



ST.MODWEN

THE UK'S LEADING REGENERATION SPECIALIST

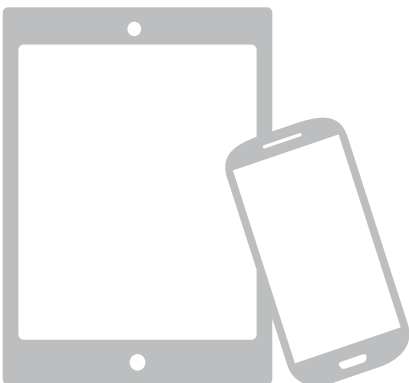
Annual Report and
Financial Statements 2013



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

For further information
please visit our website:

www.stmodwen.co.uk



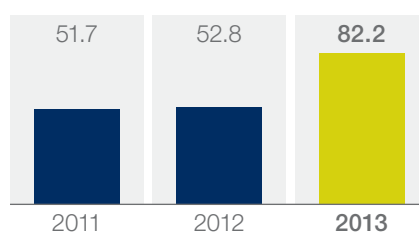
Non-statutory information

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.

Financial highlights

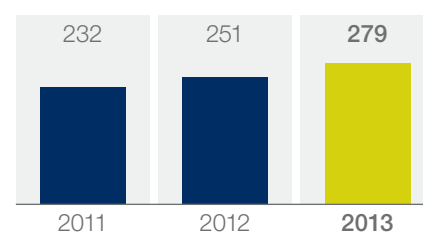
- 56% increase in profit before all tax to £82.2m (2012: £52.8m)
- Shareholders' NAV up 11% to 279p per share (2012: 251p per share), and EPRA NAV up 10% to 298p per share (2012: 272p per share)
- Realised property profits up 37% to £40m (2012: £29m)
- Successful completion of a £49m equity placing to support redevelopment of New Covent Garden Market
- 20% decrease in loan-to-value to 33% (2012: 41%)
- Final dividend for the year increased by 10% to 2.67p per share, providing a total dividend for 2013 of 4.00p per share (2012: 3.63p)

PROFIT BEFORE ALL TAX £m



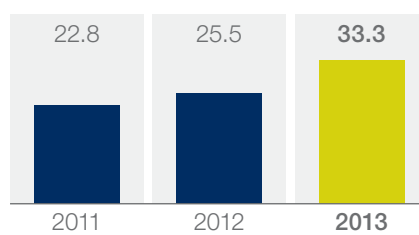
improved by **56%**

EQUITY NET ASSETS PER SHARE p



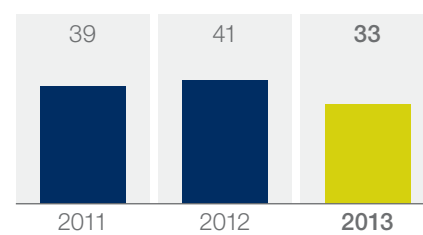
improved by **11%**

TRADING PROFIT £m



improved by **31%**

SEE-THROUGH LOAN-TO-VALUE %



improved by **20%**

Operational highlights

- Overall net valuation increase of £42m (2012: £28m), comprising gains of £28m (2012: £48m) as a result of planning gain asset management and £14m market-driven valuation gain (2012: £20m loss)
- Elephant & Castle Shopping Centre sold for £80m
- Significant milestones completed across all major projects:
 - Longbridge** – 150,000 sq ft pre-let secured to Marks & Spencer which will anchor the second phase of the new Town Centre
 - Swansea University, Bay Campus** – first phase of works on schedule with student accommodation now underway
- On track to deliver **New Covent Garden Market** with planning approval anticipated in 2015

In this report

Strategic Report

- IFC Welcome to this year's report
- 01 Our performance
- 02 In this report
- 03 What we do
- 04 Where we operate
- 06 Our business model
- 08 The land bank
- 10 Recurring income
- 12 Asset management
- 14 Delivery
- 16 Our strategy

- 18 Chairman's statement
- 20 Chief Executive's review
- 22 Commercial land and development
- 28 Residential
- 34 Income producing properties
- 38 Financial review
- 46 Principal risks and uncertainties
- 50 Corporate social responsibility

'...a more positive outlook on the horizon...'



Chief Executive's review

See page 20



Corporate Governance

- 56 The Board
- 58 Regional Directors
- 59 Corporate governance report
- 68 Audit Committee report
- 74 Nomination Committee report
- 76 Directors' remuneration report
- 98 Directors' report

'...excellent growth resulting in a significant rise in profits...'



Chairman's statement

See page 18



Financial review
See page 38



Financial Statements

- 103 Independent auditor's report
- 106 Group income statement
- 107 Group balance sheet
- 108 Group statement of comprehensive income
- 108 Group statement of changes in equity
- 109 Group cash flow statement
- 110 Accounting policies
- 116 Notes to the Group financial statements
- 143 Company balance sheet
- 144 Notes to the company Financial Statements
- 152 Five year record

Additional Information

- 153 Glossary of terms
- 155 Notice of Annual General Meeting
- 165 Information for Shareholders
- 167 Shareholder notes

What we do

Commercial land and development

Our commercial land portfolio makes up 13% of our land bank by value. We acquire this land in its raw state at low cost 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.

→
See page 22
for more detail



Residential

We acquire sites with opportunity for residential development and maximise their potential through the development process, realising value through three routes to market:

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

Our residential portfolio makes up 42% of our land bank by value. Across the entire portfolio we have planning permission or allocations within local plans for over 21,900 plots.



→
See page 28
for more detail



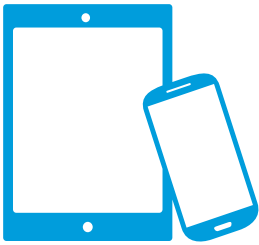
Income producing properties

Comprising industrial, retail and office assets, our income producing portfolio makes up 45% of our land bank by value. All assets in this portfolio are held with a view to generating significant future value but we do make sure that a major proportion produces income prior to development which typically covers the running costs of the Group's business.

→
See page 34
for more detail

Strategically positioned

Our diverse UK-wide portfolio and our **5,900 acre land bank** are controlled by **highly-skilled professionals** from a network of **seven regional offices** and a **residential business**. 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.



For further information about our projects visit www.stmodwen.co.uk



See page **20**

Major project progress

We have made good progress with all of our major projects, all at varying stages of development.

30%

of gross portfolio located in London and the South East



See pages **22–37**

Diverse UK-wide portfolio

Our diverse UK-wide portfolio, which now includes a five megawatt Solar Park, means we are not overexposed to a single scheme, tenant or sector.

7

regional offices



NEW COVENT GARDEN MARKET

HEDNESFORD SKYPARK WEMBLEY CENTRAL

EDMONTON GREEN FARNBOROUGH

SWANSEA UNIVERSITY

Of our gross portfolio, 30% is in **London** and the **South East** where around 50% by value of our residential assets are also located. Our extensive national portfolio includes four flagship projects: **New Covent Garden Market, Swansea University, Longbridge and Project MoDEL.**

£1.1bn
property portfolio



See pages **28–33**

Residential business growth

In line with the upturn in the market, residential output has risen significantly with many housebuilders, including St. Modwen Homes and Persimmon, reporting a healthy increase in sales.



See pages **22–27**

Improved commercial market place

By continuing to prime our land bank for development over the last five years we are in a good position to benefit from ongoing improvement in this market.

100+
development projects

LONGBRIDGE
GREAT HOMER STREET COED DARCY
RAF UXBRIDGE
CRANFIELD UNIVERSITY WYTHENSHAWE
THE TRENTHAM ESTATE

What makes St. Modwen the UK's leading regeneration specialist?



The land bank



Our long-term view allows us to acquire assets at low cost and then maximise their potential by steadily adding value to them over time through remediation and planning. Then at the appropriate time we either dispose of the asset to realise any increase in value or release it for development ourselves or in joint venture.

What differentiates us?

The diverse and extensive nature of our £1.1bn land bank provides us with the flexibility to move with market demands and, coupled with our local expertise, means we can pursue value-creating opportunities. A considerable proportion of our land bank is held at relatively low value, giving us access to a wide variety of development opportunities without the need for significant financing.

→ See pages 08–09

Recurring income



Whilst all of our assets are ultimately held with a view to generating significant future value, some also produce a steady income stream prior to development which underpins the running costs of the business. This ensures that commitments can be met if development profits fall and enables us to extract the maximum value from our land bank in the short-term.

What differentiates us?

We employ locally-based asset management capability to manage the assets as efficiently as possible. We typically offer low affordable rents on relatively short tenancies which ensure that voids remain at their lowest possible level as we prepare sites for development. The diversity of occupiers in our income producing properties helps us to avoid overexposure to a single scheme, sector or tenant.

→ See pages 10–11

Asset management



We increase the value of our land bank over time using our expertise in and hands-on approach to remediation and regeneration, managing sites, public consultation and the planning process. Our skills can be applied effectively to small developments or be used to navigate complex and long-term projects.

What differentiates us?

Our ability to progress our land bank successfully through the planning process and our expertise in brownfield land remediation and other aspects of regeneration make us an attractive partner to both landowners and public bodies. The skill and experience of our people is fundamental to the success of our asset management activities and we continue to retain, develop and incentivise them.

→ See pages 12–13

Delivery



When we are unable to add any further significant value to an asset, we seek market-driven opportunities to dispose of it, either through the delivery of pre-let and pre-sold buildings or the sale of land. Cash generated on the sale provides recycled capital to invest in the business and supports the delivery of long-term shareholder value creation through a progressive dividend policy.

What differentiates us?

We continue to find good 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 to meet their demands with sites that already benefit from planning. Our regeneration projects continue to serve as catalysts for change, impacting positively on the local economy and attracting a variety of occupiers.

→ See pages 14–15

The land bank



Our actively managed, £1.1bn UK-wide land bank of development opportunities comprises over 5,900 acres. Made up of predominantly brownfield land and held at relatively low value, it provides us with a firm foundation from which to generate value.

At any point in time, our skilled teams are either actively building, remediating or pursuing planning permissions which allow us to transform this land into thriving communities or business destinations that will encourage growth right across the country.

Pictured: Glan Llyn, Newport. This 600 acre former Llanwern steelworks site forms part of our extensive regenerative work across South Wales. Translated as 'Lakeside', Glan Llyn will provide three new lakes and a parkland setting for 4,000 homes, as well as 1.5m sq ft of employment space, educational facilities, and leisure and retail accommodation. Persimmon is now on site with the first phase of 307 homes as part of our joint venture partnership. St. Modwen Homes will also be building properties on this site in 2014.

5,943

developable acres

72%

of land bank is wholly owned





Recurring income



The stream of rental and other recurring income generated by our portfolio of income producing assets covers the running costs of the business and enables us to extract maximum value from our land bank in the short-term as we work towards development.

Representing 45% of our £1.1bn portfolio by value, this is the largest part of our business and is made up of a diverse asset base ranging from Town Centres to business and retail parks, and leisure destinations.

Pictured: Farnborough Town Centre, Hampshire. Works to the first two phases of this £80m regeneration project are now complete and are being actively managed for income by our regional team of professionals. The scheme currently comprises a 62,000 sq ft Sainsbury's, a 77-bedroom Travelodge, J D Wetherspoon, a gym and the creation of retail space for major brands including Starbucks and New Look. In May 2013, we started on site with the transformation of Kingsmead Shopping Centre which is being overhauled to accommodate a new seven-screen VUE Cinema and new restaurants; this latest phase of the scheme is due for completion in summer 2014.

£36.3m

net rental income

£9m

of new lettings





Asset management



Our strong asset management capabilities are fundamental in enabling us to realise maximum value from our portfolio of retained assets and are a key component for the successful delivery of new commercial environments.

By creating attractive commercial spaces we encourage and retain a variety of occupiers into our schemes across the country. In doing so, we can support the surrounding community through the creation of jobs and restoring confidence in the local economy.

Pictured: Longbridge, Birmingham. The first phase of the new Town Centre opened in August 2013 and comprises an 80,000 sq ft Sainsbury's, a 75-bedroom Premier Inn, 24 shops, restaurants, 35,000 sq ft of offices and the £2m Austin Park. It forms the heart of this £1bn regeneration programme. Together with more than 150,000 sq ft of office and industrial space, which is over 95% occupied, other features of this extensive brownfield regeneration project include the 250,000 sq ft Bournville College which opened in 2011 and the £5m youth centre known as 'The Factory'.

9%

like-for-like rent roll growth

£28m

added value gains





Delivery



Our development pipeline continues to grow with a number of major opportunities across the country.

Occupiers continue to be attracted by our lease terms, which we are able to offer at competitive levels as a result of the location of our developments, often in run-down areas undergoing regeneration. They also recognise the positive long-term economic impact that our schemes deliver.

Our strategy to prime our sites for development places us in a strong position to meet immediate occupier demand for new premises across the country.

Pictured: Dunelm, Doncaster. This 22,000 sq ft store started on site in summer 2013 and opened in time for Christmas trading. It is situated on a 13 acre brownfield site and additional development here includes a Marston's public house and new community sports facilities.

25 year
track record

100+
development projects





Strategically agile to take advantage of opportunities...

As the UK's leading regeneration specialist, our expertise in remediation, planning, asset management and construction supports our strategy of securing excellent returns through a focus on long-term significant added value while protecting existing assets.

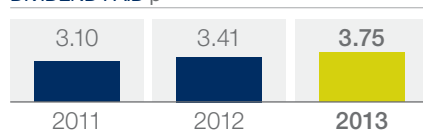
Strategy

2013 Outcomes

	Priority	Key performance indicators applied								
secure excellent returns...	Invest at a point in the property lifecycle from where maximum development returns can be extracted.	PROFIT BEFORE ALL TAX £m <table border="1"> <tr><th>Year</th><th>2011</th><th>2012</th><th>2013</th></tr> <tr><td>Profit Before All Tax (£m)</td><td>51.7</td><td>52.8</td><td>82.2</td></tr> </table>	Year	2011	2012	2013	Profit Before All Tax (£m)	51.7	52.8	82.2
	Year	2011	2012	2013						
Profit Before All Tax (£m)	51.7	52.8	82.2							
Maximise individual asset values through our locally-based expertise.		EQUITY NET ASSETS PER SHARE p <table border="1"> <tr><th>Year</th><th>2011</th><th>2012</th><th>2013</th></tr> <tr><td>Equity Net Assets per Share (p)</td><td>232</td><td>251</td><td>279</td></tr> </table>	Year	2011	2012	2013	Equity Net Assets per Share (p)	232	251	279
Year	2011	2012	2013							
Equity Net Assets per Share (p)	232	251	279							
through a focus on long-term significant added value...	Recycle assets where significant opportunities are exhausted.									
	Build land bank to bring through future opportunities and secure planning gain.	LAND BANK developable acres <table border="1"> <tr><th>Year</th><th>2011</th><th>2012</th><th>2013</th></tr> <tr><td>Land Bank developable acres</td><td>5,762</td><td>5,801</td><td>5,943</td></tr> </table>	Year	2011	2012	2013	Land Bank developable acres	5,762	5,801	5,943
	Year	2011	2012	2013						
Land Bank developable acres	5,762	5,801	5,943							
Continued programme of recycling and reinvestment.		PROPORTION OF ASSETS AT THE START OF THE YEAR RECYCLED BY THE END OF THE YEAR % <table border="1"> <tr><th>Year</th><th>2011</th><th>2012</th><th>2013</th></tr> <tr><td>Proportion of Assets Recycled (%)</td><td>9</td><td>12</td><td>16</td></tr> </table>	Year	2011	2012	2013	Proportion of Assets Recycled (%)	9	12	16
Year	2011	2012	2013							
Proportion of Assets Recycled (%)	9	12	16							
Create predictable, dependable and cash-backed income streams.										
Have highly-skilled and motivated people in place to deliver our asset strategies and future growth.										
Focus on brownfield renewal and sustainable development.										
while protecting existing assets	Maintain sufficient income to substantially cover business running costs.	RATIO OF RENTAL AND OTHER INCOME TO OPERATING COSTS INCLUDING INTEREST % <table border="1"> <tr><th>Year</th><th>2011</th><th>2012</th><th>2013</th></tr> <tr><td>Ratio of Rental and Other Income to Operating Costs (%)</td><td>97</td><td>92</td><td>86</td></tr> </table>	Year	2011	2012	2013	Ratio of Rental and Other Income to Operating Costs (%)	97	92	86
	Year	2011	2012	2013						
	Ratio of Rental and Other Income to Operating Costs (%)	97	92	86						
Maintain an appropriate capital structure to meet future development and funding needs.		GEARING % <table border="1"> <tr><th>Year</th><th>2011</th><th>2012</th><th>2013</th></tr> <tr><td>Gearing (%)</td><td>79</td><td>71</td><td>54</td></tr> </table>	Year	2011	2012	2013	Gearing (%)	79	71	54
Year	2011	2012	2013							
Gearing (%)	79	71	54							
Manage debt ratios whilst continuing to invest.										

Priorities for 2014

DIVIDEND PAID p



Targets

Continue to grow development profits and create valuation gains, particularly in residential.

Strive to demonstrate and grow 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.

MANAGEMENT WITH MORE THAN 3 YEARS' SERVICE %



Selective and capital efficient acquisitions.

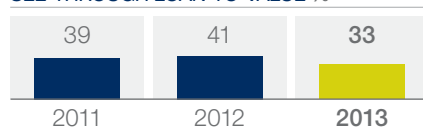
Continued recycling of assets with limited opportunity for further significant added value.

Continue to retain, recruit and motivate highly-skilled people throughout the business.

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.

Supplier and tenant carbon footprint is not under our operational control.

SEE-THROUGH LOAN-TO-VALUE %



Effective asset management to maximise returns.

Put in place further extended finance facilities to support ongoing growth.

Continued management of investment and development programme to maintain appropriate debt ratios.

Significant contraction in available debt facilities reduces the opportunity for strategic investment.

COMMITTED FACILITIES TO COVER DRAWN DEBT months



Chairman's Statement

'Challenges still exist but the Company is already busier than it was 12 months ago and there is a greater sense of optimism across our portfolio and momentum in the market place.'

£82.2m

profit before all tax

+10%

increase in final dividend

It has been another very good year for the Company, with excellent growth resulting in a significant rise in profits across the Group. Profit before all tax increased by 56% to £82.2m (2012: £52.8m) with shareholders' equity net asset value per share growing 11% to 279p per share (2012: 251p per share), after paying dividends of 3.75p during the year (2012: 3.41p).

We have made good progress with all of our major schemes across the country over the last 12 months, each one illustrating a key facet of our business model and demonstrating its strength.

We completed a successful equity placing in March 2013, which raised gross proceeds of £49m. The funds will be used to maximise the potential of the development of the New Covent Garden Market land in the medium-term without increasing our debt levels.

Works to the first phase of Swansea University's £450m Bay Campus project commenced in May 2013 and are well advanced. We are extremely proud to be working with the University on such a prestigious project, which forms part of our extensive regenerative work in South Wales.

In November, Key Property Investments (KPI), our 50/50 joint venture with Salhia Real Estate Co. K.S.C., disposed of the Elephant & Castle Shopping Centre for £80m. The sale, which was achieved well above book value, crystallised significant profits for our shareholders whilst freeing up our people and capital resources to focus on other significant regeneration and development projects in London and across the regions.

After a year of exceptional delivery at Longbridge, we were delighted to announce in December 2013 the pre-let of a 150,000 sq ft Marks & Spencer store on the second phase of the Town Centre. This project is a testament to how our transformational developments serve as true catalysts for change and breathe new life into areas in need of regeneration across the UK.

The improvement in the residential market continued during the year, with profits and sales rates from our residential operations reflecting this upward trend.



DIVIDEND

In recent years, we have raised our dividends broadly in line with the increases in net asset value and to reflect the strong results. This is again the case for the year ended 30th November 2013 with your Board recommending a 10% increase in the final dividend for the year to 2.67p per share (2012: 2.42p), making a total distribution for the year of 4.00p (2012: 3.63p). The final dividend will be paid on 4th April 2014 to shareholders on the register at 7th March 2014.

We intend for this dividend policy to continue, subject to considering the impact of one-off events in the year, positive or negative, as they occur.

STRATEGY

Through our market-leading expertise, we add value through remediation, progressing assets through the planning process and proactive asset management and development. Specifically, our regional teams focus on opportunities where our skill in regeneration enables us to add significant long-term value and generate profits in both commercial and residential development.

As shown by this year's strong set of results, and our proven ability to deliver good returns across the cycle, our strategy is working. We expect this success to continue into 2014 as the property market steadily gathers momentum.

Our decision to allocate additional resource to the residential sector – securing predominantly residential-led planning permissions across our portfolio while continuing to grow our own housebuilding brand St. Modwen Homes and progressing our Persimmon joint venture – has proved successful as the regional market place is now showing meaningful signs of improvement. In addition, the improved market conditions in the London and South East property market are ongoing.

BOARD CHANGES

We have continued to strengthen the property expertise on the Board and were delighted to welcome Richard Mully as a non-executive director in September 2013. Richard brings with him a wealth of experience in real estate investment, having spent almost 30 years in investment banking, capital markets and real estate private equity investing. Richard was appointed Senior Independent Director in December 2013.

PEOPLE

Despite the challenges of the last few years, St. Modwen is now strongly positioned to take advantage of the upturn that is making its way across the UK commercial and residential markets. This would not have been possible without the energy, skill and dedication of our people. Therefore, I would like to take this opportunity on behalf of the Board to say thank you to all employees for their hard work and determination in continuing to deliver strong performance and create long-term value for our shareholders.

PROSPECTS

Even at the height of the recession, we remained confident of the prospects for the Company. Whilst we still remain cautious about the overall economic outlook in the UK and Europe, we have a long track record of successful regeneration, strong asset management and creating value from our extensive land bank. This track record, combined with our robust business model and strategy to deliver strong returns, puts us in an excellent position to remain resilient against continued economic and market challenges whilst benefitting strongly from the improving residential and commercial markets.

With this increased optimism in the market place, we are expanding our development pipeline to capture value across the UK. This year we expect the regional residential market place to continue to recover gradually and London and the South East to remain robust. We will therefore maintain our focus on this sector throughout 2014 to capitalise on the strong returns that we believe are available. Similarly, we are witnessing a cautious recovery in commercial property and consequently, will also be focusing on progressing opportunities in this market during the year.

Challenges still exist but the Company is already busier than it was 12 months ago and there is a greater sense of optimism across our portfolio and momentum in the market place. With our strong financial base, we look forward to growing the business steadily throughout 2014 and beyond to generate further value for our shareholders.

Bill Shannon
Chairman

3rd February 2014

Chief Executive's Review

'The recovery has gathered momentum in 2013 and, against this improving backdrop, we achieved a number of important milestones across our business. This has been illustrated by another strong set of results.'

It has been a very busy and successful year defined by three key areas of activity:

- we have continued to unlock value across our 5,900 acre UK land bank through remediation and planning;
- we have sought to maximise prospects from our residential portfolio; and
- we have pursued opportunities arising from the London and South East market.

I am very pleased to say that our decision to focus on these three areas has culminated in an excellent set of results with a 56% increase in profit before all tax to £82.2m (2012: £52.8m).

The most significant transaction of the year was the sale of the Elephant & Castle Shopping Centre which demonstrated clearly how our exposure to the London and South East market has enabled us to capitalise on the growing investor interest in this area. Having acquired the asset, through our 50:50 KPI joint venture, for £29m in 2002, we added significant value to the property during our ownership, whilst also benefitting from the income it delivered, finally achieving an attractive sale price of £80m compared to £52.5m book value at the start of the period.

Our other major projects have progressed well in the period. In May 2013, we started on site with works to the first phase of the £450m Bay Campus for Swansea University and this is now well on schedule for completion in September 2015. Our Longbridge development in Birmingham remains a regional success story with the completion of the first phase of the Town Centre in the summer and the subsequent 150,000 sq ft pre-let to Marks & Spencer as the second phase anchor tenant, announced just after our year end. Furthermore, good progress has been made with the public consultation process for the New Covent Garden Market redevelopment at Nine Elms in London and we expect to submit a planning application during the first half of this year.

Overall, our wide and diverse pipeline of commercial development opportunities located throughout the UK continues to gather momentum, reflecting the upturn in that market, and we have made excellent progress with our schemes across the country. Demonstrating our ability to extract maximum value from our land bank and explore a variety of new opportunities, we have recently completed a five megawatt Solar Park at our Baglan Bay site in South Wales. We expect to continue to explore energy-related opportunities across the land bank during the course of 2014.

Across the country, we have been busy preparing our land bank for development through remediation and achieving predominantly residential-led planning permissions. Housebuilder appetite for our land is increasing and we are experiencing good housing sales rates across all of our residential schemes, whether delivered in joint venture with Persimmon or through our own housebuilding brand, St. Modwen Homes.



STRATEGY OVERVIEW

Supported by our long-term approach to development, our adherence to a robust and proven business model has delivered a track record of over 25 years of successful regeneration schemes.

During the recession, we continued to add value to our £1.1bn land bank of assets. We achieved this by creating maximum value from our income producing properties through asset management initiatives, whilst preparing sites for redevelopment through remediation and securing planning permissions. In doing so, we laid down strong foundations for growth to take immediate advantage of any market recovery, whilst underpinning our business activities with a steady income stream. At the same time, we disposed of assets to which we could add no further value and reinvested the capital back into the business.

By taking this long-term view and relying on our own efforts to create value, we have remained resilient to challenging economic times and our efforts are already being rewarded as momentum in the residential market grows across the UK and as the regional commercial property market gradually starts to improve.

MARKET OVERVIEW

There is a tangible increase in activity in the residential market place, with the recovery that started in 2012 on the back of rising consumer and housebuilder sentiment being further augmented by the success of Government schemes such as Help to Buy. Momentum continues to gather pace in London and the South East with confidence now spreading into the regions. This improved outlook has already had a positive impact on our joint venture with Persimmon which is now building and selling all eight schemes under the original agreement to deliver over 2,300 homes. Furthermore, our own housebuilding brand, St. Modwen Homes, is performing very well in its second full year of operations; it has continued to expand during 2013 and is now operational on eight developments.

As the year has progressed, we have kept under close review the increased optimism in the commercial property market, driven predominantly by a strong increase in investor appetite. The recovery is now visibly starting to

take hold but a wholesale improvement in commercial property is still being restricted by an improving but inconsistent level of tenant demand.

Against this backdrop, our comprehensive regeneration schemes serve as positive catalysts for change and are encouraging renewed tenant demand. Our regeneration of the Longbridge site in Birmingham is a good example. Here, we have successfully created the centrepiece to this important project by building and securing important retail tenants for the new Town Centre which opened in August. In doing so, we have boosted the community significantly by creating jobs and restoring confidence in the local economy which is a key component of the successful delivery of new commercial environments. We have recently submitted planning for the second phase of the Town Centre which includes a 150,000 sq ft full-offer store pre-let to Marks & Spencer, further testament to the attractive commercial environment that we continue to create here.

Next year, there is a General Election on the horizon. Whether this benefits development or not remains to be seen. Recent comments from politicians accusing developers and landowners of hoarding land are misleading. It does not make commercial sense to sit on land and do nothing with it, especially in areas where land values are not appreciating. St. Modwen is in the business of development and our UK land bank of over 5,900 acres is owned specifically with a view to developing it out to create homes and communities in which people can live and work. At any point in time we are either actively building, remediating or pursuing planning permissions which allow us to transform this land into thriving communities or business destinations that will encourage growth right across the country.

Notwithstanding inconsistent tenant demand in the regions, it is clear that the UK property market is improving. We continue to be successful in securing planning permissions but it is taking much longer than it should do, which is having a knock-on effect on delivery.

BUSINESS OUTLOOK

Our major projects at Longbridge, Swansea University and New Covent Garden Market, are all at varying stages of development, with each having an active year to look forward to, which should add value to the Group.

The disposal of the Elephant & Castle Shopping Centre makes way for Project MoDEL* to become our fourth major project. This consists of the two former RAF sites at Uxbridge and Mill Hill which are now being developed into two new communities, together comprising over 3,500 homes. Given their London location and the residential-led nature of each development, we are already experiencing excellent returns and expect this only to improve in line with the buoyant London property market.

We expect to further capitalise on the improving residential market place which will remain a dominant force in our portfolio in terms of land and housing sales. We are already looking for new opportunities both from within our own land bank and more generally in the market place where we can identify opportunities at the right price to apply our proven skills to create value.

Having spent the last five years preparing our commercial land in readiness for this market to improve, we anticipate more opportunities to start coming through in 2014, enabling us to add to our pipeline of development projects.

With a successful 2013 behind us, this year will be one of continued delivery, adding value to our portfolio of assets and a renewed focus on business areas where we can deliver realised development profits. We are not yet completely free of the overhang of the recession, and there is no room for complacency, but there is certainly a more positive outlook on the horizon and we are already well placed to capitalise on this opportunity.

*See glossary.

Commercial land and development

With our sites primed for development, we are well placed to capitalise on the improving commercial property market and are already growing our pipeline of development opportunities.

Pictured: Swansea University's Bay Campus. The first phase is on track to welcome students in September 2015.

£146m

commercial land value

2,997

commercial land acreage



The land bank
See pages 24–25



Asset management
See page 25



Recurring income
See pages 26–27



Delivery
See pages 26–27





Commercial land and development (continued)

STRATEGY

Our long-term approach to regeneration helps us to weather economic cycles. Over the last five years we have focused on priming our land bank for development through remediation and planning which has ultimately put us in a good position to benefit from current market improvements.

Through our network of regional offices, we remain in tune with local requirements and any new opportunities. This local knowledge has enabled us to stay opportunistically acquisitive over this period, securing land and commercial assets with latent value that can be realised at the right time.

Furthermore, our highly-skilled in-house team of construction professionals oversees the delivery of all our projects and works closely with clients and partners to ensure the end product matches their needs. Responsible for our 'shop window' they are a valued and important part of the business that safeguards the Company's principles of delivering high-quality, sustainable developments as a legacy for businesses and communities to enjoy for years to come.

MARKET COMMENTARY

Our strategy to prime our land for development has borne fruit during 2013. Demand for design and build projects on our 'ready to go' employment sites has grown as businesses are feeling more confident to expand and seek new premises, and occupiers recognise we can deliver on their requirements quickly. In those areas where we are experiencing an increasing number of tangible enquiries coming through, such as London and the South East, the Midlands and the South West, we are submitting detailed planning applications for commercial-led developments on our existing land bank.

Our secondary shopping centres continue to experience good take-up of space from occupiers. Here, our ongoing regeneration activities and favourable lease terms are attracting new retailers who recognise the positive, long-term economic impact that our schemes are set to have as we transform any given area. A good example is our £80m regeneration of Farnborough Town Centre, where works are now complete on the first two phases including a 62,000 sq ft Sainsbury's, Travelodge, J D Wetherspoon, a gym and the creation of retail space for major brands including Starbucks and New Look. In May 2013, we started on site with the transformation of Kingsmead Shopping Centre which is being extensively rebuilt to accommodate a new seven-screen VUE Cinema and restaurants, which is due for completion in summer 2014.

Commercial land

During the period, with a view to augmenting and adding value to our commercial development pipeline, we have continued to secure sites and prepare them for development through remediation and planning.

We have secured a significant number of commercial-led brownfield land opportunities over the last 12 months with highlights including:

- *Wellingborough* – formerly owned by Whitworth Bakery, we acquired this 3.5 acre site with a view to transforming it into a retail park comprising 35,000 sq ft of accommodation for which we will submit a planning application in February 2014.



The regeneration of Farnborough Town Centre is gathering momentum and now includes a Sainsbury's, New Look, Starbucks and VUE Cinema.





An indicative image of the 150,000 sq ft full-offer store pre-let to Marks & Spencer at Longbridge, Birmingham.



- *Tamworth, Staffordshire* – we have signed a development agreement to regenerate this 240 acre site into a high-quality mixed-use scheme.
- *Derby Gateway, Chaddesden Triangle, Derby* – a 70 acre brownfield site, the largest in Derby, to comprise 700,000 sq ft of commercial accommodation which will be developed in partnership with Network Rail. A masterplan application is currently being prepared and will be submitted in spring 2014.
- *Clay Cross, Derbyshire* – a 204 acre site benefitting from outline planning consent to create a mixed-use scheme that includes up to 250,000 sq ft of employment space.

We have also made good progress in converting planning applications to approval and delivery. Highlights include:

- *Rugby, Warwickshire* – we have recently submitted a planning application to deliver a 100,000 sq ft retail park at this former Alstom industrial site which is being redeveloped into a mixed-use scheme that sits alongside the 150,000 sq ft Warwickshire College completed in 2010. Currently on site, Greene King is constructing a 'Hungry Horse' public house and St. Modwen Homes is developing a scheme of 175 homes.
- *Worcestershire Fire Station, Worcester* – we secured planning permission for a 20,000 sq ft facility on behalf of Hereford & Worcester Fire Authority as part of the second phase of development at our Great Western Business Park where the fully occupied phase one comprises 125,000 sq ft of office and industrial accommodation.
- *Branston, Burton upon Trent* – planning for 770,000 sq ft of industrial space has now been secured on part of this 175 acre site on which we expect to commence with site infrastructure in 2014.



Works at Castledown Business Park, where we are delivering 33,650 sq ft of employment space for Wiltshire Council.



In addition to the ongoing residential development at Locking Parklands, Weston-super-Mare, we have also developed 5,800 sq ft of first phase office space.



Commercial land and development (continued)

Commercial development progress (major projects):

- *Bay Campus, Swansea University* – we continue to progress well with the delivery of the first phase of works at the £450m Bay Campus for Swansea University. Steelworks and superstructure are advancing and the construction of the student accommodation is now underway. We remain on track to welcome new students to the scheme in September 2015.

- *Longbridge* – we completed phase one of the Longbridge Town Centre in August 2013 which is anchored by an 80,000 sq ft Sainsbury's and comprises 24 shops, Beefeater and Hungry Horse restaurants, a Premier Inn and the £2m Austin Park. Following the year end, we completed the pre-let of a 150,000 sq ft Marks & Spencer full-offer store that will anchor the second phase of the new Town Centre. A planning application for this second phase was submitted in December 2013 together with an application to build a 30,000 sq ft specialist Construction Centre for Bournville College.



We are currently on site with over 75,000 sq ft of design and build space at Quedgeley West Business Park, Gloucestershire.



At Skypark, Exeter, we are nearing completion of a 24,100 sq ft facility for ASOC.



Public consultation for the redevelopment of the New Covent Garden Market sites is progressing well and we are on track to secure planning permission in early 2015.



- *New Covent Garden Market sites* – we have just completed the second tranche of public consultation and expect to submit a planning application for this major regeneration project during the first half of 2014. Under a 50/50 VINCI St. Modwen joint venture, our plans are to consolidate the current market, which covers a 57 acre site, into a more efficient 37 acre, 550,000 sq ft scheme. The 20 acres freed up by the new development will be redeveloped into a residential-led mixed-use regeneration scheme, providing over 2,900 homes and 115,000 sq ft of commercial accommodation and community facilities. This is a significant project which is set to deliver excellent returns once planning consent is granted, which we expect in 2015.
- *Quedgeley West, Gloucestershire* – there is currently over 125,000 sq ft of space under construction at this Business Park. This includes Gardiner Bros & Co (Leathers) Ltd which has agreed to purchase a 34,700 sq ft design and build unit which is in addition to its 30,000 sq ft headquarters also located at Quedgeley West. Engineering firm, Lister Petter, will be relocating from our nearby scheme in Littlecombe, Dursley to a 35,000 sq ft purpose-built facility at the Business Park. Both occupiers will move into their new premises in spring 2014.
- *Dunelm Mill, Wheatley Hall Road* – we completed a 22,000 sq ft store for Dunelm Mill on this brownfield site. The site also now comprises a new Marston's public house and community sports facilities.

Development progress (other key sites):

- *Skypark, Exeter* – developed in joint venture with Devon County Council, momentum is building on the redevelopment of this 110 acre former airport complex into a major employment centre and business park for Exeter and East Devon. Having completed the 30,000 sq ft energy centre for EON in 2012, we are now nearing completion of a 24,100 sq ft purpose-built facility for the South Western Ambulance Service NHS Foundation Trust, having started on site in spring 2013.

OUTLOOK

We anticipate the commercial property market will continue to improve at a steady rate throughout 2014. This will impact positively on our pipeline of delivery where we are gradually receiving an increased amount of enquiries. The retail market will remain challenging but the location of our portfolio provides us with firm foundations to continue to secure tenants at competitive rents and create new retail environments.

Developable acres	Nov 2013	Nov 2012
Retail	337	342
Industrial and commercial	2,997	2,859
Residential	1,893	1,804
Use not yet specified	716	796
Total	5,943	5,801

Residential

There is a tangible increase in activity in the residential market place. Momentum continues to gather pace in London and the South East with confidence now spreading into the regions.

Pictured: St. Modwen Homes' award-winning Locking Parklands development, Weston-super-Mare.

£482m

value of residential portfolio

21,900+

plots with planning status



The land bank
See page 30



Asset management
See page 31



Delivery
See page 32





Residential (continued)

STRATEGY

Our land strategy continues to be to 'buy wholesale' and 'sell retail'. Essentially, we buy land, predominantly brownfield, at a low cost and maximise its value over time through intensive asset management, remediation and planning. We then realise that value through one of the following three routes to market:

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

MARKET COMMENTARY

Residential output has risen significantly over the last 12 months, with many housebuilders, including St. Modwen Homes and Persimmon, reporting a healthy increase in sales. Improving consumer sentiment, supportive Government schemes such as 'Help to Buy' and an increasingly stable economy have all contributed to a more positive outlook for the residential market as a whole. These aspects are playing a central role in boosting the regions while London and the South East continue to perform strongly.

RESIDENTIAL LAND

We remain successful in our ability to secure residential-led planning consents across our land bank, regardless of the continued challenges with the planning regime. As a result, 81% of our portfolio (over 21,900 plots) has either planning permissions or allocations within local plans.

In line with our business model, we continue to top up our land bank with future residential-led opportunities to ensure that we are constantly in a position to create value. In the last 12 months we have increased our land bank to over 27,000 plots. Recent highlights include:

- *Clay Cross, Derbyshire* – a 204 acre brownfield site acquired in September 2013. It already benefits from outline planning consent for the creation of a high-quality mixed-use regional regeneration scheme that includes up to 600 homes. It is designated as a key development area within the district of North East Derbyshire.
- *Eastwood, Nottinghamshire* – 17 acres acquired in November 2013. Currently comprising circa 280,000 sq ft of unoccupied buildings, this site will be redeveloped to create a new, residential-led, mixed-use community.

As the market continues to improve, competition from the major national housebuilders for land primed for residential development is intensifying. This translates into greater land values and sales achieved above book value. Throughout the year, we have experienced growing demand for our land across the country as housebuilders replenish their stocks to meet increasing demand. As a result, in the period, we have sold or committed for sale 57 acres of land, totalling £58m.

81%

of residential portfolio with planning

£22m

value added to residential land

Significant residential land transactions

- *RAF Mill Hill* – the sale of seven acres to Galliford Try for £25.5m and contracts exchanged on circa three acres with Cala Homes for £13m.
- *Rugby* – the sale of 10 acres to Taylor Wimpey for £6.7m.
- *Taunton* – the sale of 4.7 acres to David Wilson Homes for £4.2m and 6.1 acres to Taylor Wimpey for £5.5m.

Planning consents achieved

- *Branston, Burton upon Trent* – for 660 homes and new employment space on this 280 acre site, including manufacturing, storage and distribution units.
- *Pirelli, Burton upon Trent* – for 289 homes, a hotel, restaurants, public house, offices and commercial units on disused parts of the Pirelli Factory.
- *Edison Place, Rugby* – for 175 homes on part of this 50 acre site of which 32 acres are earmarked for residential development.
- *Hartshill, Stoke-on-Trent* – for 111 homes, along with a restaurant, public house and a parade of shops on this 11 acre site owned by Dyson Industries.

Applications submitted

- *Uttoxeter, Staffordshire* – for 700 homes, employment space, new school, sports and recreational facilities, a local retail centre and the provision of open green space.
- *Ellesmere Port, Cheshire* – for 350 homes, open public space, footpath and cycle links on this 29 acre site.
- *Wigan Enterprise Park, Manchester* – for 325 homes as part of the redevelopment of the oldest parts of this commercial site.

Future opportunities

- *New Covent Garden Market* – over 2,900 apartments to be delivered as part of this major regeneration project situated in the Nine Elms area of London, for which we anticipate achieving a planning consent in 2015.
- *Faverdale Garden Village, Darlington* – a scheme of 600 homes plus open space and improvement of bus, cycle and walking links.
- *Hilton, South Derbyshire* – a new mixed-use development at this former MoD site which currently comprises a mix of industrial and open storage to provide 485 homes, a new primary school and employment opportunities.



Over 2,900 apartments will be delivered as part of the redevelopment of the 57 acre New Covent Garden Market site in Nine Elms, London.



Persimmon started on site with 284 homes at Meon Vale, Long Marston, Warwickshire, one of the eight sites being delivered as part of the joint venture.



St. Modwen Homes is progressing well with its first phase development of 94 homes at Littlecombe, Dursley.



Residential (continued)

RESIDENTIAL DEVELOPMENT

In line with the improving market place over the last 12 months, residential development and sales have gathered pace, resulting in an overall profit increased by 33% to £8m (2012: £6m) which provides an excellent platform from which to grow this area of the business further.

St. Modwen Homes

In its second full year of building, St. Modwen Homes has continued to grow from its base at Longbridge and it has opened a second office in Bristol to support the delivery of current and future St. Modwen Homes' sites across the South West and South Wales.

At present, St. Modwen Homes is on site with eight schemes at various stages of delivery across the country and totalling around 1,000 new homes. As we continue to build the brand, St. Modwen Homes will continue to focus on delivering around 200 to 300 units per year.

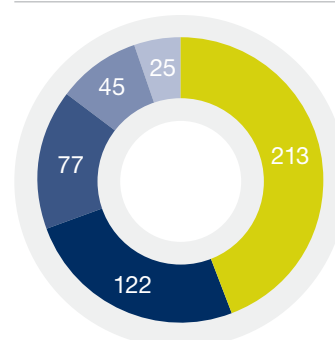
St. Modwen Homes benefits from our extensive land bank providing it with a competitive advantage in terms of being able to use our considerable expertise in planning and select sites that are best suited to the brand. In turn, it can focus on providing a higher quality and bespoke product. Future opportunities currently include two schemes in South Wales comprising a total of 460 homes and an initial phase of a 660 home development in Branston, Burton upon Trent.

Persimmon joint venture

Our joint venture with Persimmon, established in 2010, continues to perform well and we are now building or selling on all eight sites that were planned under the agreement. This will see over 2,300 residential plots delivered by 2017. Scheme highlights include:

- *RAF Uxbridge, London* – delivery of the first 453 homes is progressing well as part of this 110 acre mixed-use scheme which has planning for 1,340 homes, 200,000 sq ft of commercial office and retail development, a new primary school, theatre, community facilities, hotel and a 40 acre public park.
- *Meon Vale, Long Marston, Warwickshire* – Persimmon started on site with 284 homes this year at this former MoD site which is being transformed into a mixed-use community.
- *Coed Darcy, South Wales* – Persimmon has experienced excellent sales rates for its scheme of 300 homes which forms part of a broader 1,063 acre regeneration project that is transforming this former BP oil refinery into a new sustainable community of 4,000 homes, with 440,000 sq ft of commercial accommodation.

RESIDENTIAL LAND BANK £m



- Under management – Regions
- Under management – London and SE
- Persimmon joint venture
- St. Modwen Homes
- Exchanged for sale

Residential development sales

Albeit impacted by delayed site starts during the first six months of the year due to continued challenges with the planning system, sales rates achieved for the entire year have been steady. In the financial year we have achieved 365 house sale completions (2012: 259) comprising 126 for St. Modwen Homes (2012: 158) and 239 for the Persimmon joint venture (2012: 101).

OUTLOOK

As demand from house buyers continues to improve and housebuilders continue to seek attractive land to replenish their stocks, we expect greater levels of activity in the residential market but at a stable pace. Momentum is already starting to build in the regions and this is expected to continue throughout 2014 whilst activity in London and the South East will remain considerably more buoyant. With our sites now primed for residential development, we expect to take advantage of the increased appetite for residential land and are in a good position to exploit this throughout 2014. Mirroring this upturn, we expect St. Modwen Homes and the Persimmon joint venture to continue to grow during 2014, both in terms of profit delivery and sales volumes.

Residential land bank at 30th November 2013

	November 2013		November 2012	
	Acres	Units	Acres	Units
With planning recognition allocated within the local plan or similar	238	3,669	178	3,396
Resolution to grant	105	1,470	140	1,942
Outline permission	892	14,191	794	13,175
Detailed permission	190	2,579	169	2,337
	1,425	21,909	1,281	20,850
No planning recognition	468	5,114	523	5,694
Total residential land	1,893	27,023	1,804	26,544

Residential development as at 30th November 2013

	St. Modwen Homes Active and completed	Persimmon joint venture Active	TOTAL
Number of sites	8	8	16
Units	1,236	2,323	3,559
Units completed	299	340	639
Land revenue received (£m)	7	41	48
Future land revenue (estimate £m)	26	62	88
Potential St. Modwen share of future development profits £m	29	45	74
Total	55	107	162

Income producing properties

The backbone of our long-term business, our income producing properties ensure we extract the maximum value from our land bank in the short-term by working hard those assets that generate a steady income stream prior to development.

Pictured: The five megawatt Solar Park at Baglan Bay.

£514m

value of income producing properties

1,700+

tenants



The land bank
See page 36



Asset management
See page 37



Recurring income
See page 37





Income producing properties (continued)



The Trentham Estate generated £1.25m of income during the period and welcomed over 425,000 visitors.



STRATEGY

Our income producing assets now make up 45% of our property portfolio. Regeneration and development is a long-term business producing significant future value and we extract the maximum value from our land bank in the short-term by working hard those assets that generate a steady income stream prior to development. Furthermore, we employ locally-based asset management teams to manage these assets as efficiently as possible and typically offer affordable rents on relatively short tenancies, ensuring that voids remain at their lowest possible level as we work towards redevelopment.

Similarly, once a site is developed, we will retain it for income until we feel we can no longer add any further value, at which point we will dispose of the asset and reinvest the capital raised back into the business.

Portfolio yield analysis

	Equivalent		Net initial		Value £m	
	Nov 2013	Nov 2012	Nov 2013	Nov 2012	Nov 2013	Nov 2012
Retail	9.2%	9.0%	7.7%	7.6%	201	240
Office	9.7%	9.4%	7.0%	7.0%	59	61
Industrial	9.2%	9.2%	8.0%	7.9%	254	261
Portfolio	9.2%	9.2%	7.8%	7.7%	514	562

We currently manage a diverse base of over 1,700 occupiers that cover a wide variety of sectors with a broad range of requirements. The diversity of our tenant base mitigates our risk against any administrations and specific sector challenges.

PERFORMANCE

At the year end our income producing properties were valued at £514m (2012: £562m) and represent the largest tranche of our portfolio. Providing further evidence of the gradual recovery of the commercial property market and the strength of our tenant portfolio, we have experienced very few administrations during the year and occupancy levels remain steady at 88% (2012: 88%). We have managed the churn in our portfolio by securing £9.0m of new lettings, equivalent to 20% of our gross rent roll during the year (2012: £9.7m).

Highlights include:

Income

- *Heartlands Park, Washwood Heath* – this 55 acre business park is now approaching 100% occupancy following a letting in August 2013 to Network Rail on a five year lease for 38,000 sq ft of warehouse and office accommodation. This latest letting brings the rental income of the site to £1.6m per annum.
- *The Trentham Estate, Stoke-on-Trent* – attracted over 425,000 visitors in the period (2012: 403,954), and this 725 acre leisure destination generated £1.23m of operational income (2012: £1.0m), with the shopping village remaining 100% occupied.
- *Solar Park, Baglan Bay, South Wales* – we have now completed work to the Solar Park at Baglan Bay which comprises 20,000 photovoltaic panels. Once live in March 2014, it will generate five megawatts of electricity sufficient to supply over 1,200 homes and provide an annual income of around £600,000.

Disposals

We disposed of several assets during the year to which we could add no further value. All capital raised from the sale of these assets has been reinvested in the business and will be used to fund new opportunities.

The most significant disposal, completed at the end of the year, was of the Elephant & Castle Shopping Centre. We acquired the property in 2002 for £29m and since then, through our skilful asset management capabilities, have added significant value which is reflected in the £80m sale price versus a book value of £52.5m.

Acquisitions

Ensuring that our property portfolio remains topped up with opportunities that provide short-term income and long-term development potential, we acquired the Waterdale Shopping Centre in Doncaster in October 2013 for £3.6m. Immediately securing rental income and increasing its value to £4.0m, we have already secured three new lettings to local retailers and discussions are underway with other interested occupiers. Currently, the centre produces a gross rent of over £900,000. During the course of 2014 we will work on the extensive refurbishment of the centre to provide a more modern, attractive space for both retailers and customers.

OUTLOOK

As occupier confidence grows and companies start to think about expansion and diversification, we expect this area of the business to continue to provide us with a significant and secure source of income that underpins our running costs.

Reflected in our market valuations, pressure on yields is easing and will continue to do so, but at a steady pace as this market slowly starts to improve. In line with the gradual improvement in the commercial property market, we will continue to grow our development pipeline not only from within our existing portfolio but as new opportunities with the potential to add value come through.

Bill Oliver

Chief Executive

3rd February 2014



The 125,000 sq ft phase one of Great Western Business Park is now fully let and provides an annual income of £0.4m.



The first phase of the new Town Centre at Longbridge opened in August 2013.



Financial Review

‘Our ability to generate strong returns across the cycle, driven by the underlying quality of the business, is now very apparent.’

£40m

property profits

+31%

trading profit increase

INCOME STATEMENT

St. Modwen is a proactive company focused on creating long-term value through our own efforts. We take a pragmatic approach, making investments to which we add and realise value through planning, asset management, remediation and development over time. Our continued success of delivery is a testament to this long-term view.

A core part of our business model is ensuring that a major proportion of our assets generate income prior to development. This consists of core rental income and other revenue deriving from our £514m portfolio of income producing properties, comprising more than 100 commercial properties and making up 45% of our total portfolio. These cash streams underpin the running costs of the business and provide firm foundations 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 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 core part of our business continues to perform well. Even taking into account asset sales in the year I can once again report a marginal increase in the Group's share of net rental income to £36.3m (2012: £36.2m), achieved as a result of our successful asset management capabilities. The excess of new lettings and rent reviews over churn and administrations has increased to £3.8m (2012: £2.0m) and we anticipate our net rental income remaining steady throughout 2014 as we replace income sold during the course of 2013.

Occupancy levels remain stable at 88% (2012: 88%) and our average lease length has been held at 5.0 years (2012: 5.0 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. Therefore, our void levels remain in line with our expectations.

Property profits

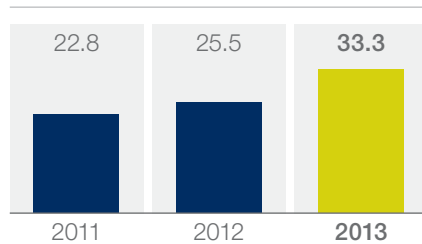
We have achieved a 37% increase in realised property profits to £40m (2012: £29.0m) from development. This includes significant contributions from our development of the Bay Campus for Swansea University and the sale of the Elephant & Castle Shopping Centre by our KPI joint venture. Both these transactions highlight the value of the St. Modwen long-term business model. In particular, the Elephant & Castle transaction demonstrates our ability to add value to our retained assets. The joint venture acquired the asset for £29m in 2002, significantly increased the income generated by it and then sold the asset for £80m, representing a yield of 4.25%.

Residential housing sales have contributed over £8m. The residential contribution reflects how this area of the business has grown throughout the year and highlights the success we have achieved in setting up our St. Modwen Homes business and the development of our Persimmon joint venture.

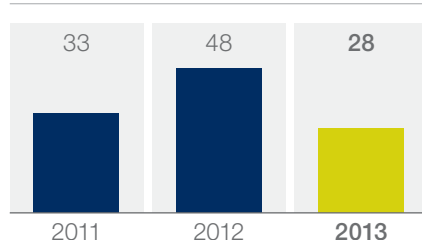
Overheads

Our cost base is driven by the employment of skilled teams of professionals to manage existing and potential assets. Our UK-wide land bank allows us the flexibility to adapt to market demands and consequently pursue only those opportunities that generate the greatest value at any time. We have continued to expand our residential team and this, together with the bonuses paid for successful business delivery, means that administrative expenses for 2013 (including the Group's share of joint ventures and associates) has increased to £20.2m (2012: £18.6m).

TRADING PROFIT £m



ADDED VALUE VALUATION GAINS £m



Property portfolio – valuation movements in the year

	2013			2012		
	Market value movements	Value added by St. Modwen	Total	Market value movements	Value added by St. Modwen	Total
Residential	21	22	43	8	36	44
Commercial land	(4)	–	(4)	(1)	–	(1)
Income producing:						
Retail	(1)	4	3	(8)	7	(1)
Office	(1)	–	(1)	(6)	(1)	(7)
Industrial	(1)	2	1	(13)	6	(7)
Total	14	28	42	(20)	48	28

PROFITS (CONTINUED)

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, after allowing for the equity placing, in net debt and higher average borrowing levels for the period. An increased proportion of the debt is fixed cost, either on our retail bond or our hedging arrangements. The full year of fixed cost on the retail bond has resulted in a slight increase in finance costs in the period.

Trading profit

Overall trading profit has therefore increased again this year by 31% to £33.3m (2012: £25.5m), an extremely positive result. We will continue to focus on generating value across our land bank and ensuring that our rental income and recurring other income underpins the running costs of the business. Supported by our firm financial footing, with key projects within our development pipeline (such as the Bay Campus, Swansea University and the Marks & Spencer development at Longbridge), along with our other major schemes, we expect to be in a good position to continue to take on an increase in workload as the economic environment improves.

PROPERTY VALUATION

Property portfolio

Our property portfolio is worth £1.1bn (2012: £1.1bn). During the period, we have continued to actively manage our portfolio, spending £177m on acquisitions and capital expenditure and realising £172m from asset disposals. As the UK economy becomes more active, we expect these numbers to remain significant.

Movements in the year

Property valuation movements are made up of two main elements: those resulting from 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.

£14m

market-driven valuation increase

Market-driven valuation movements

In line with market movements, yields over the last 12 months have been broadly steady with value reductions in the first half of the year offset by improvements in the second half valuations of our income producing portfolio. There has been a material increase in the value of our residential portfolio, notably in the South East (although residential land is increasing in value across England and Wales), of £21m (2012: £8m) which has resulted in an overall net market-driven increase in the value of our property portfolio of £14m (2012: £20m decrease).

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 again delivered some very good results. This success comes from managing commercial and residential land through planning, despite the difficulties of this process.

Based on independent valuations from Jones Lang LaSalle, we have been able to generate revaluation gains of £28m in the year (2012: £48m including a significant contribution from RAF Uxbridge). We expect to continue to generate significant value improvements given the increased activity across our portfolio, and our expertise in asset management.

Basis of property valuation

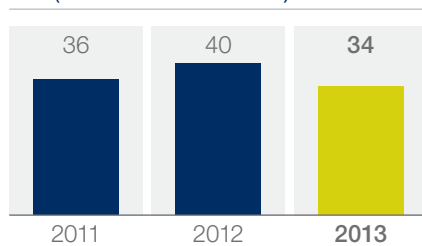
All our investment properties are independently valued every six months by Jones Lang LaSalle LLP, a global real estate professional services business. Jones Lang LaSalle based its valuations upon an open market transaction between a willing buyer and a willing seller at the Balance Sheet date. Therefore, no value is taken for any future expectations of value increases but discounts are applied to reflect future uncertainties. Where appropriate we supplement our internal procedures with an independent assessment of 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.

PROFIT BEFORE ALL TAX

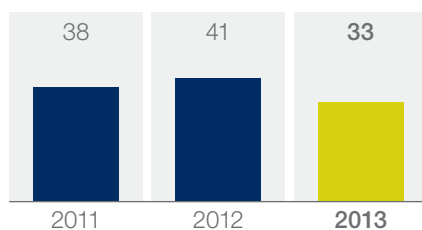
Our profit before all tax is stated before tax on joint venture income and after movements in the market value of our interest rate derivatives (hedges and swaps). The valuations are based on the financial market's forward prediction curves for interest rates. At the end of the financial reporting period and together with other finance charges, this caused a credit of £6.7m (2012: £0.6m debit).

Profit before all tax increased substantially by 56% to £82.2m (2012: £52.8m), an extremely positive result for the year.

LTV (ON BALANCE SHEET) %



LTV (INCLUDING JV DEBT) %



TAXATION AND PROFITS AFTER TAX

A lower level of valuation gains attributable to our joint venture assets has led to a reduced tax charge in the year of £8.3m (2012: £10.5m). After allowing for this, we have achieved a very strong result for the year with profits after tax of £73.9m, a 75% increase compared with 2012 (£42.3m).

BALANCE SHEET

In the first half of the year we successfully completed an equity placing, raising gross proceeds of £49m at a price of 245p per share which was closely aligned with the shareholders' equity net asset value per share of 251p at November 2012.

The funds from the placing will be used to exploit the potential of the development at the New Covent Garden Market (NCGM) sites in Nine Elms, London. The equity funds mean that we can enter discussions with potential partners for NCGM knowing that we have sufficient resources to deliver our other major projects.

The assets and liabilities of the NCGM contract will only be recognised on our Balance Sheet once detailed planning consent is achieved and the contract becomes fully unconditional. Our expectation remains that this will happen during our 2015 financial year.

Net assets

At the year end, the shareholders' equity value of net assets was £614m or 279p per share. This represents an 11% increase over the year (2012: 251p per share). In addition to this increase dividends of £8.2m (3.75p per share) were paid during 2013 (2012: £6.8m or 3.41p per share).

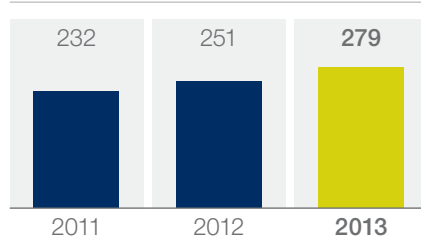
EPRA net asset value

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 rose 10% to 298p from 272p per share. A full reconciliation of our net assets is provided in note 2 to the Group Financial Statements.

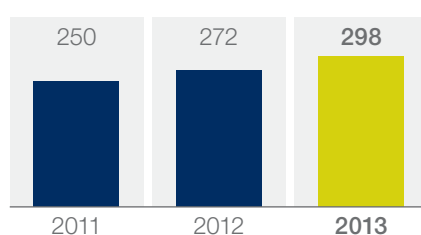
PENSION SCHEME

Our defined benefit pension scheme continues to be fully funded on an IAS19 basis. 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.

EQUITY NET ASSET PER SHARE p



EPRA NET ASSET VALUE PER SHARE p



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

CORPORATE FACILITIES

We have ample headroom within our corporate facilities allowing us to meet future development and funding needs. At the year end we had £479m of facilities against drawn debt of £341m.

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 86% hedged against our corporate debt (2012: 93%). We expect this proportion to reduce in future as our hedging slowly drops away. As any new financing is put in place we will ensure that our hedging positions are appropriate for our future development.

Corporate funding covenants

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

Bank:

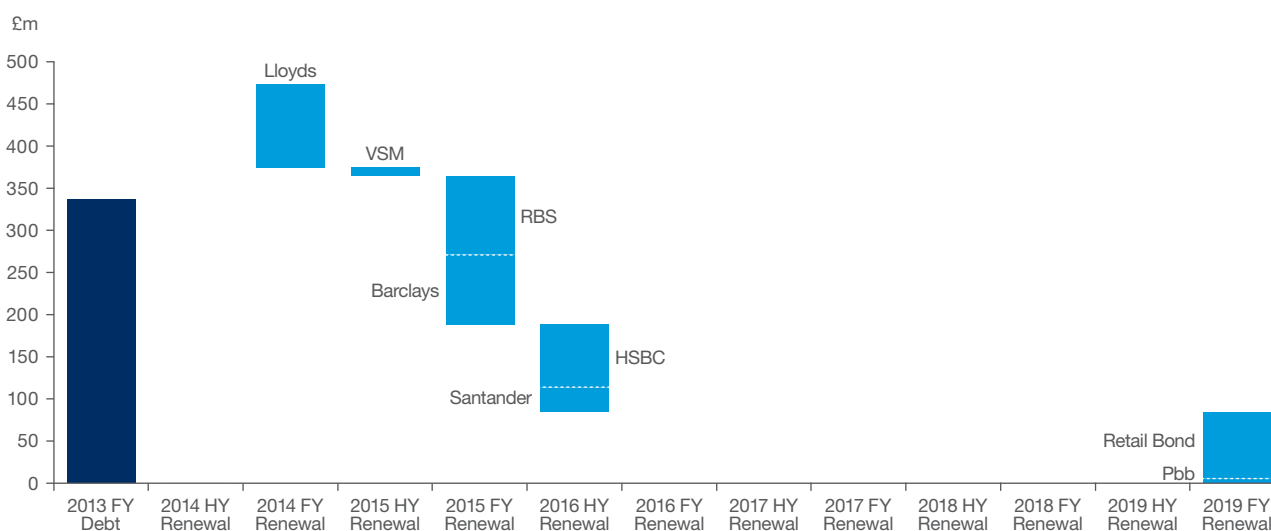
- Net assets must be greater than £250m (actual £627m).
- Gearing must not exceed 175% (actual 54%).
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 2.9x).

Bond:

- See-through loan-to-value ratio must not exceed 75% (actual 33%).
- Interest cover ratio must be greater than 1.5x (actual 3.1x).

Although the current 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.

Current banking facilities



Joint venture facilities

Our two joint venture facilities are VINCI St. Modwen (VSM) and Key Property Investments (KPI):

- VSM Uxbridge – our 50:50 joint venture with VINCI PLC has grown 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. Land receipts are rapidly reducing the debt which was £40m at the year end (St. Modwen share £20m) (2012: £50m, St. Modwen share £25m). We expect this debt reduction to accelerate in 2014.

We are also now working together with VINCI in joint venture on the New Covent Garden Market sites. We are in continual dialogue with our partners on the appropriate ownership structures for these joint ventures and as has happened previously, these ownership shares may change moving debt on or off Balance Sheet.

- 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. During the year the joint venture sold the Elephant & Castle Shopping Centre in London for £80m. This disposal, together with other asset sales, significantly reduced the debt in the joint venture to £29m at the year end, with the St. Modwen share representing £14.5m (2012: £115m, St. Modwen share £57.5m).

Since the year end dividends paid to shareholders have increased the debt levels. We are reviewing the financing arrangements for this joint venture to ensure that they are appropriately matched for our future requirements.

Funding levels

We have no corporate or joint venture facilities that require renewal before November 2014, when our £100m Lloyds facility matures.

We have existing offers for the renewal and extension of this and other debt facilities and continue to consider options to increase the diversity and longevity of our facilities. We are well positioned to move forward with sufficient facilities of the right type to support further growth in the business.

£139m

undrawn facility headroom

£49m

raised from equity placing

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 second half of the year, the improving economy has meant that we have invested in our business and increased the value of our assets. Consequently, although there has been a slight increase in equivalent on Balance Sheet debt (£341m) (2012: £318m after adjusting for the equity placing) our gearing and loan-to-value ratios have continued to fall. This is particularly noticeable once the significant reduction in joint venture debt is considered with the see-through loan-to-value ratio falling to 33% (2012: 41%).

Given the improving economic environment we will continue to invest to generate future returns. Throughout the next year, on a see-through basis, we expect both the gearing and loan-to-value ratios to remain broadly consistent although changes in joint venture structures may affect the on Balance Sheet ratios.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group and the corresponding mitigating actions that are in place are set out on pages 46 to 49.

Given the progress of the business and the increased optimism for the economy we consider that the overall position continues to improve.

OUTLOOK

Our ability to generate strong returns across the cycle, driven by the underlying quality of the business, is now very apparent. Throughout the year and against the backdrop of the changing economic environment, we have continued to maximise and grow our income and we continue to invest in the business whilst maintaining a prudent financial structure. We also look forward to securing planning permission for the New Covent Garden Market land which is not yet accounted for within our financial results. These factors combined provide us with a sound financial platform from which we can continue to add value and drive the business forward.

Michael Dunn
Group Finance Director

3rd February 2014

How we manage our risks

Risk and potential impact

Mitigation

Economic and market risk

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

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.

- 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.

- 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.

- 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.

Financial collapse of, or dispute with, a key joint venture partner leads to financial loss.

- Monthly review of performance to identify if senior management intervention is required.
- Flexible but legally secure contracts with partners.



Financial risk

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

Availability of funding reduces, causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets.




- Recurring income from rents provides funding for a large percentage of overhead and interest costs.
- Strong relationships with key banks.
- Financial headroom maintained to provide flexibility.
- Alternative sources of funding (e.g. retail bond in 2012, equity placing in 2013).
- Weighted average expiry of facilities is 2.5 years at 30th November 2013.

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.

- Regular and detailed cash flow forecasting enables monitoring of performance and management of future cash flows.



Key:

-  Risk exposure increase
-  Risk exposure reduced
-  No significant change in risk exposure

Change since 2012
Annual Report

Commentary

We choose to operate only in the UK, which is subject to relatively low risk and low returns from a stable and mature, albeit cyclical, economy and property market. By involvement with all sectors of that economy and property market, we are as diversified as possible, without venturing overseas. Our land bank of over 5,900 acres provides us with the flexibility to move with market demands and pursue those opportunities that generate the greatest value at any one time.

Over the course of the last year, the continuing (albeit improving) 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 and has been boosted by an increase in the availability of new mortgage finance which is due at least in part to the Government's Help to Buy scheme.



The excellent reputation and financial capacity of the Company has enabled us to continue to win schemes and grow the land bank to record levels, in an improving but still challenging market and economy. In this environment, with a reduced number of active competitors, we expect to be able to continue to source attractive acquisitions.



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 and strong balance sheets. 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 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. The success of our first retail bond (October 2012) and an equity placing (March 2013) has further diversified our debt financing profile by providing access to unsecured funding.



Our cash flow is closely monitored throughout the year and the year end position in line with the guidelines that we set at the start of the year.



Risk and potential impact

Mitigation

Construction risk

The management of developments is a complex process



Inadequate due diligence on major new schemes leads to unforeseen exposures, costs and liabilities, which prevent effective delivery and result in financial loss.

- Use and close supervision of a preferred supply chain of high-quality trusted suppliers and professionals.
- Projects, acquisitions and disposals are reviewed and financially appraised in detail, with clearly defined authority limits.
- Contractual liability clearly defined.

Inadequate construction delivery and procurement leads to quality issues and cost overruns causing customer dissatisfaction and/or financial damage.

- Strong internal construction management team.
- Clearly defined formal tender process that evaluates qualitative and quantitative factors in bid assessment.
- Use and close supervision of a preferred supply chain of high-quality trusted suppliers and professionals.

Regulatory and compliance risk

Our work is undertaken in a complex environment with consequent compliance risks



National Planning Policy Framework changes adversely impact on our business strategy by limiting our ability to secure viable permissions and/or by removing our competitive advantage.

- Use of high-quality professional 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.

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.

- Use of high-quality external advisors.
- Highly qualified and experienced 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.
- Annual independent audit of environmental risk.
- Reputation managed by a core team of skilled PR professionals.

Human resources and organisational risk

Our activities require highly-skilled and motivated people in order to deliver consistently and effectively



Lack of succession planning and/or over reliance on key people causes loss of/failure to attract good people and/or significant disruption/loss of intellectual property.

- Succession planning monitored at Board level and below.
- Targeted recruitment with competitive, performance-driven remuneration packages.




HS&E culture leads to a major incident (e.g. serious injury to, or death of, an employee, client, contractor or member of the public) or non-compliance with legislation, resulting in financial penalties and/or reputational damage.

- Performance indicators are reviewed at Board level.
- Use of high-quality external HS&E advisers.
- Defined business processes to proactively manage issues.

Inadequate Business Continuity Planning (BCP) for operations and IT, leading to significant business disruption, financial/IP loss and/or reputational damage in the event of an accident, act of terrorism or cyber crime.

- Documented BCP and crisis management plans covering IT and operations.
- Dedicated IT team monitors performance of all information systems.

Key:

-  Risk exposure increase
-  Risk exposure reduced
-  No significant change in risk exposure

Change since 2012
Annual Report

Commentary

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 our developments have been completed on time and within budget. Our contractor selection processes are rigorous; whilst the improving UK economy has reduced the risk overall, we continue to favour financially stable and robust contractors, and we are mindful of contractors' cash flows becoming stretched in a rising market.



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, with an increased proportion of planning applications going to appeal, our expertise should enable us to prosper relative to our competitors, irrespective of 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.



We continue to offer attractive and competitive remuneration packages as is evidenced by the lack of vacancies and churn. We continue to adapt our recruitment strategy to source the skills that will support the Company's long-term business objectives.



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.



While the business does not internally rely on IT as a business process for its success, our reliance on these areas is increasing. Consequently, we are increasing our preventative security and the robustness of our reactive procedures in order to address this.



Corporate Social Responsibility

Acquiring brownfield sites and breathing new life into areas that need it the most is at the heart of who we are and what we do.

Pictured: The Trentham Estate celebrates 10 years of being open to the public in 2014.

90%+

of our developable portfolio with specified use is brownfield





We are committed to improving the built environment through our regeneration projects, all of which seek to transform run-down areas and disused sites into inspirational and thriving business and residential communities. In doing so, we aim to ensure that community, environmental and social considerations are integrated within our day-to-day working practices and at all stages of the project lifecycle.

SUSTAINABILITY

The principles of sustainable development are integral to our business and they form the basis of our environmental policy which demonstrates our commitment to improving the environment. To this aim we seek to:

- be continually mindful of the impact of our developments on the local and wider environments;
- protect and enhance the environment, transforming run-down areas and disused sites by developing them to the highest possible standards;
- continue to engage regularly with statutory and non-statutory bodies, with the local community and through the planning and environmental regulatory framework;
- conserve energy, reduce consumption of raw materials and minimise waste production; and
- adopt practices which lead to improvements in environmental performance, for example sustainable design of sites and buildings and the use of sustainable construction techniques.

As part of this commitment, we seek to ensure the following principles are adhered to across the Company:

- ensure all buildings occupied by the Group are managed efficiently by its facilities team and the building surveyor;
- encourage all employees to conserve energy
- promote recycling by negotiating contracts and providing facilities to enable employees to recycle office waste and other used products;
- control business travel and provide opportunities for employees to travel to work in various ways, such as providing cycle racks and showers;
- consult with the local community on our proposed schemes;
- ensure that all fluorescent light tubes are disposed of in a safe manner, compliant with appropriate regulations; and
- ensure that we employ considerate constructors.

We also pay particular attention to recycling materials on site, using sustainable materials, conserving energy, reducing our consumption of raw materials and minimising waste production.

The results below demonstrate our commitment to reusing and recycling materials on site and in all instances we have met or over-achieved our targets for the year. The slight decline in the percentage of remediated materials reused or recycled on site is attributable to us having to dispose of some material to landfill because they were unfit for recycling or reuse elsewhere.

	Target	2013 achieved	2012 achieved	2011 achieved
Recycling/ remediation on site				
Percentage of remediated materials reused or recycled	98%	98%	99%	99%
Percentage of demolition products reclaimed or retained on site or recycled	90%	93%	93%	96%
Percentage of construction waste reused or recycled	80%	91%	90%	88%

98%

of remediated materials are recycled or reused

GREENHOUSE GAS EMISSIONS

We are conscious of our carbon footprint and below have reported emissions for those sources we deem ourselves to be directly responsible.

Total purchased gas and electricity

- This represents the gas and electricity which has been consumed at properties under our operational control – Head Office, certain regional offices, including St. Modwen Homes' offices, sales offices occupied by St. Modwen Homes and vacant space.

Petrol and diesel

- Petrol and diesel from all company cars in use across the Group. Cars available to certain employees as part of the Company's car scheme are restricted to CO₂ emissions of 130 g/km or less.

Organisation boundary and responsibility

We do not have responsibility for emission sources that are beyond the boundary of our operational control. Consequently, not all gas and electricity purchased is included within Scope 1 and 2 as our tenants' consumption is not under our operational control. Furthermore, the data excludes consumption from those sites which fall within the joint venture with Persimmon as it is our joint venture partner that controls the procurement of utilities to these sites. For all other joint ventures, 100% of the data is included in our emissions table as we are wholly responsible for the emissions sources.

Greenhouse Gas Emissions	CO ₂ emissions (tonnes)	Intensity ratio	
		tCO ₂ emissions/ full-time employees ¹	tCO ₂ emissions/ £m property portfolio ²
Scope 1:			
Total purchased gas	225		
Petrol and diesel	495		
TOTAL SCOPE 1	720	2.8	0.6
Scope 2:			
Total purchased electricity	961		
TOTAL SCOPE 2	961	3.8	0.8
TOTAL SCOPE 1 and 2	1,681	6.6	1.4

1. Equivalent CO₂ emissions per full-time employee

2. Equivalent CO₂ per £m of property portfolio held by the Company

Reporting year

Our reporting year for greenhouse gas emissions is the same as our financial reporting year, being 1st December 2012 to 30th November 2013.

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. To calculate emissions from gas and electricity consumption, we have used the main requirements of the GHG Protocol Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014.

To measure emissions from company cars, we have based this on the 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' (June 2013) issued by the Department for Environment, Food and Rural Affairs (DEFRA). We have also utilised DEFRA's 2013 conversion factors within our reporting methodology.

This is the first year for which we have reported our greenhouse gas emissions and this will form the baseline data for subsequent Annual Reports. As part of our ongoing commitment to reduce our carbon footprint, we will continually endeavour to improve on the way we capture data for future reports.

EMPLOYEE DIVERSITY

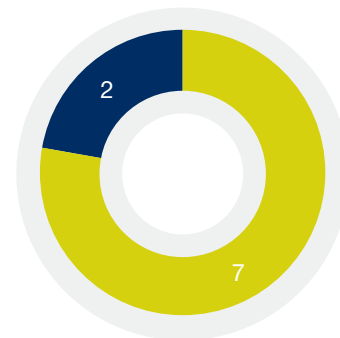
Our employees are instrumental to our business success and we respect and value the individuality and diversity that each one brings.

The Company adheres to a clear equality policy which sets out individuals' rights and obligations as defined by the Equality Act 2010. This policy covers the responsibilities and approach we have to our employees and our duty to avoid discrimination in all aspects of recruitment and employment.

A breakdown by gender of the number of persons who were directors of the Company, senior managers and other employees (both full and part time) as at 30th November 2013 is set out here.

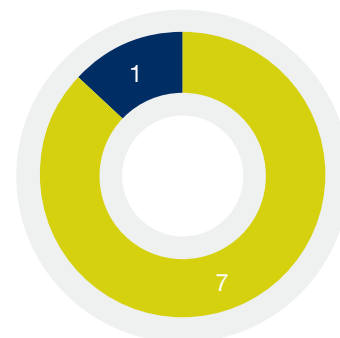
In considering appointments to the Board and to senior executive positions, it is our policy to evaluate the skills, knowledge and experience required by a particular role with due regard for the benefit of diversity and to make an appointment accordingly.

BOARD DIVERSITY



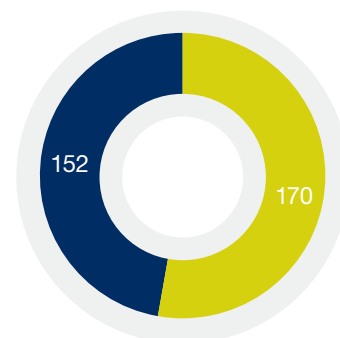
■ Male (78%)
■ Female (22%)

SENIOR MANAGER DIVERSITY



■ Male (87%)
■ Female (13%)

ALL EMPLOYEE DIVERSITY



■ Male (53%)
■ Female (47%)

TRAINING AND DEVELOPMENT

The motivation of our employees is important to us as it maintains a good level of staff retention which is key for ensuring stability across the business and in turn, ensures our long-term projects are managed effectively. In the period, 82% of management had served over three years of service (2012: 78%).

During 2013 we improved our appraisal system which is designed to assist employees in developing their careers, identify and provide appropriate training and support the Company's succession planning objectives.

Senior management also participated in a Leadership Development Programme during the year. The programme comprised a series of individual workshops that were designed to enhance effective business skills and entrepreneurial thinking. Over the next 12 months, the programme will be rolled out at an appropriate level to all other professional staff and tailored to their individual needs.

HUMAN RIGHTS

Whilst we do not have a specific human rights policy at present, we do have policies that adhere to internationally proclaimed human rights principles. We will give careful consideration to whether a specific human rights policy is needed in the future over and above our existing policies.

HEALTH AND SAFETY

The Company gives high priority to safeguarding the health and safety of the public and its employees by pursuing a policy which ensures that:

- its business is conducted in accordance with standards that are in compliance with relevant statutory provisions for health and safety of staff and any other persons on Company premises;
- a safe and healthy working environment is established and maintained at all of the Company's locations;
- managers at all levels regard health and safety matters as a prime management responsibility;
- sufficient financial resources are provided to ensure that policies can be implemented effectively;
- good standards of training and instruction in matters of health and safety are provided and maintained at all levels of employment;
- risk assessments are carried out where appropriate; and
- a suitable advisory service in matters of health and safety is provided and maintained.

The Company's health and safety performance continues to be very good, with no enforcement notices issued, no prosecutions for breaches of health and safety, and no fatalities.

CHARITABLE CONTRIBUTIONS

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

Established in 2008, the Trust has funded over £250,000 of community projects and in 2013, it reached the end of its lifecycle. We are now working to renew our strategy for charitable support which will be aligned with our business strategy and have both local and national focus.

APPROVAL OF STRATEGIC REPORT

The Strategic Report for the year ended 30th November 2013, which is set out from this annual report to page 55, has been approved by the Board and was signed on its behalf by

Bill Oliver
Chief Executive

3rd February 2014

The Board



BILL SHANNON

Non-executive Chairman

Appointed to the Board as non-executive director and Chairman Designate in November 2010 and became non-executive 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 and Trustee of the Royal Voluntary Service. 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 member of the advisory board of the Government's Regeneration Investment Organisation. 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.



MICHAEL DUNN

Group Finance Director

Appointed to the Board in December 2010.

Committee membership

None.

Experience

A 20 year career in finance, including as Finance Director of both Private Finance and Building at Carillion plc. Joined St. Modwen in 2010 from May Gurney Integrated Services plc where he spent five years as Group Finance Director. A non-executive director of Metropolitan Housing Association and a qualified Chartered Accountant.



RICHARD MULLY

Senior Independent Director

Appointed to the Board in September 2013 and became Senior Independent Director in December 2013.

Committee membership

Member of the Audit, Remuneration and Nomination Committees.

Experience

A 30 year career in investment banking and real estate private equity investing, including as co-founder and managing partner of Grove International Partners LLP (formerly Soros Real Estate Partners LLC). Currently Senior Independent Director of Hansteen Holdings plc and ISG plc, non-executive director of Aberdeen Asset Management plc and Supervisory Board member of Alstria Office REIT-AG.



KAY CHALDECOTT

Independent non-executive director

Appointed to the Board in October 2012.

Committee membership

Member of the Audit, Remuneration and Nomination Committees.

Experience

Joined Capital Shopping Centres Group plc (now Intu Properties 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 NewRiver 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, the 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.



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. Interim Senior Independent Director from March 2013 to November 2013.

Committee membership

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

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 and former 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



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



GUY GUSTERSON, MBA

Residential Director

Corporate Governance Report

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 market place 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 2012 UK Corporate Governance Code (the Code), namely leadership, effectiveness, accountability, remuneration and relations with shareholders. I am pleased to report that, throughout the financial year ended 30th November 2013, the Company complied 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 statement on page 19, we have deepened further the expertise on the Board by the appointment of Richard Mully, who has spent almost 30 years in investment banking, capital markets and real estate private equity investing, as Senior Independent Director.

The performance evaluation review undertaken at the end of the year highlighted the positive and open culture on the Board. The results of this review are being analysed as this report is finalised; details of the actions identified and progress towards achieving these will be disclosed in next year's report.

Our Board Committees have also continued to perform effectively during the year. The focus of the Nomination Committee included the leadership needs and succession planning at both Board and senior management level, including the recruitment of Richard Mully. The Remuneration Committee reviewed the policy for executive director remuneration and worked to ensure that remuneration arrangements continue to support the Company's strategy. As part of its remit the Audit Committee reviewed the results of the valuation process of the Company's property portfolio and considered the accounting treatment to apply in respect of the developments at New Covent Garden Market and the Bay Campus for Swansea University. You will find more on the work of the Committees in the corporate governance section of this Annual Report.

At this year's AGM resolutions will be proposed to renew the Company's existing Saving Related Share Option Scheme and to approve the remuneration policy for directors which will take effect from 1st December 2014. It is proposed that all votes on the resolutions at the AGM will be taken by way of a poll rather than a show of hands. This reflects current best practice and ensures that voting intentions of all shareholders, including those who are not able to attend the AGM but who have appointed proxies, are taken into account. The notice of meeting, which includes the special business to be transacted and an explanation of all the resolutions to be considered at the AGM, is set out on pages 155 to 164.

I hope that you find the corporate governance section of this report informative and I look forward to seeing you at our AGM in March.

Bill Shannon
Chairman



Corporate Governance Report (continued)

LEADERSHIP

The Board

The Board provides 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, oversees implementation and reviews performance, ensuring that only acceptable risks are taken and the appropriate people and resources are in place to deliver long-term value to shareholders and benefits to the wider community.

To help retain control of key decisions, the Board has put in place a formal schedule of reserved matters that require its approval. The principal reserved matters include:

- strategy;
- new business or geographical areas;
- authorisation of transactions in excess of £10m and those which are otherwise significant;
- risk management and internal control;
- dividend policy;
- documents to shareholders and the annual and half year report and financial statements;
- matters relating to share capital, such as share issues or buybacks; and
- the appointment/removal of directors and the Company Secretary.

The Board (Chairman, non-executive and executive directors)		
BOARD-LEVEL COMMITTEES		
Audit Committee (Independent non-executive directors)	Remuneration Committee (Chairman and independent non-executive directors)	Nomination Committee (Chairman and independent non-executive directors)
EXECUTIVE COMMITTEES		
Executive Team (executive directors and Company Secretary)	Property Board (executive directors, regional directors and Company Secretary)	Health and Safety Steering Group (Senior management)

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

The *Executive Team*, comprising the executive directors and the Company Secretary, meets weekly to discuss key operational matters.

The *Property Board* meets monthly to review performance and consider Group-wide issues and initiatives.

The *Health and Safety Steering Group*, led by the Construction Director, has oversight of the formulation and implementation of the Group's approach to health and safety and monitors performance.

The Board also delegates certain responsibilities to a number of Board Committees (membership of these Committees is set out on pages 56 and 57).

The *Audit Committee* 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 68 to 73.

The *Remuneration Committee* 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 76 to 97.

The *Nomination Committee* 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 74 and 75.

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 legal and regulatory requirements and best practice guidance.

Board roles

The Board comprises the Chairman, the executive directors, a Senior Independent Director and four non-executive directors.

The Chairman

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.

The Chairman sets the Board's agenda and chairs Board meetings, ensuring that adequate time is available for discussion of all agenda items, particularly strategic issues. He also ensures that directors receive accurate, timely and clear information to enable them to carry out their duties effectively. The Chairman takes the lead in providing a comprehensive, formal and tailored induction programme for new directors and regularly reviews and agrees with each director any training and development needs. He leads on Board performance evaluation and ensures that effective communication occurs between the Company and its shareholders.

The Chief Executive

Bill Oliver, the Chief Executive, is responsible for the day-to-day management of the Group's business, for recommending the Group's strategy to the Board and for implementing the strategy agreed by the Board.

Role profiles setting out the division of responsibilities between both the Chairman and the Chief Executive have been approved by the Board.

Executive directors

Michael Dunn, Group Finance Director, and Steve Burke, Construction Director, support Bill Oliver in devising and implementing strategy and in the management of the business.

Non-executive directors

The non-executive directors, who have a range of complementary skills, constructively challenge the executive directors, help to develop the Company's strategy and monitor delivery of the agreed strategy within the risk and control framework set by the Board. With the exception of Simon Clarke, who represents the interests of the Clarke and Leavesley families which together hold 19.4% of the Company's issued share capital, all non-executive directors are deemed to be independent.

Senior Independent Director

Richard Mully, as Senior Independent Director, is responsible for ensuring that the views of each non-executive director are given due consideration and to provide an additional communication channel for shareholders.

Board activity

The Board discharges its responsibilities through an annual programme of Board and Committee meetings. Typically the Board meets formally nine times a year; directors' attendance at meetings held in 2012/13 is set out on page 63. The Board also visits sites within the Company's property portfolio; in 2013 the Board visited London to view New Covent Garden Market, Leegate Shopping Centre and Elephant & Castle Shopping Centre, together with Great Homer Street in Liverpool, Lowfield Lane in St. Helens, Vulcan Urban Village in Newton-Le-Willows and Wythenshawe Town Centre in Manchester.

Corporate Governance Report (continued)

Board agendas are set by the Chairman in consultation with the Chief Executive and with the assistance of the Company Secretary, who maintains a 12 month rolling programme of agenda items to ensure that all matters reserved to the Board and other key issues are considered at the appropriate time.

Key activities of the Board in 2012/2013

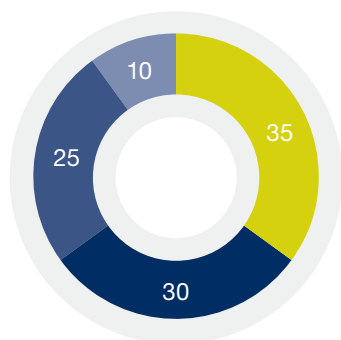
Standing agenda items included:

- Annual strategy review
- Reports from the Chief Executive, the Construction Director and the Group Finance Director
- Reports on the activities of the Audit, Remuneration and Nomination Committees
- Financing
- Property acquisitions and disposals
- Risk and risk management
- Health and safety reports
- Approval of the half year and annual results, the Annual Report, the notice of AGM and dividends
- Investor feedback
- HR reports
- Reports from the trustee of the Company's pension scheme
- Directors' conflicts of interest
- Actions arising from Board performance evaluation

Key agenda items also considered included:

- Equity placing which raised gross proceeds of £49m
- Entering a development agreement in respect of the New Covent Garden Market sites in Nine Elms, London (gross development value of circa £2bn)
- The Bay Campus development for Swansea University (first phase of £450m development)
- Disposal of the Elephant & Castle Shopping Centre by the Company's KPI joint venture (sold for £80m, representing a yield of 4.25%)
- Lease to Marks & Spencer at Longbridge (150,000 sq ft over 45 years)
- Progress at the Baglan Bay Solar Park
- Presentations from Numis Securities and J.P. Morgan Cazenove, the Company's joint brokers, and FTI Consulting, the Company's financial PR advisers
- Review of the Group's leadership development programme
- Appointment of Richard Mully as non-executive director and Senior Independent Director
- Appointment of Kay Chaldecott and John Salmon to the Nomination Committee
- Re-appointment of Bill Shannon and Simon Clarke
- Review of fees payable to the Chairman and non-executive directors

ALLOCATION OF TIME SPENT AT BOARD MEETINGS IN 2012/13 %



- Strategy
- Finance and Risk
- Operations
- Governance

Board and Committee meetings and attendance¹

Director	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
<i>Chairman</i>				
Bill Shannon	9/9	–	4/4	3/3
<i>Executive directors</i>				
Bill Oliver	9/9	–	–	–
Steve Burke	9/9	–	–	–
Michael Dunn	9/9	–	–	–
<i>Non-executive directors</i>				
Kay Chaldecott ²	9/9	3/3	4/4	2/2
Simon Clarke ³	8/9	–	–	–
Lesley James ⁴	8/9	3/3	4/4	3/3
Richard Mully ⁵	3/3	1/1	2/2	1/1
John Salmon ²	9/9	3/3	4/4	2/2
<i>Former non-executive directors</i>				
David Garman ⁶	3/4	1/1	0/1	0/1
Katherine Innes Ker ⁷	3/4	1/1	1/1	–

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

2 Kay Chaldecott and John Salmon were appointed to the Nomination Committee with effect from 27th March 2013.

3 Simon Clarke was unable to attend the Board meeting in January due to a prior business commitment.

4 Lesley James was unable to attend the Board meeting in May due to a prior personal commitment.

5 Richard Mully was appointed to the Board on 1st September 2013.

6 David Garman retired from the Board on 27th March 2013. He was unable to attend the Remuneration Committee meeting in January and the Nomination Committee and Board meetings in February due to prior business commitments.

7 Katherine Innes Ker retired from the Board on 27th March 2013. She was unable to attend the Board meeting in February due to a prior business commitment.

Corporate Governance Report (continued)

EFFECTIVENESS

Board composition

Board composition continues to develop and was further strengthened during the year with the appointment of Richard Mully as a non-executive director in September 2013 and as Senior Independent Director with effect from 1st December 2013.

The Board currently comprises three executive and six 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.

Recommendations for appointments to the Board are made by the Nomination Committee. The Committee follows Board-approved procedures which provide a framework for different types of Board appointments on which the Committee may be expected to make recommendations. Appointments are made on merit and against objective criteria with due regard to diversity (including skill, experience and gender). Non-executive appointees are also required to demonstrate that they have sufficient time to devote to the role.

These procedures were used by the Nomination Committee in recommending to the Board the appointment of Richard Mully as a non-executive director. The Committee also engaged the services of an external search consultant in relation to the appointment. Further information can be found in the Nomination Committee Report on pages 74 and 75.

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 56 and 57.

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. In terms of gender diversity, the Company currently has 22.2% female representation on the Board. Further information on gender diversity throughout the Group can be found on page 54.

At the 2014 Annual General Meeting (AGM), and in accordance with the Company's Articles of Association, shareholders will be asked to elect Richard Mully to the Board. All other directors will seek re-election in accordance with the provisions of the Code.

Induction and development

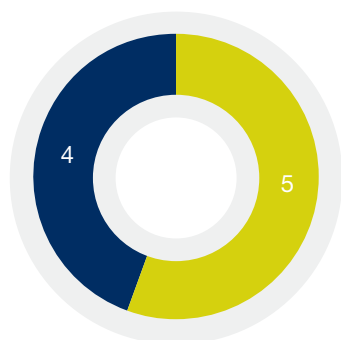
The Chairman, assisted by the Company Secretary, is responsible for the induction of all new directors. On joining the Board, a director receives a comprehensive induction pack which includes background information on the Company, material on matters relating to the activities of the Board and its Committees and governance-related information (including the duties and responsibilities of directors). Meetings are arranged with the executive directors, for briefings on strategy and performance, as well as the external auditor and valuers. Visits to key sites within the Company's property portfolio are scheduled and external training, particularly on matters

relating to membership of Board Committees, is arranged as appropriate. Major shareholders are also offered the opportunity to meet newly appointed directors should they express a desire to do so. This induction process was applied following the appointment of Richard Mully in September 2013.

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 annual 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 and senior management on key issues and projects, and meetings with Jones Lang LaSalle LLP 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.

DIRECTORS' INDEPENDENCE

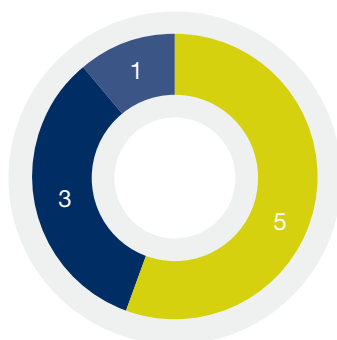
NUMBER OF DIRECTORS



■ Independent
■ Non-independent

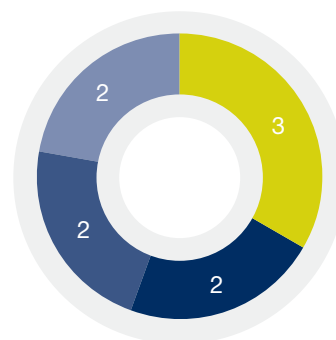
SKILLS

NUMBER OF DIRECTORS



■ Property and Operations
■ Finance
■ HR

TENURE OF DIRECTORS AS AT 30th NOVEMBER 2013 YEARS



■ Less than 3
■ 3-6
■ 7-9
■ More than 9

Information and support

All directors have direct access to the advice and services of the Company Secretary, who is tasked with ensuring that Board procedures are complied with. In addition, all directors are able to seek independent professional advice in the course of their professional duties at the Company's expense.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. She works with the Chairman to ensure good information flows between the Board and its Committees and between senior management and non-executive directors, as well as facilitating the induction of directors and assisting with their professional development as required. All Board Committees are supported by the Company Secretary.

Performance evaluation

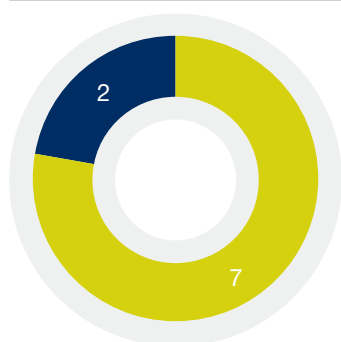
Building on the external effectiveness review of the Board and its Committees conducted by Dr. Tracy Long of Boardroom Review in 2012, the 2013 review comprised the following activities:

- a meeting of the non-executive directors led by the Chairman;
- individual one-to-one discussions between the Chairman and all directors plus the Company Secretary;
- assessment of the Audit and Remuneration Committees by way of a questionnaire, which was completed by relevant Committee members and meeting attendees;
- consideration of progress made against actions arising from the 2012 review. Details of the key actions can be found in the table below; and
- observation of a Board meeting and review of associated papers by Dr. Tracy Long.

Outputs from these activities were presented to the Board in December 2013; these remain under consideration and key areas of focus will be agreed by the Board in early 2014.

The individual performance of the directors was evaluated through one-to-one discussions with the Chairman. John Salmon, as Interim 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.

BOARD GENDER SPLIT



■ Men
■ Women

PROGRESS AGAINST KEY ACTIONS FROM 2012 BOARD EVALUATION REVIEW

- Enhanced strategic review process to accommodate directors' collective and individual requests and desired outcomes.
- Strengthening of non-executive expertise with the appointment of Richard Mully.
- Non-executive director membership of all Board Committees aligned.
- Further engagement on leadership development and succession planning by the Board and the Nomination Committee.

Corporate Governance Report (continued)

ACCOUNTABILITY

Financial and business reporting

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 financial statements, other price sensitive public reports, reports to regulators and information required to be presented by statute. The assessment for the year ended 30th November 2013 is provided in the Strategic Report set out from the inside front cover of this Report to page 55. The responsibilities of the directors in respect of the preparation of the Annual Report are set out on page 102 and the Auditor's Report on pages 103 to 105 includes a statement by Deloitte about its reporting responsibilities. As set out on page 101, the directors are of the opinion that the Company is a going concern. The Board considers that the Annual Report and Financial Statements 2013, 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.

Risk management and internal control

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. The risk management and internal control systems of St. Modwen 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.

System of risk management and internal control

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 for 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 anti-bribery and corruption, fraud prevention, whistleblowing, health and safety, employment and IT.

Whistleblowing

The Audit Committee oversees an independently operated whistleblowing facility to enable employees to raise concerns on a confidential basis. The Audit Committee ensures that independent investigation of any whistleblowing incidents is undertaken.

Assurance

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.

The work of the internal audit function is focused on the controls that mitigate the principal risks faced by the Group. Key internal controls are reviewed by internal audit as part of the annual audit plan and findings are reported to and considered by the Audit Committee.

Both the Board and the Audit Committee review and approve the Group Risk Register, which is maintained by executive management, on an annual basis. A summary of the principal risks which could have a material impact on the Group is given on pages 46 to 49.

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 how this was implemented for the year ended 30th November 2013 are set out in the Directors' Remuneration Report on pages 76 to 97.

RELATIONS WITH SHAREHOLDERS

Dialogue with investors

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 is provided to the Board to ensure that directors 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, together with interim management statements, are published on the Company's website at www.stmodwen.co.uk. In 2013 the Company held an investor day for institutional investors and analysts which included presentations on the results and the Bay Campus development for Swansea University, together with a tour of the New Covent Garden Market sites in London. 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.

Annual General Meeting

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. It is proposed that resolutions for consideration at the 2014 AGM be voted on by way of a poll rather than by a show of hands as the Board believes that this is a more transparent method of voting as it allows the votes of all shareholders to be counted, including those cast by proxy. The results of the poll vote will be published on the Company's website, www.stmodwen.co.uk, after the meeting. The notice of meeting for the 2014 AGM can be found on pages 155 to 164.

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 2012/13. The Code is published by the Financial Reporting Council and is available on its website at www.frc.org.uk.

It is the Board's view that, throughout the financial year ended 30th November 2013, the Company was in compliance with the relevant provisions set out in the Code.

With the exception of disclosures required by Rule 7.2.6 which are set out in the Directors' Report on pages 98 to 102, this corporate governance statement contains the information required by Rule 7.2 of the Disclosure and Transparency Rules of the Financial Conduct Authority.

Audit Committee Report



JOHN SALMON

Chair of the Audit Committee

ROLE OF THE COMMITTEE

The Committee's primary role is to assist the Board in the provision of effective governance over the appropriateness of the Group's financial reporting. It is responsible for monitoring the integrity of the Financial Statements and considering whether accounting policies adopted are appropriate. It also reviews the Company's internal controls and risk management systems, and considers the activities, plans and effectiveness of both the Group's internal audit function and its external auditor.

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 2013 to ensure that they continue to reflect accurately the Committee's remit.

COMMITTEE MEMBERSHIP

The Committee's composition is kept under review by the Nomination Committee, which is responsible for making recommendations to the Board as to its membership.

As at the date of this report, the Committee comprises the following independent non-executive directors, all of whom served throughout the financial year unless indicated otherwise below:

Director	Audit Committee position
John Salmon	Chair
Kay Chaldecott	Member
Lesley James	Member
Richard Mully	Member (from appointment to the Board on 1 st September 2013)

Simon Clarke and Bill Shannon attend meetings of the Committee as observers. The secretary to the Committee is Tanya Stote, Company Secretary. David Garman and Katherine Innes Ker were members of the Committee until their retirement from the Board on 27th March 2013.

Committee members' biographical details can be found on pages 56 and 57. Each member brings broad financial and business experience at a senior level. As a former partner of PricewaterhouseCoopers LLP, John Salmon, the Committee Chair, is considered by the Board to have recent and relevant financial experience as required by the Code.

All members of the Committee receive an appropriate induction to ensure that they have an understanding of the principles of, and recent developments in, financial reporting, key aspects of the Company's accounting policies and judgements and internal control arrangements, as well as the role of the internal and external auditors. Ongoing training is undertaken as required.

ADVICE PROVIDED TO THE COMMITTEE

The Committee has direct access to both the Internal Audit Manager and external audit engagement partner 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 the financial year.

COMMITTEE MEETINGS

The Committee met on three occasions in the financial year ended 30th November 2013; members' attendance at meetings is set out in the table on page 63. Meetings were scheduled to take place around key events in the Company's financial reporting calendar.

The Group Finance Director, Group Financial Controller, Internal Audit Manager, the external audit engagement partner and other representatives of Deloitte LLP, the Group's external auditor, attended meetings of the Committee by invitation. Representatives of the Group's external valuers, Jones Lang LaSalle LLP, also attended the meetings after the half year and full year valuation processes to present their reports. Periodically the Committee reserves time for discussion without invitees being present.

On two occasions during the year the Committee held private sessions with the Internal Audit Manager and representatives from the external auditor.

ACTIVITIES OF THE COMMITTEE

Matters that were formally reviewed and discussed by the Committee during the year ended 30th November 2013 are set out below.

Financial reporting

- Monitored the financial reporting process, including the review of the half year and annual results, associated commentary and announcements and the Annual Report. Following its review, the Committee has advised the Board that it is of the view that the Annual Report and Financial Statements 2013, 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.
- Reviewed the continuing appropriateness of accounting policies and the use of estimates and judgements as noted in the Group Financial Statements, and concluded that the estimates, judgements and assumptions used were reasonable based on the information available and had been used appropriately in applying the Company's accounting policies.
- Considered 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.
- Considered a going concern review.
- Reviewed reports prepared by the external auditor on the half year and annual results.

Further information on the significant issues that the Committee considered in relation to the Financial Statements, and how these issues were addressed, is set out on page 71.

Audit Committee Report (continued)

ACTIVITIES OF THE COMMITTEE (CONTINUED)

Risk management and internal control

- Reviewed updates on corporate risk assessment management activities and a presentation on the issues and risks arising from cyber security.
- Considered risk registers at both Group and subsidiary level, including appropriate mitigating actions.
- Considered reports on the Company's internal control system and the Group's tax compliance position.
- Reviewed actual and potential legal claims and litigation involving the Group.
- Approved the introduction of a whistleblower hotline operated by an independent third-party specialist provider.

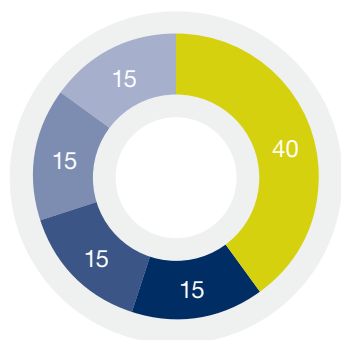
Internal audit

- Considered updates on the activities of internal audit, including audits on the central functions of Information Technology and Sales Ledger to provide assurance that the control environment continued to operate effectively.
- Assessed status reports on the implementation of internal audit recommendations.
- Considered and approved the internal audit programme of reviews of the Group's processes and controls, including coverage and allocation of resource.
- Reviewed 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.
- Reviewed and were satisfied with the effectiveness of the internal audit function.

External auditor

- Considered and approved the external audit plan.
- Reviewed the policy in respect of the provision of non-audit services by the external auditor.
- Monitored the independence of Deloitte and the effectiveness of the external audit process.
- Considered the changes to the regulatory framework in respect of external audit tendering.

ALLOCATION OF TIME SPENT AT AUDIT COMMITTEE MEETINGS IN 2012/13 %



- Financial reporting
- Valuation
- Risk management and internal control
- External audit
- Internal audit

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application to the consolidated Financial Statements. The main areas of focus during the year are set out below:

Valuation of investment property

The external valuation of the portfolio is a key determinant of the Group's results and Balance Sheet. The Committee adopts a rigorous approach to monitoring and reviewing the independent valuation process undertaken by Jones Lang LaSalle. Representatives of Jones Lang LaSalle attended meetings of the Committee at the half year and full year review of results to present their valuation reports; these included the methodology and outcomes of the valuation, market conditions and significant judgements made, including estimation of remediation and other costs. Jones Lang LaSalle also met with members of the Committee prior to the January and June Committees to discuss the valuation. In addition, Deloitte had direct access to the valuers, reviewed the valuations and process and reported its findings to the Committee. The Committee discussed in detail the rationale underlying significant increases to valuations, particularly those in respect of the residential portfolio, and considered these on a case-by-case basis as appropriate. The valuation was considered as a whole to ensure that it was appropriate for inclusion in the Financial Statements.

Valuation of inventory

The Group's inventory, comprising property held for sale, property under development and land under option, is of significant value. All inventory is carried at the lower of cost and net realisable value and appropriate allowances are made for remediation and other costs to complete. The Committee reviewed whether any provision was required against the carrying value of inventory, either at Group level or within any joint venture arrangements. The assessment process undertaken to determine net realisable value was considered by the Committee, which included ongoing monitoring by management as well as detailed reviews at both the half and full year. External valuations were also provided by Jones Lang LaSalle for certain sites, typically new build units not yet sold.

Bay Campus, Swansea University

The Committee considered the accounting treatment to be applied following the signing of a development agreement with Swansea University in March 2013 for the first phase of the £450m Bay Campus. A detailed paper was presented by management setting out the proposed treatment in respect of revenue streams from the delivery of the campus, the investment sale of the income from the student accommodation to a major investor and the residual income from the accommodation. Both the Committee and Deloitte agreed that the treatment proposed, which is on the same basis as the majority of the Company's developments, albeit it on a larger scale, was appropriate.

New Covent Garden Market

In January 2013 the Company and VINCI PLC signed a contract with Covent Garden Market Authority as development partner for the New Covent Garden Market sites in London. This multi-phased project has a gross development value of approximately £2bn. The development agreement remains conditional upon, amongst other things, the achievement of improved planning consent, and the Committee agreed (and Deloitte concurred) that it was not appropriate to recognise either an asset or liability in respect of the development until these conditions have been satisfied.

Elephant & Castle Shopping Centre

As the sale of the Elephant & Castle Shopping Centre took place immediately before the year end, the Committee received reports from both management and Deloitte and were satisfied that it was appropriate to recognise the sale in the financial year.

Tax provisions

As a property group, tax planning is often an integral part of transactions. Where tax planning is entered into, benefits are recognised by the Group to the extent the outcome is reasonably certain. Where tax planning has been challenged by HMRC, or management believe that there is a risk of such challenge, provision is made for the best estimate of potential exposure based on the information available at the reporting date. Having considered reports from management which addressed individual judgements made in respect of potential tax exposures, the Committee was satisfied (and Deloitte concurred) that the level of tax provisioning at both the full year and half year was appropriate.

Going concern

As the going concern basis relies on forecasts, the Committee considered the assumptions and judgements applied by management in relation to the timing of receipt and payment cash flows, the ongoing availability of funding and covenant compliance. The Committee concluded that it remains appropriate for the Financial Statements to be prepared on a going concern basis. The statement of the directors in respect of going concern is set out on page 101.

Further details on significant judgements, key assumptions and estimates can be found on page 114 of the Group Financial Statements.

Audit Committee Report (continued)

INDEPENDENCE OF EXTERNAL AUDITOR

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.

During the year the Committee reviewed the policy governing the provision of non-audit services by the external auditor. Whilst it recognises that it can be advantageous for the external auditor to provide non-audit services to the Group, the policy only permits this 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 litigation support, actuarial services or internal audit activities.

The policy sets out areas of work that the external auditor may be permitted to undertake, those areas where the involvement of the external auditor is prohibited and those areas for which a case-by-case decision is required. With regard to the non-audit services provided by the external auditor the following framework is in place:

- **Audit-related assurance services:** substantially all of these services relate to the review of the half year results, which the external auditor is required to undertake by virtue of its position.
- **Tax compliance services:** these are services that are intended to ensure that the Company complies with existing tax regulations. To date these services have been undertaken by Deloitte through a separate tax compliance team to ensure that objectivity and independence is not impaired. However, in light of the level of non-audit fees, the Committee has agreed with Deloitte that a formal tender to appoint an alternative provider of tax compliance services be undertaken by the Company.
- **Tax advisory services:** Deloitte is one of a number of firms that provide tax advisory services. Selection is dependent on who is best suited in the circumstances. Tax advisory services provided by Deloitte in the year included those in relation to the Bay Campus development for Swansea University, RAF Uxbridge and Mill Hill, and the disposal of the Elephant & Castle Shopping Centre. Given its detailed understanding of the business, Deloitte was able to provide these services more cost efficiently and effectively than an alternative provider who would not have benefitted from the same level of pre-existing knowledge of St. Modwen.
- **Property consulting:** the external auditor does not provide general consultancy services except in certain circumstances, and then only after consideration that it is best placed to provide the service and that its independence and objectivity would not be compromised. All property consulting services for which non-audit fees were charged in the years ended 30th November 2012 and 2013 were provided by Deloitte Real Estate (formerly Drivers Jonas Deloitte), whose engagement in respect of these services pre-dated the firm's acquisition by Deloitte.

Where it is proposed to use the external auditor for the provision of non-audit services, the policy requires advance approval of both the Group Finance Director and the Chair of the Audit Committee if the engagement is anticipated to generate fees in excess of £25,000 or where the fee is contingent in full or in part. Approval below these levels is required from the Group Finance Director.

	2013			2012		
	Audit and audit-related services £'000	Other services £'000	Total £'000	Audit and audit-related services £'000	Other services £'000	Total £'000
Total audit fees	270	–	270	255	–	255
Audit-related assurance services	55	–	55	55	–	55
Other assurance services	–	–	–	20	–	20
Tax compliance services	–	166	166	–	150	150
Tax advisory services	–	174	174	–	171	171
Property consulting	–	30	30	–	47	47
Total non-audit fees	55	370	425	75	368	443
Total fees	325	370	695	330	368	698

The Committee has received confirmation from Deloitte as to their independence and objectivity within the context of applicable regulatory requirements and professional standards. It has also reviewed the fees paid to the Deloitte for the provision of non-audit services during the year ended 30th November 2013 and is satisfied that these do not compromise either their independence or objectivity as the Company's external auditor.

EFFECTIVENESS OF EXTERNAL AUDIT PROCESS

The Committee has undertaken a review of Deloitte's performance and the effectiveness of the external audit process. The review included a self-assessment carried out by Deloitte on audit objectives, leadership, qualification, quality and independence and a review methodology developed by the Institute of Chartered Accountants of Scotland on external audit effectiveness which had been assessed by management. The Committee also gave consideration to Deloitte's experience and expertise, the extent to which the audit plan had been met, its robustness and perceptiveness with regard to key accounting and audit judgements, and the content of its audit reports.

The Committee remains satisfied with Deloitte's performance and is of the view that there is nothing of concern that would impact the effectiveness of the external audit process.

APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor.

The Audit Committee notes the changes to the Code, the recent findings of the Competition Commission and the Guidance for Audit Committees issued by the Financial Reporting Council in the context of tendering for the external audit contract at least every 10 years. The Group's current external auditor, Deloitte, was appointed in 2007 following a tender process. The audit engagement partner responsible for the Group's audit was subsequently rotated for the 2011/12 financial year in line with ethical standards published by the Auditing Practices Board and will remain in post until the 2016/17 financial year. Having conducted a full tender within the last 10 years, the Committee will continue to give consideration as to the timing of the next formal tender in light of regulatory requirements and any further changes to the regulatory framework. There are no contractual obligations which would restrict the Company's selection of an external auditor.

Having considered the performance of Deloitte (including value for money and quality and effectiveness of the audit process), its independence, compliance with relevant statutory, regulatory and ethical standards and objectivity, the Committee unanimously recommended to the Board that a resolution for the re-appointment of Deloitte as the Company's external auditor be proposed to shareholders at the 2014 AGM.

Nomination Committee Report



BILL SHANNON

Chair of the Nomination Committee

ROLE OF THE COMMITTEE

The Committee is responsible for reviewing the structure, size and composition of the Board and planning its progressive refreshing. In doing so it evaluates the optimal level of independence and diversity of skills, knowledge, experience and gender required for the Board to operate effectively. The Committee also considers issues of succession planning, both at Board and senior management levels.

The Committee leads the process for the identification and selection of new directors and makes recommendations to the Board in respect of such appointments. The Committee also makes recommendations to the Board on membership of its Committees and on the re-appointment of any non-executive director at the conclusion of his or her specified term of office. The Committee follows Board-approved procedures in making its recommendations.

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 2013 to ensure that they continue to reflect accurately the Committee's remit.

COMMITTEE MEMBERSHIP

As at the date of this report, the Committee comprises the following independent non-executive directors, all of whom served throughout the financial year unless indicated otherwise below:

Director	Nomination Committee position
Bill Shannon	Chair
Kay Chaldecott	Member (from 27 th March 2013)
Lesley James	Member
Richard Mully	Member (from appointment to the Board on 1 st September 2013)
John Salmon	Member (from 27 th March 2013)

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 attends meetings of the Committee as an observer. The secretary to the Committee is Tanya Stote, Company Secretary. David Garman was a member of the Committee until his retirement from the Board on 27th March 2013.

Committee members' biographical details can be found on pages 56 and 57.

ADVICE PROVIDED TO THE COMMITTEE

Where necessary and appropriate, external search consultants are used by the Committee to provide support in recruiting and selecting potential candidates for appointment to the Board. During the financial year ended 30th November 2013 The Zygos Partnership was retained by the Committee as outlined on page 75; the firm has no other connection with the Company.

ACTIVITIES OF THE COMMITTEE

The Committee met on three occasions in the financial year ended 30th November 2013; members' attendance at meetings is set out in the table on page 63. Matters considered by the Committee included:

- continued monitoring of the structure, size, composition and diversity of both the Board and its Committees;
- reviewing the leadership needs of and succession planning for the Group;
- the recruitment of a new non-executive director;
- making recommendations to the Board on the re-appointment of non-executive directors;
- a review of gender diversity at both Board level and throughout the Group;
- recommending appointment procedures for approval by the Board; and
- potential approaches to the 2013 Board and Committee performance evaluation review (details of which can be found on page 65).

The Zygos Partnership was retained to assist with the search for a suitable candidate to be appointed to the role of Senior Independent Director. In accordance with the Committee's appointment procedures, a number of candidates were identified, based on an agreed profile, and interviews held. Following a thorough process, and taking into account the skills and experience required for the role, the Board approved the Committee's recommendation to appoint Richard Mully as non-executive director with effect from 1st September 2013 and as Senior Independent Director with effect from 1st December 2013. Details of the induction arranged for Richard Mully are set out on page 64.

In terms of Board Committee composition, the Committee determined that, with the exception of the Chairman who is not a member of the Audit Committee, it was appropriate for all independent non-executive directors to be appointed as members of all Committees. It therefore recommended, and the Board approved, the appointment of both Kay Chaldecott and John Salmon to the Committee with effect from 27th March 2013 and Richard Mully's membership of all Board Committees on his appointment to the Board on 1st September 2013.

The Committee also reviewed the performance of Simon Clarke and Bill Shannon, whose respective terms of office ended during the year. Noting that Simon Clarke is not deemed to be independent by virtue of his representation of the interests of the Clarke and Leavesley families (who together hold 17.35% of the Company's issued share capital), the Committee recommended to the Board (which unanimously approved) the re-appointment of both Simon Clarke and Bill Shannon for further three year periods.

Succession planning at both Board and senior management level was considered by the Committee throughout the year. The recruitment process to identify an Audit Committee Chair to replace John Salmon, who is nearing the end of his term of office, has commenced.

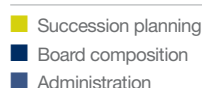
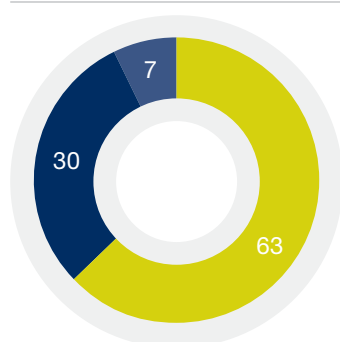
As detailed on page 100, Richard Mully will retire and offer himself for election at the 2014 AGM. All other directors will retire and offer themselves for re-election to the Board.

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 Committee when reviewing Board composition and making recommendations for Board appointments or re-appointments. In terms of gender diversity, the Company currently has 22.2% female representation on the Board.

Whilst no formal measurable objectives for female representation at Board level have been set, the Committee will continue to ensure that the Board has the optimal range of skills, experience and diversity required and will, as part of this process, take into consideration the recommendations of The Davies Report on Women on Boards.

ALLOCATION OF TIME SPENT AT NOMINATION COMMITTEE MEETINGS IN 2012/13 %



Directors' Remuneration Report



LESLEY JAMES

Chair of the Remuneration Committee

Annual Statement

On behalf of the Board I am pleased to present the report on directors' remuneration for the financial year ended 30th November 2013.

ROLE OF THE COMMITTEE

The principal role of the Remuneration 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 fee of the Chairman of the Board, 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.

ACTIVITIES OF THE COMMITTEE

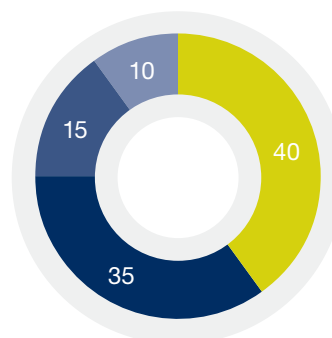
The Committee met on four occasions in the financial year ended 30th November 2013 to consider the following matters:

- review executive directors' base salaries and the fee payable to the Chairman;
- set corporate and personal objectives for the 2013/14 annual bonus arrangements for executive directors and an assessment of performance against targets for 2012/13;
- approve the outturn of Performance Share Plan awards granted in 2011;
- approve share awards granted in 2013, including the performance conditions to apply to future awards;
- review the proposed rules to renew the current Saving Related Share Option Scheme, a resolution for which will be put to shareholders at the 2014 AGM;
- consider investor feedback on remuneration policy;
- review executive directors' service contracts; and
- consider the revised remuneration reporting regulations and prepare this report on directors' remuneration.

Members' attendance at meetings is set out in the table on page 63.

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

ALLOCATION OF TIME SPENT AT REMUNERATION COMMITTEE MEETINGS IN 2012/13 %



- Policy
- Implementation and performance review
- Disclosure
- Administration

REMUNERATION IN 2012/13

In the financial year ended 30th November 2013 the executive directors had the opportunity to earn a bonus of up to 125% of base salary. Reflecting both the excellent corporate results for the year, which were ahead of both budget and market expectations, and strong individual performance, the annual bonus awarded to each executive director for 2012/13 was 118.75% of base salary (2011/12: 112.5% of salary).

The performance period for the 2011 Performance Share Plan awards ended on 30th November 2013. Vesting of half of this award was subject to TSR performance relative to the FTSE All-Share Real Estate Investment & Services Index, with the remaining 50% subject to an absolute TSR condition. To reflect absolute TSR growth of 110% and relative TSR performance of 155%, awards will vest at 100%.

REMUNERATION FOR 2013/14

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. The structure of remuneration arrangements for 2013/14 will therefore remain largely unchanged from that applied in 2012/13.

In line with the average salary increase awarded to employees, salaries of the executive directors have been increased by 3% with effect from 1st December 2013. Executive directors will continue to have the opportunity to earn a bonus of up to 125% of salary and will receive long-term incentive awards to the same value.

REMUNERATION DISCLOSURE

This report complies with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 (the Regulations), the principles of the 2012 UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.

It is split into two distinct sections:

1. a remuneration policy report (pages 78 to 87) which provides details of the remuneration policy that we propose will apply from 1st December 2014 subject to obtaining shareholder approval through a binding vote at the 2014 AGM; and
2. the annual report on remuneration (pages 87 to 97) which describes how the remuneration policy was implemented for the year ended 30th November 2013 and how we intend for the policy to apply for the year ending 30th November 2014. This report and my annual statement will be put to an advisory shareholder vote at the 2014 AGM.

I hope that you find the report helpful and informative and I look forward to receiving feedback on the information presented from our investors in the coming months.

Approved by the Board and signed on its behalf by

Lesley James

Chair of the Remuneration Committee

3rd February 2014

Directors' Remuneration Report (continued)

Remuneration Policy Report

HOW THE 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. Remuneration includes a significant proportion of 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 of comparable size and scope and has regard to the remuneration arrangements for the Company's employees generally. In general, the components and levels of remuneration for employees will differ from the policy for executive directors which is set out below. As a result, greater emphasis is placed on variable pay for executive directors and senior employees, although maximum opportunities are reduced at levels below the Board. Similarly, long-term incentives are offered only to those anticipated to have the greatest impact on Company performance.

The Committee does not directly consult with employees regarding the remuneration of directors. However, when considering remuneration levels to apply, the Committee will take into account base pay increases, bonus payments and share awards made to the Company's employees generally.

The Committee is committed to an ongoing dialogue with shareholders and seeks the views of its major shareholders when considering significant changes to remuneration arrangements. The Committee also considers shareholder feedback received in relation to the Directors' Remuneration Report each year at a meeting 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

The remuneration policy that is intended to apply, subject to shareholder approval, from 1st December 2014 is set out on pages 79 to 83. Remuneration arrangements for the financial year ending 30th November 2014 will be in line with the policy below; further information can be found on pages 95 and 96.

The Committee retains the discretion to make any payments, notwithstanding that they are not in line with the policy set out below, where the terms of the payment were agreed (i) before the policy came into effect, or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are determined at the time the award is granted. Details of any such payments will be disclosed in the annual report on remuneration for the relevant year.

The Committee will operate the annual bonus and long-term incentive arrangements according to their respective rules and in accordance with the Listing Rules where relevant. Consistent with market practice the Committee retains certain discretions in respect of the operation and administration of these arrangements which include, but are not limited to, the following:

- the participants;
- the timing of the grant of an award or payment;
- the size of an award;
- the determination of the extent to which performance measures have been met and the corresponding vesting or payment levels;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the respective arrangement and the appropriate treatment chosen, including the pro-rating of awards;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- the annual review of performance measures, weighting and targets from year to year; and
- the manner in which share awards can be satisfied (i.e. through the use of new issue, market purchased or treasury shares or by way of a cash payment).

In addition, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. a material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Any use of the above discretions would be explained in the annual report on remuneration for the relevant year and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Element	BASE SALARY <ul style="list-style-type: none"> To attract, retain and motivate individuals of the necessary calibre to execute the Company's strategy To provide competitive non-variable remuneration relative to the external market To recognise and reward performance, skills and experience
Operation	<p>Normally reviewed annually with changes effective from 1st December. Review reflects:</p> <ul style="list-style-type: none"> individual and corporate performance; the individual's level of skill and experience; increases throughout the Company (including cost of living awards); internal relativities; and prevailing market conditions through periodic benchmarking for comparable roles in companies of a similar size and scope. The Committee is mindful of institutional investors' concerns on the upward ratchet of base salaries and does not consider benchmark data in isolation.
Opportunity	<p>Salary increases will normally be (in percentage of salary terms) in line with any general cost of living increase throughout the Company. However, larger increases may be awarded at the Committee's discretion to take account of individual circumstances such as:</p> <ul style="list-style-type: none"> changes in scope and responsibility of a role; and where a new director is appointed at a salary which is at a lower level to reflect their experience at that point, the Committee may award a series of increases over time to achieve the desired salary position subject to satisfactory performance and market conditions. <p>Actual salary levels are disclosed in the annual report on remuneration for the relevant financial year (see page 95 for those effective 1st December 2013).</p>
Performance measures	None, although overall performance of the individual is considered by the Committee as part of the annual review.
Element	BENEFITS <ul style="list-style-type: none"> To provide a competitive and cost-effective benefits package To assist with recruitment and retention
Operation	<p>The Company provides a range of non-pensionable benefits to executive directors which may include a combination of a company car or car allowance, private fuel, driver, private medical insurance, permanent health insurance, life assurance, holiday and sick pay, and professional advice in connection with their directorship.</p> <p>Other benefits such as relocation allowances may be offered if considered appropriate and reasonable by the Committee.</p>
Opportunity	Benefits are set at a level which the Committee considers to be appropriately positioned against comparable roles in companies of a similar size and scope and provides a sufficient level of benefit based on the role and individual circumstances.
Performance measures	None.

Directors' Remuneration Report (continued)

Remuneration Policy Report (continued)

Element	PENSION <ul style="list-style-type: none"> To provide competitive post-retirement benefits in a cost-effective manner To assist with recruitment and retention
Operation	<p>The Company offers an allowance (expressed as a percentage of base salary) which can be taken as:</p> <ul style="list-style-type: none"> an employer contribution to the defined contribution section of the Company's pension scheme; a cash allowance (which is not bonusable); or a blend of the two. <p>As a result of historic contractual commitments, retirement benefits for Steve Burke are also delivered by membership of the defined benefit section of the Company's pension scheme which is closed to future accrual.</p> <p>The Committee may amend the form of any executive director's pension arrangements in response to changes in pensions legislation or similar developments, so long as any amendment does not increase the cost to the Company of a director's pension provision.</p>
Opportunity	15% of base salary for all executive directors.
Performance measures	None.

Element	ANNUAL BONUS <ul style="list-style-type: none"> To incentivise and reward the delivery of stretching, near-term strategic, financial and operational measures at Company and personal levels Corporate measures selected are consistent with and complement the budget and strategic plan An element of compulsory investment in shares to align to shareholders' interests in the creation of sustainable, long-term value
Operation	<p>All measures and targets are reviewed and set annually by the Committee at the beginning of the financial year and levels of award determined by the Committee after the year end based on performance against the targets set.</p> <p>The Committee retains an overriding discretion to ensure that overall bonus payments reflect its view of corporate performance during the year.</p> <p>Bonuses are paid in cash and are non-pensionable. Directors are required to invest an amount equal to one-third of the net bonus received in the Company's shares and to retain these shares for a minimum period of three years.</p> <p>Clawback provisions apply to all bonuses paid.¹</p>
Opportunity	Maximum bonus potential of 125% of salary for all executive directors. On target performance would result in a bonus payment of 75% of salary.
Performance measures	<p>Performance is assessed using the following metrics:</p> <ul style="list-style-type: none"> up to 105% of salary will be awarded based on corporate measures; and up to 20% of salary will be awarded based on personal measures.² <p>The specific measures that will apply for the year ending 30th November 2014 are described in the annual report on remuneration on page 95. Measures for subsequent years will be summarised in the annual report on remuneration for the relevant year.</p>

¹ The Committee has discretion to recover some or all of the value of awards of annual bonus 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.

² The annual bonus metrics are designed to ensure that annual performance is focused on key financial measures which support the Company's strategic targets. These are supported by individual performance measures to ensure that executive directors are incentivised to deliver across a range of objectives. Targets are set in line with the Company's budget and strategic plan for the year with a stretch element to reward substantial outperformance.

Element	<p>LONG-TERM INCENTIVES</p> <ul style="list-style-type: none"> • To incentivise and reward the delivery of strong returns to shareholders and sustained, long-term performance • Aligns the long-term interests of directors and shareholders • Promotes retention
Operation	<p>Awards of nil-cost options are normally made annually with vesting, in normal circumstances, dependent on the achievement of stretching performance conditions set by the Committee and measured over a three year period, and the director remaining in employment.</p> <p>The Committee has discretion to decide whether and to what extent performance conditions have been achieved and must also be satisfied that two underpin conditions are met before permitting awards to vest.¹</p> <p>On the exercise of vested awards, executive directors receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the date of exercise on the number of shares which have vested.</p> <p>Clawback provisions apply to all awards granted.²</p> <p>Certain executive directors have vested but unexercised awards granted under the Company's Executive Share Option Schemes (ESOS). Other than in exceptional circumstances as determined by the Committee, no further grants under the ESOS will be made to executive directors.</p>
Opportunity	<p>Maximum award level permitted under the scheme rules is 150% of salary (or 180% in exceptional circumstances). The normal and current annual award limit is 125% of salary for all executive directors.</p> <p>Awards vest on the following basis:</p> <ul style="list-style-type: none"> • on target performance delivers 25% of the shares awarded; and • maximum performance delivers 100% of the shares awarded, with straight-line vesting between.
Performance measures	<p>Performance is measured over a three year period with no retesting against the following metrics:</p> <ul style="list-style-type: none"> • 50% of the award based on relative TSR performance; and • 50% of the award based on absolute TSR growth.³ <p>The specific measures that will apply for the year ending 30th November 2014 are described in the annual report on remuneration on page 96. Measures for subsequent years will be summarised in the annual report on remuneration for the relevant year.</p>

¹ The conditions are (i) that the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the performance period; and (ii) 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.

² The Committee has discretion to reduce some or all of the value (calculated at vesting) of any awards granted where the value of future annual bonus cash payments are insufficient to recover fully any clawback applicable to the annual bonus arrangements or, within a period of four years following the end of the performance period for an award, there is a material misstatement of the accounts or an error in the calculation of any performance condition which resulted in excess 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.

³ The Committee believes that this combination of TSR measures provides strong alignment with the interests of shareholders and complements the focus on operational performance measures in the annual bonus arrangements. Targets are set to ensure that only modest awards are available for delivering on target performance with maximum rewards requiring substantial outperformance of the Company's budget and strategic plans.

Directors' Remuneration Report (continued)

Remuneration Policy Report (continued)

Element	ALL-EMPLOYEE SHARE SCHEMES <ul style="list-style-type: none"> To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way
Operation	<p>All employees, including executive directors, are entitled to participate in a UK tax approved all-employee share scheme.</p> <p>A resolution to extend the Company's current all-employee share scheme for a further 10 years will be put to shareholders at the 2014 AGM. This scheme is substantially the same as the Company's existing arrangements and will allow employees to make monthly savings over a period of three or five years linked to the grant of an option over the Company's shares.</p> <p>At the end of the period, participants can use the monies to purchase shares at a discount (up to the maximum permitted by HMRC) to the market value of shares on the relevant invitation date. Alternatively they may ask for their savings to be returned with any accrued interest.</p>
Opportunity	Maximum participation limits are set in line with HMRC guidelines in force at the time of award.
Performance measures	None.
Element	SHAREHOLDING REQUIREMENT <ul style="list-style-type: none"> To ensure alignment of interests of executive directors and shareholders
Operation	The Company operates a shareholding requirement which is subject to periodic review.
Opportunity	Executive directors are required to build up a shareholding worth 200% of base salary within five years of appointment.
Performance measures	None.

Element	<p>FEES PAYABLE TO CHAIRMAN AND NON-EXECUTIVE DIRECTORS</p> <ul style="list-style-type: none"> • To pay fees in line with those paid by other UK listed companies of comparable size • Additional payments to the Senior Independent Director and Chairs of Board Committees to reflect the additional responsibilities attached to these positions
Operation	<p>Normally reviewed annually with changes effective from 1st December, taking into account any cost of living increase applied throughout the Company. Periodic benchmarking for comparable roles in companies of a similar size and scope is also undertaken.</p> <p>Fees are structured as follows:</p> <ul style="list-style-type: none"> • the Chairman is paid an all-inclusive fee for all Board responsibilities. This fee is determined by the Board on the recommendation of the Committee; and • non-executive directors are paid a basic fee, plus additional fees for chairing Board Committees or as Senior Independent Director which are determined by the Board on the recommendation of the executive directors. <p>Fees are currently paid in cash.</p> <p>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.</p>
Opportunity	<p>Fees are set at a level which reflects the commitment and contribution that is expected and is appropriately positioned against comparable roles in companies of a similar size and scope.</p> <p>Overall fees paid to directors will remain within the limit set out in the Company's articles of association.</p> <p>Actual fee levels are disclosed in the annual report on remuneration for the relevant financial year (see page 96 for those effective 1st December 2013).</p>
Performance measures	None, although overall performance of the individual is considered as part of the annual review.

Directors' Remuneration Report (continued)

Remuneration Policy Report (continued)

ILLUSTRATION OF REMUNERATION POLICY

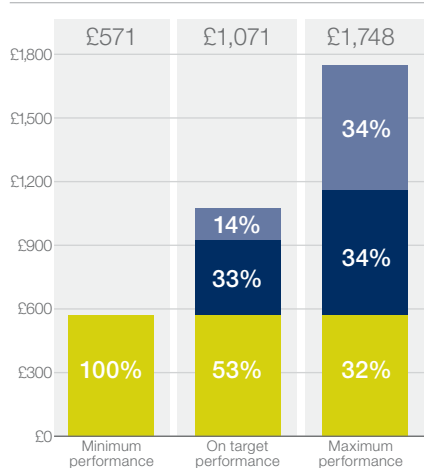
The following charts illustrate the remuneration opportunity provided to each executive director in line with the policy set out on pages 79 to 83 above at different levels of performance for the 2013/14 financial year.

Three scenarios have been illustrated for each executive director:

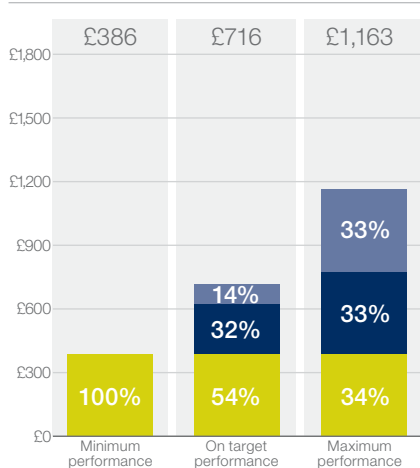
- 1. Minimum performance:** comprising the minimum remuneration receivable (being base salary and pension allowances for the 2013/14 financial year and benefits calculated using the 2012/13 figure as set out in the table on page 87).
- 2. On target performance:** comprising fixed pay, an annual bonus payment at 60% of the maximum opportunity (75% of salary) and long-term incentive awards vesting at 25% of maximum opportunity (31.25% of salary).
- 3. Maximum performance:** comprising fixed pay, 100% of annual bonus (125% of salary) and 100% vesting of long-term incentive awards (125% of salary).

The illustrations do not take into account share price appreciation or dividends.

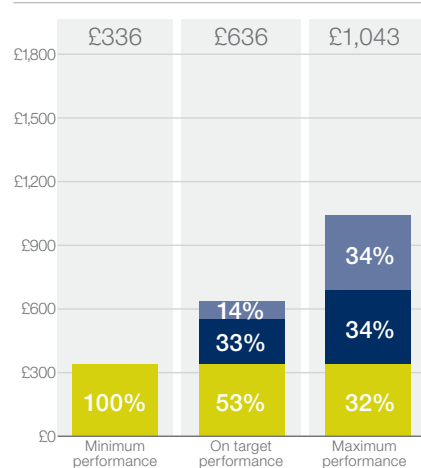
BILL OLIVER
Chief Executive £'000



STEVE BURKE
Construction Director £'000



MICHAEL DUNN
Group Finance Director £'000



■ Fixed pay ■ Annual bonus ■ Long-term incentives

RECRUITMENT ARRANGEMENTS

In the event of hiring a new executive director, the Committee will typically seek to align his or her remuneration package with the policy set out above. However, the Committee retains the discretion to offer appropriate remuneration outside of the standard policy to facilitate the hiring of candidates of an appropriate calibre and to meet the individual circumstances of the recruitment. This may, for example, include the following:

- where an interim appointment is made to fill an executive director role on a short-term basis;
- exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis;
- an executive director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
- an executive is recruited from a business that offered some benefits that the Committee might consider appropriate to buy out but that do not fall into the definition of 'variable remuneration forfeited' that can be included in the buyout element under the wording of the Regulations; or
- the executive received benefits from his or her previous employer which the Committee considers it appropriate to offer.

The Committee will, however, seek to ensure that arrangements are in the best interests of both the Company and its shareholders and to not pay more than is appropriate.

Base salary levels for new recruits will be set in accordance with the policy set out on page 79, taking into account the experience and calibre of the individual recruited. Where it is appropriate to offer a lower salary initially to reflect the individual's experience at that point, the Committee may award a series of increases over time to achieve the desired salary position subject to performance and market conditions. Pension arrangements will be in line with the policy detailed on page 80.

Unless the Committee deems it appropriate to tailor benefits to the unique circumstances of the appointment, benefits will be provided in line with those made available to other executive directors (see policy table on page 79), with relocation allowances offered if considered necessary.

The Committee may structure a remuneration package that it considers appropriate to recognise incentive pay or benefit arrangements that the individual would forfeit on resigning from his or her previous employer. This may take the form of cash and/or share awards as appropriate. In doing so the Committee will take account of relevant factors including the form (e.g. cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The Committee will generally seek to structure buyout awards on a comparable basis to awards forfeited. Replacement share awards, if used, will, to the extent possible, be granted using the Company's existing share schemes, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules (which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of a director).

The Committee may also apply different performance measures, performance periods and/or vesting periods for initial awards made following appointment under the annual bonus and/or long-term incentive arrangements, subject to the rules of the scheme, if it determines that the circumstances of the recruitment merit such alteration.

The maximum level of variable pay which may be awarded to new executive directors, excluding the value of any buy-out arrangements, will be in line with the policy set out on pages 80 and 81 (i.e. at an aggregate maximum of 315% of salary, comprising 125% for annual bonus and 180% for long-term incentive arrangements).

Where a position is fulfilled internally, the Committee will honour any pre-existing remuneration obligations or outstanding variable pay arrangements in relation to the individual's previous role such that these shall be allowed to continue according to the original terms (adjusted as relevant to take account of the Board appointment).

Fees payable to a newly-appointed Chairman or non-executive director will be in line with the fee policy in place at the time of appointment.

Directors' Remuneration Report (continued)

Remuneration Policy Report (continued)

EXTERNAL APPOINTMENTS

The Board recognises the benefit which the Company can obtain if executive directors serve as non-executive directors of other companies. Subject to review in each case, the Board's general policy is that an executive director can accept one non-executive directorship of another company (but not the chairmanship) and can retain the fees in respect of such appointment. No fees were received by executive directors for external appointments during the year ended 30th November 2013.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

All current executive directors have service contracts which may be terminated by the Company for breach by the executive or with 12 months' notice from the Company and either 12 months (Michael Dunn) or six months (Bill Oliver and Steve Burke) from the individual. None have fixed terms of service. Service contracts for new executive directors will generally be limited to 12 months' notice. 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.

If notice is served by either party, the executive director can continue to receive base salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Company may elect to make a payment in lieu of notice equivalent in value to 12 months' base salary, payable in monthly instalments, which would be subject to mitigation if alternative employment is taken up during this time. Alternatively, this payment may be paid as a lump sum. In the event of termination for cause (e.g. gross misconduct) neither notice nor payment in lieu of notice will be given and the executive director will cease to perform his services immediately.

In redundancy situations the Committee will comply with prevailing relevant legislation. In addition, and consistent with market practice, the Company may pay a contribution towards the executive director's legal fees for entering into a statutory agreement and may pay a contribution towards fees for outplacement services as part of a negotiated settlement. There is no provision for additional compensation on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

The following principles will apply to annual bonus and long-term incentive arrangements in the event of loss of office:

Remuneration element	'Good' leavers	Other leavers
Annual bonus	<p>An executive director will be treated as a good leaver if he or she dies or ceases employment due to injury, disability, retirement with the Company's agreement, or sale of the business in which he or she is employed.</p> <p>In these circumstances, the executive director remains eligible to be paid a bonus, subject to the applicable performance measures. Any payment awarded may be pro-rated to reflect the period of time served from the start of the financial year to the date of termination, but not for any period in lieu of notice.</p>	<p>Unless the Committee exercises its discretion to treat the executive director as a good leaver, no bonus will be payable.</p>
Long-term incentive awards <i>(as apply to the Company's current Performance Share Plan)</i>	<p>An executive director will be treated as a good leaver if he or she dies or ceases employment due to injury or disability.</p> <p>Unvested awards can be exercised either on date of cessation or after three years from grant, in either case pro-rated for time employed during the performance period, achievement of applicable performance measures, and having regard to such other factors as the Committee may deem relevant.</p>	<p>All awards will lapse in full where termination is by reason of summary dismissal.</p> <p>In other circumstances unvested awards will lapse in full unless the Committee applies discretion to treat the executive director as a good leaver.</p>

In respect of all-employee share schemes and the Company's Executive Share Option Schemes, the same leaver conditions will be applied to executive directors as those applied to other employees.

NON-EXECUTIVE DIRECTOR TERMS OF APPOINTMENT

The terms of service of the Chairman and the other non-executive directors are contained in letters of appointment. Appointments are for a fixed term of three years, during which period the appointment may be terminated by three months' notice by either party. Non-executive directors are typically expected to serve two three year terms subject to mutual agreement and satisfactory performance reviews. There are no provisions for payment in the event of termination, early or otherwise.

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

Non-executive director	Date of current letter of appointment	Expiry of current term
Bill Shannon	25/11/13	31/10/16
Kay Chaldecott	22/10/12	21/10/15
Simon Clarke	24/09/13	10/10/16
Lesley James	24/10/12	18/10/15
Richard Mully	16/07/13	31/08/16
John Salmon	31/10/11	16/10/14

Annual Report on Remuneration

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

	Base salary/fees £'000		Benefits ¹ £'000		Annual bonus ² £'000		Share plans vesting £'000		Pension contribution/ allowance ⁵ £'000		Total £'000	
	2013	2012	2013	2012	2013	2012	2013 ³	2012 ⁴	2013	2012	2013	2012
<i>Executive directors</i>												
Bill Oliver	457	446	30	29	543	502	1,085	628	69	67	2,184	1,672
Steve Burke	302	294	29	21	358	331	716	412	45	44	1,450	1,102
Michael Dunn	266	268	11	10	326 ⁶	301	782	–	40	40	1,425	619
<i>Non-executive directors</i>												
Bill Shannon	135	135	–	–	–	–	–	–	–	–	135	135
Kay Chaldecott ⁷	40	5	–	–	–	–	–	–	–	–	40	5
Simon Clarke	40	38	–	–	–	–	–	–	–	–	40	38
David Garman ⁸	15	44	–	–	–	–	–	–	–	–	15	44
Katherine Innes Ker ⁸	13	38	–	–	–	–	–	–	–	–	13	38
Lesley James	49	47	–	–	–	–	–	–	–	–	49	47
Richard Mully ⁹	10	–	–	–	–	–	–	–	–	–	10	–
John Salmon ¹⁰	55	47	–	–	–	–	–	–	–	–	55	47
	1,382	1,362	70	60	1,227	1,134	2,583	1,040	154	151	5,416	3,747

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

2 Bonus payable in respect of the relevant financial year. Further information as to how the level of bonus awarded in 2013 was determined is provided on page 88.

3 Relates to the 2011 PSP awards which are due to vest and became exercisable on 21st March 2014. The share price used to value the awards was 328.98p, being the three month average to 30th November 2013. Further information on the awards and the performance conditions to which they were subject can be found on page 89.

4 Relates to the 2009 and 2010 PSP awards which vested and became exercisable on 24th July 2012 and 22nd February 2013 respectively. The share price used to value the awards was 177.75p (2009 awards) and 277.5p (2010 awards), being the share price on the relevant vesting date. Further information on the performance conditions which applied to the awards is set out on page 90.

5 Further details regarding pension entitlements can be found on page 93.

6 The bonus awarded was based on annual salary of £274,495 rather than salary earned in the year which, at £265,544, was lower as a result of unpaid paternity leave taken.

7 Appointed to the Board on 22nd October 2012.

8 Retired from the Board on 27th March 2013.

9 Appointed to the Board on 1st September 2013.

10 Fee paid in the year ended 30th November 2013 reflected John Salmon's appointment as Interim Senior Independent Director from 28th March 2013 until the year end.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

ANNUAL BONUS OUTTURN (AUDITED INFORMATION)

Measure	On target performance	Actual performance	As % of base	
			salary at maximum bonus opportunity	Bonus awarded as % of base salary
Corporate				
• Post dividend growth in shareholders' equity net asset value per share	8% growth to 270p	11% growth to 279p	105%	100.00%
• Increase in profit before all tax	£55.1m	£82.2m		
• Increase in total dividend for the year	3.90p per share	4.00p per share		
• Gearing levels	62%	54%		
• Covenant compliance	Full	Full		
• Achievement against a number of strategic objectives	Achieved	Partially achieved		
Personal				
• Achievement against a number of operational objectives	Achieved	Partially achieved	20%	18.75%

The executive directors' individual performance was assessed by the Committee against the measures, relying on audited information where appropriate, and having regard to the value which has been created for shareholders. Weightings were not given to individual corporate measures; since they are all of key importance to the short- and longer-term success of the Company, the Committee did not wish to distort behaviour by placing particular focus on any single element.

As noted in the Strategic Report, the Company delivered an excellent set of results for the year. Performance highlights include:

- shareholders' equity net asset value per share increasing by 11% to 279p per share;
- an increase in profit before all tax of 56% to £82.2m;
- realised property profits up by 37% to £40m;
- significant reduction in gearing to 54% following a successful equity placing;
- final dividend for the year increased by 10% to 2.67p per share, making a total distribution for the year of 4.00p per share;
- sustained valuation gains of £42m, of which £28m was as a result of active asset management and planning gains; and
- the disposal by St. Modwen's KPI joint venture of the Elephant & Castle Shopping Centre for £80m, representing a yield of 4.25%.

In light of both corporate and individual performance, the Committee determined that each executive director should receive a bonus equal to 95% of the maximum opportunity for the year, representing 118.75% of salary.

Bonus payments are 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 shares and to retain those shares for a minimum period of three years. In respect of bonuses paid for the 2011/12 financial year, Bill Oliver and Mike Dunn satisfied this investment requirement through the acquisition of shares issued as part of the equity placing completed in March 2013 whilst Steve Burke acquired shares both through the placing and the exercise of his 2009 and 2010 PSP awards.

LONG-TERM INCENTIVES (AUDITED INFORMATION)**Performance Share Plan (PSP)**

On 6th March 2013, the following PSP awards were granted to executive directors as nil cost options:

Executive director	Basis of award	Face value of award £000 ¹	Number of shares	% of award that would vest for threshold performance ²
Bill Oliver	125% of salary	£571	231,077	25%
Steve Burke	125% of salary	£377	152,468	25%
Michael Dunn	125% of salary	£343	138,802	25%

1 Calculated using the average share price of 247.2p which was, in accordance with the rules of the PSP, used to determine the number of shares to be awarded (being the average over the three dealing days immediately preceding the date of grant).

2 The performance measures that apply to the awards mirror those proposed for the 2014 awards which are described on page 96. The performance period started on 1st December 2012 and will end on 30th November 2015.

The three year performance period for the 2011 PSP awards ended on 30th November 2013. The performance conditions which applied to the awards together with actual performance are summarised in the table below:

Performance measure	Weighting	Threshold performance	Vesting of award at threshold performance	Maximum performance	Vesting of award at maximum performance	Actual performance	Proportion of award to vest
Absolute TSR growth	50% of award	20%	12.5%	50%	50%	110%	50%
TSR relative to FTSE All-Share Real Estate Investment & Services Index	50% of award	Equal to Index	12.5%	120% of Index	50%	155%	50%
						TOTAL	100%

To ensure that the level of vesting of PSP awards accurately reflected the performance of the Company during the period, the Committee also considered whether it was satisfied that the two underpins (details of which are set out in note 1 on page 81) had been met. In respect of the dividend underpin, an interim dividend of 1.33p per share was paid on 3rd September 2013 and the Board is recommending that a final dividend for the year of 2.67p per share be paid on 4th April 2014. Furthermore, the Committee currently has no reason to believe that dividend(s) will not be paid in respect of the 2014 financial year, being the year in which the award will vest. The Committee also considered the general financial performance of the Company over the performance period and noted the following:

Key financial indicator	As at 1 st December 2010	As at 30 th November 2013	Improvement
Profit before all tax	£38.2m	£82.2m	115%
Shareholders' equity net asset value per share	213.2p	278.7p	31%
Total dividend per share for the financial year	3.00p	4.00p	33%
Gearing	72%	54%	24%
See-through loan-to-value	39%	33%	15%

The Committee therefore determined that 100% of the PSP awards granted in 2011 will vest and become exercisable on the third anniversary of grant (21st March 2014) 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	319,774	319,774
Steve Burke	210,992	210,992
Michael Dunn	230,496	230,496

Dividends will be 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)

Annual Report on Remuneration (continued)

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

Executive director	Date of grant ¹	Awards held on 1 st December 2012	Awards made during year ²	Awards vested during year ³	Awards exercised during year	Awards lapsed during year	Awards held on 30 th November 2013	End of performance period ⁴	Exercise period
Bill Oliver	24/07/09	134,498	–	–	–	–	134,498	N/A	24/07/12 to 23/07/19
	22/02/10	282,154	–	129,480	–	152,674	129,480	N/A	22/02/13 to 21/02/20
	21/03/11	319,774	–	–	–	–	319,774	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁵	363,529	–	–	–	–	363,529	30/11/14	17/02/15 to 16/02/22
	06/03/13	–	231,077	–	–	–	231,077	30/11/15	06/03/16 to 05/03/23
		1,099,955	231,077	129,480	–	152,674	1,178,358		
Steve Burke	24/07/09	88,744	–	–	88,744 ⁶	–	–	N/A	24/07/12 to 23/07/19
	22/02/10	186,170	–	85,433	85,433 ⁶	100,737	–	N/A	22/02/13 to 21/02/20
	21/03/11	210,992	–	–	–	–	210,992	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁵	239,863	–	–	–	–	239,863	30/11/14	17/02/15 to 16/02/22
	06/03/13	–	152,468	–	–	–	152,468	30/11/15	06/03/16 to 05/03/23
		725,769	152,468	85,433	174,177	100,737	603,323		
Michael Dunn	21/03/11	230,496	–	–	–	–	230,496	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁵	218,362	–	–	–	–	218,362	30/11/14	17/02/15 to 16/02/22
	06/03/13	–	138,802	–	–	–	138,802	30/11/15	06/03/16 to 05/03/23
		448,858	138,802	–	–	–	587,660		

1 Awards made in 2012 and 2013 are subject to clawback as described on page 81.

2 The share price used to calculate the number of shares awarded, under the rules of the PSP, was 247.2p. The closing mid-market share price on the date of the award was 249.1p. The performance conditions for the 2013 award mirror those proposed for the 2014 awards as described on page 96.

3 The share price used to calculate the number of shares which vested when originally awarded, under the rules of the PSP, was 188p. The closing mid-market share price on the date the shares vested was 277.5p.

4 Performance conditions for the 2009 and 2010 awards are described in the table below. The performance conditions for awards made in 2011, 2012 and 2013 mirror those proposed for the 2014 awards as described on page 96.

Performance measure	Weighting	Threshold performance	Vesting of award at threshold performance	Maximum performance	Vesting of award at maximum performance
Cumulative growth in net asset value per share	50% of award	5% for 2009 award/ 7.5% for 2010 award	12.5%	20% for 2009 award/ 30% for 2010 award	50%
TSR relative to FTSE 350 Real Estate Index	50% of award	Equal to Index	12.5%	120% of Index	50%

5 Awards comprise an HMRC approved option over 19,769 shares with an exercise price of 151.75p and an unapproved award for the balance.

6 Awards exercised on 29th April 2013. In addition to the shares exercised Steve Burke received shares representing the value of dividends paid from the date of award to the date of exercise for both the 2009 PSP award (3,286 shares) and 2010 PSP award (3,163 shares).

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 2012	Options granted during year	Options exercised during year ¹	Options lapsed during year	Options held on 30 th November 2013	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 exceptional circumstances as determined by the Committee.

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 2012	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 th November 2013	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 29th November 2013 was 357.6p and the price range during the year was 219.0p to 361.5p.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED INFORMATION)

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

Director	As at 30 th November 2013					As at 1 st December 2012						
	Ordinary shares	PSP awards			ESOS awards ¹	SAYE awards	Ordinary shares	PSP awards			ESOS awards ¹	SAYE awards
		Vested but unexercised	Not yet vested					Vested but unexercised	Not yet vested			
<i>Executive director</i>												
Bill Oliver	527,469	263,978	914,380	208,565	6,941	494,819	134,498	965,457	208,565	6,941		
Steve Burke ²	364,883	–	603,323	86,140	9,887	264,153	88,744	637,025	86,140	9,887		
Michael Dunn	96,568	–	587,660	–	9,887	76,168	–	448,858	–	9,887		
<i>Non-executive director</i>												
Bill Shannon	65,000	–	–	–	–	50,000	–	–	–	–		
Kay Chaldecott	10,000	–	–	–	–	–	–	–	–	–		
Simon Clarke	4,612,657	–	–	–	–	4,612,657	–	–	–	–		
David Garman	10,000³	–	–	–	–	10,000	–	–	–	–		
Katherine Innes Ker	–³	–	–	–	–	–	–	–	–	–		
Lesley James	10,000	–	–	–	–	10,000	–	–	–	–		
Richard Mully ⁴	–	–	–	–	–	–	–	–	–	–		
John Salmon	30,000	–	–	–	–	25,000	–	–	–	–		

1 Awards have vested but have not been exercised.

2 Exercised PSP awards granted in 2009 and 2010. The number of shares retained on exercise following the sale of sufficient shares to satisfy the tax liability arising on exercise is included in the number of ordinary shares held. Further details can be found on page 90.

3 On retirement from the Board on 27th March 2013.

4 Appointed to the Board on 1st September 2013.

There were no changes in these shareholdings or interests between 30th November 2013 and the date of this report.

In order to reinforce the alignment of their interests with those of shareholders, executive directors are required to build up a holding of ordinary shares in the Company over a five year period worth at least 200% of their base salary (increased from 100% of base salary with effect from 1st December 2013). As set out in the table below, both Bill Oliver and Steve Burke have met or exceeded the shareholding requirement; Michael Dunn has until December 2015 to achieve the required holding.

Executive director	Ordinary shares held as at 30 th November 2013	Shareholding requirement as % of base salary	Shareholding at 30 th November 2013 as % of base salary ¹
Bill Oliver	527,469	200%	413%
Steve Burke	364,883	200%	433%
Michael Dunn	96,568	200%	126%

1 Based on the closing mid-market share price on 29th November 2013 of 357.6p and salary as at 30th November 2013.

The Committee has noted the views of an institutional investor that long-term incentive arrangements should be subject to a minimum holding period of five years between the date of grant of an award and the sale of the resulting shares. Given the substantial shareholding requirement set out above, the Committee does not currently feel that such holding periods are necessary for the Company's PSP arrangements. It will however continue to monitor developments in this area and keep the matter under review.

PENSION ENTITLEMENTS (AUDITED INFORMATION)

All executive directors receive a pension contribution of 15% of base salary which is paid either into the defined contribution section of the Company's pension scheme or as a cash allowance in lieu of pension contribution (or a combination of both). No compensation is offered for any additional tax suffered by an executive director in the event that the value of their pension exceeds the statutory Lifetime Allowance.

For the year ended 30th November 2013, Bill Oliver received a cash allowance in lieu of pension contributions which amounted to £68,547 (2012: £66,875). The other executive directors received Company contributions to the pension scheme as follows: Steve Burke £45,228 (2012: £44,125) and Michael Dunn £39,832 (2012: £40,170).

Steve Burke is also a deferred member of the defined benefit section of the Company's pension scheme, which was closed to new members in 1999 and to future accrual in 2009. Benefits are based on years of credited service and final pensionable pay; the maximum benefit generally payable under the scheme is two-thirds of final pensionable pay.

Information required by the Regulations in respect of defined benefit pension arrangements are set out below:

	Age at 30 th November 2013	Normal retirement age	Accrued pension at 30 th November 2012 ¹ £pa	Accrued pension at 30th November 2013¹ £pa	Increase in accrued pension during the year £pa	Increase in accrued pension during the year (excluding inflation) £pa
Steve Burke	54	65	26,671 ²	27,269²	598	0

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 and is that which would be paid annually on retirement at age 65 based on service to the end of the year.

2 These figures have been calculated by applying deferred revaluation to Steve Burke's deferred pension as at 1st September 2009, being the date that accrual ceased under the defined benefits section of the scheme.

3 The following is additional information relating to the defined benefit pension arrangements applicable to Steve Burke:

- Normal retirement age is 65 years. Retirement may take place at any age after age 55 subject to Company consent. Pensions may be reduced to allow for their earlier payment.
- There are no death in service benefits payable and no additional benefits due on early retirement.
- Deferred pensions are assumed to increase in line with CPI capped at 5% per annum in the period before retirement.

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

PAYMENTS TO PAST DIRECTORS AND FOR LOSS OF OFFICE (AUDITED INFORMATION)

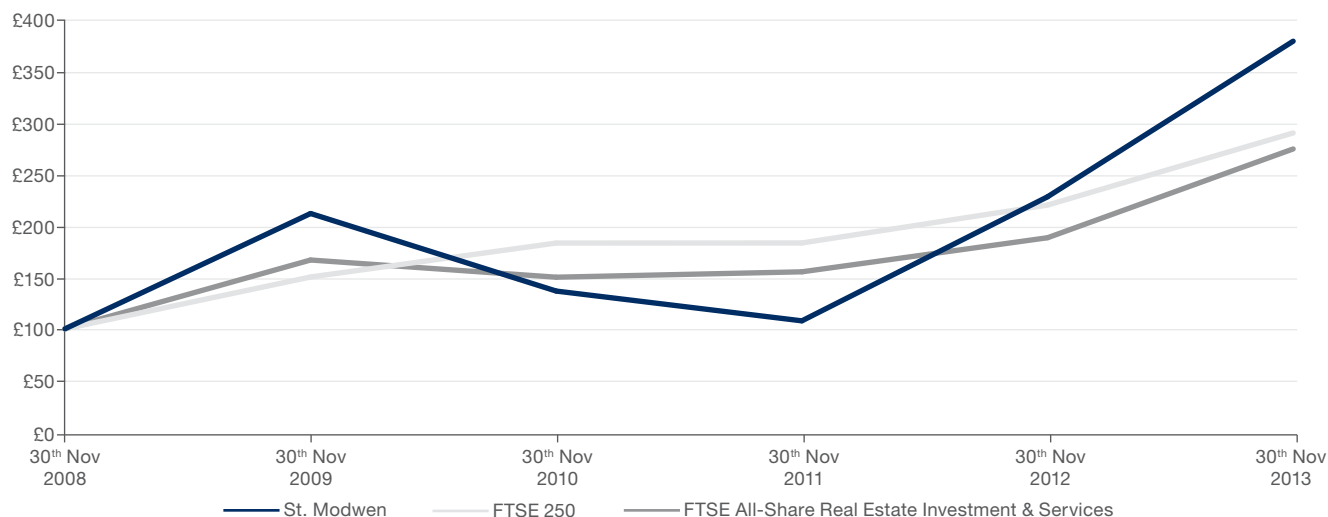
No director left during the year and no payments for loss of office were made. No payments were made to former directors who were not directors at the time of payment.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

HISTORIC COMPANY PERFORMANCE AND CHIEF EXECUTIVE REMUNERATION

The following information allows comparison of the Company's TSR (based on share price growth and dividends reinvested) with the remuneration of Bill Oliver, Chief Executive, over the last five financial years.



The chart 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 on 30th November 2008 and values at intervening financial year ends over a five year period to 30th November 2013. 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.

Chief Executive remuneration for year ended 30th November	2009	2010	2011	2012	2013
Total remuneration (£000) ¹	876	902	1,049	1,672	2,184
Annual bonus awarded (as a % of maximum opportunity)	50% ²	80%	95%	90%	95%
PSP vesting (as a % of maximum opportunity)	0%	0%	0%	45.77% ³	100%

¹ Total remuneration includes those elements shown in the single total figure of remuneration table on page 87.

² In addition to the annual bonus, the Chief Executive was also awarded a one-off, exceptional payment of £100,000 in relation to the successful equity raising and financial restructuring undertaken in the year.

³ Comprises 45.64% of the 2009 PSP awards and 45.89% of the 2010 PSP awards.

CHANGE IN REMUNERATION OF CHIEF EXECUTIVE COMPARED TO EMPLOYEES

The table below shows the percentage change in salary, benefits and annual bonus between the years ended 30th November 2013 and 30th November 2012 for both the Chief Executive and for all permanent employees of the Company.

	% change in base salary	% change in benefits	% change in annual bonus earned
Chief Executive	2.5%	3.4%	8.2%
All permanent employees ¹	3.2%	7.4%	5.9%

¹ Reflects the change in average remuneration for all permanent employees, excluding Bill Oliver.

RELATIVE SPEND ON PAY

The table below shows the total expenditure on remuneration for all employees of the Company (including pension, variable pay and social security costs) compared to other key financial indicators as reported in the audited financial statements for the last two financial years. Information in respect of profit and net asset value performance has been provided for context.

Measure	Relevant note to the financial statements	Year ended 30 th November		% increase
		2012	2013	
Total spend on pay	3c	£14.9m	£15.5m	4%
Profit before all tax	2a	£52.8m	£82.2m	56%
Dividends paid ¹	7	£6.8m	£8.2m	21%
Equity attributable to owners of the Company ²	2g	£502.6m	£614.2m	22%

¹ During the year a total of 20,016,057 shares were issued as part of the equity placing completed in March 2013. Dividends paid per share in the year ended 30th November 2013 increased by 10% to 3.75p (2012: 3.41p).

² Equity attributable to owners of the Company for the year ended 30th November 2013 includes net proceeds of £47.9m from the equity placing completed in March 2013. Net asset value per share for the year ended 30th November 2013 increased by 11% to 278.7p (2012: 250.8p).

IMPLEMENTATION OF REMUNERATION POLICY FOR 2013/14

Base salary

In line with the cost of living salary increase awarded to the Company's employees, the executive directors received an annual salary increase of 3% with effect from 1st December 2013. Base salaries payable from this date are as follows:

Executive director	£
Bill Oliver	470,687
Steve Burke	310,568
Michael Dunn	282,730

Benefits and pension arrangements

Benefits and pension arrangements for the financial year ending 30th November 2014 will be consistent with the respective policies detailed on pages 79 and 80.

Annual bonus

The annual bonus arrangements for the financial year ending 30th November 2014 will operate on the same basis as for 2012/13 and will be consistent with the annual bonus policy detailed on page 80 (including the Committee's overriding discretion to ensure that payments reflect its view of corporate performance, the requirement for directors to invest an amount equal to one-third of the net bonus received in the Company's shares and clawback provisions).

Executive directors will have the opportunity to earn a bonus of up to 125% of salary based on achievement of the following measures:

Measure		Proportion of salary payable	
Corporate	• Growth in shareholders' equity net asset value per share	For on target performance:	65%
	• Increase in profit before all tax	For maximum performance:	105%
	• Increase in total dividend for the year		
	• Gearing levels		
	• Covenant compliance		
Personal	• Achievement against a number of strategic objectives		
	Achievement against a number of operational objectives	For on target performance:	10%
		For maximum performance:	20%

The measures have been selected to reflect a range of key financial and operational goals which support the Company's strategic objectives. The respective targets have not been disclosed as they are considered by the Board to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in the Remuneration Report for the year ending 30th November 2014 provided that they do not remain commercially sensitive at that time.

Bonus payments 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.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

Long-term incentives – PSP

As in 2012/13, PSP awards granted to executive directors in the financial year ending 30th November 2014 will be over shares worth 125% of salary and will be consistent with the long-term incentives policy detailed on page 81 (including the application of the two underpin conditions before awards can vest and the clawback provisions).

The Committee has undertaken a review of the TSR performance targets which will apply to the awards in order to consider changes in the outlook for the sector and the Company. It remains satisfied that the existing targets remain sufficiently challenging and intends to apply these to the awards to be granted in 2014; these targets are set out in the table below and will be measured over the three financial years ending on 30th November 2016:

Performance measure	Weighting	Threshold performance	Vesting of award at threshold performance	Maximum performance	Vesting of award at maximum performance
Absolute TSR growth	50% of award	20%	12.5%	50%	50%
TSR relative to FTSE All-Share Real Estate Investment & Services Index	50% of award	Equal to Index	12.5%	120% of Index	50%

Vesting of awards between threshold and maximum performance will be on a straight-line basis.

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 relative positioning of St. Modwen is obtained from J.P. Morgan Cazenove to ensure that performance is independently verified.

Chairman and non-executive director fees

Following a review by the Board, the annual fees payable to the Chairman and non-executive directors with effect from 1st December 2013 are as follows:

Base fee	£
Chairman	150,000 ¹
Non-executive directors	41,200 ²
Additional fees ³	£
Senior Independent Director	9,000
Audit Committee Chair	9,000
Remuneration Committee Chair	9,000

1 The fee payable to the Chairman had remained unchanged since his appointment in 2010 and was increased from £135,000 to reflect both performance and relative market positioning.

2 Fee increased by 3% in line with the cost of living salary increase awarded to employees with effect from 1st December 2013.

3 The fee payable to the Senior Independent Director was increased from £6,000 with effect from 27th March 2013. No further increases have been applied to the additional fees payable.

DILUTION LIMITS

In line with the rules of the PSP, ESOS and SAYE, the Company observes the recommendation of the Association of British Insurers that the number of new shares that may be issued to satisfy awards is restricted to 10% of the issued ordinary share capital of the Company over any rolling 10 year period. Whilst not formally within the rules of the Company's existing executive share schemes, the Company also adheres to the recommended 5% in any rolling 10 year limit for its discretionary schemes.

The total number of shares which could be allotted under the Company's share schemes compared to the dilution limits as at 30th November 2013 was as follows:

Type of scheme	Limit	Actual
All schemes	10%	4.71%
Executive schemes only	5%	4.43%

The Company has, since 1998, satisfied awards under all schemes from market-purchased shares sourced from the St. Modwen Properties PLC Employee Share Trust (the Trust) which is administered by an external trustee. The Trust currently holds a total of 72,582 shares in the Company (2012: 215,754 shares) and has waived the right to receive dividends paid on these shares.

COMMITTEE MEMBERSHIP

The Committee's composition is kept under review by the Nomination Committee, which is responsible for making recommendations to the Board as to its membership.

As at the date of this report, the Committee comprises the following independent non-executive directors, all of whom served throughout the financial year unless indicated otherwise below:

Director	Remuneration Committee position
Lesley James	Chair
Kay Chaldecott	Member
Richard Mully	Member (from appointment to the Board on 1 st September 2013)
John Salmon	Member
Bill Shannon	Member

Simon Clarke attends meetings of the Committee as an observer. The secretary to the Committee is Tanya Stote, Company Secretary. David Garman and Katherine Innes Ker were members of the Committee until their retirement from the Board on 27th March 2013.

Committee members' attendance at meetings is set out in the table on page 63. Their biographical details can be found on pages 56 and 57.

All members of the Committee receive an appropriate induction to ensure that they have a sound and objective understanding of the principles of, and recent developments in, executive remuneration matters. Ongoing training is undertaken as required.

ADVICE PROVIDED TO THE COMMITTEE

New Bridge Street (NBS), a trading name of Aon Hewitt Limited (the parent company of NBS) and part of Aon plc, was appointed by the Committee in 2010 following a tender process to provide independent advice on remuneration matters. Representatives from NBS attend Committee meetings and provide advice to the Committee Chair outside of meetings as necessary. In 2012/13 NBS provided specific advice on performance conditions for long-term incentives, the Regulations and their impact on the Directors' Remuneration Report, and share dilution limits. Fees paid to NBS in the year totalled £35,500.

NBS is a member of the Remuneration Consultants Group and operates voluntarily under the Group's code which sets out the scope and conduct of the role of executive remuneration consultants when advising UK listed companies. On the basis that neither NBS nor Aon Hewitt Limited undertakes any other work for the Company, the Committee is satisfied that the advice provided by NBS remains objective and independent. Nonetheless, the Committee intends to review the arrangements by which it receives independent advice during 2014.

The Committee also receives input from Bill Oliver, the Chief Executive, on the remuneration arrangements of the other executive directors and of the Company Secretary, and advice from Tanya Stote, the Company Secretary, on governance matters. Neither the Chief Executive nor the Company Secretary were present when their own remuneration was discussed.

STATEMENT OF SHAREHOLDER VOTING AT THE AGM

At the AGM held on 27th March 2013 votes cast in respect of directors' remuneration were as follows:

Resolution	For		Against		Total votes cast	Votes withheld ¹
	No. of votes	% of vote	No. of votes	% of vote		
To approve the Directors' Remuneration Report	165,229,138	99.08%	1,535,720	0.92%	166,764,858	42,382

¹ A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast for or against a resolution.

Directors' Report

STRATEGIC REPORT

The Companies Act 2006 requires the directors to prepare a Strategic Report which contains a fair review of the Company's business and a description of the principal risks and uncertainties that it faced. The Strategic Report for the year ended 30th November 2013 is set out from the inside front cover of this Report to page 55.

POST-BALANCE SHEET EVENTS AND FUTURE DEVELOPMENTS

There were no post-Balance Sheet events in respect of the year ended 30th November 2013. Likely future developments are described in the Strategic Report.

CORPORATE GOVERNANCE STATEMENT

The Disclosure and Transparency Rules of the Financial Conduct Authority require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance section on pages 59 to 97 and is incorporated into this Directors' Report by reference.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at 12.00 noon on Friday, 28th March 2014 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 155 to 164.

DIVIDEND

The directors recommend a final dividend of 2.67p per ordinary share in respect of the year ended 30th November 2013, to be paid on 4th April 2014 to ordinary shareholders on the register on 7th March 2014. This, together with the interim dividend of 1.33p per share paid on 3rd September 2013, brings the total dividend for the year to 4.00p per share (2012: 3.63p per share).

SHARE CAPITAL

The Company has a single class of share capital which is divided into ordinary shares of 10p each. The issued share capital of the Company is set out in note K to the Company Financial Statements. The Company does not currently hold any shares in treasury.

At the 2013 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 an aggregate nominal amount of £13,357,395. These authorities expire at the 2014 AGM. During the year ended 30th November 2013, no shares were allotted or repurchased. Resolutions to renew these authorities will be proposed at the 2014 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 2013, the Trust held 72,582 shares (2012: 215,754 shares), representing 0.03% (2012: 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 trustee, 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. Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the 2014 AGM are set out in the notice of meeting on pages 155 to 164.

Restrictions on the transfer of shares

As at 30th November 2013 and 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 2013, the Company had been notified of the following holdings of voting rights in its shares in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority:

Shareholder	Direct voting rights	% of voting rights	Indirect voting rights	% of voting rights	Total voting rights	% of voting rights
Lady Clarke and connected parties (excluding Simon Clarke)	19,962,539	9.06%	–	–	19,962,539	9.06%
J.D. Leavesley and connected parties	18,263,382	8.29%	–	–	18,263,382	8.29%
BlackRock, Inc.	–	–	11,075,661	5.03%	11,075,661	5.03%
TR Property Investment Trust PLC	6,802,638	3.09%	–	–	6,802,638	3.09%

As at 3rd February 2014, the Company had not been advised of any changes or additions to the interests set out above.

DIRECTORS

The following served as directors during the year ended 30th November 2013:

Name	Position as at 30 th November 2013	Service in the year ended 30 th November 2013
Steve Burke	Construction Director	Served throughout the year
Kay Chaldecott	Independent non-executive director	Served throughout the year
Simon Clarke	Non-executive director	Served throughout the year
Michael Dunn	Group Finance Director	Served throughout the year
David Garman	N/A	Retired on 27 th March 2013
Katherine Innes Ker	N/A	Retired on 27 th March 2013
Lesley James	Independent non-executive director	Served throughout the year
Richard Mully ¹	Independent non-executive director	Appointed on 1 st September 2013
Bill Oliver	Chief Executive	Served throughout the year
John Salmon ²	Senior Independent Director	Served throughout the year
Bill Shannon	Chairman	Served throughout the year

¹ Appointed Senior Independent Director on 1st December 2013.

² Senior Independent Director from 28th March 2013 to 30th November 2013.

The biographical details of all the directors serving at 30th November 2013, including details of their relevant experience and other significant commitments, are shown on pages 56 and 57.

Directors' Report (continued)

DIRECTORS (CONTINUED)

Following his appointment to the Board in September 2013 and in accordance with the Company's Articles of Association, Richard Mully will retire and offer himself for election at the 2014 AGM. 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 contracts and their interests in the Company's shares, is set out on pages 76 to 97. With the exception of service contracts or those contracts detailed in note 22 to the Group Financial Statements, no director had a material interest in any significant contract with the Company or any of its operating companies at any time during the year.

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 Board may exercise all the powers of the Company, subject to 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 the Company's 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 98.

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. Formal procedures for the notification and authorisation of such conflicts are in place. These procedures enabled non-conflicted directors to impose limits or conditions when giving or reviewing authorisation and require the Board to review the register of directors' conflicts twice yearly and on an ad hoc basis when necessary. Any potential conflicts of interest in relation to newly appointed directors are considered by the Board prior to appointment.

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, in accordance with the provisions of the Companies Act 2006, 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.

FINANCIAL INSTRUMENTS

The Group's exposure to and management of capital risk, market risk, credit risk and liquidity risk is set out in note 16 to the Group Financial Statements.

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 senior staff about matters affecting them as employees, at which their feedback is sought on decisions likely to affect their interest, 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. 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. The policy includes, where practicable, the continued employment of those who may become disabled during their employment with the Company and the provision of appropriate training. St. Modwen provides the same opportunities for training, career development and promotion for disabled as for other employees.

GREENHOUSE GAS EMISSIONS

All disclosures concerning the Group's greenhouse gas emissions (as required to be disclosed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) are contained in the Corporate Social Responsibility Report (which forms part of the Strategic Report) on pages 50 to 55.

POLITICAL DONATIONS

In accordance with the Company's policy, no political donations were made and no political expenditure was incurred during the year.

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 Strategic Report. The directors have considered these factors and reviewed the financial position of the Group, including its joint ventures and associates.

The review included an assessment of future funding requirements based on cash flow forecasts extending for 18 months from the date of signing the Financial Statements, 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 43 to 45, there are no corporate facilities that require renewal before November 2014, when the Group's £100m facility with Lloyds Banking Group matures. The directors have reviewed the options available in respect of this and the Group's other banking facilities, together with opportunities to increase the diversity and longevity of debt facilities. As a result the directors are satisfied that the Group will have sufficient ongoing facilities available for the Group's financing requirements.

Based on their assessment, the directors are of the opinion that the Group has adequate available 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

The Company's auditor, Deloitte LLP has expressed a willingness to continue in office and resolutions for their re-appointment and to authorise the directors to determine their remuneration will be proposed at the 2014 AGM. The Board, on the advice of the Audit Committee, recommends their re-appointment.

Directors' Report (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 these 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 IFRSs as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company Financial Statements respectively; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 (www.stmodwen.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the directors in office as at the date of this report, whose names and functions are set out on pages 56 and 57, confirm that to the best of their 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 Directors' Report and the Strategic Report include 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.

Each of the directors in office as at the date of this report also confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The directors as at the date of this report consider that the Annual Report and Financial Statements 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Approved by the Board and signed on its behalf by

Tanya Stote
Company Secretary

3rd February 2014

Independent Auditor's Report

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

Opinion on Financial Statements of St. Modwen Properties plc

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30th November 2013 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related Group notes 1 to 22 and Parent Company notes A to P. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' Report on page 101 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk

How the scope of our audit responded to the risk

Valuation of investment property

Valuation of investment property is an area of judgement which could materially affect the Financial Statements. The external valuers make a number of key estimates and assumptions, certain of which require input from management. These estimates and assumptions are subject to market forces and will change over time.

We met with the third-party valuers, Jones Lang LaSalle LLP (JLL), appointed by management for each element of the property portfolio and we assessed the reasonableness of the significant judgements and assumptions applied in their valuation model, including occupancy rates, lease incentives, break clauses and yields. With the assistance of a member of the audit team who is a chartered surveyor we tested a sample of properties through benchmarking, understanding the valuation methodology and wider market analysis along with testing the integrity of a sample of the data provided to JLL. We verified the integrity of a sample of information provided to valuers by management relating to rental income, occupancy and life of the lease.

Valuation of inventories

Valuation of inventories requires management to ensure that those properties under construction and land held under option are carried at the lower of cost and net realisable value.

We tested the net realisable value of inventories through testing a sample of those valued by management (which is the majority) using their internal site appraisals, and those valued by JLL to focus on those with lower margins and assessed the reasonableness of the assumptions applied.

Accounting for property acquisitions and disposals

Accounting for property acquisitions and disposals as these can be significant and complex transactions.

Using Sale and Purchase agreements we carried out testing on purchase cost or sales proceeds, re-calculation of profit or loss on disposal and consideration around whether the profit or loss on disposal provides further evidence of the carrying values of other assets in the portfolio.

Independent Auditor's Report (continued)

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

Risk	How the scope of our audit responded to the risk
<p>Accounting for taxation Accounting for taxation to ensure appropriate tax provisions have been recorded.</p>	<p>We tested the Group tax workings and considered the current and deferred tax implications of property acquisitions, disposals and valuation movements which occurred during the year. We utilised our tax specialists to appraise the likely outcome of uncertain tax positions and considered the adequacy of disclosures made in the Annual Report.</p>
<p>Covenant compliance and liquidity disclosure Covenant compliance and liquidity disclosure which are dependent on cash management and the associated headroom available, property valuations and the terms of the Group's finance facilities.</p>	<p>We tested compliance with loan covenants and reviewed management's forecasts and assumptions for ongoing covenant compliance and available headroom on these covenants and existing finance facilities. We also confirmed that adequate disclosures have been made in the Annual Report.</p>
<p>Revenue recognition Revenue recognition, including the timing of revenue recognition in relation to the sale of property, recognition of revenue arising from construction contracts and rental income arising from investment properties.</p>	<p>We carried out testing around cut off and timing of revenue recognition, the treatment of discounts, rebates, VAT and other sales taxes or duty as well as substantive testing, analytical procedures and assessing whether the revenue recognition policies adopted complied with IFRSs.</p>
<p>The Audit Committee's consideration of these risks is set out on page 71.</p> <p>Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.</p>	
<p>Our application of materiality</p>	<p>We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p> <p>When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the Financial Statements as a whole. We determined planning materiality for the Group to be £6.2 million, which is approximately 7.5% of adjusted pre-tax profit, below 1% of equity.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.12 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.</p> <p>We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.</p>
<p>An overview of the scope of our audit</p>	<p>Our Group audit scope focused primarily on the audit work of the major lines of business of which the Group auditor is responsible and as such there is no component auditor reporting into Group. The Group auditor is responsible for the other significant lines of business where joint venture agreements are in place, notably around the Key Property Investments (KPI) and VSM Uxbridge (Group) Limited (VSM Uxbridge). KPI accounts for 11% of the Group's net assets, 9% of the Group's revenue and 25% of the Group's recurring pre-tax profit. VSM Uxbridge Group accounts for 4% of the Group's net assets, 0% of the Group's revenue and 4% of the Group's recurring pre-tax profit.</p>
<p>Opinion on other matters prescribed by the Companies Act 2006</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> 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 Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

<p>Matters on which we are required to report by exception</p> <p><i>Adequacy of explanations received and accounting records</i></p>	<p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • we have not received all the information and explanations we require for our audit; or • 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 are not in agreement with the accounting records and returns. <p>We have nothing to report in respect of these matters.</p>
<p><i>Directors' remuneration</i></p>	<p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.</p>
<p><i>Corporate Governance statement</i></p>	<p>Under the Listing Rules we are also required to review the part of the Corporate Governance statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.</p>
<p><i>Our duty to read other information in the Annual Report</i></p>	<p>Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:</p> <ul style="list-style-type: none"> • materially inconsistent with the information in the audited Financial Statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.</p>
<p>Respective responsibilities of directors and auditor</p>	<p>As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 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.</p> <p>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.</p>
<p>Scope of the audit of the Financial Statements</p>	<p>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 and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.</p>

Jonathan Dodworth (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK
3rd February 2014

Group Income Statement

for the year ended 30th November 2013

	Notes	2013 £m	2012 £m
Revenue	1	161.1	219.1
Net rental income	1	29.0	28.3
Development profits	1	24.7	22.4
Gains on disposal of investments/investment properties		3.6	1.4
Investment property revaluation gains	8	32.6	6.4
Goodwill written off on corporate acquisition of investment properties		-	(1.3)
Other net income	1	2.9	2.8
Profits of joint ventures and associates (post-tax)	10	21.8	22.6
Administrative expenses	3	(19.9)	(18.1)
Profit before interest and tax		94.7	64.5
Finance cost	4	(23.6)	(22.3)
Finance income	4	9.4	5.2
Profit before tax		80.5	47.4
Tax charge	5	(6.6)	(5.1)
Profit for the year		73.9	42.3
Attributable to:			
Equity attributable to owners of the Company		72.1	42.7
Non-controlling interests		1.8	(0.4)
		73.9	42.3

	Notes	2013 pence	2012 pence
Basic earnings per share	6	33.5	21.3
Diluted earnings per share	6	32.9	21.2

All results are derived from continuing operations. A reconciliation of non-statutory measures used in the Strategic Report is included in note 2 to the Group Financial Statements.

Group Balance Sheet

as at 30th November 2013

	Notes	2013 £m	2012 £m
Non-current assets			
Investment property	8	813.3	770.4
Operating property, plant and equipment	9	6.6	6.8
Investments in joint ventures and associates	10	95.3	75.2
Trade and other receivables	11	17.6	21.6
		932.8	874.0
Current assets			
Inventories	12	205.9	175.2
Trade and other receivables	11	59.7	46.5
Cash and cash equivalents		7.4	8.9
		273.0	230.6
Current liabilities			
Trade and other payables	13	(170.2)	(155.6)
Borrowings	14	(62.5)	(3.3)
Tax payables	5	(3.4)	(3.3)
		(236.1)	(162.2)
Non-current liabilities			
Trade and other payables	13	(46.2)	(48.6)
Borrowings	14	(285.6)	(371.6)
Deferred tax	5	(10.9)	(8.5)
		(342.7)	(428.7)
Net assets			
		627.0	513.7
Capital and reserves			
Share capital	17	22.0	20.0
Share premium account		102.8	102.8
Retained earnings		441.4	377.6
Share incentive reserve		2.1	2.4
Own shares		(0.3)	(0.5)
Other reserves		46.2	0.3
Equity attributable to owners of the Company		614.2	502.6
Non-controlling interests		12.8	11.1
Total equity		627.0	513.7

These Financial Statements were approved by the Board of Directors on 3rd February 2014 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 2013

	Notes	2013 £m	2012 £m
Profit for the year		73.9	42.3
Pension fund:			
– Actuarial losses	18	(0.1)	(0.1)
– Deferred tax thereon	18	–	–
Total comprehensive income for the year		73.8	42.2
Attributable to:			
– Owners of the Company		72.0	42.6
– Non-controlling interests		1.8	(0.4)
Total comprehensive income for the year		73.8	42.2

Group Statement of Changes in Equity

for the two years ended 30th November 2013

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non- controlling interest £m	Total equity £m
At 30 th November 2011	20.0	102.8	341.8	–	(0.5)	0.3	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	377.6	2.4	(0.5)	0.3	502.6	11.1	513.7
Profit for the year attributable to shareholders	–	–	72.1	–	–	–	72.1	1.8	73.9
Pension fund actuarial losses (note 18)	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
Total comprehensive income	–	–	72.0	–	–	–	72.0	1.8	73.8
Equity raise	2.0	–	–	–	–	45.9	47.9	–	47.9
Share-based payment charge	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Share transfers	–	–	–	–	0.2	–	0.2	–	0.2
Dividends paid	–	–	(8.2)	–	–	–	(8.2)	(0.1)	(8.3)
At 30th November 2013	22.0	102.8	441.4	2.1	(0.3)	46.2	614.2	12.8	627.0

On 1st March 2013 the Group completed a 'cash box' placing of 20,016,057 ordinary shares of 10p each at £2.45 per share. Net proceeds were £47.9m after share issue costs, of which the £2.0m nominal value of the shares was credited to share capital with the balance to other reserves.

Own shares represent the cost of 72,582 (2012: 215,754) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2013 was £259,553 (2012: £469,912).

Group Cash Flow Statement

for the year ended 30th November 2013

	Notes	2013 £m	2012 £m
Operating activities			
Profit before interest and tax		94.7	64.5
Gains on disposals of investments/investment properties		(3.6)	(1.4)
Share of profits of joint ventures and associates (post-tax)	10	(21.8)	(22.6)
Investment property revaluation gains	8	(32.6)	(6.4)
Goodwill written off on corporate acquisition of investment properties		–	1.3
Depreciation	9	0.5	0.5
Impairment losses on inventories	12	1.7	3.8
(Increase)/decrease in inventories		(22.3)	55.7
Increase in trade and other receivables		(9.0)	(4.0)
Increase/(decrease) in trade and other payables		21.8	(51.0)
Share options and share awards		(0.1)	0.3
Tax paid	5(c)	(4.1)	(2.2)
Net cash inflow from operating activities		25.2	38.5
Investing activities			
Investment property disposals		54.0	29.5
Investment property additions		(74.5)	(37.4)
Property, plant and equipment additions		(0.4)	(0.3)
Cash and cash equivalents acquired with subsidiary		–	0.4
Interest received		–	3.1
Dividends received		1.7	–
Net cash outflow from investing activities		(19.2)	(4.7)
Financing activities			
Dividends paid	7	(8.2)	(6.8)
Dividends paid to non-controlling interests		(0.1)	(0.1)
Interest paid		(20.3)	(20.6)
Receipt of funds from equity placing		47.9	–
New borrowings drawn		51.0	98.8
Repayment of borrowings		(77.8)	(101.4)
Net cash outflow from financing activities		(7.5)	(30.1)
(Decrease)/increase in cash and cash equivalents		(1.5)	3.7
Cash and cash equivalents at start of year		8.9	5.2
Cash and cash equivalents at end of year		7.4	8.9

Accounting Policies

for the year ended 30th November 2013

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 2013, 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 2013

INCOME TAXES (CONTINUED)

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, 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 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

The Group accounts for 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.

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.

Accounting Policies (continued)

for the year ended 30th November 2013

FINANCIAL INSTRUMENTS (CONTINUED)

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 Financial Statements 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 Statements. 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 Strategic Report and adoption of the going concern assumption is confirmed in the Directors' Report.

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 2013. 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.

Taxation As a property group, tax planning is often an integral part of transactions. Where tax planning is entered into benefits are recognised by the Group to the extent the outcome is reasonably certain. Where tax planning has been challenged by HMRC, or management believe that there is a risk of such challenge, provision is made for the best estimate of potential exposure based on the information available at the Balance Sheet date. Management's assessment of the level of provision required is, where applicable, supported by the Group's tax advisors. If HMRC were to be successful in challenging tax planning arrangements to a greater extent than has been provided at the Balance Sheet date then additional provisions may be required.

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:

IAS12 (amended 2010) Deferred Tax: Recovery of Underlying Assets

IAS1 (amended 2011) Preferation of Items of Other Comprehensive Income

In addition, minor amendments to existing standards were made under Improvements to IFRSs (issued December 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):

IAS19 (revised 2013)	Defined Benefit Plans: Employee Contributions
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
IAS36 (amended 2013)	Recoverable Amount Disclosures for Non-financial Assets
IAS39 (amended 2013)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC20	Stripping Costs in the Production Phase of a Surface Mine
IFRIC21	Levies
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 and December 2013) are the latest tranches 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 Group Financial Statements

for the year ended 30th November 2013

1. REVENUE AND GROSS PROFIT

	2013			Total £m
	Rental £m	Development £m	Other £m	
Revenue	37.1	118.1	5.9	161.1
Cost of sales	(8.1)	(93.4)	(3.0)	(104.5)
Gross profit	29.0	24.7	2.9	56.6

	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

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 2013 was £169.0m (2012: £229.3m) and in addition to the amounts above included service charge income of £6.5m (2012: £6.9m), for which there was an equivalent expense and interest income of £1.4m (2012: £3.3m). In the year ended 30th November 2013 both development revenue and cost of sales include £20.8m (2012: £60.9m) in relation to amounts settled by the Ministry of Defence in respect of RAF Northolt under Project MoDEL.

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 £0.1m (2012: £0.2m) in respect of properties that did not generate any rental income.

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

	2013 £m	2012 £m
Revenue	41.9	77.7
Cost of sales	(27.3)	(63.2)
Gross profit	14.6	14.5

Amounts recoverable on contracts as disclosed in note 11 comprise £10.2m (2012: £7.2m) of contract revenue recognised and £0.8m (2012: £0.9m) of retentions.

There were no amounts due to customers (2012: £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	Group £m	2013 Joint ventures and associates £m	Total £m	Group £m	2012 Joint ventures and associates £m	Total £m
Net rental income		29.0	7.3	36.3	28.3	7.9	36.2
Development profit	(1)	26.4	0.5	26.9	26.2	1.2	27.4
Gains on disposal of investments/ investment properties		3.6	9.3	12.9	1.4	0.2	1.6
Other income		2.9	–	2.9	2.8	–	2.8
Administrative expenses		(19.9)	(0.3)	(20.2)	(18.1)	(0.5)	(18.6)
Finance costs	(2)	(20.4)	(6.5)	(26.9)	(18.8)	(6.2)	(25.0)
Finance income	(3)	1.4	–	1.4	1.1	–	1.1
Trading profit		23.0	10.3	33.3	22.9	2.6	25.5
Investment property revaluation gains	(1)	30.9	11.1	42.0	1.3	26.7	28.0
Other finance costs	(2)	(3.2)	–	(3.2)	(3.5)	(1.3)	(4.8)
Other finance income	(3)	8.0	2.1	10.1	4.1	–	4.1
Profit before all tax		58.7	23.5	82.2	24.8	28.0	52.8
Taxation		(6.6)	(1.7)	(8.3)	(5.1)	(5.4)	(10.5)
Profit for the year		52.1	21.8	73.9	19.7	22.6	42.3

- (1) Stated before the deduction of net realisable value provisions of: Group £1.7m (2012: £3.8m); joint ventures and associates £nil (2012: £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 £3.2m (2012: £3.5m); joint ventures and associates £nil (2012: £1.3m). 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 £8.0m (2012: £4.1m); joint ventures and associates £2.1m (2012: £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:

	Group £m	2013 Joint ventures and associates £m	Total £m	Group £m	2012 Joint ventures and associates £m	Total £m
Investment property revaluation gains	32.6	11.1	43.7	5.1	26.8	31.9
Net realisable value provisions	(1.7)	–	(1.7)	(3.8)	(0.1)	(3.9)
Property valuation gains	30.9	11.1	42.0	1.3	26.7	28.0
Added value	21.0	7.1	28.1	19.8	27.8	47.6
Market movements	9.9	4.0	13.9	(18.5)	(1.1)	(19.6)
Property valuation gains	30.9	11.1	42.0	1.3	26.7	28.0

The split of property valuation gains between added value and market movements is based on an analysis of total property valuation movements provided by the Group's external valuers: Jones Lang LaSalle LLP, Chartered Surveyors.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

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:

	Group £m	2013 Joint ventures and associates £m	Total £m	Group £m	2012 Joint ventures and associates £m	Total £m
Investment properties	813.3	137.6	950.9	770.4	174.9	945.3
Less assets held under finance leases	(3.9)	(1.2)	(5.1)	(3.9)	(1.2)	(5.1)
Add back lease incentives (recorded in receivables)	5.6	1.3	6.9	4.5	1.6	6.1
Inventories	205.9	3.6	209.5	175.2	7.5	182.7
Less 'barter' properties and accrued inventory ⁽¹⁾	(20.4)	–	(20.4)	(30.8)	–	(30.8)
Property portfolio	1,000.5	141.3	1,141.8	915.4	182.8	1,098.2

(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, and accrued inventory.

As at 30th November 2013 the Group had assets of £228.6m (2012: £167.4m) included within the Group property portfolio (excluding joint ventures and associates) which were wholly owned, unencumbered and able to be pledged as security for the Group's debt facilities.

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

	2013 £m	2012 £m
Retail	201.0	240.2
Offices	59.4	60.7
Industrial	253.2	260.6
Income producing	513.6	561.5
Residential land	481.8	397.4
Commercial land	146.4	139.3
Property portfolio	1,141.8	1,098.2

d. Movement in net debt

Movement in net debt as discussed in the Strategic Report is calculated as set out below:

	2013 £m	2012 £m
Movement in cash and cash equivalents	(1.5)	3.7
Borrowings drawn	(51.0)	(98.8)
Repayment of borrowings	77.8	101.4
Receipt of funds from equity placing	(47.9)	–
Joint venture debt repaid between 30 th November 2011 and acquisition as subsidiary undertakings on 31 st May 2012	–	1.6
(Increase)/decrease in equivalent net debt	(22.6)	7.9
Receipt of funds from equity placing	47.9	–
Joint venture debt at 30 th November 2011 now consolidated	–	(26.8)
Decrease/(increase) in net debt	25.3	(18.9)

Included in the increase in net debt for the year ended 30th November 2012 is £24.8m as a result of the Group now consolidating both Sowcrest Limited and Holaw 462 Limited as subsidiary undertakings. Prior to 30th November 2012 these entities were accounted for as joint ventures with net debt of £26.8m as at 30th November 2011.

e. Trading cash flow

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

	2013			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	31.9	–	–	31.9
Property disposals	118.1	54.0	–	172.1
Property acquisitions	(14.8)	(8.7)	–	(23.5)
Capital expenditure	(87.0)	(66.2)	–	(153.2)
Working capital and other movements	0.6	–	–	0.6
Overheads and interest	(19.5)	–	(20.3)	(39.8)
Taxation	(4.1)	–	–	(4.1)
Trading cash flow	25.2	(20.9)	(20.3)	(16.0)
Receipt of funds from equity placing	–	–	47.9	47.9
Net borrowings	–	–	(26.8)	(26.8)
Net dividends	–	1.7	(8.3)	(6.6)
Movement in cash and cash equivalents	25.2	(19.2)	(7.5)	(1.5)

	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

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

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.

	2013			2012		
	Group £m	VSM £m	Total £m	Group £m	VSM £m	Total £m
Investment property	744.6	68.7	813.3	703.6	66.8	770.4
Other non-current assets	108.9	10.6	119.5	88.0	15.6	103.6
Inventory	199.7	6.2	205.9	148.3	26.9	175.2
Cash and cash equivalents	3.2	4.2	7.4	5.0	3.9	8.9
Other current assets	34.7	25.0	59.7	26.9	19.6	46.5
Total assets	1,091.1	114.7	1,205.8	971.8	132.8	1,104.6
Current liabilities	(142.0)	(31.6)	(173.6)	(125.0)	(33.9)	(158.9)
Borrowings	(338.1)	(10.0)	(348.1)	(344.5)	(30.4)	(374.9)
Other non-current liabilities	(19.3)	(37.8)	(57.1)	(12.4)	(44.7)	(57.1)
Total liabilities	(499.4)	(79.4)	(578.8)	(481.9)	(109.0)	(590.9)
Net assets	591.7	35.3	627.0	489.9	23.8	513.7
Equity attributable to owners of the Company	587.7	26.5	614.2	485.3	17.3	502.6
Non-controlling interests	4.0	8.8	12.8	4.6	6.5	11.1
Total equity	591.7	35.3	627.0	489.9	23.8	513.7

g. Net assets per share

Net assets per share are calculated as set out below:

	2013	2012
Total equity (£m)	627.0	513.7
Less: Non-controlling interest	(12.8)	(11.1)
Equity attributable to owners of the Company	614.2	502.6
Deferred tax on capital allowances and revaluations	20.5	18.7
Mark-to-market of interest rate swaps	12.7	19.1
Fair value of inventories	8.5	3.9
Diluted EPRA net assets	655.9	544.3
Shares in issue (number)	220,376,988	200,360,931
Total equity attributable to owners of the Company net assets per share (pence)	278.7	250.8
Percentage increase	11%	8%
Diluted EPRA net assets per share (pence)	297.6	271.7
Percentage increase	10%	9%

h. Gearing and loan-to-value

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 Strategic Report. These figures assume that the equity placing was in place at 30th November 2012. Adjustments to derive these figures are also detailed below.

	Group £m	2013 Joint ventures and associates £m	Total £m	Group £m	2012 Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	1,000.5	141.3	1,141.8	915.4	182.8	1,098.2
Total equity	627.0	N/A	627.0	513.7	N/A	513.7
Adjustment assuming equity placed as at 30 th November 2012	–	N/A	–	47.9	N/A	47.9
Comparable equity	627.0	N/A	627.0	561.6	N/A	561.6
Net debt	340.7	33.0	373.7	366.0	82.5	448.5
Adjustment assuming equity placed as at 30 th November 2012	–	–	–	(47.9)	–	(47.9)
Comparable debt	340.7	33.0	373.7	318.1	82.5	400.6
Gearing	54%		60%	71%		87%
Loan-to-value	34%		33%	40%		41%
Equivalent gearing	54%		60%	57%		71%
Equivalent loan-to-value	34%		33%	35%		36%

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

3. OTHER INCOME STATEMENT DISCLOSURES

a. Administrative expenses

Administrative expenses have been arrived at after charging:

	2013 £m	2012 £m
Depreciation	0.5	0.5
Operating lease costs	0.7	1.0

b. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2013			2012		
	Audit and audit-related services £'000	Other services £'000	Total £'000	Audit and audit-related services £'000	Other services £'000	Total £'000
Fees payable for the audit of the Company's Annual Financial Statements	120	–	120	118	–	118
The audit of subsidiary companies and joint ventures pursuant to legislation	150	–	150	137	–	137
Total audit fees	270	–	270	255	–	255
Audit-related assurance services	55	–	55	55	–	55
Other assurance services	–	–	–	20	–	20
Tax compliance services	–	166	166	–	150	150
Tax advisory services	–	174	174	–	171	171
Property consulting	–	30	30	–	47	47
Total non-audit fees	55	370	425	75	368	443
Total fees	325	370	695	330	368	698

The above amounts include all amounts charged in respect of joint venture undertakings. Further information is included in the Audit Committee Report.

c. Employees

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

	2013 Number	2012 Number
Property	146	136
Leisure and other activities	63	63
Administration	46	41
Total employees	255	240

The total payroll costs of these employees were:

	2013 £m	2012 £m
Wages and salaries	12.8	12.5
Social security costs	1.9	1.6
Pension costs	0.8	0.8
Total payroll costs	15.5	14.9

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

d. Share-based payments

The Group has a Save As You Earn share option scheme which is open to all employees. Employees must ordinarily 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.

	Number of options	2013		Number of options	2012	
		Weighted average price			Weighted average price	
		All options £	Excluding PSP £		All options £	Excluding PSP £
Outstanding at start of year	10,930,665	1.49	1.90	8,623,043	1.57	1.96
Granted	1,758,696	2.09	2.97	3,021,762	1.25	1.77
Forfeited	(528,823)	1.92	1.92	(197,768)	(2.33)	(2.33)
Lapsed	(266,239)	0.20	4.10	(360,588)	(0.49)	(1.85)
Exercised	(1,522,802)	1.65	1.86	(155,784)	(1.66)	–
Outstanding at end of year	10,371,497	1.58	2.06	10,930,665	1.49	1.90
Exercisable at year end	3,324,326	1.90	2.06	2,672,736	2.01	2.20

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 2013	1.9	0.4–1.1	37.6–56.9	1.1	1.23–3.20
30 th November 2012	0.3	0.4–1.1	37.6–56.9	1.6	1.23–2.00

* Based on the earlier of the 90 day average to 30th November 2011 or, for options granted after this date, the closing share price on the date of grant.

The fair value of the share incentive reserve in respect of share options outstanding at the year end was £2.1m (2012: £2.4m) and included £0.7m (2012: £0.4m) 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 £3.00 (2012: £1.97). The executive share options outstanding at the year end had a range of exercise prices between £1.69 and £3.75 (2012: £1.14 and £3.75) with PSP options exercisable at £nil (2012: £nil) cost. Outstanding options had a weighted average maximum remaining contractual life of 9.0 years (2012: 9.0 years).

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

4. FINANCE COST AND FINANCE INCOME

	2013 £m	2012 £m
Interest payable on borrowings	(20.2)	(18.6)
Amortisation of loan arrangement fees	(1.2)	(1.2)
Amortisation of discount on deferred payment arrangements	(0.9)	(1.1)
Head rents treated as finance leases	(0.2)	(0.2)
Interest on pension scheme liabilities (note 18)	(1.1)	(1.2)
Total finance cost	(23.6)	(22.3)

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

	2013 £m	2012 £m
Interest receivable	1.4	1.1
Credit in respect of loan settlement fees	–	2.0
Credit in respect of discount on deferred receivables	0.1	0.2
Movement in fair value of interest rate derivatives	6.7	0.6
Expected return on pension scheme assets (note 18)	1.2	1.3
Total finance income	9.4	5.2

5. TAXATION

a. Tax on profit on ordinary activities

	2013 £m	2012 £m
Tax charge/(credit) in the Income Statement:		
Corporation tax		
Current year tax	4.3	3.4
Adjustments in respect of previous years	(0.1)	1.9
	4.2	5.3
Deferred tax		
Reversal of temporary differences	2.7	(0.4)
Impact of current year revaluations and indexation	3.0	2.7
Net (recognition)/utilisation of tax losses	(1.2)	0.9
Change in rate for provision of deferred tax	(1.0)	(0.5)
Adjustments in respect of previous years	(1.1)	(2.9)
	2.4	(0.2)
Total tax charge in the Income Statement	6.6	5.1
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	–	–

b. Reconciliation of effective tax rate

	2013 £m	2012 £m
Profit before tax	80.5	47.4
Less: joint ventures and associates	(21.8)	(22.6)
Pre-tax profit attributable to the Group	58.7	24.8
Corporation tax at 23.3% (2012: 24.7%)	13.7	6.1
Permanent differences	0.1	(0.7)
Short-term timing differences	5.8	(1.7)
Impact of current year revaluations and indexation	(3.0)	2.2
Difference between chargeable gains and accounting profit	(6.8)	0.7
Change in rate used for provision of deferred tax	(0.4)	(0.5)
Deferred tax asset recognised	(1.6)	–
Current year charge	7.8	6.1
Adjustments in respect of previous years	(1.2)	(1.0)
Tax charge for the year	6.6	5.1
Effective rate of tax	11%	21%

The post-tax results of joint ventures and associates are stated after a tax charge of £1.7m (2012: £5.4m). The effective tax rate for the Group including joint ventures and associates is a charge of 10.1% (2012: 19.9% charge).

The Finance Act 2013 was enacted on 17th July 2013 and included provisions which reduced the main rate of corporation tax to 21% from 1st April 2014 and 20% from 1st April 2015. Current tax has therefore been provided at 23.3% and deferred tax at 21% for amounts expected to reverse before 1st April 2015 and 20% for amounts expected to reverse thereafter.

c. Balance Sheet

	2013		2012	
	Corporation tax £m	Deferred tax £m	Corporation tax £m	Deferred tax £m
Balance at start of the year	3.3	8.5	0.2	8.7
Charge/(credit) to the Income Statement	4.2	2.4	5.3	(0.2)
Net payment	(4.1)	–	(2.2)	–
Balance at end of the year	3.4	10.9	3.3	8.5

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

	2013			2012		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Property revaluations	–	11.8	11.8	–	9.5	9.5
Capital allowances	–	3.5	3.5	–	3.6	3.6
Appropriations to trading stock	–	0.7	0.7	–	0.9	0.9
Unutilised tax losses	(1.6)	–	(1.6)	(0.1)	–	(0.1)
Other temporary differences	(3.5)	–	(3.5)	(5.4)	–	(5.4)
	(5.1)	16.0	10.9	(5.5)	14.0	8.5

At the Balance Sheet date, the Group has unused tax losses in relation to 2013 and prior years of £3.2m (2012: £1.8m), of which £1.6m (2012: £0.1m) has been recognised as a deferred tax asset. A deferred tax asset of £1.6m (2012: £1.7m) 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.

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.

As a property group, tax planning is often an integral part of transactions. Where tax planning is entered into benefits are recognised by the Group to the extent the outcome is reasonably certain. Where tax planning has been challenged by HMRC, or management believe that there is a risk of such challenge, provision is made for the best estimate of potential exposure based on the information available at the Balance Sheet date.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

6. EARNINGS PER SHARE

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

	2013 Number of shares	2012 Number of shares
Weighted number of shares in issue	215,236,438	200,145,177
Weighted number of dilutive shares	4,074,926	1,534,599
	219,311,364	201,679,776
	2013 £m	2012 £m
Profit attributable to equity shareholders (basic and diluted)	72.1	42.7
	2013 pence	2012 pence
Basic earnings per share	33.5	21.3
Diluted earnings per share	32.9	21.2

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 2012 and an interim dividend for 2013. 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.

	2013		2012	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.42	5.3	2.20	4.4
Interim dividend in respect of current year	1.33	2.9	1.21	2.4
Total	3.75	8.2	3.41	6.8
Proposed				
Current year final dividend	2.67	5.9	2.42	4.8

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 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 30 th November 2012	575.7	194.7	770.4
Additions – new properties	9.4	–	9.4
Other additions	54.9	6.3	61.2
Net transfers (from)/to inventories (note 12)	(10.7)	0.6	(10.1)
Reclassification from operating properties (note 9)	0.1	–	0.1
Disposals	(35.0)	(15.3)	(50.3)
Gain on revaluation	21.1	11.5	32.6
At 30th November 2013	615.5	197.8	813.3

Investment properties were valued at 30th November 2013 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 £nil (2012: £31.6m) acquired through business combinations.

The historical cost of investment properties at 30th November 2013 was £699.3m (2012: £680.5m).

As at 30th November 2013, £633.2m (2012: £632.8m) of investment property was pledged as security for the Group's loan facilities.

Included within leasehold investment properties are £3.9m (2012: £3.9m) of assets held under finance leases.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

9. OPERATING PROPERTY, PLANT AND EQUIPMENT

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30 th November 2011	6.9	4.9	11.8
Additions	0.1	0.1	0.2
At 30 th November 2012	7.0	5.0	12.0
Additions	–	0.4	0.4
Reclassified to investment property (note 8)	(0.1)	–	(0.1)
At 30th November 2013	6.9	5.4	12.3
Depreciation			
At 30 th November 2011	0.7	4.0	4.7
Charge for the year	0.1	0.4	0.5
At 30 th November 2012	0.8	4.4	5.2
Charge for the year	0.1	0.4	0.5
At 30th November 2013	0.9	4.8	5.7
Net book value			
At 30 th November 2011	6.2	0.9	7.1
At 30 th November 2012	6.2	0.6	6.8
At 30th November 2013	6.0	0.6	6.6
Tenure of operating properties:			
		2013 £m	2012 £m
Freehold		3.4	3.5
Leasehold		2.6	2.7
		6.0	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:

	2013			Total £m	2012			Total £m
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m		Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	
Income Statements								
Revenue	13.8	–	1.4	15.2	18.9	0.1	0.8	19.8
Net rental income	7.1	(0.1)	0.3	7.3	7.3	(0.1)	0.7	7.9
Development profits/(losses)	0.2	–	0.3	0.5	1.3	–	(0.2)	1.1
Gains on disposal of investments/ investment properties	9.3	–	–	9.3	0.2	–	–	0.2
Investment property revaluation gains/(losses)	6.2	5.1	(0.2)	11.1	(0.4)	27.2	–	26.8
Administrative expenses	(0.2)	(0.1)	–	(0.3)	(0.3)	(0.1)	(0.1)	(0.5)
Profit before interest and tax	22.6	4.9	0.4	27.9	8.1	27.0	0.4	35.5
Finance cost	(4.1)	(2.3)	(0.1)	(6.5)	(4.8)	(2.4)	(0.3)	(7.5)
Finance income	1.9	0.2	–	2.1	–	–	–	–
Profit before tax	20.4	2.8	0.3	23.5	3.3	24.6	0.1	28.0
Taxation	(1.6)	(0.1)	–	(1.7)	0.3	(5.5)	(0.2)	(5.4)
Profit/(loss) for the year	18.8	2.7	0.3	21.8	3.6	19.1	(0.1)	22.6

Included in other joint ventures and associates above are results from associated companies of £nil (2012: losses of £0.1m).

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

	2013			Total £m	2012			Total £m
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m		Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	
Balance Sheets								
Non-current assets	80.7	60.0	6.4	147.1	116.8	58.9	3.8	179.5
Current assets	10.2	2.9	4.1	17.2	13.6	2.9	4.8	21.3
Current liabilities	(8.9)	(16.0)	(2.4)	(27.3)	(19.2)	(6.2)	(0.9)	(26.3)
Non-current liabilities	(15.2)	(25.1)	(1.4)	(41.7)	(62.0)	(36.5)	(0.8)	(99.3)
Net assets	66.8	21.8	6.7	95.3	49.2	19.1	6.9	75.2
Equity at start of year	49.2	19.1	6.9	75.2	45.6	–	4.7	50.3
Transfer from joint venture to subsidiary undertaking	–	–	–	–	–	–	2.3	2.3
Profit/(loss) for the year	18.8	2.7	0.3	21.8	3.6	19.1	(0.1)	22.6
Dividends paid	(1.2)	–	(0.5)	(1.7)	–	–	–	–
Equity at end of year	66.8	21.8	6.7	95.3	49.2	19.1	6.9	75.2

Included in other joint ventures and associates above are net assets of £2.8m (2012: £2.9m) in relation to associated companies. These net assets comprise total assets of £3.6m (2012: £3.6m) and total liabilities of £0.8m (2012: £0.7m).

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

10. JOINT VENTURES AND ASSOCIATES (CONTINUED)

Joint venture companies and associates comprise:

Name	Status	Interest	Principal nature of business
Key Property Investments Limited	Joint venture	50%	Property investment and development
VSM Estates Uxbridge (Group) Limited	Joint venture	50%	Property investment and development
VSM (NCGM) Limited	Joint venture	50%	Property development
Barton Business Park Limited	Joint venture	50%	Property development
Killingholme Energy Limited	Joint venture	50%	Property development
Killingholme Land Limited	Joint venture	50%	Property development
Meaford Energy Limited	Joint venture	50%	Property development
Meaford Land Limited	Joint venture	50%	Property development
Skypark Development Partnership LLP	Joint venture	50%	Property development
Wrexham Land Limited	Joint venture	50%	Property development
Wrexham Power Limited	Joint venture	50%	Property development
Coed Darcy Limited	Associate	49%	Property investment and development
Baglan Bay Company Limited	Associate	25%	Property management

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

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

11. TRADE AND OTHER RECEIVABLES

	2013 £m	2012 £m
Non-current		
Other debtors	11.6	15.6
Amounts due from joint ventures	6.0	6.0
	17.6	21.6
Current		
Trade receivables	2.2	4.9
Prepayments and accrued income	4.9	7.1
Other debtors	29.3	18.2
Amounts recoverable on contracts	11.0	8.1
Amounts due from joint ventures	12.3	8.2
	59.7	46.5

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

12. INVENTORIES

	2013 £m	2012 £m
Properties held for sale	9.7	9.6
Properties under construction	177.3	143.1
Land under option	18.9	22.5
	205.9	175.2

The movement in inventories during the two years ended 30th November 2013 is as follows:

	£m
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 30 th November 2012	175.2
Additions	114.0
Net transfers from investment property (note 8)	10.1
Disposals (transferred to development cost of sales) (note 1)	(93.4)
At 30th November 2013	205.9

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 £1.7m (2012: £3.8m).

As at 30th November 2013 £43.3m (2012: £41.0m) of inventory was pledged as security for the Group's loan facilities.

13. TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Current		
Trade payables	21.1	20.4
Amounts due to joint ventures	25.0	13.1
Other payables and accrued expenses	92.8	74.8
Other payables on deferred terms	18.5	27.8
Derivative financial instruments	12.8	19.5
	170.2	155.6
Non-current		
Other payables on deferred terms	42.3	44.7
Finance lease liabilities (head rents)	3.9	3.9
	46.2	48.6

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 Group Financial Statements (continued)

for the year ended 30th November 2013

14. BORROWINGS

	2013 £m	2012 £m
Current		
Bank overdrafts	–	3.3
Bank loans	62.5	–
	62.5	3.3
Non-current		
Amounts repayable between one and two years	64.0	85.1
Amounts repayable between two and five years	138.0	201.6
Amounts repayable after more than five years	83.6	84.9
	285.6	371.6
Total	348.1	374.9

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:

	Drawn £m	2013 Undrawn £m	Total £m	Drawn £m	2012 Undrawn £m	Total £m
Secured floating rate borrowings:						
Less than one year ⁽¹⁾	62.5	42.5	105.0	3.3	1.7	5.0
One to two years	74.0	20.0	94.0	85.1	14.9	100.0
Two to three years	128.0	67.0	195.0	120.3	84.7	205.0
Three to four years	–	–	–	81.3	23.7	105.0
More than five years	3.6	1.0	4.6	4.9	0.1	5.0
	268.1	130.5	398.6	294.9	125.1	420.0
Unsecured fixed rate borrowings:						
More than five years	80.0	–	80.0	80.0	–	80.0
	348.1	130.5	478.6	374.9	125.1	500.0

(1) In addition to the principal amounts included above, £0.8m (2012: £0.9m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

No undrawn committed facilities are ring fenced for VSM Estates (Holdings) Limited (2012: £0.6m).

Interest rate profile

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

	2013		2012	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	68.1	Margin + 3 month LIBOR	64.9	Margin + 3 month LIBOR
Fixed rate bank debt	200.0	Margin + 3.34% weighted average swap rate	230.0	Margin + 3.34% weighted average swap rate
Fixed rate retail bond	80.0	6.25% fixed rate	80.0	6.25% fixed rate
At 30th November 2013	348.1		374.9	

The average margin on the Group's bank debt is 2.0% (2012: 2.1%).

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% (2012: 2.01% to 5.16%). 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.

	2013				2012			
	Earliest termination		Latest termination		Earliest termination		Latest termination	
	£m	%*	£m	%*	£m	%*	£m	%*
Less than one year	20.0	3.83%	10.0	2.79%	30.0	4.83%	10.0	4.65%
One to two years	70.0	3.28%	70.0	3.28%	60.0	3.60%	50.0	3.34%
Two to three years	60.0	2.99%	60.0	2.99%	50.0	2.91%	50.0	2.91%
Three to four years	20.0	2.01%	20.0	2.01%	60.0	2.99%	60.0	2.99%
Four to five years	30.0	4.72%	40.0	4.76%	20.0	2.01%	20.0	2.01%
More than five years	–		–		10.0	4.32%	40.0	4.76%
	200.0	3.34%	200.0	3.34%	230.0	3.34%	230.0	3.34%

* 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 2.4 years (2012: 2.8 years).

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

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:

	2013 £m	2012 £m
In one year or less	1.0	0.8
Between one and five years	2.7	2.9
In five years or more	0.3	0.1
	4.0	3.8

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:

	2013 £m	2012 £m
In one year or less	30.2	29.2
Between one and five years	86.8	87.1
In five years or more	184.2	167.6
	301.2	283.9

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.4m (2012: £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:

	2013			2012		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
In one year or less	0.2	0.2	–	0.2	0.2	–
Between one and five years	1.0	1.0	–	1.0	1.0	–
In five years or more	65.9	62.0	3.9	66.1	62.2	3.9
	67.1	63.2	3.9	67.3	63.4	3.9

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2012: 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	Notes	2013 £m	2012 £m
Loans and receivables:			
Cash and cash equivalents	(1)	7.4	8.9
Trade and other receivables	(1)	52.4	46.1
		59.8	55.0
<hr/>			
Financial liabilities	Notes	2013 £m	2012 £m
Derivative financial instruments held at fair value through profit or loss	(2)	12.8	19.5
Amortised cost:			
Bank loans and overdrafts	(1)	268.1	294.9
Retail Bond	(1)	80.0	80.0
Trade and other payables	(1)	87.2	68.0
Other payables on deferred terms	(1)	60.8	72.5
Finance lease liabilities (head rents)	(1)	3.9	3.9
		512.8	538.8

(1) The directors consider that the carrying amount recorded in the Financial Statements approximates their fair value.

(2) Derivative financial instruments are carried at fair value. The fair value is calculated using quoted market prices relevant for the term and instrument.

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 £9.0m (2012: £6.8m) 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 £51.7m (2012: £40.3m) of non-financial liabilities.

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 £12.8m recognised as at 30th November 2013 (2012: £19.5m) 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 subsequent 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 Group Financial Statements (continued)

for the year ended 30th November 2013

16. FINANCIAL INSTRUMENTS (CONTINUED)

	2013 £m	2012 £m
1% increase in interest rates		
Interest on borrowings	(1.6)	(2.1)
Effect of interest rate swaps	1.6	1.7
	–	(0.4)
1% decrease in interest rates		
Interest on borrowings	1.6	2.1
Effect of interest rate swaps	(1.6)	(1.7)
	–	0.4

Credit risk

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

The credit risk on the Group's liquid funds and derivative financial instruments is limited because the counterparties are banks with 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 (2012: £1.6m) 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 £0.5m (2012: £0.4m) 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.

	2013 £m	2012 £m
Movement in the allowance for doubtful debts		
At start of year	0.4	0.5
Impairment losses recognised	0.6	0.4
Amounts written off as uncollectable	(0.3)	(0.2)
Impairment losses reversed	(0.2)	(0.3)
At end of year	0.5	0.4

Trade and other receivables include £0.5m (2012: £1.0m) which are past due as at 30th November 2013 for which no provision has been made because the amounts are considered recoverable. The following table provides an ageing analysis of these balances.

	2013 £m	2012 £m
Number of days past due but not impaired		
1 – 30 days	0.1	0.3
31 – 60 days	0.2	0.3
More than 60 days	0.2	0.4
	0.5	1.0

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 fixed rate debt bilateral facilities, overdrafts and cash with a range of maturity dates to ensure continuity of funding.

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 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 5 years £m	More than 5 years £m	Total £m
2013						
Trade and other payables	42.4	8.6	35.9	–	65.9	152.8
Other payables on deferred terms	–	–	18.6	46.3	–	64.9
	42.4	8.6	54.5	46.3	65.9	217.7
	Less than 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 5 years £m	More than 5 years £m	Total £m
2012						
Trade and other payables	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

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

17. SHARE CAPITAL

	Ordinary 10p shares Number	£m
Equity share capital		
At start of year	200,360,931	20.0
Issue of share capital	20,016,057	2.0
At end of year	220,376,988	22.0

On 1st March 2013 the Group completed a 'cash box' placing of 20,016,057 ordinary shares of 10p each at £2.45 per share. Net proceeds were £47.9m after share issue costs, of which the £2.0m nominal value of the shares was credited to share capital with the balance to other reserves.

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

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

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, from 1st September 2009, future accrual. The Income Statement includes:

- a charge of £0.2m (2012: £0.1m) for the defined benefit section; and
- a charge of £0.6m (2012: £0.6m) 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 2013 on an IAS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2013	2012	2011
Rate of increase in deferred pensions	2.6%	2.0%	2.4%
Rate of increase in pensions in payment			
Pre-6 th April 1997 benefits	3.0%	2.7%	3.0%
Post-5 th April 1997 benefits	3.4%	2.7%	3.1%
Discount rate	4.5%	4.3%	4.9%
Inflation assumption	2.6%	2.0%	2.4%

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 26.7 years and non-retired members for 29.0 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 2013 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:

	2013		2012		2011	
	%	£m	%	£m	%	£m
Equities	4.7	7.6	4.5	11.0	5.1	9.5
Bonds	4.0	14.6	4.2	9.7	4.8	7.9
Property	4.7	5.8	4.5	6.4	5.1	8.2
Cash and other assets	3.7	1.0	3.2	1.0	4.0	1.5
		29.0		28.1		27.1
Actuarial value of liabilities		(28.5)		(27.0)		(24.8)
Unrecognised surplus		(0.5)		(1.1)		(2.3)
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 £0.5m) recorded in the Group Statement of Comprehensive Income is a loss of £0.2m (2012: £0.1m).

Analysis of the amount charged to operating profit

	2013 £m	2012 £m	2011 £m
Current service cost and total operating charge	(0.2)	(0.2)	(0.2)

Analysis of the amount credited to finance costs and income

	2013 £m	2012 £m	2011 £m
Expected return on pension scheme assets	1.2	1.3	1.5
Interest on pension scheme liabilities	(1.1)	(1.2)	(1.3)
	0.1	0.1	0.2

The actual return on pension scheme assets was a gain of £2.0m (2012: £2.4m). The expected return on pension scheme assets was calculated assuming cash and gilts will make returns in line with the yield on the 15 year gilt index and that equities and properties will return 1.2% 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

	2013 £m	2012 £m	2011 £m
Difference between expected and actual return on assets	0.8	1.1	(0.4)
Experience gains and losses arising on fair value of scheme liabilities	(0.2)	(0.5)	(1.8)
Effects of changes in the demographic and financial assumptions underlying the fair value of the scheme liabilities	(1.3)	(1.8)	1.8
Change in unrecognised surplus	0.6	1.1	0.2
Total actuarial loss	(0.1)	(0.1)	(0.2)

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Beginning of year	27.0	24.8	24.7	26.9	23.6
Movement in year:					
Current service cost	0.2	0.2	0.2	0.2	0.2
Employee contributions	-	-	-	-	0.1
Interest cost	1.1	1.2	1.3	1.4	1.4
Actuarial gains and losses	1.5	2.3	-	(1.3)	3.7
Benefits paid	(1.3)	(1.5)	(1.4)	(2.5)	(1.4)
Curtailement gain	-	-	-	-	(0.7)
End of year	28.5	27.0	24.8	24.7	26.9

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

18. PENSIONS (CONTINUED)

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Beginning of year	28.1	27.1	27.2	27.1	24.9
Movement in year:					
Expected return on scheme assets	1.2	1.3	1.5	1.5	1.4
Contributions by employer	0.2	0.2	0.2	0.2	0.3
Employee contributions	-	-	-	-	0.1
Actuarial gains and losses	0.8	1.0	(0.4)	0.9	1.8
Benefits paid	(1.3)	(1.5)	(1.4)	(2.5)	(1.4)
End of year	29.0	28.1	27.1	27.2	27.1
Surplus in scheme at the year end	0.5	1.1	2.3	2.5	0.2
Unrecognised surplus	(0.5)	(1.1)	(2.3)	(2.5)	(0.2)
Net surplus	-	-	-	-	-

History of experience gains and losses

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Difference between expected and actual return on scheme assets:					
Amount	0.8	1.1	(0.4)	0.9	1.8
Percentage of scheme assets	2.8%	3.9%	(1.5%)	3.3%	6.6%
Experience gains and losses on scheme liabilities:					
Amount	(0.2)	(0.5)	(1.8)	(0.7)	3.7
Percentage of fair value of scheme liabilities	0.7%	1.9%	7.3%	2.8%	(13.8%)

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) and Chertsey Road Property Limited, 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. The acquisitions provided 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.

As required by IFRS 3 (2008) Business Combinations, these deemed acquisitions of control resulted in the joint venture interests being remeasured to their fair values at the acquisition date and net goodwill arising. This was not deemed to be recoverable, and was written off to the Income Statement in the year ended 30th November 2012.

Fair values were reported as provisional in the Financial Statements for the year ended 30th November 2012. No subsequent amendments were made.

20. CAPITAL COMMITMENTS

At 30th November 2013 the Group had contracted capital expenditure of £12.6m (2012: £11.0m). In addition the Group's share of the contracted capital expenditure of its joint venture undertakings was £2.8m (2012: £5.6m). 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 VINCI PLC has provided a joint and several parent company guarantee in respect of the £40m bank facility provided to VSM Estates Uxbridge Limited, a subsidiary of VSM Estates Uxbridge (Group) Limited. The Group, together with VINCI PLC, has provided a joint and several guarantee in respect of the obligations of VSM (NCGM) Limited relating to the redevelopment of New Covent Garden Market, London. This is a guarantee in the ordinary course of business and would require the guarantors to comply with the terms of the development agreement and to indemnify Covent Garden Market Authority against any breach of those terms.

The Group, together with Sahlia Real Estate K.S.C. 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 2013. The Group has provided a guarantee of up to £80m in respect of corporate obligations related to the share sale and purchase agreement facilitating the sale of Elephant and Castle Shopping Centre. Sahlia Real Estate K.S.C. has provided a guarantee to the Group in respect of 50% of these obligations.

St. Modwen Properties PLC has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 30th November 2013.

Name of subsidiary	Company Registration Number
Festival Waters Limited	04354481
Shaw Park Developments Limited	04625000
St. Modwen Developments (Chorley) Limited	05727011
St. Modwen Developments (Connah's Quay) Limited	05726352
St. Modwen Developments (Hull) Limited	05593517
St. Modwen Developments (Longbridge) Limited	02885028
St. Modwen Developments (Meon Vale) Limited	05294589
St. Modwen Developments (Queens Market) Limited	05289380
St. Modwen Developments (Quinton) Limited	01479159
St. Modwen Developments (Wythenshawe) Limited	05594279
St. Modwen Investments Limited	00528657

22. RELATED PARTY TRANSACTIONS

Transactions between the Group and its non-wholly owned subsidiaries, joint ventures and associates are all undertaken on an arm's 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 £0.5m (2012: £0.7m). The balance due to the Group at year end was £1.8m (2012: £4.3m). No interest is charged on this balance.

VSM Estates Uxbridge (Group) Limited (VSM Uxbridge)

In the prior 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 under Project MoDEL.

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 £13.7m (2012: £8.6m), of which £6.0m (2012: £6.0m) is loan notes on which interest is chargeable. Interest charged in the year ended 30th November 2013 was £1.4m (2012: £0.7m).

Barton Business Park Limited (Barton)

The balance due to Barton at the year end was £3.8m (2012: £3.8m). No interest is charged on this balance.

Skypark Development Partnership LLP (Skypark)

During the year the Group provided funding of £0.6m to Skypark (2012: £nil). The balance due to the Group from Skypark at the year end was £1.1m (2012: £0.5m), of which £1.1m (2012: £0.5m) relates to loan notes issued to the Group. No interest is charged on this balance.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2013

22. RELATED PARTY TRANSACTIONS (CONTINUED)

Wrexham Power Limited (Wrexham Power)

During the year the Group provided funding to Wrexham Power of £nil (2012: £0.2m). The balance due to the Group at the year end was £0.2m (2012: £0.2m). No interest is charged on this balance.

Wrexham Land Limited, (Wrexham Land)

During the year the Group provided funding to Wrexham Land of £nil (2012: £0.1m). The balance due to the Group at the year end was £0.1m (2012: £0.1m). No interest is charged on this balance.

VSM (NCGM) Limited (VSM (NCGM))

In December 2012 the Group set up VSM (NCGM) as a new joint venture with VINCI PLC to jointly redevelop the 57 acre New Covent Garden Market sites in partnership with the Covent Garden Market Authority.

During the year the Group provided funding to VSM (NCGM) of £1.4m (2012: £nil). The balance due to the Group at the year end was £1.4m (2012: £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 (2012: £0.4m) with an annual rental payable of £0.1m (2012: £0.1m). The balance due to the Group at year end was £0.1m (2012: £0.1m).

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 less than a 90% interest were as follows:

	Management fees		Interest		Balance	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Norton & Proffitt Developments Limited	–	–	–	–	(0.2)	(0.4)
Stoke-on-Trent Regeneration (Investments) Limited	–	–	–	–	(0.8)	0.8
Stoke-on-Trent Regeneration Limited	–	–	(0.1)	(0.1)	(3.5)	(3.7)
Trentham Leisure Limited	–	–	1.4	1.4	19.5	19.7
Uttoxeter Estates Limited	–	–	–	–	(0.2)	(0.4)
VSM Estates (Holdings) Limited	–	0.2	0.6	0.8	(17.3)	(7.3)
Widnes Regeneration Limited	–	–	–	–	2.3	2.4
	–	0.2	1.9	2.1	(0.2)	11.1

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 (2012: £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.

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.

Company Balance Sheet

as at 30th November 2013

	Notes	2013 £m	2012 £m
Fixed assets			
Tangible fixed assets	E	0.5	0.5
Investments held as fixed assets	F	692.7	650.4
		693.2	650.9
Current assets			
Debtors (including amounts falling due after more than one year of £212.6m (2012: £221.0m))	G	514.2	437.8
Cash at bank and in hand		3.2	2.9
Current liabilities			
Creditors: amounts falling due within one year	H	(296.7)	(293.0)
Net current assets		220.7	147.7
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	H	(270.0)	(271.1)
Net assets		643.9	527.5
Capital and reserves			
Called up share capital	K	22.0	20.0
Share premium account	L	102.8	102.8
Revaluation reserve	L	422.9	380.6
Profit and Loss Account	L	48.2	21.9
Share incentive reserve	L	2.1	2.4
Own shares	L	(0.3)	(0.5)
Other reserves	L	46.2	0.3
Equity shareholders' funds		643.9	527.5

These Financial Statements were approved by the Board of Directors on 3rd February 2014 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 Financial Statements

for the year ended 30th November 2013

(A). ACCOUNTING POLICIES

Basis of preparation

The Financial Statements and notes have been prepared in accordance with applicable UK GAAP on a going concern basis, as discussed in the Strategic Report.

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 two to five 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.

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

The Company accounts for 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 Company'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.

Notes to the Company Financial Statements (continued)

for the year ended 30th November 2013

(A). ACCOUNTING POLICIES (CONTINUED)

Own shares

Shares in St. Modwen Properties PLC 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 profit for the year ended 30th November 2013 was £34.6m (2012: £9m loss).

(C). OPERATING EXPENSES

(i) Audit fees

	2013			2012		
	Audit and audit-related services £'000	Other services £'000	Total £'000	Audit and audit-related services £'000	Other services £'000	Total £'000
Fees paid to Deloitte LLP in respect of:						
Fees payable for the audit of the Company's Annual Financial Statements	150	–	150	137	–	137
Total audit fees	150	–	150	137	–	137
Audit-related assurance services	50	–	50	50	–	50
Other assurance services	–	–	–	–	20	20
Tax compliance services	–	50	50	–	50	50
Tax advisory services	–	45	45	–	19	19
Total non-audit fees	50	95	145	50	89	139
Total fees	200	95	295	187	89	276

(ii) Employees

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

	2013 Number	2012 Number
Property	146	136
Leisure and other activities	38	38
Administration	46	41
Total employees	230	215

The total payroll costs of the employees were:

	2013 £m	2012 £m
Wages and salaries	11.7	11.4
Social security costs	1.8	1.5
Pension costs	0.7	0.7
Total payroll costs	14.2	13.6

(D). DIVIDENDS

Dividends paid during the year were in respect of the final dividend for 2012 and an interim dividend for 2013. 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.

	2013		2012	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.42	5.3	2.20	4.4
Interim dividend in respect of current year	1.33	2.9	1.21	2.4
Total	3.75	8.2	3.41	6.8
Proposed				
Current year final dividend	2.67	5.9	2.42	4.8

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 30 th November 2012	0.3	2.5	2.8
Additions	–	0.2	0.2
At 30th November 2013	0.3	2.7	3.0
Depreciation			
At 30 th November 2012	–	2.3	2.3
Charge for the year	–	0.2	0.2
At 30th November 2013	–	2.5	2.5
Net book value			
At 30 th November 2012	0.3	0.2	0.5
At 30th November 2013	0.3	0.2	0.5

Investment properties were valued at 30th November 2013 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.

Notes to the Company Financial Statements (continued)

for the year ended 30th November 2013**(F). INVESTMENTS HELD AS FIXED ASSETS**

	Investment in subsidiary companies £m	Investment in joint ventures £m	Total £m
Valuation			
At 30 th November 2012	565.0	85.4	650.4
Revaluation of investments	23.3	19.0	42.3
At 30th November 2013	588.3	104.4	692.7
Cost			
At 30 th November 2012	278.3	26.5	304.8
At 30th November 2013	278.3	26.5	304.8

Subsidiary companies

At 30th November 2013 the principal subsidiaries, all of which were held directly by the Company, were as follows:

Entity name	Country of incorporation	Proportion of ordinary shares held	Principal nature of business
Chaucer Estates Limited	England & Wales	100%	Property investment
Holaw (462) Limited	England & Wales	100%	Property investment
Leisure Living Limited	England & Wales	100%	Leisure operator
Redman Heenan Properties Limited	England & Wales	100%	Property investment
Sowcrest Limited	England & Wales	100%	Property development
St. Modwen Developments Limited	England & Wales	100%	Property development
St. Modwen Properties Sarl	Luxembourg	100%	Property investment
St. Modwen Ventures 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 2013 the principal joint ventures were:

Entity name	Country of incorporation	Proportion of ordinary shares held	Principal nature of business
Barton Business Park Limited	England & Wales	50%	Property development
Key Property Investments Limited	England & Wales	50%	Property investment and development
Skypark Development Partnership LLP	England & Wales	50%	Property development
VSM Estates Uxbridge (Group) Limited	England & Wales	50%	Property investment and development

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

The Company has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 by providing information only in relation to undertakings whose results or financial position, in the opinion of the directors, principally affected the Group Financial Statements.

A complete list of subsidiary, joint venture and associated undertakings will be attached to the next St. Modwen Properties PLC annual return to Companies House.

(G). DEBTORS

	2013 £m	2012 £m
Amounts falling due after more than one year:		
Amounts falling due from subsidiaries	206.6	215.0
Amounts due from joint venture and associated companies	6.0	6.0
	212.6	221.0
<hr/>		
	2013 £m	2012 £m
Amounts falling due within one year:		
Trade debtors	0.3	0.3
Amounts due from subsidiaries	275.8	196.5
Amounts due from joint venture and associated companies	11.2	6.8
Other debtors	1.4	1.2
Prepayments and accrued income	3.2	3.8
Corporation tax	5.9	2.9
Deferred tax asset (see note J)	3.8	5.3
	301.6	216.8

(H). CREDITORS

	2013 £m	2012 £m
Amounts falling due within one year:		
Bank overdrafts	8.4	5.4
Trade creditors	0.8	1.2
Amounts due to subsidiaries	257.7	252.1
Amounts due to joint venture and associated companies	4.0	3.9
Other tax and social security	1.5	0.8
Other creditors	1.4	0.8
Accruals and deferred income	10.6	10.3
Derivative financial instruments	12.3	18.5
	296.7	293.0
<hr/>		
	2013 £m	2012 £m
Amounts falling due after more than one year:		
Bank loans	190.0	191.1
Other loans	80.0	80.0
	270.0	271.1

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.

Notes to the Company Financial Statements (continued)

for the year ended 30th November 2013

(I). BORROWINGS

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

	2013 £m	2012 £m
Less than one year	62.5	5.4
One to two years	45.0	100.0
Two to five years	82.5	91.1
More than five years	80.0	80.0
Total	270.0	276.5

(J). DEFERRED TAXATION

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

	Provided		Unprovided	
	2013 £m	2012 £m	2013 £m	2012 £m
Other timing differences	(3.8)	(5.3)	-	-
	(3.8)	(5.3)	-	-

Reconciliation of movement on deferred tax asset included in debtors

	£m
Balance as at 30 th November 2012	(5.3)
Profit and Loss Account	1.5
Balance as at 30th November 2013	(3.8)

Reconciliation of deferred tax liability included in pension scheme asset

	£m
Balance as at 30 th November 2012	-
Profit and Loss Account	-
Statement of Total Recognised Gains and Losses	-
Balance as at 30th November 2013	-

(K). SHARE CAPITAL

	Ordinary 10p shares Number	£m
Equity share capital		
At start of year	200,360,931	20.0
Issue of share capital	20,016,057	2.0
At end of year	220,376,988	22.0

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

On 1st March 2013 the Group completed a 'cash box' placing of 20,016,057 ordinary shares of 10p each at £2.45 per share. Net proceeds were £47.9m after share issue costs, of which the £2.0m nominal value of the shares was credited to share capital with the balance to other reserves.

(L). RESERVES

	Share premium account £m	Revaluation reserve £m	Profit and Loss Account £m	Share incentive reserve £m	Own shares £m	Other reserves £m
At 30 th November 2012	102.8	380.6	21.9	2.4	(0.5)	0.3
Surplus on revaluation of investments	–	42.3	–	–	–	–
Retained profit for the year (note B)	–	–	34.6	–	–	–
Equity raise	–	–	–	–	–	45.9
Share-based payment charge	–	–	–	(0.3)	–	–
Net share disposals	–	–	–	–	0.2	–
Dividends paid (note D)	–	–	(8.2)	–	–	–
Actuarial loss on pension scheme (note M)	–	–	(0.1)	–	–	–
Movement on deferred tax relating to pension asset (note J)	–	–	–	–	–	–
At 30th November 2013	102.8	422.9	48.2	2.1	(0.3)	46.2

Own shares represents the cost of 72,582 (2012: 215,754) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2013 was £259,553 (2012: £469,912). In addition the Employee Benefit Trust has £0.1m (2012: £0.1m) of cash and £0.3m due to the Company (2012: £3.5m 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:

	2013		2012	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases which expire:				
In one year or less	–	0.2	–	0.1
Between one and five years	0.5	0.4	0.1	0.4
In more than five years	0.1	0.2	0.5	0.2
	0.6	0.8	0.6	0.7

(O). CONTINGENT LIABILITIES

Details of contingent liabilities together with guarantees made in respect of certain subsidiaries in order that they qualify for the exemption from audit under S479A of the Companies Act 2006 are provided in note 21 to the Group Financial Statements. Further, the Company guarantees the performance of its subsidiaries in the course of their usual commercial activities.

(P). RELATED PARTY TRANSACTIONS

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

Five Year Record

	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m
Rental income ⁽¹⁾	33.5	33.7	35.5	36.2	36.3
Property profits ⁽¹⁾⁽²⁾	7.6	21.9	23.8	29.0	39.8
Revaluation surplus/(deficit) ⁽¹⁾⁽³⁾	(122.3)	23.0	33.9	28.0	42.0
Pre-tax profit/(loss) ⁽⁴⁾	(120.2)	38.2	51.7	52.8	82.2
Earnings/(loss) per share (pence)	(59.7)	18.6	21.7	21.3	33.5
Dividends paid per share (pence)	–	1.00	3.10	3.41	3.75
Dividend cover (times)	–	18.6	7.0	6.2	9.4
Net assets per share (pence)	200.1	218.6	237.6	256.4	278.7
Increase/(decrease) on prior year	(20%)	9%	9%	8%	11%
Net assets employed					
Investment properties	762.9	828.0	848.7	770.4	813.3
Investments	41.3	49.4	50.3	75.2	95.3
Inventories	192.7	171.6	191.1	175.2	195.5
Other net liabilities	(277.1)	(297.3)	(267.0)	(141.1)	(136.4)
Net borrowings	(318.8)	(314.9)	(347.1)	(366.0)	(340.7)
Minority interests	(8.7)	(9.6)	(11.6)	(11.1)	(12.8)
Equity attributable to owners of the Company	392.3	427.2	464.4	502.6	614.2
Financed by					
Share capital	20.0	20.0	20.0	20.0	22.0
Reserves	372.7	407.8	444.9	483.1	592.5
Own shares	(0.4)	(0.6)	(0.5)	(0.5)	(0.3)
	392.3	427.2	464.4	502.6	614.2

(1) Including share of joint ventures

(2) Stated before net realisable value provisions

(3) Including net realisable value provisions

(4) Including post-tax profit of joint ventures

The figures above are all presented under IFRSs.

Glossary of Terms

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.

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.

Interest — 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).

Interest Cover Ratio — the ratio of operating income to interest.

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.

Net asset value (NAV) per share — equity attributable to owners of the Company 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.

Profit before all tax — profit before tax stated before the deduction of tax payable by joint ventures and associates.

Project MoDEL — Project MoDEL originally saw six former London-based RAF sites freed up for disposal and development as the MoD relocated to an integrated site at RAF Northolt. VINCI St. Modwen (VSM) was appointed by the MoD in 2006 to secure planning consent to redevelop the six sites of which VSM disposed of four, retaining RAF Mill Hill and RAF Uxbridge. The latter was removed from the MoD arrangement and transferred to a separate joint venture with VINCI in 2012.

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.

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 seventy third 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 Friday, 28th March 2014 at 12.00 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 17 inclusive will be proposed as ordinary resolutions and resolutions 18 to 20 inclusive will be proposed as special resolutions.

ORDINARY BUSINESS

1. That the Annual Report and Financial Statements for the financial year ended 30th November 2013 be received.
2. That the Directors' Remuneration Report, excluding the part containing the directors' remuneration policy, set out on pages 76 to 97 of the Annual Report and Financial Statements for the financial year ended 30th November 2013 be approved.
3. That the directors' remuneration policy, the full text of which is set out on pages 78 to 87 of the Annual Report and Financial Statements for the financial year ended 30th November 2013 and which will take effect from 1st December 2014, be approved.
4. That a final dividend for the financial year ended 30th November 2013 of 2.67p per ordinary share payable on 4th April 2014 to those shareholders on the register of members at the close of business on 7th March 2014 be declared.
5. That Richard Mully be elected as a director.
6. That Steve Burke be re-elected as a director.
7. That Kay Chaldecott be re-elected as a director.
8. That Simon Clarke be re-elected as a director.
9. That Michael Dunn be re-elected as a director.
10. That Lesley James be re-elected as a director.
11. That Bill Oliver be re-elected as a director.
12. That John Salmon be re-elected as a director.
13. That Bill Shannon be re-elected as a director.
14. That Deloitte LLP be re-appointed as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
15. That the directors be authorised to determine the remuneration of the Company's auditor.

SPECIAL BUSINESS

16. That the amendments to the rules of the St. Modwen Properties PLC 2004 Saving Related Share Option Scheme (including the extension of the scheme for a period of 10 years from the date of the AGM), as summarised and explained in Part I of the Appendix to this notice of AGM, be approved and the directors be authorised to do all things necessary to give effect to the amendments.
17. 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 £7,345,899 (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 £7,345,899 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 27th June 2015, 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.

Notice of Annual General Meeting (continued)

SPECIAL BUSINESS (CONTINUED)

Special resolution

18. That, in substitution for all existing powers and subject to the passing of resolution 17, 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 17 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 17 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 £1,101,884 (the Section 561 amount); and
- (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 17, 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 27th June 2015, 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

19. 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 Companies Act 2006) 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 22,037,698;
- (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 27th June 2015, 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 completed wholly or partly after that date.

Special resolution

20. That a general meeting other than an AGM may be called on not less than 14 clear days' notice.

RECOMMENDATION

The Board confirms that, in its opinion, all of the resolutions are in the best interests of the Company and its shareholders as a whole. The directors unanimously recommend that shareholders vote in favour of each of the above resolutions, as they intend to do in respect of their own beneficial shareholdings.

By order of the Board

Tanya Stote

Company Secretary

20th February 2014

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 – Annual Report and Financial Statements

Resolution 1 is an ordinary resolution to receive the Annual Report and Financial Statements for the financial year ended 30th November 2013. Copies will be available at the AGM.

Resolutions 2 and 3 – Directors' Remuneration Report

There are new requirements this year in relation to the content and approval of the Directors' Remuneration Report following changes made to the Companies Act 2006. In accordance with the new Companies Act 2006 provisions, the Directors' Remuneration Report contains:

- a statement by Lesley James, Chair of the Remuneration Committee pages 76 – 77;
- the remuneration policy report (pages 78 – 87) which provides details of the remuneration policy that will apply from 1st December 2014; and
- the annual report on remuneration (pages 87 – 97) which describes how the remuneration policy was implemented for the year ended 30th November 2013 and how the policy will apply for the year ending 30th November 2014.

Resolution 2 is an ordinary resolution to approve the Directors' Remuneration Report, other than the part containing the directors' remuneration policy. Resolution 2 is an advisory resolution and does not affect the future remuneration paid to any director.

Resolution 3 is an ordinary resolution to approve the directors' remuneration policy which is set out in the Directors' Remuneration Report. Once the directors' remuneration policy as approved by shareholders comes into effect, all payments by the Company to the directors and any former directors must be made in accordance with the policy (unless a payment has been separately approved by a shareholder resolution). If approved, the directors' remuneration policy will take effect from 1st December 2014. Payments will continue to be made to directors and former directors in line with existing arrangements until that date.

Resolution 4 – Declaration of final dividend

Resolution 4 is an ordinary resolution by which shareholders are asked to declare a final dividend. The directors recommend a final dividend for the financial year ended 30th November 2013 of 2.67p per ordinary share. If approved, this will be paid on 4th April 2014 to shareholders on the register of members at the close of business on 7th March 2014.

Resolutions 5 to 13 – Election and re-election of directors

Resolutions 5 to 13 are ordinary resolutions which deal with the election and re-election of the directors.

Following his appointment to the Board on 1st September 2013 and in accordance with the Company's Articles of Association, Richard Mully will retire and offer himself for election at the 2014 AGM. All other directors will retire and offer themselves for re-election in accordance with the 2012 UK Corporate Governance Code.

Biographical details of all directors are set out on pages 56 and 57.

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 14 and 15 – Auditor appointment and remuneration

At last year's AGM shareholders re-appointed Deloitte LLP as auditor of the Company to hold office until the conclusion of the 2014 AGM. Deloitte has expressed a willingness to continue in office and the Audit Committee has reviewed the effectiveness of the audit process and recommends their re-appointment. Therefore resolutions 14 and 15 are ordinary resolutions to re-appoint 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 16 – Proposed extension of SAYE option scheme and amendments

The St. Modwen Properties PLC 2004 Saving Related Share Option Scheme (the SAYE Scheme) was adopted by the Company in general meeting on 6th August 2004. It is a tax-advantaged option scheme under which employees are offered options over the Company's shares, linked to a savings account funded by deductions from the employees' salary. The savings are used to pay the exercise price on exercise of the option, but can be withdrawn by the employee if the option is not exercised. Options must be offered to all employees of the Group who have completed a qualifying period of employment, and the Board views the SAYE Scheme as a useful way to motivate the wider workforce and align their interests with those of shareholders.

The SAYE Scheme is due to terminate on 6th August 2014. The Board would like to retain the ability to grant tax-advantaged save-as-you-earn options, and it has been decided that it would be administratively simpler to extend the existing scheme for a further 10 years than to adopt a new scheme. Accordingly, the Board is seeking shareholder approval to an amendment to the SAYE Scheme to extend it for a further 10 years.

Notice of Annual General Meeting (continued)

EXPLANATORY NOTES TO PROPOSED RESOLUTIONS (CONTINUED)

The opportunity is also being taken to update the rules in certain respects and make certain other changes. The Finance Act 2013 made certain simplifications and improvements to the legislative rules applicable to option schemes such as the SAYE Scheme, and some of these provisions had the effect of automatically amending the SAYE Scheme as of 17th July 2013. The text of the rules is being updated to reflect these automatic amendments. The text is also being updated to reflect certain amendments to statutory references arising from the updating of tax and company law legislation: these changes are not intended to alter the meaning of the rules. The opportunity is also being taken to rename the SAYE scheme the 'St. Modwen Properties PLC Saving Related Share Option Scheme'.

The terms of the SAYE Scheme provide that no alteration to the rules to the advantage of option holders (except for minor amendments to benefit the administration of the scheme and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or any participating company) shall be made without the prior approval of shareholders in general meeting. Part I of the Appendix to this notice of AGM summarises the proposed amendments in relation to which shareholder approval is being sought at the AGM and explains their effect.

In addition, as it is proposed that the SAYE Scheme be renewed for a further 10 years, a description of the principal terms of the SAYE Scheme as amended by the proposed amendments is set out in Part II of the Appendix to this notice of AGM.

A copy of the rules of the SAYE Scheme, showing the proposed amendments (including amendments in relation to which shareholder approval is not being sought), will be available for inspection at the registered office of the Company during normal business hours from the date of this notice of AGM until the close of the AGM, and at the place of the AGM from 15 minutes before the start of the meeting until the end of the meeting.

Resolution 17 – 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 2014 AGM. Resolution 17 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 17 will, if passed, authorise the directors to allot shares up to a maximum aggregate nominal amount of £7,345,899 which represents one-third of the Company's issued ordinary share capital as at 10th February 2014 (being the latest practicable date prior to the publication of the notice of AGM). Paragraph (b) of resolution 17 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 £7,345,899.

The authorities sought in paragraphs (a) and (b) of resolution 17 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 27th June 2015.

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.

Resolution 18 – 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 18 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 18 will, if passed, authorise the directors to allot new shares pursuant to the authority given in paragraph (a) of resolution 17 for cash (i) in connection with a pre-emptive offer or rights issue or (ii) otherwise up to a maximum aggregate nominal value of £1,101,884, equivalent to 5% of the Company's issued ordinary share capital as at 10th February 2014 (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 17 above, paragraph (b) of resolution 18 will, if passed, authorise the directors to allot new shares pursuant to the authority given by paragraph (b) of resolution 17 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 18 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 27th June 2015.

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 19 – Authority to purchase shares

Resolution 19 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 22,037,698 of its ordinary shares, which represents 10% of the Company's issued ordinary share capital as at 10th February 2014 (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 27th June 2015.

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 10th February 2014 (being the latest practicable date prior to the publication of the notice of AGM), the Company had options outstanding over 10,361,137 ordinary shares, representing 4.70% 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 10th February 2014 would represent 5.81% of the issued share capital.

Resolution 20 – Notice period of general meetings

Resolution 20 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.

Notice of Annual General Meeting (continued)

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 Wednesday, 26th March 2014 (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. It is proposed that all votes on the resolutions at the AGM will be taken by way of a poll.

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 below) 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 Wednesday, 26th March 2014. 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 will be charged at 8p per minute plus network extras. Overseas callers should dial +44 (0)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 corporate shareholder, the proxy form must be executed under its common seal or signed on its behalf by 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. 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 Wednesday, 26th March 2014.

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). 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 above) 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 a duly authorised officer or attorney. 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 Wednesday, 26th March 2014. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified 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 above 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.

Notice of Annual General Meeting (continued)

SHAREHOLDER NOTES (CONTINUED)

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 the statement is made 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 10th February 2014 (being the latest practicable date prior to the publication of the notice of AGM), the Company's issued share capital consisted of 220,376,988 shares carrying one vote each. Therefore the total voting rights in the Company as at 10th February 2014 was 220,376,988.

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 15 minutes before the start of the meeting 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;
- (iii) a copy of the Company's Articles of Association; and
- (iv) a copy of the rules of the SAYE Scheme showing the proposed amendments (including amendments in relation to which shareholder approval is not being sought).

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.

APPENDIX – AMENDMENTS TO THE ST. MODWEN PROPERTIES PLC 2004 SAVING RELATED SHARE OPTION SCHEME

Part I of this Appendix to the notice of AGM summarises and explains the effect of the proposed amendments to the St. Modwen Properties PLC 2004 Saving Related Share Option Scheme (the SAYE Scheme) in relation to which shareholder approval is sought at the AGM. Part II of this Appendix contains a description of the principal terms of the SAYE Scheme, amended as proposed.

A copy of the rules of the SAYE Scheme, showing the proposed amendments (including amendments in relation to which shareholder approval is not being sought), will be available for inspection at the registered office of the Company during normal business hours from the date of this notice of AGM until the close of the AGM, and at the place of the AGM from 15 minutes before the start of the meeting until the end of the meeting.

Part I – Summary and explanation of the effect of amendments to the SAYE Scheme in relation to which shareholder approval is sought at the AGM

1. *Extension of term of SAYE Scheme*

The SAYE Scheme (as currently drafted) is due to terminate on 6th August 2014, without prejudice to existing options. No new options may be granted under it after that date. It is proposed that the SAYE Scheme be extended so that it will terminate on the tenth anniversary of the date of the AGM, i.e. 28th March 2024, and options may be granted until that date. The termination would, again, be without prejudice to options which have already been granted by that date. For a description of the principal terms of the SAYE Scheme, amended as proposed, see Part II of this Appendix.

2. *Allowing three year options to be granted*

The legislation governing option schemes such as the SAYE Scheme allows either three year or five year options to be granted, linked to savings contracts with either 36 or 60 monthly savings contributions respectively. The SAYE Scheme is currently drafted on the basis that only five year options will be granted. It is proposed that the SAYE Scheme be amended to facilitate invitations to apply for the grant of either or both three and five year options, at the discretion of the Board. This will give added flexibility and is expected that it may increase participation in the SAYE Scheme by employees.

3. *Allowing exercise prices at a discount of up to 20% to market value*

The legislation governing option schemes such as the SAYE Scheme allows options to be granted with an exercise price which is no less than 80% of the market value of the shares at the time of grant (or such earlier time as may be agreed with HMRC). The SAYE Scheme as currently drafted allows an exercise price which is no less than 90% of the market value of the shares at the date of the invitation. It is proposed that this is amended to 80%, to give more flexibility and to allow the SAYE Scheme to be made more attractive to participants. If invitations are issued with an exercise price of 80% of market value, rather than 90% of market value, this would enable participants to acquire more shares for the same savings, and accordingly may increase the overall number of shares used in the SAYE Scheme.

4. *Amendments to SAYE Scheme limits*

The SAYE Scheme (in existing Rule 5.1) currently limits the number of new shares which may be issued or made issuable pursuant to the grant of options under the scheme in any 10 year period to 12,077,395, or, if lower, the number of shares which represents 10% of the issued share capital of the Company from time to time. It is proposed that this limit be removed. Such a limit is not required by guidelines issued by the Association of British Insurers (there is a 10% limit in 10 years for all share schemes established by the Company, in existing Rule 5.2, and this will remain).

The SAYE Scheme also (in existing Rule 5.3) currently limits the number of new shares which may be issued or made issuable pursuant to the grant of options under the scheme in any five year period, when combined with shares issued or made issuable pursuant to grants under other share schemes established by the Company, to 5% of the issued share capital of the Company at the date of grant. Such a limit used to be required by the guidelines issued by the Association of British Insurers, but no longer is. It is therefore proposed that this limit be removed, for consistency with other share schemes operated by the Company.

5. *Grant periods*

The SAYE Scheme provides that options under the scheme may normally only be granted during a 'Grant Period'. A Grant Period is defined as the period of 42 days following the publication of the annual or half yearly results of the Company, or the date on which the SAYE Scheme was originally approved by HMRC. It is proposed that the period of 42 days following the date of the AGM at which the proposed amendments are approved be added as a Grant Period. In addition, it is proposed that the wording of the existing rules be amended to clarify that it is the issue of invitations, rather than the grant of options, under the SAYE Scheme that may normally only be made during a Grant Period. This appears to have been the intention of the original wording.

Part II – Description of the principal terms of the SAYE Scheme, amended as proposed

1. *Invitations*

During the period of 42 days following the publication of the Company's annual and interim results, and after the date of the AGM at which the proposed amendments are approved, the Board may, if it so decides, invite eligible employees to apply for the grant of options to them. In exceptional circumstances invitations may be issued outside such periods.

Notice of Annual General Meeting (continued)

APPENDIX – AMENDMENTS TO THE ST. MODWEN PROPERTIES PLC 2004 SAVING RELATED SHARE OPTION SCHEME (CONTINUED)

2. Eligibility

People who have been employees of the Group for a qualifying period will be eligible to participate in the SAYE Scheme. In addition, the Board has discretion to allow participation by employees who do not meet all the eligibility requirements. The invitations offered to different people may only vary according to the lengths of service or salary of the individual concerned, or other similar factors.

3. Acceptance and individual limits

To accept an invitation, the applicant will be required to sign and return to the Company the savings contract proposal form and to state his or her proposed monthly saving contribution. This will be subject to the statutory maximum (which will be £500 per month from 6th April 2014) or such lower amount as may be set by the Board. The applicant must sign an authority to allow the chosen amount of contribution to be deducted from his or her salary.

4. Grant of options and option exercise price

The applicant will be granted an option to acquire with the amount of money that will be due to the employee at the end of the savings contract term, the largest whole number of shares that could be acquired at the date of grant of the option for a price per share that is not less than 80% of the market value of an equivalent share on the relevant invitation date.

Market value on any day means, while shares are listed on the London Stock Exchange, the average of the middle market quotations of a share as derived from the Daily Official List of the London Stock Exchange for the three immediately preceding dealing days.

5. Restrictions on the number of new shares in respect of which options may be granted

The number of shares issued or made issuable by the Company pursuant to options granted under the SAYE Scheme and any other share option schemes operated by the Company, excluding lapsed options, during the 10 year period ending on any date of grant under the SAYE Scheme shall not, when added to any shares issued or made issuable in the same period under any other share scheme operated by the Company, exceed the number of shares that represents 10% of the ordinary share capital of the Company in issue on the relevant date of grant.

6. Exercise and lapse of options

Options may normally only be exercised during the six month period immediately following the termination of the savings contract. Special provisions govern the exercise and lapse of options in particular circumstances, such as where the option holder dies, leaves the Company, or if the Company is taken over or goes into liquidation.

The rules of the SAYE Scheme state that former employees shall not be entitled by way of compensation for loss of office, or otherwise, to compensation for loss of any actual or prospective right or benefit accrued or anticipated under the SAYE Scheme.

7. Issue of shares

Any shares issued pursuant to the SAYE Scheme will rank *pari passu* in all respects with other ordinary shares already in issue, save that they will not rank for any dividend or other distribution of the Company announced or paid by reference to a record date that is prior to the date of exercise of the relevant option.

8. Variation of share capital

In the event of certain adjustments to the share capital of the Company, for example as a result of a rights issue or subdivision of share capital, adjustments necessary to maintain the value of the option will be made to the number of shares subject to the option and/or the option exercise price and/or the maximum number and/or the nominal value of shares available for issue under the SAYE Scheme. These adjustments will be subject to confirmation from the Company's auditors that they are fair and reasonable, and to HMRC approval where required.

9. Alterations

The SAYE Scheme provides that the scheme cannot be amended to the advantage of participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the scheme and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the scheme or for the Company or members of the Group).

10. Administration

The SAYE Scheme will be administered by the Board who will resolve any disputes relating to the scheme or uncertainty as to the meaning of the scheme rules. The Board may delegate their powers in relation to the SAYE Scheme to a committee.

11. Termination

The SAYE Scheme shall terminate on the tenth anniversary of the date of the AGM at which the proposed amendments are approved, or earlier if the Board so resolves. Termination of the SAYE Scheme shall be without prejudice to the subsisting rights of option holders. No options shall be granted under the SAYE Scheme after the date of termination.

Information for Shareholders

FINANCIAL CALENDAR

Ordinary shares quoted ex-dividend	5 th March 2014
2012/13 final dividend record date	7 th March 2014
AGM	28 th March 2014
2012/13 final dividend payment date	4 th April 2014
Announcement of 2014 half year results	1 st July 2014
Announcement of 2014 final results	February 2015

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 28th March 2014 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 155 to 164.

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-relations.

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 or 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 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 Conduct 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.

*Calls to this number cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday.

Information for Shareholders (continued)

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.

To avoid share fraud:

- Keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register at www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.
- Remember: if it sounds too good to be true, it probably is!

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

SHAREHOLDER ANALYSIS

Holdings of ordinary shares as at 30th November 2013:

	Shareholders		Shares	
	Number	%	Number	%
<i>By shareholder</i>				
Individuals	3,286	80.80	12,576,068	5.71
Directors and connected persons	36	0.88	38,287,698	17.37
Insurance companies, nominees and pension funds	678	16.67	169,073,878	76.72
Other limited companies and corporate bodies	67	1.65	439,344	0.20
	4,067	100.00	220,376,988	100.00

	Shareholders		Shares	
	Number	%	Number	%
<i>By shareholding</i>				
Up to 500	1,052	25.87	257,777	0.12
501 to 1,000	696	17.11	539,369	0.24
1,001 to 5,000	1,421	34.94	3,315,166	1.50
5,001 to 10,000	349	8.58	2,523,662	1.15
10,001 to 50,000	321	7.89	6,986,781	3.17
50,001 to 100,000	70	1.72	5,152,324	2.34
100,001 to 500,000	89	2.19	22,390,251	10.16
500,001 to 1,000,000	27	0.67	19,402,248	8.80
1,000,001 and above	42	1.03	159,809,410	72.52
	4,067	100.00	220,376,988	100.00

Shareholder Notes

Shareholder Notes (continued)

Disclaimer

This Annual Report and Financial Statements 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 Company, its directors and employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report and Financial Statements 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. Nothing in this Annual Report and Financial Statements should be construed as a profit forecast.

Photography:

Steve Townsend – front cover, pages 3, 4, 5, 8, 10, 22, 24, 25, 26, 28, 31, 34

Craig Holmes – pages 12, 31, 37

Matthew Nichol – page 14

The paper used in this report is elemental chlorine free and is FSC accredited.
It is printed to ISO 14001 environmental procedures, using vegetable based inks.

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.

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