



ST.MODWEN

THE UK'S LEADING REGENERATION SPECIALIST

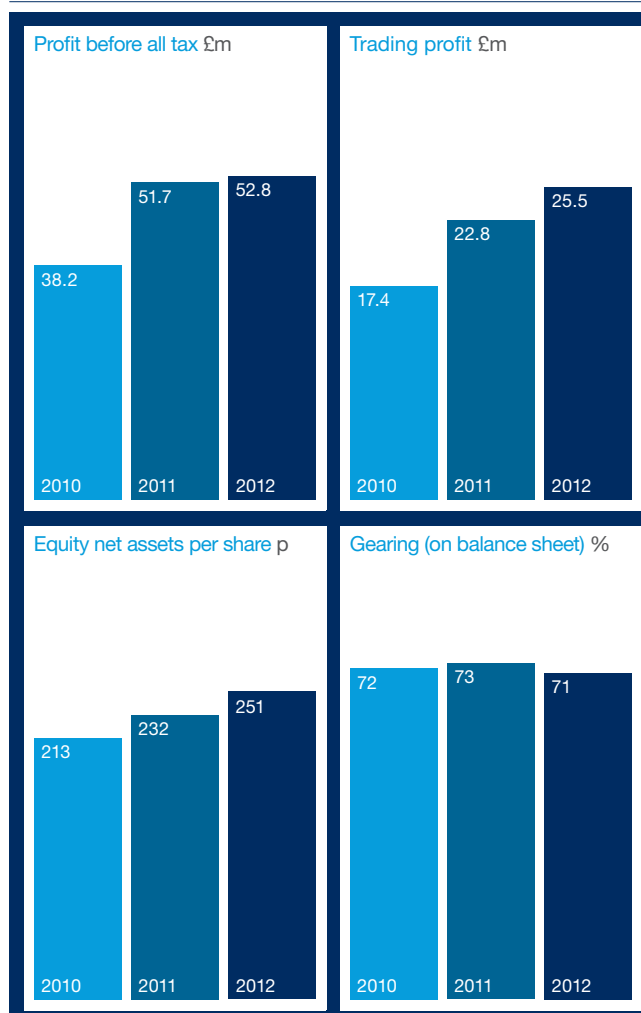
Annual Report and Accounts 2012



Introduction

St. Modwen is the UK's leading regeneration specialist. The Company operates across the full spectrum of the property industry from a network of seven offices, a residential business and through joint ventures with public sector and industry leading partners.

HOW WE HAVE PERFORMED



Non-statutory information

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

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For further detail on our business please visit:

www.stmodwen.co.uk

What we do

RESIDENTIAL

We acquire sites with potential for residential development and add value to the land throughout the development process, realising value through three routes to market:

- Residential land sales
- Persimmon joint venture
- St. Modwen Homes

Our residential portfolio makes up 37% of our land bank by value, of which 50% is located inside the M25. Across the entire portfolio, we have planning permission or allocations within local plans for circa 21,000 plots.

+ For more detail see page 22



COMMERCIAL LAND AND DEVELOPMENT

Our commercial land portfolio makes up 12% of our land bank. We acquire this land at reduced capital outlay and then manage its development through the remediation and planning process, taking advantage of local market conditions to release the land for development at the most appropriate time.

+ For more detail see page 28



INCOME PRODUCING PROPERTIES

Comprising industrial, retail and office assets our income producing portfolio makes up 51% of our land bank. All assets in this portfolio are held with a view to generating significant future value but we do make sure that a major proportion generates income prior to development and in doing so, typically covers the running costs of the Group's business.

+ For more detail see page 32



Front Cover:

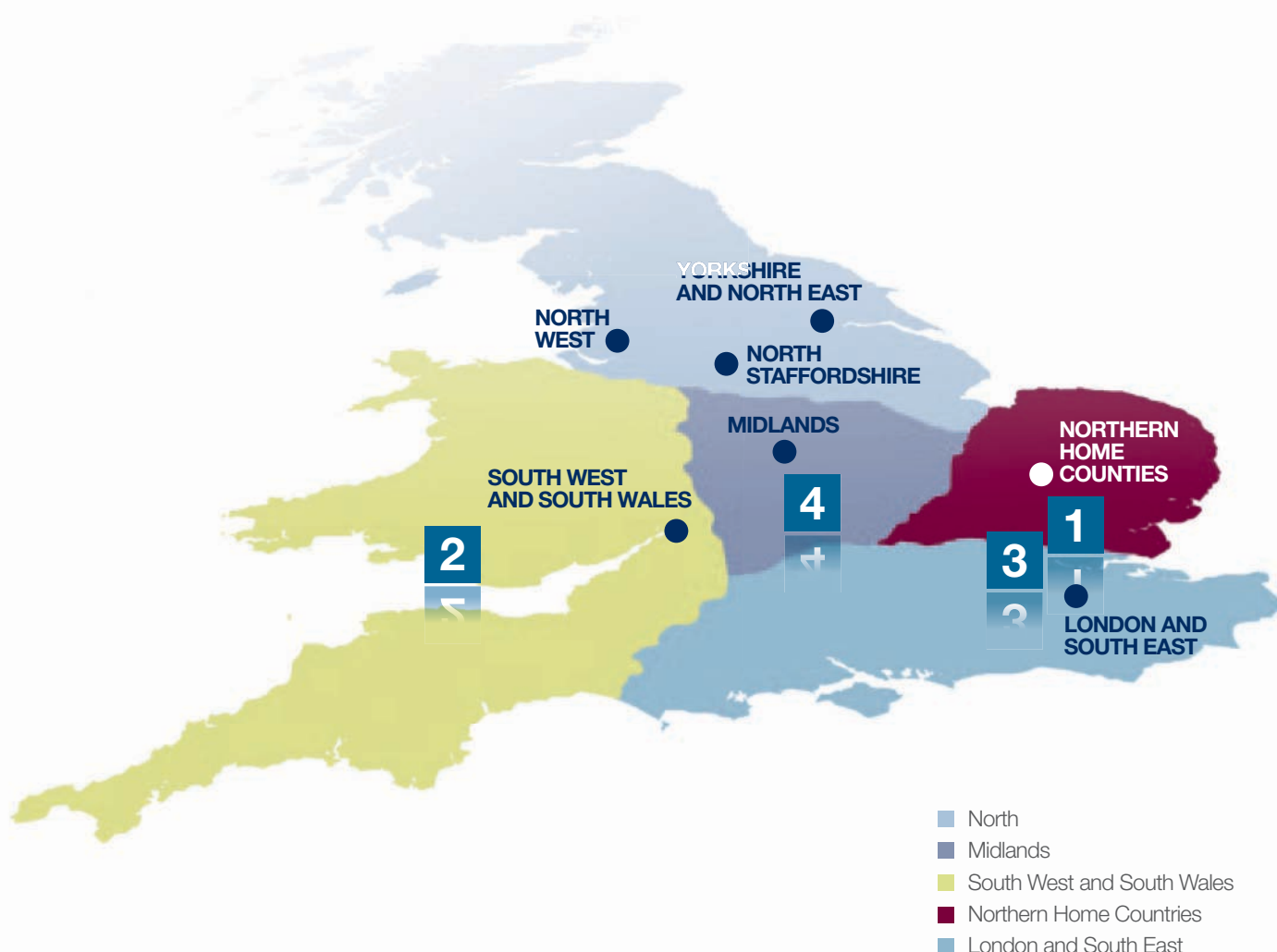
The 85,000 sq ft Tesco store completed at the end of 2012 and which sits at the heart of the £50m regeneration of Hednesford Town Centre, Cannock.

Where we operate

STRATEGICALLY POSITIONED

Our diverse UK-wide portfolio and our 5,800 acre land bank are controlled by highly skilled professionals via a network of seven offices and a residential business, located across the country. This provides us with local knowledge and expertise that keeps us in tune with the needs of the local community and ensures that we remain politically and economically sensitive to each individual area.

A third of our portfolio is in London and the South East where around 50% by value of our residential assets are also located. Of our major project opportunities, two are located in London, one in South Wales and one in Birmingham.



MAJOR PROJECT OPPORTUNITIES

1 NEW COVENT GARDEN MARKET

We have signed the contract with the Covent Garden Market Authority to redevelop the New Covent Garden Market site in Nine Elms, London. This is one of the most high profile schemes in our development portfolio and the largest scheme within the regeneration of the Nine Elms area, putting us firmly on the map as a major player in the London market.

+ For more detail see page 36



2 SWANSEA UNIVERSITY

Swansea University has now selected St. Modwen as its development partner to deliver the £150m first phase of the New Science and Innovation Campus – a milestone development project for South Wales and a major plank in St. Modwen's development pipeline.

+ For more detail see page 38



3 ELEPHANT & CASTLE

Providing the centrepiece of the wider 220 acre master-planned regeneration for the Southwark area, we have now commenced the process to redevelop this landmark project which will provide up to 350,000 sq ft of new retail and leisure space and around 1,000 new homes.

+ For more detail see page 40



4 LONGBRIDGE

This significant scheme is located on the site of the former MG Rover car manufacturing facility and comprises 468 acres. Following an intensive four year remediation programme, we have completed development of more than 150,000 sq ft of office and industrial space which is over 95% occupied. We have also delivered the 250,000 sq ft Bournville College which opened in September 2011 and the £5m youth centre known as The Factory. With works well advanced on phase one of the £70m town centre, we have recently submitted a planning application for phase two.

+ For more detail see page 42



Our Business Model

THE LAND BANK

An actively managed 'bank' of assets and pipeline of development opportunities (principally acquired in their raw un-remediated state) and a key driver of future growth.



RECURRING INCOME

Core rental and other income on assets awaiting redevelopment underpin the running costs of the Group, ensuring that commitments can be met if development profits are reduced.



ASSET MANAGEMENT

Creating value through a full-cycle approach to property development which leverages St. Modwen's:

- expertise in managing retained sites to maximise income
- expertise in site assembly, public consultation and navigating a wide range of complex and long-term projects through the planning process
- ability to assess and manage remediation risk.

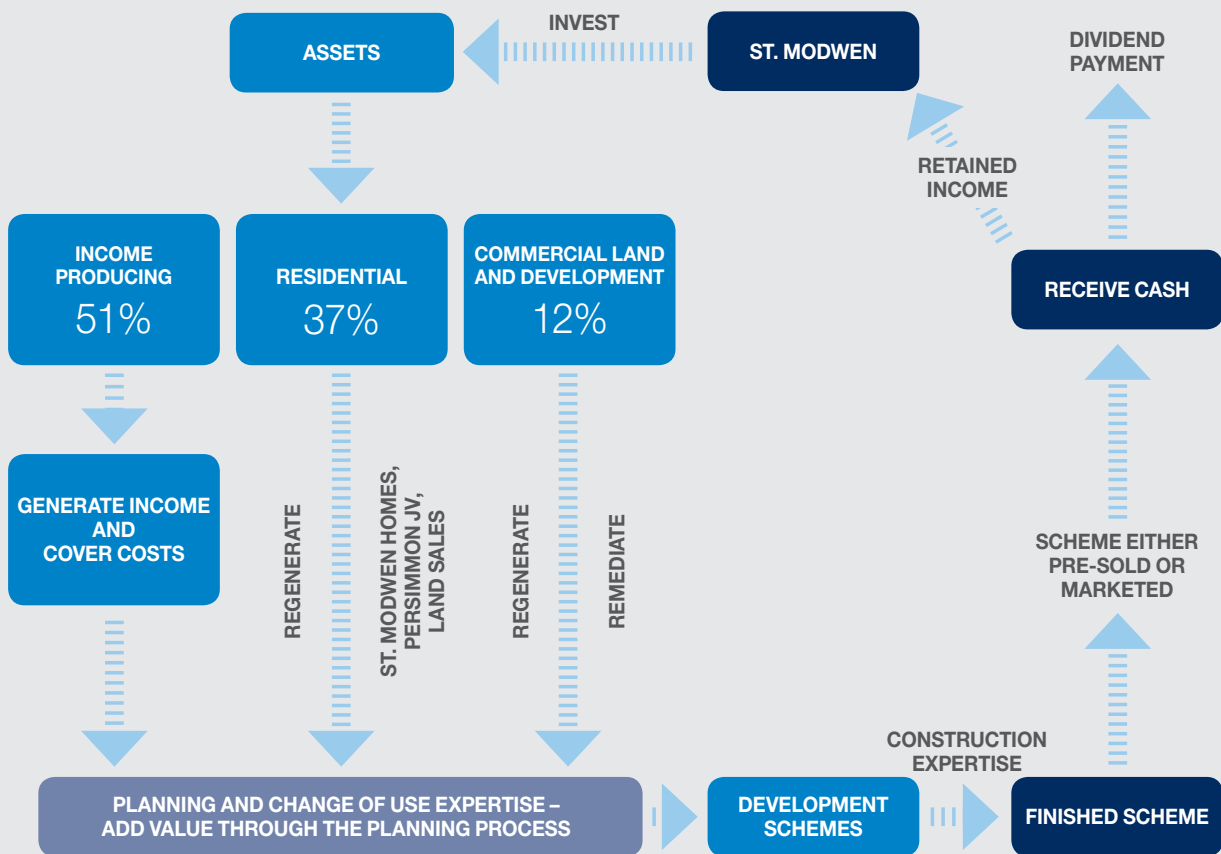


DELIVERY

Adding value to sites via remediation and regeneration and in turn transforming once run down areas into thriving destinations which have a positive impact socially, environmentally and economically. As part of this, building out pre-let and speculative buildings 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.



BUSINESS MODEL GENERATES REGULAR INCOME AND DRIVES PORTFOLIO VALUE



THE LAND BANK

Our UK-wide 5,800 acre land bank provides us with flexibility to move with market demands and focus on those opportunities that generate the most value at any one time.

Pictured: Glan Llyn, Newport, South Wales – Demonstrating our active land bank, since acquiring this 600 acre site from Corus in 2004, we have secured planning permission for the redevelopment of this former steelworks site into a £1bn major new community comprising 4,000 homes, 1.5m sq ft of employment space, education facilities and leisure and retail accommodation. This 20 year phased project is set to create around 6,000 jobs.

We have also carried out a planned and phased programme of remediation and with works now complete, Persimmon has started on site with the first phase of 307 homes as part of our joint venture partnership.

- By taking a long-term view, we acquire land at low cost and then maximise its potential by working our assets hard, remediating land and securing planning gain. Then at an appropriate time we either dispose of the asset or take on the development ourselves, or in joint venture.

LAND BANK –
DEVELOPABLE ACRES

5,801







RECURRING INCOME

Our land bank comprises £1.1bn of assets of which 51% provides us with rental and other income that covers the running costs of the business.



Pictured: The Trentham Estate, Stoke-on-Trent – We acquired the 725 acre former country estate of the Duke of Sutherland from British Coal in 1996. In 2003, we secured planning permission for a £100m project to restore the Estate and to add sympathetic and supportive commercial facilities to create a major tourist and leisure destination. The majority of the works are now complete and include the completely restored famous Italian gardens, a major garden centre, shopping village, hotel and other leisure attractions including Trentham Monkey Forest.

The Estate now attracts over 400,000 visitors per annum and this year generated £3.9m of operational income, with the shopping village now 100% occupied.

- This is an important part of our strategy, providing us with a firm financial footing upon which to build the business and ensuring we extract maximum value from our land bank in the short and the long term.

NET RENTAL INCOME

£36.2m

ASSET MANAGEMENT

Our teams of professionals across the country are intrinsic to realising maximum value from our retained assets in our portfolio.





Pictured: Wembley Central, London – Since acquiring this run down 1960s town centre, we have employed a number of our key skills including master planning, site assembly and asset management to bring together this significant town centre regeneration project. Key features of this £90m scheme include 175,000 sq ft of commercial accommodation, 240 apartments, a new public square, hotel and a significantly enhanced tube and train station.

+ For more detail see page 31

- Our regeneration projects continue to serve as a catalyst for change, impacting positively on the local economy and continuing to draw a variety of occupiers.

LIKE-FOR-LIKE RENT
ROLL GROWTH

5%

DELIVERY

We are continually adding to our pipeline of development opportunities and are actively developing a number of major development projects across the UK.





Pictured: Henley Business Park, Guildford – An example of a well-located site that continues to meet occupier demand. Following the demolition of the 225,000 sq ft former Vokes factory, making way for the 12 acre third phase of this 25 acre Business Park, this 21,642 sq ft bespoke building for Kirk Petrophysics was completed in November 2012. Kirk Petrophysics has doubled its space on the park where it also occupies a 23,629 sq ft unit.

+ For more detail see page 31

- We continue to find good commercial development opportunities that are not reliant on speculative development. Where industrial and commercial occupiers have immediate requirements for new premises, we are able to react quickly and meet their demands with our development sites that already benefit from planning gain.
- Due to the location of our schemes, often in run down or disadvantaged areas, we are able to offer more attractive lease terms than the bigger city centre locations, which adds to their appeal for occupiers.

Our Strategy

STRATEGICALLY AGILE TO TAKE ADVANTAGE OF OPPORTUNITIES

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

STRATEGY

2012 OUTCOMES

PRIORITY

KEY PERFORMANCE INDICATORS (KPIs) APPLIED

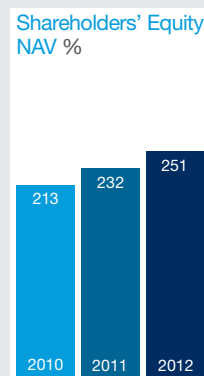
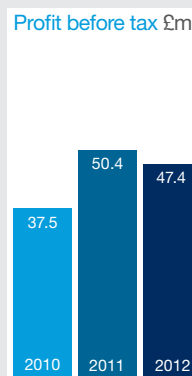
1 


Secure excellent returns

Invest at a point in the property lifecycle from where maximum development returns can be extracted.

Maximise individual asset values through our locally based expertise.

Recycle assets where significant opportunities are exhausted.



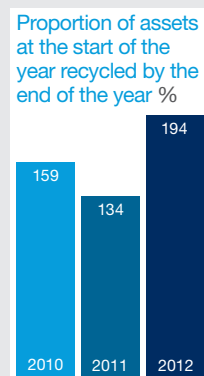
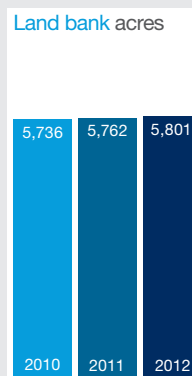
2 

Through a focus on long-term significant added value

Build land bank to bring through future opportunities and secure planning gain.

Continued programme of recycling and reinvestment.

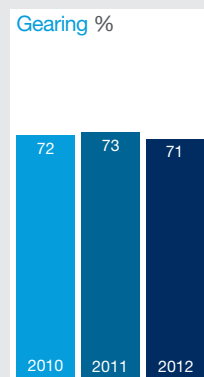
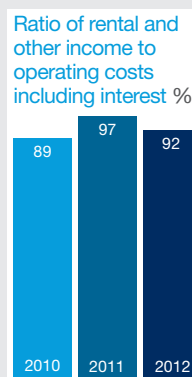
Create predictable, dependable and cash backed income streams.



3 

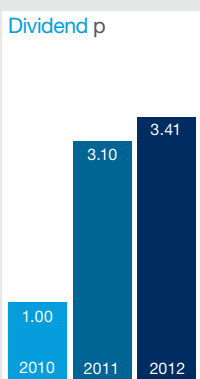
While protecting existing assets

Maintain sufficient income to cover business running costs. Have financing cost and availability certainty.



PRIORITIES FOR 2013

TARGETS



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.

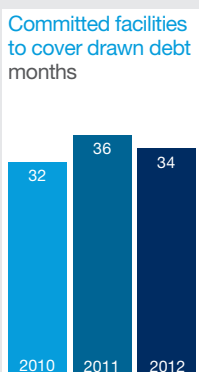
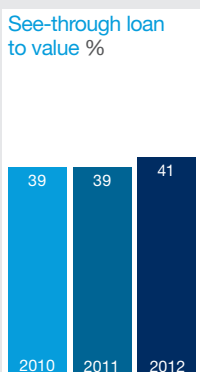
PRINCIPAL RISKS

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.

Selective and capital efficient acquisitions.
Continued recycling of assets with limited opportunity for significant added value.

As our work is conducted in a complex legal and regulatory environment we need to be able to successfully adapt our asset strategies over the long term.



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.

Image:

The Innovation Centre at the £1bn Longbridge development in Birmingham.

BUSINESS REVIEW

This has been another successful year during which we have achieved some significant milestones across our portfolio and, in particular, on our major development projects. These achievements underline our growing presence in the London and the South East market while also proving that there are still opportunities in the regions for well-placed and well-priced product.

OPERATIONAL HIGHLIGHTS

- Valuation gains of £48m (2011: £33m) generated through active asset management and planning gains, offsetting £20m market-driven valuation loss (2011: £1m gain)
- Continued positive outlook for residential land with London residential transactions driving valuation gains
- On track to deliver target of shareholder equity NAV of 300p per share by November 2015
- £2bn regeneration of New Covent Garden Market signed, providing a major opportunity in Central London and considerable potential to add further upside to targeted NAV
- Swansea University £150m development to commence on site in H1 2013

FINANCIAL HIGHLIGHTS

- Shareholders' NAV up 8% to 251p per share (Nov 2011: 232p per share), and EPRA NAV up 9% to 272p per share (2011: 250p per share)
- Profit before all tax £52.8m (2011: £51.7m)
- Realised property profits up 22% to £29.0m (2011: £23.8m)
- Net rental income continues to grow to £36.2m (2011: £35.5m)
- 12% increase in net trading profit to £25.5m (2011: £22.8m)
- Gearing at year end of 71% (2011: 73%) and completion of a successful £80m retail bond issue providing substantial headroom in facilities
- Final dividend for the year increased by 10% to 2.42p per share, providing a total dividend for 2012 of 3.63p



Chairman's Statement



BILL SHANNON, Chairman

“We have a very solid platform from which to grow our NAV further in 2013. This, together with our robust business strategy, provides us with the confidence to face market challenges head on and deliver strong revenue streams.”

CONTINUING THE DISCUSSION

Q: HAS THE BUSINESS CHANGED IN THE LAST 12 MONTHS?

A: Our results prove that our retained strategy of adding significant value to our 5,800 acre land bank and our £1.1bn portfolio of assets is a successful one and we do not envisage changing our approach in the year ahead.

We remain a UK-wide business and the benefit our land bank affords us is an ability to move with market demands and focus on those opportunities that generate the most value at any one time. Last year we saw good opportunities coming through in the residential market and the London and South East region and during 2012 have progressed many of these, including New Covent Garden Market.

Q: DO YOU SEE ANY IMPROVEMENT IN THE ECONOMY AND WHAT ARE THE OPPORTUNITIES FOR ST. MODWEN?

A: We see further improvement in the South East as a whole and some recovery in the regional housebuilding market, with better housing sales achieved across the country as initiatives to improve this market start to take effect. This presents obvious opportunities for St. Modwen's residential business which continues to flourish and for the business as a whole as we prepare our sites for development and continually add value to our portfolio.

Q: WHAT ARE YOUR VIEWS ON THE RETAIL MARKET AND THE CONTINUED DISAPPEARANCE OF SOME WELL-KNOWN BRANDS FROM OUR HIGH STREETS OVER THE LAST 12 MONTHS?

A: This does remain a difficult market and it is disappointing to have to say goodbye to some familiar faces on our high streets. However, out of the recent round of retail administrations, we have been fortunate that only one unit across our portfolio has been affected.

Our schemes act as the catalyst for wide scale, comprehensive regeneration in the areas across the UK that need it the most. Bringing investment, growth and a better environment for businesses and the community, these projects mostly provide space for the value retail sector which is currently benefitting from people's changed attitude to spending.

It is with great pleasure that I am able to report another strong set of results, with increased profits across the Group.

Profit before all tax increased to £52.8m (2011: £51.7m) with shareholders' equity net asset value per share growing 8% to 251p per share (2011: 232p) after paying dividends of 3.41p per share during the year (2011: 3.10p).

I am extremely pleased to be announcing this positive set of results and two major projects. The first was our signing in January 2013 of the development agreement with the Covent Garden Market Authority (CGMA) to redevelop the 57 acre New Covent Garden Market site in Nine Elms, London. This £2bn, landmark, multi-phased project underlines our growing presence in the London marketplace and is set to deliver attractive revenue streams and NAV growth over the coming years.

Secondly, we have just agreed terms with Swansea University for the provision of the £150m first phase of the New Science and Innovation Campus. Located on our 65 acre site, this major project comprises 700,000 sq ft of development including 430,000 sq ft of academic space, associated retail space and 899 student apartments. The University has already secured funding for the academic space and St. Modwen has secured the pre-sale of 50% of the student accommodation to a major institutional investor.

Both deals demonstrate key facets of our expertise: the former, a testament to our track record of regenerating complex and brownfield sites and the latter, a clear illustration of our ability to extract maximum value from our land bank. This expertise, the revenue generated by our income producing assets and the success of our growing residential business, is why we have again delivered a very strong set of results.

In October we raised £80m from a successful retail bond issue, enabling us to diversify our sources of funding without increasing our gearing. With a duration of seven years, this bond provides us with a longer term facility, and diversifies our financial structure.

DIVIDEND

As a result of a successful 2012, your Board is recommending a 10% increase in the final dividend for the year to 2.42p per share (2011: 2.20p), making a total distribution for the year of 3.63p (2011: 3.30p). This final dividend will be paid on 4th April 2013 to shareholders on the register at 8th March 2013.

STRATEGY

Our strategy of adding significant long-term value to the properties that we control is working and is delivering good quality returns, despite the challenging environment in which we are operating. Through our market-leading expertise, we add value through remediation, management of the planning process, asset management and development. In particular, our regional teams focus on opportunities where our regeneration expertise enables us to generate profits both in commercial and residential development.

GOVERNANCE AND THE BOARD

The Board is committed to maintaining high standards of corporate governance. In the Corporate Governance section of this report we describe the structures and measures in place which are designed to ensure the continued effectiveness of the Board and we report on our compliance in accordance with the UK Corporate Governance Code.

As we continue to grow and expand our portfolio of development schemes and manage our income producing investment assets, we are placing increased emphasis on deepening further the property expertise on the Board. We believe this will be an invaluable resource to the Company in the next stages of its evolution.

We were therefore delighted to welcome Kay Chaldecott to the Board as a non-executive director in October 2012. Kay spent 27 years at Capital Shopping Centres Group PLC and her knowledge and experience of the UK property industry is already bringing additional and relevant expertise to the Board.

As announced on 29th January 2013, Katherine Innes Ker, an independent non-executive director, and David Garman, the Senior Independent Director, will retire from the Board with effect from the conclusion of the Company's Annual

General Meeting to be held on 27th March 2013. I would like to thank both Katherine and David for their contributions during their time on the Board and wish them well for the future. The search to identify a Senior Independent Director is underway and an announcement will be made in due course.

PEOPLE

We are very fortunate to have a team of such dedicated and highly skilled individuals working throughout our Group. It is their hard work and dedication that has delivered these strong results for your Company and ensures St. Modwen continues to outperform. I would like to take this opportunity to thank our people for making St. Modwen such a success.

PROSPECTS

Whilst I obviously cannot predict how the UK economy will develop in 2013 and what impact this may have on the property sector, our track record demonstrates the success of our strategy and the ability of our management team to deliver strong shareholder returns through the application of their specialist real estate skills.

Furthermore, with our presence in London and the South East now significantly increased by the New Covent Garden Market project, combined with the ongoing success of our residential business, we are in good shape to benefit from future growth in these markets. At the same time, across the UK, we can see attractive opportunities to generate further value from our assets and development pipeline and in particular, look forward to starting on site with the Swansea University Campus in April of this year.

We have a very solid platform from which to grow our NAV further in 2013 and beyond. This, together with our robust business strategy, provides us with the confidence to face market challenges head on and deliver strong revenue streams and returns in the years ahead.

Bill Shannon
Chairman
4th February 2013

Chief Executive's Review



BILL OLIVER, Chief Executive

“We are pleased that another very good set of results this year reinforces our position as the UK’s leading regeneration specialist. Our strong and robust business strategy coupled with our teams of highly skilled employees have ensured that we remain well positioned to deliver profits whilst withstanding market challenges.”

CONTINUING THE DISCUSSION

Q: WHAT, IN YOUR VIEW, HAS BEEN THE BIGGEST SUCCESS STORY OF 2012 FOR ST. MODWEN?

A: There have been many highlights in 2012, however being selected by the Covent Garden Market Authority (CGMA) to redevelop New Covent Garden Market is a real success story for the business. Not only does it underline our growing presence in London and the South East but it is testament to our track record of regenerating complex and brownfield sites and is a true example of regeneration which is set to deliver excellent returns over the long term.

Q: THE BUSINESS HAS PERFORMED WELL OVER THE LAST 12 MONTHS, HOW DO YOU INTEND TO BUILD ON THIS SUCCESS DURING 2013?

A: We will continue to adhere to our robust business strategy of adding long-term value to the properties we control via remediation, planning gain, asset management and delivery. The real benefit our highly diversified and low cost land bank affords us is the ability to move with market demands and focus our attention on those opportunities that generate the most value at any one time. At present, those opportunities are in London and the South East and the residential market and it is here that we will continue to focus our efforts during 2013.

Q: YOU SUCCESSFULLY LAUNCHED A RETAIL BOND IN 2012, ARE YOU INTENDING TO PURSUE ANY OTHER SIMILAR OPPORTUNITIES IN 2013?

A: Our financial base is secure and we are continually exploring options for asset specific funding and alternative sources of finance in the long term.

Q: IS THE LAND BANK PRESENTING ANY NEW OPPORTUNITIES FOR THE BUSINESS IN 2013?

A: Already this year, we have signed the development agreement with the CGMA for the £2bn redevelopment of New Covent Garden Market and we have agreed terms for the provision of the first phase of Swansea University’s New Science and Innovation Campus on our 65 acre site in South Wales. We are constantly working hard to extract maximum value from our land bank of over £1.1bn of assets and will continue to do so throughout 2013, realising opportunities right across the country.

We are pleased that another very good set of results this year reinforces our position as the UK's leading regeneration specialist. Our strong and robust business strategy coupled with our teams of highly skilled employees have ensured that we remain well positioned to deliver profits and create value whilst withstanding market challenges.

We have made excellent progress with our major projects this year and increased our commitments in London and the South East with the signing of the development agreement with the CGMA for redevelopment of the 57 acre New Covent Garden Market site. We have also agreed terms with Swansea University for the provision of the £150m first phase of the New Science and Innovation Campus. This development will be situated on our 65 acre Transit site, one of the holdings within the 2,500 acre portfolio acquired from BP in 2009 and which has since been fully remediated. Both projects will further enhance our pipeline of development profits.

Furthermore, across the country, we continue to add value to our 5,800 acre land bank by successfully working our assets hard and securing planning permissions, predominantly for residential-led opportunities.

The retail bond issue in October 2012 raised £80m on seven year terms. It further enhances our financing structure and provides us with an alternative source of finance to bank funding. The successful result of the issue demonstrates the strength of the business as a whole and is a testament to our income producing portfolio which proved extremely attractive to investors throughout the transaction.

These activities and our performance throughout the year have culminated in a profit before all tax of £52.8m (2011: £51.7m).

STRATEGY OVERVIEW

Our land bank of over £1.1bn assets provides us with flexibility to move with market demands and focus on those opportunities that will generate the most value at any one time.

We continue to implement our strategy of adding value to the land bank through remediation, planning gain, asset management, development and delivery. All of this activity is supported by our portfolio of income producing assets (each

of which has development potential) that largely covers the running costs of the business while we invest in commercial and residential assets which we believe can deliver significant long-term returns.

This proven strategy and the flexible advantage that our highly diversified and low-cost land bank affords us have both played a major role in our ongoing resilience to the difficult economic climate and we intend to build on this success over the coming years.

MARKET OVERVIEW

London and the South East are recovering faster than other areas and, with a third of our portfolio and 50% of our residential assets located in this region (as at 30th November 2012), we are in a good position to benefit from the ongoing resilience of this market throughout 2013.

The market outlook in the regions is weaker but specific development opportunities can be found where land ownership, planning expertise and funding can be brought together playing directly to our skills, such as Swansea University.

While London and the South East is the strongest marketplace, the regional UK housebuilding market is improving. We are seeing improvement in housing sales, which is due in part to low interest rates, Government initiatives to encourage first time buyers and the movement by the banks to offer more flexible mortgage terms. However, there is still some way to go before a full recovery starts to set in.

The lack of available housing land has worked in our favour, as our 'oven ready' residential land bank enables us to carefully select where and when we start on site or sell land into the market.

On the back of this and our increasing London presence, our residential business has had a successful year. We have therefore made a number of new appointments to ensure that we are well resourced to build on the success achieved so far by St. Modwen Homes and our joint venture with Persimmon.

We continue to be successful in securing planning approvals for sites across the country but our frustrations with the UK planning system remain as the process still appears to be difficult. The National Planning Policy Framework is founded on a collective approach driven by engagement and co-operation. We are fortunate to be

working with a number of exceptional 'can-do' authorities who welcome developers and encourage much needed growth and we are proud of the productive working relationships we have forged with officers, members and communities across many regions of the UK. These types of collaborations should underpin all developments under the new regime but sadly, we are also suffering from the opposite; the 'no-can-do' approach adopted by certain other local planning authorities that frustrates growth, increases the housing shortage, alienates developers and leads to stagnation in the property market.

BUSINESS OUTLOOK

This has been another successful year during which we have achieved some significant milestones right across our portfolio and, in particular on our major development projects. These achievements underline our growing presence in the London and South East market and prove that there are still opportunities in the regions for well-placed and well-priced product.

Looking ahead to 2013, we will continue to unlock value within our land bank. The regions remain important, and this is where our long-term approach to development comes to the fore, as the time will come when these marketplaces will start to see a fuller recovery and we will be best placed to take advantage of this, whilst simultaneously helping to support these regional economies.

In the meantime, we cannot ignore the upsurge in investor appetite for development activity in London and the South East or the prospects arising from our residential portfolio. We will therefore focus our attention throughout the coming year on these areas in order to drive optimal returns, as well as driving forward our largest schemes, including the redevelopment of New Covent Garden Market and development of Swansea University's New Science and Innovation Campus.

Bill Oliver

Chief Executive
4th February 2013

RESIDENTIAL

Our residential business continues to grow, with good sales rates, an increased number of developments coming on stream and increased demand for our land.

VALUE OF RESIDENTIAL
PORTFOLIO

£397m

VALUE ADDED TO
RESIDENTIAL LAND

£36m

PERCENTAGE OF PORTFOLIO
WITH PLANNING

79%

NUMBER OF PLOTS WITH
PLANNING RECOGNITION

20,850



Residential (continued)

NUMBER OF PLOTS WITH
PLANNING RECOGNITION

20,850



“Throughout the year we have added considerable value to our residential assets with significant gains achieved in London and the South East.”

Above right and previous pages:
Park View, St. Modwen Homes’
development of 134 homes at
Longbridge, Birmingham.

Our residential business continues to grow, with good sales rates, an increased number of developments coming on stream and increased demand for our land.

STRATEGY AND ACTIVE MANAGEMENT

We acquire sites with potential for residential development and seek to add value to the land throughout the development process crystallising that value via three clear routes to market:

- 1) Residential land sales
- 2) St. Modwen Homes
- 3) Persimmon joint venture.

Combined with our asset management capabilities, ability to progress land through the planning process and our remediation and development skills, these three routes highlight our practical approach to development and make us an attractive partner to land owners and the public sector.

RESIDENTIAL LAND

Demonstrating the active residential land market during the year, 79% of our portfolio (20,850 plots) has either planning permissions or allocations within local plans.

During 2012, we experienced good activity in residential land sales with 126 acres of land now committed for sale, achieving a Group share of £110m of value. All transactions were conducted at or above book value.

Throughout the year, we have added considerable value to our residential assets with significant gains achieved in London and the South East. Through our own efforts £36m has been added to the value of our residential portfolio, a 38% increase from 2011 (£26m). Key residential land transactions in the year included:

- **RAF Uxbridge** – under our VSM Uxbridge joint venture arrangement with VINCI, we accelerated the outright acquisition of RAF Uxbridge from the Ministry of Defence. This 110 acre site has a planning consent for 1,340 residential units and circa 200,000 sq ft of commercial office and retail development, as well as a new primary school, a 1,500 seat theatre and a 40 acre public park.

Out of the total of 45 developable acres acquired, 23 acres were committed to Persimmon for the development of over 453 homes under St. Modwen's and Persimmon's existing joint venture arrangement. Construction started towards the end of 2012 and the first house sales are expected in H2 2013.

- **RAF Mill Hill** – VSM Estates has a 57% share of this 100 acre site which is held in consortium with partners Annington Homes and the London Borough of Barnet Council. Two land sales, totalling 15 acres, completed earlier in the year for a total value of £35m. Further sales are targeted for 2013.
- **Rugby, Warwickshire** – we have exchanged contracts, subject to securing a detailed planning permission, for the sale of 9.5 acres to Taylor Wimpey for £6.4m.
- **Langford Mead, Taunton** – at the year end, the sale of 6.26 acres of land to Taylor Wimpey for £5.5m was in solicitors' hands. This deal has since exchanged contracts.
- **South Ockenden, Essex** – the outright sale of 4.2 acres of land to Persimmon for a sum of £3.1m has now completed.

Planning consents achieved:

- **Pye Green, Cannock** – this 142 acre site will comprise 700 homes, a site for a new primary school and 75 acres of public open space, play areas and allotments.
- **Pirelli, Burton upon Trent** – situated on disused parts of the Pirelli Factory site in Burton upon Trent and comprising 289 homes, a hotel, restaurants, public house, offices and commercial units.
- **Vulcan Works, Newton-le-Willows** – permission granted for an 18,000 sq ft food retail unit and the second phase of 282 homes, of which Persimmon is building 208.
- **Longbridge East** – 229 residential units in the first phase and the opening up of the River Arrow.

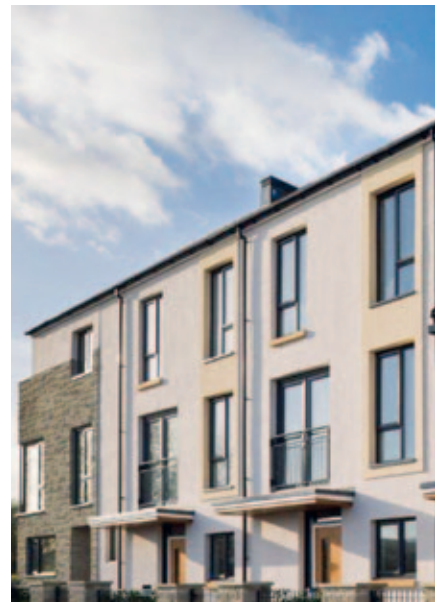
- **Cadley Hill, Swadlincote** – a mixed use development delivering up to 215 homes and up to 95,000 sq ft of small office, light industrial, storage and distribution space.
- **Gregory's Bank, Worcestershire** – 170 residential units.
- **Lowfield Lane, St. Helens** – 152 residential units.
- **Locking Parklands, Phase two, Weston-super-Mare** – second residential phase comprising 150 homes.
- **Dursley, Gloucestershire** – 94 homes.

Applications submitted:

- **Branston, Burton upon Trent** – to build 660 homes and new employment space, including manufacturing, storage and distribution units, on this 280 acre site.
- **Melton Park, Hull** – for 510 homes, a 100 bedroom care home, a sheltered housing complex of 20 apartments and a new retail park with facilities for community and leisure use.
- **Eddison Place, Rugby** – for 175 homes on this 50 acre site of which 32 acres are earmarked for residential development.

Future opportunities:

- **New Covent Garden Market** – 2,800 apartments to be delivered as part of this £2bn regeneration project.
- **Elephant & Castle** – up to 1,000 apartments in addition to 350,000 sq ft of new retail space.
- **Dyson Portfolio** – planning applications being worked up for four sites: two in Swadlincote, Derbyshire, one earmarked for a residential development with community leisure facilities and the other proposed for a mixed use employment and residential scheme, and two further sites in Sheffield, both identified for high end residential development.



Top:
The show apartment at Wembley Central, London where we will shortly be starting on phase two of development.

Above:
St. Modwen Homes at Locking Parklands, Weston-super-Mare. Planning has now been secured for the 150 homes in the second residential phase.

Residential (continued)



Above: Akron Gate, Goodyear, Wolverhampton, a scheme of 453 units and built by Persimmon as part of our joint venture.

RESIDENTIAL DEVELOPMENT

St. Modwen Homes

Our own housebuilding brand, St. Modwen Homes, differentiates itself from larger national housebuilders by adopting a local developer mentality, delivering a maximum of 250 units per annum and following a design-led approach which is reflected in both the built form and the external environment.

Our extensive residential land bank gives us a competitive advantage, firstly by allowing us to select the sites that are best suited to the St. Modwen Homes brand and, secondly, with land acquired pre-planning at minimum values, we are able to focus on providing a higher quality and bespoke product.

In its first full year of building, this approach has proved very successful for St. Modwen Homes which has experienced excellent housing sales rates, well above the national average. We have now started work on the second phase of housing at Park View, Longbridge, with just one house remaining for sale in the first phase of 113 units and we are also on site with the second phase at Locking Parklands, Weston-super-Mare. Including these two projects, we are now active on four sites and are shortly to commence work on a further two sites, subject to planning:

- **Under construction** – Edison Place, Rugby (175 units); phase one and two, Park View, Longbridge (134 units); Dursley, Gloucestershire (94 units).
- **Imminent site starts** – Coalville, Leicester (190 units); Gregory's Bank, Worcestershire (155 units).

Residential land bank

	November 2012		November 2011	
	Acres	Units	Acres	Units
With planning recognition				
allocated in local plan or similar	178	3,396	227	4,410
Resolution to grant	140	1,942	14	246
Outline permission	794	13,175	870	14,349
Detailed permission	169	2,337	82	1,366
	1,281	20,850	1,193	20,371
No planning recognition	523	5,694	453	4,351
Total residential land	1,804	26,544	1,646	24,722

Persimmon joint venture

Our joint venture with Persimmon, established in 2010, is progressing extremely well. Under the agreement, we plan to develop over 2,000 residential plots on eight sites over the course of a seven year period. During this time we expect to achieve a steady stream of profits as detailed in the table below.

Progress to date:

- **Under construction** – St. Andrew's Gate, RAF Uxbridge, London (453 units); Goodyear, Wolverhampton (314 units); Glan Llyn, South Wales (307 units); Coed Darcy, South Wales (302 units); Longbridge East (229 units); Sunderland (212 units); Vulcan Works, Newton-le-Willows (211 units).
- **Imminent site starts** – Long Marston, Warwickshire (284 units).
- **In planning** – Trentham, Stoke-on-Trent (300 units), Victoria Ground, Stoke-on-Trent (113 units).

Residential development sales

For both St. Modwen Homes and the Persimmon joint venture, we have experienced strong sales rates across the UK. This is in part due to restricted supply and is also the result of our regional teams' awareness of local needs and our proven ability to select the right sites for development, at the right time and in the right place.

In the financial year we have achieved 259 house sale completions (St. Modwen Homes: 158 and Persimmon joint venture: 101).

OUTLOOK

On the back of an excellent first year, we expect another positive year in 2013 with an increase in the total number of active developments expected, notwithstanding the impact of the current planning regime which is still causing delays in actual site starts. We will continue to capitalise on our growing presence in London and the South East whilst adding value to our residential land bank across the UK, securing the best opportunities for the Group.

Residential development

	St. Modwen Homes		Persimmon joint venture		Total
	Active	Planned	Active	Committed	
No. of sites	6	2	7	1	16
Units	651	345	2,028	284	3,308
Units completed (as at 30 th November 2012)	173	n/a	101	n/a	274
Cash received £m	20	0	12	0	32
Future land revenue estimate £m	12	9	76	15	112
Potential St. Modwen share of future development profit £m	15	8	36	5	64
Total	27	17	112	20	176

COMMERCIAL LAND VALUE

£139m

COMMERCIAL LAND ACREAGE

3,000+



COMMERCIAL LAND AND DEVELOPMENT

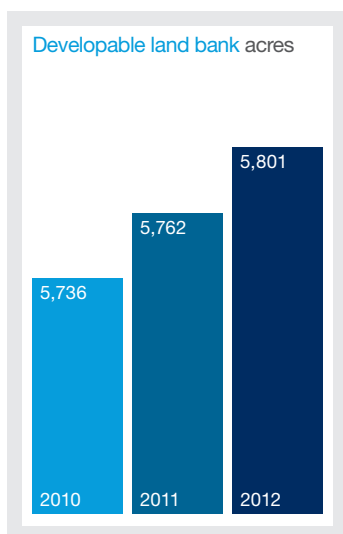
We continue to identify and secure opportunities for our development pipeline, ensuring they have good potential to deliver value over the long term.

Image:

The £50m transformation of Hednesford Town Centre, Cannock where we completed the sale of the 85,000 sq ft Tesco foodstore which opened for business, along with associated retail, in December 2012.



Commercial Land and Development (continued)



STRATEGY

We continue to identify and secure opportunities for our development pipeline, ensuring our schemes are well positioned to deliver value over the long term.

By taking a long-term view, we can acquire land at a minimal capital outlay and then maximise its potential by steadily adding value over time via remediation and planning gain. In line with our long proven business model, we will then, at an appropriate time, decide whether to dispose of certain schemes to crystallise any value uplift or take on the development ourselves. In each instance, we will benefit from the low entry costs we have secured.

Future uses for our land are increasingly residentially driven. Our growing residential business, combined with our strong track record in commercial development, equip us with the right mix of skills to identify which route to take and then exploit these opportunities to their fullest potential.

MARKET COMMENTARY

In general, the UK commercial property market remains difficult. Well financed investors are scarce with many others struggling to fund their purchases.

The occupier market remains challenging with many businesses not prepared to invest in new or larger premises and banks appearing unwilling to provide funding to them. The retail market is also difficult with many retailers putting a stop to new store openings and many downsizing their requirements. In addition, the market has said goodbye to some well-known high street names during and after the reporting period.

Despite the broader economic challenges, we are finding that our proven approach to development, combined with our extensive and active land bank is standing us in good stead to face up to the current climate. Our funding structure is not dependent on development finance and our network of regional offices means that we remain sensitive to local requirements and any new opportunities coming through.

We continue to find good commercial development opportunities that are not reliant on speculative development. Where industrial and commercial occupiers have immediate requirements for new premises, we are able to react quickly and meet their demands with our development sites that already benefit from planning.

Right:

Construction works are well advanced at the first phase of the £70m Longbridge Town Centre.



Furthermore, our regeneration projects continue to serve as a catalyst for change, impacting positively on the local economy and attracting a variety of occupiers, although we have to work slightly harder today to capture limited new demand.

The retail market is challenging but, in our experience, there is demand for well-placed and well-priced product. This is illustrated keenly by our retail developments at Longbridge, Hednesford in Cannock and Wembley Central in London, where we are experiencing good retailer demand for our space. The overwhelming appetite for units in our secondary shopping centres such as Elephant & Castle, Edmonton Green and Wythenshawe also demonstrates the appeal of our shorter lease terms which enable us to progress our plans towards their redevelopment in due course.

DEVELOPMENT PROGRESS

Developments completed during the year:

- **Edmonton Green** – works were completed on the £1.5m refurbishment of the North Square. These included the constitution of a new 22,000 sq ft store pre-let to Wilkinsons, as well as significant improvements to elevations and public realm.
- **Hednesford, Cannock** – the £50m transformation of Hednesford Town Centre comprises two development phases known as 'Victoria Shopping Park' and 'Chase Gateway'. At the Shopping Park, we have now completed the sale of the 85,000 sq ft Tesco foodstore which opened for business, along with associated retail, in time for Christmas trading. At Chase Gateway, Aldi has agreed to purchase a 15,650 sq ft store which will open in late spring 2013. Across the two phases we continue to attract a series of well-known retailers.

- **Henley Business Park, Guildford** – the demolition of the 225,000 sq ft former Vokes factory made way for the 12 acre third phase of this 25 acre Business Park where construction has completed on a 21,642 sq ft bespoke building for Kirk Petrophysics, a business doubling its space on the Park where it already occupies 23,629 sq ft. This latest phase of construction follows the sale of six units, totalling 78,128 sq ft on phases one and two, to Threadneedle Property Unit Trust.
- **Teal Park, Lincoln** – we have now handed over this 135,000 sq ft office and production facility to Siemens. The subsequent investment sale to a Middle Eastern purchaser, represented by 90 North Real Estate Partners LLP, and the payment received from Siemens in respect of their fit out has generated cash receipts of £18.5m for our KPI joint venture. In recognition of its sustainable design, the servicing facility has recently been awarded a 'BREEAM Outstanding' rating.

Future developments

- **Great Homer Street** – the Compulsory Purchase Order (CPO) for land in the area has now been confirmed by the Government following a public inquiry in July. The scheme has planning consent for a 114,000 sq ft Sainsbury's supermarket, set to be Liverpool's largest foodstore, 80,000 sq ft of additional retail, 80,000 sq ft of industrial, 480 new homes and 40,000 sq ft of community facilities including a new library, market and community health centre. Following the CPO award, a reserved matters planning application will be made to approve the final detail of the new Sainsbury's store and other retail units.

- **Wembley Central, London** – interest for the retail space in this major town centre scheme is gaining momentum, with further lettings, totalling 53,000 sq ft, to Tesco Metro, Sports Direct, The Gym and an undisclosed national retailer. The national retailer will take 16,000 sq ft to anchor the final development phase for which construction has now started and which also comprises 26,000 sq ft of retail, an 86 bedroom hotel pre-let to Travelodge and 38 private apartments.
- **Chaddesden Triangle, Derby** – we have been selected by Network Rail to form a joint venture for the redevelopment of this 70 acre brownfield site located next to Pride Park football stadium. With the freehold owned by Network Rail, the site has been identified by the City Council as a strategic mixed-use development site.
- **Solar Park, Baglan Bay, South Wales** – detailed planning consent now secured for this £15m solar park on 30 acres of our Baglan Bay site. It will house over 21,000 photovoltaic panels, which will generate five megawatts of power to provide enough electricity for over 1,200 homes per year. This will be sold into the Grid providing an additional income stream for the Group from previously non-income producing surplus land at Baglan Bay.

OUTLOOK

Whilst this market is proving difficult, we have enough active developments to provide us with a stream of development profits to 2015 and beyond.

London and the South East is the most dominant market at the moment but there still exists opportunities for well-placed, predominantly residential-led schemes in the regions. Opportunities are also emerging in the power and energy sector, particularly for cleaner fuels such as gas-fired power stations and renewable energy, including solar, and this is a market we intend to pursue further.



INCOME PRODUCING PROPERTIES

The firm financial footing which our income producing assets afford us, sets us apart from other development businesses and underpins the strength of our portfolio as a whole.

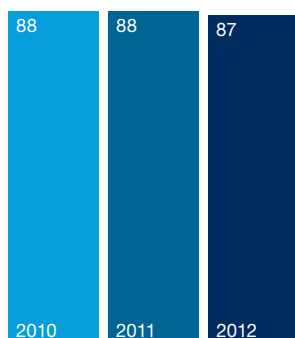
Image:
The £1.5m refurbished North Square at Edmonton Green, London which opened in November 2012.



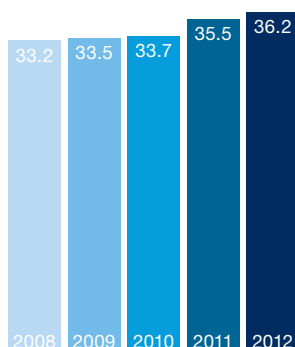
NUMBER OF TENANTS	AVERAGE EQUIVALENT YIELD
1,700+	9.2%
TOTAL VALUE OF INCOME PRODUCING PROPERTIES	
£562m	

Income Producing Properties (continued)

Occupancy rates %



Net rental income £m



STRATEGY

Our income producing assets make up 51% of our portfolio. These assets are held in the short-term to provide the Group with a steady income stream as we prepare these sites for future development. This approach ensures that we are not focused solely on Estimated Rental Value (ERV) but instead on securing tangible revenues that cover our running costs and can be reinvested into the business.

Each of our regional teams is responsible for managing their own 'bank' of assets and are tasked with extracting maximum value via rent reviews, re-gearing of leases and ultimately ensuring that voids remain at their lowest possible levels.

As at 30th November 2012, the Group's income producing properties were occupied by over 1,700 tenants, ranging from multinational businesses to sole traders. The diversity of this portfolio helps us to avoid over exposure to a single scheme, tenant or sector.

EXISTING PORTFOLIO

All of our properties are held with a long term view for development and typically held at higher yields, with low affordable rents on relatively short leases. Whilst the commercial lettings market remains problematic within the context of the broader economic climate, we continue to experience good occupier demand across our portfolio with our short tenancies and affordable rents proving particularly attractive.

At the year end we owned over 100 income producing properties with a total value of £562m (2011: £549m). We have experienced some administrations during the year but have been able to fill any vacancies relatively quickly and our average lease length has, in fact, improved at 5.0 years (2011: 4.6 years). Occupancy levels, at 87% have been maintained (2011: 88%) and we have managed the churn in our portfolio, achieving £9.7m of new lettings during the course of the year (2011: £7.1m), with a good performance from retail. Furthermore, in the recent round of retail administrations since the start of 2013, we have been fortunate that, to date, only one unit across our portfolio has been affected.

Portfolio yield analysis

	Equivalent		Net Initial		Value £m
	Nov 2012	Nov 2011	Nov 2012	Nov 2011	
Retail	9.0%	8.4%	7.6%	7.4%	240
Office	9.4%	8.7%	7.0%	6.4%	61
Industrial	9.2%	9.1%	7.9%	7.7%	261
Portfolio	9.2%	8.8%	7.7%	7.4%	562

Highlights include:

- **Edmonton Green** – in addition to the new 22,000 sq ft Wilkinsons store which anchors the refurbished North Square, we let a 1,500 sq ft unit to JD Sports on a 10 year lease. The national retailer joins a host of established brands at the centre including Sports Direct, Asda, Argos, Home Bargains, Costa Coffee, Lidl, Poundland and Specsavers.
- **Longbridge** – our largest individual lease for Shanghai Automotive at Longbridge in Birmingham has been extended until at least 2024 at an annual rent of £1.5m per annum.

Since the year end we have progressed three asset disposals, all of which achieved sales at or above book value:

- **Hounslow** – we have completed on the sale of this retail parade for £10.5m.
- **Phoenix Park** – we have exchanged on the sale of this retail park for £8.3m.
- **Cauldwell House** – we have completed the sale of this office block for £2.9m.

As we dispose of assets we also add to our property portfolio, carefully selecting our acquisitions and ensuring that they will deliver long-term value. Acquisitions during the period included:

- **Bridgwater, Somerset** – a 12 acre site, comprising a total of 250,081 sq ft of industrial accommodation with ancillary office space and currently let to BFF Nonwovens. The site forms part of the wider urban extension area of north east Bridgwater where planning permission has already been granted for 2,000 houses, a Morrisons distribution hub and further employment space.

OUTLOOK

The firm financial footing which these assets afford sets us apart from other development businesses through largely covering our operating costs and underpinning the strength of our portfolio as a whole.

Whilst there is market pressure on yields, this reduced in the second half of 2012 as compared to the first half of the year, and our portfolio contains some substantial development opportunities and we will continue to work hard to realise these as part of our overall business strategy.



Top: The 22,000 sq ft Wilkinsons store which opened at Edmonton Green as part of the refurbishment of the North Square at the end of 2012.

Above: One of the latest additions to our income producing portfolio is this 250,081 sq ft industrial estate at Bridgwater, Somerset.

Left: Phoenix Retail Park, Stoke-on-Trent, sold for £8.3m.

Major Project Opportunities

NEW COVENT GARDEN MARKET

VINCI St. Modwen has now signed the contract with the Covent Garden Market Authority to be the development partner for the New Covent Garden Market site in Central London.

This landmark multi-phased project has a gross development value of around £2bn and will entail the rationalisation and master planning of the entire 57 acre site situated next to Vauxhall Cross, Nine Elms.

The regeneration of the existing New Covent Garden Market site will see the development of 550,000 sq ft of modern facilities which will house the circa 200 businesses that make up the UK's largest fruit, vegetable and flower market. These new facilities will be funded through the release of 20 acres of surplus land which will then be developed to create a new high quality residential led mixed-use regeneration scheme, providing up to 2,800 new homes and 115,000 sq ft of commercial accommodation.

GROSS DEVELOPMENT
VALUE

£2bn

TIMESCALE

10-15 yrs



Major Project Opportunities

SWANSEA UNIVERSITY

We have agreed terms for the provision of the £150m first phase of Swansea University's New Science and Innovation Campus. The entire campus will be located on our 65 acre Transit site, formerly a BP oil storage depot, which we have fully remediated since acquiring it in 2009 as part of the 2,500 acre portfolio of former BP sites. The first phase of the project comprises 700,000 sq ft of development, including 430,000 sq ft of academic space, 899 student apartments and associated retail space. The University has already secured over £80m of European and Welsh Government funding for the academic space whilst St. Modwen has secured the investment sale of 50% of the student accommodation to a major institutional investor. We expect to start on site in April 2013, with a view to full student occupation by September 2015.

TOTAL FIRST PHASE
DEVELOPMENT
SIZE (SQ FT)

700,000

FIRST PHASE DEVELOPMENT
VALUE

£150m



Major Project Opportunities



ELEPHANT
& CASTLE



We are close to concluding our legal agreement with the London Borough of Southwark (LBS) which is a key stepping stone in the redevelopment process. Additionally, we expect shortly to sign the co-operation agreement between St. Modwen, LBS and Lend Lease.

During 2012 we spoke to a number of potential investors about the Shopping Centre as part of an exercise to review our various options for the property. We have been very encouraged by the initial response from potential investors and continue to evaluate our options. In the meantime, we are continuing to pursue a planning application independently with the aim of delivering the maximum value for shareholders. This application for a scheme which, on completion, will provide 350,000 sq ft of retail and leisure space and up to 1,000 new homes, will hopefully be submitted during the latter part of 2013.


NEW RETAIL SPACE (SQ FT)

350,000

NUMBER OF NEW HOMES
TO BE DEVELOPED

**up to
1,000**

Major Project Opportunities



We have submitted a planning application for 135,000 sq ft of retail space on phase two of the £70m town centre. Construction is already well advanced on the first phase which includes an 80,000 sq ft food store pre-sold to Sainsbury's, a 75 bedroom Premier Inn, including a Beefeater Grill, 24 shops, a number of restaurants and circa 35,000 sq ft of offices. Of this total space, 75% is now either pre-sold, pre-let or under offer. We have also recently started on site with the construction of 229 homes at Longbridge East as part of our joint venture agreement with Persimmon. Additionally, the last unit now remains at the first phase of St. Modwen Homes' Park View development and works have recently started on phase two which comprises another 19 homes.

GROSS DEVELOPMENT
VALUE

£1bn

JOB CREATION

10,000



LONGBRIDGE

Overview

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Additional Information

LONG-TERM REGENERATION THROUGH LONG-TERM PARTNERSHIPS

Over time, we have formed strong relationships with many public sector and commercial partners, with whom we work closely to unlock the development potential from their sites.

As we are a long-term business, these long-term partnerships are key to the success of our regeneration projects and are often connected by skills and culture.

Established through joint ventures, sale and leasebacks, strategic land acquisitions and straightforward development agreements, these partnerships consistently lead to successful regeneration projects that bring about major economic change to the areas across the UK that need it the most – stimulating investment, growth and creating a better environment for businesses and communities.

The facing page provides examples of some of our most successful and long lasting partnerships.

PUBLIC SECTOR

Be it the creation of a new town centre, a business district, or transforming a redundant area into a key residential site, we work hand in hand with many public sector organisations across the country to transform a variety of different locations via regeneration.

The most recent example of a public sector partnership is with Swansea University for the provision of the £150m first phase of the New Science and Innovation Campus. This is an example of a true development partnership where we have supplied the land and our development expertise to an institution in need of a regenerative solution to meet its expanding educational needs.

We also work directly with Local Authorities, some with which we have been in partnership for over 10 years either via joint venture initiatives or development agreements, all with the aim of delivering multi-million pound projects that will encourage inward investment and provide a boost to the regional and local economy via regeneration.

Right:
Turf cutting ceremony with Persimmon as part of our joint venture housing development at Coed Darcy, South Wales.
From left to right: Rupert Joseland, St. Modwen's South West & South Wales regional director; Andrew Crompton Director for Neath Port Talbot Council; John Flower, Environment Director for Neath Port Talbot Council; and Councillor Ali Thomas, Leader, Neath Port Talbot Council.





VINCI St. Modwen

Our partnership with VINCI PLC was established in 2006 when we were selected by the Ministry of Defence (MoD) to deliver Project MoDEL. This partnership was designed specifically to enable the MoD to consolidate over 1,000 military personnel and operations from six surplus sites across North West London, through the construction of £180m of new facilities at RAF Northolt, creating the MoD's first integrated core site in London.

Of the six sites, we sold four to third party developers and are progressing land sales and development at RAF Mill Hill and RAF Uxbridge.

Project MoDEL is an excellent example of the private sector working closely with the public sector; Prime Plus Contracting is an innovative means of funding a high profile property project, designed to maximise results and minimise costs. Beyond this project, we are now working together with VINCI on the £2bn redevelopment of New Covent Garden Market.



Persimmon PLC

Of St. Modwen's major joint venture agreements one of the most prominent involves housebuilder Persimmon PLC.

Aware of the enormous lack of residential development being built across the UK, St. Modwen recognised that a joint venture agreement with a sector-leading housebuilder would capitalise on our financial strength and well-located land bank to bridge this housing gap.

In 2010 St. Modwen realised its vision and entered into a joint venture agreement with Persimmon PLC. Initially this agreement covers 2,000 plots on seven St. Modwen sites, across 120 acres of land. It is already progressing well; the original target of building out seven sites has now grown to eight, of which seven have received detailed planning approval and are now under construction.



Key Property Investments (KPI)

In 1997, St. Modwen entered into a joint venture with Salhia Real Estate Company K.S.C. to establish an investment partnership.

Known as Key Property Investments (KPI), the joint venture now holds a number of schemes with long-term development potential, the most high profile being the Elephant & Castle Shopping Centre, the regeneration of Farnborough Town Centre and the recently completed and sold 135,000 sq ft facility for Siemens in Lincoln.

ACTIVE PROPERTY PORTFOLIO



“Through our active property portfolio management, we have been able to grow net assets by 8% in 2012 despite the problematic economic environment.”

MICHAEL DUNN, Group Finance Director

INCOME STATEMENT

A core part of our business model is ensuring that a large proportion of our assets generates income prior to development. This income consists of core rental income and other revenue stemming from our £562m portfolio of income producing assets, comprising more than 100 commercial properties and making up 51% of our total portfolio. These cash streams typically cover the running costs of the business and provide a firm platform from which we can add value to our portfolio through planning and asset management activities with the aim of realising profits from our development activities.

As we use a number of our 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 have also provided information including the Group's share of joint ventures and a full reconciliation is provided in Note 2 to the Group Financial Statements.

PROFITS

Rental and recurring income

This fundamental part of our business continues to support our resilience to challenging economic times and I am again pleased to report an increase in the Group's share of net rental income to £36.2m (2011: £35.5m), an increase of 2% year-on-year. We have achieved this growth thanks to our successful asset management capabilities. We anticipate rents will remain steady throughout the course of 2013 as we complete the sale of some of our mature assets.

Occupancy levels are at 87% (2011: 88%), which is broadly constant with last year and our average lease length has improved at 5.0 years (2011: 4.6 years). Due to the nature of our business, where we retain assets for income prior to development, we tend to maintain voids at a reasonably high level as we require properties to be vacant whilst we prepare them for development. Our void levels remain in line with our expectations.

Property profits

We have achieved a 22% increase in realised property profits to £29m (2011: £24m) from development, of which residential housing sales have contributed nearly £6m. The residential contribution reflects how this area of the business has grown throughout the year and highlights the success we have achieved across two of our key St. Modwen Homes developments: at Park View in Longbridge, Birmingham and Locking Parklands at Weston-super-Mare. We have commenced construction on the second phase of housing at both schemes, having completed the sales at the first phases during the course of 2012.

Overheads

Our cost base is driven by the employment of skilled teams of professionals to manage current and potential assets.

The advantage that our UK-wide land bank gives us is flexibility to adapt to market demands and consequently pursue only those opportunities that generate the greatest value at any time. London and the South East, where over a third of our portfolio is located, and the residential market, of which 50% of our portfolio by value is located in this region, are both areas which we have identified as experiencing a more rapid recovery.

Consequently, we have adjusted our cost base accordingly to support these growth areas, placing greater emphasis on the South and boosting our residential team via new appointments.

Administrative expenses for 2012 (including the Group's share of joint ventures and associates) is £18.6m (2011: £16.7m). The increase is driven by share-based payments and bonus provisions following a successful year.

Financial Review (continued)

Property valuation movements in the year

Property valuation movements £m	2012			2011		
	Value added by St. Modwen	Market value movements	Total	Value added by St. Modwen	Market value movements	Total
Residential	36	8	44	26	2	28
Commercial land	–	(1)	(1)	1	(2)	(1)
Income producing:						
Retail	7	(8)	(1)	2	1	3
Office	(1)	(6)	(7)	–	–	–
Industrial	6	(13)	(7)	4	–	4
Total	48	(20)	28	33	1	34

Finance costs and income

As we have become more active on the development of our schemes throughout the year, this has been reflected in a slight increase in net debt and higher average borrowing levels for the year.

Trading profit for the year

Trading profit has therefore increased again this year by 12% to £25.5m (2011: £22.8m) which is an extremely positive result given the ongoing challenging economic climate.

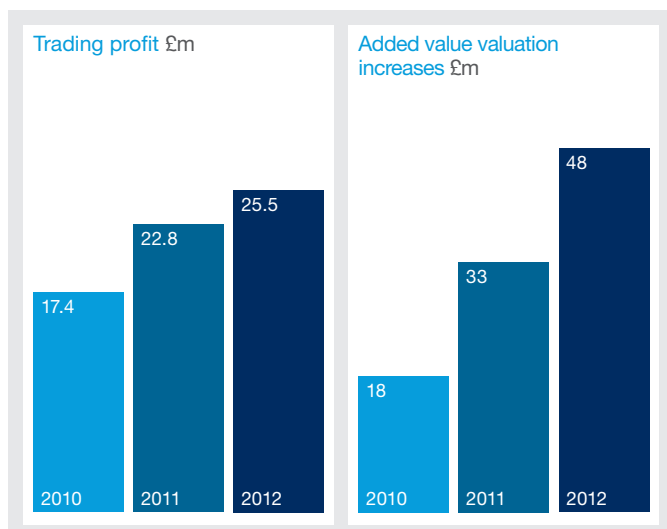
Looking forward, we will continue to focus on generating value across our land bank and ensure that our rental income and recurring other income underpins the running costs of the business. Supported by our firm financial footing, with new projects within our development pipeline (such as Swansea University's New Science and Innovation Campus) coming on line during the course of 2013, along with other major schemes, we expect to be in a good position to take on an increase in workload.

PROPERTY VALUATION MOVEMENTS IN THE YEAR

Property valuation movements are made up of two main elements: those resulting from our own actions that we undertake specifically to add value to our assets, and those resulting from changes in the overall property market. Jones Lang LaSalle LLP provides this valuation split for us.

Market-driven valuation movements

In line with market movements, outward yield shifts in the year have had a negative influence on the valuations of our income producing portfolio reducing its value by 5%. This reduction has been partially offset by a significant increase in the value of our residential portfolio, notably in the South East, to £8m (2011: £2m) which has resulted in an overall net market-driven reduction in our property portfolio of £20m (2011: £1m increase).



Valuation improvements as a result of St. Modwen actions

Our ability to add value to our existing portfolio by actively managing our asset base is a crucial part of our business model and this year has delivered some excellent results, which substantially outweighed the market-driven reduction.

This success comes from managing commercial and residential land through the planning process and enabling delivery, despite the challenges posed by the system.

The most notable contribution stemmed from RAF Uxbridge, where we accelerated the purchase of this 110 acre site from the Ministry of Defence. This was financed by a £60m, five year debt facility, with additional equity provided equally by St. Modwen and VINCI. Of the 45 developable acres of land on this site, 23 were committed to Persimmon for the development of 453 homes under our existing joint venture arrangements.

We also continue to attract tenants across our portfolio, achieving £9.7m in new tenant income throughout the year, helping to maintain and improve the value of our portfolio.

Based on independent valuations from Jones Lang LaSalle we have therefore been able to generate revaluation gains of £48m, an increase of 45% from 2011 (£33m).

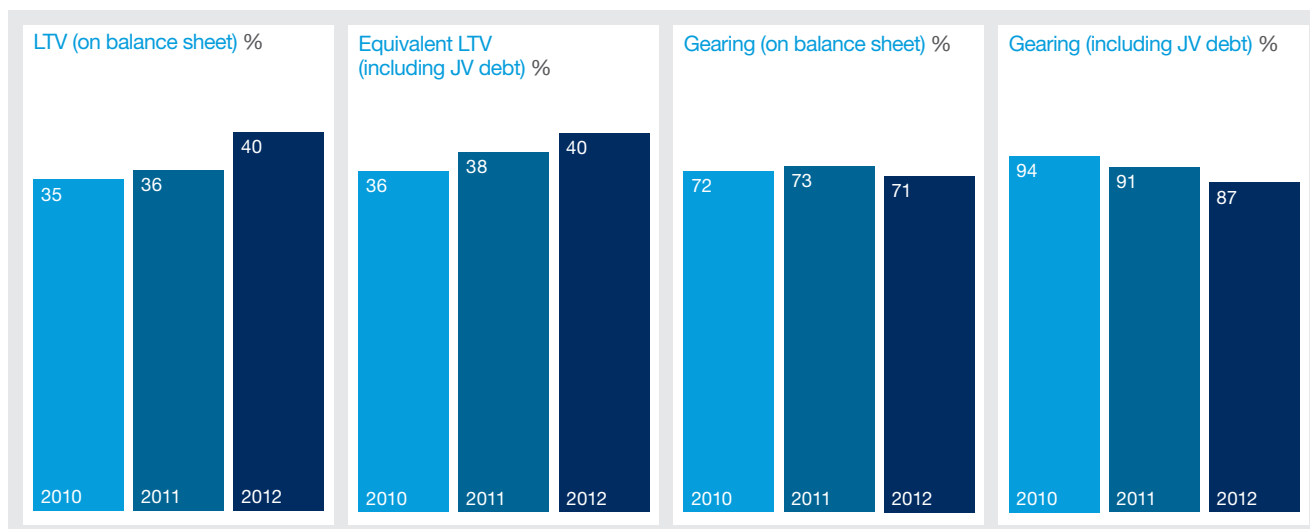
PROFIT BEFORE ALL TAX

Our profit before all tax is stated before tax on joint venture income and stated after movements in the market value of our interest rate derivatives (hedges and swaps). The valuations are based on the financial market's forward prediction curves for interest rates. At the end of the financial reporting period, these curves implied a substantially reduced expectation of future interest rate increases, meaning that their rate of unwind to the Income Statement was slow. As these hedges reach the end of their terms we expect this to be shown as credits to the Income Statement.

Set in the context of the above considerations, profit before all tax has increased by 2% to £52.8m (2011: £51.7m), an extremely positive result against the backdrop of continued difficult economic conditions.

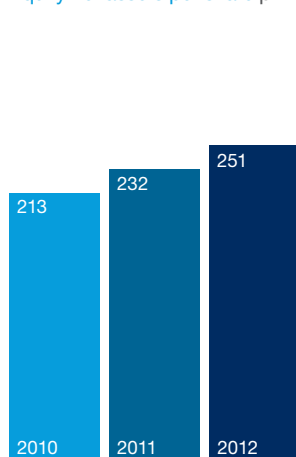
TAXATION AND PROFITS

Valuation gains in our joint venture assets led to an increased tax charge in the year of £10.5m (2011: £6.2m). Nevertheless this is a strong result with profits before tax of £47.4m and profits after tax of £42.3m, a comparable result with 2011 (profit before tax: £50.4m, profit after tax: £45.5m).

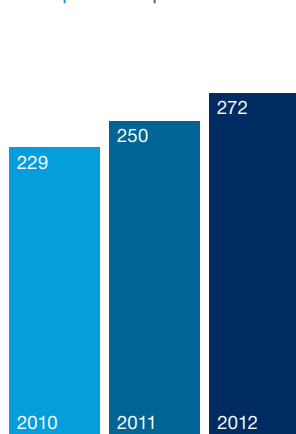


Financial Review (continued)

Equity net assets per share p



EPRA net asset value per share p



BALANCE SHEET

Two transactions in the first half of 2012 altered the shape of our balance sheet:

1 – We accelerated the purchase of RAF Uxbridge, via VSM Uxbridge, a new joint venture vehicle in partnership with VINCI. This is accounted for as a joint venture whereas the land and its associated purchase price liability were previously consolidated.

2 – From our previous joint venture partner, we have acquired full ownership of the Sowcrest and Holaw investments that own our Wembley properties and consequently, these assets and the remaining debt in both entities are now fully consolidated into St. Modwen's results.

Net assets

At the year end, the shareholders' equity value of net assets was £503m or 251p per share. In spite of adverse market valuation movements, this represents an 8% increase over the year (2011: £464m or 232p per share). In addition to this increase, dividends of £6.8m or 3.41p per share were paid during 2012 (2011: £6.2m or 3.10p 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% to 272p from 250p per share.

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

*Note: as a development business many of the EPRA metrics are inappropriate as they are geared to property investment.

PROPERTY PORTFOLIO

Our property portfolio is now worth £1.098bn (2011: £1.103bn). During the period we have continued to actively manage our property portfolio, spending £122m on acquisitions and capital expenditure and £129m realised from asset disposals.

Basis of property valuation

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 moved out slightly in the market during the year, offset by our success in attracting tenants.

Trade payables

As the VSM Estates joint venture with VINCI progresses and land is sold off for development, our trade payables amounts associated with this arrangement will reduce. As a result of the accelerated purchase of RAF Uxbridge, as referred to earlier, the deferred payment arrangements related to land owned by the joint venture have now reduced to around a third of our trade payables balance (2011: two thirds). 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 now complete and show a fully funded scheme. With the scheme being closed to new entrants and closed to future accrual we do not currently expect any significant material future increase in scheme contributions.

Funding

We keep a series of bilateral revolving credit facilities with clearing banks that have a large UK presence. We do this because, as a development business, it is important for us to retain a degree of flexibility within our funding structures. We also have appropriate funding arrangements in place for each of our joint ventures.

As our development activity has increased throughout 2012, our net debt has remained steady. The consolidation of the Sowcrest and Holaw debt brings this to £366m (2011 equivalent: £374m). In addition, we continue to progress selective asset disposals and have recently completed the sale of a parade of retail units in Hounslow for £10.5m.

Taking into account these transactions, equivalent gearing levels have reduced slightly compared to the end of 2011 (2012: 71%, 2011: 79%).

CORPORATE FACILITIES

Throughout 2012, we have extended and diversified our sources of funding with the successful outcome of the retail bond issue in the last quarter playing a major part in this. Throughout 2013 and beyond we will seek to continue to increase the range of our funding sources to ensure that we are delivering best value for the business and our shareholders.

Our current banking facilities have an average life of 3.4 years (2011: 3.5 years) and none are due to mature before November 2014.

Value created by St. Modwen through planning and asset management in 2012

£48m

Financial Review (continued)

Retail bond raised

£80m

Facility headroom

£134m

CORPORATE FACILITIES

Retail bond

Our successful retail bond issue in October raised £80m, with a duration of seven years.

The issue has enabled us to diversify our sources of funding, without increasing our gearing and provides longer term debt as the cornerstone of our financing. The funds raised have been used to reduce our drawings under our existing bank revolving credit facilities, namely the cancellation of the Kennedy Wilson facility.

Headroom in corporate facilities

Following the retail bond issue and subsequent cancellation of the Kennedy Wilson facility, we have ample headroom within our corporate facilities allowing us to meet future development and funding needs. Excluding the VSM joint venture, we have £500m of facilities against net debt of £366m at the year end.

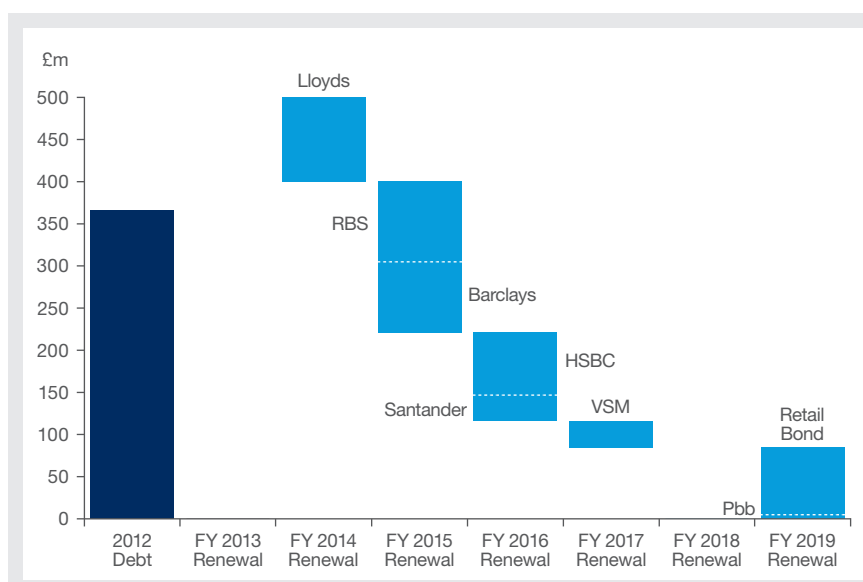
The VSM Estates facility is now extendable until at least March 2017 and has £30m of debt drawn against a remaining facility of £31m. Since the balance sheet date, VSM Estates has received a further £14m of land sale receipts. The joint venture and its associated debt are treated as on balance sheet 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.

Hedging and cost of debt

We hedge the majority of our interest rate risk as we aim to have predictable costs attached to our borrowing. At the year end we were 93% hedged against our corporate debt (2011: 86%).

With the retail bond providing a fixed cost of debt this is now effectively fully hedged. The proportion of fixed debt has matured but we expect this to reduce in the future as our hedging slowly drops away.

CURRENT BANKING FACILITIES



Corporate funding covenants

We are operating well within the covenants that apply to both our corporate banking facilities and now, more recently, to the retail bond. These are:

Bank:

- Net assets must be greater than £250m (actual £514m).
- Gearing must not exceed 175% (actual 71%).
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 2.1x).

Bond:

- See-through loan to value ratio must not exceed 75% (actual 41%).
- Interest cover ratio must be greater than 1.5x (actual 2.8x).

Although the current challenging economic environment still has 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

Our principal joint venture facilities are VSM Uxbridge and Key Property Investments (KPI):

- VSM Uxbridge – our 50/50 joint venture with VINCI PLC has evolved out of Project MoDEL, whereby we acquired and developed a portfolio of sites in north London which were formerly owned by the Ministry of Defence. The aforementioned acquisition of the Uxbridge land was financed with a new £60m facility which runs to at least 2017. We are also working together with VINCI in a separate joint venture for New Covent Garden Market.
- KPI – our 50/50 joint venture with Salhia Real Estate Company K.S.C. holds significant retail and commercial assets with long-term development potential, including the Elephant & Castle Shopping Centre in London. During the period we refinanced our KPI joint venture with a new five year £135m debt facility that runs until 2017.

Consequently, we have no corporate or joint venture facilities that require renewal before November 2014.

Throughout the next year we do not expect the absolute levels of debt to increase from our core business and on this basis both gearing and loan to value levels should fall. As we evaluate the various routes for our major projects, it might be appropriate for us to consider funding that is designed specifically for each opportunity.

In the longer term, we will continue to look at options to increase the diversity of our funding sources and explore alternative sources of finance.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group and the corresponding mitigating actions are set out on pages 54 to 57.

Outlook

Our ability to generate strong returns through our own efforts is now very apparent. Throughout the year and against the backdrop of a challenging economic environment, we have continued to work smartly, maximising and growing our income. At the same time we are diversifying our funding sources, increasing the longevity of our debt and, consequently, our gearing levels should continue to fall. These factors combined provide us with a sound financial platform from which we can drive the business forward.

Michael Dunn

Group Finance Director
4th February 2013

Risks and Uncertainties

HOW WE MANAGE OUR RISKS

	RISK AND POTENTIAL IMPACT	MITIGATION
<h3>1</h3> <h4>Economic and Market Risk</h4> <p>Uncertainty in the economic and market environment increases the risk attached to property valuation and development returns</p>	Market/economic changes such as higher interest rates, reduced demand for land and new properties (e.g. residential), reduced availability of credit and declining investment yields restrict business development and cause valuation falls.	<ul style="list-style-type: none"> 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
	Failure to identify a pipeline of future residential sites reduces our supply of homes or reduced availability of mortgage finance adversely impacts demand for homes in our residential business.	<ul style="list-style-type: none"> Team of professionals with residential experience and expertise Extensive land bank with a continuing stream of planning applications Flexible approach to mortgage financing (e.g. shared equity schemes) Use of JV partners with residential expertise (e.g. Persimmon)
	Poor market intelligence (i.e. failure to anticipate market changes) leads to selection of inappropriate and, ultimately, unprofitable schemes.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Diverse and extensive rent roll (over 1,700 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.	<ul style="list-style-type: none"> Monthly review of performance to identify if senior management intervention is required Flexible but legally secure contracts with partners
<h3>2</h3> <h4>Financial Risk</h4> <p>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</p>	Availability of funding reduces, causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets.	<ul style="list-style-type: none"> Recurring income from rents provides funding for ongoing overhead and interest costs Strong relationships with key banks Financial headroom maintained to provide flexibility Alternative sources of funding (e.g. retail bond) Weighted average expiry of bank facilities is 3.4 years at November 2012
	Unforeseen significant changes to cash flow requirements (e.g. operating cost increases, pension fund shortfall) limit the ability of the business to meet its ongoing commitments.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Independent valuation by external experts and validation by external auditors Professionally conducted and conservative property valuation process

COMMENTARY

CHANGE SINCE 2011 ANNUAL REPORT

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 continuing sovereign debt problems within the Eurozone means that the overall market position continues to represent a high risk.



The planning environment is becoming more difficult with an increased likelihood of delays in the planning process. However, our scale and expertise means that we are still being successful in this area, although individual schemes may suffer delay. Demand for new homes remains strong, although one of the main factors restricting this demand is the lack of availability of new mortgage finance. Any progress in this area would be helpful.



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 uncertain UK economic growth prospects and low business confidence means that there is a continuing high risk in this area.



Our key partners are Persimmon PLC, VINCI PLC and Salhia Real Estate K.S.C. 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. Despite the ongoing sovereign debt issues continuing to restrict general bank funding, the successful launch of our first retail bond has diversified our debt financing profile by providing access to unsecured long-term 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 undertaken externally every six months. Our methodologies are consistent and cautious, always allowing for future uncertainties and for housebuilder profit on our residential land.



Risks and Uncertainties (continued)

HOW WE MANAGE OUR RISKS (continued)

	RISK AND POTENTIAL IMPACT	MITIGATION
<h3>3</h3> <h4>Construction Risk</h4> <p>The management of developments is a complex process</p>	<p>Inadequate due diligence on major new schemes leads to unforeseen exposures, costs and liabilities, which prevent effective delivery and result in financial loss.</p>	<ul style="list-style-type: none"> • 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
	<p>Inadequate construction delivery and procurement leads to quality issues and cost overruns causing customer dissatisfaction and/or financial damage.</p>	<ul style="list-style-type: none"> • 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
<h3>4</h3> <h4>Regulatory and Compliance Risk</h4> <p>Our work is undertaken in a complex environment with consequent compliance risks</p>	<p>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.</p>	<ul style="list-style-type: none"> • Use of high quality professional advisers • 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
	<p>Failure to manage long-term environmental issues relating to brownfield and contaminated sites leads to a major environmental incident, resulting in financial and/or reputational damage.</p>	<ul style="list-style-type: none"> • Use of high quality external advisers • 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
	<p>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.</p>	<ul style="list-style-type: none"> • Performance indicators are reviewed monthly at Board level • Use of high quality external HS&E advisers • Defined business processes to proactively manage issues
<h3>5</h3> <h4>Organisational Risk</h4> <p>Our activities require highly skilled and motivated people in order to deliver consistently and effectively</p>	<p>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.</p>	<ul style="list-style-type: none"> • Succession planning monitored at Board level and below • Targeted recruitment with competitive, performance-driven remuneration packages

COMMENTARY

CHANGE SINCE 2011
ANNUAL REPORT

Our programme for the year has been delivered successfully and we have conducted robust processes in selecting contractors for future projects.



During the year, all of 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 competitive 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.





CORPORATE SOCIAL RESPONSIBILITY

We choose to abide by a CSR philosophy which is founded on a commitment to make a positive change to the economy, socially and to the environment via our regeneration projects and right across the land bank.



Acquiring brownfield sites, remediating and transforming them into cleaner, greener and brighter environments where businesses and communities can thrive: this is the essence of what we do. In turn, it promotes positive social, economic and environmental change.

Pictured: The 135,000 sq ft new facility for Siemens in Lincoln. Comprising 50,000 sq ft of office space and an 85,000 sq ft technologically advanced service workshop, the exacting standards of St. Modwen and its partners resulted in the facility achieving a BREEAM 'Outstanding' rating in recognition of its sustainable design.

Corporate Social Responsibility

Acquiring brownfield sites, remediating and transforming them into cleaner, greener and brighter environments where businesses and communities can thrive: this is the essence of what we do and it brings about job creation, provides new amenities, infrastructure and affordable housing stocks and helps to improve and enhance the environment. In turn, it promotes positive social, economic and environmental change.

As a long-term business with a diverse portfolio of assets, it is difficult for us to capture a true picture of the positive differences we make by compiling tables of annual Corporate Social Responsibility (CSR) targets. Instead, we choose to abide by a CSR philosophy which is founded on a commitment to make a positive change to the economy, socially and to the environment via our regeneration projects and right across our land bank.

ECONOMIC

Our network of regional offices means we can be sensitive to local needs and understand the economic requirements in any given area. Where possible, we seek to employ local skills on our schemes either directly, across our supply chain, or by offering construction-related apprenticeships.

Apprenticeships – Rugby and Longbridge

At both of our sites in Rugby and in Longbridge we have built new Colleges – Warwickshire College and Bournville College, respectively. Both offer courses in construction and to ensure we leave a legacy beyond the built environment, we have entered into agreements with both institutions to appoint a number of local students to work on our sites, learn important skills, gain site experience and ultimately employment opportunities.

In addition to working with schools and colleges, we work together with Local Authorities to promote employment locally. Our partnership with Enfield Borough Council to promote their 'Jobsnet' via our Edmonton Green Shopping Centre, an initiative to help unemployed Enfield residents back in to work, has been running for around five years. It provides CV advice and printing, application form completion and interview techniques, signposting to relevant free training schemes and a job search facility. Through the opening of new shops and encouraging new businesses to the area – for example Wilkinsons which opened earlier in 2012 – we encourage the employment of local residents via Jobsnet.

Due to their location, we are also able to offer affordable rents across many of our sites which encourage smaller and more local businesses to the area and in doing so, helping them to thrive within the newly built infrastructure and improved environment.



Above:
Bournville College, Longbridge – we appoint a number of students to work on our sites as apprentices.



SOCIAL

Many of our sites are located in deprived or run down areas and in transforming these areas we instantly provide people with a sense of place, crime rates reduce and people start to feel proud of the community in which they live and/or work. For example, in Wythenshawe, Manchester for example, crime rates have steadily decreased by around 20% over the last five years.

We aim to help local charities and community groups, not only financially through donations but by offering them the use of our buildings across some of our sites that are awaiting redevelopment. At Long Marston, Warwickshire, we were able to offer the local Police the use of some of the former Ministry of Defence buildings and the surrounding space to train Police dogs.

It is fundamental to the success of our developments that they create a sense of belonging. We take public consultation seriously and listen to the views of the local community and wherever possible, implement their constructive suggestions into our schemes. Beyond securing planning gain, we want to create places that make communities proud and leave a legacy for generations to enjoy.

Our own housebuilding brand, St. Modwen Homes, differentiates itself from larger national housebuilders by assuming a local developer mentality and allowing a design-led approach to be taken to both the built form and the external environment. By adopting this approach, we give considerable thought to public realm and how we deliver it, to ensure we create a real heart for the communities we are developing.

SUSTAINABILITY

We have a responsibility to employ the most sustainable and environmentally friendly techniques across our build projects. One of the reasons why we are successful with planning gain is because we work closely with the Environment and the Highways Agencies to make sure our schemes meet their high standards and to ensure that they meet the requirements of planning authorities.

We pay particular attention to recycling materials on site, using sustainable materials, conserving energy, reducing our consumption of raw materials and minimising waste production. This year we have achieved some excellent results for recycling and reusing materials on site: 99% of remediated materials (2011: 99%) and 90% of construction waste (2011: 88%) have been used again on our sites, minimising disposal to landfill and reducing the need for heavy construction traffic on the roads. There was a slight decline in the percentage of demolition products reclaimed for retention on site or recycling (2011: 96%). This is a direct result of demolishing a series of dilapidated former MoD, car manufacturing and town centre buildings which comprised materials unfit for recycling elsewhere on site.

Recycling / reclamation on site	2012 Achieved	2011 Achieved	2010 Achieved
Percentage of remediated materials reused or recycled	99%	99%	99%
Percentage of demolition products reclaimed for retention on site or recycling	93%	96%	94%
Percentage of construction waste reused or recycled	90%	88%	75%

Top:
Wythenshawe, Manchester – where our £100m investment in the town centre has resulted in a steady decrease in crime rates.

Corporate Social Responsibility (continued)

CASE STUDY, SIEMENS

Perhaps the best example of St. Modwen's sustainability ethos is our delivery of a new 135,000 sq ft office and workshop facility for Siemens in Lincoln which was completed towards the end of 2012.

A long-standing tenant of St. Modwen already located in Lincoln, Siemens' gas turbine service business decided to relocate its operations from four sites to one facility that would meet its current business needs and enable future growth. Our existing relationship with Siemens meant we were well placed to act as its development partner for the relocation.

Together, we concluded that the new facility must provide the right balance of viability and aesthetics in building materials, a highly sustainable design and operational ethic, and high standards of ecological and landscape management.

The new facility comprises 50,000 sq ft of office space and an 85,000 sq ft technologically advanced service workshop. It includes the benefits of low or zero carbon technology with just under 9,700 sq ft of photovoltaic solar panels fitted across the service workshop roof. Thermal and lighting zoning will further contribute to the annual energy savings at the facility.

Situated in one of the driest areas of the country, the team carried out careful selection of sanitary appliances with reduced flush volumes and flow rates to save considerable amounts of water.

A and A+ Green Guide rated building materials were selected and all stone and aggregates used at the facility were sourced from within 30 km of the site. Supply chain and key process materials were selected exclusively from manufacturers with ISO 14001 EMS certification, whilst more than 90% of waste generated during construction was diverted from landfill to a specialist waste contractor to sort and recycle.

The reuse of topsoil locally and arisings remaining on site further minimised landfill use. These measures all contributed to the development being able to achieve a score of 36 out of 40 under the 'Considerate Constructors Scheme'.

St. Modwen's project team took great care to preserve the natural habitat at the site and implemented measures for long-term mitigation of biodiversity, including the reintroduction of tree and flower species. The site was designed with consideration for noise attenuation, so that noise levels only ever rise by five decibels above background levels during construction. This was achieved through regular noise readings, no out-of-hours deliveries and liaison with the local Environmental Health Officer.

St. Modwen and the project team also devised a plan to promote alternative modes of transport, including discounted public transport, secure cycle parking and car sharing schemes. In line with the innovative plan of the building and Siemens' own strong sustainable transport focus in Lincoln, the design team also included Siemens advanced two-hour, twin-headed electric vehicle charging equipment in the car park to ensure the facility can support low-emission transport and remain future-proof for the foreseeable future.

The exacting standards of the project, which have been met by St. Modwen and its partners have resulted in the facility achieving the BREEAM 'Outstanding' rating in recognition of its sustainable design.

A multi-million pound pre-let and development deal was agreed with Siemens on a 12 year lease. It is anticipated that Siemens' relocation has the potential to attract £500m of business investment to the region over the next 10 to 15 years, which could equate to many thousands of jobs. This will not only significantly bolster Lincolnshire's manufacturing and construction industries, but should also lead to much-needed opportunities for highly-skilled workers in challenging market conditions.



Top:
The new 135,000 sq ft Siemens facility benefits from zero carbon technology.

Left:
Thermal and lighting zoning will further contribute to the annual energy savings at the facility.

SUSTAINABILITY (continued)

Trees and open spaces

St. Modwen recognises that with a land bank of over 5,800 acres, there are huge opportunities to maximise the use of green spaces both within its own developments and also on any undevelopable acreage and in doing so bringing cultural, social, economic and environmental value to this land bank.

Some of the interesting environmental projects that are taking place across our land bank are illustrated by the following two examples:

- **Diamond Woods – Trentham Estate, Stoke-on-Trent** – The North Park, within the Trentham Estate, Stoke-on-Trent is one of just 60 Diamond Woods across the country in The Woodland Trust's Jubilee Woods project, which marks HM The Queen's 60 years as a monarch.

Parkland and heathland restoration will include revealing both the hidden 18th century parkland landscape designed by Capability Brown, as well as the remains of the Patte d'Oie (Goose's Foot) Lime Tree Avenues and historic drive to the west.

The first phase of this five-year scheme commenced in February 2012 and included the removal of the commercial Pine Tree Forest, so that this area could be restored and planted with native Sessile Oak Trees. Planting commenced in November 2012 and with another 7,000 trees to get into the ground during the winter, will continue during the first few months of 2013. As part of this initiative, the Trentham Estate offers opportunities for the local community and visitors to either plant trees on 'Community Planting Days', or dedicate a tree to support the Douglas Macmillan Hospice, for which over £30,000 has already been raised.



Demonstrating the potential that our sites hold to enhance the green environment, our site at RAF Uxbridge was also selected by the Woodland Trust as the location for one of its Jubilee Woods in conjunction with Hillingdon Council.

- **New Austin Park – Longbridge, Birmingham** – We have just commenced work on the £2m Austin Park that will be the green heart of Longbridge town centre and will feature a 255 metre stretch of the River Rea which has been buried for nearly 100 years.

This is the first public park to be built in South West Birmingham in the last fifty years and when complete in 2013, will feature footpaths, seating areas, a pedestrian footbridge over the river and more than 20,000 plants and 550 trees.



St. Modwen Environmental Trust

Affiliated to the Government's Landfill Tax Credit Scheme and regulated by ENTRUST, the St. Modwen Environmental Trust provides valuable support to community and environmental projects across the UK. In 2012, over £65,000 was committed to eight projects across the country.

However, after six years the Environmental Trust is coming to a close, and 2013 will be its last year of operation. We intend to identify other environmental and community projects to support in the future.

Energy efficiency

At the outset of development the methods of reducing the energy demands of our buildings are considered carefully. Also, we continually explore ways in which we can create efficient ways of supplying energy to our tenants which benefits the businesses themselves as well as the broader environment.

We are due to start on site in 2013 with our first Solar Park. This will be situated on 30 acres of surplus land at our 10,050 acre Baglan Bay site in South Wales, formerly the site of a BP petrochemicals plant which we have fully remediated since acquiring it in 2009. The Park will house over 21,000 photovoltaic panels which will generate five megawatts of power, enough to provide electricity for over 1,200 homes per year.

Left:
Community tree planting at the North Park, Trentham Estate, Stoke-on-Trent.

Right:
Works have recently commenced on the new Austin Park, Longbridge.

The Board



BILL SHANNON

Chairman

Appointed to the Board as non-executive director and Chairman Designate in November 2010 and became Chairman in March 2011.

Committee Membership

Chairs the Nomination Committee and is a member of the Remuneration Committee.

Experience

A 30 year career at Whitbread plc which culminated in his appointment as a main Board director for 10 years until his retirement in 2004. Former Chairman of AEGON UK plc (previously Scottish Equitable), Gaucho Grill Holdings Ltd and Pizza Hut (UK) Ltd, and former non-executive director of The Rank Group plc, Barratt Developments plc and Matalan plc. Currently a non-executive director of Johnson Service Group plc. A qualified Chartered Accountant (Scotland).



BILL OLIVER

Chief Executive

Appointed to the Board in January 2000.

Committee Membership

None.

Experience

Has over 30 years' experience in the property industry with residential and commercial development companies such as Alfred McAlpine, Barratt and The Rutland Group. Finance Director of Dwyer Estates plc from 1994 to 2000. Joined St. Modwen in 2000 as Finance Director, and was subsequently appointed Managing Director in 2003 and Chief Executive in 2004. A qualified Chartered Accountant.



MICHAEL DUNN

Group Finance Director

Appointed to the Board in December 2010.

Committee Membership

None.

Experience

Joined Coopers & Lybrand on graduating before moving to The National Grid Company in 1994. Joined Carillion plc in 1997 and was Finance Director of Carillion Private Finance and Carillion Building. Joined St. Modwen in 2010 from May Gurney Integrated Services plc where he spent five years as Group Finance Director. A qualified Chartered Accountant.



STEVE BURKE

Construction Director

Appointed to the Board in November 2006.

Committee Membership

None.

Experience

Joined St. Modwen in 1995 as a Contracts Surveyor after a number of years' construction experience in senior roles with national contracting companies including Balfour Beatty and Clarke Construction. Appointed Construction Director in 1998 and joined the Board as a director in 2006.



DAVID GORMAN

Senior Independent Director

Appointed to the Board in April 2010 and became Senior Independent Director in April 2011.

Committee Membership

Member of the Audit, Remuneration and Nomination Committees.

Experience

Chief Executive of the Allied Bakeries subsidiary of Associated British Foods plc from 1993 to 1999 and TDG plc from 1999 to 2008. Former non-executive director of Kewill plc and former Senior Independent Director of Victoria plc and Carillion plc. Currently Senior Independent Director of Phoenix IT Group plc. A founder member of The Oakwood Partnership and a Fellow of the Chartered Institute of Logistics and Transport.



KAY CHALDECOTT

Independent non-executive director

Appointed to the Board in October 2012.

Committee Membership

Member of the Audit and Remuneration Committees.

Experience

Joined Capital Shopping Centres Group plc on graduating and held a number of senior management positions, including Managing Director, during a career spanning 27 years. Also served as a main Board director from 2005 until leaving the group in 2011. Currently a non-executive director of New River Retail Limited. A member of the Royal Institution of Chartered Surveyors.



SIMON CLARKE

Non-executive director

Appointed to the Board in October 2004.

Committee Membership

None.

Experience

Former Deputy Chairman of Northern Racing plc and director and Vice-Chairman of The Racecourse Association Ltd. Currently Chairman of Dunstall Holdings Ltd. The son of Sir Stanley Clarke, founder and former Chairman of St. Modwen, and represents the interests of the Clarke and Leavesley families, the Company's largest shareholders, on the Board.



KATHERINE INNES KER

Independent non-executive director

Appointed to the Board in October 2009.

Committee Membership

Member of the Audit and Remuneration Committees.

Experience

Has held director roles as a media analyst with both SBC Warburg and Dresdner Kleinwort Benson. Former non-executive director of ITVDigital plc, The Television Corporation plc, Fibernet Group plc, Gyrus Group plc, Taylor Wimpey plc and Ordnance Survey. Former Chairman of Shed Media plc and Victoria plc. Currently Senior Independent Director of Tribal Group plc and a non-executive director of The Go-Ahead Group plc.



LESLEY JAMES, CBE

Independent non-executive director

Appointed to the Board in October 2009.

Committee Membership

Chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

Experience

HR Director for Tesco plc from 1985 to 1999 and a main Board director from 1994. Former non-executive director for a number of companies including Care UK plc, Alpha Airports Group plc, Inspicio plc, Liberty International plc and the West Bromwich Building Society. Former Trustee of the charity I CAN. Currently a non-executive director of Anchor Trust. A Companion of the Chartered Institute of Personnel and Development.



JOHN SALMON

Independent non-executive director

Appointed to the Board in October 2005.

Committee Membership

Chairs the Audit Committee and is a member of the Remuneration Committee.

Experience

Admitted to partnership of Price Waterhouse in 1976 and was a senior client partner at PricewaterhouseCoopers LLP with lead responsibility for a range of major listed companies until his retirement in 2005. A former member and Deputy Chairman of PwC's Supervisory Board. Currently a Trustee and Council Member of the British Heart Foundation. A qualified Chartered Accountant.



TANYA STOTE

Company Secretary

Joined St. Modwen as Company Secretary in March 2012. Has held senior Company Secretary roles in a number of FTSE listed companies including Taylor Woodrow plc, Travis Perkins plc and, most recently, GKN plc where she was Deputy Company Secretary and Head of Secretarial Department. A Fellow of the Institute of Chartered Secretaries and Administrators.

Regional Directors



JOHN DODDS FRICS

**Regional Director –
Midlands**



GUY GUSTERSON MBA

Residential Director



MIKE HERBERT

**Regional Director –
The Trentham Estate**



RUPERT JOSELAND MRICS

**Regional Director –
South West and South Wales**



STEPHEN PROSSER MRICS

**Regional Director –
North**



TIM SEDDON MRICS

**Regional Director –
London and South East**



RUPERT WOOD MRICS

**Regional Director –
Northern Home Counties**

Corporate Governance Report



BILL SHANNON, Chairman

CHAIRMAN'S OVERVIEW

As a Board, we are responsible for the stewardship of the business and are committed 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 relationships with our stakeholders.

Our approach to governance is outlined in the following report, which describes how we integrate into our business the main principles of the five sections of the UK Corporate Governance Code (the Code), namely leadership, effectiveness, accountability, remuneration and relations with shareholders. I am pleased to report that, following a change to membership of the Audit and Remuneration Committees during 2012, the Company now complies in full with the Code.

In line with the development of our business, our governance framework is kept under close review in order to ensure that shareholders' interests are safeguarded and to sustain the success of the Company over the longer term. As reported in my Chairman's statement on page 19, we have deepened further the property expertise on the Board by the appointment of Kay Chaldecott as a

non-executive director, who joins us following a career in the UK retail property sector spanning 27 years. In September 2012 I commissioned an independent external review of the effectiveness of the Board and its Committees, which was conducted between October and December. The review was designed to encourage the directors to step back from the normal business of the Board and provide them with an opportunity to question the Board's approach, assess its impact and contribution and consider how best it can develop. The results of this review are being analysed as this report is finalised and therefore an update on the results of this assessment will be disclosed in next year's report.

In my second year as Chairman I am pleased with the progress that has been made in respect of our approach to governance and I expect that this will continue to develop and strengthen during 2013.

Bill Shannon
Chairman

Corporate Governance Report (continued)

LEADERSHIP

Q: What is the Board's role?

A: The Board's role is to provide leadership of the Company and direction for management. It is collectively responsible and accountable to shareholders for the long-term success of the Company. It sets the strategy and reviews performance, ensuring that only acceptable risks are taken and the appropriate resources are in place to deliver the strategy.

Q: What responsibilities does the Board have?

A: A formal schedule of matters specifically reserved for Board approval has been adopted by the Board. Principal matters reserved for authorisation by the Board include:

- long-term strategy, both commercial and financial;
- annual operating and capital budgets;
- major property acquisitions and disposals;
- risk management and internal control;
- dividend policy;
- matters relating to the capital structure of the Company; and
- the appointment of directors.

The Board delegates responsibility for overseeing the implementation of strategy and policies to the executive directors. It also delegates certain responsibilities to a number of Board Committees.

Q: How does the Board carry out its responsibilities?

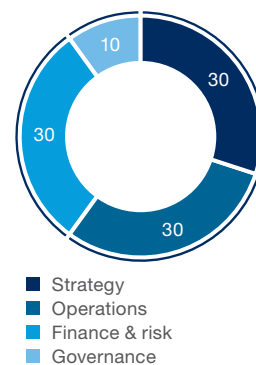
A: The Board discharges its responsibilities through an annual programme of Board and Committee meetings. Directors' attendance at meetings held in the year is set out on page 70. At least one meeting is combined with a Board visit to sites within the Company's property portfolio; in 2012 the Board visited the Trentham Estate, Phoenix Business Park and the Hednesford Town Centre development. During the year the Board approved an annual agenda plan to ensure that all necessary matters are reserved for Board decision and are afforded adequate time for discussion.

Q: What is the Chairman's role?

A: As Chairman, Bill Shannon's role is to lead the Board. He is responsible for ensuring both an effective Board and effective contribution from the directors based on a culture of openness, debate and constructive challenge. 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 sufficiently in advance of each Board meeting;
- takes the lead in providing a comprehensive, formal and tailored induction programme for new directors and regularly reviewing and agreeing with each director any training and development needs;
- leads on Board performance evaluation, including the evaluation of the directors individually and the Board Committees;
- maintains an effective working relationship with the Chief Executive by providing support and advice;
- ensures effective communication with shareholders; and
- as Chairman of the Nomination Committee, initiates change and plans succession in relation to Board appointments (other than in relation to the appointment of a successor as Chairman).

Allocation of time spent at Board meetings in 2011/2012 %



Q: Does the Chairman hold any other appointments?

A: Yes, Bill Shannon is currently a non-executive director of Johnson Service Group plc, a FTSE AIM listed company.

Q: What is the Chief Executive's role?

A: Bill Oliver has day to day management responsibility for the Group and for the implementation of strategy and policies approved by the Board. In particular he:

- develops and presents to the Board the long-term commercial and financial strategy of the Company;
- recommends to the Board annual operating and capital budgets;
- approves property acquisitions and disposals in accordance with authority levels delegated by the Board;
- reviews and reports to the Board on operational performance; and
- provides input to the Remuneration Committee on the policy for the remuneration of the executive directors.

In carrying out his responsibilities, the Chief Executive is assisted by Michael Dunn, Group Finance Director, and Steve Burke, Construction Director.

Q: What are the Committees of the Board and what do they do?

A: Subject to those matters reserved for its decision, the Board delegates certain responsibilities to a number of standing Committees:

Committee	Role
Audit Committee (comprising independent non-executive directors)	Monitors the integrity of the financial reporting and audit processes, reviews external valuations of the property portfolio and assesses the Company's risk management and internal control systems. A report on its activities during the year is given on pages 76 to 78.
Nomination Committee (comprising the Chairman and independent non-executive directors)	Recommends Board and Board Committee appointments which ensure an appropriate mix of skills and experience and reviews succession planning against the leadership needs of the Group. A report on its activities during the year is given on pages 79 and 80.
Remuneration Committee (comprising independent non-executive directors)	Determines and agrees with the Board the Group's general policy on executive and senior management remuneration and designs the Company's share incentive schemes. The Directors' Remuneration Report is set out on pages 81 to 94.

Membership of the Committees is set out on pages 64 and 65. Each Committee has written terms of reference which have been approved by the Board and are reviewed periodically to ensure that they continue to comply with the latest legal and regulatory requirements and best practice guidance.

Corporate Governance Report (continued)

LEADERSHIP CONTINUED

Q: How many Board and Committee meetings did directors attend in 2011/12?

A: Details of Board and Committee attendances by all directors who held office during the year are set out below ¹:

Director	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Bill Shannon (Chairman)	10/10	–	5/5	3/3
Bill Oliver (Chief Executive)	10/10	–	–	–
Michael Dunn (Group Finance Director)	10/10	–	–	–
Steve Burke (Construction Director)	10/10	–	–	–
Kay Chaldecott (NED)	2/2	–	–	–
Simon Clarke (NED) ²	8/10	1/1	2/2	0/1
David Garman (Senior Independent Director)	10/10	3/3	5/5	3/3
Katherine Innes Ker (NED) ³	9/10	3/3	5/5	1/1
Lesley James (NED)	10/10	3/3	5/5	3/3
John Salmon (NED)	10/10	3/3	5/5	1/1

¹ Actual attendance / maximum number of meetings a director could attend.

² Simon Clarke was unable to attend the Board and Nomination Committee meetings in February due to illness and the Board meeting in May due to prior business commitments.

³ Katherine Innes Ker was unable to attend the Board meeting in October due to illness.

EFFECTIVENESS

Q: What is the profile of the Board?

A: The Board currently comprises three executive and seven non-executive directors, including the Chairman. With the exception of Simon Clarke, the Board considers that all of the non-executive directors are independent and is not aware of any relationship or circumstance likely to affect the judgement of any director.

Independence and a broad range of skills, experience, knowledge and diversity (including gender diversity) are represented on the Board. Biographical details of all directors are given on pages 64 and 65.

At the 2013 Annual General Meeting (AGM), and in accordance with the Company's Articles of Association, shareholders will be asked to elect Kay Chaldecott to the Board. All other directors, with the exception of Katherine Innes Ker and David Garman who both retire at the conclusion of the AGM, will seek re-election in accordance with the provisions of the Code.

Q: What is the Board's view on gender diversity?

A: The Board acknowledges the importance of diversity in all forms and recognises the benefits that it can bring to both the Board and throughout the business. With regard to gender diversity, the Company currently has 30% female representation on the Board which is ahead of the 25% target outlined by Lord Davies in his report "Women on Boards" published in February 2011.

As at 30th November 2012 gender diversity was as follows:

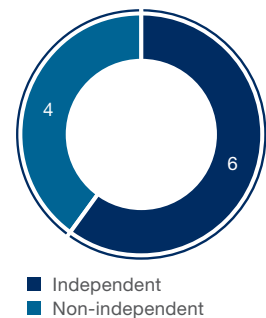
At Board level	Number (%)
Women holding directorships:	3 (30%)
Women Chairs (Board and Committees):	1 (25%)
Women executive directors:	0 (0%)
Women non-executive directors (including the Chairman):	3 (50%)

Below Board level	(%)
Percentage of women in senior executive positions:	13%
Percentage of women in the organisation:	45%

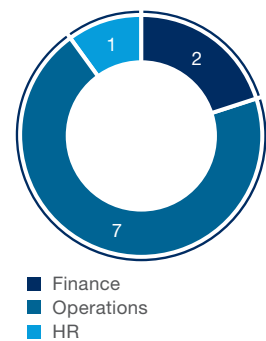
Q: How has membership of the Board changed during the year?

A: Board composition continues to develop and was further strengthened during the year with the appointment of Kay Chaldecott as a non-executive director in October 2012. She has a long and distinguished career in the UK retail property sector enabling her to bring additional industry expertise to the Board. In accordance with the Company's Articles of Association, shareholders will be asked to elect her to the Board at the 2013 AGM. Further information on the process followed in respect of this appointment can be found in the Nomination Committee report on pages 79 to 80.

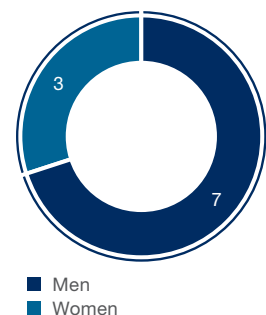
Directors' independence



Skills



Board gender split



Corporate Governance Report (continued)

EFFECTIVENESS CONTINUED

Q: Are any further changes to Board composition anticipated?

A: As announced on 29th January 2013 Katherine Innes Ker, an independent non-executive director, and David Garman, the Senior Independent Director, will retire from the Board with effect from the conclusion of the 2013 AGM. The search for David's replacement is underway and an announcement will be made in due course.

Q: What is the induction process for new directors?

A: The Chairman, assisted by the Company Secretary, is responsible for the induction of all new directors. On joining the Board, a director receives a comprehensive induction pack which includes background information on the Company, material on matters relating to the activities of the Board and its Committees and governance-related information (including the duties and responsibilities of directors). The director meets with the executive directors to be briefed on strategy and performance and site visits are scheduled. Major shareholders are also offered the opportunity to meet newly appointed directors should they express a desire to do so.

Q: What arrangements are in place for director training and development?

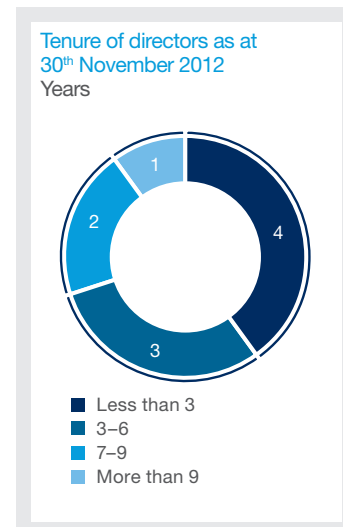
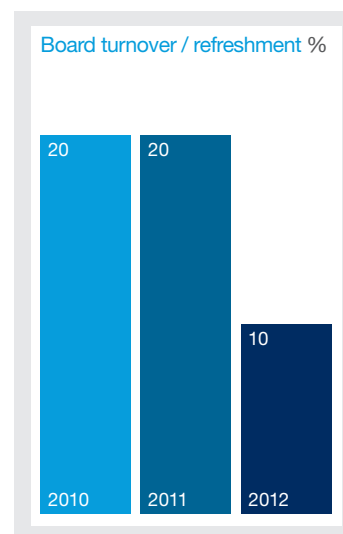
A: The Company is committed to the continuing development of directors in order that they may build on their expertise and develop an ever more detailed understanding of the business and the markets in which St. Modwen operates. Training and development needs are discussed with each director by the Chairman as part of the individual performance evaluation process and kept under review. Development activities include visits to sites within the Company's property portfolio, both as a Board and individually, regular presentations to the Board by Regional Directors on key projects, and meetings with Jones Lang LaSalle to review their external property valuation reports. The attendance by members of Board Committees on courses relevant to aspects of their respective Committee specialisms is also encouraged.

Q: Can the directors seek independent professional advice?

A: In addition to having direct access to the advice and services of the Company Secretary, all directors are able to seek independent professional advice in the course of their professional duties at the Company's expense.

Q: How do you assess the effectiveness of the Board and its Committees?

A: In 2012 an independent external review of the effectiveness of the Board and its Committees was conducted by Dr Tracy Long of Boardroom Review. Boardroom Review does not provide any other services to the Company. The review focused on the activities of the Board in terms of its approach to strategy and operations, risk and control and performance management, together with Board culture and dynamics and the way in which it optimises its use of time. The process involved in-depth confidential interviews with each director, observation of Board and Committee meetings and a review of selected papers. The results of the evaluation exercise were presented to the Board in December 2012. The output remains under consideration by the Board and any agreed changes will be implemented as soon as practicable. Board and Committee terms of reference will also be reviewed in light of any changes adopted.



EFFECTIVENESS CONTINUED

Q: How is the performance of the directors assessed?

A: The individual performance of the directors is evaluated through one-to-one discussions with the Chairman. David Garman, as Senior Independent Director, led the review by the non-executive directors of the Chairman's performance, which took into account the views of the executive directors. No actions were considered necessary as a result of these evaluations and the Chairman confirms that the performance of each director continues to be effective, that they continue to demonstrate commitment to their respective roles and that their respective skills complement one another to enhance the overall operation of the Board.

ACCOUNTABILITY

Q: What is the Board's approach to financial and business reporting?

A: When reporting to shareholders the Board aims to present a fair, balanced and understandable assessment of the Company's position and prospects and is assisted in this by the Audit Committee. This responsibility covers the annual and half year Report and Accounts, other price sensitive public reports, reports to regulators and information required to be presented by statutory requirements. The assessment for the year ended 30th November 2012 is provided in the Business Review sections of this Annual Report. The responsibilities of the directors in respect of the preparation of the Annual Report are set out on page 98 and the auditor's report on page 99 includes a statement by Deloitte about their reporting responsibilities. As set out on page 97, the directors are of the opinion that the Company is a going concern. The Board considers that the 2011/12 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

A: The Board is ultimately responsible for maintaining sound risk management and internal control systems. Its policy is to have systems in place which optimise the Company's ability to manage risk in an effective and appropriate manner. These systems also include financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature. The Board's approach to risk management is supported by an oversight structure which includes the Audit Committee. St. Modwen's risk management and internal control systems are designed to identify, manage and, where practicable, reduce and mitigate the effect of the risk of failure to achieve business objectives. They are not designed to eliminate such risk and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Q: What are the Company's key internal controls?

A: The risk management and internal control system includes comprehensive monthly reporting to the Board on all activities through detailed portfolio analysis, property development progress reviews, management accounts and a comparison of committed expenditure against available facilities. Detailed annual budgets are reviewed by the Board and revised forecasts for the year are prepared on a regular basis, including explanations of any variances between actual and budgeted performance. There are clearly defined procedures for the authorisation of capital expenditure, purchases and sales of development and investment properties, construction activity, contracts and commitments together with 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 bribery and anti-corruption, fraud prevention, whistleblowing, health and safety, employment and IT.

Corporate Governance Report (continued)

ACCOUNTABILITY CONTINUED

Q: Is there an internal audit function?

A: Yes, the Company has a full time Internal Audit Manager. During the year, the Audit Committee approved the Group Internal Audit Charter which sets out the objectives, accountability and independence, authority, responsibilities, scope of work, and standards and performance for internal audit. The activities of the function are 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. Further information can be found in the Audit Committee Report on pages 76 to 78.

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

A: The Audit Committee is responsible for reviewing the ongoing control process. During the year it considered the effectiveness of the systems of internal control through a detailed report from senior management which sets out 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. Key internal controls are also reviewed by internal audit as part of the annual audit plan and the Audit Committee receives and considers regular reports in respect of these reviews.

Both the Board and the Audit Committee review and approve the Group Risk Register, which is maintained by executive management, on an annual basis. During the year, the Internal Audit Manager facilitated workshops in the business to embed further the risk management system. A summary of the principal risks which could have a material impact on the Group is given on pages 54 to 57.

The Board has reviewed the effectiveness of the Group's systems of internal control and risk management during the period covered by this Annual Report. It confirms that the processes described above, which accord with the guidance on internal control (the revised Turnbull Guidance), have been in place throughout that period and up to the date of approval of this report. The Board also confirms that no significant failings or weaknesses have been identified.

REMUNERATION

The primary objective of the Company'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 reward financial success appropriately. The policy is structured so as to be aligned with key strategic priorities and to be consistent with a Board-approved level of business risk. Details of the Company's policy on remuneration and the elements of directors' remuneration are set out in the Directors' Remuneration Report on pages 81 to 94.

RELATIONS WITH SHAREHOLDERS

Q: How does the Board engage with shareholders?

A: The Board has a comprehensive investor relations programme which aims to provide existing and potential investors with a means of developing their understanding of St. Modwen. The programme is split between institutional shareholders (which make up the majority of shareholders), private shareholders and debt investors. Feedback from the programme of events is provided to the Board to ensure that they develop an understanding of the Company's major investors.

As part of the programme, presentations on the half year and annual results are given in face to face meetings and conference calls with institutional investors, analysts and the media. Copies of these presentations are published on the Company's website at www.stmodwen.co.uk together with interim management statements. In 2012 the Company held an investor day for institutional investors and analysts which included presentations on current trading, the Company's residential development business and a tour of the Longbridge site in Birmingham. Meetings with principal shareholders, including the Clarke and Leavesley families, were also held and the Company had regular dialogue with its key relationship banks. The Chairman is available to meet with institutional shareholders and investor representatives to discuss matters relating to strategy and governance. Private shareholders are encouraged to give feedback and communicate with the Board through the Company Secretary.

Q: To whom do shareholders address any concerns?

A: The Chief Executive and Group Finance Director are available to meet shareholders throughout the year. The Chairman and Senior Independent Director are also available to discuss any issues or concerns that shareholders may have. During the year no investor concerns were raised.

Q: What is the purpose of the AGM?

A: The AGM provides an opportunity for all shareholders to vote on the resolutions proposed and to question the Board and the Chairs of the Board Committees on matters put to the meeting. The results of voting at general meetings are published on the Company's website, www.stmodwen.co.uk. The notice of meeting for the 2013 AGM can be found on pages 151 to 157.

COMPLIANCE STATEMENT

This Corporate Governance statement, together with the Audit Committee report, the Nomination Committee report and the Directors' Remuneration Report, provide a description of how the main principles of the Code have been applied by St. Modwen in 2011/12. The Code is published by the Financial Reporting Council and is available on its website at www.frc.org.uk

Throughout the financial year ended 30th November 2012, St. Modwen was in compliance with the relevant provisions set out in the Code with the exception of provisions C.3.1 and D.2.1 which require that membership of the Audit and Remuneration Committees respectively should comprise independent non-executive directors. As noted in the 2010/11 Annual Report, Simon Clarke was a member of both the Audit and Remuneration Committees but was not regarded as an independent non-executive director within the meaning of the Code given that he represents the interests of the Clarke and Leavesley families, who together hold approximately 21.4% of the Company's issued share capital. Noting feedback received from institutional investor groups in relation to Simon's Committee membership, the Board agreed that he should step down from both Committees with effect from 23rd April 2012. Since then the Company has been in compliance with provisions C.3.1 and D.2.1.

This statement complies with sub-sections 2.1, 2.2(1), 2.3(1), 2.5, 2.7 and 2.10 of Rule 7 of the Disclosure Rules and Transparency Rules of the Financial Services Authority. The information required to be disclosed by sub-section 2.6 of Rule 7 is shown in the section entitled Other Governance and Statutory Information.

Audit Committee Report



JOHN SALMON

Chairman of the Audit Committee

COMMITTEE MEMBERSHIP

The Committee comprises the following directors, all of whom served throughout the financial year unless indicated otherwise below:

Director	Audit Committee Position
John Salmon	Chairman
Kay Chaldecott	Member (with effect from 17 th December 2012)
David Garman	Member
Katherine Innes Ker	Member
Lesley James	Member

Simon Clarke was a member of the Committee until 23rd April 2012 when he stood down; he continues to attend meetings of the Committee as an observer.

As a former partner of PricewaterhouseCoopers LLP, John Salmon, the Committee Chairman, is considered by the Board to have recent and relevant financial experience as required by the Code.

ROLE OF THE COMMITTEE

The Committee is responsible for monitoring the integrity of the Financial Statements, including formal announcements relating to its performance, and considers the appropriateness of accounting policies. The Committee also reviews the adequacy and effectiveness of the Company's internal controls and risk management systems. It considers the work and plans of the Group's internal audit function and assesses the function's effectiveness, and reviews reports and plans from, and consults with, the external auditor, monitoring their independence and the effectiveness of the external audit process.

The Committee's terms of reference are available on the Company's website at www.stmodwen.co.uk. The terms of reference were reviewed during 2012 to ensure that they continue to reflect accurately the Committee's remit.

ADVICE PROVIDED TO THE COMMITTEE

The Committee has direct access to both the Internal Audit Manager and external auditor outside formal Committee meetings. Whilst permitted to do so, no member of the Committee, nor the Committee collectively, sought outside professional advice beyond that which was provided directly to the Committee by the external auditor and the external valuer during 2011/12.

COMMITTEE'S ACTIVITIES

The Committee met on three occasions in 2011/12; members' attendance at meetings is set out in the table on page 70. The Chairman of the Board, Group Finance Director, Construction Director, Group Financial Controller, Internal Audit Manager, the audit engagement partner and other representatives from Deloitte LLP and the Company Secretary attended meetings of the Committee by invitation.

The Committee also met without any executive management present and on two occasions held private sessions with the Internal Audit Manager and external auditor.

Matters formally reviewed and discussed by the Committee during the financial year are set out below.

Financial reporting

- monitoring the financial reporting process, including the review of the half year and annual results, commentary and announcements together with the Annual Report. Following its review, the Committee has advised the Board that it is of the view that the 2011/12 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- considering the continuing appropriateness of accounting policies and key judgements. Particular consideration was given to the Project MoDEL contract to redevelop RAF Uxbridge, the acquisition of full ownership of the Sowcrest and Holaw investments from the Company's previous joint venture partner, and share-based payment accounting;
- receiving independent property valuation reports prepared by Jones Lang LaSalle which detailed movements resulting from activities undertaken by the Company and those arising from changes in the property market;
- a going concern review; and
- considering reports prepared by the external auditor on the half year and annual results.

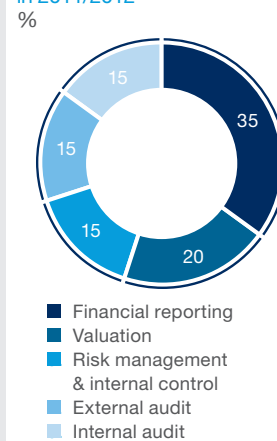
Risk management and internal control

- receiving updates on corporate risk assessment management activities;
- reviewing the Group's risk register, including appropriate mitigating actions;
- receiving an annual report on internal control;
- considering reports on the Group's tax compliance position; and
- approval of a formal policy on fraud prevention.

Internal audit

- receiving updates on the activities of internal audit;
- assessing implementation status reports on internal audit recommendations;
- considering and approving the internal audit programme of reviews of the Group's processes and controls, including coverage and allocation of resource; and
- reviewing the Group Internal Audit Charter which sets out the objectives, accountability and independence, authority, responsibilities, scope of work, and standards and performance for internal audit.

Allocation of time spent at Audit Committee meetings in 2011/2012



Audit Committee Report (continued)

External auditor

- considering and approving the proposed audit plan prepared by the external auditor;
- review of the external auditor management letter containing observations arising from the annual audit leading to recommendations for control or financial reporting improvement; and
- monitoring the independence of the external auditor and the effectiveness of the external audit process.

The Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit. The policies, designed to maintain the objectivity and independence of the external auditor, regulate the appointment of former employees of the external audit firm and set out the approach to be taken when using the external auditor for non-audit work.

Non-audit services provided by the external auditor are monitored throughout the year by the Committee. The Committee recognises that whilst it is cost effective for the external auditor to provide tax compliance and tax planning services to the Group, other services may only be provided where alternative providers do not exist or where it is cost effective or in the Group's interest for the external auditor to provide such services. The external auditor would not be invited to provide any non-audit services where it was felt that this could adversely affect their independence or objectivity; such services would include the provision of internal audit and management consulting activities.

During 2011/12 non-audit work included tax compliance and advisory services together with property and planning advice provided by Drivers Jonas Deloitte (now Deloitte Real Estate, part of Deloitte LLP). The Committee concluded that undertaking such work did not compromise auditor independence or objectivity. Given their detailed understanding of the business, the external auditor was 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 of external auditor remuneration is disclosed in Note 3b to the Group Financial Statements.

The Group's current external auditor, Deloitte LLP was appointed in 2007 following a tender process. The audit engagement partner responsible for the Group's audit was rotated in 2012 in line with ethical standards published by the Auditing Practices Board. Having considered Deloitte's independence, compliance with relevant statutory, regulatory and ethical standards and assessed its objectivity, the Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte LLP as the Company's external auditor be proposed to shareholders at the 2013 AGM. The external audit contract will be tendered again in line with the transitional arrangements for audit tendering published by the Financial Reporting Council. There are no contractual obligations which would restrict the Company's selection of external auditor.

Nomination Committee Report



BILL SHANNON

Chairman of the Nomination Committee

COMMITTEE MEMBERSHIP

The Committee comprises the following directors, all of whom served throughout the financial year:

Director	Nomination Committee Position
Bill Shannon	Chairman
David Garman	Member
Lesley James	Member

Bill Shannon chairs the Committee except when the Committee is dealing with the appointment of a successor as Chairman when the Senior Independent Director chairs the Committee.

Simon Clarke, Katherine Innes Ker and John Salmon were members of the Committee until 25th June 2012 when they stood down following a review of Committee composition; Simon continues to attend meetings of the Committee as an observer.

ROLE OF THE COMMITTEE

The Committee is responsible for reviewing the structure, size and composition of the Board, succession planning (including the retirement and appointment of Board members) and making appropriate recommendations to ensure there are suitable levels of independence and diversity of skills, knowledge, experience and gender on the Board. It also makes recommendations to the Board both on the composition of the Audit and Remuneration Committees and on the re-appointment of any non-executive director at the conclusion of his or her specified term of office.

The Committee's terms of reference are available on the Company's website at www.stmodwen.co.uk

ADVICE PROVIDED TO THE COMMITTEE

From time to time the Committee appoints external search consultants to provide support in recruiting and selecting potential candidates for appointment to the Board. During 2011/12 The Zygus Partnership was retained by the Committee as outlined on page 80; the firm has no other connection with the Company.

Nomination Committee Report (continued)

COMMITTEE'S ACTIVITIES

The Committee met on three occasions in 2011/12; members' attendance at meetings is set out in the table on page 70.

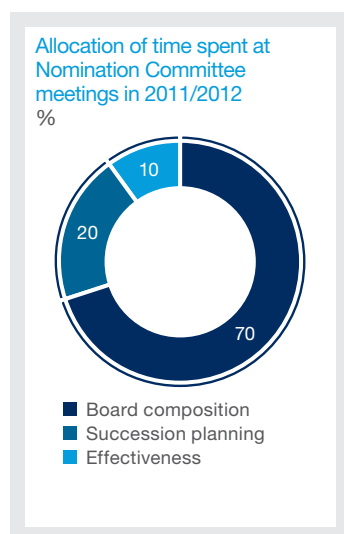
The Committee's main focus in the financial year was on the structure, size and composition of the Board. Having agreed that the Board would benefit from a non-executive director with property sector experience, a role profile was prepared. The Zygos Partnership was engaged to assist with the search and a number of candidates were interviewed. The Committee identified Kay Chaldecott as the preferred candidate, following which arrangements were made for her to meet the other members of the Board. The Board unanimously approved the Committee's recommendation that Kay be appointed and she joined the Board with effect from 22nd October 2012. The Committee's recommendation that she be appointed as a member of the both the Audit and Remuneration Committees was approved with effect from 17th December 2012.

Following a review, the Committee also recommended to the Board (which was unanimously approved) the re-appointment of Lesley James for a further three year period. The potential approaches to the 2012 Board and Committee effectiveness review were also considered by the Committee.

In light of his growing portfolio of business interests, David Garman is to step down from the Board with effect from the conclusion of the 2013 AGM. The Zygos Partnership has been retained to assist with the search for his replacement.

BOARDROOM DIVERSITY

The search for Board candidates is conducted, and appointments made, on merit, against objective selection criteria. Diversity, whether in terms of skills, knowledge, experience or gender, is considered by the Nomination Committee when reviewing Board composition and making recommendations for Board appointments or re-appointments. As stated in the corporate governance report on page 71 the Company currently has 30% female representation on the Board which is ahead of the 25% target outlined by Lord Davies in his report "Women on Boards" published in February 2011.



Directors' Remuneration Report



LESLEY JAMES

Chairman of the Remuneration Committee

CHAIRMAN'S SUMMARY STATEMENT

I am pleased to present the Report on Directors' Remuneration. This sets out the remuneration paid to the directors in the financial year ended 30th November 2012 and the policy for the forthcoming year.

The focus on executive pay over the last 12 months has increased to unprecedented levels. In the first half of 2012 the UK Government's Department for Business Innovation & Skills (BIS) responded by announcing a far reaching programme of legislative reforms in remuneration practice. These proposals change the way that we will be required to report to you on directors' remuneration. The Remuneration Committee (the Committee) endorses, in principle, the BIS proposals and has agreed to adopt some of the key requirements early in advance of the formal regulations coming into force. The report therefore follows a new structure this year (and includes this summary statement) which the Committee hopes you will find helpful and informative.

Despite the challenging economic climate, 2011/12 has been another strong year for St. Modwen. As described in the Business Review, the results for the year ended 30th November 2012 demonstrate the strength of the Company and the robustness of its strategy and business model. Our growing exposure to residential development and our ability to take advantage of the resilient market in London and the South East has helped us to deliver an increase in shareholders' equity net asset value (NAV) per share of 8% over the year to 251p and a 10% increase in dividends to 3.63p per share. These results would not have been possible without the considerable and consistent efforts of each employee, including the executive directors.

Remuneration in 2011/12

In 2011/12, the executive directors had the opportunity to earn a bonus of up to 125% of base salary. As a result of strong individual performance, aligned with corporate performance that was ahead of budget and market expectations, the annual bonus pay out for 2011/12 awarded to each executive director was 112.5% of base salary (2010/11: between 112.5% and 118.75%).

During the year the 2009 Performance Share Plan awards (measuring performance from 1st June 2009 to 31st May 2012) vested at 45.64%. 50% of this award was based on absolute growth in NAV per share, with a requirement of 20% growth over the three year period to deliver full vesting. Over the relevant period growth was 18.25% resulting in the 45.64% vesting level. The remainder of the award was dependent on the Company's Total Shareholder Return (TSR) performance relative to the FTSE 350 Real Estate Index. Unfortunately, the Company underperformed the Index over this period resulting in this portion of the award lapsing.

The performance period for the 2010 Performance Share Plan awards ended on 30th November 2012. These awards were subject to the same performance conditions as the 2009 awards. To reflect the absolute growth in NAV per share of 27.53% over the three year performance period, awards will vest at 45.89%. The portion of the award dependent on TSR performance relative to FTSE 350 Real Estate Index will lapse as the Company underperformed the Index over the period.

Remuneration policy for 2012/13

We believe that the remuneration policy and incentive framework currently in place is working well to support the Company's strategy in the current economic environment, is helping to retain and motivate our management team and is helping to drive strong returns for our shareholders. We were pleased to see the vast majority of our shareholders supporting our Directors' Remuneration Report at the 2012 AGM (99% in favour) and the Committee is proposing that the remuneration policy and structure of the incentive arrangements for 2012/13 remain largely unchanged from those applied in 2011/12.

We look forward to hearing your views in the future and hope to receive your continued support at the AGM.

On behalf of the Board

Lesley James

Chairman of the Remuneration Committee

4th February 2013

Directors' Remuneration Report (continued)

FORMAT OF REPORTING

The Directors' Remuneration Report has been prepared in accordance with the requirements of the Companies Act 2006 (the 2006 Act), Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (Statutory Instrument 2008/410) (the Regulations), the Listing Rules and Disclosure Rules of the Financial Services Authority, the principles of the UK Corporate Governance Code (June 2010) and best practice guidelines.

Furthermore, in response to the UK Government's proposed legislation regarding the reporting of directors' remuneration and changes to associated shareholder voting expected to come into force in October 2013 (the Proposed Regulations), the Directors' Remuneration Report has been split into two distinct sections: a Policy Report (from page 82) and an Implementation Report (from page 88). The Policy Report provides details of the Company's forward looking remuneration policy for 2012/2013 and the Implementation Report describes how the 2011/12 remuneration policy was implemented during the course of the year. The entire Directors' Remuneration Report will be put to an advisory shareholder vote at the AGM on 27th March 2013. It is anticipated that, in line with the Proposed Regulations, the Policy Report will be put to a binding shareholder vote and the Implementation Report to an advisory shareholder vote at the 2014 AGM.

The Regulations require the auditor to report to the Company's shareholders on the audited information within the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been prepared in accordance with the 2006 Act. The auditor's opinion is set out on page 99 and the sections of the report which have been subject to audit are clearly marked.

REMUNERATION POLICY REPORT

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company with effect from 1st December 2012.

How the Remuneration Committee sets the remuneration policy

The primary objective of the Company'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 reward appropriately financial success. The policy is structured so as to be aligned with key strategic priorities and to be consistent with a Board-approved level of business risk.

In setting the remuneration policy for the executive directors, the Committee takes into consideration the remuneration practices found in other UK companies with similar market capitalisation and operating in the same sector. It also ensures that the remuneration arrangements for executive directors are compatible with those for other senior executives.

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 Committee considers shareholder feedback received in relation to the Directors' Remuneration Report each year at a meeting immediately following the AGM. This feedback, plus any additional feedback received from time to time, is then considered as part of the Committee's annual review of remuneration policy.

Remuneration policy for executive directors – at a glance

The table below summarises our 2012/13 remuneration policy that will apply for the financial year commencing 1st December 2012.

Element	Purpose & link to strategy	Operation	Maximum potential value	Performance targets	Changes for 2012/13
Base salary	<ul style="list-style-type: none"> To attract, retain and motivate high calibre individuals for the role and duties required To provide market competitive salaries relative to the external market To reflect appropriate skills, development and experience over time 	<ul style="list-style-type: none"> Reviewed annually effective 1st December Takes account of the external market and other relevant factors including internal relativities and individual performance 	<ul style="list-style-type: none"> Other than when an executive director changes roles or where benchmarking indicates individual salaries require realignment, annual increases will not exceed the general level of increases for the Group's employees 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> 2.5% in line with increases for the Group's employees CEO: increase from £445,832 to £456,978 FD: increase from £267,800 to £274,495 Construction Director: increase from £294,168 to £301,522
Annual bonus	<ul style="list-style-type: none"> To provide a clear and direct incentive linked to annual performance targets To incentivise annual delivery of financial, operational and strategic measures at Company and personal levels Corporate measures selected are consistent with and complement the budget and strategic plan Alignment with shareholders through investment in shares 	<ul style="list-style-type: none"> Bonus level is determined by the Committee after the year end based on performance against targets Committee discretion to ensure payouts reflect corporate performance Non-pensionable Clawback provisions apply One third of net bonus invested in shares which must be held for three years 	<ul style="list-style-type: none"> 125% of salary for all executive directors 	<ul style="list-style-type: none"> Growth in profit before all tax Growth in NAV per share Growth in dividend Gearing maintained at acceptable level Personal targets 	<ul style="list-style-type: none"> No change

Directors' Remuneration Report (continued)

Element	Purpose & link to strategy	Operation	Maximum potential value	Performance targets	Changes for 2012/13
Long-term incentives	<ul style="list-style-type: none"> • Performance Share Plan aligned to key strategic objective of delivering strong returns to shareholders and sustained, long-term performance 	<ul style="list-style-type: none"> • Annual award of performance shares • Committee discretion to ensure payouts reflect corporate performance • Clawback provisions apply • Executive directors also eligible to participate in the Company's SAYE scheme on the same terms as other employees 	<ul style="list-style-type: none"> • Awards over shares worth 125% of salary for all executive directors 	<ul style="list-style-type: none"> • Performance measured over three years • Performance targets based on relative and absolute TSR targets 	<ul style="list-style-type: none"> • No change
Pension	<ul style="list-style-type: none"> • To help attract and retain high calibre individuals • To provide market consistent retirement benefits 	<ul style="list-style-type: none"> • Choice of Company contribution to the defined contribution scheme or cash supplement 	<ul style="list-style-type: none"> • Employer contribution of 15% of base salary for all executive directors 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • No change
Other benefits	<ul style="list-style-type: none"> • To help attract and retain high calibre individuals 	<ul style="list-style-type: none"> • Provision of private medical insurance • Company car/fuel • Non-pensionable 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • No change
Share ownership guidelines	<ul style="list-style-type: none"> • To provide alignment between executive directors and shareholders 	<ul style="list-style-type: none"> • Executive directors are expected to build up a shareholding worth 100% of base salary over a five year period 	<ul style="list-style-type: none"> • Shareholding of 100% of base salary for all executive directors 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • No change

The above policy also forms the basis on which a new executive director would be remunerated on appointment. However, the Committee retains flexibility to offer remuneration on appointment outside the above policy in order to facilitate the recruitment of high calibre individuals.

Further detail on the elements of the remuneration policy can be found on pages 85 to 87.

On the basis of expected value of long-term incentives and achievement of on-target performance against objectives for the annual bonus arrangements, the total annual remuneration (excluding pension benefits) of each executive director under the remuneration policy is weighted between performance-related and non performance-related elements, valued as at the time of award of long-term incentives, at around 60% and 40% respectively.

Remuneration policy for executive directors – in detail

Base salary

Base salaries are reviewed (though not necessarily increased) annually having regard to market conditions, benchmark data and other relevant factors such as pay increases for the Group's employees, internal relativities and individual performance. The Committee is mindful of institutional investors' concerns on the upward ratchet of base salaries and does not consider benchmark data in isolation.

In line with the average salary increase awarded to the Group's employees, the executive directors received an annual salary increase of 2.5% with effect from 1st December 2012. Base salaries payable from this date are as follows:

Executive director	Salary £
Bill Oliver	456,978
Steve Burke	301,522
Michael Dunn	274,495

Annual bonus

In 2012/13, the executive directors will have the opportunity to earn a bonus of up to 125% of base salary.

The structure of the bonus plan is consistent with the structure operated in the previous year:

- Bonus payments determined by achievement of a mixture of corporate measures and personal targets.
- The corporate measures selected are consistent with and complement the budget and strategic plan for the year. NAV performance has the largest weighting amongst the corporate measures and other measures include profit, dividend growth and gearing levels.
- Notwithstanding performance against individual targets, the Committee will retain an overriding discretion to ensure that overall bonus payouts reflect its view of corporate performance during the year.
- Payment of the bonus will be 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 the Company's shares and to retain those shares for a minimum period of three years.
- All bonuses paid are subject to potential clawback, 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 will not be dependent on achievement of any single target in isolation, since the measures and targets are all of key importance to the short and longer-term health of the Company and the Committee does not wish to distort behaviour by focusing on a single element.

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

Long-term incentives – Performance Share Plan (PSP)

In 2012/13, PSP awards granted to the executive directors will be over shares worth 125% of salary.

Awards are subject wholly to TSR-related performance targets measured over three financial years, with 50% of the award based on relative performance and 50% based on absolute growth. The Committee believes that this combination provides strong alignment with the interests of shareholders and complements the focus on operational performance measures in the annual bonus plan.

In respect of absolute TSR performance, TSR growth over the three year performance period of 20% will earn 12.5% of the shares awarded and growth of 50% will earn 50% of the shares awarded, with straight line vesting between these points. For relative TSR performance, TSR equal to the FTSE All-Share 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 straight line vesting between these points.

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

The TSR data and St. Modwen's relative positioning is obtained from JP Morgan Cazenove to ensure that performance is independently verified.

Directors' Remuneration Report (continued)

Notwithstanding TSR performance, the Committee also has to be satisfied that two underpin conditions are met before permitting the 2012/13 PSP awards to vest, namely:

- 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.

The Committee reviews these performance conditions when determining PSP awards in each year, in order to reflect changes in the outlook for the sector and the Company, and to ensure that targets remain challenging.

The PSP includes a clawback facility whereby the value (calculated at vesting) of any PSP awards that were granted after 1st January 2012 may be reduced where the value of future annual bonus cash payments are insufficient to recover fully any clawback applicable to the annual bonus arrangements 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 participant or there is other misconduct which, if known at the time, would have meant that a lower or nil award would have vested.

During the year the Company received approval from HM Revenue & Customs (HMRC) to structure the PSP so as to enable participants to benefit from UK tax efficiencies under HMRC agreed share schemes legislation. Accordingly awards may be structured as Approved Performance Share Plan awards and comprise 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 Saving-Related Share Option Scheme on the same terms as all other employees.

Pension

Retirement benefits take the form of a supplementary allowance, expressed as a percentage of basic salary, which may be delivered by means of either a cash payment or as a payment to the defined contribution section of the Company's pension scheme. As a result of historical contractual commitments, retirement benefits for Steve Burke are also delivered by membership of the defined benefit section of the Company's pension scheme.

Other benefits

Benefits in kind comprise mainly the provision of company car, fuel and health insurance. The level of benefits provided to executive directors is consistent with that provided by other UK listed companies. These benefits do not form part of pensionable earnings.

Share ownership guidelines

In order to reinforce the alignment of their interests with those of shareholders, executive directors are expected to build up a shareholding in the Company over a five year period worth at least 100% of their base salary.

Service contracts

All executive directors have service contracts of no fixed term, with notice periods of 12 months from the Company and either 12 months (Michael Dunn) or six months (Bill Oliver and Steve Burke) from the individual. Bill Oliver and Steve Burke's service contracts reflect terms agreed on their appointment to the Company. For all future recruits notice periods will be 12 months from both the Company and the individual.

No executive director has any contractual rights to compensation on loss of office (apart from payment in lieu of notice of salary and benefits, where appropriate). Rights to outstanding incentive awards would be dealt with by the Committee 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: Bill Oliver – 24th January 2000; Steve Burke – 1st January 2006; Michael Dunn – 9th November 2010.

Remuneration policy for Chairman and non-executive directors

The remuneration policy for the Chairman and the other non-executive directors is to pay fees in line with those paid by other UK listed companies of comparable size. Such fees may include additional payments to the Senior Independent Director and the Chairmen of Board Committees to reflect the significant additional responsibilities attached to these positions.

Fees

The Chairman's fee is determined by the Board on the recommendation of the 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 the annual bonus or long-term incentive arrangements or in the pension scheme, nor do they receive benefits in kind.

A review of the non-executive directors' fees was undertaken by the Board in 2012 save in relation to the Chairman's fee which was approved by the Board in 2010 on his appointment. Following the review, the standard base fee for 2012/13 is £40,000 with additional fees of £9,000 being paid to the Chairmen of the Audit and Remuneration Committees and £6,000 to the Senior Independent Director. The Chairman's fee is £135,000.

Terms of appointment

The terms of service of the Chairman and the other non-executive directors are contained in letters of appointment. The current policy is for non-executive directors to serve on the Board for, typically, two three-year terms, subject to mutual agreement and performance reviews. Appointments may be terminated upon three months' notice by either party and there are no provisions for compensation in the event of termination.

The dates of the Chairman's and other non-executive directors' letters of appointment and of expiry of current terms are as follows:

Non-executive director	Date of current letter of appointment	Expiry of current term
Bill Shannon	18 th October 2010	30 th October 2013
Kay Chaldecott	22 nd October 2012	21 st October 2015
Simon Clarke	31 st October 2011	10 th October 2013
David Garman	19 th April 2010	27 th March 2013
Katherine Innes Ker	19 th October 2009	27 th March 2013
Lesley James	24 th October 2012	18 th October 2015
John Salmon	31 st October 2011	16 th October 2014

Following her appointment to the Board in October 2012 and in accordance with the Company's Articles of Association, Kay Chaldecott will retire and offer herself for election at the 2013 AGM. With the exception of Katherine Innes Ker and David Garman, who will retire at the conclusion of the 2013 AGM, all other directors will retire and offer themselves for re-election in accordance with the UK Corporate Governance Code.

Dilution limits

In accordance with the recommendations of the Association of British Insurers, the number of new shares that may be issued to satisfy awards granted under the PSP and any other employee share scheme is restricted to 10% of the issued ordinary share capital of the Company over any 10 year period. At 30th November 2012 the Company had used 5.59% of the share capital available.

The Company currently satisfies awards under all employee share schemes from market-purchased shares sourced from the St. Modwen Properties PLC Employee Share Trust (the Trust). The Trust currently holds a total of 215,754 shares in the Company (2011: 215,754 shares) and has waived the right to receive dividends paid on these shares.

Directors' Remuneration Report (continued)

IMPLEMENTATION REPORT

Committee membership

The Committee comprises the following directors, all of whom served throughout the financial year unless indicated otherwise below:

Director	Remuneration Committee position
Lesley James	Chairman
Kay Chaldecott	Member (from 17 th December 2012)
David Garman	Member
Katherine Innes Ker	Member
John Salmon	Member
Bill Shannon	Member

Simon Clarke was a member of the Committee until 23rd April 2012 when he stood down; he continues to attend meetings of the Committee as an observer.

The Committee was also assisted in its deliberations by the Chief Executive and the Company Secretary, who were not present when their own remuneration arrangements were discussed.

Role of the Committee

The principal role of the Committee is to determine and agree with the Board the policy for the remuneration of the executive directors. Within the framework of the agreed policy the Committee is responsible for all aspects of the executive directors' remuneration, for setting the Company Chairman's fee, for monitoring the remuneration of other senior executives and administering the Company's long-term incentive arrangements. 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 remuneration policy adopted is aligned with and based on the creation of value for shareholders and provides appropriate incentives for management to achieve this objective without taking inappropriate business risks. The Committee also reviews and notes annually the remuneration trends across the Company and any major changes in employee benefit structures.

Advice provided to the Committee

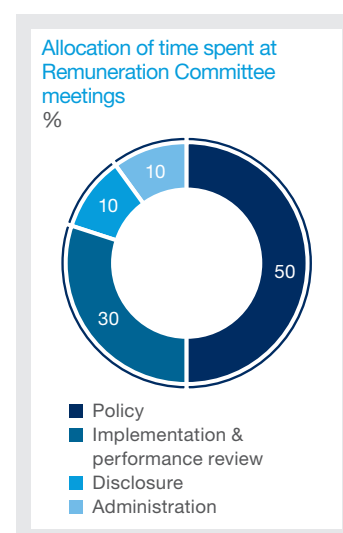
New Bridge Street (NBS), a trading name of Aon Hewitt Limited (the parent company of NBS) has been appointed by the Committee as its independent remuneration advisers. Neither NBS nor Aon Hewitt Limited undertakes any other work for the Company. NBS is a signatory to the Remuneration Consultants' Code of Conduct. Representatives from NBS attend Committee meetings as necessary.

Committee's activities

The Committee met on five occasions in 2011/12; members' attendance at meetings is set out in the table on page 70. The key matters that were considered by the Committee during the financial year were as follows:

- a review of executive directors' base salaries for 2011/12 and 2012/13;
- corporate and personal objectives for the 2011/12 annual bonus arrangements for executive directors and an assessment of performance against targets for both 2010/11 and 2011/12;
- PSP awards granted in 2012, the outcome of awards made in 2009 and performance conditions for awards to be granted in 2013;
- approval of awards made during 2012 under the Executive Share Option Scheme and the Saving-Related Share Option Scheme;
- review of a benchmarking report prepared by external advisers in respect of executive director and senior executive remuneration;
- external advisers' review of executive remuneration practices, trends and governance;
- approval of the 2010/11 remuneration report; and
- UK Government consultative documentation relating to the reporting of remuneration.

The Committee's terms of reference are available on the Company's website at www.stmodwen.co.uk. The terms of reference were reviewed during 2012 to ensure that they continue to reflect accurately the Committee's remit.



Statement of shareholder voting at the AGM

At the 2012 AGM the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	140,694,541	98.91%
Against	1,555,851	1.09%
Total votes cast (for and against)	142,250,392	100.00%
Votes withheld ¹	6,174,040	4.16%
Total votes cast (including withheld votes)	148,424,432	N/A

¹ A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' and 'Against' a resolution.

Performance graph

The graph below is prepared in accordance with the Regulations. It shows the Company's TSR and that of the FTSE 250 and the FTSE All-Share Real Estate Investment & Services Indices based on an initial investment of £100 over a five year period to 30th November 2012. Since the Company was a constituent of both the FTSE 250 and the FTSE All-Share Real Estate Investment & Services Indices during the year, these are considered to be appropriate benchmarks for the graph.



Directors' Remuneration Report (continued)

Directors' remuneration 2011/12

With the exception of the section headed 'Share Interests' on page 94, the information set out on pages 90 to 94 represents the auditable disclosures required by the Regulations which have been audited by the Company's auditor, Deloitte LLP.

Directors' remuneration for the year ended 30th November 2012 was as follows:

Director	Base salary/ fees £000	Annual bonus £000	Benefits £000 ¹	2012 ² £000	2012 ² £000
Executive					
Bill Oliver	446	502	29	977	984
Steve Burke	294	331	21	646	652
Michael Dunn	268	301	10	579	628
Non-executive					
Bill Shannon	135	–	–	135	135
Kay Chaldecott ³	5	–	–	5	–
Simon Clarke	38	–	–	38	37
David Garman	44	–	–	44	41
Katherine Innes Ker	38	–	–	38	37
Lesley James	47	–	–	47	46
John Salmon	47	–	–	47	46
Total	1,362	1,134	60	2,556	2,666

¹ 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 final pensionable pay.

² The figures represent total emoluments earned during the relevant financial year, excluding Company pension contributions and supplementary pension allowances. Emoluments are paid in the same financial year with the exception of annual bonuses which are paid in the financial year following that in which they are earned.

³ Appointed 22nd October 2012.

No director left during the year and no compensation for loss of office was paid.

Annual bonus

In 2011/12, the executive directors had the opportunity to earn a bonus of up to 125% of base salary. The structure of the bonus plan was the same as that described in the Policy Report on page 85.

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.

Despite the challenging economic environment, corporate performance for 2011/12 was ahead of both budget and market expectations as follows:

- 2% increase in profit before all tax;
- 8% increase in NAV per share;
- 10% increase in total dividends; and
- 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 as follows:

Executive director	% of maximum bonus	% of base salary
Bill Oliver	90%	112.5%
Steve Burke	90%	112.5%
Michael Dunn	90%	112.5%

Long-term incentives

Performance Share Plan

During the year the 2009 PSP awards (which measured performance from 1st June 2009 to 31st May 2012) vested at 45.64%. The performance conditions which applied to the 2009 PSP award together with actual performance are summarised in the table below:

Performance measure	Threshold	Vesting at threshold	Maximum	Vesting at maximum	Actual performance	Proportion of award to vest
Cumulative growth in NAV per share	5%	12.5%	20%	50%	18.25%	45.64%
TSR relative to FTSE 350 Real Estate Index	100% of Index	12.5%	120% of Index	50%	72.81% of Index	0.00%
Total						45.64%

The number of shares which vested from the 2009 PSP awards is set out in the table below.

PSP awards held by the executive directors who served during the year, together with any movements, are shown below:

Executive director	Date of grant	Awards held on 1 st December 2011	Awards made during year ¹	Awards vested during year ²	Awards lapsed during year	Awards held on 30 th November 2012	End of performance period ³	Exercise period
Bill Oliver	24/07/09	294,694	–	134,498	160,196	134,498	N/A	24/07/12 to 23/07/19
	22/02/10	282,154	–	–	–	282,154	30/11/12	22/02/13 to 19/02/20
	21/03/11	319,774	–	–	–	319,774	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁴	–	363,259	–	–	363,259	30/11/14	17/02/15 to 16/02/22
		896,622	363,259	134,498	160,196	1,099,685		
Steve Burke	24/07/09	194,444	–	88,744	105,700	88,744	N/A	24/07/12 to 23/07/19
	22/02/10	186,170	–	–	–	186,170	30/11/12	22/02/13 to 19/02/20
	21/03/11	210,992	–	–	–	210,992	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁴	–	239,863	–	–	239,863	30/11/14	17/02/15 to 16/02/22
		591,606	239,863	88,744	105,700	725,769		
Michael Dunn	21/03/11	230,496	–	–	–	230,496	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁴	–	218,362	–	–	218,362	30/11/14	17/02/15 to 16/02/22
		230,496	218,362	–	–	448,858		

¹ The share price used to calculate the number of shares awarded, under the rules of the PSP, was 153.3p. The closing mid-market share price on the date of the award was 157p. The performance conditions for the 2012 award mirror those for the 2013 award as described on pages 85 to 86.

² The share price used to calculate the number of shares which vested when originally awarded, under the rules of the PSP, was 180p. The closing mid-market share price on the date the shares vested was 177.75p. The performance conditions for the 2009 award are described in the first table above.

³ Performance conditions for the 2009 and 2010 awards are described in the first table above and on page 92 respectively. The performance conditions for 2011 and 2012 mirror those for the 2013 awards as described on pages 85 to 86. In previous Annual Reports the comparator index for the 2011 and 2012 awards was incorrectly disclosed as the FTSE 350 Real Estate Investment & Services Index.

⁴ Awards subject to clawback as described on page 86. Awards comprise an HMRC approved option over 19,769 shares with an exercise price of 151.75p and an unapproved award for the balance; further details can be found on page 86.

No PSP awards were exercised by directors in the year. Dividends are treated as accruing from the date of grant to the date of exercise; on exercise the total dividend accrued is converted into shares using the average market price for the three dealing days immediately prior to the date of exercise and released to the director.

Directors' Remuneration Report (continued)

The three year performance period for the 2010 PSP awards ended on 30th November 2012. The performance conditions which applied to the 2010 PSP award together with actual performance are summarised in the table below:

Performance measure	Threshold	Vesting at threshold	Maximum	Vesting at maximum	Actual performance	Proportion of award to vest
Cumulative growth in NAV per share	7.5%	12.5%	30%	50%	27.53%	45.89%
TSR relative to FTSE 350 Real Estate Index	100% of Index	12.5%	120% of Index	50%	Negative to Index	0%
Total						45.89%

Following assessment of the performance conditions, 45.89% of the total awards made will vest on the third anniversary of grant (22nd February 2013) subject to continued employment. Further details can be found in the table below:

Executive director	Total number of shares granted	Number of shares to vest
Bill Oliver	282,154	129,480
Steve Burke	186,170	85,433

Executive Share Option Schemes (ESOS)

ESOS awards held by the executive directors who served during the year, together with any movements, are shown below:

Executive director	Date of grant	Options held on 1 st December 2011	Options granted during year	Options exercised during year ¹	Options lapsed during year	Options held on 30 th November 2012	Exercise price ²	Exercise period
Bill Oliver	13/08/04	105,610	–	–	–	105,610	236.31p	13/08/07 to 12/08/14
	15/08/05	102,955	–	–	–	102,955	375.22p	15/08/08 to 14/08/15
		208,565	–	–	–	208,565		
Steve Burke	13/08/04	46,315	–	–	–	46,315	236.31p	13/08/07 to 12/08/14
	15/08/05	39,825	–	–	–	39,825	375.22p	15/08/08 to 14/08/15
		86,140	–	–	–	86,140		

¹ All options have vested in full, having met the performance conditions, but have not been exercised.

² Adjusted to take account of the dilutive effect of the 2009 equity issue.

No further grants under the ESOS will be made to executive directors other than in very exceptional circumstances.

Saving-Related Share Option Scheme (SAYE)

SAYE awards held by the executive directors who served during the year, together with any movements, are shown below:

Executive director	Date of grant	Options held on 1 st December 2011	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 th November 2012	Exercise price	Exercise period
Bill Oliver	15/09/09	6,941	–	–	–	6,941	224p	01/10/14 to 31/03/15
Steve Burke	16/08/11	9,887	–	–	–	9,887	156p	01/10/16 to 31/03/17
Michael Dunn	16/08/11	9,887	–	–	–	9,887	156p	01/10/16 to 31/03/17

The closing mid-market share price on 30th November 2012 was 217.8p and the price range during the year was 108.25p to 220.3p.

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, executive 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 Regulations for the defined benefit scheme:

	Accrued pension at 30 th November 2011 ¹ £pa	Accrued pension at 30 th November 2012 ¹ £pa	Increase in accrued pension during the year £pa	Increase in accrued pension during the year (excluding inflation) £pa	Transfer value of accrued benefits at 30 th November 2011 £	Transfer value of accrued benefits at 30 th November 2012 £	Increase in transfer value of accrued benefits (excluding director's own contribution) £
Bill Oliver	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Steve Burke	25,373 ²	26,671 ²	1,297	0	504,217	512,798	8,581
Michael Dunn	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹ The accrued annual pension includes entitlements earned as an employee prior to becoming an executive director as well as for qualifying services after becoming an executive director.

² These figures have been calculated by applying deferred revaluation to Steve 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 of the pension scheme 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, at the rate of 15% of base salary, into the defined contribution section of the pension scheme during the financial year ended 30th November 2012 for executive directors were as follows: Steve Burke £44,125 (2011: £42,900); and Michael Dunn £40,170 (2011: £39,000). Cash allowances in lieu of pension contributions paid to Bill Oliver during the year were £66,875 (2011: £64,950).

Further information on the Company's pension scheme is shown in Note 18 to the Group Financial Statements.

Directors' Remuneration Report (continued)

Share interests

The interests of the directors and their connected persons in the issued ordinary share capital of the Company are shown below:

Director	Shareholding as at 30 th November 2012	Shareholding as at 30 th November 2011
Executive		
Bill Oliver	494,819	442,819
Steve Burke	264,153	228,249
Michael Dunn	76,168	45,000
Non-executive		
Bill Shannon	50,000	50,000
Kay Chaldecott ¹	–	–
Simon Clarke	4,612,657	6,112,657
David Garman	10,000	10,000
Katherine Innes Ker	–	–
Lesley James	10,000	10,000
John Salmon	25,000	25,000

¹ Appointed 22nd October 2012.

The above interests do not include shares held under the long-term incentive arrangements as set out on pages 91 to 93.

There were no changes in these interests between 30th November 2012 and the date of this report.

Other Governance and Statutory Disclosures

Annual General Meeting

The AGM of the Company will be held at 12.00 noon on 27th March 2013 at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham B31 2TS.

The notice of meeting, which includes the special business to be transacted and an explanation of all the resolutions to be considered at the meeting, is set out on pages 151 to 157.

Dividend

The directors recommend a final dividend of 2.42p per ordinary share in respect of the year ended 30th November 2012, to be paid on 4th April 2013 to ordinary shareholders on the register on 8th March 2013 which, together with the interim dividend of 1.21p paid on 3rd September 2012, brings the total dividend for the year to 3.63p for the year (2011: 3.3p).

Share capital

The Company has one class of ordinary share (10p) and all shares rank equally, have equal voting rights and are fully paid. The issued share capital of the Company is set out in Note (K) of the Company Financial Statements. The Company does not currently hold any shares in treasury.

At the Company's 2012 AGM, shareholders authorised the Company to make market purchases of up to 20,036,093 ordinary shares, representing 10% of the issued share capital at that time, and to allot up to 49,639,069 ordinary shares representing 24.7% of the issued share capital at that time. These authorities expire at the 2013 AGM. During the year ended 30th November 2012, no shares were allotted or repurchased. Resolutions to renew these authorities will be proposed at the 2013 AGM.

St. Modwen operates an Employee Share Trust (Trust) to satisfy the vesting and exercise of awards of ordinary shares made under the Company's share-based incentive arrangements. As at 30th November 2012, the Trust held 215,754 shares (2011: 215,754 shares), representing 0.11% (2011: 0.11%) of the Company's issued share capital. The Trust deed contains a dividend waiver provision in respect of these shares. Any voting or other similar decisions relating to shares held by the Trust would be taken by the Trustees, who may take account of any recommendations of the Company. There were no purchases of shares by the Trust during the financial year.

Rights and obligations attaching to shares

The holders of ordinary shares in the Company are entitled to receive dividends when declared, to receive the Company's annual and half year reports, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

Restrictions on the transfer of shares

As at 30th November 2012 and as at the date of this report, except as referred to below, there are no restrictions on the transfer of ordinary shares in the Company, no limitations on the holding of ordinary shares and no requirements to obtain the approval of the Company, or of other holders of ordinary shares in the Company, for a transfer of shares.

The directors may refuse to register the transfer of a share in certificated form which is not fully paid or on which the Company has a lien, where the instrument of transfer does not comply with the requirements of the Company's Articles of Association, or if the transfer is in respect of more than one class of share or is in favour of more than four joint holders. The directors may also refuse to register a transfer of a certificated share, which represents an interest of at least 0.25% in a class of shares, following the failure by the member or any other person appearing to be interested in the shares to provide the Company with information requested under section 793 of the Companies Act 2006.

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

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Substantial shareholders

As at 30th November 2012, the Company had been notified of the following direct and indirect holdings of voting rights in its shares under Rule 5 of the Disclosure Rules and Transparency Rules of the Financial Services Authority:

Shareholder	Number of shares	% of voting rights
Lady Clarke and family holdings (excluding Simon Clarke)	19,962,539	9.96%
J.D. Leavesley and connected parties	18,263,382	9.12%
BlackRock, Inc.	10,028,322	5.01%
T.R. Property Investment Trust PLC	6,802,638	3.40%

On 21st December 2012, the Company received notification of a holding by Norges Bank of 6,090,499 shares, representing 3.04% of voting rights. As at 4th February 2013, the Company had not been advised of any further changes or additions to the interests set out above.

Other Governance and Statutory Disclosures (continued)

Directors

The following served as directors during the year ended 30th November 2012:

- Bill Shannon
- Bill Oliver
- Steve Burke
- Michael Dunn
- Kay Chaldecott (appointed 22nd October 2012)
- Simon Clarke
- David Garman
- Katherine Innes Ker
- Lesley James
- John Salmon

The biographical details of all the directors serving at 30th November 2012, including details of their relevant experience and other significant commitments, are shown on pages 64 and 65. As announced on 29th January 2013, both Katherine Innes Ker and David Garman will be retiring from the Board at the close of the AGM on 27th March 2013.

Following her appointment to the Board in October 2012 and in accordance with the Company's Articles of Association, Kay Chaldecott will retire and offer herself for election at the 2013 AGM. With the exception of Katherine Innes Ker and David Garman, all other directors will retire and offer themselves for re-election in accordance with the Code.

The Articles of Association provide that a director may be appointed by an ordinary resolution of shareholders or by the existing directors, either to fill a casual vacancy or as an additional director.

The Directors' Remuneration Report, which includes details of directors' service agreements and their interests in the Company's shares, is set out on pages 81 to 94. Copies of the service contracts of the executive directors and the letters of appointment for the non-executive directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

Powers of the directors

The powers of the directors are determined by the Company's Articles of Association, UK legislation including the Companies Act 2006 and any directions given by the Company in general meeting.

The directors have been authorised by the Company's Articles of Association to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each AGM. Further information is set out under the heading 'Share capital' on page 95.

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 to the Group Financial Statements.

Conflicts of interest

Under the Companies Act 2006, directors have a statutory duty to avoid conflicts of interest with the Company. As permitted by the Act, the Company's Articles of Association enable directors to authorise actual or potential conflicts of interest. Company policy requires that if a director becomes aware that he or she has 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 provide a written declaration. Directors have a continuing duty to update any changes to such interests. No conflicts of interest were recorded during the year.

Directors' liability insurance and indemnity

The Company has arranged appropriate insurance cover in respect of potential legal action taken against its directors. To the extent permitted by law and in accordance with its Articles of Association, the Company also indemnifies the directors against any claims made against them as a consequence of the execution of their duties as directors of the Company.

Articles of Association

The Company's Articles of Association, which may only be amended by a special resolution of the shareholders, are available on its website www.stmodwen.co.uk

Change of control

The Company is party to a number of committed bank facilities which, upon a change of control, are terminable at the bank's discretion. Under such circumstances, awards made under the Company's share-based incentive arrangements would normally vest or become exercisable subject to the satisfaction of any performance conditions. In addition, the Company's retail bondholders have an option to require the Company to redeem the bonds should a change of control event occur.

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 performed its obligations under the relevant contract. The Group does not follow any specific code or standard in relation to payment practice.

At 30th November 2012, the Company's aggregate level of 'creditor days' amounted to 30 days (2011: 29 days). Creditor days are calculated by expressing year end trade creditors as a fraction of the amounts the Company was invoiced by suppliers during the year and multiplying the resulting fraction by 365 days.

Employees

St. Modwen is committed to regular communication and consultation with its employees and encourages employee involvement in its performance. News concerning St. Modwen, its activities and performance is published on the Company's intranet. Quarterly management meetings are held to inform staff about matters affecting them as employees, at which their feedback is sought on decisions likely to affect their interests, and where a common awareness of the financial and economic factors affecting the Company's performance is developed. This information is then cascaded to all employees based 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 Company.

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 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

In accordance with the Company's policy, no political donations were made and no political expenditure was incurred during the year. Direct charitable donations during the year, excluding donations made by the St. Modwen Environmental Trust (see page 63), totalled £6,000 (2011: £11,000).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report (defined below). The directors have considered these factors and reviewed the financial position of the Group, including its joint ventures.

The review included an assessment of future funding requirements based on cash flow forecasts extending to 30th November 2014, valuation projections and the ability of the Group to meet covenants on existing borrowing facilities. The directors were satisfied that the forecasts and projections were based on realistic assumptions and that the sensitivities applied in reviewing downside scenarios were appropriate.

As described in the Financial Review on pages 51 to 53, there are no corporate or joint venture facilities that require renewal before November 2014.

Based on their assessment, the directors are of the opinion that the Group has adequate committed resources to fund its operations for the foreseeable future and so determine that it remains appropriate for the Financial Statements to be prepared on a going concern basis.

Auditor and disclosure of information

Resolutions to reappoint Deloitte LLP as auditor of the Company and to authorise the directors to determine their remuneration will be proposed at the 2013 AGM.

Each of the directors in office at the date of approval of this Directors' Report confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware. Each such director also confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This Directors' Report comprises inside front cover and pages 1 to 98 and is the 'management report' for the purposes of the Financial Services Authority's Disclosure Rules and Transparency Rules (DTR 4.1.8).

Approved by the Board and signed on its behalf by

Tanya Stote

Company Secretary
4th February 2013

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company 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 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 Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit or loss for that period.

In preparing the 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 United Kingdom 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 of 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.

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 comprises 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
4th February 2013

Michael Dunn
Group Finance Director

Independent Auditor's Report

to the members of St. Modwen Properties PLC in respect of the Group Financial Statements

We have audited the Group Financial Statements of St. Modwen Properties PLC for the year ended 30th November 2012 which comprise the Group Income Statement, the Group Balance Sheet, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the Accounting Policies and the related Notes 1 to 23. 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 and Accounts 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 2012 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 matter 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 matter

We have reported separately on the parent company Financial Statements of St. Modwen Properties PLC for the year ended 30th November 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Jonathan Dodworth (Senior Statutory Auditor)

for and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom. 4th February 2013.

Group Income Statement

for the year ended 30th November 2012

	Notes	2012 £m	2011 £m
Revenue	1	219.1	109.6
Net rental income	1	28.3	27.5
Development profits	1	22.4	20.4
Gains on disposal of investments/ investment properties		1.4	0.5
Investment property revaluation gains	8	6.4	36.2
Goodwill written off on corporate acquisition of investment properties		(1.3)	–
Other net income	1	2.8	3.2
Profits of joint ventures and associates (post tax)	10	22.6	2.9
Administrative expenses	3	(18.1)	(16.6)
Profit before interest and tax		64.5	74.1
Finance cost	4	(22.3)	(26.2)
Finance income	4	5.2	2.5
Profit before tax		47.4	50.4
Tax charge	5	(5.1)	(4.9)
Profit for the year		42.3	45.5
Attributable to:			
Equity attributable to owners of the Company		42.7	43.5
Non-controlling interests		(0.4)	2.0
		42.3	45.5

	Notes	2012 pence	2011 pence
Basic earnings per share	6	21.3	21.7
Diluted earnings per share	6	21.2	21.7

All results are derived from continuing operations. A reconciliation of non-statutory measures used in the Overview and Business Review is included in Note 2 to the Group Financial Statements.

Group Balance Sheet

as at 30th November 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Investment property	8	770.4	848.7
Operating property, plant and equipment	9	6.8	7.1
Investments in joint ventures and associates	10	75.2	50.3
Trade and other receivables	11	21.6	8.4
		874.0	914.5
Current assets			
Inventories	12	175.2	191.1
Trade and other receivables	11	46.5	51.2
Cash and cash equivalents		8.9	5.2
		230.6	247.5
Current liabilities			
Trade and other payables	13	(155.6)	(132.2)
Borrowings	14	(3.3)	–
Tax payables	5	(3.3)	(0.2)
		(162.2)	(132.4)
Non-current liabilities			
Trade and other payables	13	(48.6)	(192.6)
Borrowings	14	(371.6)	(352.3)
Deferred tax	5	(8.5)	(8.7)
		(428.7)	(553.6)
Net assets		513.7	476.0
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		377.6	341.8
Share incentive reserve		2.4	–
Own shares		(0.5)	(0.5)
Equity attributable to owners of the Company		502.6	464.4
Non-controlling interests		11.1	11.6
Total equity		513.7	476.0

These Financial Statements were approved by the Board of Directors on 4th February 2013 and were signed on its behalf by Bill Oliver and Michael Dunn.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

Group Statement of Comprehensive Income

for the year ended 30th November 2012

	Notes	2012 £m	2011 £m
Profit for the year		42.3	45.5
Pension fund:			
– Actuarial losses	18	(0.1)	(0.2)
– Deferred tax thereon	18	–	–
Total comprehensive income for the year		42.2	45.3
Attributable to:			
– Owners of the Company		42.6	43.3
– Non-controlling interests		(0.4)	2.0
Total comprehensive income for the year		42.2	45.3

Group Statement of Changes in Equity

for the year ended 30th November 2012

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained Earnings £m	Share Incentive Reserve £m	Own shares £m	Equity attributable to owners of the Company £m	Non-controlling interest £m	Total Equity £m
At 30 th November 2010	20.0	102.8	0.3	304.7	–	(0.6)	427.2	9.6	436.8
Profit for the year attributable to shareholders	–	–	–	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 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
Profit for the year attributable to shareholders	–	–	–	42.7	–	–	42.7	(0.4)	42.3
Pension fund actuarial losses (Note 18)	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Total comprehensive income	–	–	–	42.6	–	–	42.6	(0.4)	42.2
Transfer share based payments provision to share incentive reserve	–	–	–	–	2.1	–	2.1	–	2.1
Share-based payment charge	–	–	–	–	0.3	–	0.3	–	0.3
Dividends paid	–	–	–	(6.8)	–	–	(6.8)	(0.1)	(6.9)
At 30th November 2012	20.0	102.8	0.3	377.6	2.4	(0.5)	502.6	11.1	513.7

Own shares represent the cost of 215,754 (2011: 215,754) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2012 was £469,912 (2011: £225,463).

Group Cash Flow Statement

for the year ended 30th November 2012

	Notes	2012 £m	2011 £m
Operating activities			
Profit before interest and tax		64.5	74.1
Gains on disposals of investments/investment properties		(1.4)	(0.5)
Share of profits of joint ventures and associates (post-tax)	10	(22.6)	(2.9)
Investment property revaluation gains	8	(6.4)	(36.2)
Goodwill written off on corporate acquisition of investment properties		1.3	–
Depreciation	9	0.5	0.5
Impairment losses on inventories	12	3.8	2.6
Decrease/(increase) in inventories		55.7	(2.7)
Increase in trade and other receivables		(4.0)	(6.3)
Decrease in trade and other payables		(51.0)	(3.3)
Share options and share awards		0.3	0.1
Tax paid	5(c)	(2.2)	(6.0)
Net cash inflow from operating activities		38.5	19.4
Investing activities			
Investment property disposals		29.5	19.2
Investment property additions		(37.4)	(42.7)
Acquisition of subsidiary undertaking		–	(4.4)
Property, plant and equipment additions		(0.3)	(0.3)
Cash and cash equivalents acquired with subsidiary	19	0.4	1.1
Interest received		3.1	0.8
Dividends received		–	2.0
Net cash outflow from investing activities		(4.7)	(24.3)
Financing activities			
Dividends paid	7	(6.8)	(6.2)
Dividends paid to non-controlling interests		(0.1)	–
Interest paid		(20.6)	(21.1)
New borrowings drawn		98.8	131.3
Repayment of borrowings		(101.4)	(105.2)
Net cash outflow from financing activities		(30.1)	(1.2)
Increase/(decrease) in cash and cash equivalents		3.7	(6.1)
Cash and cash equivalents at start of year		5.2	11.3
Cash and cash equivalents at end of year		8.9	5.2

Accounting Policies

for the year ended 30th November 2012

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 2012, 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, being those entities over which the Group has joint control, 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 joint ventures 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.

Business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the acquired subsidiary and the measurement of all amounts has been reviewed, the difference is recognised directly in the Income Statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, which is the rate that a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Income Statement.

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.

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 two to five 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.

Accounting Policies (continued)

for the year ended 30th November 2012

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.

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

Prior to 1st December 2011, when employee share options were exercised, the employee had the choice whether to have the liability settled by way of cash or the retention of shares. As it had been the Company's experience to satisfy the majority of its share options in cash, the Group accounted for its share-based payments as cash-settled. The cost of cash-settled transactions was measured at fair value using an appropriate option pricing model and amortised through the Income Statement over the vesting period. The liability was remeasured at each Balance Sheet date. Revisions to the fair value of the accrued liability after the end of the vesting period were recorded in the Income Statement of the year in which they occurred.

On 1st December 2011, it was resolved that the settlement practice should be changed and that the Company would expect to satisfy its share options using shares. Accordingly, the Group has amended its accounting policy to account for its share-based payments as equity-settled. Equity-settled share-based payments are measured at fair value at the date of grant using an appropriate option pricing model. For those share options that had previously been accounted for as cash-settled, the fair value at the date of transition became the fair value at the date of grant for the equity-settled share-based options. The fair value at the date of grant is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

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.

Accounting Policies (continued)

for the year ended 30th November 2012

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 Review and adoption of the going concern assumption is confirmed on page 97.

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 2012. 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.

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:

IAS24 (revised 2009)	Related Party Disclosures
IFRIC14 (amended 2009)	Prepayments of a Minimum Funding Requirement
IFRS1 (amended 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS7 (amended 2010)	Disclosures – Transfers of Financial Assets

In addition, minor amendments to existing standards were made under Improvements to IFRSs (issued May 2010) 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
IAS27 (revised 2011)	Separate Financial Statements
IAS27 (amended 2012)	Investment Entities
IAS28 (revised 2011)	Investments in Associates and Joint Ventures
IAS32 (amended 2011)	Offsetting Financial Assets and Financial Liabilities
IFRIC20	Stripping Costs in the Production Phase of a Surface Mine
IFRS1 (amended 2012)	Government Loans
IFRS7 (amended 2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS9	Financial instruments
IFRS10	Consolidated Financial Statements
IFRS10 (amended 2012)	Investment Entities
IFRS11	Joint Arrangements
IFRS12	Disclosure of Interest in Other Entities
IFRS12 (amended 2012)	Investment Entities
IFRS13	Fair Value Measurement

In addition, Improvements to IFRSs (issued May 2012) is the 2011 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, although amended disclosures may be required.

Notes to the Accounts

for the year ended 30th November 2012

1. REVENUE AND GROSS PROFIT

	2012			Total £m
	Rental £m	Development £m	Other £m	
Revenue	39.3	174.1	5.7	219.1
Cost of sales	(11.0)	(151.7)	(2.9)	(165.6)
Gross profit	28.3	22.4	2.8	53.5

	2011			Total £m
	Rental £m	Development £m	Other £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

The Group operates exclusively in the UK and all of its revenues derive from its portfolio of properties which the Group manages internally, and reports to the Board, 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 2012 was £229.3m (2011: £116.9m) and in addition to the amounts above included service charge income of £6.9m (2011: £6.3m), for which there was an equivalent expense and interest income of £3.3m (2011: £1.0m). In the year ended 30th November 2012 both development revenue and cost of sales include £60.9m in relation to amounts settled by the Ministry of Defence in respect of RAF Northolt under Project MoDEL. This amount was settled as a result of the transfer of RAF Uxbridge to VSM Estates Uxbridge (Group) Limited, a joint venture between St. Modwen Properties PLC and VINCI PLC (see Note 10).

Cost of sales in respect of rental income, as disclosed above, comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and include £0.2m (2011: £0.3m) 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:

	2012 £m	2011 £m
Revenue	77.7	52.7
Cost of sales	(63.2)	(39.0)
Gross profit	14.5	13.7

Amounts recoverable on contracts as disclosed in Note 11 comprise £7.2m (2011: £7.4m) of contract revenue recognised and £0.9m (2011: £1.5m) of retentions.

There were no amounts due to customers (2011: £nil) included in trade and other payables in respect of contracts in progress at the Balance Sheet date.

2. NON-STATUTORY INFORMATION

(a) Trading profit

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

Notes	2012			2011		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
	28.3	7.9	36.2	27.5	8.0	35.5
Net rental income						
1	26.2	1.2	27.4	23.0	0.3	23.3
Development profit						
	1.4	0.2	1.6	0.5	–	0.5
Gains on disposal of investments/ investment properties						
	2.8	–	2.8	3.2	–	3.2
Other income						
	(18.1)	(0.5)	(18.6)	(16.6)	(0.1)	(16.7)
Administrative expenses						
2	(18.8)	(6.2)	(25.0)	(19.5)	(4.2)	(23.7)
Finance costs						
3	1.1	–	1.1	0.7	–	0.7
Finance income						
	22.9	2.6	25.5	18.8	4.0	22.8
Trading profit						
1	1.3	26.7	28.0	33.6	0.3	33.9
Investment property revaluation gains						
2	(3.5)	(1.3)	(4.8)	(6.7)	(0.1)	(6.8)
Other finance costs						
3	4.1	–	4.1	1.8	–	1.8
Other finance income						
	24.8	28.0	52.8	47.5	4.2	51.7
Profit before all tax						
	(5.1)	(5.4)	(10.5)	(4.9)	(1.3)	(6.2)
Taxation						
	19.7	22.6	42.3	42.6	2.9	45.5
Profit for the year						

- (1) Stated before the deduction of net realisable value provisions of: Group £3.8m (2011: £2.6m); joint ventures and associates £0.1m (2011: £0.1m). These items are reclassified to investment property revaluations, together with goodwill written off on the corporate acquisition of investment properties.
- (2) Stated before mark-to-market of derivatives and other non-cash items of: Group £3.5m (2011: £6.7m); joint ventures and associates £1.3m (2011: £0.1m). These amounts are reclassified to other finance costs.
- (3) Stated before mark-to-market of derivatives, loan settlement fees and other non-cash items of: Group £4.1m (2011: £1.8m); joint ventures and associates £nil (2011: £nil). These items are reclassified to other finance income.

(b) Property valuations

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

	2012			2011		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
	5.1	26.8	31.9	36.2	0.4	36.6
Investment property revaluation gains						
	(3.8)	(0.1)	(3.9)	(2.6)	(0.1)	(2.7)
Net realisable value provisions						
	1.3	26.7	28.0	33.6	0.3	33.9
Property valuation gains						
	19.8	27.8	47.6	33.4	(0.5)	32.9
Added value						
	(18.5)	(1.1)	(19.6)	0.2	0.8	1.0
Market movements						
	1.3	26.7	28.0	33.6	0.3	33.9
Property valuation gains						

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.

Notes to the Accounts (continued)

for the year ended 30th November 2012

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:

	2012			2011		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Investment properties	770.4	174.9	945.3	848.7	140.3	989.0
Less assets held under finance leases	(3.9)	(1.2)	(5.1)	(3.9)	(0.4)	(4.3)
Add back lease incentives (recorded in receivables)	4.5	1.6	6.1	3.1	1.2	4.3
Inventories	175.2	7.5	182.7	191.1	9.1	200.2
Less 'barter' properties ⁽¹⁾	(30.8)	–	(30.8)	(86.3)	(0.4)	(86.7)
Property portfolio	915.4	182.8	1,098.2	952.7	149.8	1,102.5

(1) Represents deductions for 'barter' properties, principally RAF Northolt as part of the Project MoDEL arrangements between VSM Estates Limited and the Ministry of Defence.

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

	2012 £m	2011 £m
Retail	240.2	209.3
Offices	60.7	70.2
Industrial	260.6	269.3
Income producing	561.5	548.8
Residential land	397.4	404.4
Commercial land	139.3	149.3
Property portfolio	1,098.2	1,102.5

(d) Movement in net debt

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

	2012 £m	2011 £m
Movement in cash and cash equivalents	3.7	(6.1)
Borrowings drawn	(98.8)	(131.3)
Repayment of borrowings	101.4	105.2
Joint venture debt repaid between 30 th November 2011 and acquisition as a subsidiary undertaking	1.6	–
Decrease/(increase) in equivalent net debt	7.9	(32.2)
Joint venture debt at 30 th November 2011 now consolidated	(26.8)	–
Increase in net debt	(18.9)	(32.2)

Included in the increase in net debt for the year ended 30th November 2012 is £24.8m as a result of the Group obtaining control of, and now consolidating, both Sowcrest Limited and Holaw 462 Limited as subsidiary undertakings. Both entities were previously accounted for as joint ventures with net debt of £26.8m as at 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:

	2012			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	31.1	–	–	31.1
Property disposals	97.5	29.5	1.6	128.6
Property acquisitions	(10.7)	(6.5)	–	(17.2)
Capital expenditure	(73.3)	(31.2)	–	(104.5)
Working capital and other movements	13.4	0.4	–	13.8
Overheads and interest	(17.3)	3.1	(20.6)	(34.8)
Taxation	(2.2)	–	–	(2.2)
Trading cash flow	38.5	(4.7)	(19.0)	14.8
Net borrowings	–	–	22.6	22.6
Joint venture debt at 30 th November 2011 now consolidated	–	–	(26.8)	(26.8)
Net dividends	–	–	(6.9)	(6.9)
Movement in cash and cash equivalents	38.5	(4.7)	(30.1)	3.7

	2011			Total £m
	Operating activities £m	Investing activities £m	Financing activities £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)

Notes to the Accounts (continued)

for the year ended 30th November 2012

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, an additional split of the Group Balance Sheet showing the proportion attributable to VSM has been provided below.

During the year ended 30th November 2012 RAF Uxbridge was transferred from VSM and the Project MoDEL arrangements to VSM Estates Uxbridge (Group) Limited, a separate joint venture between St. Modwen Properties PLC and VINCI PLC. This transfer had a limited effect on the net assets of VSM but as a result of the Project MoDEL arrangements results in reductions to the investment property, inventories and liability components of the VSM balance sheet.

	2012			2011		
	Group £m	VSM £m	Total £m	Group £m	VSM £m	Total £m
Investment property	703.6	66.8	770.4	687.4	161.3	848.7
Other non-current assets	88.0	15.6	103.6	65.8	–	65.8
Inventory	148.3	26.9	175.2	108.7	82.4	191.1
Cash and cash equivalents	5.0	3.9	8.9	5.2	–	5.2
Other current assets	26.9	19.6	46.5	23.9	27.3	51.2
Total assets	971.8	132.8	1,104.6	891.0	271.0	1,162.0
Current liabilities	(125.0)	(33.9)	(158.9)	(121.6)	(10.8)	(132.4)
Borrowings	(344.5)	(30.4)	(374.9)	(307.7)	(44.6)	(352.3)
Other non-current liabilities	(12.4)	(44.7)	(57.1)	(11.0)	(190.3)	(201.3)
Total liabilities	(481.9)	(109.0)	(590.9)	(440.3)	(245.7)	(686.0)
Net assets	489.9	23.8	513.7	450.7	25.3	476.0
Equity attributable to owners of the Company	485.3	17.3	502.6	445.4	19.0	464.4
Non-controlling interests	4.6	6.5	11.1	5.3	6.3	11.6
Total equity	489.9	23.8	513.7	450.7	25.3	476.0

(g) Net assets per share

Net assets per share are calculated as set out below:

	2012	2011
Total equity (£m)	513.7	476.0
Less: Non-controlling interest	(11.1)	(11.6)
Equity attributable to owners of the Company	502.6	464.4
Deferred tax on capital allowances and revaluations	18.7	13.0
Mark-to-market of interest rate swaps	19.1	18.6
Fair value of inventories	3.9	4.1
Diluted EPRA net assets	544.3	500.1
Shares in issue (number)	200,360,931	200,360,931
Total equity net assets per share (pence)	256.4	237.6
Percentage increase	8%	
Total equity attributable to owners of the Company net assets per share (pence)	250.8	231.8
Percentage increase	8%	
Diluted EPRA net assets per share (pence)	271.7	249.6
Percentage increase	9%	

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).

In addition equivalent net debt and associated metrics are discussed in the Business Review. These figures assume that both Sowcrest Limited (Sowcrest) and Holaw (462) Limited (Holaw) were consolidated at 30th November 2011. Adjustments to derive these figures are also detailed below.

	2012			2011		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (Note 2c)	915.4	182.8	1,098.2	952.7	149.8	1,102.5
Adjustment assuming Sowcrest and Holaw consolidated	-	-	-	40.4	(20.2)	20.2
Comparable property portfolio	915.4	182.8	1,098.2	993.1	129.6	1,122.7
Total equity	513.7	N/A	513.7	476.0	N/A	476.0
Adjustment assuming Sowcrest and Holaw consolidated	-	N/A	-	(2.3)	N/A	(2.3)
Comparable equity	513.7	N/A	513.7	473.7	N/A	473.7
Net debt	366.0	82.5	448.5	347.1	84.5	431.6
Adjustment assuming Sowcrest and Holaw consolidated	-	-	-	26.8	(13.4)	13.4
Comparable debt	366.0	82.5	448.5	373.9	71.1	445.0
Gearing	71%		87%	73%		91%
LTV	40%		41%	36%		39%
Equivalent Gearing	71%		87%	79%		94%
Equivalent LTV	40%		41%	38%		40%

Notes to the Accounts (continued)

for the year ended 30th November 2012

3. OTHER INCOME STATEMENT DISCLOSURES

(a) Administrative expenses

Administrative expenses have been arrived at after charging:

	2012 £m	2011 £m
Depreciation	0.5	0.5
Operating lease costs	1.0	1.0

(b) Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2012 £000	2011 £000
Fees payable for the audit of the Company's annual accounts	118	115
The audit of subsidiary companies and joint ventures pursuant to legislation	137	132
Total audit fees	255	247
Audit related assurance services	55	51
Other assurance services	20	–
Tax compliance services	150	160
Tax advisory services	171	108
Property consulting	47	82
Total non-audit fees	443	401
Total fees	698	648

Amounts above include £67,000 (2011: £82,000) that was paid to Drivers Jonas Deloitte, the property consulting business of Deloitte. The business uses Drivers Jonas Deloitte (now Deloitte Real Estate) for property consulting work where they are cost effective and the most appropriate firm for 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:

	2012 Number	2011 Number
Property	136	134
Leisure and other activities	63	59
Administration	41	41
	240	234

The total payroll costs of these employees were:

	2012 £m	2011 £m
Wages and salaries	12.5	10.9
Social security costs	1.6	1.5
Pension costs	0.8	0.7
	14.9	13.1

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

3. OTHER INCOME STATEMENT DISCLOSURES (CONTINUED)

(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.

	2012			2011		
	Number of options	All options £	Excluding PSP £	Number of options	All options £	Excluding PSP £
Outstanding at start of year	8,623,043	1.57	1.96	6,459,561	1.66	2.01
Granted	3,021,762	1.25	1.77	2,882,784	1.32	1.79
Forfeited	(197,768)	(2.33)	(2.33)	(656,834)	(1.41)	(1.92)
Lapsed	(360,588)	(0.49)	(1.85)	(12,908)	(3.68)	(3.68)
Exercised	(155,784)	(1.66)	–	(49,560)	(1.00)	(1.00)
Outstanding at end of year	10,930,665	1.49	1.90	8,623,043	1.57	1.96
Exercisable at year end	2,672,736	2.01	2.20	958,918	2.87	2.87

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

	Charge to Income Statement £m	Risk-free interest rate %	Expected volatility %	Dividend yield %	Share price £*
30th November 2012	0.3	0.4-1.1	37.6-56.9	1.6	1.23-2.00
30 th November 2011	0.2	0.4-1.1	23.4-56.1	2.4	1.23

* For 2012 based on the earlier of the 90 day average to 30th November 2011 or the closing share price at the date of grant. For 2011 based on the 90 day average to 30th November 2011.

The fair value of the Balance Sheet liability in respect of share options outstanding at the year end was £2.4m (2011: £2.1m) and included £0.4m (2011: £0.1m) in respect of options that had vested at the year end.

In arriving at fair value it has been assumed that, when vested, shares 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 £1.97 (2011: £1.37). The executive share options outstanding at the year end had a range of exercise prices between £1.14 and £3.75 (2011: £1.14 and £4.10) with PSP options exercisable at £nil (2011: £nil). Outstanding options had a weighted average maximum remaining contractual life of 9 years (2011: 8.7 years).

Notes to the Accounts (continued)

for the year ended 30th November 2012

4. FINANCE COST AND FINANCE INCOME

	2012 £m	2011 £m
Interest payable on borrowings	(18.6)	(19.3)
Amortisation of loan arrangement fees	(1.2)	(1.3)
Amortisation of discount on deferred payment arrangements	(1.1)	(2.3)
Head rents treated as finance leases	(0.2)	(0.2)
Movement in fair value of interest rate derivatives	–	(1.8)
Interest on pension scheme liabilities (Note 18)	(1.2)	(1.3)
Total finance cost	(22.3)	(26.2)

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

	2012 £m	2011 £m
Interest receivable on cash deposits	1.1	0.7
Credit in respect of loan settlement fees	2.0	–
Credit in respect of discount on deferred receivables	0.2	0.3
Movement in fair value of interest rate derivatives	0.6	–
Expected return on pension scheme assets (Note 18)	1.3	1.5
Total finance income	5.2	2.5

5. TAXATION

(a) Tax on profit on ordinary activities

	2012 £m	2011 £m
Tax charge/(credit) in the Income Statement:		
Corporation tax		
Current year tax	3.4	0.2
Adjustments in respect of previous years	1.9	(3.3)
	5.3	(3.1)
Deferred tax		
Reversal of temporary differences	(0.4)	(0.2)
Impact of current year revaluations and indexation	2.7	2.9
Utilisation of tax losses	0.9	5.1
Change in rate for provision of deferred tax	(0.5)	–
Adjustments in respect of previous years	(2.9)	0.2
	(0.2)	8.0
Total tax charge in the Income Statement	5.1	4.9
Tax relating to items in the Statement of Comprehensive Income:		
Deferred tax		
Actuarial losses on pension schemes	–	–
Tax credit in the Statement of Total Recognised Income and Expense	–	–

5. TAXATION (CONTINUED)

(b) Reconciliation of effective tax rate

	2012 £m	2011 £m
Profit before tax	47.4	50.4
Less: Joint ventures and associates	(22.6)	(2.9)
Pre-tax profit attributable to the Group	24.8	47.5
Corporation tax at 24.7% (2011: 26.7%)	6.1	12.7
Permanent differences	(0.7)	(0.8)
Short-term timing differences	(1.7)	–
Impact of current year revaluations and indexation	2.2	(6.6)
Difference between chargeable gains and accounting profit	0.7	3.4
Change in rate used for provision of deferred tax	(0.5)	–
Utilisation of tax losses not previously recognised	–	(0.7)
Current year charge	6.1	8.0
Adjustments in respect of previous years	(1.0)	(3.1)
	5.1	4.9
Effective rate of tax	21%	10%

The post tax results of joint ventures and associates are stated after a tax charge of £5.4m (2011: £1.3m). The effective tax rate for the Group including joint ventures and associates is a charge of 19.9% (2011: 12.0% credit).

The Finance Act 2012 was enacted on 17th July 2012 and included provisions which reduced the main rate of corporation tax to 24% from 1st April 2012 and 23% from 1st April 2013. Current tax has therefore been provided at 24.67% and deferred tax at 23%. Further reductions to the main rate are proposed to reduce the rate to 21% 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 to 21% by 1st April 2014 are expected to be enacted substantively in Finance Act 2013. If the deferred tax assets and liabilities of the Group were all to reverse after 1st April 2014, the effect of the changes from 23% to 21% would be to reduce the net deferred tax liability by £0.7m.

(c) Balance Sheet

	2012		2011	
	Corporation tax £m	Deferred tax £m	Corporation tax £m	Deferred tax £m
Balance at start of the year	0.2	8.7	9.3	0.7
Charge/(credit) to the Income Statement	5.3	(0.2)	(3.1)	8.0
Net payment	(2.2)	–	(6.0)	–
Balance at end of the year	3.3	8.5	0.2	8.7

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

	2012			2011		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Property revaluations	–	9.5	9.5	–	7.3	7.3
Capital allowances	–	3.6	3.6	–	5.1	5.1
Appropriations to trading stock	–	0.9	0.9	–	0.5	0.5
Unutilised tax losses	(0.1)	–	(0.1)	–	–	–
Other temporary differences	(5.4)	–	(5.4)	(4.2)	–	(4.2)
	(5.5)	14.0	8.5	(4.2)	12.9	8.7

At the Balance Sheet date, the Group has unused tax losses in relation to 2012 and prior years of £1.8m (2011: £1.6m), of which £0.1m (2011: £nil) has been recognised as a deferred tax asset. A deferred tax asset of £1.7m (2011: £1.6m) has not been recognised in respect of current and prior year tax losses as it is not considered sufficiently certain that there will be taxable profits available in the short term against which these can be offset.

Notes to the Accounts (continued)

for the year ended 30th November 2012

5. TAXATION (CONTINUED)

(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. Where tax matters are subject to review by HMRC, management has applied judgement to determine the level of provision, if any, required.

6. EARNINGS PER SHARE

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

	2012 Number of shares	2011 Number of shares
Weighted number of shares in issue	200,145,177	200,110,380
Weighted number of dilutive shares	1,534,599	520,113
	201,679,776	200,630,493

	2012 £m	2011 £m
Profit attributable to equity shareholders (basic and diluted)	42.7	43.5

	2012 pence	2011 pence
Basic earnings per share	21.3	21.7
Diluted earnings per share	21.2	21.7

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

As the Group is principally a development business EPRA Earnings per share on a basic and diluted basis are not provided. These calculations exclude development profits and would not provide a meaningful measure of the performance of the Group.

7. DIVIDENDS

Dividends paid during the year were in respect of the final dividend for 2011 and interim dividend for 2012. 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.

	2012		2011	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.20	4.4	2.00	4.0
Interim dividend in respect of current year	1.21	2.4	1.10	2.2
Total	3.41	6.8	3.10	6.2
Proposed				
Current year final dividend	2.42	4.8	2.20	4.4

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 30 th 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 30 th November 2011	560.7	288.0	848.7
Additions – new properties	35.0	–	35.0
Other additions	31.8	11.5	43.3
Net transfers to inventories (Note 12)	(46.7)	(4.1)	(50.8)
Disposals	(16.2)	(96.0)	(112.2)
Gain/(loss) on revaluation	11.1	(4.7)	6.4
At 30th November 2012	575.7	194.7	770.4

Investment properties were valued at 30th November 2012 by Jones Lang LaSalle 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.

Additions – new properties include £31.6m (2011: £3.5m) acquired through business combinations.

The historical cost of investment properties at 30th November 2012 was £680.5m (2011: £744.1m).

As at 30th November 2012, £632.8m (2011: £756.9m) of investment property was pledged as security for the Group's loan facilities.

Included within leasehold investment properties are £3.9m (2011: £3.9m) of assets held under finance leases.

Notes to the Accounts (continued)

for the year ended 30th November 2012

9. OPERATING PROPERTY, PLANT AND EQUIPMENT

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30 th November 2010	6.9	4.8	11.7
Additions	–	0.3	0.3
Disposals	–	(0.2)	(0.2)
At 30 th November 2011	6.9	4.9	11.8
Additions	0.1	0.1	0.2
At 30th November 2012	7.0	5.0	12.0
Depreciation			
At 30 th November 2010	0.6	3.7	4.3
Charge for the year	0.1	0.4	0.5
Disposals	–	(0.1)	(0.1)
At 30 th November 2011	0.7	4.0	4.7
Charge for the year	0.1	0.4	0.5
At 30th November 2012	0.8	4.4	5.2
Net book value			
At 30 th November 2010	6.3	1.1	7.4
At 30 th November 2011	6.2	0.9	7.1
At 30th November 2012	6.2	0.6	6.8
Tenure of operating properties:			
		2012 £m	2011 £m
Freehold		3.5	3.5
Leasehold		2.7	2.7
		6.2	6.2

10. JOINT VENTURES AND ASSOCIATES

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

	2012				2011			
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	Total £m	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	Total £m
Income statements								
Revenue	18.9	0.1	0.8	19.8	12.1	–	7.3	19.4
Net rental income	7.3	(0.1)	0.7	7.9	7.3	–	0.7	8.0
Development profits/(losses)	1.3	–	(0.2)	1.1	0.2	–	–	0.2
Gains on disposal of investment properties	0.2	–	–	0.2	–	–	–	–
Investment property revaluation (losses)/gains	(0.4)	27.2	–	26.8	0.4	–	–	0.4
Administrative expenses	(0.3)	(0.1)	(0.1)	(0.5)	(0.1)	–	–	(0.1)
Profit before interest and tax	8.1	27.0	0.4	35.5	7.8	–	0.7	8.5
Finance cost	(4.8)	(2.4)	(0.3)	(7.5)	(3.4)	–	(0.9)	(4.3)
Profit/(loss) before tax	3.3	24.6	0.1	28.0	4.4	–	(0.2)	4.2
Taxation	0.3	(5.5)	(0.2)	(5.4)	(1.2)	–	(0.1)	(1.3)
Profit/(loss) for the year	3.6	19.1	(0.1)	22.6	3.2	–	(0.3)	2.9

Included in other joint ventures and associates above are losses from associated companies of £0.1m (2011: profits of £0.3m).

The Group's share of the Balance Sheet of its joint ventures and associates is:

	2012				2011			
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	Total £m	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	Total £m
Balance Sheets								
Non-current assets	116.8	58.9	3.8	179.5	120.4	–	23.7	144.1
Current assets	13.6	2.9	4.8	21.3	10.7	–	6.1	16.8
Current liabilities	(19.2)	(6.2)	(0.9)	(26.3)	(11.1)	–	(21.6)	(32.7)
Non-current liabilities	(62.0)	(36.5)	(0.8)	(99.3)	(74.4)	–	(3.5)	(77.9)
Net assets	49.2	19.1	6.9	75.2	45.6	–	4.7	50.3
Equity at start of year	45.6	–	4.7	50.3	44.4	–	5.0	49.4
Transfer from joint venture to subsidiary undertaking	–	–	2.3	2.3	–	–	–	–
Profit/(loss) for the year	3.6	19.1	(0.1)	22.6	3.2	–	(0.3)	2.9
Dividends paid	–	–	–	–	(2.0)	–	–	(2.0)
Equity at end of year	49.2	19.1	6.9	75.2	45.6	–	4.7	50.3

Included in other joint ventures and associates above are net assets of £2.9m (2011: £3.0m) in relation to associated companies. These net assets comprise total assets of £3.6m (2011: £4.0m) and total liabilities of £0.7m (2011: £1.0m).

Notes to the Accounts (continued)

for the year ended 30th November 2012

10. JOINT VENTURES AND ASSOCIATES (CONTINUED)

Joint venture companies and associates comprise:

Name	Status	Interest	Activity
Key Property Investments Limited	Joint venture	50%	Property investment and development
VSM Estates Uxbridge (Group) Limited	Joint venture	50%	Property investment and development
Barton Business Park Limited	Joint venture	50%	Property development
Sky Park Developments LLP	Joint venture	50%	Property development
Wrexham Land	Joint venture	50%	Property development
Wrexham Power	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 Review a series of commercial 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 customers.

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

On 31st May 2012 the Group increased its shareholding in Sowcrest Limited, Holaw (462) Limited and Chertsey Road Property Limited to 100%. As set out in Note 19, net goodwill of £1.3m arose on increasing the Group's stake in the entities, which are now accounted for as subsidiaries.

11. TRADE AND OTHER RECEIVABLES

	2012 £m	2011 £m
Non-current		
Other debtors	15.6	8.4
Amounts due from joint ventures	6.0	–
	21.6	8.4
Current		
Trade receivables	4.9	8.1
Prepayments and accrued income	7.1	5.2
Other debtors	18.2	14.1
Amounts recoverable on contracts	8.1	8.9
Amounts due from joint ventures	8.2	14.9
	46.5	51.2

IFRS 7 disclosures in respect of financial assets included above are provided in Note 16.

12. INVENTORIES

	2012 £m	2011 £m
Properties held for sale	9.6	16.0
Properties under construction	143.1	152.8
Land under option	22.5	22.3
	175.2	191.1

The movement in inventories during the two years ended 30th November 2012 is as follows:

	£m
At 30 th 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 30 th November 2011	191.1
Additions	85.0
Net transfers from investment property (Note 8)	50.8
Disposals (transferred to development cost of sales) (Note 1)	(151.7)
At 30th November 2012	175.2

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 £3.8m (2011: £2.6m).

As at 30th November 2012 £41.0m (2011: £41.0m) of inventory was pledged as security for the Group's loan facilities.

13. TRADE AND OTHER PAYABLES

	2012 £m	2011 £m
Current		
Trade payables	20.4	19.3
Amounts due to joint ventures	13.1	4.5
Other payables and accrued expenses	74.8	79.7
Provision for share options	–	0.8
Other payables on deferred terms	27.8	7.8
Derivative financial instruments	19.5	20.1
	155.6	132.2
Non-current		
Other payables and accrued expenses	–	47.7
Provision for share options	–	1.0
Other payables on deferred terms	44.7	140.0
Finance lease liabilities (head rents)	3.9	3.9
	48.6	192.6

IFRS 7 disclosures in respect of financial liabilities included above are provided in Note 16.

The payment terms of the 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.

Notes to the Accounts (continued)

for the year ended 30th November 2012

14. BORROWINGS

	2012 £m	2011 £m
Current		
Bank overdrafts	3.3	–
Non-current		
Amounts repayable between one and two years	85.1	–
Amounts repayable between two and five years	201.6	352.3
Amounts repayable after more than five years	84.9	–
	371.6	352.3
Total	374.9	352.3

Where borrowings are secured, the individual bank facility has a fixed charge over a discrete portfolio of certain of the Group's property assets.

Maturity profile of committed borrowing facilities

The Group's debt is provided by floating rate bilateral revolving credit facilities (providing the flexibility to draw and repay loans as required) and an unsecured 6.25% fixed rate retail bond. The maturity profile of the Group's committed borrowing facilities is set out below:

	2012			2011		
	Drawn £m	Undrawn £m	Total £m	Drawn £m	Undrawn £m	Total £m
Secured floating rate borrowings:						
Less than one year [†]	3.3	1.7	5.0	–	5.0	5.0
One to two years	85.1	14.9	100.0	–	–	–
Two to three years	120.3	84.7	205.0	165.1	33.3	198.4
Three to four years	81.3	23.7	105.0	105.9	68.1	174.0
Four to five years	–	–	–	81.3	23.7	105.0
More than five years	4.9	0.1	5.0	–	–	–
	294.9	125.1	420.0	352.3	130.1	482.4
Unsecured fixed rate borrowings:						
More than five years	80.0	–	80.0	–	–	–
	374.9	125.1	500.0	352.3	130.1	482.4

[†]In addition to the principal amounts included above, £0.9m (2011: £1.8m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

£0.6m (2011: £3.8m) of the undrawn committed facilities are ring-fenced for VSM Estates (Holdings) Limited.

14. BORROWINGS (CONTINUED)

Interest rate profile

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

	2012		2011	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	64.9	Margin + 3 month LIBOR	92.3	Margin + 3 month LIBOR
Fixed rate bank debt	230.0	Margin + 3.34% weighted average swap rate	260.0	Margin + 3.29% weighted average swap rate
Fixed rate retail bond	80.0	6.25% Fixed rate	–	N/A
At 30th November 2012	374.9		352.3	

The average margin on the Group's bank debt is 2.1% (2011: 2.0%).

Interest rate swaps

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 5.16% (2011: 2.01% to 5.42%). In addition the Group has a cap at 7.5% on a further £0.1m (2011: £0.1m) of floating rate debt. Details of the maturity profile of derivative financial instruments are given below and the change in fair value of these instruments as charged to the Income Statement is disclosed in Note 4.

	2012				2011			
	Earliest termination		Latest termination		Earliest termination		Latest termination	
	£m	%*	£m	%*	£m	%*	£m	%*
Less than one year	30.0	4.83%	10.0	4.65%	30.0	4.97%	10.0	5.42%
One to two years	60.0	3.60%	50.0	3.34%	30.0	4.66%	20.0	4.65%
Two to three years	50.0	2.91%	50.0	2.91%	70.0	3.63%	60.0	3.45%
Three to four years	60.0	2.99%	60.0	2.99%	50.0	2.91%	50.0	2.91%
Four to five years	20.0	2.01%	20.0	2.01%	60.0	2.99%	60.0	2.99%
More than five years	10.0	4.32%	40.0	4.76%	20.0	2.01%	60.0	3.81%
	230.0	3.34%	230.0	3.34%	260.0	3.29%	260.0	3.29%

* Weighted average interest rate.

Certain of the interest rate swaps are extendable at the bank's option; the tables above therefore show the dates of normal termination and extended termination. The weighted average maturity of interest rate swaps to the earliest termination date is 2.8 years (2011: 3.1 years).

Notes to the Accounts (continued)

for the year ended 30th November 2012

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:

	2012 £m	2011 £m
In one year or less	0.8	0.7
Between one and five years	2.9	3.4
In five years or more	0.1	0.5
	3.8	4.6

Operating leases where the Group is the lessor

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

	2012 £m	2011 £m
In one year or less	29.2	28.4
Between one and five years	87.1	71.2
In five years or more	167.6	174.6
	283.9	274.2

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.4m (2011: £0.4m) were recognised during the year.

Obligations under finance leases

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

	2012		
	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.2	0.2	–
Between one and five years	1.0	1.0	–
More than five years	66.1	62.2	3.9
	67.3	63.4	3.9

	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

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2011: 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		2012 £m	2011 £m
Loans and receivables:			
Cash and cash equivalents	a	8.9	5.2
Trade and other receivables	a	46.1	40.6
		55.0	45.8
<hr/>			
Financial liabilities		2012 £m	2011 £m
Derivative financial instruments held at fair value through profit or loss	b	19.5	20.1
Amortised cost:			
Bank loans and overdrafts	a	294.9	352.3
Retail bond	a	80.0	–
Trade and other payables	a	68.0	103.6
Other payables on deferred terms	a	72.5	147.8
Finance lease liabilities (head rents)	a	3.9	3.9
		538.8	627.7

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 £6.8m (2011: £4.9m) 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 £40.3m (2011: £47.6m) 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.

Fair value hierarchy 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 £19.5m recognised as at 30th November 2012 (2011: £20.1m) 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.

Notes to the Accounts (continued)

for the year ended 30th November 2012

16. FINANCIAL INSTRUMENTS (CONTINUED)

1% increase in interest rates	2012 £m	2011 £m
Interest on borrowings	(2.1)	(2.6)
Effect of interest rate swaps	1.7	1.9
	(0.4)	(0.7)

1% decrease in interest rates	2012 £m	2011 £m
Interest on borrowings	2.1	2.6
Effect of interest rate swaps	(1.7)	(1.9)
	0.4	0.7

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 acceptable (generally A and above) 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 £1.6m (2011: £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.

Included within trade and other receivables is £0.4m (2011: £0.5m) 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	2012 £m	2011 £m
At start of year	0.5	0.7
Impairment losses recognised	0.4	0.5
Amounts written off as uncollectable	(0.2)	(0.2)
Impairment losses reversed	(0.3)	(0.5)
At end of year	0.4	0.5

Trade and other receivables include £1.0m (2011: £0.9m) which are past due as at 30th November 2012 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	2012 £m	2011 £m
1–30 days	0.3	0.4
31–60 days	0.3	0.2
60 days +	0.4	0.3
	1.0	0.9

16. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	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
2012						
Trade and other payables (including finance lease liabilities)	37.3	1.9	32.5	3.9	63.4	139.0
Other payables on deferred terms	–	10.4	17.4	45.8	–	73.6
	37.3	12.3	49.9	49.7	63.4	212.6
2011						
Trade and other payables (including finance lease liabilities)	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

The Group's approach to cash flow, financing and bank covenants is discussed further in the Financial Review section of the Business Review.

17. SHARE CAPITAL

	Ordinary 10p shares Number	£m
Allotted and fully paid:		
Equity share capital		
At start and end of year	200,360,931	20.0

See Note 3d for details of outstanding options to acquire ordinary shares.

Notes to the Accounts (continued)

for the year ended 30th November 2012

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 £0.1m (2011: £nil) for the defined benefit section; and
- a charge of £0.6m (2011: £0.5m) 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 IAS 19. The main actuarial assumptions were:

Investment rate of return:	pre-retirement	6.3 % pa
	post-retirement	4.8 % pa
Increase in pensions		3.6 % pa

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30th November 2012 on an IAS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2012	2011	2010
Rate of increase in deferred pensions	2.0%	2.4%	2.8%
Rate of increase in pensions in payment			
Pre 6 th April 1997 benefits	2.7%	3.0%	3.0%
Post 5 th April 1997 benefits	2.7%	3.1%	3.5%
Discount rate	4.3%	4.9%	5.5%
Inflation assumption	2.0%	2.4%	2.8%

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 a normal retirement age of 60.

The Group made a contribution of £0.2m to the defined benefit section of the scheme in 2012 and expects contributions to remain at similar levels in future years.

The fair values of assets in the defined benefit section of the scheme and the expected rates of return, based on market expectations, were:

	2012		2011		2010	
	%	£m	%	£m	%	£m
Equities	4.5	11.0	5.1	9.5	5.7	10.3
Bonds	4.2	9.7	4.8	7.9	5.5	7.6
Property	4.5	6.4	5.1	8.2	5.7	8.5
Cash and other assets	3.2	1.0	4.0	1.5	4.2	0.8
		28.1		27.1		27.2
Actuarial value of liabilities		(27.0)		(24.8)		(24.7)
Unrecognised surplus		(1.1)		(2.3)		(2.5)
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 £1.1m) recorded in the Group Statement of Comprehensive Income is a loss of £0.1m (2011: £0.2m).

18. PENSIONS (CONTINUED)

Analysis of the amount charged to operating profit

	2012 £m	2011 £m	2010 £m
Current service cost and total operating charge	(0.2)	(0.2)	(0.2)

Analysis of the amount credited to finance costs and income

	2012 £m	2011 £m	2010 £m
Expected return on pension scheme assets	1.3	1.5	1.5
Interest on pension scheme liabilities	(1.2)	(1.3)	(1.4)
	0.1	0.2	0.1

The actual return on pension scheme assets was a gain of £2.4m (2011: £1.1m). 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

	2012 £m	2011 £m	2010 £m
Difference between expected and actual return on assets	1.1	(0.4)	0.9
Experience gains and losses arising on fair value of scheme liabilities	(0.5)	(1.8)	(0.7)
Effects of changes in the demographic and financial assumptions underlying the fair value of the scheme liabilities	(1.8)	1.8	2.0
Change in unrecognised surplus	1.1	0.2	(2.3)
Total actuarial loss	(0.1)	(0.2)	(0.1)

Analysis of the movement in the present value of the scheme liabilities

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Beginning of year	24.8	24.7	26.9	23.6	29.0
Movement in year:					
Current service cost	0.2	0.2	0.2	0.2	0.4
Employee contributions	-	-	-	0.1	0.1
Interest cost	1.2	1.3	1.4	1.4	1.6
Actuarial gains and losses	2.3	-	(1.3)	3.7	(3.9)
Benefits paid	(1.5)	(1.4)	(2.5)	(1.4)	(3.6)
Curtailment gain	-	-	-	(0.7)	-
End of year	27.0	24.8	24.7	26.9	23.6

Notes to the Accounts (continued)

for the year ended 30th November 2012

18. PENSIONS (CONTINUED)

Analysis of the movement in the fair value of the scheme assets

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Beginning of year	27.1	27.2	27.1	24.9	35.0
Movement in year:					
Expected return on scheme assets	1.3	1.5	1.5	1.4	2.0
Contributions by employer	0.2	0.2	0.2	0.3	0.4
Employee contributions	-	-	-	0.1	0.1
Actuarial gains and losses	1.0	(0.4)	0.9	1.8	(9.0)
Benefits paid	(1.5)	(1.4)	(2.5)	(1.4)	(3.6)
End of year	28.1	27.1	27.2	27.1	24.9
Surplus in scheme at the year end	1.1	2.3	2.5	0.2	1.3
Unrecognised surplus	(1.1)	(2.3)	(2.5)	(0.2)	(1.3)
Net surplus	-	-	-	-	-

History of experience gains and losses

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Difference between expected and actual return on scheme assets:					
Amount	1.1	(0.4)	0.9	1.8	(9.0)
Percentage of scheme assets	3.9%	(1.5%)	3.3%	6.6%	(35.7%)
Experience gains and losses on scheme liabilities:					
Amount	(0.5)	(1.8)	(0.7)	3.7	(3.8)
Percentage of fair value of scheme liabilities	1.9%	7.3%	2.8%	(13.8%)	16.1%

19. ACQUISITION OF SUBSIDIARY

On 31st May 2012, the Company acquired the power to govern the financial and operating policies of its joint venture entities Sowcrest Limited (Sowcrest), Chertsey Road Property Limited (Chertsey) and Statedale Limited together with its 100% subsidiary Holaw (462) Limited (together Holaw). These linked transactions were facilitated by entering into a sale and purchase agreement to simultaneously acquire the remaining 50% equity interest in each company for nil consideration.

As required by IFRS 3 (2008) Business Combinations, these deemed acquisitions of control have resulted in the joint venture interests being remeasured to their fair values at the acquisition date and the net goodwill arising, which is not deemed to be recoverable, has been written off to the Income Statement. The acquisitions provide the Group with full control of Sowcrest and Holaw, enabling it to develop the second phase at Wembley Central as well as providing it with additional rental income from the investment property held by those entities.

Fair values are reported as provisional for 12 months to allow the incorporation of subsequent amendments.

The recognised amounts of identifiable assets acquired and liabilities assumed are set out in the table below:

	Sowcrest £m	Chertsey £m	Holaw £m	Total £m
Net assets acquired:				
Investment property	23.6	–	8.0	31.6
Work in progress	7.2	–	–	7.2
Trade and other receivables	0.2	–	0.4	0.6
Cash at bank	–	–	0.4	0.4
Trade and other payables	(16.9)	(0.2)	(1.1)	(18.2)
Bank borrowings	(20.2)	–	(5.0)	(25.2)
Total identifiable net assets	(6.1)	(0.2)	2.7	(3.6)
Net goodwill	2.5	0.1	(1.3)	1.3
Total consideration	(3.6)	(0.1)	1.4	(2.3)
Satisfied by:				
Fair value of joint venture interest previously owned	(3.6)	(0.1)	1.4	(2.3)

The goodwill is not considered to be recoverable and has been written off to the Income Statement.

If the acquisitions had been completed on the first day of the financial year, they would have increased group revenue by £1m and the Group's profit before tax by £0.2m.

20. CAPITAL COMMITMENTS

At 30th November 2012 the Group had contracted capital expenditure of £11.0m (2011: £19.9m). In addition the Group's share of the contracted capital expenditure of its joint venture undertakings was £5.6m (2011: £0.1m). All capital commitments relate to investment properties.

21. CONTINGENT LIABILITIES

The Group has a joint and several unlimited liability with VINCI PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited (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, together with Salthia Real Estate K.S.C. (Salthia) has provided a parent company guarantee in respect of the £135m bank facility provided to Key Property Investments Limited. The guarantee provided by the Group is capped at 50% of the total commitment under the agreement from time to time, limiting the Group guarantee to £67.5m as at 30th November 2012.

The Group, together with VINCI UK PLC has provided a joint and several parent company guarantee in respect of the £50m bank facility provided to VSM Estates Uxbridge Limited, a subsidiary of VSM Estates Uxbridge (Group) Limited.

Notes to the Accounts (continued)

for the year ended 30th November 2012

21. CONTINGENT LIABILITIES (CONTINUED)

The Group has taken advantage of the exemption from audit under Section 479A of the Companies Act 2006. As a result, for the year ended 30th November 2012, the following subsidiaries are entitled to exemption from audit.

St. Modwen Developments (Chorley) Limited	Company Number:	05727011
St. Modwen Developments (Colne) Limited	Company Number:	05726325
St. Modwen Developments (Connah's Quay) Limited	Company Number:	05726352
St. Modwen Developments (Daresbury) Limited	Company Number:	06163550
St. Modwen Developments (Hull) Limited	Company Number:	05593517
St. Modwen Developments (Longbridge) Limited	Company Number:	02885028
St. Modwen Developments (Long Marston) Limited	Company Number:	05294589
St. Modwen Developments (Queens Market) Limited	Company Number:	05289380
St. Modwen Developments (Quinton) Limited	Company Number:	01479159
St. Modwen Developments (St. Helens) Limited	Company Number:	05726666
St. Modwen Developments (Wythenshawe) Limited	Company Number:	05594279
St. Modwen Developments (Wythenshawe 2) Limited	Company Number:	05851760
St. Modwen Investments Limited	Company Number:	00528657
Shaw Park Developments Limited	Company Number:	04625000

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 £0.7m (2011: £0.2m). The balance due to the Group at year end was £4.3m (2011: £0.3m). No interest is charged on this balance.

VSM Estates Uxbridge (Group) Limited (VSM Uxbridge)

During the year the Group set up VSM Uxbridge as a new joint venture with VINCI PLC to hold the former RAF Uxbridge site. VSM entities holding the former RAF Uxbridge sites were transferred to this joint venture together with the related liabilities to settle the deferred consideration due to the MoD.

VSM Uxbridge is funded by loan notes and short term funding provided by the Group and VINCI PLC together with bank debt. The balance due to the Group at the year end was £8.6m, of which £6m is loan notes on which interest is chargeable. Interest charged in the year ended 30th November 2012 was £0.7m.

Sowcrest Limited (Sowcrest), Holaw (462) Limited (Holaw) and Chertsey Road Properties Limited (CRP)

On 31st May 2012, the Group acquired the power to govern the financial and operating policies of these joint ventures, bringing Sowcrest, Holaw and CRP into the Group as subsidiaries from this date.

Barton Business Park Limited (Barton)

During the year the Group repaid £nil to Barton (2011: repaid £0.1m). The balance due to Barton at the year end was £3.8m (2011: £3.8m). No interest is charged on this balance.

Skypark Developments LLP (Skypark)

The balance due to the Group from Skypark at the year end was £0.5m (2011: £0.5m), of which £0.5m (2011: £0.5m) relates to loan notes issued to the Group. No interest is charged on this balance.

Wrexham Power Limited (Wrexham Power)

During the year the Group provided funding to Wrexham Power of £0.2m (2011: £nil). The balance due to the Group at the year end was £0.2m (2011: £nil). No interest is charged on this balance.

St. Modwen Pension Scheme

The Group occupies offices owned by the pension scheme with a value of £0.4m (2011: £0.5m) with an annual rental payable of £0.1m (2011: £0.1m). The balance due to the Group at year end was £0.1m (2011: £0.1m).

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 an interest of less than 90% were as follows:

	Management fees		Interest		Balance	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Stoke-on-Trent Regeneration Limited	-	-	(0.1)	(0.1)	(3.7)	(4.0)
Stoke-on-Trent Regeneration (Investments) Limited	-	-	-	-	0.8	(0.4)
Uttoxeter Estates Limited	-	-	-	-	(0.4)	(0.5)
Widnes Regeneration Limited	-	-	-	-	2.4	2.4
Trentham Leisure Limited	-	-	1.4	1.7	19.7	20.4
Norton & Proffitt Developments Limited	-	-	-	-	(0.4)	(0.2)
VSM Estates (Holdings) Limited	0.2	0.3	0.8	-	(7.3)	(11.5)
	0.2	0.3	2.1	1.6	11.1	6.2

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 (2011: £nil). No guarantees have been given or received from related parties.

Transactions in which directors have an interest

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.

Property acquisition – Lickey Road, Longbridge

During 2012, the daughter of David Garman (Senior Independent Director) acquired a new-build residential unit at Lickey Road, Longbridge from the Group. The property was acquired on an arms length basis for £0.2m.

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.

23. POST BALANCE SHEET EVENT

Since the year end the Group has set up VSM (NCGM) Limited, a joint venture with VINCI UK PLC. This Company has signed a contract with the Covent Garden Market Authority to be the development partner for the New Covent Garden Market site in Central London. The landmark multi-phased project will entail the rationalisation and master planning of the entire 57 acre site situated next to Vauxhall Cross, Nine Elms. This contract was not in place at the year end and remains conditional. As such no adjustments have been made to reflect this in the Financial Statements.

Company Balance Sheet

as at 30th November 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible fixed assets	E	0.5	0.7
Investments held as fixed assets	F	650.4	602.6
		650.9	603.3
Current assets			
Debtors (including amounts falling due after more than one year of £221.0m (2011: £205.7m))	G	437.8	410.0
Cash at bank and in hand		2.9	3.4
Current liabilities			
Creditors: amounts falling due within one year	H	(293.0)	(284.8)
Net current assets		147.7	128.6
Total assets less current liabilities		798.6	731.9
Creditors: amounts falling due after more than one year	H	(271.1)	(242.5)
Net assets		527.5	489.4
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	380.6	329.2
Profit and loss account	L	21.9	37.6
Share incentive reserve	L	2.4	–
Own shares	L	(0.5)	(0.5)
Equity shareholders' funds		527.5	489.4

These Financial Statements were approved by the Board of Directors on 4th February 2013 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 2012

(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 Review.

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.

Current taxation

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.

Notes to the Company Accounts (continued)

for the year ended 30th November 2012

(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 payments

Prior to 1st December 2011, when employee share options were exercised, the employee had the choice whether to have the liability settled by way of cash or the retention of shares. As it had been the Company's experience to satisfy the majority of its share options in cash, the Group accounted for its share-based payments as cash-settled. The cost of cash-settled transactions was measured at fair value using an appropriate option pricing model and amortised through the Income Statement over the vesting period. The liability was remeasured at each Balance Sheet date. Revisions to the fair value of the accrued liability after the end of the vesting period were recorded in the Income Statement of the year in which they occurred.

On 1st December 2011, it was resolved that the settlement practice should be changed and that the Company would expect to satisfy its share options using shares. Accordingly, the Group has amended its accounting policy to account for its share-based payments as equity-settled. Equity-settled share-based payments are measured at fair value at the date of grant using an appropriate option pricing model. For those share options that had previously been accounted for as cash-settled, the fair value at the date of transition became the fair value at the date of grant for the equity-settled share-based options. The fair value at the date of grant is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

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.

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.

(A). ACCOUNTING POLICIES (CONTINUED)

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). RESULT 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 2012 was £9.0m (2011: £18.0m).

(C). OPERATING EXPENSES

(i) Audit fees

	2012 £'000	2011 £'000
Fees paid to Deloitte LLP in respect of:		
Fees payable for the audit of the Company's annual accounts	137	132
Total audit fees	137	132
Audit related assurance services	50	51
Other assurance services	20	–
Tax compliance services	50	60
Tax advisory services	19	3
Total non-audit fees	139	114
Total fees	276	246

(ii) Employees

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

	2012 Number	2011 Number
Property	136	134
Leisure and other activities	38	36
Administration	41	41
	215	211

	2012 £m	2011 £m
Wages and salaries	11.4	10.1
Social security costs	1.5	1.4
Pension costs	0.7	0.7
	13.6	12.2

Notes to the Company Accounts (continued)

for the year ended 30th November 2012

(D). DIVIDENDS

Dividends paid during the year were a final dividend for 2011 and an interim dividend for 2012. 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.

	2012		2011	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.20	4.4	2.00	4.0
Interim dividend in respect of current year	1.21	2.4	1.10	2.2
Total	3.41	6.8	3.10	6.2
Proposed				
Current year final dividend	2.42	4.8	2.20	4.4

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 2011 and 30th November 2012	0.3	2.5	2.8
Depreciation			
At 30 th November 2011	–	2.1	2.1
Charge for the year	–	0.2	0.2
At 30th November 2012	–	2.3	2.3
Net book value			
At 30 th November 2011	0.3	0.4	0.7
At 30th November 2012	0.3	0.2	0.5

Investment properties were valued at 30th November 2012 by Jones Lang LaSalle 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.

(F). INVESTMENTS HELD AS FIXED ASSETS

	Investment in subsidiary companies £m	Investment in joint ventures £m	Total £m
Valuation			
At 30 th November 2011	547.6	55.0	602.6
Additions	4.0	(2.1)	1.9
Disposals	(5.5)	–	(5.5)
Revaluation of investments	18.9	32.5	51.4
At 30th November 2012	565.0	85.4	650.4
Cost at 30th November 2012			
At 30 th November 2011	283.8	26.5	310.3
Cost at 30th November 2012	278.3	26.5	304.8

Subsidiary companies

At 30th November 2012 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 investment
Leisure Living Limited	England & Wales	100%	Leisure operator
Redman Heenan Properties Limited	England & Wales	100%	Property investment
St. Modwen Developments Limited	England & Wales	100%	Property development
St. Modwen Ventures Limited	England & Wales	100%	Property investment
St. Modwen Properties Sarl	Luxembourg	100%	Property investment
Sowcrest Limited	England & Wales	100%	Property development
Holaw (462) Limited	England & Wales	100%	Property investment
Stoke-On-Trent Regeneration Limited	England & Wales	81%	Property development
Uttoxeter Estates Limited	England & Wales	81%	Property development
Trentham Leisure Limited	England & Wales	80%	Leisure operator
Norton & Proffitt Developments Limited	England & Wales	75%	Property development
VSM Estates (Holdings) Limited	England & Wales	50%	Property development

Joint ventures

At 30th November 2012 the principal joint ventures were:

	Percentage shareholding	Nature of business
Key Property Investments Limited	50%	Property investment and development
VSM Estates Uxbridge (Group) Limited	50%	Property investment and development
Barton Business Park Limited	50%	Property development
Skypark Development Partnership LLP	50%	Property development

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

Notes to the Company Accounts (continued)

for the year ended 30th November 2012

(G). DEBTORS

	2012 £m	2011 £m
Amounts falling due after more than one year:		
Amounts falling due from subsidiaries	215.0	205.7
Amounts due from joint venture and associated companies	6.0	–
	221.0	205.7
Amounts falling due within one year:		
Trade debtors	0.3	0.4
Amounts due from subsidiaries	196.5	171.4
Amounts due from joint venture and associated companies	6.8	12.0
Other debtors	1.2	1.4
Prepayments and accrued income	3.8	3.1
Corporation tax	2.9	10.1
Deferred tax asset (see Note J)	5.3	5.9
	216.8	204.3

(H). CREDITORS

	2012 £m	2011 £m
Amounts falling due within one year:		
Bank overdrafts	5.4	–
Trade creditors	1.2	1.4
Amounts due to subsidiaries	252.1	246.3
Amounts due to joint venture and associated companies	3.9	4.5
Other tax and social security	0.8	0.4
Other creditors	0.8	1.3
Accruals and deferred income	10.3	10.8
Derivative financial instruments	18.5	20.1
	293.0	284.8
Amounts falling due after more than one year:		
Bank loans	191.1	241.4
Other loans	80.0	–
Accruals and deferred income	–	1.1
	271.1	242.5

All bank borrowings are secured by a fixed charge over the property assets of the Company and its subsidiaries.

Other loans comprise an unsecured 6.25% fixed rate retail bond maturing in November 2019.

(I). BORROWINGS

The maturity profile of the bank borrowings, all of which are wholly repayable within five years, is as follows:

	2012 £m	2011 £m
Less than one year	5.4	–
One to two years	100.0	–
Two to five years	91.1	241.4
More than five years	80.0	–
Total	276.5	241.4

(J). DEFERRED TAXATION

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided		Unprovided	
	2012 £m	2011 £m	2012 £m	2011 £m
Other timing differences	(5.3)	(5.9)	–	0.8
	(5.3)	(5.9)	–	0.8

Reconciliation of movement on deferred tax asset included in debtors

	£m
Balance as at 30 th November 2011	(5.9)
Profit and Loss Account	0.6
Balance as at 30th November 2012	(5.3)

Reconciliation of deferred tax liability included in pension scheme asset

	£m
Balance as at 30 th November 2011	–
Profit and Loss Account	–
Statement of Total Recognised Gains and Losses	–
Balance as at 30th November 2012	–

(K). SHARE CAPITAL

	Ordinary 10p shares Number	£m
Allotted and fully paid:		
Equity share capital		
At start and end of year	200,360,931	20.0

See Note 3d of the Group Financial Statements for details of outstanding options to acquire ordinary shares.

Notes to the Company Accounts (continued)

for the year ended 30th November 2012

(L). RESERVES

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit & loss account £m	Share incentive reserve £m	Own shares £m
At 30 th November 2011	102.8	0.3	329.2	37.6	–	(0.5)
Surplus on revaluation of investments	–	–	51.4	–	–	–
Retained loss for the year (Note B)	–	–	–	(9.0)	–	–
Transfer share-based payments provision to share incentive reserve	–	–	–	–	2.1	–
Share-based payment charge	–	–	–	–	0.3	–
Dividends paid (Note D)	–	–	–	(6.8)	–	–
Actuarial loss on pension scheme (Note M)	–	–	–	0.1	–	–
Movement on deferred tax relating to pension asset (Note J)	–	–	–	–	–	–
At 30th November 2012	102.8	0.3	380.6	21.9	2.4	(0.5)

Own shares represents the cost of 215,754 (2011: 215,754) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2012 was £469,912 (2011: £225,463). In addition the Employee Benefit Trust has £0.1m (2010: £0.1m) of cash and £3.5m (2011: £6.4m) 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 IAS 19 "Employee Benefits" disclosures for the Group, also covers the requirements of FRS17 "Retirement Benefits" for the Company.

(N). OPERATING LEASE COMMITMENTS

Operating lease commitments where the Company is the lessee

Annual commitments under non-cancellable operating leases are as follows:

	2012		2011	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases which expire:				
In one year or less	–	0.1	–	–
Between one and five years	0.1	0.4	–	0.6
In more than five years	0.5	0.2	0.5	–
	0.6	0.7	0.5	0.6

(O). CONTINGENT LIABILITIES

The Company has a joint and several unlimited liability with VINCI PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited (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.

As disclosed in Note 21 to the Group Financial Statements the Company has taken advantage of the exemption available under Section 479A of the Companies Act 2012 in respect of the requirement for audit of certain 100% subsidiaries. Further, the Company guarantees the performance of its subsidiaries in the course of their usual commercial activities.

The Group, together with Sahlia Real Estate K.S.C. (Sahlia) has provided a parent company guarantee in respect of the £135m bank facility provided to Key Property Investments Limited. The guarantee provided by the Group is capped at 50 per cent of the total commitment under the agreement from time, limiting the Group guarantee to £67.5m as at 30th November 2012.

The Group, together with VINCI UK PLC has provided a joint and several parent company guarantee in respect of the £50m bank facility provided to VSM Estates Uxbridge Limited, a subsidiary of VSM Estates Uxbridge (Group) Limited.

(P). RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in Note 22 to the Group Financial Statements.

Independent Company Auditor's Report

to the members of St. Modwen Properties PLC in respect of the parent company Financial Statements.

We have audited the parent company Financial Statements of St. Modwen Properties PLC for the year ended 30th November 2012 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 2012;
- 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 matter

We have reported separately on the Group Financial Statements of St. Modwen Properties PLC for the year ended 30th November 2012.

Jonathan Dodworth (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham, United Kingdom. 4th February 2013.

Five Year Record

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m
Rental income*	33.2	33.5	33.7	35.5	36.2
Property profits/(losses)* †	20.9	7.6	21.9	23.8	29.0
Revaluation gains/(losses)* ††	(75.9)	(122.3)	23.0	33.9	28.0
Profit/(loss) before all tax**	(80.1)	(120.2)	38.2	51.7	52.8
Earnings/(loss) per share (pence)	(37.3)†	(59.7)	18.6	21.7	21.3
Dividends paid per share (pence)	3.90	–	1.00	3.10	3.41
Dividend cover (times)	(11.0)	–	18.6	7.0	6.2
Net assets per share (pence)***	251.4	200.1	218.6	237.6	256.4
Increase/(decrease) on prior year	(12%)	(20%)	9%	9%	8%
Net assets employed					
Investment properties	814.3	762.9	828.0	848.7	770.4
Investments	64.2	41.3	49.4	50.3	75.2
Inventories	228.1	192.7	171.6	191.1	175.2
Other net liabilities	(282.9)	(277.1)	(297.3)	(267.0)	(141.1)
Net borrowings	(421.5)	(318.8)	(314.9)	(347.1)	(366.0)
Minority interests	(9.5)	(8.7)	(9.6)	(11.6)	(11.1)
Equity attributable to owners of the Company	392.7	392.3	427.2	464.4	502.6
Financed by					
Share capital	12.1	20.0	20.0	20.0	20.0
Reserves	380.7	372.7	407.8	444.9	483.1
Own shares	(0.1)	(0.4)	(0.6)	(0.5)	(0.5)
	392.7	392.3	427.2	464.4	502.6

* Including share of joint ventures

** Including pre-tax profit of joint ventures

*** 2008 restated for comparability purposes on the assumption that the 2009 Firm Placing and Placing and Open Offer had occurred on 1st December 2007

† Stated before net realisable value provisions

†† Including net realisable value provisions

The figures above are all presented under IFRSs.

Glossary of Terms

Annualised net rents — 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.

Active management — the component of property revaluations delivered as a direct result of management actions and initiatives e.g. obtaining planning consent, achieving remediation milestones and improving lease terms.

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 — 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) — 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 — 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) — 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 — EPRA net asset value divided by the diluted number of shares at the period end.

Estimated net rental income — 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) — 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 — 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 — the level of the Group's bank borrowing (excluding finance leases) expressed as a percentage of net assets.

Gross Development Value (GDV) — the sale value of property after construction.

IFRIC — International Financial Reporting Interpretations Committee.

IFRSs — International Financial Reporting Standards.

Initial yield — the annualised net rent expressed as a percentage of the valuation.

IPD — Investment Property Databank Ltd., a company that produces an independent benchmark of property returns.

Land bank — 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.

Loan-to-value ratio (LTV) — the ratio of Group net debt to the Group property portfolio (excluding joint ventures and associates).

Market value — 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 debt — total borrowings less cash and cash equivalents.

Net rental income — 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.

Glossary of Terms (continued)

Occupancy rates — the ERV attributable to vacant units as a proportion of total ERV (including the Group's share of joint ventures and associates).

Operating income — the total of net rental income, other income and property profits.

Operating costs/business running costs — administrative expenses plus net finance costs (excluding the mark-to-market of derivative financial instruments and other non-cash items) for the Group (including its share of joint ventures and associates).

Persimmon joint venture — a contractual arrangement with Persimmon to develop residential units on agreed sites within the St. Modwen land bank.

Pre-sold projects — 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.

Project MoDEL — 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 portfolio — the property components of investment properties and inventories of the Group (including its share of joint ventures and associates).

Property profits — development profit (before the deduction of net realisable value provisions) plus gains on disposals of investments/investment properties for the Group, including its share of joint ventures and associates.

Rental lease length — the weighted average lease term to the first tenant break.

Rent roll — the gross rent plus rent reviews that have been agreed as at the reporting date.

RICS — Royal Institution of Chartered Surveyors.

Section 106 agreements — 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.

See-through gearing — the ratio of see-through net debt to net assets.

See-through loan-to-value ratio — the ratio of see-through net debt to the property portfolio.

See-through net debt — net debt of the Group together with its share of the net debt of joint ventures and associates.

SIC — Standards and Interpretations Committee.

Trading profit — operating income less operating costs.

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 — the ERV of vacant properties expressed as a percentage of the total ERV 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 — the Group loan interest and derivative costs per annum at the period end, divided by total Group debt in issue at the period end.

Notice of Annual General Meeting

Notice is hereby given that the 72nd Annual General Meeting (AGM) of St. Modwen Properties PLC (the Company) will be held at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham B31 2TS on Wednesday 27th March 2013 at 12.00 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 14 inclusive will be proposed as ordinary resolutions and resolutions 15, 16 and 17 will be proposed as special resolutions.

ORDINARY BUSINESS

1. That the report of the directors and the accounts for the year ended 30th November 2012 be received.
2. That the Directors' Remuneration Report for the year ended 30th November 2012 be approved.
3. That a final dividend of 2.42p per ordinary share for the year ended 30th November 2012 be declared and payable to shareholders on the register of members at the close of business on 4th April 2013.
4. That Kay Chaldecott be elected as a director.
5. That Steve Burke be re-elected as a director.
6. That Simon Clarke be re-elected as a director.
7. That Michael Dunn be re-elected as a director.
8. That Lesley James be re-elected as a director.
9. That Bill Oliver be re-elected as a director.
10. That John Salmon be re-elected as a director.
11. That Bill Shannon be re-elected as a director.
12. That Deloitte LLP be reappointed as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
13. That the directors be authorised to determine the remuneration of the Company's auditor.

SPECIAL BUSINESS

14. That, in substitution for all existing authorities and without prejudice to previous allotments or offers or agreement to allot made pursuant to such authorities, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to:
 - (a) allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £6,678,698 (the Section 551 amount); and
 - (b) allot equity securities (within the meaning of section 560 of the Companies Act 2006) up to a further aggregate nominal amount of £6,678,698 in connection with an offer by way of a rights issue to:
 - (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any country or territory,

such authorities to expire at the conclusion of the AGM of the Company to be held after the date of the passing of this resolution or 26th June 2014, whichever is the earlier, but, in each case, so that the Company may make offers and enter into agreements before the expiry of such authority which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.

Special resolution

15. That, in substitution for all existing powers and subject to the passing of resolution 14, the directors be generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 14 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006, in each case free of the restriction in section 561 of the Companies Act 2006, such power to be limited to:
 - (a) the allotment of equity securities pursuant to the authority granted by paragraph (a) of resolution 14 and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 (in each case otherwise than in the circumstances set out in paragraph (b) of this resolution) up to a nominal amount of £1,001,805 (the Section 561 amount); and

Notice of Annual General Meeting (continued)

- (b) the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 14, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):
- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any country or territory,

such power to expire at the conclusion of the AGM of the Company to be held after the date of the passing of this resolution or 26th June 2014, whichever is the earlier, but so that the Company may make offers and enter into agreements before the power expires which would or might require equity securities to be allotted after such power expires and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

Special resolution

16. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of the 2006 Act) of ordinary shares of 10p each in its capital (Ordinary Shares) on such terms and in such manner as the directors may from time to time determine provided that:
- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 20,036,093;
 - (b) the minimum price which may be paid for an Ordinary Share is 10p (exclusive of expenses);
 - (c) the maximum price which may be paid for an Ordinary Share is the highest of (in each case exclusive of expenses):
 - (i) an amount equal to 105% of the average market value of an Ordinary Share for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
 - (ii) the higher of the price of the last independent trade and the highest current independent bid for any number of Ordinary Shares on the London Stock Exchange; and
 - (d) this authority shall, unless previously renewed, expire at the conclusion of the AGM of the Company to be held after the date of the passing of this resolution or 26th June 2014, 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.

Special resolution

17. That a general meeting other than an AGM may be called on not less than 14 clear days' notice.

By order of the Board

Tanya Stote

Company Secretary
21st February 2013

St. Modwen Properties PLC
Registered Number: 349201

Registered Office:
Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham
B32 1AF

EXPLANATORY NOTES TO PROPOSED RESOLUTIONS

Resolution 1 – Report and accounts

Resolution 1 is an ordinary resolution to receive the accounts and the report of the directors for the year ended 30th November 2012. Copies will be available at the AGM.

Resolution 2 – Directors' Remuneration Report

Resolution 2 is an ordinary resolution to approve the Directors' Remuneration Report for the year ended 30th November 2012. Section 439 of the Companies Act 2006 requires that quoted companies put before shareholders in general meeting a resolution to approve the Directors' Remuneration Report. As the vote is advisory, it does not affect the actual remuneration paid to any individual director. The report, which summarises the Company's policy on directors' remuneration, is set out on pages 81 to 94.

Resolution 3 – Declaration of final dividend

Resolution 3 is an ordinary resolution by which shareholders are asked to declare a final dividend. The directors recommend a final dividend of 2.42p per ordinary share in respect of the year ended 30th November 2012. If approved, this will be paid on 4th April 2013 to shareholders on the register at the close of business on 8th March 2013.

Resolutions 4 to 11 – Election and re-election of directors

Resolutions 4 to 11 are ordinary resolutions which deal with the election and re-election of the directors.

Following her appointment to the Board on 22nd October 2012 and in accordance with the Company's Articles of Association, Kay Chaldecott will retire and offer herself for election at the 2013 AGM. Katherine Innes Ker and David Garman will retire from the Board at the end of the AGM. All other directors will retire and offer themselves for re-election in accordance with the UK Corporate Governance Code.

Biographical details of all directors are set out on pages 64 and 65.

The performance of the Board as a whole, as well as the contribution made by individual directors, has been reviewed during the course of the year. After considering this evaluation, the Chairman has confirmed that the performance of every executive and non-executive director continues to be effective, that they continue to demonstrate commitment to their respective roles and that their respective skills complement one another to enhance the overall operation of the Board.

Resolutions 12 and 13 – Auditor appointment and remuneration

At last year's AGM shareholders reappointed Deloitte LLP as auditor of the Company to hold office until the conclusion of the 2013 AGM. Deloitte have indicated that they are willing to continue as the Company's auditors and the Audit Committee has reviewed the effectiveness of the audit process and recommends their reappointment. Therefore resolutions 12 and 13 are ordinary resolutions to reappoint Deloitte LLP as auditor until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to determine their remuneration.

Resolution 14 – Authority to allot shares

The authority conferred on the directors at last year's AGM to allot shares in the Company expires at the conclusion of the 2013 AGM. Resolution 14 is an ordinary resolution to renew this authority.

The Association of British Insurers (ABI) guidelines on directors' authority to allot shares state that ABI members will permit, and treat as routine, resolutions seeking authority to allot new shares representing up to one-third of a company's issued share capital. In addition, they will treat as routine a request for authority to allot shares representing an additional one-third of a company's issued share capital provided that it is only used to allot shares pursuant to a fully pre-emptive rights issue.

Paragraph (a) of resolution 14 will, if passed, authorise the directors to allot shares up to a maximum aggregate nominal amount of £6,678,698 which represents one-third of the Company's issued ordinary share capital as at 11th February 2013 (being the latest practicable date prior to the publication of the notice of AGM). Paragraph (b) of resolution 14 proposes that, in accordance with ABI guidance, an additional authority be conferred on the directors to allot shares in connection with a rights issue up to a further maximum aggregate nominal amount of £6,678,698.

The authorities sought in paragraphs (a) and (b) of resolution 14 are in substitution for all existing authorities granted in the Company's Articles of Association or otherwise, and are without prejudice to previous allotments or agreements or offers to allot made under such existing authorities. The authorities will each expire at the earlier of the conclusion of the next AGM of the Company and 26th June 2014.

The directors have no present intention of exercising these authorities other than to fulfil the Company's obligations under its share incentive schemes approved previously by shareholders, but believe that it is in the best interests of the Company to have the authorities available to respond to market developments and to enable allotments to take place without the need for a general meeting should they determine that it is appropriate to do so.

Notice of Annual General Meeting (continued)

EXPLANATORY NOTES TO PROPOSED RESOLUTIONS (CONTINUED)

Resolution 15 – Disapplication of pre-emption rights

If the directors wish to allot new shares and other equity securities company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

Resolution 15 is a special resolution which seeks to renew the authority conferred on the directors at last year's AGM to issue equity securities of the Company for cash without application of the pre-emption rights as provided by section 561 of the Companies Act 2006.

Paragraph (a) of resolution 15 will, if passed, authorise the directors to allot new shares pursuant to the authority given in paragraph (a) of resolution 14 for cash (i) in connection with a pre-emptive offer or rights issue or (ii) otherwise up to a maximum aggregate nominal value of £1,001,805, equivalent to 5% of the Company's issued ordinary share capital as at 11th February 2013 (being the latest practicable date prior to the publication of the notice of AGM) in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

In light of the ABI guidance described in the explanation of resolution 14 above, paragraph (b) of resolution 15 will, if passed, authorise the directors to allot new shares pursuant to the authority given by paragraph (b) of resolution 14 for cash in connection with a rights issue without the shares first being offered to existing shareholders in proportion to their existing holdings.

The authorities sought in paragraphs (a) and (b) of resolution 15 are in substitution for all existing authorities granted in the Company's Articles of Association or otherwise, and are without prejudice to previous allotments or agreements or offers to allot made under such existing authorities. The authorities will each expire at the earlier of the conclusion of the next AGM of the Company and 26th June 2014.

In accordance with the Pre-Emption Group's Statement of Principles dated July 2008, the directors confirm their intention not to issue more than 7.5% of the Company's issued ordinary share capital for cash other than to existing shareholders in any rolling three-year period without prior consultation with shareholders.

Resolution 16 – Authority to purchase shares

Resolution 16 is a special resolution to renew the authority granted to the directors at last year's AGM to make market purchases of its own ordinary shares through the market as permitted by the Companies Act 2006 and within institutional shareholder guidelines. No shares were purchased during the year and the Company does not currently hold any shares in treasury.

If passed, the resolution gives authority for the Company to purchase up to 20,036,093 of its ordinary shares, which represents 10% of the Company's issued ordinary share capital as at 11th February 2013 (being the latest practicable date prior to the publication of the notice of AGM). The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire at the earlier of the conclusion of the next AGM of the Company and 26th June 2014.

The directors have no present intention for the Company to exercise the authority granted by this resolution to purchase its own shares. They would do so only after taking account of the overall financial position of the Company and in circumstances where to do so would be regarded by the Board as being in the best interests of shareholders generally and 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 11th February 2013 (being the latest practicable date prior to the publication of the notice of AGM), the Company had options outstanding over 10,600,424 ordinary shares, representing 5.29% of the issued share capital on that date. If the Company was to purchase the maximum number of shares permitted pursuant to this resolution, the options outstanding at 11th February 2013 would represent 6.61% of the issued share capital.

Resolution 17 – Notice period of general meetings

Resolution 17 is a special resolution to renew an authority granted at last year's AGM to allow the Company to hold general meetings (other than AGMs) on not less than 14 clear days' notice.

Changes made to the Companies Act 2006 by The Companies (Shareholders' Rights) Regulations 2009 increased the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot be less than 14 clear days. This approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. AGMs will continue to be held on at least 21 clear days' notice.

SHAREHOLDER NOTES

1. Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), shareholders must be entered on the Company's register of members at 6.00pm on Monday 25th March 2013 (or, in the event of any adjournment, at 6.00pm on the date which is two days before the date of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting in respect of the number of shares registered in their name at that time.

2. Appointment of proxies – general

A shareholder entitled to attend and vote at the meeting convened by the notice of AGM is entitled to appoint a proxy to exercise all or any of his or her rights to attend and to speak and vote on his or her 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 of the Company but must attend the meeting in person.

For the appointment to be effective, a proxy form (or electronic appointment of proxy, see Note 4) must be received by the Company's registrar not less than 48 hours before the time of the meeting, i.e. not later than 12.00 noon on Monday 25th March 2013. The appointment of a proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if he or she is entitled to do so and so wishes.

3. Appointment of proxies – proxy form

A proxy form which may be used to make such appointment and give proxy instructions has been sent to shareholders. If you do not have a proxy form and believe that you should have one, or if you require additional forms to appoint more than one proxy, please contact the Company's registrars, Equiniti, on 0871 384 2198 (calls to this number are charged at 8p per minute from a BT landline. Call charges may vary if using other telephone providers. Overseas callers should dial +44 121 415 7047. Lines are open from 8.30am to 5.30pm, Monday to Friday). Alternatively photocopy the proxy form which has been sent to you. All forms must be signed and should be returned together in the same envelope.

The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. Please note that the vote withheld option on the proxy form is provided to enable you to abstain on any particular resolution; it is not a vote in law and will not be counted in the calculation of votes for or against the resolution. If you sign the proxy form and return it without any specific directions your proxy will vote or abstain from voting at his or her discretion. If you wish to appoint a proxy other than the Chairman of the meeting, please insert the name of your chosen proxy holder in the space provided on the proxy form. 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).

In the case of joint holders, the vote of the senior joint holder who tenders a vote, whether in person or by proxy, in respect of the holding will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names appear in the Company's register of members in respect of the joint holding. In the case of a corporation, the proxy form must be executed under its common seal or under the hand of a duly authorised officer or attorney. In the case of an individual, the proxy form must be signed by the appointing shareholder. Any alterations made to the proxy form should be initialled.

4. Appointment of proxies electronically

Shareholders who would prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk using their personal Voting ID, Task ID and Shareholder Reference Number (which are printed on the proxy form). Alternatively, shareholders who have already registered with Equiniti's 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. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 12.00 noon on Monday 25th March 2013.

Notice of Annual General Meeting (continued)

SHAREHOLDER NOTES (continued)

5. Appointment of proxies through CREST

CREST members who wish to appoint a proxy or proxies for the AGM, and any adjournment(s) thereof, through the CREST electronic proxy appointment service may do so 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 relates to 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 Equiniti (ID RA19) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Equiniti 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.

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.

6. Changing and revoking proxy instructions

To change your proxy instruction simply submit a new proxy appointment using the methods set out above. The deadline for receipt of proxy appointments (see Note 2) also applies in relation to amended instructions. Where two or more valid separate appointments of proxy are received in respect of the same share and for the same meeting, those received last by Equiniti will take precedence.

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 Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA. In the case of a corporate shareholder, 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 12.00 noon on Monday 25th March 2013. If a shareholder attempts to revoke his or her 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.

7. Corporate representatives

A 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 Equiniti for further guidance.

8. Nominated persons

Any person to whom this notice is sent who is not a shareholder but is a person nominated by a shareholder under section 146 of the Companies Act 2006 to enjoy information rights (a 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 AGM. If a Nominated Person has no such right or does not wish to exercise it, he/she may, under any such agreement, have a right to give voting instructions to the shareholder.

The statement of the rights of shareholders in relation to the appointment of proxies set out in Notes 2 to 7 does not apply to Nominated Persons. The rights described in those notes can only be exercised by shareholders of the Company. If you are a Nominated Person 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.

9. Shareholder participation

Any shareholder attending the AGM has the right to ask questions relating to the business of the meeting and the Company has an obligation to answer such questions unless (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.

10. Availability of information on website

A copy of this notice of AGM, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website at www.stmodwen.co.uk

11. Website publication of audit concerns

Shareholders satisfying the threshold requirements in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter that such shareholder proposes to raise at the meeting relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM. The Company cannot require the shareholders requesting the publication to pay its expenses in complying with the request. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website under section 527 of the Companies Act 2006.

12. Total voting rights

As at 11th February 2013 (being the latest practicable date prior to the publication of the notice of AGM), the Company's issued share capital consisted of 200,360,931 shares carrying one vote each. Therefore the total voting rights in the Company as at 11th February 2013 was 200,360,931.

13. Documents available for inspection

The following documents are available for inspection at the registered office of the Company during normal business hours and will be at the place of the AGM from 11.45am until the end of the meeting:

- (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.

14. Communication with the Company

You may not use any electronic address provided in this notice of AGM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Information for Shareholders

FINANCIAL CALENDAR

Ordinary shares quoted ex-dividend	6 th March 2013
2011/12 final dividend record date	8 th March 2013
AGM	27 th March 2013
2011/12 final dividend payment date	4 th April 2013
Announcement of 2013 half year results	2 nd July 2013
Announcement of 2013 final results	February 2014

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 27th March 2013 at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham B31 2TS, commencing at 12.00 noon. The notice of meeting, together with an explanation of the resolutions to be considered at the meeting, is set out on pages 151 to 157.

WEBSITE

Information about St. Modwen, including this and prior years' Annual Reports, half year reports, results announcements and presentations, together with the latest share price information, is available on our website at www.stmodwen.co.uk/investor_information

SHAREHOLDING ENQUIRIES AND INFORMATION

All general enquiries concerning holdings of shares in St. Modwen should be addressed to our registrar:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2198* (+44 (0)121 415 7047 from outside the UK).

A range of shareholder information is available online at Equiniti's website www.shareview.co.uk. Here you can also view information about your shareholding and obtain forms that you may need to manage your shareholding, such as a change of address form or a stock transfer form.

DIVIDEND MANDATE

If you are a shareholder who has a UK bank or building society account, you can arrange to have dividends paid direct via a bank/building society mandate. There is no fee for this service and a tax voucher confirming details of the dividend payment will be sent to your registered address. Please contact Equiniti on 0871 384 2198* or go to www.shareview.co.uk for further information.

OVERSEAS DIVIDEND PAYMENT SERVICE

If you are resident outside the UK, Equiniti (by arrangement with Citibank Europe PLC) can provide dividend payments that are automatically converted into your local currency and paid direct to your bank account. For more information on this overseas payment service please contact Equiniti on +44 (0)121 415 7047 or download an application form at www.shareview.co.uk

SHARE DEALING SERVICE

If you are a UK resident, you can buy and sell shares in St. Modwen through Shareview Dealing, a telephone and internet based service provided by Equiniti Financial Services Ltd. For further details please visit www.shareview.co.uk/dealing or call Equiniti on 08456 037037. Equiniti Financial Services Ltd is authorised and regulated by the Financial Services Authority. Other brokers and banks or building societies also offer share dealing facilities.

ELECTRONIC COMMUNICATIONS

As an alternative to receiving documents in hard copy, shareholders can elect to be notified by email as soon as documents such as our Annual Report are published. This notification includes details of where you can view or download the documents on our website. Shareholders who wish to register for email notification can do so via Equiniti's website at www.shareview.co.uk

SHAREHOLDER SECURITY

Shareholders are advised to be very wary of unsolicited mail or telephone calls offering free investment advice, offers to buy shares at a discount or sell shares at a premium, or offers of free company reports. Such contact is typically from overseas based 'brokers' who target UK shareholders through operations commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive and often have websites to support their activities.

If you receive any unsolicited investment advice:

- obtain the name of the person calling and the organisation they represent and make a note of any other information they give you, e.g. telephone number, address, website address;
- check that the caller is properly authorised by the Financial Services Authority (FSA) by visiting www.fsa.gov.uk/register/. If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme;
- call the organisation back to verify their identity using the telephone number listed for them on the FSA register;
- report any suspicions to the FSA either by calling 0845 606 1234 or visiting www.fsa.gov.uk/pages/consumerinformation; and
- if the calls persist, hang up.

SHAREHOLDER ANALYSIS

Holdings of ordinary shares at 30th November 2012:

	Shareholders No.	Shareholders %	Shares No.	Shares %
By shareholder				
Individuals	3,409	83.70	12,961,145	6.47
Directors and connected persons	33	0.81	42,746,575	21.34
Insurance companies, nominees and pension funds	542	13.31	142,025,600	70.88
Other limited companies and corporate bodies	89	2.18	2,627,611	1.31

	Shareholders No.	Shareholders %	Shares No.	Shares %
By shareholding				
Up to 500	1,052	25.83	253,882	0.13
501 to 1,000	733	18.00	565,322	0.28
1,001 to 5,000	1,435	35.23	3,344,083	1.67
5,001 to 10,000	349	8.57	2,559,525	1.28
10,001 to 50,000	303	7.44	6,517,899	3.25
50,001 to 100,000	51	1.25	3,665,271	1.83
100,001 to 500,000	84	2.06	19,764,691	9.86
500,001 to 1,000,000	26	0.64	19,770,173	9.87
1,000,001 and above	40	0.98	143,920,085	71.83

* Calls to this number are charged at 8p per minute from a BT landline. Call charges may vary if using other telephone providers. Lines are open 8.30am to 5.30pm, Monday to Friday.

Shareholder Notes

Forward Looking Statements

This Annual Report and Accounts has been prepared for the members of St. Modwen Properties PLC and should not be relied upon by any other party or for any other purpose.

The Annual Report and Accounts contains certain forward looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward looking statements. Any forward looking statements made by or on behalf of the Company are made in good faith based on the information available at the time the statement is made; no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. The Company does not undertake to update forward looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Photography:

Steve Townsend – front cover, pages 6, 10, 28, 32, 40

Craig Holmes – pages 16, 22, 24, 25, 26, 30, 42

Matt Livey – page 12

Matthew Nichol – pages 58, 61

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The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers to readily identify timber based products from certified sources.

ST. MODWEN PROPERTIES PLC

Company No. 349201

HEAD OFFICE & MIDLANDS REGIONAL OFFICE

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Quinton Business Park
Birmingham
B32 1AF
0121 222 9400

OFFICES

Residential

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Longbridge Technology Park
Longbridge
Birmingham
B31 2TS
0121 222 5747

London and South East

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020 7788 3700

South West and South Wales

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Northern Home Counties

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St Albans
Hertfordshire
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01727 732690

Yorkshire and North East

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Landmark Court
Elland Road
Leeds
LS11 8JT
0113 272 7070

North Staffordshire

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