.4

(O). CONTINGENT LIABILITIES

The Company has a joint and several unlimited liability with Vinci UK PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM. This is a guarantee in the ordinary course of business and would require the guarantors to step into VSM's place in the event of a default on Project MoDEL. Completion of the project is not considered onerous as the forecast revenues exceed the anticipated costs and it is not expected that there would be any net outflow in this regard.

The Company is also party to a joint and several guarantee to BNP Paribas in respect of the performance of Sowcrest Limited which is limited to £16.0m (2010: £16.0m).

Further, the Company guarantees the performance of its subsidiaries in the course of their usual commercial activities.

(P). RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in note 22 to the Group financial statements.

Financial Statements

Independent Company Auditors' Report

to the Members of St. Modwen Properties PLC

We have audited the parent company financial statements of St. Modwen Properties PLC for the year ended 30th November 2011 which comprise the Company Balance Sheet and the related notes A to P. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th November 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of St. Modwen Properties PLC for the year ended 30th November 2011.

Stephen Griggs FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
6th February 2012

Financial Statements

Five Year Record

	2007 £m	2008 £m	2009 £m	2010 £m	**2011 £m**
Rental income*	34.9	33.2	33.5	33.7	**35.5**
Property profits/(losses)*	54.5	9.7	(8.2)	15.5	**21.1**
Revaluation surplus/(deficit)*	62.8	(64.6)	(106.5)	29.4	**36.6**
Pre-tax profit/(loss)†	100.1	(73.1)	(119.4)	37.5	**50.4**
Earnings/(loss) per share (pence)	73.3	(37.3)†	(59.7)	18.6	**21.7**
Dividends paid per share (pence)	11.7	3.9	—	1.0	**3.1**
Dividend cover (times)	6.3	(11.0)	—	18.6	**7.0**
Net assets per share (pence)‡	284.1	251.4	200.1	218.0	**237.6**
Increase/(decrease) on prior year	16%	(12%)	(20%)	9%	**9%**
Net assets employed					
Investment properties	846.9	814.3	762.9	828.0	**848.7**
Investments	75.4	64.2	41.3	49.4	**50.3**
Inventories	209.3	228.1	192.7	171.6	**191.1**
Other net liabilities	(262.0)	(282.9)	(277.1)	(297.3)	**(267.0)**
Net borrowings	(401.9)	(421.5)	(318.8)	(314.9)	**(347.1)**
Net assets	467.7	402.2	401.0	436.8	**476.0**
Financed by					
Share capital	12.1	12.1	20.0	20.0	**20.0**
Reserves	446.8	380.7	372.7	407.8	**444.9**
Own shares	(0.7)	(0.1)	(0.4)	(0.6)	**(0.5)**
Minority interests	9.5	9.5	8.7	9.6	**11.6**
	467.7	402.2	401.0	436.8	**476.0**

* Including share of joint ventures.

† Including post tax profit of joint ventures.

‡ 2007 to 2008 restated for comparability purposes on the assumption that the 2009 Firm Placing and Placing and Open Offer had occurred on 1st December 2006.

The figures above are all presented under IFRSs.

Notice of Annual General Meeting

Notice is hereby given that the seventy first Annual General Meeting (**'AGM'**) of St. Modwen Properties PLC (the **'Company'**) will be held at 12 noon on 23rd March 2012 at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham, B31 2TS for the purposes set out below. Resolutions 1 to 15 (inclusive) will be proposed as ordinary resolutions and resolutions 16, 17 and 18 will be proposed as special resolutions.

Ordinary Business

1. To receive the report of the directors and the accounts for the year ended 30th November 2011.
2. To approve the Directors' Remuneration Report for the year ended 30th November 2011.
3. To declare a final dividend of 2.2p per share for the year ended 30th November 2011.
4. To re-elect Steve Burke as a director.
5. To re-elect Simon Clarke as a director.
6. To re-elect Michael Dunn as a director.
7. To re-elect David Garman as a director.
8. To re-elect Lesley James as a director.
9. To re-elect Katherine Innes Ker as a director.
10. To re-elect Bill Oliver as a director.
11. To re-elect John Salmon as a director.
12. To re-elect Bill Shannon as a director.
13. To reappoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid.
14. To authorise the directors to determine the remuneration of the auditors.

Special Business

To consider and, if thought fit, pass the following resolutions:

15. Ordinary Resolution

That the authority to allot shares and grant rights to subscribe for or convert any security into shares in the Company conferred on the directors by Article 7.2(a) of the Company's articles of association be and is hereby granted for the period ending on 22nd June 2013 or at the conclusion of the AGM of the Company to be held after the date of the passing of this Resolution (whichever is the earlier) up to an aggregate nominal amount equal to the Section 551 amount which for the purposes of this Resolution is £4,963,907.

16. Special Resolution

That, subject to the passing of resolution 15, the authority to allot equity securities as if s561(1) Companies Act 2006 did not apply to any such allotment conferred on the directors by Article 7.2(b) of the Company's articles of association be and is hereby granted for the period ending on 22nd June 2013 or at the conclusion of the AGM of the Company to be held after the date of the passing of this Resolution (whichever is the earlier) and for that period the Section 561 amount is £1,001,805.

17. Special Resolution

That, in accordance with s701 Companies Act 2006, the Company be and is hereby granted general and unconditional authority to make market purchases (as defined in s693 Companies Act 2006) of ordinary shares of 10p each in its capital (**'Ordinary Shares'**) on such terms and in such manner as the Board of directors may from time to time determine PROVIDED THAT:

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 20,036,093;
(b) the minimum price (excluding expenses) per Ordinary Share is not less than 10p;
(c) the maximum price (excluding expenses) per Ordinary Share is the higher of:

  (i) an amount equal to 105% of the average of the market value of an Ordinary Share for the five business days immediately preceding the day on which the purchase is made; and
  (ii) the higher of the price quoted for the last independent trade of and the highest current independent bid for any number of Ordinary Shares on The London Stock Exchange; and

(d) this authority, unless previously renewed, shall expire on 22nd June 2013 or at the conclusion of the next AGM of the Company to be held after the date of the passing of this resolution (whichever is the earlier) except in relation to the purchase of any Ordinary Shares the contract for which was concluded before the date of expiry of the authority and which would or might be contemplated wholly or partly after that date.

18. Special Resolution

That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

Michael Dunn
Company Secretary
20th February 2012

Registered Office:
Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham B32 1AF

Financial Statements

Notice of Annual General Meeting continued

SHAREHOLDER NOTES:

Explanatory notes for the Annual General Meeting

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

(a) Every shareholder has the right to appoint some other person(s) of their choice, who need not be a shareholder of the Company as his proxy to exercise all or any of his/her rights, to attend, speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder but must attend the meeting in person. Forms of Proxy should be lodged with the Registrar's office or submitted not later than 48 hours before the time for which the meeting is convened. Completion of the appropriate Form of Proxy does not prevent a shareholder from attending the meeting and voting in person if he/she is entitled to do so and so wishes.

(b) A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. The form can be lodged by post, electronically or, for CREST members, via the CREST electronic proxy appointment service. If you do not have a Form of Proxy and believe that you should have one, please contact Equiniti Limited (the **"Registrar"**) on the Registrar's helpline on 0871 384 2198 (calls to this number are charged at 8p per minute from a BT landline, other telephone provider costs may vary. Overseas callers should dial +44 121 415 7047. Lines are open from 8.30am to 5.30pm Monday to Friday).

(c) The notes to the Form of Proxy explain how to direct your proxy to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting. If you wish to appoint a person other than the Chairman of the meeting as your proxy, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

(d) To appoint more than one proxy, additional Forms of Proxy may be obtained by contacting the Registrars' helpline on 0871 384 2198 (calls to this number are charged at 8p per minute from a BT landline, other telephone provider costs may vary. Overseas callers should dial +44 121 415 7047. Lines are open from 8.30am to 5.30pm Monday to Friday). Alternatively you may photocopy the Form of Proxy. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. All forms must be signed and should be returned together in the same envelope.

(e) To be valid, the Form of Proxy and any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received by the Registrar before **12 noon on Wednesday 21st March 2012**, either in hard copy form by post, by courier or by hand to Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA.

(f) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **'CREST Proxy Instruction'**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's **('EUI')** specifications and must contain the information required for such instructions, as described in the CREST Manual (available at www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent **(ID RA19**) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. CREST proxy appointments and voting instructions must be received not later than 48 hours before the AGM to be effective.

(g) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(h) Shareholders who would prefer to register the appointment of their proxy electronically via the internet can do so through the Sharevote website, www.sharevote.co.uk, using their personal Authentication Reference Number (this is the series of numbers printed under the headings Voting ID, Task ID and Shareholder Reference Number on the Form of Proxy). Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and clicking on the link to vote under their St. Modwen Properties PLC holding details. Full details and instructions on these electronic proxy facilities are given on the respective websites. Electronic proxy appointments and voting instructions must be received not later than 48 hours before the AGM to be effective.

(i) To change your proxy instruction simply submit a new proxy appointment using the methods set out above. Shareholders should note that the cut-off time for receipt of proxy appointments as indicated above also apply in relation to amended instructions and any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

(j) In order to revoke a proxy instruction, a shareholder will need to inform the Company by sending a signed hard copy notice clearly stating his/her intention to revoke a proxy appointment to the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. The revocation must be received no later than 12 noon on Wednesday 21st March 2012. If a shareholder attempts to revoke its proxy appointment but the revocation is received after the time specified then the original proxy appointment will remain valid. Termination of proxy appointments made through CREST must be made in accordance with the procedures described in the CREST Manual.

(k) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the relevant register of members (the **"Register"**) for certificated or uncertificated shares of the Company (as the case may be) at 6 p.m. on Wednesday 21st March 2012 (the **"Specified Time"**) will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at that meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.

(l) Any corporate shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the AGM. Please contact the Registrar if you need any further guidance in relation to this.

Financial Statements

Notice of Annual General Meeting continued

(m) Any person to whom this notice is sent who is a person nominated under s146 Companies Act 2006 to enjoy information rights (**'Nominated Person'**) may, under an agreement with the shareholder who nominated him/her, have a right to be appointed, or have someone else appointed, as a proxy for the meeting. If a Nominated Person does not have this right or does not wish to exercise it, he/she may have a right under such an agreement to give the shareholder voting instructions. The statement of the rights of shareholders in relation to the appointment of proxies in Note (a) above does not apply to Nominated Persons. The right described in this paragraph can only be exercised by shareholders of the Company. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains the registered shareholder or the custodian or broker who administers the investment on your behalf.

(n) Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(o) Shareholders should note that on a request made by shareholders of the Company pursuant to s527 Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter that such shareholders propose to raise at the meeting relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 December 2010. Where the Company is required to publish such a statement on its website it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request. Where the Company is required to place a statement on a website under s527 Companies Act 2006, it must forward the statement to the Company's auditor not later than the time the statement is available on the Company's website. The business which may be dealt with at the meeting for the relevant financial year includes any statement that the Company has been required under s527 Companies Act 2006 to publish on a website.

(p) The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and may also be inspected at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham, B31 2TS at least 15 minutes prior to the commencement of, and during the continuance of, the AGM:

(i) copies of the directors' service contracts with the Company;
(ii) copies of the non-executive directors' letters of appointment; and
(iii) a copy of the Company's articles of association.

(q) You may not use any electronic address provided in either this notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

(r) As at 17 February 2012 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 200,360,931 shares, carrying one vote each, which represents the total voting rights in the Company as at that date.

(s) A copy of this notice, and other information required by s311A Companies Act 2006, can be found on the Company's website at www.stmodwen.co.uk.

Explanatory notes on the proposed resolutions

(a) Resolution 1 *(report and accounts 2011)*. Resolution 1 is to receive the accounts and the report of the directors for the year ended 30th November 2011.

(b) Resolution 2 *(directors' remuneration report 2011)*. ss439 and 440 Companies Act 2006 require that quoted companies put the Directors' Remuneration Report to a vote of the shareholders. Resolution 2 is to approve the Directors' Remuneration Report, which is included on pages 70 to 75 of the Annual Report 2011 and provides details of the Group's remuneration policy for the directors and senior executives. In accordance with ss439 and 440 Companies Act 2006, the vote on this resolution is advisory and no director's remuneration is conditional upon the passing of this resolution.

(c) Resolution 3 *(declaration of final dividend)*. Resolution 3 is to declare a final dividend of 2.2p per ordinary share, as recommended by the directors. The final dividend will be paid on 4th April 2012 to shareholders on the Register at the close of business on 9th March 2012.

(d) **Resolution 4-12** ***(directors' seeking re-election)***. The UK Corporate Governance Code recommends that all directors of FTSE 350 companies retire and are put up for re-election at the AGM. Although the Company is not currently a FTSE 350 company, the Company considers this to be best practice and, accordingly, all of the directors voluntarily offer themselves for re-election. Biographical details of these directors can be found on page 59 of the Annual Report 2011. The performance of the Board as a whole, as well as the contribution made by the individual non-executive directors has been reviewed during the course of the year. After considering this evaluation, the Board believes that each of the non-executive directors continue to demonstrate commitment to their roles and that their respective skills complement each other to enhance the overall operation of the Board.

(e) **Resolution 13** ***(reappointment of auditors)*** **and Resolution 14 (*remuneration of the auditors*)**. Resolution 13 is proposed to re-appoint Deloitte LLP as auditors to hold office until the next general meeting of the Company at which accounts are presented. Resolution 14 seeks to authorise the directors to determine the level of the auditors' remuneration.

(f) ***Resolution 15 (authority to allot shares)***. The purpose of Resolution 15 is to give the directors authority to allot shares up to a specified amount. The current authority granted at the Company's 2011 AGM expires at the conclusion of the 2012 AGM. Accordingly, the Company seeks renewal of this authority.

Article 7.2 of the Company's articles of association contains a general authority for the directors to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares of the Company for a period (not exceeding five years) (the **'Section 551 prescribed period'**) up to a maximum aggregate nominal amount (the **'Section 551 amount'**) as is approved by a Special or Ordinary Resolution of the Company. The directors' are seeking authority to allot shares up to a maximum of £4,963,907 being an amount equal to 24.77% of the Company's issued share capital as at 17th February 2012 (being the latest practicable date prior to the publication of the notice of AGM). Resolution 15, will be proposed as an Ordinary Resolution. The directors have no present intention of using the authority given to allot further shares but would prefer to have the flexibility to do so, should the need arise. This authority would expire at the conclusion of the AGM held in 2013 or on 22nd June 2013 (whichever is the earlier).

(g) **Resolution 16** ***(disapplication of pre-emption rights)*** The purpose of Resolution 16 is to give the directors authority to allot shares in particular circumstances without first having to offer those shares to existing shareholders. Article 7.2 of the Company's articles of association empowers the directors to allot shares for cash in connection with a rights issue and also to allot shares for cash in any other circumstances without first offering those shares to existing shareholders up to a maximum aggregate nominal amount approved by a special resolution of the Company (the "Section 561 amount"). Resolution 16, which will be proposed as a Special Resolution, provides for the Section 561 amount to be £1,001,805 representing 5% of the Company's issued share capital.

In compliance with the Statement of Principles issued by the Pre-emption Group of the Association of British Insurers, it is the intention of the Company that the cumulative usage of the authority granted by this resolution within a rolling three year period shall not exceed 7.5% of the Company's issued share capital without prior consultation with shareholders. This authority would expire at the conclusion of the AGM held in 2013 or on 22nd June 2013 (whichever is the earlier).

(h) **Resolution 17** ***(authority for the Company to purchase its own shares)***. The directors consider it would be beneficial for the Company to continue to have the power to purchase its own ordinary shares of 10p each. The current authority expires at the conclusion of the 2012 AGM. Resolution 17 seeks authority for the Company to make market purchases of its own ordinary shares and is proposed as a Special Resolution. If passed, the resolution gives authority for the Company to purchase up to 20,036,093 of its ordinary shares, representing 10% of the Company's issued ordinary share capital as at 17th February 2012 (being the latest practicable date prior to the publication of the notice of AGM).

This resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of 22nd June 2013 or the Company's 2013 AGM. It is envisaged that the directors will continue to seek renewal of the authority annually.

The directors do not currently have any intention of exercising the authority granted by this resolution. Nevertheless, in certain circumstances it may be advantageous for the Company to purchase its own shares. The directors will only exercise the authority to

Financial Statements

Notice of Annual General Meeting continued

purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share. The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).

As at 17th February 2012 (being the latest practicable date prior to the publication of the notice of AGM), the total number of options that were outstanding to subscribe for ordinary shares in the Company amounted to 8,633,635. This represented 4.31% of the Company's issued ordinary share capital on that date. If this authority to purchase shares was exercised in full the options would represent 4.79% of the issued ordinary share capital as at 17th February 2012.

No shares were bought during the 2011 financial year and the Company does not currently hold any shares in treasury.

(i) **Resolution 18** (***Notice of general meetings)***.
Changes made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2010 (the **'Shareholders' Rights Regulations'**) increased the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period (which cannot however be less than 14 clear days) and the Company offers a facility for shareholders to vote by electronic means. AGMs will continue to be held on at least 21 clear days' notice. Before the Shareholders' Rights Regulations came into force, the Company was able to call general meetings other than AGMs on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, Resolution 18 seeks such approval. The approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed. The Company does not propose to utilise this shorter notice period as a matter of routine but only where circumstances dictated such a requirement and to do so would be to the benefit of the Company's shareholders as a whole. Such circumstances may arise, for example, where due to extraneous circumstances, the Company is required to undertake an urgent capital raising exercise. In those circumstances, the Company is confident that a facility to permit electronic voting can be made available to all of the Company's shareholders.

Glossary of Terms

Annualised net rents are gross rents as at a reporting date plus, where rent reviews are outstanding, any increases to estimated rental value (as determined by the Group's external valuers), less any ground rents payable under head leases.

BREEAM — Building Research Establishment Environmental Assessment Method is an industry-wide system of standards to assess sustainable developments and measure the environmental impact of buildings.

Building Regulations are the procedural regulations that set out what kind of work needs Building Regulations approval and how that approval should be obtained, together with the technical requirements that set the standards that should be achieved by the building work.

Compulsory purchase order ('CPO') is the compulsory acquisition of land by a planning authority, undertaken in the public interest and with pre-defined timescales and compensation arrangements.

CSR — Corporate social responsibility.

EPRA is the European Public Real Estate Association — a body that has put forward recommendations for best practice for financial reporting by real estate companies.

EPRA net asset value ('EPRA NAV') is the balance sheet net assets, excluding fair value adjustments for debt and related derivatives together with deferred taxation on revaluations and capital allowances.

EPRA net asset value per share is EPRA net asset value divided by the diluted number of shares at the period end.

Estimated net rental income is the passing cash rent less ground rent at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

Estimated rental value ('ERV') is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of the property.

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based on the timing of the income received.

Gearing is the level of the Group's bank borrowing (excluding finance leases) expressed as a percentage of net assets.

IFRIC — International Financial Reporting Interpretations Committee.

IFRSs — International Financial Reporting Standards.

Initial yield is the annualised net rent expressed as a percentage of the valuation.

Interest cover is profit before interest and tax (excluding non-cash items such as investment property revaluations) plus the realisation of previous years' revaluations, as a percentage of net interest (excluding non-cash items such as mark-to-market of interest rate swaps).

IPD is Investment Property Databank Ltd., a company that produces an independent benchmark of property returns.

Land bank is the bank of property comprising all of the land under the Group's control, whether wholly owned or through joint ventures or development agreements.

LIBOR — the London Interbank offered rate is the average interest rate that leading banks in London charge when lending to other banks.

LTV — Loan to value is the proportion of net debt to total property assets.

Market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

NED — Non-executive director

Net asset value ('NAV') per share — Equity attributable to owners of the Parent divided by the number of ordinary shares in issue at the period end.

Net rental income is the rental income receivable in the period after payment of ground rents and net property outgoings.

Net initial yield — A calculation by the Group's external valuers as the yield that would be received by a purchaser, based on the estimated net rental income expressed as a percentage of the acquisition cost, being the market value plus assumed actual purchasers' costs at the reporting date. The calculation is in line with EPRA guidance.

Pre-sold projects are those projects where we are constructing buildings that have been specified by, and designed for, or adapted by, a specific client under a specific construction contract. On such projects, profit is recognised using the stage completion method.

Financial Statements

Glossary of Terms continued

Project MoDEL is a project run for the Ministry of Defence ('MoD') by the ministry's Defence Infrastructure Organisation and VSM Estates, a joint venture established between Vinci PLC and St. Modwen Properties. The project involves the consolidation and sale of surplus Ministry of Defence properties around Greater London and the redevelopment of RAF Northolt.

Property profits includes profits made on sales of investment properties, properties held for sale and properties under construction.

Rent roll is the gross rent plus rent reviews that have been agreed as at the reporting date.

RICS — Royal Institute of Chartered Surveyors.

Section 106 agreements are legally binding agreements reached with local planning authorities under S106 of the Town and Country Planning Act 1990. They address the impact of proposed developments on the local community and often involve a financial contribution by the developer.

SIC — Standards and Interpretations Committee.

TSR — Total shareholder return represents the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock.

Voids is the estimated rental value of vacant properties expressed as a percentage of the total estimated rental value of the portfolio, excluding development properties.

Weighted average debt maturity — Each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

Weighted average interest rate is the Group loan interest and derivative costs per annum at the period end, divided by total Group debt in issue at the period end.

Information for Shareholders

Financial Calendar

Annual General Meeting	23rd March 2012
Announcement of 2012 interim results	July 2012
Announcement of 2012 final results	February 2013

Ordinary shareholdings at 30th November 2011

	Shareholders		Shares	
	No.	%	No.	%
By shareholder				
Individuals	3,563	84.50	11,713,341	5.85
Directors and connected persons	26	0.62	49,929,646	24.92
Insurance companies, nominees and pension funds	552	13.08	136,168,698	67.96
Other limited companies and corporate bodies	76	1.80	2,549,246	1.27

	Shareholders		Shares	
	No.	%	No.	%
By shareholding				
Up to 500	1,078	25.56	263,048	0.13
501 to 1,000	758	17.97	583,455	0.29
1,001 to 5,000	1,494	35.43	3,505,188	1.75
5,001 to 10,000	375	8.89	2,728,147	1.36
10,001 to 50,000	312	7.40	6,705,981	3.35
50,001 to 100,000	53	1.26	3,672,691	1.83
100,001 to 500,000	78	1.85	17,905,871	8.94
500,001 to 1,000,000	29	0.69	21,272,309	10.62
1,000,001 and above	40	0.95	143,724,241	71.73

Registrars

The Registrars to the Company are Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.
Shareholder enquiry line: 0871 384 2198/Overseas telephone number +44 (0)121 415 7047.

The Registrars' website is: www.shareview.co.uk. Registering on this website will enable you, amongst other features, to view your St. Modwen Properties PLC shareholding online.

Share dealing service

Equiniti offer a telephone and internet share dealing service which allows you to buy or sell St. Modwen Properties PLC shares if you are a UK resident. Details can be found on their website www.shareview.co.uk/dealing. This arrangement is available at any time during market trading hours and provides an easy and convenient facility to trade shares offering real time prices through a range of market makers. Full terms and conditions for this service are available on the Shareview website. To trade over the telephone, please call 08456 037037.

Information for Shareholders continued

Global Payment Service

For overseas shareholders in certain countries, Equiniti offers an Overseas Payment Service by arrangement with Citibank Europe PLC. This service offers shareholders the ability to have their dividend converted into their local currency and sent electronically to their local bank account. To sign up for this service, please contact Equiniti on 0871 384 2198 (+44 (0) 121 415 7047 if calling from outside the UK). Alternatively you can download an application form and terms and conditions from the website (www.shareview.co.uk).

Warning to Shareholders — Boiler Room Scams

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based ‘brokers’ who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as ‘boiler rooms’. These ‘brokers’ can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is round £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register/ and contacting the firm using the details on the register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.fsa.gov.uk/pages/consumerinformation
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

Development Projects

LONDON & SOUTH EAST
BOGNOR REGIS
BRIGHTON
– Woodingdean
EASTLEIGH
– Campbell Road
FARNBOROUGH
– Town Centre
GUILDFORD
– Henley Industrial Estate
LONDON
– Elephant & Castle
– Hounslow
– Leegate
– Wembley Central
MILL HILL
– Inglis Barracks
POOLE
– Discovery Court
SURREY
– Copthorne
THURROCK
– South Ockendon
UXBRIDGE
– RAF Uxbridge
WOKING
– The Planets
YALDING
– Syngenta

MIDLANDS
BIRMINGHAM
– Quinton Business Park
– Tyburn Business Park
– Washwood Heath
BURTON-UPON-TRENT
– Barton Business Park
– Branston
– Pirelli
CANNOCK
– Hednesford Town Centre
– Pye Green
– Rumer Hill
– Watling Street
COALVILLE
– Laverstone Road
COVENTRY
– Whitley Business Park
DERBY
– Boughton Road
– Hilton Depot
HALESOWEN
– Coombs Wood
LONGBRIDGE
NEWPORT (SHROPSHIRE)
– Audley Avenue
– Town Centre
NOTTINGHAM
– Bestwood Business Park
RUGBY
– Mill Road
– Newbold Road
SANDWELL
– Birchley Island
STAFFORD
– Castle Works
– Lichfield Road
– St. Leonard's
TELFORD
– Brockton Business Park
– Queensway Business Park
WALSALL
– Pelsall Road
– St. Matthew's Quarter
WOLVERHAMPTON
– Goodyear
– Parkside
STRATFORD-UPON-AVON
– Long Marston
SWADLINCOTE
– Burton Road,
– Castle Gresley
– Mount Pleasant
WORCESTER
– Blackpole Trading Estate
– Great Western Business Park
– Gregory's Bank
– Nunnery Way
– Shrub Hill Industrial Estate
– Taylors Lane

NORTHERN HOME COUNTIES
BEDFORD
– Thurleigh Airfield
CRANFIELD
– Technology Park
ENFIELD
– Edmonton Green Town Centre
HATFIELD
– Town Centre
LETCHWORTH
– Letchworth Business Park
LUTON
– Guildford Street
MILTON KEYNES
– Stratford Road

NORTH STAFFORDSHIRE
STOKE-ON-TRENT
– Blythe Vale Business Park
– Etruria Valley, Festival Park
– Fenton 25 & Berryhill
– Hartshill
– Nile Street
– Norton Park
– Phoenix Park
– The Trentham Estate & Gardens
– Trentham Lakes
– Victoria Park
STONE
– Meaford Business Park

NORTH WEST
BLACKBURN
– Evolution Park
BURNLEY
– Finsley Gate
– Healey Royd
CONNAH'S QUAY
– Ffordd Llanarth
ECCLES
– Lankro Way
ELLESMERE PORT
– Cromwell Road
GLASGOW
– Pegasus Business Park
– Springburn
LIVERPOOL
– East Lancs Road
– Great Homer Street
MANCHESTER
– Wythenshawe
PRESTON
– Channel Way
SKELMERSDALE
– Town Centre
ST HELENS
– Lowfield Lane
– Vulcan Works
WARRINGTON
– Trident Business Park
WIGAN
– Enterprise Park

RESIDENTIAL
ST. MODWEN HOMES
– Dursley
– Gregory's Bank
– Park View, Longbridge, Birmingham
– The Parkside, Locking Parklands, Weston-super-Mare

SOUTH WEST & SOUTH WALES
AVONMOUTH, BRISTOL
– Access 18
CLEVEDON
– Clevedon Business Park
DURSLEY
– Littlecombe
EXETER
– Skypark
GLOUCESTER
– Quedgeley Business Parks
NEATH
– Coed Darcy
NEWPORT, GWENT
– Celtic Business Park
– Glan Llyn (Llanwern)
PORT TALBOT
– Baglan Bay
SWANSEA
– Transit (Swansea University)
TAUNTON
– Firepool
– Langford Mead
WESTON-SUPER-MARE
– Locking Parklands
– Westlands

YORKSHIRE & NORTH EAST
DARLINGTON
– Faverdale
– Whessoe Road
DONCASTER
– Parkside
– Worcester Avenue
HULL
– Melton Park
LINCOLN
– Firth Road
– Rushton Works
– Teal Park
SHEFFIELD
– Stavington
– Totley
SUNDERLAND

Awards

CORPORATE

ESTATES GAZETTE NATIONAL AWARDS 2011
Finalist —National Property Company of the Year 2011

MIDLANDS REGIONAL OFFICE

MIDLANDS INSIDER PROPERTY 2011 AWARD
Longbridge: Winner — Regeneration Scheme of the Year

HIGHLY COMMENDED
Longbridge: Regeneration and Renewal Awards

INSIDER PROPERTY 2010 WEST MIDLANDS
Midlands Office: Winner — Commercial Developer of the Year

BIRMINGHAM POST BUSINESS AWARDS
Midlands Office: Winner — Property: Regeneration and Estate Management Award

NORTH STAFFORDSHIRE REGIONAL OFFICE

STAFFORDSHIRE BUILDING EXCELLENCE AWARDS 2011
Winner — Best Project for Staffordshire Fire and Rescue Vehicle Maintenance Unit at Trentham Lakes

NORTH WEST REGIONAL OFFICE

ESTATES GAZETTE REGIONAL AWARDS 2011
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