

Annual Report and
Financial Statements
2014



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PICTURED:
The first phase of Longbridge Town Centre is now well established with the second phase M&S anchor underway.

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ADDITIONAL INFORMATION

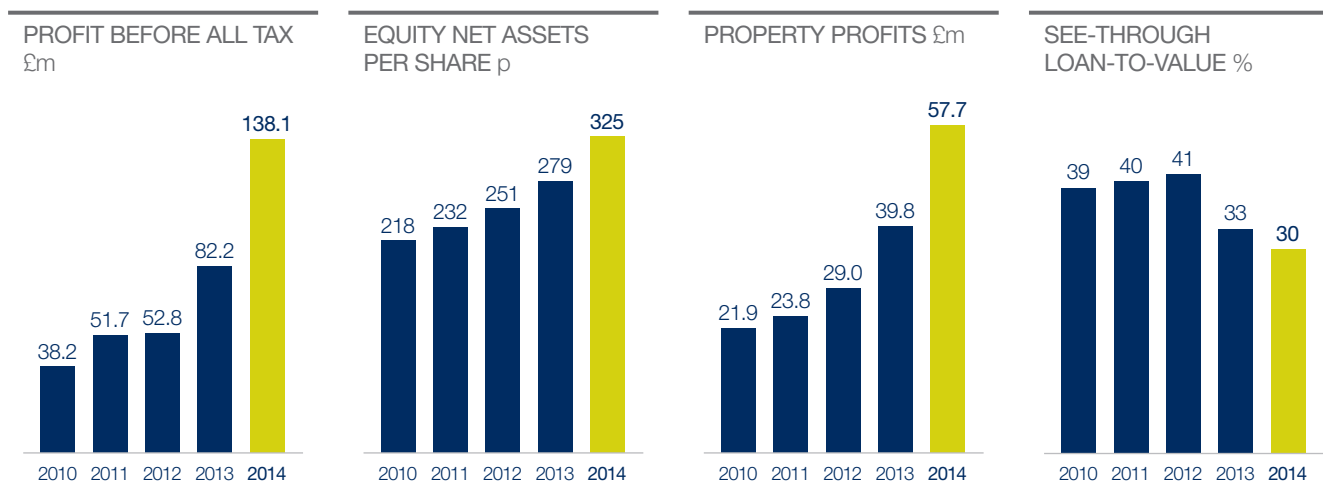
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NON-STATUTORY INFORMATION

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.

OUR PERFORMANCE

Financial highlights



- 68% increase in profit before all tax to £138.1m (2013: £82.2m)
- Shareholders' NAV per share up 17% to 324.9p (2013: 278.8p), and EPRA NAV per share up 16% to 344.1p (2013: 297.7p)
- Earnings per share up 57% to 52.7p (2013: 33.5p)
- Property profits up 45% to £57.7m (2013: £39.8m)
- Debt portfolio fully refinanced with earliest maturity now 2018 and successful launch of £100m convertible bond
- Total dividend for the year increased by 15% to 4.6p per share (2013: 4.0p per share)

Operational highlights

- Overall valuation increase of £90m (2013: £42m), comprising gains of £32m (2013: £28m) as a result of planning and asset management initiatives and £58m market-driven valuation gain (2013: £14m)
- Housebuilding activities delivered a 167% increase in residential profits to £24m (2013: £9m)
- Significant milestones completed across all major projects:

New Covent Garden Market – a resolution to grant planning was received in November 2014, unconditional status is targeted in the first half of 2015

Longbridge, Birmingham – excellent progress has been made across the scheme with construction of the Marks & Spencer 150,000 sq ft flagship store now well underway and on schedule to complete in time for Christmas 2015 trading

Bay Campus, Swansea University – signed a Development Agreement with the University for an additional 545 student apartments and new student facilities. Forward sold 50% of the apartments to M&G Investments for the M&G Secured Property Income Fund for £20m

AT A GLANCE

Who we are

The UK's leading regeneration specialist

Working across full industry spectrum



7

regional offices and a residential business

With a team of skilled professionals



Through joint ventures and with industry leading partners



100+

development projects

£1.3bn

property portfolio

Our development pipeline

Residential land bank of 28,800+ plots

See pages 26–29

3m+^{SQ FT} active commercial development pipeline

See pages 22–25



AT OUR HEART

Our values

WE THINK LONG-TERM

We take a long-term approach to regeneration and development and during any project lifecycle we are flexible enough to move with market demands and pursue those opportunities that generate the greatest value at any one time. We work hard to build and maintain long-term relationships with local authorities, our shareholders and our partners.



See pages 14–15

WE ARE INNOVATIVE

We continuously explore new ways to develop our land bank in order to generate sustainable value for all our stakeholders. We look beyond standard development routes to create innovative schemes that strive to meet the needs and expectations of local residents, businesses and the wider community, and create value for our shareholders.



See pages 16–17

WE DO WHAT WE SAY

We are a straight-talking company. Colleagues, customers, suppliers and stakeholders can rely on us to deliver on the promises and commitments we make and to bring about long-term, sustainable regeneration.



See pages 18–19

Corporate social responsibility



Target: to recycle and reuse
100,000
tonnes of concrete
in 2015

Target:
10,000
trees to be planted
in 2015

PICTURED:
The Italian Garden,
The Trentham Estate.



Find out more about our corporate social responsibility
www.stmodwen.co.uk/csr and → see pages 44–51

OUR BUSINESS MODEL

Our business model is enabled by...

Our expertise

- Remediation
- Planning
- Asset development
- Construction

Our values

- We think long-term
- We are innovative
- We do what we say

Our resources and relationships

- We rely on a variety of resources and relationships at every stage of our business model. See pages 6–7 for further information.



...and supports our robust business strategy.

See pages 08–09.



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 to realise any increase in value, we either dispose or release assets for development ourselves or in joint venture.

WHAT DIFFERENTIATES US?

The diverse and extensive nature of our £1.3bn 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.



ASSET DEVELOPMENT

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 are fundamental to the success of our asset development activities and we continue to retain, develop and incentivise them.



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 development capability to manage the assets as efficiently as possible. We typically offer low affordable rents on relatively short tenancies which ensure that voids remain low 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.



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 generate value for the business. 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.

OUR BUSINESS MODEL

continued

Resources

EMPLOYEES

Our employees are a valued and vital part of the business and we aim to attract, develop and retain the best people, whose efforts, expertise and judgement we can leverage across our extensive portfolio. We have a highly skilled in-house team encompassing all facets of the industry. They safeguard our principles of delivering high-quality, sustainable developments as a legacy for businesses and communities to enjoy for years to come.



FINANCIAL CAPITAL

We are a stable business, operating from a robust financial position and underpinned by a recurring income stream from our £539m portfolio of income producing assets. This enables us to acquire assets to which we can add value. In turn, our partners and key stakeholders can trust in our ability to fulfil contracts and deliver projects on time and to budget.



LAND BANK

We actively manage a £1.3bn UK-wide portfolio of development opportunities across a land bank of 5,900 acres. We acquire this land specifically to develop 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 across the country.



BUILDINGS

Across our portfolio we retain a bank of assets which generate income whilst awaiting development. Once we are ready to progress their redevelopment we will reclaim and recycle as much of the existing materials as is possible. The redeveloped asset is then either retained for income or sold.



Relationships

LOCAL COMMUNITIES AND TENANTS

Our network of seven regional offices provides us with local knowledge and expertise that keeps us abreast of the needs of local communities, ensuring we remain politically and economically sensitive to each area.

We engage with communities throughout the entire development process and value their input and support.

Our locally-based asset management teams regularly engage with our tenants, many occupying more than one site across our portfolio.



PRIVATE SECTOR AND JOINT VENTURES

We have formed strong relationships with many private sector partners. Linked by our skills and culture, these partnerships are established through joint ventures, strategic land acquisitions and development agreements. All bring about successful regeneration and development projects that in turn stimulate investment and growth. Our private sector partners include VINCI PLC, Persimmon PLC and Salhia Real Estate Company K.S.C.



PUBLIC SECTOR AND REGULATORS

We also work hand in hand with a variety of public sector organisations across the Country including many local authorities, some of which we have been in partnership for over 10 years either through joint venture initiatives or Development Agreements. We also work closely with key Government regulators such as the Environment Agency and Highways Agency to ensure our projects are of the highest standard.



SUPPLY CHAIN

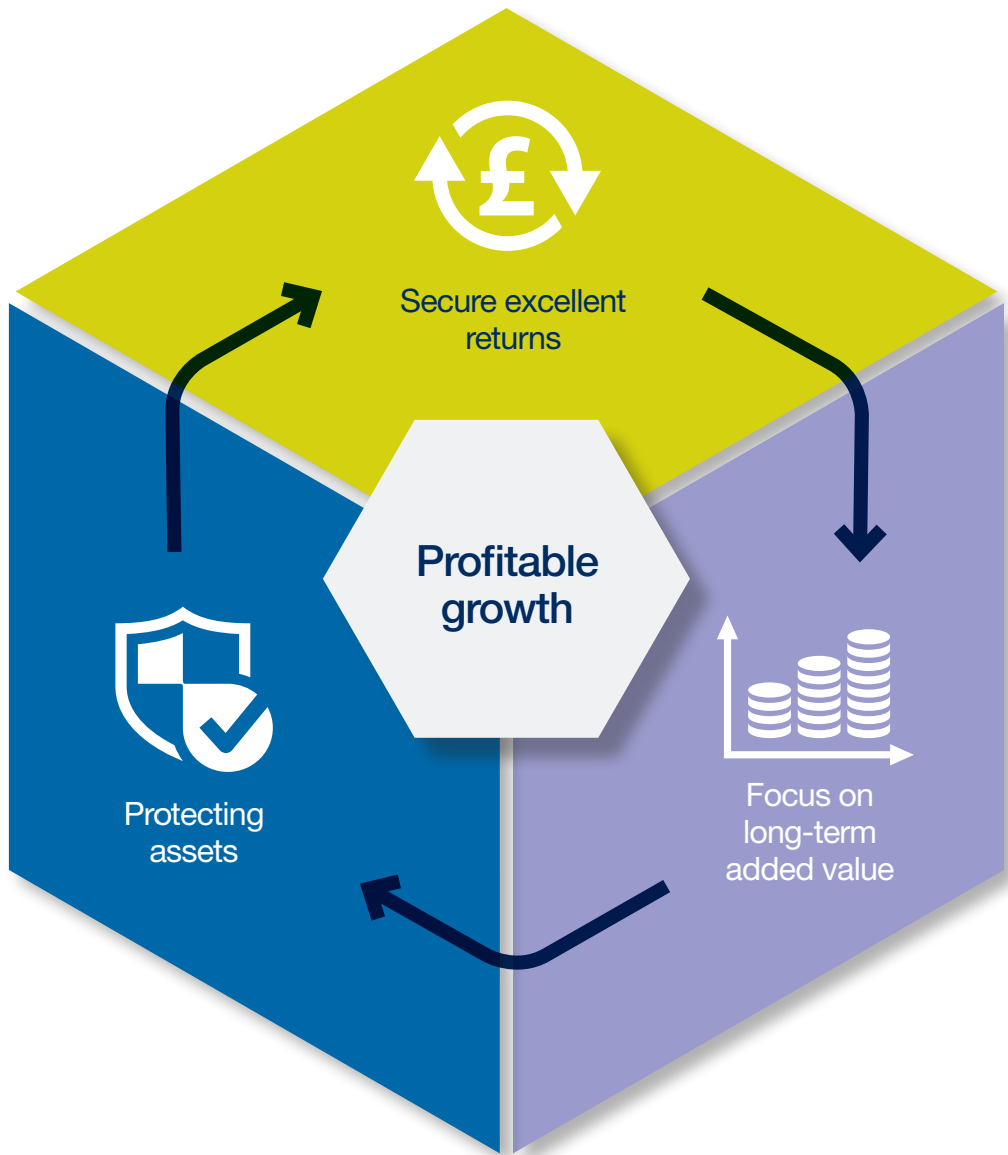
We have a careful contractor selection process. Many of our contractors work with us on a number of schemes and we share a mutual trust to deliver our projects to the highest standard, within budget and on time. We maintain close involvement with our contractors throughout the construction process.



OUR STRATEGY

Strategically agile to take advantage of opportunities...

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



STRATEGIC FOCUS

STRATEGY

	Objective	Principal risks (pages 40-43)
<p>SECURE EXCELLENT RETURNS...</p> 	<p>Invest at a point in the property lifecycle from which we can achieve maximum development returns.</p> <p>Maximise individual asset values through our locally-based expertise.</p> <p>Recycle assets where significant opportunities to add value are exhausted in order to generate capital for reinvestment.</p>	<p>Wider economic issues affect property values and equity valuations. Uncertainty caused by significant upcoming political events, such as the 2015 General Election, can impact performance.</p> <p>The management of developments is a complex process, with successful delivery dependent on our expertise.</p>
<p>THROUGH A FOCUS ON LONG-TERM SIGNIFICANT ADDED VALUE...</p> 	<p>Build our land bank to deliver future opportunities and secure planning gain, with a focus on brownfield renewal and sustainable development.</p> <p>Adapt our asset strategies over the long-term to meet changing market demands.</p> <p>Employ highly-skilled and motivated people to deliver our asset strategies and future growth.</p>	<p>Unforeseen or failure to manage long-term environmental issues arising from brownfield or contaminated sites.</p> <p>Inability to recruit, develop and retain staff with the necessary skills and expertise as competition for the best people increases.</p>
<p>WHILE PROTECTING OUR ASSETS</p> 	<p>Maintain an appropriate capital structure to meet our future development and funding needs.</p> <p>Generate cash-backed income streams to substantially cover the running costs of our business.</p> <p>Promote a positive, Group-wide culture towards safety, health and environmental matters.</p>	<p>Significant contraction in available debt facilities reduces the opportunity for strategic investment.</p> <p>Unforeseen significant changes to cash flow requirements limit the Group's ability to meet its ongoing commitments.</p> <p>Inadequate security or disaster recovery planning causes significant business disruption.</p>

STRATEGIC FOCUS

continued

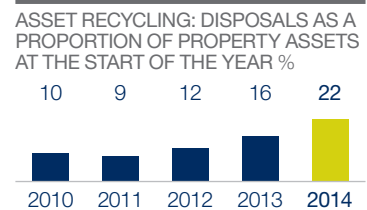
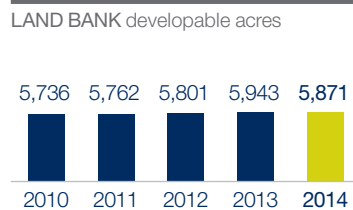
KPIs – WHAT WE HAVE ACHIEVED

Key performance indicators applied

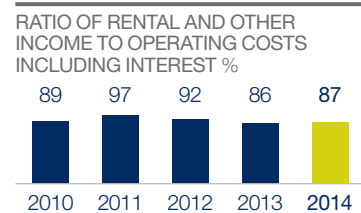
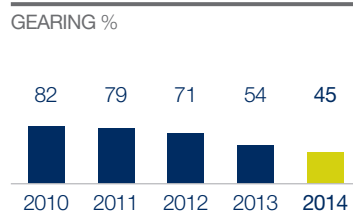
SECURE EXCELLENT RETURNS...



THROUGH A FOCUS ON LONG-TERM SIGNIFICANT ADDED VALUE...



WHILE PROTECTING OUR ASSETS





NEXT STEPS

Link to remuneration (pages 77-100)

Targets

EQUITY NET ASSETS PER SHARE p



Profit before all tax, total dividend for the year and post-dividend growth in shareholders' equity net asset value per share were corporate performance measures of the annual bonus arrangements for executive directors in the year.

Continue to grow development profits and create valuation gains, particularly through planning gain. 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.

MANAGEMENT WITH MORE THAN 3 YEARS SERVICE %



Executive directors' individual objectives for the year's annual bonus arrangements included people-related targets.

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.

COMMITTED FACILITIES TO COVER DRAWN DEBT months



Gearing was a corporate performance measure of the annual bonus arrangements for executive directors in the year. In addition, their individual objectives included funding-related measures.

Effective asset management to maximise returns. Manage existing finance facilities to support ongoing growth. Continued management of investment and development programme to maintain appropriate debt ratios.

CHAIRMAN'S STATEMENT



Bill Shannon
Non-executive Chairman

15%
increase
in total dividend
for the year



Secure excellent returns

Through a focus on
long-term significant
added value

While protecting
our assets

See pages 08–11

This is a record year for St. Modwen with the business achieving profit before all tax of £138.1m.

I am very proud to be reporting on a record year for St. Modwen with the business achieving 17% growth in net asset value to 324.9p per share (2013: 278.8p per share) and profit before all tax of £138.1m (2013: £82.2m).

This outstanding set of results has been helped by strong valuation gains across our portfolio attributable to our planning and asset management initiatives, combined with positive movements in the UK residential and commercial marketplaces which reflect the overall upturn in the economy.

Sitting alongside our robust business strategy, at the heart of our success and inherent to St. Modwen, is a set of core values. They reflect our strengths and our approach to all facets of regeneration. In a year of record profits, these values have never been more relevant. We have set them out below, together with examples from our business activities highlighting our individual approach.

We think long-term

Over the last few years we have continued to focus on our regional portfolio, placing strong emphasis on asset managing our income producing properties and preparing sites for delivery for when the market conditions are appropriate. This long-term approach has positioned us well, enabling us to respond quickly to the increase in demand across the regional market as it continues to recover and benefit from the meaningful contribution the regions have made to this year's record results.

Our long-term approach to regeneration is exemplified by the £1bn regeneration of Longbridge, Birmingham, one of our major projects. Having started on site in 2007, we continued to deliver this important scheme throughout the recession, creating hundreds of new homes, the new 250,000 sq ft Bournville College and a 150,000 sq ft Technology Park. We have since launched the new £100m Town Centre and in October 2014 we started on site with the second phase retail anchor, a 150,000 sq ft Marks & Spencer store, drawn to our Longbridge development because of its vibrancy, connectivity and growing population. We look forward to welcoming more national high street brands to the Town Centre during 2015.

We are innovative

We are continuously looking at new and inventive ways to develop our brownfield land portfolio in order to generate the best value for the business, our shareholders and partners and local communities.

We have also applied this innovative approach to strengthen further our financial base, pursuing and securing alternative forms of funding to reduce reliance on bank finance whilst decreasing our gearing levels. In the last three years, we have issued a retail bond in October 2012 which raised £80m, completed a £49m equity placing in March 2013 and, in February 2014, successfully launched a £100m convertible bond. Also in 2014, we completely restructured our bank finance such that all of our corporate and joint venture facilities now extend until at least 2018.

We do what we say

No one can deny we are a straight-talking company and it is this direct approach that has cemented some important partnerships for the business and resulted in the success that we are reporting on today. Colleagues, customers, suppliers, shareholders and major stakeholders rely on us to deliver on the promises and commitments we make to bring about long-term sustainable regeneration.

We acquired the 2,500-acre portfolio of BP sites in 2009 at the height of the recession and are now delivering on our plans by transforming swathes of former industrial land across South Wales into an innovative mix of housing, education and energy-related projects. These include a 30-acre Solar Park at Baglan Bay which we launched in March 2014, the £450m Bay Campus for Swansea University and the 1,060-acre residential-led regeneration at Coed Darcy in Neath.

DIVIDEND

In recent years, we have increased our dividends in line with the growth in net asset value and to reflect the Company's results. For the year ended 30th November 2014, the Board has decided to recommend a 15% increase in the total dividend for the year to 4.60p per share (2013: 4.00p per share) giving a final dividend for the year of 3.137p per share (2013: 2.67p per share). The final dividend will be paid on 2nd April 2015 to shareholders on the register at 6th March 2015.

PEOPLE

The dedication and energy of our staff personifies our values and they have made a significant contribution to the delivery of this year's excellent set of results. Therefore, I would like to thank everyone at St. Modwen for their ongoing commitment, hard work and determination throughout the last 12 months.

BOARD CHANGES

We continue to refresh the composition of the Board to ensure that it is best placed to operate effectively. In the year, John Salmon, Audit Committee Chairman announced his intention to retire from the Board at the conclusion of the 2015 AGM after more than nine years' service. On behalf of the Board, I would like to take this opportunity to thank John for his significant commitment and valued contribution to St. Modwen and to wish him well for the future.

John will be succeeded as Audit Committee Chairman by Ian Bull, who joined the Board as a non-executive director in September 2014. Ian is Chief Financial Officer and a main board director at Ladbrokes plc, a position he has held since 2011. His strong financial and commercial pedigree will complement the existing experience of the Board and I am delighted that he will be continuing John's excellent work as Audit Committee Chairman.

We announced in December 2014 that Michael Dunn, Group Finance Director, would be leaving the Company. The search for his successor, which will consider both internal and external candidates, is already well advanced. Mike has played an important part in the Company's success since his appointment in 2010 and on behalf of the Board, I would like to thank him for his valuable contribution and wish him well for the future.

PROSPECTS

We are a national business with a UK-wide portfolio of commercial and residential development opportunities. We have clear visibility on the progression of plans for our major projects and anticipate further growth in commercial development activity across the UK, leading us to extend our active pipeline of opportunities throughout 2015 and beyond.

Our residential business continues to go from strength to strength both in terms of its size and the reputation of the brand, and we anticipate sustained levels of performance in the coming year.

We remain well positioned to benefit from the growth potential in the UK economy and the property market as a whole and we look forward to further success in 2015 when we will continue to add value to our portfolio to ensure good long-term returns for our shareholders.

Bill Shannon
Chairman

2nd February 2015



PICTURED:
This Zone One development will
comprise 3,000 apartments.

Our values in action

WE THINK LONG-TERM



We have a 25-year track record of delivering long-term regeneration projects.

We are delivering the transformation of the 57-acre New Covent Garden market site through a VINCI St. Modwen 50/50 joint venture (VSM) and in partnership with the Covent Garden Market Authority.

A 10-year project, it has received a resolution to grant planning from Wandsworth Council in November 2014 and unconditional status is targeted for the first half of 2015. It will see the development of over 500,000 sq ft of modern market facilities consolidated onto one site for the 200-tenant businesses.

In return for delivering the new market, VSM secures 20 acres of remaining freehold land which will be transformed into a new, high quality, residential-led, mixed-use regeneration scheme comprising 3,000 new homes, 135,000 sq ft of office space, and 100,000 sq ft of retail, leisure, and new community facilities including shops, cafés and restaurants.

This long-term and complex project requires careful foresight in terms of the design and the sensitive delivery of each project phase. Also, as the biggest physical regeneration site in this part of London, we are conscious of how it needs to complement the rest of this important, large-scale regeneration area and to ensure we leave a positive legacy for generations to enjoy beyond its completion.

New Covent Garden Market is home to over
200 businesses
employing around
2,500 people
– the largest employment site in Nine Elms.



2014

celebrated the market's 40th anniversary at Nine Elms. Its much needed regeneration will provide modern facilities, ensuring it is transformed into a trading space fit for the 21st century.

DID YOU KNOW?



- The Nine Elms redevelopment is the largest regeneration site in London.
- Our New Covent Garden Market scheme is the biggest single development site in Nine Elms.
- Our scheme includes a new linear park, stretching from Vauxhall to Battersea Power station. It is the largest stretch of green space in Nine Elms.
- As well as delivering a new market, we will develop 3,000 new homes, 135,000 sq ft office space, and 100,000 sq ft of retail, leisure and community facilities.

PICTURED:
Extending over 468 acres, our Longbridge scheme is one of the largest regeneration projects in the West Midlands.





Our values in action

WE ARE INNOVATIVE

One of the largest regeneration schemes outside of London, the transformation of the 468 acre Longbridge site in Birmingham from the largest car plant in the world to a thriving-mixed £1bn community exemplifies our innovative approach to regeneration.

Since 2007, and throughout the recession, we have invested over £300m into this important scheme, created over 3,700 jobs and welcomed over 50 new businesses.

The scheme now comprises around 350 new homes, over 200,000 sq ft of office and industrial space and the 250,000 sq ft Bournville College with a 30,000 sq ft specialist construction centre. It also includes the completed first phase of the new Town Centre including an 80,000 sq ft Sainsbury's, Costa Coffee, Greggs, Beefeater, Hungry Horse restaurant, 80-bedroom Premier Inn and the £2m Austin Park.

Current development work includes the delivery of Phase Two of the Town Centre anchored by a 150,000 sq ft Marks & Spencer store, plus 45,000 sq ft of additional retail units. During 2015 the development of an 'Extra Care' retirement home comprising 260 assisted living units will commence and we anticipate planning approval of a 105,000 sq ft headquarter-style office building and 215 new homes – all forming future phases of the new Town Centre.



DID YOU KNOW?



- 150,000 sq ft Marks & Spencer store will open in time for Christmas 2015. It will be the largest M&S store in the Midlands.
- Over 40 companies, employing 3,700 people, have moved to Longbridge since 2007.
- Two rivers which have been in culvert for over 80 years have now been opened up and form an integral part of Longbridge.

2m sq ft

of office, industrial and retail space
to be delivered over 15 years

PICTURED :
150,000 sq ft M&S under construction.



3,700

jobs have been
created at Longbridge
since 2007





PICTURED:
The Great Hall forms the centrepiece
of the new Bay Campus.

Our values in action

WE DO WHAT WE SAY



The 65 acre Bay Campus site was acquired in 2009 as part of a 2,500 acre portfolio of disused BP sites. This acquisition made us the largest private owner of brownfield land in South Wales.

Following an intensive remediation programme, we are now transforming this portfolio into a major linked development of which the £450m Bay Campus forms a fundamental part. It exemplifies our ability to deliver major regeneration schemes to the highest standards, on time and within budget.

Since becoming Swansea University's development partner in 2013, we have delivered on our promises and have progressed quickly with the development of the Bay Campus, which comprises circa 1m sq ft of buildings:

- 465,000 sq ft of academic and R&D space including a new Institute of Structural Materials, Engineering Central, Engineering East, Bay Library, Great Hall and School of Management; and
- around 500,000 sq ft of student accommodation for 1,142 students, with ancillary retail space and modern facilities to include a gym, sports hall and crèche.

In December 2014 we completed the first of the engineering buildings and we are on programme to complete this campus project in time to welcome the new student intake in September 2015.

This £450m project will bring about a positive economic impact for the Swansea Bay City region of about £3bn, with potential for the creation of up to 10,000 jobs across the 10 year lifetime of the project and beyond.

DID YOU KNOW?



At Swansea University, Bay Campus:

- The volume of concrete used in Phase one would fill over 100 Olympic-sized swimming pools.
- The data cable used on site would reach from Swansea to Paris.
- The pile foundations, if put on top of each other, would reach the summit of Mount Everest...twice.

Potential

10,000 JOBS

across the 10-year lifetime
of the project and beyond

79

Trainees, apprentices
and work experience
graduates currently on site

CHIEF EXECUTIVE'S REVIEW



Bill Oliver
Chief Executive

17% increase
in net asset value
per share



Secure excellent returns

Through a focus on
long-term significant
added value

While protecting
our assets

See pages 08–11

We have achieved significant progress across all of our major projects as well as increasing our pipeline of active development opportunities to over 3m sq ft of space.

The combination of our extensive experience, robust business model and consistent strategy has come together this year to generate exceptional growth for the business. This has resulted in record results with an increase in profit before all tax of 68% to £138.1m (2013: £82.2m) and a 17% increase in net asset value per share to 324.9p (2013: 278.8p).

This successful year has seen many high points, the most recent being the receipt of a resolution to grant planning permission in November 2014 for the redevelopment of the New Covent Garden Market sites at Nine Elms in London. We are targeting to achieve unconditional status in the first half of 2015; this will be a hugely significant milestone for the project and the business as a whole and will have a substantial and positive impact on the valuation of our portfolio.

Our other major projects, the £1bn regeneration of Longbridge, Birmingham and the £450m Bay Campus for Swansea University, have made excellent progress during the period. The first completed building at Bay Campus was handed over to the University on time and within budget in December 2014, whilst the 150,000 sq ft Marks & Spencer store at Longbridge is now under construction and scheduled to complete in time for Christmas 2015 trading. In line with the growing prominence of Longbridge as a business location, we moved our Head Office there in October 2014. The development, a flagship project for the Company, exemplifies every facet of our regeneration skills and is a natural base from which St. Modwen can continue its growth.

Both Longbridge and the Bay Campus contribute to our active pipeline of commercial development activity across the UK which now amounts to over 3m sq ft, and we are well positioned to capitalise on the continued upturn in the market. This pipeline and the increase in our construction activity, not only underlines the recovery of the regional property market but also demonstrates our ability to think long-term and to manage our 5,900-acre land bank effectively throughout economic cycles.

Our residential business has performed well in the period delivering an overall profit increase of 167% to £24m (2013: £9m) with good sales rates being achieved across the Country. With the Persimmon joint venture now firmly established, we are focusing our attention on our housebuilding brand, St. Modwen Homes, which completed 258 new homes over the period and has nine active sites. Meanwhile, the Persimmon joint venture completed 562 new homes in the period from eight sites.

We continue to look at new and innovative ways to use our land in order to maximise its value and to ensure that it is developed to best complement its surroundings. Against the backdrop of a diminishing energy supply across the UK, we are pursuing a number of energy-related opportunities, including the delivery of gas fired Combined Cycle Gas Turbine power stations on two sites. Both are at differing stages of the planning process but we anticipate further progress for at least one of these opportunities during 2015.

STRATEGY OVERVIEW

Our strategy remains fundamentally unchanged. We continue to add value to our £1.3bn land bank through planning and asset management initiatives that are carried out by our regional teams of skilled property professionals. At the same time, we prepare sites for redevelopment through remediation and securing planning permissions and dispose of those assets to which we can no longer add value in order to release capital for reinvestment.

This strategy, supported by our long-term approach to development and our proven business model, has enabled us to create value throughout the cycle and to take immediate advantage of the market recovery as reflected by record profits in the period.

We will remain true to this long-term strategy and adopt a pragmatic approach as residential and commercial markets continue to improve. As the economy gets stronger, we will ensure that our business grows by increasing our active pipeline of development opportunities, creating a firm base for the continuing delivery of shareholder value.

MARKET OVERVIEW

We are one of the few property companies in the UK to have stood firm in having a regional development bias whilst also progressing projects in and around London. With the economic recovery now gathering momentum, we are already well positioned to capitalise on the upturn, particularly in the regions.

Currently, we have an active pipeline of over 3m sq ft of commercial development across the UK, and we continue to increase our construction levels across our commercial portfolio as companies look to expand or move into new premises. We are mindful of the increasing cost of construction materials and continue to work closely with our supply chain to sustain build quality. We are also undertaking some speculative

development and have been successful in acquiring new opportunities in competitive situations, which we will start to build out in 2015.

As tenant demand improves across the UK, this has had a positive impact on rent roll across our commercial portfolio and we are witnessing a steadily increasing stream of enquiries. There is good take up across our Town Centre regeneration projects, notably at Wembley Central where we will soon conclude works to the final phase of this £90m mixed-use development in London. At our Technology Retail Park in Rugby we are already 100% pre-let on the 70,000 sq ft out-of-town retail scheme and, in addition to securing planning permission for Marks & Spencer in June 2014, we are now in detailed discussions with a number of national retailers seeking to take space in Longbridge Town Centre in 2015.

In terms of the residential market, demand has been sustained but there are concerns over interest rate rises, changes to the mortgage market and the usual uncertainty in the lead-up to the 2015 UK General Election. However, there remains a structural lack of housing supply across the Country and, as a result, demand for our land from national housebuilders continues to increase. Similarly, good sales rates have been maintained throughout the year both for the Persimmon joint venture and St. Modwen Homes sites and we anticipate a sustained performance into 2015.

BUSINESS OUTLOOK

We will continue to build on the success of 2014 over the next 12 months and now look to take full advantage of the market recovery. We will focus our efforts on delivering our commercial sites in the regions, growing our active commercial development pipeline of over 3m sq ft, and progressing our key projects, including the redevelopment of the New Covent Garden Market sites.

We expect the current favourable residential market conditions in the regions to be sustained throughout the year, and through the planning process we will bring new sites forward for sale or development, as well as focusing on delivery within St. Modwen Homes and the Persimmon joint venture.

With a record year now firmly under our belts, we are in a very good position to grow the business further in 2015 and deliver another year of success for our shareholders.

Bill Oliver
Chief Executive

2nd February 2015

COMMERCIAL LAND AND DEVELOPMENT



PICTURED RIGHT:
150,000 sq ft M&S store will be open for 2015 Christmas trading at Longbridge Town Centre, Birmingham.



PICTURED ABOVE:
We are progressing well with the 310,000 sq ft extension of Screwfix at Trentham Lakes, Stoke-on-Trent.

PICTURED RIGHT:
Our Skypark project in Exeter will deliver 1.4m sq ft of office and industrial manufacturing space, including a 60,000 sq ft distribution centre for DPD (UK).



STRATEGY

Alongside a growing and active pipeline of commercial development opportunities, we continue to prime and add long-term value to our land bank through careful remediation and by successfully progressing sites through the planning process. In doing so, we ensure that a continual stream of opportunities is being progressed at any point in the cycle by our highly-skilled, regionally-based development teams, each supported by our centralised construction management team.

Our regional office framework has stood us in good stead in recent years, keeping us abreast of local requirements and enabling us to respond quickly to any emerging development opportunities. Similarly, our on the ground expertise enables us to select the right moment at which to dispose of those assets to which we can no longer add value or to acquire new opportunities to add to our portfolio for future development.

On the back of an improving regional property market, we have heightened our focus on commercial land and development and we are now embarking on a number of either pre-let or speculative schemes in selected areas where our teams have identified growing demand. As a result of this and the increase in pre-let and design and build opportunities coming through, we have grown our active commercial development pipeline to over 3m sq ft (74% pre-let or pre-sold) which represents a total committed capital expenditure of £286m. At present, this pipeline of development reflects a gross development value of £458m.

MARKET COMMENTARY

Confidence is growing in the UK's commercial property market, but availability of product remains an issue. Many occupiers recognise that with our 'oven ready' land we can react quickly to their needs. In addition, we are progressing a number of pre-let or speculatively built schemes in localised areas of the Midlands, the South West, London and the South East, where we have identified potential occupational and investor demand. We will seek to increase production levels across the Country as the economy continues to improve.

Within this context, the industrial market is experiencing good growth across the UK as businesses seek to expand and commit to new premises. Vacancy levels across our retained industrial portfolio are reducing and an increasing number of enquiries for design and build projects are being converted into live schemes.

Much of what we do in the retail sector is already meeting an evolving shopper demand and retailer requirements. We focus on remodelling historic shopping centres such as Farnborough, Wembley Central and Wythenshawe, or we regenerate former industrial sites such as Longbridge which we have transformed into a new retail destination.

All such schemes in our portfolio are designed with the belief that a Town Centre should service its community and provide an integrated, open and accessible environment with good transport links, parking provision and retail complemented by employment space, food stores and leisure. As a result, we continue to consistently secure a good level of take up from new retailers and are experiencing strong footfall across all of our secondary retail schemes.

Our ability to offer affordable rents combined with the appeal of our regeneration schemes as places where surrounding communities and, consequently, footfall grow, means that we are able to maintain high occupancy rates and fill voids swiftly.

PERFORMANCE – COMMERCIAL LAND

At the heart of our business lies our skill in cleaning up brownfield sites and preparing them for market by securing planning permissions and either developing them for immediate sale or retaining them as a long-term income producing asset for the business.

We have secured a number of commercial-led brownfield land opportunities over the last 12 months either as direct acquisitions or through a competitive tendering process.

Highlights

- *Spray Street, Woolwich* – in December 2014, together with development partners Notting Hill Housing Group, we were awarded preferred developer status by the Royal Borough of Greenwich to redevelop the Spray Street quarter in Woolwich. A former market area, the site will be transformed into a 753,000 sq ft mixed-use housing-led scheme of 612 homes, including retail and an art-house cinema.
- *London Road Industrial Estate, Newbury* – following our selection by West Berkshire Council in April 2014 as Development Partner for the regeneration of this 25 acre industrial estate, we are working up our plans with the Council to create a new mixed-use development comprising waterside, residential and commercial phases.

We have continued to be successful in securing planning approvals across our commercial land bank which has promoted a series of site starts across the UK.

COMMERCIAL LAND AND DEVELOPMENT

continued



PICTURED ABOVE:
The £80m transformation of Farnborough Town Centre is well underway, with a new VUE cinema and restaurants opening in early 2015.

PICTURED RIGHT:
The £90m redevelopment of Wembley Central will complete in early 2015.



PICTURED RIGHT:
Henley Business Park is the largest regeneration project in West Surrey. The 41,000 sq ft depot for Meridian Metal was handed over in September 2014.



Major projects

- *New Covent Garden Market, London* – in November 2014, the London Borough of Wandsworth resolved to grant planning permission for the regeneration of the New Covent Garden Market sites in Nine Elms, London. To be delivered under the VINCI St. Modwen joint venture, this transformational project will see the development of over 500,000 sq ft of modern market facilities, 3,000 homes, 135,000 sq ft of new office space and over 100,000 sq ft of retail, leisure and new community facilities. We are targeting to achieve unconditional status in the first half of 2015, with preparatory works starting on site shortly afterwards.
- *Longbridge, Birmingham* – in the second half of the year, we secured planning permission and started construction of the 150,000 sq ft Marks & Spencer store which will anchor the second phase of the new Longbridge Town Centre. During the year, we also completed the 30,000 sq ft specialist construction centre for Bournville College and secured planning permission and a land sale for a £35m Extra Care retirement village which will comprise 260 apartments.
- *Bay Campus, Swansea University* – we are actively building circa 1m sq ft of student accommodation and academic facilities at this £450m new campus development and handed over the Institute of Structural Materials building, the first to be completed, to the University at the end of 2014. Earlier in the year, we signed a Development Agreement with Swansea University for an additional 545 student apartments for occupation during the first quarter of 2016 and major new student facilities as part of this scheme. We have since completed the forward sale of 50% of the income from this latest phase of student accommodation to M&G Investments for the M&G Secured Property Income Fund for £20m.

Across our broader portfolio, we have also made good progress in converting planning applications to approval and delivery.

Commercial planning highlights

- *Branston, Burton upon Trent* – planning permission has been granted for a regeneration scheme comprising 660 homes, over 770,000 sq ft of commercial space and over 140 acres of new woodland and open green space.
- *DPD (UK)* – planning consent has been granted for a 60,000 sq ft distribution centre for express delivery service DPD (UK) at the £210m Skypark scheme, adjacent to Exeter Airport. Providing further endorsement of our well located portfolio of sites across the UK, DPD (UK) has selected Etruria Valley, Stoke-on-Trent and Stonebridge, Liverpool as the locations for two further facilities, comprising 60,000 sq ft and 69,000 sq ft, respectively, for which planning applications have been submitted.

Development highlights

- *Great Homer Street, Liverpool* – works have started on site at this £150m regeneration scheme which, in addition to a 100,000 sq ft Sainsbury's supermarket, will bring 80,000 sq ft of retail, 900 car parking spaces, a petrol filling station and new homes. Sainsbury's will begin development of its store in summer 2015, with opening expected to take place in summer 2016.
- *Wembley Central, London* – the final phase of this £90m mixed-use Town Centre redevelopment will complete in early 2015. It now comprises 120,000 sq ft of new retail and leisure space let to a range of national retailers including TK Maxx, Tesco, Sports Direct, Iceland, Argos and The Gym. The scheme also comprises an 86-bedroom Travelodge Hotel, 273 apartments, a new public square and an enhanced tube and train station.
- *Screwfix, Stoke-on-Trent* – construction work has commenced on a 310,000 sq ft extension for Screwfix, almost doubling the size of its existing distribution facility at Trentham Lakes to 630,000 sq ft. Developed in partnership with M&G Real Estate, the freeholders, the extension is scheduled to complete by summer 2015.

OUTLOOK

We anticipate that the commercial property market will continue to improve throughout 2015, allowing us to further increase our active pipeline of delivery across the UK of over 3m sq ft. The industrial market will lead the way and we will continue to grow our industrial portfolio. We will work closely with retailers and evolve our schemes to suit their demands, with rental levels and the regional focus of our portfolio providing us with a competitive advantage as we continue to secure new leases at favourable rents and create new retail environments.

RESIDENTIAL



PICTURED RIGHT:
Since we started developing Meon Vale in 2013, considerable investment has been made to deliver 302 homes through the Persimmon joint venture and we have recently submitted a planning application for an additional 550 homes at this new, leisure-led Warwickshire community.



PICTURED ABOVE:
St. Modwen Homes' Gregorys Bank development will comprise a total of 120 new high-quality homes when complete.



PICTURED ABOVE:
St. Modwen Homes has sold almost all of its properties within the first phase at Littlecombe, Dursley, and will launch its second phase in early 2015.

STRATEGY

We have continued to focus on our proven strategy of buying land at low cost and then maximising its value over time through remediation and planning. We will always favour development on brownfield land, with value being realised through three routes to market:

- *Residential land sales* – the development and sale of oven ready, predominantly brownfield, sites with viable implementable planning permissions in place.
- *St. Modwen Homes* – in-house development under our own brand, using our extensive housebuilding expertise to capture additional development profits.
- *Persimmon joint venture* – maximising value through development with the backing of one of the UK's leading national housebuilders.

MARKET COMMENTARY

As the year has progressed, the residential marketplace has continued to improve with sustainable house price growth across the Country. There remains a significant undersupply of housing across the UK and, along with a slowly improving economy, job market and expected population growth, this imbalance supports a positive house price inflation environment which should be at more practicable levels in London and the South East.

In response to the undersupply, demand for our residential land from national housebuilders is increasing, and St. Modwen Homes and the Persimmon joint venture continue to achieve sales rates of over 0.6 completions per week, which is above the national average.

The Private Rental Sector market is experiencing significant growth which, in many cases, is driven by the lack of affordable housing, particularly in London. We continue to explore a number of opportunities across our UK portfolio that lend themselves to this specific sub-sector.

Residential land bank at 30th November

	2014		2013	
	Acres	Units	Acres	Units
With planning recognition allocated within the local plan or similar	92	1,789	238	3,669
Resolution to grant	397	5,395	105	1,470
Outline permission	891	14,680	892	14,191
Detailed permission	144	2,022	190	2,579
	1,524	23,886	1,425	21,909
Planning application submitted	167	2,042	57	625
Other land	261	2,862	411	4,489
Total residential land	1,952	28,790	1,893	27,023

PERFORMANCE – RESIDENTIAL LAND

In the period, we have increased our land bank to 28,790 plots (2013: 27,023) of which 83% have either planning permission or allocations within local plans. We have experienced growing demand for our land across the Country as housebuilders respond to the lack of housing supply across the UK and to date have sold or committed for sale 52 acres of land, for total proceeds of £95m.

Planning consents achieved

- *New Covent Garden Market* – resolution to grant planning received for 3,000 new homes as part of this major regeneration scheme. Making up the largest redevelopment site in Nine Elms, London, this project also includes the delivery of over 500,000 sq ft of modern market facilities, 235,000 sq ft of commercial space and new community facilities including shops, cafes, restaurants and a new linear park.
- *Uttoxeter, Staffordshire* – for 700 new homes, employment space, a new school, sports and recreational facilities, a local retail centre and the provision of open green space.
- *Hilton, South Derbyshire* – for 485 new homes, a new primary school and employment opportunities as part of a mixed-use development at this former MoD site which currently comprises industrial and open storage space.

RESIDENTIAL

continued



PICTURED LEFT:
St. Modwen Homes has reported a record year of sales in 2014, including substantial success at its Locking Parklands development in Weston-super-Mare.



PICTURED RIGHT:
In 2014 St. Modwen Homes released its first phase of properties for sale at the £1bn regeneration of Glan Llyn in Llanwern, South Wales.



PICTURED LEFT:
We have seen a growing demand for residential land across our sites, with significant transactions completed at Millbrook Park, RAF Mill Hill, London.

Applications submitted

- *Meon Vale, Long Marston, Warwickshire* – for an additional 550 homes and a one form entry primary school at this 478-acre, former MoD site which is being regenerated into a £150m mixed-use leisure-led scheme. Here, 284 homes are already under construction through the Persimmon joint venture and the £5m Meon Vale Leisure Centre opened to the public in August 2014. At the same time we opened the central facilities, including a shop, community centre, public open space, children's play area, one mile Greenway extension into Stratford-upon-Avon and a 30-pitch caravan and camping site. The scheme also benefits from 800,000 sq ft of retained employment space which is 100% occupied.
- *Hendrefoilan, Swansea* – for 300 high quality homes on this 52-acre former Swansea University student accommodation site.
- *Wigan, Greater Manchester* – for 325 new homes, extensive public open space, and the opening up of the culverted water course to encourage wildlife on this disused industrial site.

PERFORMANCE – RESIDENTIAL DEVELOPMENT

St. Modwen Homes

Our housebuilding business, St. Modwen Homes, now comprises a team of over 50 professionals looking after 13 sites at various stages of planning and development across the Country which will deliver 1,686 new homes. We continue to focus on providing quality over quantity delivering between 300 to 350 units per year.

Future opportunities for this part of the business in 2015 comprise a range of schemes representing a total of 700 homes across the Country including development at: Branston Leas, Burton upon Trent; Uttoxeter, Staffordshire; and Trentham Lakes, Stoke-on-Trent.

Persimmon joint venture

Our joint venture with Persimmon is now firmly established with all eight sites (2,364 plots) under the original agreement now either under construction or being marketed for sale.

Residential development sales and profit

Reacting to the uptick in the residential marketplace, sales rates for the year have been good. We have achieved 820 house sale completions in the year (2013: 365) comprising 258 for St. Modwen Homes (2013: 126) and 562 for the Persimmon joint venture (2013: 239).

As the market has continued to improve across the UK over the last 12 months, residential development and sales have mirrored this trend, resulting in an overall profit increase of 167% to £24m (2013: £9m), providing a firm platform from which to sustain this area of the business.

OUTLOOK

We expect a good level of activity in the residential market next year, particularly in the regions, as demand from housebuyers continues and housebuilders also seek attractive land to replenish their stocks. We anticipate profits, delivery and sales volumes to be maintained for St. Modwen Homes next year and the Persimmon joint venture to continue to perform well.

Residential development as at 30th November 2014

	St. Modwen Homes	Persimmon joint venture	Total
	Active and completed	Active and completed	
Number of sites	14	8	22
Units	2,124	2,364	4,488
Units completed	557	902	1,459
Land revenue received (£m)	12	57	69
Future land revenue (estimate £m)	66	46	112
Potential St. Modwen share of future development profits (£m)	54	40	94
Total	120	86	206

INCOME PRODUCING PROPERTIES

PICTURED RIGHT:

Comprising approximately 320,000 sq ft of retail and ancillary office space, we acquired Billingham Town Centre in November 2014 as an income producing asset to which we can add value.



PICTURED BELOW:

The £100m regeneration of Edmonton Green Shopping Centre has resulted in an abundance of new lettings and now produces a total rental income of £4.7m per annum.



PICTURED RIGHT:

We completed the £7m sale of Hedgesford Town Centre in 2014.



STRATEGY

Whilst our primary business is regeneration, we seek to ensure that a large proportion of our assets generate a stream of income prior to development in order that the revenue generated from these assets covers the running costs of the business.

These income producing assets now make up 43% of our property portfolio and we extract value from them through our proven asset management initiatives undertaken by our regional teams of experts across the Country. Typically, we offer affordable rents on relatively short tenancies to ensure that voids remain at their lowest possible levels as we work towards redevelopment.

We will also seek to retain newly built assets for income and then sell them on at a later stage once we feel no further value can be added. The capital raised from disposal is then reinvested in the business.

Across our income producing portfolio, we manage a broad range of assets on behalf of over 1,700 occupiers, operating within a variety of sectors. This diversity helps to mitigate against specific sector challenges and possible administrations.

PERFORMANCE

Reflecting the continued improvement in the economy, at the year end our income producing portfolio was valued at £539m (2013: £514m). Tenant administrations have had little or no impact on our portfolio, the most high profile during the period being Phones4U which occupied just three stores in our Town Centre schemes, all of which have since been re-let. Occupancy levels have increased slightly to 89% (2013: 88%) and we have secured £5.3m in new lettings (2013: £9.0m). This contributes 11% to our annualised gross rent roll which has increased from last year to £45.4m (2013: £44.7m).

Income

- *Trident Business Park, Warrington* – a total of 31,050 sq ft industrial and office units have been let in the last 12 months and income has increased by 34% to £435,500 across this office and industrial park.
- *Eastleigh Works, Southampton* – Arlington Fleet Services Ltd, the principal occupier of this 47-acre site, has contracted to expand its occupation from 380,000 sq ft to 430,000 sq ft at the end of 2016 and has extended its lease to the end of 2019, delivering £1.1m annual rental income. All the floor space on the site is now fully let after Alstom Transport vacated and left a virtually empty site.
- *Edmonton Green Shopping Centre, Enfield* – a total of 20,500 sq ft of retail units and market stalls were let in 2014, including 5,000 sq ft to PoundWorld, 2,500 sq ft to Explore Learning and 1,500 sq ft to Turkish Bank IS, generating £310,500 annual rental income. In addition, a number of significant rent reviews and lease renewals were concluded which in aggregate delivered an increase in rent of £52,450 per annum. The Centre now produces a total rental income of £4.7m per annum.

Acquisitions

We have been monitoring the market carefully for the right opportunities to add to our existing portfolio of retained assets. Our most recent purchase is Billingham Shopping Centre in Stockton-on-Tees, which we acquired in November 2014 for £14.3m and which provides an immediate gross rent roll of £1.9m that we intend to grow on the back of our proven asset management expertise.

Disposals

We have taken advantage of a rising market and have disposed of a range of assets to which we can no longer add value, generating receipts of £44m. These include the sale of The Planets Shopping Centre in Woking for £8m and the £7m sale of Hednesford Town Centre, construction of the latter having been completed in 2012.

OUTLOOK

Throughout 2015, we will continue to selectively add to our portfolio of income producing properties with the right opportunities. We foresee occupier confidence growing in 2015, particularly in the industrial sector, which should lead to further positive impact on rental revenue across our income producing portfolio.

Portfolio yield analysis

	Equivalent		Net initial		Value £m	
	Nov 2014	Nov 2013	Nov 2014	Nov 2013	Nov 2014	Nov 2013
Retail	8.9%	9.2%	7.1%	7.7%	230	201
Office	9.2%	9.7%	7.3%	7.0%	61	59
Industrial	8.8%	9.2%	7.7%	8.0%	248	254
Portfolio	8.9%	9.2%	7.4%	7.8%	539	514

FINANCIAL REVIEW



Michael Dunn
Group Finance Director

Property profits

£57.7m



Secure excellent returns

Through a focus on long-term significant added value

While protecting our assets

See pages 08–11

INCOME STATEMENT

Our business is focused on creating long-term significant added value and generating strong returns through our own capabilities. We take a pragmatic approach to development and expand our 5,900 acre land bank in a manner which is capital efficient. This means making long-term investments to which we can add to and realise value through remediation, management of the planning process, asset management and development.

Our income producing assets form the largest part by value of our portfolio, representing 43% and with a gross rent roll of £45.4m comprising mostly core rental income. These assets underpin the business, providing a steady stream of income prior to development and a solid base from which the business can continue to grow.

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.

Developable acres	Nov 2014	Nov 2013
Retail	342	337
Industrial and commercial	2,935	2,997
Residential	1,954	1,893
Use not yet specified	642	716
Total	5,873	5,943

Achieving record profits is a testament to our skill in generating strong returns through our market-leading expertise and foresight in regeneration and development.

PROFITS

Rental and recurring income

Even taking into account asset sales we are once again pleased to report an increase in the Group's share of net rental income to £37.1m (2013: £36.3m). This has been achieved as a result of our robust asset management capabilities and an increase in new lettings as a result of the improving regional property market.

Net rental income for St. Modwen of £2.0m per annum from student accommodation at the Bay Campus, Swansea University will be coming on line in 2015.

We have sold a number of income producing assets in the period but still anticipate our net rental income growing throughout the course of 2015 as we bring new assets onto our books.

Occupancy levels have increased slightly to 89% (2013: 88%) and our average lease length has remained steady at five years (2013: five years). We prefer to maintain voids at a relatively high level whilst we prepare our income producing assets for development. Consequently, our void levels are consistent with our expectations.

Property profits

The Group's share of property profits from development have increased by 45% to £57.7m (2013: £39.8m). This includes notable contributions from the Bay Campus development at Swansea University and a marked increase in commercial development. Asset sales of both income producing properties and residential land which were achieved at well above book value have also impacted positively on property profits.

Residential housing sales have also made a strong contribution to property profits achieving £24m in the period (2013: £9m) which demonstrates the rapid growth of St. Modwen Homes and reflects the well-established nature of the Persimmon joint venture.

Overheads

Reflecting the upturn in the economy and its positive impact on the property market, we have recruited more staff to service our growing pipeline of over 3m sq ft of commercial development opportunities. Similarly, the St. Modwen Homes sites are fast gaining momentum across the Country and the team has now grown to over 50 staff. Our recruitment drive, coupled with the bonuses paid for successful business delivery, means that administrative expenses for 2014 (including the Group's share of joint ventures and associates) have increased to £23.2m (2013: £20.2m).

Finance costs and income

Finance costs have reduced this year, despite average debt levels being similar to 2013, as a result of us undertaking a significant refinancing process, including the successful issue of a £100m convertible bond and comprehensive refinancing of our bank facilities. This has reduced the weighted average cost of debt significantly from 5.6% at the start of the year to 4.8% at the end of the year, whilst net interest charges have reduced to £23.5m (2013: £25.5m).

Trading profit

We have therefore experienced a 55% increase in our overall trading profit in the period to £51.7m (2013: £33.3m) which is an exceptionally strong result driven by the activities we undertake ourselves.

During 2015, we will continue to focus on generating value across our land bank and ensure that our rental and recurring income underpins the running costs of the business.

FINANCIAL REVIEW

continued

PROPERTY VALUATION

Basis of property valuation

All our investment properties are independently valued every six months by our external valuers. The external valuers base their valuations upon an open market transaction between a willing buyer and a willing seller at the Balance Sheet date. Therefore, no value is taken for any future expectations of value increases but discounts are applied to reflect future uncertainties.

Where appropriate we will also independently assess our work in progress for any impairment issues. In accordance with accounting standards, valuation movements are put through the Income Statement as gains or losses.

Valuations in all our asset classes have been validated by open market transactions during the course of the year.

As detailed in the Audit Committee Report, we have an ongoing process of competitively tendering our key advisory roles.

During the year we ran such an exercise for the external valuers and Jones Lang LaSalle LLP were replaced with DTZ Ltd (DTZ). Both valuers are global real estate professional services businesses whose specialisations include property valuation.

Property portfolio

Our property portfolio is worth £1.3bn (2013: £1.2bn). During the period we have continued its active management, spending £276m on acquisitions and capital expenditure and realising £301m from asset disposals. As the UK economy becomes more active we expect to continue activity at these levels.

Movements in the year

Property valuation movements are made up of two main elements: those resulting from our own actions that we undertake specifically to add value to our assets, and those resulting from changes in the overall property market.

DTZ provides this valuation split for us.

Consistent with market movements, valuations of our income producing portfolio have increased by around 7% on average during the year.

Market-driven valuation movements

Market-driven valuation movements of our income producing portfolio represent a 5% increase across the year. In addition to benefitting from this improvement in value, we have also been able to sell assets into a strong market that has helped underpin both profits for the year and our cash positions. It is anticipated that valuations for this type of asset will continue to improve.

Our residential portfolio has experienced a substantial increase in value of £28m (2013: £21m), most notably in the South East (although residential land has increased in value across England and Wales). Together with the improvement in commercial land values, this has resulted in an overall market-driven increase in the value of our property portfolio of £58m (2013: £14m).

Valuation improvements as a result of St. Modwen actions

One of our core skills is our asset management capability, which continues to deliver strong returns as we successfully add value to our existing portfolio by managing it through the planning process. Based on independent valuations from DTZ, we have generated revaluation gains of £32m in the year (2013: £28m).

Considering the increased activity across our portfolio, we expect to continue to generate significant value improvements in 2015, in addition to the significant uplift expected when the redevelopment of New Covent Garden Market becomes unconditional.

Property portfolio – valuation movements in the year (£m)

	2014			2013		
	Market value movements	Value added by St. Modwen	Total	Market value movements	Value added by St. Modwen	Total
Residential	28	21	49	21	22	43
Commercial land	2	5	7	(4)	–	(4)
Income producing:						
– Retail	9	4	13	(1)	4	3
– Office	2	–	2	(1)	–	(1)
– Industrial	17	2	19	(1)	2	1
Total	58	32	90	14	28	42

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), our convertible bond and the retail bond. The valuations are based on the financial market's forward prediction curves for interest rates. Yield curves flattened considerably towards the end of the year causing a charge against our profits. At the end of the financial reporting period, and together with other finance charges, this gave rise to a charge of £3.8m (2013: £6.9m credit).

Nevertheless, profit before all tax has increased substantially by 68% to a record level of £138.1m (2013: £82.2m).

TAXATION AND PROFITS AFTER TAX

Our record profitability increased our tax charge (including joint venture tax and deferred tax included in negative goodwill) for the year to £16.0m (2013: £8.3m). Despite this, we have achieved a very strong result for the year with profits after tax increasing by 65% to £122.1m (2013: £73.9m). The resultant earnings per share of 52.7p (2013: 33.5p) is up 57% year on year.

BALANCE SHEET

Funding levels

Taking advantage of an increasingly active investment market, we have completed a significant number of acquisitions and disposals during the year. Overall, our Balance Sheet debt at £334m (2013: £341m) has fallen and as the value of our property portfolio has increased, our gearing and loan to value ratios have continued to fall. On Balance Sheet gearing has decreased to 45% (2013: 54%) while see-through loan-to-value, taking into account our share of joint ventures, has reduced to 30% (2013: 33%).

As the economic environment improves further, we will remain acquisitive and continue to invest in site development in order to generate future returns. We therefore expect absolute levels of debt to rise during 2015. We also expect the value of our property portfolio to rise as we invest. In particular, when the New Covent Garden Market project achieves unconditional status there will be asset recognition without any accompanying debt. Overall we expect our debt ratios to remain broadly in the same range.

New Covent Garden Market

The assets and liabilities of this contract will only be recognised on our Balance Sheet once the contract becomes fully unconditional. Having received a resolution to grant planning permission in November 2014 we are targeting to achieve unconditional status in the first half of 2015.

Once the contract becomes unconditional we will recognise the value of the extra 20 acres of land as an asset and the cost of developing and building the new market facility as a liability. The surplus less likely overage payable to the public sector will generate valuation profits for the year and there will be an uplift after tax obligations to our net asset value. The contract is in joint venture with VINCI PLC and so will appear in the joint venture line of our Balance Sheet.

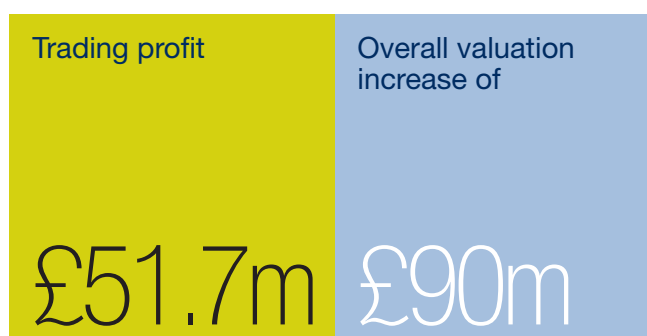
Net assets

At the year end the shareholders' equity value of net assets was £717.9m or 324.9p per share which represents a 17% increase over the year (2013: 278.8p per share). In addition to this, increased dividends of £9.1m (4.13p per share) were paid during 2014 (2013: £8.2m or 3.75p 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 16% to 344.2p from 297.7p per share. A full reconciliation of our net assets is provided in note 2 to the Group Financial Statements.

* Note: as a development business many of the EPRA metrics are inappropriate as they are geared to property investment. The EPRA metrics are nevertheless reported on page 127.



FINANCIAL REVIEW

continued

CORPORATE FACILITIES

In the first half of the year we successfully launched an offering of £100m of unsecured guaranteed convertible bonds. The five-year bond was placed at a coupon of 2.875% and a conversion premium of 35%, representing a conversion price at a 90% premium to the 2013 shareholders' equity net asset value per share. The net proceeds of the offering were used to repay existing debt.

Over the course of the last 12 months we have also undertaken a comprehensive refinancing of our banking portfolio:

- A new seven-year £50m revolving credit facility with Santander has replaced the previous £30m facility that was due to expire in January 2016.
- New four-year £99m revolving credit facilities with Barclays on improved terms replaces the previous £84m Barclays facility that was to expire in September 2015.
- A new five-year £125m revolving credit facility with the Royal Bank of Scotland on improved terms replaces the previous £95m facility that was due to expire in November 2015.
- A new five-year £100m revolving credit facility with HSBC on improved terms replaces the previous £75m facility that was due to expire in January 2016.

Our two remaining joint venture facilities have also been refinanced:

- A new five-year £85m revolving credit facility for our KPI joint venture on improved terms has replaced the previous £135m facility that was due to expire in 2017.
- A new five-year £30m facility for our VSM Uxbridge joint venture on improved terms.

The above actions have extended the weighted average facility maturity to 4.6 years (2013: 2.5 years), with all corporate and joint venture facilities now extending until at least 2018.

We have sufficient headroom within our corporate facilities to enable us to meet future development and funding needs. At the date of reporting we have £554m of facilities against year-end drawn debt of £334m.

Hedging and cost of debt

We aim to have predictable costs attached to our borrowing and therefore hedge the majority of our interest rate risk. As anticipated, at the year end we were 63% hedged against our corporate debt which is a significant fall compared to the previous year (2013: 86%). 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 £737m).
- Gearing must not exceed 175% (actual 45%).
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 3.2x).

Retail bond:

- See-through loan-to-value ratio must not exceed 75% (actual 30%).
- Interest cover ratio must be greater than 1.5x (actual 4.2x).

The current economic environment still has an element of uncertainty. However, we have considered available market information, consulted with our advisors and applied our own knowledge and experience, and we have concluded that covenant levels are adequate for our possible negative scenarios.

Average facility maturity increased to

4.6 years

Gearing

45%

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.

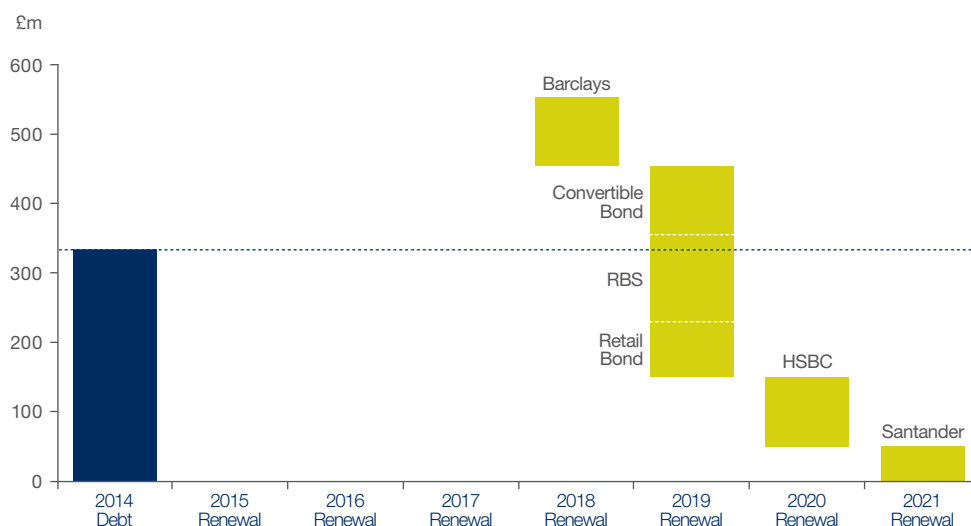
OUTLOOK

Achieving record profits is testament to our skill in generating strong returns through our market-leading expertise and foresight in regeneration and development.

During the year, we have taken advantage of an improving marketplace and have focused on growing our income across the UK through active asset management initiatives and disposals of those properties to which we can no longer add value. We will continue to do so in 2015 whilst growing our pipeline of development opportunities as enquiries continue to increase and the market gathers pace.

We also look forward to making further progress on New Covent Garden Market which is not yet accounted for within our financial results. All of these factors and our ability to harness the growth in the marketplace whilst also maintaining a prudent financial structure provide us with an excellent base from which to grow the business further.

Current banking facilities



RISK MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks facing the business. Its policy is to have systems in place which optimise the Company's ability to manage risk in an effective and appropriate manner. By regularly reviewing the risk appetite of the business, the Board ensures that the risk exposure remains appropriate at any point in the cycle.

Importantly the Board perceives risk not only as having a potential negative influence on the business but also as an opportunity that can be a source of financial outperformance as we have the expertise to take and manage risks that others cannot. As the UK's leading regeneration specialist, exposure to risk is inherent in our business but is subject to extensive mitigating controls.

The Board is ultimately responsible for maintaining sound risk management and internal control systems and for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. Management assesses and the Audit Committee reviews the principal risks facing the Company, including those that would threaten its solvency or liquidity. Their evaluation of these solvency risks is described further in the Going Concern section on page 104 and a description of how these risks are managed and mitigated is included in the table of principal risks on pages 40 to 43.

The Audit Committee also oversees the effectiveness of sound risk management and internal control systems. During the year it considered a detailed report from 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 executive directors are responsible for delivering the Company's strategy and managing operational risk. They in turn place reliance on the Property Board and their teams to monitor and manage operational risk on an ongoing basis, as well as identifying emerging risks. Risk registers, which exist at both a Group and regional basis, provide a framework for all employees to contribute in recognition of their shared responsibility for effective management of risk in delivering our strategy.

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.

➔ **Audit Committee Report** Pages 66–72

➔ **Going Concern** Page 104

OUR APPROACH TO RISK MANAGEMENT

At St. Modwen, assessment of risk is a cornerstone of our strategy and our risk management framework is fundamental to its delivery. Our integrated approach combines a top-down strategic view with a complementary bottom-up operational process.

The top-down approach involves a review of the external environment in which we operate, to guide an assessment of the risks which we are comfortable exposing the business to in pursuit of our strategy. The bottom-up process involves the identification, management and monitoring of risks in each area of our business to ensure that risk management is embedded in our everyday operations. Control of this process is provided through maintenance of regional risk registers. This approach ensures that operational risks are fully considered in determining the risk appetite and corresponding strategy of the business.

Key features of St. Modwen's risk management and internal control system:

- an organisational structure with clear segregation of duties, control and authority;
- a robust system of financial reporting, budgeting and re-forecasting processes;
- monthly operational reviews between the Chief Executive and regional directors;
- comprehensive monthly reporting to the Board through development progress reviews, management accounts and a comparison of committee expenditure against available facilities;
- clearly defined procedures for the authorisation of capital expenditure, acquisitions and sales of development and investment properties, construction activity, and other contracts and commitments;
- a treasury policy;
- a formal schedule of matters, including major investment and development decisions and strategic matters, that are reserved for Board approval;
- a suite of policies and procedures in respect of anti-bribery and corruption, fraud prevention and IT security;
- an independently operated whistleblowing facility to enable employees to raise concerns on a confidential basis, with investigation overseen by the Audit Committee; and
- other control measures outlined elsewhere in this Annual Report, including legal and regulatory compliance and health and safety.

Details of the principal risks which could prevent the achievement of our strategic objectives and may have a material impact on our business are set out in the table that follows. This year we recognise the increasing risks associated with upcoming political events, such as the UK General Election and cyber-crime.

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 guidance on internal control, have been in place throughout that period and up to the date of approval of this report. The Board also confirms that it has not identified, nor been advised of, a failing or weakness which it has determined to be significant.

St. Modwen's risk management and internal control systems are designed to identify, manage and, where practicable, reduce and mitigate the effect of the risk of failure to achieve business objectives. They are not designed to eliminate such risk and can only provide reasonable, not absolute, assurance against material misstatement or loss.




In 2014 a workshop facilitated by KPMG was held for senior management to consider in detail the effectiveness of the Group's risk management framework and review the Group's risk register. The workshop focused on:

- the risk management culture within St. Modwen;
- the governance framework;
- risk identification and assessment processes;
- internal reporting;
- monitoring and assurance; and
- mitigation and controls.

OUR PRINCIPAL RISKS

Strategic objective	Risk and potential impact	Mitigation
<p>SECURE EXCELLENT RETURNS...</p> 	<p>Market/economic changes such as higher interest rates, reduced demand for land/new properties, reduced availability of credit and declining investment yields restrict business development and cause valuation falls. Significant upcoming political events which delay and/or impact investment decisions and reduce returns.</p>	<ul style="list-style-type: none"> • Regional spread and portfolio diversity mitigates sector or location-specific risks. • Active portfolio management achieves a better than market utilisation of assets. • Hedging policy reduces interest rate risk. • Investment and financing strategy is determined against a backdrop of potential outcomes of political events.
	<p>Changes to local and national planning processes adversely impacts our strategy by limiting our ability to secure viable permissions and/or by removing our competitive advantage.</p>	<ul style="list-style-type: none"> • Use of high-quality professional advisors. • Active involvement in public consultation. • Constant monitoring of all aspects of the planning process by experienced in-house experts. • Lobbying to/contact with both central and local Government.
	<p>Inadequate due diligence on major new schemes, programme management, construction delivery and/or procurement leads to unforeseen exposures, quality issues and/or cost overruns causing customer dissatisfaction and/or financial loss.</p>	<ul style="list-style-type: none"> • Acquisitions, development and ultimate disposals are reviewed and financially appraised in detail, with clearly defined authority limits. • 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. • Contractual liability clearly defined.
	<p>Financial collapse of, or dispute with, a key joint venture partner leads to financial loss.</p>	<ul style="list-style-type: none"> • Monthly review of performance to identify if senior management intervention is required. • Flexible but legally secure contracts with partners. • Fewer but financially strong partners.
<p>THROUGH A FOCUS ON LONG-TERM SIGNIFICANT ADDED VALUE...</p> 	<p>Failure to manage long-term environmental issues relating to brownfield and contaminated sites leads to a major environmental incident, resulting in financial and/or reputational damage.</p>	<ul style="list-style-type: none"> • Use of high-quality external advisors. • Highly qualified, experienced staff and proven track record as the UK's leading regeneration specialist. • Risk assessments conducted as part of due diligence process, with contamination remediated following acquisition and cost plans allowing for unforeseen remediation costs. • 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.
	<p>Failure to recruit, develop and retain staff with the necessary skills resulting in significant disruption/ loss of intellectual property.</p>	<ul style="list-style-type: none"> • Succession planning monitored at Board level and below. • Targeted recruitment with competitive, performance-driven remuneration packages to secure highly-skilled and motivated employees. • Leadership and management development plans in place. • Exit interviews undertaken. • Key information is documented to safeguard knowledge.

Key:

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

Commentary

Movement in the year

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 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. The 2015 UK General Election has the potential to impact the appeal and performance of investment in the UK in general and real estate in particular, both through the related uncertainty and resultant implementation of policies and regulation.

Over the course of the last year, the continuing economic problems within the Eurozone mean that the overall market position continues to represent a risk.



Our daily exposure to all aspects of the planning process, and internal procedures for sharing best practice, ensure we remain abreast of most developments. Furthermore, we continue our efforts to influence public policy debate. Although the imminent General Election means that future rules are uncertain, our expertise should enable us to prosper relative to our competitors, irrespective of the planning environment.



Our programme for the year has been completed on time and within budget. Our contractor selection and management processes are rigorous; we continue to favour financially stable and robust contractors and are mindful of contractors' cash flows becoming stretched in a rising market.



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 considerable financial resources. We maintain detailed and ongoing dialogue and have exited from any arrangements with financially weaker partners, so the overall risk continues to reduce year-on-year.



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.



Our succession planning was put into action during the year with the promotion of Stephen Prosser as Midlands Regional Director and the appointments of Richard Bannister, Steven Knowles, Richard Powell and Andy Taylor to the Property Board. Staff turnover remains low and the proportion of management with more than three years' service is now at 84%. As competition to attract the best people increases, we continue to adapt our recruitment strategy to source the skills that will support the Company's long-term business objectives.



OUR PRINCIPAL RISKS

continued

Strategic objective

Risk and potential impact

Mitigation

WHILE
PROTECTING
OUR ASSETS



Availability of **funding** reduces, causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets. Unforeseen significant changes to **cash flow** requirements (e.g. operating cost increases, pension fund shortfall) which limit the ability of the business to meet its ongoing commitments.

- Recurring income from rents provides funding for a large percentage of overhead and interest costs.
- Strong relationships with key banks; all corporate debt refinanced until at least 2018.
- Finance successfully raised through alternative, unsecured means (retail bond, equity placing and convertible bond).
- Financial headroom maintained to provide flexibility and scenario modelling tools employed to evaluate the likelihood of a breach of financing covenant limits.
- Regular and detailed cash flow forecasting enables monitoring of performance and management of future cash flows.

Failure to anticipate **market changes** through poor market intelligence leads to the 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.
- Acquisitions, development and ultimate disposals are reviewed and financially appraised in detail, with clearly defined authority limits.

Failure to identify a pipeline of future residential sites or reduced availability of mortgage finance adversely impacts the performance of 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 joint venture partners with residential expertise (e.g. Persimmon).




Safety, health and environment (SHE) 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.

- Use of high-quality external SHE advisors.
- Annual cycle of SHE audits.
- SHE Steering Group chaired by the Group Construction Director.
- Regular Board reporting.
- Programme of employee training specific to roles and responsibilities.
- Defined business processes to proactively manage issues.

Inadequate **security** or **business continuity** and **disaster recovery planning** for operations and IT, leading to significant business disruption, financial/intellectual property loss and/or reputational damage in the event of an accident, act of terrorism or cyber-crime.

- Asset risk assessments (e.g. security, environmental, health and safety).
- Documented disaster recovery and crisis management plans in place across the business.
- Dedicated IT team monitors security and performance of all information systems.
- Comprehensive insurance arrangements.

Key:

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

Commentary

Movement in the year

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. 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. Over the last year we successfully launched a £100m convertible bond and have refinanced the debt portfolio, extending the weighted average life to 4.6 years (2013: 2.5 years) and reducing the weighted average cost of debt to 4.8% (2013: 5.6%).



The excellent reputation and financial capacity of the Company has enabled us to continue to win schemes and grow the property portfolio 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.



Whilst the planning environment remains challenging and subject to inevitable delays, our scale and expertise enables us to navigate the process with considerable success. Demand for new homes remains strong, supported by the NPPF's housing supply requirements and the availability of mortgage finance (due at least in part to the Government's Help to Buy scheme). Furthermore, the geographic spread of our business means we are not overly exposed to any one region.



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 processes. 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.



Whilst our exposure to the loss of intellectual property is relatively low, we are mindful of the increasing threat to corporate security from cyber-crime. As the profile of cyber-security continues to grow, our risk management approach has adapted to further increase preventative security and enhance the robustness of existing procedures.



PICTURED:
2014 marked St. Modwen's 10-year
anniversary at The Trentham Estate.



90%+

of our developable portfolio with specified
use is brownfield

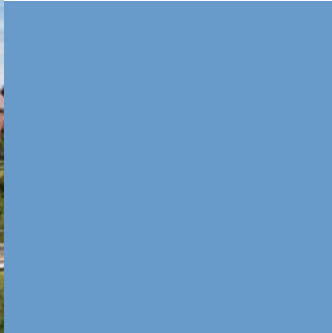
CORPORATE SOCIAL RESPONSIBILITY



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.

CORPORATE SOCIAL RESPONSIBILITY

continued



10

corporate social responsibility objectives identified



At every stage of the development cycle, we ensure our work is successfully enhancing the natural and built environment, leaving behind a positive legacy that communities can enjoy for years to come.

OUR APPROACH

As a regeneration specialist we are constantly cleaning up and renewing brownfield land, creating and investing in new communities and, ultimately, providing a much needed economic boost to many areas across the country. We give careful thought to everything we develop, from demolition and remediation, through to build completion and beyond. At every stage of the development cycle, we ensure that our work is contributing positively to the enhancement of the natural and built environment, leaving behind a positive legacy that communities can enjoy for years to come.

As a responsible developer, we employ the most sustainable and environmentally responsible techniques across our construction projects, paying close attention to conserving energy, reducing our consumption of raw materials, using sustainable resources and minimising waste.

Wherever possible, we seek to employ local materials and labour whilst also creating opportunities for apprentices, graduates and work experience trainees across the UK.

We are also acutely aware of the need to create new, and preserve and enhance existing, public spaces within and surrounding our development projects. Our activities can range from planting thousands of new trees to provide a new wildlife haven on disused industrial land, to creating public access linking communities through previously inaccessible industrial sites. We also actively engage with local schools and community groups on our sites through public consultation events, health and safety initiatives and environmentally-led projects.



CASE STUDY – BP PORTFOLIO

A classic example of how all the facets of our CSR approach can come together in one project is the regeneration of a 3,500-acre portfolio of disused BP sites, predominantly located across South Wales. One of the biggest remediation projects in Europe, it exemplifies our expertise and commitment to positive regeneration.

Following our acquisition of the 1,060-acre former Llandarcy oil refinery from BP in 2008, we acquired an additional 2,500-acre industrial portfolio from them in 2009 and overnight we became the largest private owner of brownfield land in South Wales.

Collectively, this 3,500-acre portfolio comprised land heavily impacted by the legacy of oil refinery and chemical production.

The entire remediation and clean-up process of major parts of this portfolio has taken five years to complete, during which time and working closely with the environmental authorities, we have successfully:

- recycled more than 1.2m litres of oil, recovered from lakes, ponds and soil, for use as fuel and lubricants;
- removed over 200,000 tonnes of sludge, employing new remediation techniques to produce material which can be used for landscaping;
- recovered and recycled over 250,000 tonnes of concrete and 125km of pipeline and cables; and
- created a new habitat for one of Europe's largest populations of Greater Crested Newts.

This land now represents a major linked development that stretches across South Wales and has three key regeneration strands, each of them leaving their own important legacy on this area of South Wales.

Housing – Coed Darcy

A 25-year project, we are replacing the industrial legacy left by the former BP Llandarcy oil refinery site with Coed Darcy, a thriving new community with potential economic impact of £1.2bn and provision of 4,000 homes.

Employment – Baglan Bay

This 1,050-acre site, formerly home to one of the largest petro-chemical factories in Europe, is earmarked to provide over 4m sq ft of employment space. Following extensive remediation works in 2010 and 2011 we have since developed a 30-acre Solar Park which is now generating electricity sufficient to supply enough energy for more than 1,200 homes.

Education – Bay Campus, Swansea University

We are presently transforming the 65 acre former BP Transit site into the new £450m Bay Campus for Swansea University. With potential economic impact of £3bn over the 10-year life of the project, the campus will focus on STEM subjects (Science, Technology, Engineering and Maths).



Find out more about our corporate social responsibility
www.stmodwen.co.uk/csr

PICTURED BELOW:

Coed Darcy is now transforming into an attractive, sustainable community.



CORPORATE SOCIAL RESPONSIBILITY

continued

CSR STEERING GROUP

Individual project case studies are an excellent way of exemplifying our approach to CSR and sustainability across our individual sites. However, we have become increasingly aware of the need for firm objectives and targets that will help to strengthen our CSR capabilities and crystallise the positive work being carried out across our entire portfolio.

In 2014 we established the CSR Steering Group. Chaired by Steve Burke, Group Construction Director, and comprising management representing a range of St. Modwen business disciplines, the Group has been created to ensure:

- we capture and report on the right data in terms of social, economic and environmental CSR activities so that we can benchmark our performance in these areas;
- we are continually improving our approach to CSR and building on initiatives that are already in place;
- we are adhering to corporate guidance on CSR;
- we identify and actively pursue any business opportunities arising from our CSR activities;
- we promote our CSR activities across the Country in the appropriate way; and
- our CSR initiatives complement our corporate values.

Meeting every four to six weeks, this Steering Group has established a set of 10 CSR objectives.

Both strategic and long-term, these objectives focus on improving the environment, promoting responsible development and construction, and enhancing the communities in which we build. We are aware of the need to promote responsible construction and development that reflects our approach to CSR and will look to both our employees and our supply chain to help us achieve our goals.

These objectives will be reviewed annually. The CSR Steering Group will continue to meet regularly throughout 2015 to ensure we remain on track with these objectives and to discuss new initiatives so that we remain innovative in our approach to CSR and are constantly mindful of the positive impact our projects can have on the community, the environment and the economy.

Initiative	Objective
Tree planting	Plant a minimum of 10,000 new trees across our development portfolio.
Renewable energy	Offset the energy consumed by our St. Modwen Homes sales offices by installing solar panels on all St. Modwen Homes' showhomes.
Rainwater harvesting	Recycle and reuse rainwater on 25% (by floor area) of our speculative, new build, industrial unit developments.
Smart meters	Over the next five years, install smart meters in all of our income producing properties.
Reuse and reclamation	Recycle and reuse over 100,000 tonnes of concrete, in accordance with the Specification for Highway Works, to avoid the use of natural quarried materials.
Waste recycling	Instigate segregated waste recycling across our entire Shopping Centre portfolio to reduce the amount of waste sent to landfill by 5%.
Considerate contractors	Achieve a minimum Considerate Contractor score of 35/40 on all St. Modwen Homes' schemes, targeting with a 5% improvement over two years. Implement the Considerate Contractor scheme across our Major Projects: Bay Campus, Swansea University; Longbridge, and New Covent Garden Market.
Apprenticeships	Create opportunities for five full-time or equivalent trainees/graduates on our St. Modwen Homes schemes. Create opportunities for up to five full-time or equivalent trainees/graduates on our Major Projects.
Health and safety	Target to achieve the industry standard (Accident Frequency Rate) across our portfolio.
Support to local schools	Visit local schools adjacent to all of our large construction sites, to provide presentations on health, safety and sustainability, at least once a year.

GREENHOUSE GAS EMISSIONS

This is the second year in which we have reported our greenhouse gas emissions meaning that we now have a comparable benchmark from which we can monitor our progress. As part of our ongoing commitment to reduce our carbon footprint, we will continually endeavour to improve the way we capture data for future reports. For reporting purposes, we have continued to monitor emissions for those sources we deem ourselves to be directly responsible, namely:

Total purchased gas and electricity

This represents the gas and electricity which has been consumed at properties under our operational control – Head Office, a number of regional offices, including our 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.

On face value the 2014 results for total Scope 1 and 2 remain broadly the same as for 2013. However, closer analysis of the figures in each Scope indicates an improvement on a like-for-like basis, particularly when taking into account the increase in the Company's headcount and the rise in the number of St. Modwen Homes' sales offices that have opened across the Country during 2014. Further detailed explanation is provided below.

Scope 1

Reflecting the improvement in the economy and its positive effect on the commercial and residential property markets, the Company has grown throughout the year and we now employ on average 287 full-time equivalent employees across the business. Whilst the increase in staff has resulted in an overall increase in CO₂ emissions from petrol and diesel to 764 tonnes (2013: 720 tonnes), when looking at those individuals who had company cars in current and preceding reporting years the CO₂ emissions has reduced by five tonnes.

Scope 2

Scope 2 shows a reduction of 2% in CO₂ emissions to 937 tonnes (2013: 961 tonnes) across our portfolio of operational business properties. This is a positive result, considering that the number of St. Modwen sales offices has risen throughout 2014 to 7 (2013: 6) and these make up 11% of the properties monitored as part of our carbon reporting.

	2014			2013		
	CO ₂ emissions (tonnes)	Intensity ratio		CO ₂ emissions (tonnes)	Intensity ratio	
tCO ₂ emissions/ full-time employees ⁽¹⁾		tCO ₂ emissions/ £m property portfolio ⁽²⁾	tCO ₂ emissions/ full-time employees ⁽¹⁾		tCO ₂ emissions/ £m property portfolio ⁽²⁾	
Greenhouse gas emissions						
Scope 1:						
Total purchased gas	222			225		
Petrol and diesel	542			495		
TOTAL SCOPE 1	764	2.7	0.6	720	2.8	0.6
Scope 2:						
Total purchased electricity	937			961		
TOTAL SCOPE 2	937	3.3	0.7	961	3.8	0.8
TOTAL SCOPE 1 and 2	1,701	6.0	1.3	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.

Methodology

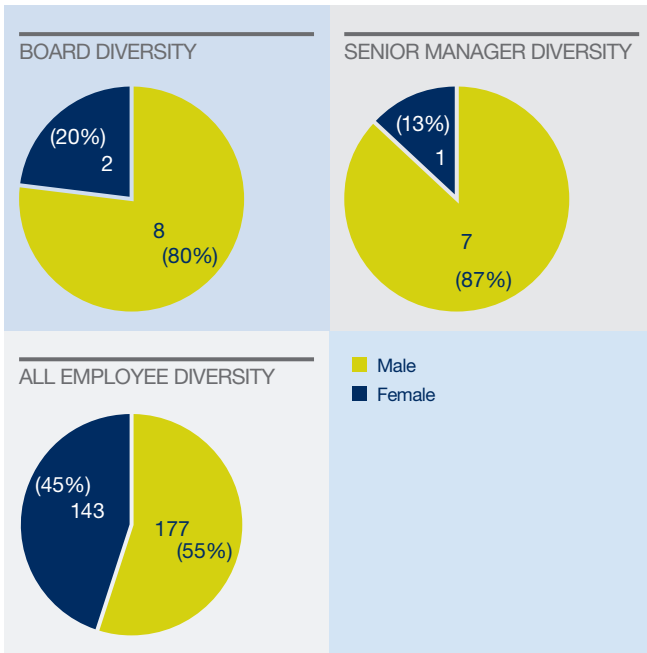
We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. To calculate emissions from gas and electricity consumption, we have used the main requirements of the GHG Protocol Standard (revised edition) and emission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

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 these emissions sources.

CORPORATE SOCIAL RESPONSIBILITY

continued



EMPLOYEE DIVERSITY

We value and respect the individuality and diversity that each of our employees brings to the business. Their skill, dedication and the quality of their work is vital to our success and we recognise our responsibility as an employer to look after their wellbeing and ensure that each individual feels like a respected part of our workforce.

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.

Details of the gender diversity of the Board, our senior management and our employee population (including both full and part time staff) as at 30th November 2014 is set out above.

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.

➔ **Nomination Committee Report** Pages 73–76

TRAINING AND DEVELOPMENT

Essential to maintaining a good level of staff retention is ensuring the motivation of our employees. Well-motivated staff not only perform better but they enhance business stability and this is reflected in the effective management of our projects and the business as a whole. In the period, 84% of management had more than three years' service (2013: 82%).

Following on from our Leadership Development Programme for the Property Board, the next tranche involving senior managers across the business has commenced. Produced by Farscape Developments and Pinsent Masons, the training sessions, involving six groups, will take place during the first half of 2015. Feedback will be used to support the Company's ongoing succession planning programme, and determine what further training is required in order to continue the professional development of all staff for the ongoing benefit of the business.

In addition, employees are encouraged to maintain their Continuous Professional Development (CPD) and support is provided where necessary for staff to attain qualifications relevant to their role.

Finally, we remain committed to taking on bright new talent and channelling skills into appropriate areas of our business and during 2015 we will be promoting our newly established graduate trainee programme. Please see our website for more information about this programme and for case studies in relation to apprenticeships, work experience and graduate trainees.

HUMAN RIGHTS

Whilst we do not have a specific human rights policy, we do have policies that adhere to internationally proclaimed human rights principles. We will continue to give careful consideration as to whether our approach to human rights issues remains appropriate.



HEALTH AND SAFETY

At St. Modwen we remained committed to ensuring the health, safety and welfare of our employees, contractors, subcontractors, customers and visitors to our sites.

We have a comprehensive safety, health and environmental (SHE) management system in place, which is integral to our business. This is supported by detailed policies and procedures in respect of both our development and residential activities; these are continually refreshed to ensure they reflect any changes to regulation or best practice.

The SHE Steering Group, chaired by the Group Construction Director, monitors the Company's SHE management system. It receives reports from senior management, reviews incident and accident prevention performance and agrees initiatives designed to continue the promotion of a positive safety culture across St. Modwen's activities. The Steering Group reports on its activities to the Board.

We engage independent consultants to ensure compliance with Construction and Design Management (CDM) regulation, with particular focus on our residential activities through St. Modwen Homes where we are the principal contractor. All St. Modwen Homes' sites are registered with the Considerate Contractors scheme and a number have been awarded certificates of performance beyond compliance, which recognise consideration to the locality, the workforce and the environment that goes beyond statutory requirements.

Specialist external consultants carry out regular health and safety audits of all our sites under development. Regular risk assessments of our properties are undertaken using an online management system, with implementation of any resulting actions monitored by the Property Board. St. Modwen also operates a pre-qualification process to ensure the selection of competent consultants and contractors.

We encourage responsibility for the identification and mitigation of health and safety risks at an individual level. Regular and appropriate competence training is provided for our employees, contractors and subcontractors to ensure that health and safety considerations remain at the forefront of any activity.

We measure our health and safety performance through accident frequency rates (AFR), measured as the number of reportable incidents x100,000 (being the number of hours a person works in a lifetime) divided by the total hours worked by all persons at risk.

For the 12 months to 30th November 2014 the AFR for our development sites and for St. Modwen Homes was 0.4 and 0.1 respectively, both outperforming the industry benchmark. There were no health and safety prosecutions, enforcement actions or fatalities arising from our activities during the year.

WORKING WITH CHARITIES

We continue to review our strategy for charitable support and in the meantime we consider each opportunity, whether at national, regional or local level, on a case by case basis and subject to its synergy with our projects. For more information about our work with local and national charities, please see [www.stmodwen.co.uk/CSR/charity work](http://www.stmodwen.co.uk/CSR/charity%20work)



Find out more about our corporate social responsibility
www.stmodwen.co.uk/csr

APPROVAL OF STRATEGIC REPORT

The Strategic Report for the year ended 30th November 2014 has been approved by the Board and was signed on its behalf by

Bill Oliver
Chief Executive

2nd February 2015

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.

Committees

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 Deputy Chairman and Senior Independent Director of LSL Property Services plc, 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.

Committees

Attends meetings of the Audit, Nomination and Remuneration Committees by invitation.

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

Group Construction Director

Appointed to the Board in November 2006.

Committees

Attends meetings of the Audit Committee by invitation.

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.

Committees

Attends meetings of the Audit Committee by invitation.

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.

Committees

Member of the Audit, Nomination and Remuneration 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.

Ian Bull

Independent non-executive director

Appointed to the Board in September 2014.

Committees

Member of the Audit, Nomination and Remuneration Committees.

Experience

Chief Financial Officer and main board director at Ladbrokes plc since 2011. Over 20 years' financial experience with companies such as Whitbread plc, Buena Vista Home Entertainment (Walt Disney Company) and BT Group. Group Finance Director of Greene King plc from 2006 to 2011 and former non-executive director of Paypoint Limited. A Fellow of the Chartered Institute of Management Accountants.

Kay Chaldecott

Independent non-executive director

Appointed to the Board in October 2012.

Committees

Member of the Audit, Nomination and Remuneration 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 and Boyer Planning Limited and a member of the Advisory Board of Next Leadership. A member of the Royal Institution of Chartered Surveyors.

Simon Clarke, DL

Non-executive director

Appointed to the Board in October 2004.

Committees

Attends meetings of the Audit, Nomination and Remuneration Committees by invitation.

Experience

Former Deputy Chairman of Northern Racing plc and director and Vice-Chairman of The Racecourse Association Ltd. Currently Chairman of Dunstall Holdings Ltd and a Deputy Lieutenant for Staffordshire. The son of Sir Stanley Clarke, the founder and former Chairman of St. Modwen, he 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.

Committees

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 Alpha Airports Group plc, Anchor Trust, Care UK plc, Inspicio plc, Liberty International plc and the West Bromwich Building Society. Former Trustee of the charity I CAN. A Companion of the Chartered Institute of Personnel and Development.

John Salmon

Independent non-executive director

Appointed to the Board in October 2005.

Committees

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

Committees

Attends all Audit, Nomination and Remuneration Committee meetings in her capacity as Company Secretary.

Experience

Has over 15 years of governance and compliance experience in FTSE listed companies, including Misys plc, Taylor Woodrow plc (now Taylor Wimpey plc) and Travis Perkins plc. Joined St. Modwen from GKN plc where she was Deputy Company Secretary and Head of Secretarial Department. A Fellow of the Institute of Chartered Secretaries and Administrators.

PROPERTY BOARD

	<p>Richard Bannister Regional Manager – Yorkshire and North East</p> <p>←</p>		<p>Guy Gusterson Residential Director – St. Modwen Homes</p> <p>←</p>
<p>Mike Herbert Regional Director – The Trentham Estate</p> <p>→</p>		<p>Rupert Joseland Regional Director – South West and South Wales</p> <p>→</p>	
	<p>Stephen Knowles Regional Director – North West</p> <p>←</p>		<p>Richard Powell Build Director</p> <p>←</p>
<p>Stephen Prosser Regional Director – Midlands</p> <p>→</p>		<p>Tim Seddon Regional Director – London and South East</p> <p>→</p>	
	<p>Andy Taylor Group Financial Controller</p> <p>←</p>		<p>Rupert Wood Regional Director – Northern Home Counties</p> <p>←</p>

Richard Bannister

Regional Manager – Yorkshire and North East

6 years' service

Promoted to Regional Manager in 2014 and now leading the asset management of Waterdale Shopping Centre, Doncaster and plans for redevelopment of part of Melton Park in Hull for 510 new homes. Successfully completed the purchase of Billingham Town Centre at the end of 2014 for £14.3m and will continue to oversee the plans for its future regeneration.

Guy Gusterson

Residential Director – St. Modwen Homes

8 years' service

Responsible for maximising the value of the Company's residential land bank which covers over 1,900 acres of developable land nationally. Oversees the Persimmon joint venture and is Managing Director of the Company's housebuilding business, St. Modwen Homes, which has 10 schemes in production across the UK.

Mike Herbert

Regional Director – The Trentham Estate

24 years' service

Has delivered numerous major regeneration projects across North Staffordshire, including Festival Park, Etruria Valley and Trentham Lakes. Now has primary responsibility for the continued £100m regeneration of the 725-acre historic Trentham Estate, one of the top tourist and leisure destinations in the UK which welcomed over 470,000 paying visitors during 2014.

Rupert Joseland

Regional Director – South West and South Wales

13 years' service

Set up the South West and South Wales Regional Office in 2004 and now oversees 18 development schemes across the region. Instrumental in the 2,500-acre BP portfolio acquisitions and responsible for their subsequent redevelopment, including the £1bn regeneration of Coed Darcy, Neath. Also oversees the ongoing redevelopment of Locking Parklands, Weston-super-Mare and the 600-acre mixed-use regeneration of Glan Llyn, South Wales.

Steven Knowles

Regional Director – North West

11 years' service

Promoted to Regional Director in 2014 and oversees approximately 27 projects within the North West region, including the regeneration of Great Homer Street in North Liverpool, the continued re-development of Wythenshawe Town Centre and the delivery of 325 new homes in Ellesmere Port.

Richard Powell

Build Director

8 years' service

Reports to the Group Construction Director and responsible for the Company's build programme. Ensures the smooth transition of build projects, from contractor appointment through to conclusion and handover. Currently fronting the delivery team for the new Bay Campus, Swansea University and also oversees projects including the redevelopment of RAF Uxbridge, the regeneration of Farnborough Town Centre and the 310,000 sq ft extension of Screwfix, Stoke-on-Trent.

Stephen Prosser

Regional Director – Midlands

17 years' service

Formerly Regional Director for the North prior to his promotion and move to the Midlands in 2014. Has direct responsibility for all activity across the region, including the ongoing £1bn regeneration of Longbridge, the mixed-use leisure-based Meon Vale scheme in Stratford-upon-Avon, and the extensive redevelopment of a 280-acre former industrial site in Branston, Burton upon Trent.

Tim Seddon

Regional Director – London and South East

8 years' service

Oversees all of St. Modwen's development and asset management activities across London and the South East. Managed the successful and ongoing redevelopment of the former RAF sites at both Mill Hill and Uxbridge and the regeneration of Wembley Central and Leegate Shopping Centre. Heads up the delivery team for the redevelopment of the New Covent Garden Market sites in Nine Elms, London.

Andy Taylor

Group Financial Controller

7 years' service

Reports to the Group Finance Director and responsible for all areas of operational finance together with the management of corporate finance activity, treasury and tax. Was instrumental in the launch of the £100m convertible bond and the refinancing of the Company's debt portfolio in 2014.

Rupert Wood

Regional Director – Northern Home Counties

8 years' service

Established the Northern Home Counties Regional office in 2008 and now oversees the management of its portfolio which includes Edmonton Green Shopping Centre and Cranfield University. Also created St. Modwen Energy, a new business unit to promote large scale power generation projects across the UK. Two sites have since been identified with capital investment totalling £2bn.

Bill Oliver, Michael Dunn, Steve Burke and Tanya Stote are also members of the Property Board. See pages 52–53.

INTRODUCTION



Bill Shannon
Non-executive Chairman

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.

Dear Shareholder

As a Board, we are responsible for the stewardship of the business and are committed to maintaining high standards of corporate governance across the Group. We believe good governance enhances business performance as well as our reputation within our marketplace and across relationships with our stakeholders.

Our approach to governance is outlined in the following report, which describes how we integrate into our business the main principles of the 2012 UK Corporate Governance Code (the Code). The Code's principles on remuneration are addressed in the Directors' Remuneration Report which is set out on pages 77 to 100. St. Modwen's risk management and internal control framework together with details of the principal risks and uncertainties that the Group faces are described on pages 38 to 43.

In September 2014 a revised version of the Code was published by the Financial Reporting Council. This includes updated principles in respect of remuneration, risk management, internal control and going concern and we have already taken steps to address the revisions made. The new Code will apply from our financial year ending 30th November 2015 and I look forward to reporting on our compliance in the 2015 Annual Report. In the meantime, I can confirm that, throughout the financial year ended 30th November 2014, the Company complied in full with the 2012 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. The year has seen John Salmon announce his imminent retirement from the Board after more than nine years' service. He has chaired the Audit Committee since 2006, a role he has undertaken with the utmost distinction. On behalf of the Board I would like to thank John for the significant contribution he has made to St. Modwen and to wish him well for the future.

John's retirement has enabled us to refresh further the Board's composition with the appointment of Ian Bull as non-executive director in September 2014. Ian is Chief Financial Officer and a main board director at Ladbrokes plc, a position he has held since 2011. His strong financial and commercial pedigree will complement the existing experience of the Board and I am delighted that Ian will be continuing John's excellent work as Audit Committee Chairman following his retirement.

We announced in December 2014 that Michael Dunn, Group Finance Director, would be leaving the Company. The search for his successor, which will consider both internal and external candidates, is already well advanced. Mike has played an important part in the Company's success since his appointment in 2010 and on behalf of the Board I would like to thank him for his contribution and wish him well for the future.

It is important that shareholders understand the Company's strategy and objectives and their feedback must be properly considered. To this end I extended an invitation to our major institutional shareholders to discuss matters relating to St. Modwen's strategy and our approach to governance. Three investors accepted the invitation and their views have been reported to and considered by the Board. I intend to issue a similar invite this year and would encourage all shareholders to give feedback and communicate with the Board through the Company Secretary.

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

Bill Shannon
Chairman

2nd February 2015

CORPORATE GOVERNANCE REPORT

LEADERSHIP

The Board

The Board provides leadership of the Company and direction for management. It is collectively responsible and accountable to shareholders for St. Modwen’s long-term success. 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

Develops strategy and leads St. Modwen to achieve long-term success

➔ **Board biographies** Page 53

➔ **Our business model** Pages 4–7

➔ **Our strategy** Pages 8–9

SUPPORTED BY

EXECUTIVE DIRECTORS

Implement strategic decisions approved by the Board and monitor operational performance

➔ **Chief Executive’s Review** Pages 20–31

➔ **Financial Review** Pages 32–37

BOARD COMMITTEES

Audit Committee
Nomination Committee
Remuneration Committee

➔ **Board Committees** Page 59

PROPERTY BOARD

Reviews performance and considers Group-wide operational issues and initiatives

➔ **Property Board** Pages 54–55

SAFETY, HEALTH AND ENVIRONMENT STEERING GROUP

Oversees strategy, procedure and performance in relation to safety, health and environmental matters across the business

➔ **Corporate Social Responsibility** Pages 44–51

CSR STEERING GROUP

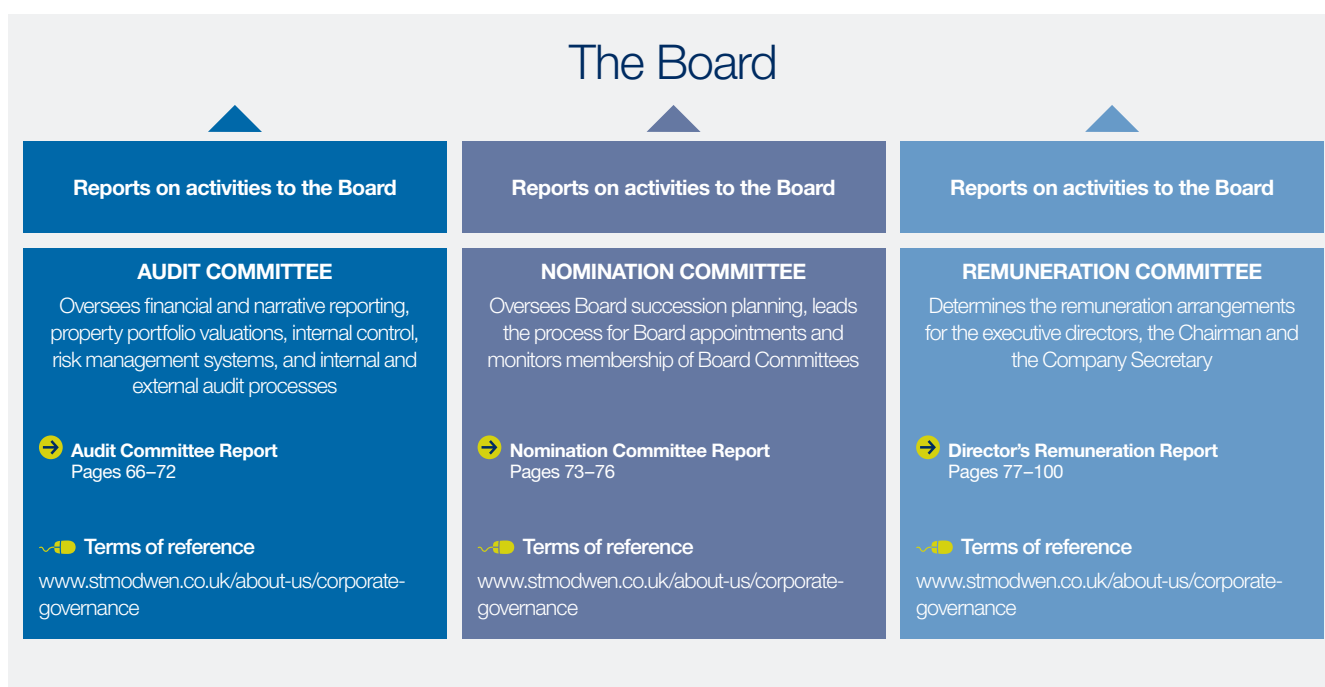
Established during the year to co-ordinate the Group’s approach to and enhance the reporting of its Corporate Social Responsibility activities

➔ **Corporate Social Responsibility** Pages 44–51

Board Committees

The Board delegates certain responsibilities to Board Committees to ensure compliance with regulatory and governance requirements. The activities of and any recommendations made by the Committees are reported by the relevant Committee Chairman to the Board meeting following the relevant Committee meeting.

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.



CORPORATE GOVERNANCE REPORT

continued

LEADERSHIP continued

Responsibilities of Board members

To ensure that no one individual has unfettered powers of decision, the primary responsibilities of the Chairman, the Chief Executive, the Senior Independent Director, the Company Secretary and the non-executive directors are set out in writing.

THE CHAIRMAN

As Chairman, Bill Shannon's role is to lead the Board and ensure that it operates effectively. His responsibilities include:

- setting appropriate agendas for Board meetings and ensuring that all matters are given due consideration;
- maintaining a culture of openness, debate and constructive challenge in the boardroom;
- ensuring effective dialogue takes place between St. Modwen and its shareholders;
- providing a tailored induction programme for newly appointed directors and agreeing any training and development needs with other members of the Board; and
- ensuring the Board's effectiveness.

THE CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

Bill Oliver, the Chief Executive, is responsible for the leadership of the business, managing it within the authorities delegated by the Board. His responsibilities include:

- day-to-day management of the business;
- recommending proposals for St. Modwen's strategic development and implementing the strategy agreed by the Board;
- leading the executive management team; and
- ensuring the efficient use of resources.

NON-EXECUTIVE DIRECTORS

The non-executive directors work with and challenge the executive directors in the development of St. Modwen's strategy. They offer an independent, external perspective on the business and bring wide and varied commercial experience to both the Board and its Committees. With the exception of Simon Clarke, all non-executive directors are deemed to be independent.

SENIOR INDEPENDENT DIRECTOR

As Senior Independent Director, Richard Mully's role involves:

- acting as a sounding board for the Chairman;
- serving as an intermediary for the other directors when necessary; and
- providing an additional communication channel for shareholders.

The management of the business is undertaken by the Chief Executive and the other executive directors. They are responsible for updating the Board and Board Committees on the overall performance of the Company and on specific aspects of the business, as required. Their key areas of responsibility are shown below:



BILL OLIVER

- Corporate performance
- Implementing strategy
- Communications
- Public affairs
- Human resources



MICHAEL DUNN

- Finance
- Risk
- Investor relations
- Internal audit
- IT



STEVE BURKE

- Procurement
- Programme delivery
- Major projects
- Health and safety
- Corporate social responsibility

Board activity

The Board discharges its responsibilities through an annual programme of Board and Committee meetings which are supplemented by visits to sites within the Company's property portfolio; in 2014 the Board toured residential development at the former RAF sites in both Mill Hill and Uxbridge in London, the Bay Campus development at Swansea University, the recently completed Baglan Bay Solar Park and the ongoing regeneration at Coed Darcy in South Wales.

KEY ACTIVITIES OF THE BOARD IN 2013/14

Standing agenda items included:

- Annual strategy review
- Reports from the Chief Executive, the Group 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
- 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:

- Launch of a convertible bond which raised £100m
- Refinancing of the Company's debt portfolio
- Planning for the redevelopment of the New Covent Garden Market sites in Nine Elms, London
- Development Agreement with Swansea University for additional student accommodation and new facilities at the Bay Campus development for Swansea University
- Acquisition of Billingham Town Centre for £14.25m
- Tender exercises to appoint tax compliance service providers and external valuers
- Presentations from Numis Securities and J.P. Morgan Cazenove, the Company's joint brokers, and FTI Consulting, the Company's financial PR advisors
- Appointment of Ian Bull as non-executive director
- Board succession plans and composition
- Operational presentations from the management team

Board and Committee meetings and attendance⁽¹⁾

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
<i>Chairman</i>				
Bill Shannon	9/9	–	3/3	4/4
<i>Executive directors</i>				
Bill Oliver	9/9	–	–	–
Steve Burke	9/9	–	–	–
Michael Dunn	9/9	–	–	–
<i>Non-executive directors</i>				
Ian Bull ⁽²⁾	2/3	1/1	1/1	2/2
Kay Chaldecott	9/9	3/3	3/3	4/4
Simon Clarke	9/9	–	–	–
Lesley James ⁽³⁾	7/9	3/3	3/3	4/4
Richard Mully	9/9	3/3	3/3	4/4
John Salmon	9/9	3/3	3/3	4/4

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

(2) Ian Bull was appointed to the Board on 1st September 2014. He was unable to attend the October 2014 Board meeting due to a prior business commitment.

(3) Lesley James was unable to attend the Board meeting in December 2013 due to illness and the Board meeting in May 2014 due to a prior personal commitment.

CORPORATE GOVERNANCE REPORT

continued

EFFECTIVENESS

Board composition

The Board currently comprises 10 members: the Chairman, three executive directors and six non-executive directors.

➔ **Board biographies** Page 53

Board composition continues to develop and was further strengthened during the year with the appointment of Ian Bull as a non-executive director in September 2014. Ian is Chief Financial Officer and a main Board director at Ladbrokes plc. He will succeed John Salmon as Audit Committee Chairman who will retire from the Board at the conclusion of the Company's Annual General Meeting (AGM) to be held on 27th March 2015.

➔ **Nomination Committee Report** Pages 73–76

At the 2015 AGM, and in accordance with the Company's Articles of Association, shareholders will be asked to elect Ian Bull to the Board. With the exception of John Salmon, all other directors will seek re-election in accordance with the provisions of the Code.

The explanatory notes set out in the notice of meeting state the reasons why the Board believes that each director proposed for re-election at the AGM should be re-appointed. The Board has based, in part, its recommendation for re-election on its review of the results from the Board evaluation process and the Chairman's review of individual evaluations. It has concluded that the performance of each director continues to be effective, that they continue to demonstrate substantial commitment to their respective roles, and that their respective skills complement one another to enhance the overall operation of the Board.

➔ **Notice of AGM** Pages 166–172

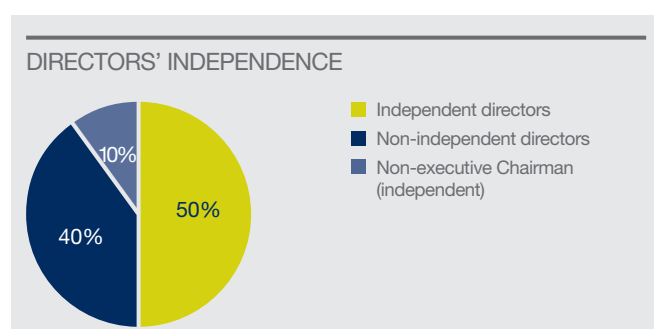
Director independence

The Board considers Bill Shannon to have been independent on his appointment as Chairman in 2011 and that he remains so.

Simon Clarke, a non-executive director, represents the interests of the Clarke and Leavesley families on the Board. Together the families hold 15.6% of the Company's issued share capital and are St. Modwen's largest shareholder. Consequently the Board has determined that Simon Clarke is not independent for the purposes of the Code.

John Salmon has been a non-executive director of the Company since October 2005. Whilst his tenure now exceeds nine years, the Board remains of the view that John is independent in character and judgement and that it was appropriate for him to continue in office as Audit Committee Chairman to provide continuity for the approval of the results for the year ended 30th November 2014. He will retire at the 2015 AGM.

The Board considers that all other non-executive directors are independent and is not aware of any relationship or circumstance likely to affect the judgement of any director.



Board appointments

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 Ian Bull as a non-executive director. The Committee also engaged the services of an external search consultant in relation to the appointment.

➔ [Nomination Committee Report](#) Page 75

External appointments

The Chairman and the Board are advised by each director of any proposed external appointments or other significant commitments as they arise. In October 2014 Kay Chaldecott was appointed a non-executive director of Boyer Planning Ltd. Bill Shannon joined the Board of LSL Property Services plc as a non-executive director in January 2014 and became Deputy Chairman and Senior Independent Director in January 2015. He also chairs the Company's Remuneration and Nomination Committees.

The Board is satisfied that the changes in the Chairman's external appointments during the year do not impact on his ability to allocate sufficient time to discharge his responsibilities to St. Modwen.

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 with 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 Ian Bull in September 2014.

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 the external valuers to review their property valuation reports. The attendance by members of Board Committees on courses relevant to aspects of their respective Committee specialisms is also encouraged.

CORPORATE GOVERNANCE REPORT

continued

EFFECTIVENESS continued

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

The annual Board performance evaluation review provides an opportunity for the directors to reflect on their collective and individual effectiveness and consider any changes that could improve the operation of the Board and its Committees.

Dr. Tracy Long of Boardroom Review (who has no other connection to the Company and is considered to be independent) conducted a full review in 2012 and was invited to input to the internal review undertaken in 2013. In light of the involvement of an external facilitator in the prior two years, the Board felt that the evaluation review for 2014 should be led by the Chairman through one-to-one discussions with each director, together with a review of the effectiveness of the Committees considered collectively by relevant Committee members.

The individual performance of the directors was evaluated through one-to-one discussions with the Chairman. Richard Mully, as Senior Independent Director, led the review by the non-executive directors of the Chairman's performance, which took into account the views of the executive directors.

The Board has concluded that it remains effective and operates to a high level, with good progress made against the areas for improvement identified in last year's evaluation. No serious issues were raised.

Progress against 2013 evaluation actions

Good progress has been made against actions arising from last year's Board evaluation review.

- Reports to the Board have been enhanced to provide additional content requested by non-executive directors. Reporting has also been re-formatted to facilitate digital distribution of and access to Board papers which was introduced during the year.
- To give non-executive directors greater visibility of talent within the business, presentations to the Board by members of the management team on key projects have been scheduled in the rolling programme of Board agenda items.
- An annual invitation is now issued by the Chairman to major shareholders to discuss matters relating to strategy and governance.
- Ongoing review of Board succession planning, including the appointment of Ian Bull.
- Arrangements for the provision of independent external advice to the Remuneration Committee were reviewed and New Bridge Street was re-appointed as advisor to the Committee.

Areas for focus in 2015

- The Board's annual schedule is to be reviewed in order to reduce the frequency of meetings (currently nine per annum plus two site visits). Meeting duration will instead be increased to enable greater in-depth discussion.
- Board agendas are to include topical areas for deep-dives to enhance the contribution the non-executive directors can make to key matters affecting the business.
- The Board and Audit Committee will ensure that the Company's risk management systems continue to be enhanced through regular focus and review, supported by improved reporting.

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 from the programme of events is provided to the Board to ensure that directors develop an understanding of the views 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 2014 the Company held an investor day for institutional investors and analysts at the Bay Campus development at Swansea University, which included presentations on the results, information on the Company's activities across South Wales and a tour of the campus. 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 Chairmen of the Board Committees on matters put to the meeting. Resolutions for consideration at the 2015 AGM will 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.

➔ **Notice of AGM** Pages 166–172

COMPLIANCE STATEMENT

This Corporate Governance Report, together with the Audit Committee Report, the Nomination Committee Report, the Directors' Remuneration Report and the sections of this Annual Report entitled 'Risk management' and 'Our principal risks', provide a description of how the main principles of the Code have been applied by St. Modwen in 2013/14. 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 2014, 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, this Corporate Governance Report contains the information required by Rule 7.2 of the Disclosure and Transparency Rules of the Financial Conduct Authority.

The directors are responsible for preparing this Annual Report. The statement of directors' responsibilities on pages 104 and 105 is made at the conclusion of a robust and effective process undertaken by the Company for the preparation and review of the Annual Report. The directors believe that these well-established arrangements, details of which are set out on page 70, enable them to ensure that the information presented in this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

➔ **Risk** Pages 38–43

➔ **Audit Committee Report** Pages 66–72

➔ **Nomination Committee Report** Pages 73–76

➔ **Directors' Remuneration Report** Pages 77–100

➔ **Directors' Report** Pages 101–105

AUDIT COMMITTEE REPORT



John Salmon
Chairman of the
Audit Committee

Committee members

John Salmon (Chairman)
Ian Bull
Kay Chaldecott

Lesley James
Richard Mully

Principal role

Monitors the integrity of the Group's financial reporting and audit processes and the development and maintenance of sound systems of risk management and internal control.



Terms of reference

www.stmodwen.co.uk/about-us/corporate-governance

Dear Shareholder

The Committee's agenda in respect of the financial year ended 30th November 2014 has again been full. In addition to its primary role of monitoring the integrity of the Group's reporting, the Committee has overseen steps taken by management to strengthen further the systems of risk management and internal control.

In accordance with best practice and noting investor concerns about the level of non-audit fees, the Committee has continued to keep the provision of non-audit services by Deloitte under review. Following a formal tender, PricewaterhouseCoopers LLP (PwC) has been engaged for tax compliance work from June 2014 in succession to Deloitte. Drivers Jonas, now part of Deloitte Real Estate, provided property consulting services to the Group during the year on two long-term development projects, their involvement in which pre-dated their acquisition by Deloitte. In view of their significant knowledge of these projects, it has not been in the Group's commercial interests to appoint alternative advisors. The majority of their work has now been completed and no further work has been or is currently planned to be placed with Deloitte Real Estate. Non-audit fees paid to Deloitte in the year totalled £349,000, which is less than their fees for audit and audit-related assurance services, and it is anticipated that the proportion of non-audit fees will continue to fall.

The independent valuation of St. Modwen's property portfolio is a key determinant of the Group's Balance Sheet and performance as well as the variable elements of executive remuneration. In light of the long tenure of Jones Lang LaSalle LLP (JLL), the external valuers, the Committee requested that a tender process be undertaken in advance of the year end valuations. This was a multi-staged process involving senior management to assess capability, cultural fit, effectiveness and value for money (further details can be found on page 71). The view shared by those involved was that DTZ Debenham Tie Leung Ltd (DTZ) provided the best offer and they were duly appointed as the Company's valuers. On behalf of the Company I would like to thank JLL for their rigorous approach to the valuation process undertaken for the Company over many years.

The Committee continues to focus on those matters it considers to be important by virtue of their size, complexity, level of judgement required or impact on the Financial Statements; these included the accounting treatment of the £100m convertible bond successfully launched in February 2014 and eventual Balance Sheet recognition in respect of the redevelopment of New Covent Garden Market as it moves through the planning process and the transaction become unconditional. Such issues considered by the Committee during the year, and the actions taken to address them, are detailed within this report.

During my tenure as Chairman of the Committee, a position I have held since 2006, the demands and expectations placed on audit committees have increased substantially. I would like to express my gratitude to our Finance team, the internal and external auditors and the Company Secretary for the many reports and advice they have provided to the Committee, which have been essential to our activities. I would also like to thank my fellow Committee members for their unwavering support and commitment to ensuring effective governance through the Committee's activities. I am delighted that Ian Bull, who joined the Board as a non-executive director in September 2014 and is Chief Financial Officer of Ladbrokes plc, will be appointed in my stead on my retirement at the 2015 AGM.

I hope that the following report provides a useful guide to the activities of the Committee during the year.

John Salmon
Chairman of the Audit Committee

2nd February 2015

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.

➔ **Board biographies** Page 53

➔ **Nomination Committee Report** Pages 73-76

Each Committee member brings broad financial and business experience at a senior level which enables them to fulfil their role. As Chief Financial Officer of Ladbrokes plc, Ian Bull is considered to have significant, recent and relevant financial experience as required by the Code. The Committee Chairman, John Salmon, is also considered to have significant and relevant experience as a former partner of PwC.

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.

Audit Committee members		Committee meetings and attendance during the year ended 30 th November 2014 ⁽¹⁾
John Salmon	Chairman	3/3
Ian Bull ⁽²⁾	Member	1/1
Kay Chaldecott	Member	3/3
Lesley James	Member	3/3
Richard Mully	Member	3/3

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

(2) From appointment to the Board on 1st September 2014.

Audit Committee attendees (by invitation)	
Bill Shannon	Chairman of the Company
Michael Dunn	Group Finance Director
Simon Clarke	Non-executive director
David Edwards	Internal Audit Manager
Tanya Stote	Company Secretary and secretary to the Committee
Andy Taylor	Group Financial Controller
Representatives from Deloitte	External auditor
Representatives from DTZ (previously JLL)	External valuers

ADVICE PROVIDED TO THE COMMITTEE

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

AUDIT COMMITTEE REPORT

continued

ACTIVITIES OF THE COMMITTEE

Key matters formally discussed and reviewed by the Committee in the year

Reporting

- Significant financial issues Pages 69–70
- Going Concern Page 104
- Fair, balanced and understandable Page 70

- Integrity of the financial reporting process, including the half year and annual results, related commentary and announcements, the Annual Report and associated reports prepared by Deloitte.
- Continuing appropriateness of and changes to accounting policies and the use of estimates and judgements as noted in the Group Financial Statements.
- Impact of new accounting standards.
- Independent property valuation reports prepared by JLL and DTZ which detailed movements resulting from activities undertaken by the Company and those arising from changes in the property market.
- Going concern review.
- The fair, balanced and understandable concept in respect of the 2014 Annual Report and Financial Statements.

External audit

- The external auditor Pages 71–72

- Deloitte’s audit plan.
- Policy in respect of the provision of non-audit services by the external auditor.
- The independence of Deloitte and the effectiveness of the external audit process.
- The tenure of both Deloitte and the audit engagement partner, and changes to the regulatory framework in respect of external audit tendering.

Risk management and internal control

- Risk Pages 38–43

- Updates on corporate risk assessment management activities.
- Ongoing risk management activities, including the outturn of a risk workshop involving executive directors and senior management and facilitated by KPMG.
- Risk registers at both Group and regional level, including appropriate mitigating actions.
- Reports on the Company’s internal control system and the Group’s tax compliance position.
- Actual and potential legal claims and litigation involving the Group.

Internal audit

- Updates on the activities of internal audit, including audits on the Group pension scheme and the Persimmon joint venture, to provide assurance that the control environment continued to operate effectively.
- Status reports on the implementation and follow-up of internal audit recommendations.
- Internal audit programme of reviews of the Group’s processes and controls, including coverage and allocation of resource.
- 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.
- Effectiveness of the internal audit function.

Other

- Formal tender processes in relation to external valuation and tax compliance advisors.
- The effectiveness of the Committee.
- The Committee’s terms of reference.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

The 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 Group Financial Statements. The significant financial issues considered by the Committee during the year are set out below.

Valuation of investment property

The independent valuation of St. Modwen's investment property is a key determinant of the Group's Balance Sheet and performance and the Committee adopts a rigorous approach to monitoring and reviewing the valuation process. Representatives of JLL and DTZ attended meetings of the Committee at the half year and full year review of results respectively 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. Members of the Committee also met with representatives from the external valuers 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 management's assessment as to 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 the external valuers for certain sites, typically new build units not yet sold.

New Covent Garden Market

As the redevelopment moves through the planning process, the Committee continued to monitor the extent to which the contract remained conditional for the purposes of asset and liability recognition. Despite resolution to grant planning permission being received in November 2014, the Development Agreement remains conditional upon a number of matters, including finalisation of revised planning consent. The Committee therefore determined (and Deloitte concurred) that it remained inappropriate to recognise either an asset or liability in respect of the development until such conditions had been satisfied.

Acquisition of Branston Properties Ltd

Following the exercise of an option by the Group to acquire the issued share capital of Branston Properties Ltd in May 2014, the Committee considered the fair value of Branston's assets and liabilities which were required to be remeasured as at the point of acquisition. Given the proximity of the acquisition to the valuation undertaken by JLL in respect of the 2014 half year results, the Committee agreed that the fair value adjustment on acquisition should accord with JLL's valuation of £2.6m, which reflected an uplift as a result of the achievement of a planning milestone. Approval of the conditional agreement to acquire the remaining 12.5% of the issued share capital in Branston which is held by Simon Clarke, a non-executive director of the Company, will be sought at the 2015 AGM. In the meantime no minority interest has been recognised in respect of this holding.

Revenue recognition

In respect of the Bay Campus development at Swansea University, the Committee continued to monitor the appropriateness of the accounting 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 applied, which is on the same basis as the majority of the Company's developments, albeit it on a larger scale, remained appropriate and should be applied in respect of the second phase of development.

Issue of convertible bond

In conjunction with the launch by the Company in February 2014 of the convertible bond (which can be settled in either cash or shares on conversion), the Committee considered an opinion prepared by Deloitte on the appropriate accounting treatment to be applied; it agreed that the bond should be accounted for as a single financial liability measured at fair value without separation of the option.

AUDIT COMMITTEE REPORT

continued

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES continued

Tax provisions

As a property group, tax and its treatment is often an integral part of transactions. The outcome of tax treatments are recognised by the Group to the extent the outcome is reasonably certain. Where tax treatments have 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. Based on reports from both management and Deloitte, the Committee considered the individual judgements made by management in respect of tax provisions and the resultant level of tax provisioning at both the full year and half year to ensure that they remained 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 104.

FAIR, BALANCED AND UNDERSTANDABLE

When reporting to shareholders the Board aims to present a fair, balanced and understandable assessment of the Company's position and performance and is assisted in this by the Audit Committee. This responsibility covers the Annual and Half Year Reports and Financial Statements, as well as interim management statements and other financial reporting.

The Audit Committee is satisfied and has confirmed to the Board that the 2014 Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In reaching this view the Committee considered the robust and well-established processes in place to prepare the Annual Report and Financial Statements which includes:

- clear guidance and instruction is given to all contributors;
- revisions to regulatory requirements and governance principles, including the UK Corporate Governance Code, are continually monitored;
- meetings are held with the auditors in advance of the year end reporting process;
- input is provided by senior management to identify relevant and material information and ensure accurate, consistent and balanced reporting;
- detailed debates and discussions regarding principal risks and uncertainties;
- focused review and approval of specific sections by the relevant Board Committees, supported by regular reporting by Board Committees to the Board on their activities;
- a review by the Audit Committee of management reports on accounting estimates and judgements, auditor reports on internal controls, accounting and reporting matters and a management representation letter concerning accounting and reporting matters;
- consideration of the draft Annual Report and Financial Statements by the Audit Committee in advance of final sign-off; and
- review and approval by the external auditor.

The Board takes into account the view of the Audit Committee when undertaking its own review of the document prior to giving final approval.

VALUATIONS

In light of the long tenure of JLL as the Company's external valuers, the Committee requested that a tender process be undertaken in 2014 in advance of the year end valuations.

A number of firms, together with JLL, were approached to tender for the external valuer appointment based on their listed business reporting experience, commercial development portfolio valuations expertise, residential land expertise, national reach and local accessibility. The first stage of the process involved initial presentations in order to assess capability and cultural fit. Three firms were then shortlisted and requested to submit a full tender which included detailed analysis, sample valuations and fee estimates. Each shortlisted firm was given access to management and details of the property portfolio before presenting their proposals to the selection panel comprising executive directors and key operational management.

The Audit Committee and the Board considered both the selection panel's recommendation and input from non-executive directors in approving the appointment of DTZ as external valuers, to commence in respect of the valuation process for the financial year ended 30th November 2014.

THE EXTERNAL AUDITOR

Independence

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.

The current policy in respect of the latter only permits the external auditor to provide non-audit services to the Group 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. In accordance with best practice and noting investor concerns about the level of non-audit fees, a tender exercise to appoint an alternative provider of tax compliance services to Deloitte was undertaken during the year. The first phase of the tender focused on the over-arching approach, people and cultural fit and involved a panel comprising the Group Finance Director and other senior members of the Finance function. The second phase involved a more detailed presentation to both the panel and the Audit Committee Chairman on both delivery of work and pricing. As a result of the tender PwC has been engaged to provide tax compliance services in place of Deloitte with effect from June 2014.
- **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 advice in respect of the convertible bond issued in February 2014, legacy HMRC matters in respect of employment taxes, and enquiries raised by the District Valuer. 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 at that time 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 2013 and 2014 were provided by Deloitte Real Estate (formerly Drivers Jonas), whose involvement in respect of these services for long-term projects at Burnley and, principally, Leegate pre-dated the firm's acquisition by Deloitte. Advice in respect of Burnley is now substantially complete but some follow up may be required during the planning process for Leegate (50% of the planning costs for Leegate will be borne by the tenant). No further work has been or is currently planned to be placed with Deloitte Real Estate.

AUDIT COMMITTEE REPORT

continued

THE EXTERNAL AUDITOR continued

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 Chairman 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 and all expenditure is reviewed annually by the Committee. During the year approval of the Audit Committee Chairman was requested and given in respect of advice from Deloitte for the tax and accounting treatment on the issue and delivery of the convertible bond. Details of the non-audit services provided by Deloitte are set out in the table below.

	2014			2013		
	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	280	–	280	270	–	270
Audit-related assurance services	55	–	55	55	–	55
Other audit-related assurance services (convertible bond accounting advice)	20	–	20	–	–	–
Tax compliance services	–	67	67	–	166	166
Tax advisory services	–	80	80	–	174	174
Property consulting	–	202	202	–	30	30
Total non-audit fees	75	349	424	55	370	425
Total fees	355	349	704	325	370	695

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 2014 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 management's assessment of external audit effectiveness using an extensive framework developed by Deloitte. 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

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

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 can remain in post until the 2016/17 financial year. The Committee currently expects to undertake an external audit tender process in the year ending 30th November 2017. 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 2015 AGM.

NOMINATION COMMITTEE REPORT



Bill Shannon
Chairman of the
Nomination Committee

Committee members

Bill Shannon (Chairman)
Ian Bull
Kay Chaldecott

Lesley James
Richard Mully
John Salmon

Principal role

Reviews the succession planning and leadership needs of the Group and leads the process for Board appointments, ensuring that directors have an appropriate range of skills and experience to deliver St. Modwen's strategy.



Terms of reference

www.stmodwen.co.uk/about-us/corporate-governance

Dear Shareholder

During the year the Nomination Committee spent significant time discussing and recommending changes to the Board both at and outside of formal meetings to ensure that the composition of the Board is best placed to operate effectively in the context of St. Modwen's strategic objectives. This included consulting with other Board members and working with the Zygos Partnership (Zygos), an external search agency.

Following Richard Mully's appointment to the Board as a non-executive director in September 2013 and a comprehensive induction process, Richard was appointed as Senior Independent Director with effect from 1st December 2013.

In the year John Salmon, Audit Committee Chairman, indicated his intention to retire from the Board at the conclusion of the Company's 2015 AGM after more than nine years' service. Zygos was engaged to conduct a search for his replacement, details of which can be found in the body of this report, and the process concluded with the appointment of Ian Bull as a non-executive director on 1st September 2014. Ian is Chief Financial Officer and a main board director of Ladbrokes plc and both the Nomination Committee and the Board felt that his strong financial and commercial pedigree would complement the existing composition of the Board and enable him to continue John's excellent work as Audit Committee Chairman following his retirement.

The Company's succession planning was also put into action during the year with the internal promotion of a number of senior management to new roles, including appointments to the Property Board. Management development remains a key priority within St. Modwen; following the successful delivery of a leadership programme to Property Board members, the focus is now on the development of other professionally-qualified staff through a multi-event programme tailored to meet specific development needs.

Diversity in all its forms, including gender, remains a key area of focus for the Committee. The composition and capabilities of all directors is kept under review to ensure that Board membership is sufficiently diverse and reflects a broad range of skills, knowledge and experience to enable it to meet its responsibilities. We are supporting the Government and the Equality and Human Rights Commission in their review of the recruitment and appointment processes adopted across the FTSE 350 and await their findings with interest.

Looking forward to 2015, we have appointed Odgers Berndtson to assist with our search for a Group Finance Director following the announcement made in December 2014 regarding the departure of Michael Dunn. The process, which will consider both internal and external candidates, is already well advanced and we look forward to confirming an appointment in due course.

Further information in respect of the Committee and its activities during the year is set out in the remainder of this report, which I hope you find informative.

Bill Shannon

Chairman of the Nomination Committee

2nd February 2015

NOMINATION COMMITTEE REPORT

continued

COMMITTEE MEMBERSHIP

Nomination Committee members		Committee meetings and attendance during the year ended 30 th November 2014 ⁽¹⁾
Bill Shannon ⁽²⁾	Chairman	3/3
Ian Bull ⁽³⁾	Member	1/1
Kay Chaldecott	Member	3/3
Lesley James	Member	3/3
Richard Mully	Member	3/3
John Salmon	Member	3/3

Audit Committee attendees (by invitation)	
Bill Shannon	Chairman of the Company
Michael Dunn	Group Finance Director
Tanya Stote	Company Secretary and secretary to the Committee

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

(2) 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.

(3) From appointment to the Board on 1st September 2014.

➔ **Board biographies** Page 53

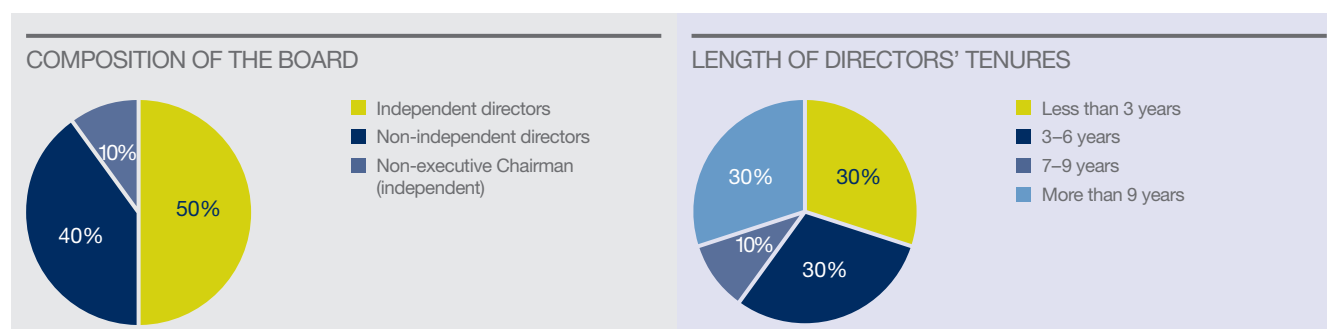
ACTIVITIES OF THE COMMITTEE

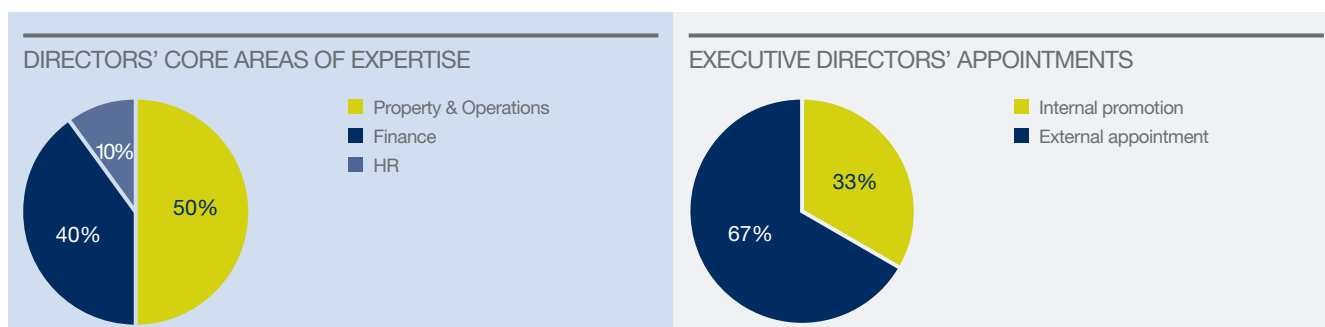
The Committee met on three occasions in the financial year ended 30th November 2014 to consider the following matters:

- Continued monitoring of the structure, size, composition and diversity of the Board and its Committees.
- The selection and appointment of Ian Bull as a non-executive director.
- Succession planning, including:
 - changes to the composition of the Property Board; and
 - the identification of potential internal candidates for vacancies at senior management level which may arise on a crisis, short, medium or longer-term basis.
- Recommending to the Board the renewal of the letter of appointment for John Salmon.

COMPOSITION OF THE BOARD

Independence and a broad range of skills, experience, knowledge and diversity, including gender diversity, are represented on the Board.





During the year Zygos was engaged by the Committee to assist with the search to identify a new non-executive director to replace John Salmon as Chairman of the Audit Committee, who will retire from the Board at the 2015 AGM. Whilst Zygos has been engaged by the Company in a search consultancy capacity in the past, it does not provide any other services to the Company.

In accordance with the Committee's appointment procedures, Zygos prepared a detailed role specification which included the expected time commitment and duties to be performed both as a non-executive director and as Chairman of the Audit Committee. Suitable candidates were then identified by Zygos, noting that an appropriate level of financial experience and expertise would be required to fulfil the role of Audit Committee Chairman effectively. Candidates from a range of backgrounds were considered, including both male and female candidates, and comprehensive profiles were prepared by Zygos for consideration by the Committee. Detailed references were sought in respect of the shortlisted candidates. Following a thorough process, the Nomination Committee recommended that Ian Bull be appointed to the role. The Board accepted the recommendation and Ian Bull was duly appointed as a non-executive director on 1st September 2014. He will take up the role of Chairman of the Audit Committee on conclusion of the 2015 AGM.

DIVERSITY POLICY

Recognising the benefits that diversity can bring, the Board seeks to recruit directors from different backgrounds with a range of experience, perspectives, personalities, skills and knowledge. The Board agrees with the conclusions of the Davies Review of Women on Boards that greater efforts should be made in improving the gender balance of corporate boards and that quotas for female Board representation are not the preferred approach. The Company currently has two female directors: Lesley James, Chairman of the Remuneration Committee, who was appointed in October 2009, and Kay Chaldecott who was appointed as a non-executive director in October 2012. Together they represent 20% female Board membership.

Both the Committee and the Board have a fundamental obligation to ensure that appointments are of the best candidates, selected on merit against objective criteria. Subject to this, the availability of suitable candidates and compliance with the requirements of the Equality Act, the Board is committed to strengthening female representation at Board and senior management level. It has not however set prescriptive targets as it does not believe these are in the best interests of either the Company or its shareholders.

In support of its diversity policy, the Committee will only engage executive search firms who have signed up to the Enhanced Voluntary Code of Conduct which supports more female appointments to FTSE 350 boards.

→ Corporate social responsibility Pages 44-51

NOMINATION COMMITTEE REPORT

continued

INDEPENDENCE AND RE-ELECTION TO THE BOARD

The Board also takes into account the length of tenure of existing directors when considering re-appointments and succession planning.

John Salmon has been a non-executive director of the Company since October 2005. Whilst his tenure now exceeds nine years, the Board remains of the view that John is independent in character and judgement and that it was appropriate for him to continue in office as Audit Committee Chairman to provide continuity for the approval of the results for the year ended 30th November 2014. He will retire at the 2015 AGM.

Following his appointment in September 2014 Ian Bull will retire and offer himself for election at the 2015 AGM. With the exception of John Salmon, all other directors will retire and offer themselves for re-election to the Board.

The Committee believes that all the directors continue to demonstrate commitment to their roles as Board and Committee members, continue to discharge their duties effectively and each makes a valuable contribution to the leadership of the Company.

With the exception of Simon Clarke, who is not deemed to be independent by virtue of his representation of the interests of the Clarke and Leavesley families, the Committee has reviewed and confirmed the independence of each non-executive director seeking election or re-election at the forthcoming AGM.

TRAINING AND DEVELOPMENT

The Board recognises the importance of developing employees of St. Modwen, particularly in relation to succession planning for senior positions within the Company. People development is reviewed by both the Nomination Committee and the Board to ensure that plans are in place to recognise and grow internal talent. The results of such initiatives were evidenced during the year by the promotion of Stephen Prosser as Midlands Regional Director and the appointments of Richard Bannister, Steven Knowles, Richard Powell and Andy Taylor to the Property Board.

➔ **Property Board** Pages 54–55

Following on from the success of the Leadership Development Programme, the focus for 2015 is on the development of other members of the management team through a multi-event programme tailored to meet specific development needs. We also continue to operate a mentoring programme, which is being cascaded more widely to employees in relevant roles.

DIRECTORS' REMUNERATION REPORT



Lesley James, CBE
Chairman of the
Remuneration Committee

Committee members

Lesley James (Chairman)
Ian Bull
Kay Chaldecott

Richard Mully
John Salmon
Bill Shannon

Principal role

To determine the policy for the remuneration of the executive directors which is designed to promote the long-term success of the Company, be compatible with risk policies and systems and be aligned to the Company's long-term strategic goals.



Terms of reference

www.stmodwen.co.uk/about-us/corporate-governance

ANNUAL STATEMENT

Dear Shareholder

On behalf of the Board I am pleased to present the report on directors' remuneration for the financial year ended 30th November 2014.

This report includes an annual report on remuneration (pages 88 to 100) which describes how the remuneration policy was implemented for the year ended 30th November 2014 and how we intend for the policy to apply for the year ending 30th November 2015. This report, together with my annual statement, will be put to an advisory shareholder vote at the 2015 AGM.

To ensure clarity and to enable you to cross reference our remuneration practice against our policy, we have also republished our remuneration policy. This policy received binding shareholder approval, for the first time, at the 2014 AGM and came into effect on 1st December 2014. The Committee remains satisfied that the policy continues to support the Company's strategy, to retain and motivate our management team and to drive strong returns for our shareholders. Shareholders will not therefore be asked to approve any revisions to the policy at the 2015 AGM.

Alignment of remuneration with strategy

As the UK's leading regeneration specialist, our expertise in remediation, planning, asset development and construction supports our strategy of securing excellent returns through a focus on long-term significant added value while protecting existing assets. Page 9 of our Strategic Report describes how we deliver this strategy whilst managing risk.

To ensure that the interests of our management team are aligned to those of our shareholders, the variable elements of our remuneration policy are relevant to and support our stated strategy. The link between our strategy and relative incentive measures is described on pages 10 and 11.

The annual bonus arrangements incorporate both corporate and operational performance measures to ensure that executive directors are incentivised to deliver across a range of key financial and strategic objectives. Awards under our Performance Share Plan are based on two separate TSR measures (one being relative and the other absolute) which are designed to promote clear alignment of interest between executive directors and shareholders.

Remuneration outcomes in 2013/14

You will see from our financial results that the Company has had an exceptional year, delivering record profits and strong growth in net asset value. Performance highlights can be found on page 1 of the Strategic Report.

Reflecting both the outstanding corporate results for the year, which were ahead of both budget and at the top end of market expectations, and strong individual performance, each executive director was awarded the maximum bonus potential of 125% of base salary for the year ended 30th November 2014 (2013: 118.75% of salary).

The 2012 Performance Share Plan awards are due to vest in February 2015 based on performance over the three financial years to 30th November 2014. 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 the Company's performance relative to the Index of 174% and absolute TSR growth of 211% over the performance period, awards will vest in full (2013: 100%).

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL STATEMENT continued

Remuneration policy for 2014/15

Our policy has been developed taking full account of the UK Corporate Governance Code, the views of our major shareholders and the advice of New Bridge Street, who was re-appointed as adviser to the Committee following a tender process conducted in the year. Incentive pay is subject to withholding and recovery provisions, the annual bonus arrangements include an element of compulsory investment in and retention of shares in the Company, and robust share ownership guidelines apply. The Committee considers that these features promote significant alignment with shareholders and provide an appropriate level of risk mitigation. The structure of remuneration arrangements for 2014/15 will therefore remain largely unchanged from that applied in 2013/14.

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 2014. 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, both subject to stretching and rigorously applied performance conditions. As announced on 22nd December 2014 Michael Dunn, Group Finance Director, has agreed with St. Modwen to leave the Company. Details of his remuneration arrangements and contractual payments in relation to loss of office are set out in this report.

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

Approved by the Board and signed on its behalf by

Lesley James

Chairman of the Remuneration Committee

2nd February 2015

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.

REMUNERATION POLICY REPORT

Extracts from the Policy Report that was approved by shareholders at the 2014 AGM are set out below to enable the reported remuneration to be assessed in the context of the relevant aspects of the policy. The current intention is that this policy will operate until the 2017 AGM.

References made in the Policy Report to specific levels of pay in 2013/14 have been updated so that the report can be read in the context of the 2014/15 financial year. The original Policy Report approved at the 2014 AGM (which includes charts illustrating the remuneration opportunities for executive directors) is published in its entirety in the Company's Annual Report for the year ended 30th November 2013, which is available at www.stmodwen.co.uk.

It should also be noted that following the publication of the Policy Report last year, and subsequent to discussions with shareholder representatives at that time, the Remuneration Committee published a supplementary announcement on the Company's website on 6th March 2014. The Committee clarified in that announcement that it does not envisage using the discretion permitted under its recruitment policy described on page 86 to offer 'golden hello' cash payments to facilitate recruitment.

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 structured so as to be 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 strategic and 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, albeit with lower maximum incentive opportunities 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 and its implementation.

Remuneration policy

The remuneration policy that came into effect on 1st December 2014 is set out on pages 81 to 87. Remuneration arrangements for the financial year ending 30th November 2015 will be in line with the policy below; further information can be found on pages 96 to 98.

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.

DIRECTORS' REMUNERATION REPORT

continued

REMUNERATION POLICY REPORT continued

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	<p>BASE SALARY</p> <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 96 for those effective 1st December 2014).</p>
Performance measures	None, although overall performance of the individual is considered by the Committee as part of the annual review.
Element	<p>BENEFITS</p> <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>Withholding and recovery 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 2015 are described in the annual report on remuneration on page 97. Measures for subsequent years will be summarised in the annual report on remuneration for the relevant year.</p>

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.⁽³⁾</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>Withholding and recovery provisions apply to all awards granted.⁽⁴⁾</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.⁽⁵⁾ <p>The specific measures that will apply for the year ending 30th November 2015 are described in the annual report on remuneration on page 97. 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.

(3) 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.

(4) 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.

(5) 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>The Company's current all-employee share scheme was approved at the 2014 AGM and allows 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 are made 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 98 for those effective 1st December 2014).</p>
Performance measures	<p>None, although overall performance of the individual is considered as part of the annual review.</p>

DIRECTORS' REMUNERATION REPORT

continued

REMUNERATION POLICY REPORT continued

Recruitment arrangements

In the event of hiring a new executive director, the Committee will 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. For clarity and in line with the assurance given in the announcement published on the Company's website on 6th March 2014, the Committee does not envisage using the discretion outlined above to offer 'golden hello' cash payments to facilitate recruitment.

Base salary levels for new recruits will be set in accordance with the policy, 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.

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, 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 buyout arrangements, will be in line with the policy.

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.

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.

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.

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.

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and with the requirements of the Financial Conduct Authority's Listing Rules.

Single total figure of remuneration (audited information)

Director	Base salary/fees £000		Benefits ⁽¹⁾ £000		Annual bonus ⁽²⁾ £000		Share plans vesting £000		Pension contribution/ allowance ⁽⁵⁾ £000		Other items £000		Total £000	
	2014	2013	2014	2013	2014	2013	2014 ⁽⁸⁾	2013 ⁽⁴⁾	2014	2013	2014 ⁽⁶⁾	2013	2014	2013
<i>Executive directors</i>														
Bill Oliver	471	457	34	30	588	543	1,375	1,320	71	69	169	–	2,708	2,419
Steve Burke	311	302	26	29	388	358	907	871	47	45	67	–	1,746	1,605
Michael Dunn	283	266	11	11	353	326 ⁽⁷⁾	826	952	42	40	–	–	1,515	1,595
<i>Non-executive directors</i>														
Bill Shannon	150	135	–	–	–	–	–	–	–	–	–	–	150	135
Ian Bull ⁽⁸⁾	10	0	–	–	–	–	–	–	–	–	–	–	10	0
Kay Chaldecott	41	40	–	–	–	–	–	–	–	–	–	–	41	40
Simon Clarke	41	40	–	–	–	–	–	–	–	–	–	–	41	40
David Garman ⁽⁹⁾	0	15	–	–	–	–	–	–	–	–	–	–	0	15
Katherine Innes Ker ⁽⁹⁾	0	13	–	–	–	–	–	–	–	–	–	–	0	13
Lesley James	50	49	–	–	–	–	–	–	–	–	–	–	50	49
Richard Mully ⁽¹⁰⁾	50	10	–	–	–	–	–	–	–	–	–	–	50	10
John Salmon ⁽¹¹⁾	50	55	–	–	–	–	–	–	–	–	–	–	50	55
	1,457	1,382	71	70	1,329	1,227	3,108	3,143	160	154	236	–	6,361	5,976

(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 2014 was determined is provided on pages 88 and 89.

(3) Relates to the 2012 PSP awards which are due to vest and became exercisable on 17th February 2015. As the awards had not vested as at the date of this report, their value has been estimated using a share price of 366.81p, being the three month average to 30th November 2014, plus 11.293p per share which is the value of the dividend equivalent deliverable in shares on the awards that vest. The dividend equivalent is based on dividends paid to shareholders with record dates occurring between the date of grant and 30th November 2014. Further information on the awards and the performance conditions to which they were subject can be found on page 90.

(4) Relates to the 2011 PSP awards which vested and became exercisable on 21st March 2014. The share price used to value the awards was 400.00p, being the share price on the vesting date, plus 12.93p per share which is the value of the dividend equivalent deliverable in shares at exercise. The dividend equivalent is based on dividends paid to shareholders with record dates occurring between the date of grant and the date of exercise.

(5) Further details regarding pension entitlements can be found on page 94.

(6) Values shown comprise the notional gain on the exercise of options granted under the Company's Executive Share Option Scheme and Saving Related Share Option Scheme: further information can be found on page 92.

(7) 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.

(8) Appointed to the Board on 1st September 2014.

(9) Retired from the Board on 27th March 2013.

(10) Appointed to the Board on 1st September 2013.

(11) 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.

Annual bonus outturn (audited information)

In the financial year ended 30th November 2014 each executive director had the opportunity to be awarded an annual bonus of up to 125% of his base salary as at 1st December 2013. Of this, 105% of salary was dependent on achieving corporate measures and 20% on meeting personal objectives, details of which are set out in the table which follows.

Measure	On target performance ⁽¹⁾	Maximum performance ⁽²⁾	Actual performance
Corporate (105% of salary)			
Post dividend growth in shareholders' equity net asset value per share	8% growth	Committee discretion	17% growth to 324.9p
Profit before all tax	£67.5m	Committee discretion	£138.1m
Total dividend for the year	4.1p per share	Committee discretion	4.6p per share
Gearing levels	59%	59%	45%
Covenant compliance	Full	Full	Full
Achievement against a number of strategic objectives which primarily included:			Achieved in full as detailed in the Strategic Report
<ul style="list-style-type: none"> Progressing the redevelopment of the New Covent Garden Market sites in Nine Elms, London Agreeing a further phase of development at Bay Campus with Swansea University Implementation of further alternative sources of funding 	Achievement determined by the Committee against measurable objectives set at the beginning of the year		

Personal (20% of salary)

Achievement against a number of operational objectives which primarily included:

<ul style="list-style-type: none"> Delivery of construction projects to programme and within budget Implementation of management succession plans and development of longer-term resourcing arrangements in line with business needs Development and implementation of a leadership development programme Identification of alternative, financially viable opportunities to utilise the Company's land bank Enhancements to monthly Board reporting 	Achievement determined by the Committee against measurable objectives set at the beginning of the year		Achieved in full as detailed in the Strategic Report
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(1) Total bonus which can be awarded for on target performance is 75% of salary (60% of the maximum bonus opportunity).

(2) Total bonus which can be awarded for maximum performance is 125% of salary (100% of the maximum bonus opportunity).

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 has had an exceptional year, delivering record profits and strong growth in net asset value. Performance highlights include:

- shareholders' equity net asset value per share increasing by 17% to 324.9p per share;
- an increase in profit before all tax of 68% to £138.1m;
- realised property profits up by 45% to £57.7m;
- total final dividend for the year increased by 15% to 4.6p per share;
- valuation gain of £90m, of which £32m was as a result of planning and asset management initiatives;
- successful launch of £100m convertible bond in February 2014 and comprehensive refinancing of the debt portfolio, extending the weighted average facility maturity to 4.6 years and reducing the weighted average cost of debt to 4.8%; and
- significant milestones achieved across all major projects, including a resolution to grant planning for the redevelopment of New Covent Garden Market received in November 2014, a Development Agreement signed with Swansea University for an additional £50m of student accommodation and major new facilities at Bay Campus and commencement of the construction of the Marks & Spencer 150,000 sq ft new flagship store at Longbridge, Birmingham.

In light of both corporate and individual performance, the Committee determined that each executive director should be awarded the maximum bonus potential of 125% of base salary for the year. 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's shares and to retain those shares for a minimum period of three years.

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REPORT ON REMUNERATION continued

Long-term incentives (audited information)

Performance Share Plan (PSP)

On 5th March 2014, 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	£588	150,141	25%
Steve Burke	125% of salary	£388	99,066	25%
Michael Dunn	125% of salary	£353	90,186	25%

(1) Calculated using the average share price of 391.87p 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 2015 awards which are described on page 97. The performance period started on 1st December 2013 and will end on 30th November 2016.

The three-year performance period for the 2012 PSP awards ended on 30th November 2014. 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%	211.39%	50%
TSR relative to FTSE All-Share							
Real Estate Investment & Services Index	50% of award	Equal to Index (78.97%)	12.5%	120% of Index (114.76%)	50%	174% of Index (211.39%)	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 3 on page 83) had been met. In respect of the dividend underpin, an interim dividend of 1.463p per share was paid on 3rd September 2014 and the Board is recommending that a final dividend for the year of 3.137p per share be paid on 2nd April 2015. Furthermore, the Committee currently has no reason to believe that dividend(s) will not be paid in respect of the 2015 financial year, being the year in which the award will vest. The Committee was also satisfied that the level of vesting was appropriate given the general financial performance of the Company over the performance period, noting the following:

Key financial indicator	As at 1 st December 2011	As at 30 th November 2014	Improvement
Profit before all tax	£51.7m	£138.1m	167%
Shareholders' equity net asset value per share	231.8p	324.9p	40%
Total dividend per share for the financial year	3.3p	4.6p	40%
Gearing	73%	45%	38%
See-through loan-to-value	39%	30%	23%

The Committee therefore determined that the PSP awards granted in 2012 will vest in full and become exercisable on the third anniversary of grant (17th February 2015) 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	363,529	363,529
Steve Burke	239,863	239,863
Michael Dunn	218,362	218,362

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.

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 2013	Awards made during year ⁽²⁾	Awards vested during year	Awards exercised during year	Awards lapsed during year	Awards held on 30 th November 2014	End of performance period ⁽³⁾	Exercise period
Bill Oliver	24/07/09	134,498	–	–	134,498 ⁽⁵⁾	–	–	31/05/12	24/07/12 to 23/07/19
	22/02/10	129,480	–	–	129,480 ⁽⁵⁾	–	–	30/11/12	22/02/13 to 21/02/20
	21/03/11	319,774	–	319,774	319,774 ⁽⁵⁾	–	–	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁽⁴⁾	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
	05/03/14	–	150,141	–	–	–	150,141	30/11/16	05/03/17 to 04/03/24
		1,178,358	150,141	319,774	583,752	–	744,747		
Steve Burke	21/03/11	210,992	–	210,992	210,992 ⁽⁵⁾	–	–	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁽⁴⁾	239,863	–	–	–	–	239,863	30/11/14	17/02/15 to 16/02/22
	06/03/13	152,468	–	–	–	–	152,468	30/11/15	06/03/16 to 05/03/23
	05/03/14	–	99,066	–	–	–	99,066	30/11/16	05/03/17 to 04/03/24
		603,323	99,066	210,992	210,992	–	491,397		
Michael Dunn	21/03/11	230,496	–	230,496	230,496 ⁽⁵⁾	–	–	30/11/13	21/03/14 to 20/03/21
	17/02/12 ⁽⁴⁾	218,362	–	–	–	–	218,362	30/11/14	17/02/15 to 16/02/22
	06/03/13	138,802	–	–	–	–	138,802	30/11/15	06/03/16 to 05/03/23
	05/03/14	–	90,186	–	–	–	90,186	30/11/16	05/03/17 to 04/03/24
		587,660	90,186	230,496	230,496	–	447,350		

(1) Awards made from 2012 onwards are subject to withholding and recovery as described in note 4 on page 83.

(2) The share price used to calculate the number of shares awarded, under the rules of the PSP, was 391.87p. The closing mid-market share price on the date of the award was 392p.

(3) The performance conditions for all awards held on 30th November 2014 mirror those proposed for the 2015 awards as described on page 97.

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

(5) Awards exercised on 11th April 2014. In addition to the shares exercised, the executive directors received shares representing the value of dividends paid from the date of award to the date of exercise as follows:

Executive director	2009 PSP	2010 PSP	2011 PSP	Total shares awarded in lieu of dividends
Bill Oliver	4,899	4,717	10,813	20,429
Steve Burke	–	–	7,134	7,134
Michael Dunn	–	–	7,794	7,794

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REPORT ON REMUNERATION continued

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 2013	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 th November 2014	Exercise price ⁽¹⁾	Exercise period
Bill Oliver	13/08/04	105,610	–	105,610 ⁽²⁾	–	–	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	–	105,610	–	102,955		
Steve Burke	13/08/04	46,315	–	46,315 ⁽³⁾	–	–	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	–	46,315	–	39,825		

(1) Adjusted to take account of the dilutive effect of the 2009 equity issue.

(2) Exercised on 7th July 2014.

(3) Exercised on 11th April 2014.

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 2013	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 th November 2014	Exercise price	Exercise period
Bill Oliver	15/09/09	6,941	–	6,941 ⁽¹⁾	–	–	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

(1) Exercised on 1st October 2014.

The closing mid-market share price on 28th November 2014 was 383p and the price range during the year was 334p to 418p.

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:

	As at 30 th November 2014					As at 1 st December 2013				
	Ordinary shares	PSP awards Vested but unexercised	Not yet vested	ESOS awards ⁽¹⁾	SAYE awards	Ordinary shares	PSP awards Vested but unexercised	Not yet vested	ESOS awards ⁽¹⁾	SAYE awards
<i>Executive directors</i>										
Bill Oliver	854,625	–	744,747	102,955	–	527,469	263,978	914,380	208,565	6,941
Steve Burke	480,489	–	491,397	39,825	9,887	364,883	–	603,323	86,140	9,887
Michael Dunn	222,861	–	447,350	–	9,887	96,568	–	587,660	–	9,887
<i>Non-executive directors</i>										
Bill Shannon	75,000	–	–	–	–	65,000	–	–	–	–
Kay Chaldecott	10,000	–	–	–	–	10,000	–	–	–	–
Ian Bull ⁽²⁾	15,000	–	–	–	–	–	–	–	–	–
Simon Clarke	3,112,657	–	–	–	–	4,612,657	–	–	–	–
Lesley James	20,000	–	–	–	–	10,000	–	–	–	–
Richard Mully	20,000	–	–	–	–	–	–	–	–	–
John Salmon	30,000	–	–	–	–	30,000	–	–	–	–

(1) Awards have vested but have not been exercised.

(2) Appointed to the Board on 1st September 2014.

There were no changes in these shareholdings or interests between 30th November 2014 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. As set out in the table below, all executive directors have met and exceeded the shareholding requirement.

Executive director	Ordinary shares held as at 30 th November 2014	Shareholding requirement as % of base salary	Shareholding at 30 th November 2014 as % of base salary ⁽¹⁾
Bill Oliver	854,625	200%	695%
Steve Burke	480,489	200%	593%
Michael Dunn	222,861	200%	302%

(1) Based on the closing mid-market share price on 28th November 2014 of 383p and salary as at 30th November 2014.

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 element of compulsory investment in shares of the annual bonus arrangements and robust incentive recovery and withholding provisions, 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.

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REPORT ON REMUNERATION continued

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.

Executive director	Pension contribution £		Cash allowance in lieu of pension contribution £		Total £	
	2014	2013	2014	2013	2014	2013
Bill Oliver	–	–	70,603	68,547	70,603	68,547
Steve Burke	42,192	45,228	4,393	–	46,585	45,228
Michael Dunn	38,136	39,832	4,273	–	42,409	39,832
	80,328	85,060	79,269	68,547	159,597	153,607

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 is set out below:

Executive director	Age at 30 th November 2014	Accrued pension at 30 th November 2013 ⁽¹⁾	Accrued pension at 30 th November 2014 ⁽¹⁾	Increase in accrued pension during the year	Increase in accrued pension during the year (excluding inflation)
		£pa	£pa	£pa	£pa
Steve Burke	55	27,269 ⁽²⁾	28,006 ⁽²⁾	737	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.

Michael Dunn

As announced on 22nd December 2014, Michael Dunn has agreed with St. Modwen to leave the Company. He will step down from the Board on 31st May 2015, or earlier if mutually agreed, and will be on garden leave for the remainder of his notice period. During this period he will remain available to ensure an orderly transition and will continue to receive salary and contractual benefits (including pension entitlements). He will also be eligible to be awarded a bonus, subject to achievement of performance measures, in respect of the period from 1st December 2014 until the date on which he commences garden leave. The timing of any pro-rated payment will be after 30th November 2015 in line with any payments made to other executive directors.

The Committee exercised discretion under the rules of the PSP to allow unvested awards to continue subject to time pro-rating and performance assessment. Awards will be pro-rated to reflect the time elapsed from the date of grant to the date on which Michael Dunn commences garden leave. Satisfaction of the performance conditions will be assessed at the end of the relevant performance periods in line with the PSP rules and vesting will remain subject to the Committee's determination as to whether the two financial underpins (details of which are set out in note 3 on page 83) have been met. To the extent that they vest, awards will be exercisable for a period of six months from the third anniversary of the date of grant.

The SAYE award held by Michael Dunn will be exercisable to the extent of accumulated savings (plus any applicable interest) in the six months following the end of his notice period.

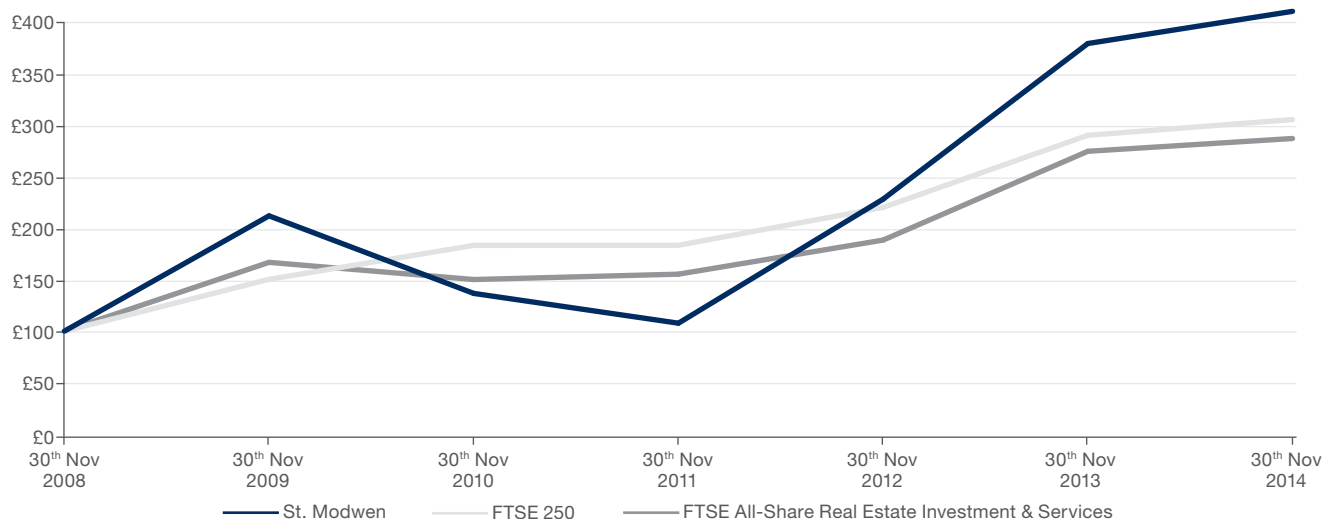
The Company also paid £1,250 plus VAT to Michael Dunn's lawyers in respect of legal fees incurred by him in connection with his departure.

External appointments

Michael Dunn is a non-executive director of Metropolitan Housing Trust. He received and retained fees of £8,702 for the period from his appointment on 2nd January 2014 to 30th November 2014.

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 six 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 six-year period to 30th November 2014. 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 30 th November	2009	2010	2011	2012	2013	2014
Total remuneration (£'000) ⁽¹⁾	876	902	1,049	1,672	2,419	2,708
Annual bonus awarded (as a % of maximum opportunity)	50% ⁽²⁾	80%	95%	90%	95%	100%
PSP vesting (as a % of maximum opportunity)	0%	0%	0%	45.77% ⁽³⁾	100%	100%

(1) Total remuneration includes those elements shown in the single total figure of remuneration table on page 88.

(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.

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REPORT ON REMUNERATION continued

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 2014 and 30th November 2013 for both the Chief Executive and for all permanent employees of the Company.

	Change in base salary %	Change in benefits %	Change in annual bonus %
Chief Executive	3.0	0.0 ⁽¹⁾	8.4
All permanent employees	3.0 ⁽²⁾	0.0 ⁽³⁾	13.8 ⁽⁴⁾

(1) The year-on-year increase in benefits shown in the single total figure of remuneration table on page 88 reflects additional taxable benefit arising following a change of company car.

(2) General cost of living increase for permanent employees. Including adjustments for promotions and recognition of exceptional performance, the weighted average increase in salary was 4.46%.

(3) There was no change to the overall structure of benefits available to permanent employees.

(4) Weighted average increase.

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 UK 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
		2013	2014	
Total spend on pay	3c	£15.5m	£17.4m	12%
Profit before all tax	2a	£82.2m	£138.1m	68%
Dividends paid	7	£8.2m	£9.1m	11%
Equity attributable to owners of the Company	2g	£614.2m	£717.8m	17%

Implementation of remuneration policy for 2014/15

Base salary

In line with the general cost of living salary increase awarded to the Company's permanent employees, the executive directors received an annual salary increase of 3% with effect from 1st December 2014.

Executive director	Base salary as at 30 th November 2014	Base salary with effect from 1st December 2014	Increase
Bill Oliver	£470,687	£484,807	3.0%
Steve Burke	£310,568	£319,885	3.0%
Michael Dunn	£282,730	£291,211	3.0%

Benefits and pension arrangements

Benefits and pension arrangements for the financial year ending 30th November 2015 will be consistent with the respective policies detailed on pages 81 and 82.

Annual bonus

The annual bonus arrangements for the financial year ending 30th November 2015 will operate on the same basis as for 2013/14 and will be consistent with the annual bonus policy detailed on page 82 (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 the operation of withholding and recovery 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	<ul style="list-style-type: none"> • Growth in shareholders' equity net asset value per share • Increase in profit before all tax • Increase in total dividend for the year • Gearing levels • Covenant compliance • Achievement against a number of strategic objectives 	For on target performance:	65%	
		For maximum performance:	105%	
		Personal		
		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 2015 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 any single element. The executive directors' performance will be assessed individually by the Committee against the measures and targets, relying on audited information where appropriate, and having regard to the value which has been created for shareholders.

Long-term incentives – PSP

As in 2013/14, PSP awards granted to executive directors in the financial year ending 30th November 2015 will be over shares worth 125% of salary and will be consistent with the long-term incentives policy detailed on page 83 (including the application of the two underpin conditions before awards can vest and the operation of withholding and recovery 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 2015; these targets are set out in the table below and will be measured over the three financial years ending on 30th November 2017:

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 New Bridge Street to ensure that performance is independently verified.

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REPORT ON REMUNERATION continued

Chairman and non-executive director fees

Following a review by the Board, the annual fees payable to the Chairman and non-executive directors have been increased in line with the cost of salary increase awarded to the Company's employees with effect from 1st December 2014.

	Fee as at 30 th November 2014	Fee with effect from 1 st December 2014	Increase
<i>Base fee</i>			
Chairman	£150,000	£154,500	3.0%
Non-executive directors	£41,200	£42,436	3.0%
<i>Additional fees</i>			
Senior Independent Director	£9,000	£9,000	0.0%
Audit Committee Chairman	£9,000	£9,000	0.0%
Remuneration Committee Chairman	£9,000	£9,000	0.0%

Dates of appointment of directors

Director	Date of appointment	Date of contract/original letter of appointment	Expiry of current term
<i>Executive directors</i>			
Bill Oliver	24 th January 2000	24 th January 2000	N/A
Steve Burke	30 th November 2006	1 st January 2006	N/A
Michael Dunn	1 st December 2010	9 th November 2010	N/A
<i>Non-executive directors</i>			
Bill Shannon ⁽¹⁾	1 st November 2010	18 th October 2010	30 th October 2016
Ian Bull	1 st September 2014	21 st August 2014	31 st August 2017
Kay Chaldecott	22 nd October 2012	22 nd October 2012	21 st October 2015
Simon Clarke	11 th October 2004	4 th October 2014	10 th October 2016
Lesley James	19 th October 2009	19 th October 2009	18 th October 2015
Richard Mully	1 st September 2013	16 th July 2013	31 st August 2016
John Salmon	17 th October 2005	14 th October 2005	27 th March 2015

(1) Appointed Chairman on 22nd March 2011.

Dilution limits

In line with the rules of the PSP, ESOS and SAYE, the Company observes the recommendation of The Investment Association 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 2014 was as follows:

Type of scheme	Limit	Actual
All schemes	10%	4.57%
Executive schemes only	5%	4.29%

During the year a total of 1m shares were allotted to the Company's Employee Share Trust (the Trust) to enable it to satisfy the vesting and exercise of awards. As at 30th November 2014 the Trust held a total of 460,427 shares in the Company (2013: 72,582 shares) and has, in accordance with the Trust deed, waived the right to receive dividends paid on these shares with the exception of a hundredth of a penny per share.

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.

➔ **Nomination Committee Report** Pages 73–76 ➔ **Board biographies** Page 53

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.

Remuneration Committee members		Committee meetings and attendance during the year ended 30 th November 2014 ⁽¹⁾	Remuneration Committee attendees (by invitation)	
Lesley James	Chairman	4/4	Bill Oliver	Chief Executive
Ian Bull ⁽²⁾	Member	2/2	Simon Clarke	Non-executive director
Kay Chaldecott	Member	4/4		Company Secretary and secretary to the Committee
Richard Mully	Member	4/4	Tanya Stote	Remuneration
John Salmon	Member	4/4	Representatives from New Bridge Street	Committee advisor
Bill Shannon	Member	4/4		

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

(2) From appointment to the Board on 1st September 2014.

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 re-appointed by the Committee in 2014 following a tender process to provide independent advice on remuneration matters. Representatives from NBS attend Committee meetings and provide advice to the Committee Chairman outside of meetings as necessary. In 2013/14 NBS provided specific advice to the Committee on fees payable to non-executive members of the Board, a review of variable remuneration performance measures, compliance with new remuneration disclosure regulations and senior management benchmarking. Fees are charged on a cost incurred basis and totalled £11,500 in the year ended 30th November 2014.

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. Neither NBS nor Aon plc undertakes any other work for the Company, and the Committee is satisfied that the advice provided by NBS remains objective and independent.

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.

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REPORT ON REMUNERATION continued

Activities of the Committee

The Committee met on four occasions in the financial year ended 30th November 2014 to consider the following matters:

- to review the executive directors' base salaries and the fee payable to the Chairman;
- to set corporate and personal objectives for the 2014/15 annual bonus arrangements for executive directors and undertake an assessment of performance against targets for 2013/14;
- to approve the outturn of PSP awards granted in 2011;
- to consider investor feedback on the Company's remuneration policy;
- to approve the renewal of the Company's SAYE scheme;
- to approve share awards granted in 2014 together with associated performance criteria;
- to consider external benchmarking of selected senior management roles;
- to oversee the arrangements for the departure of Michael Dunn;
- to consider the executive directors' service contracts;
- to progress and conclude the tender process for external advisors to the Committee;
- to review of the Committee's performance and terms of reference; and
- to prepare this report on directors' remuneration.

Statement of shareholder voting at the AGM

At the AGM held on 28th March 2014 votes cast in respect of directors' remuneration were as follows:

Resolution	No. of votes for	% of vote for	No. of votes against	% of vote against	Total votes cast	Votes withheld ⁽¹⁾
To approve the Directors' Remuneration Report (excluding the policy section)	158,912,413	97.98%	3,269,366	2.02%	162,181,779	342,779
To approve the policy section of the Directors' Remuneration Report	156,644,976	98.79%	1,916,724	1.21%	158,561,700	3,962,858

(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 2014 is set out on pages 1 to 51.

POST-BALANCE SHEET EVENTS AND FUTURE DEVELOPMENTS

There were no post-Balance Sheet events in respect of the year ended 30th November 2014. 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 56 to 100 and is incorporated into this Directors' Report by reference.

DISCLOSURE REQUIRED BY LISTING RULE 9.8.4

There are no disclosures required to be made under Rule 9.8.4 of the Listing Rules of the Financial Conduct Authority.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at 12.00 noon on Friday, 27th March 2015 at the Evolution 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 166 to 172.

DIVIDEND

The directors recommend a final dividend of 3.137p per ordinary share in respect of the year ended 30th November 2014, to be paid on 2nd April 2015 to ordinary shareholders on the register on 6th March 2015. This, together with the interim dividend of 1.463p per share paid on 3rd September 2014, brings the total dividend for the year to 4.6p per share (2013: 4.0p 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.

At the 2014 AGM, shareholders authorised the Company to make market purchases of up to 22,037,698 ordinary shares, representing 10% of the issued share capital at that time, and to allot shares up to an aggregate nominal amount of £14,691,798. These authorities expire at the 2015 AGM and resolutions to renew them will be proposed. No shares were repurchased during the year and the Company does not hold any shares in treasury.

During the year a total of 1,000,000 shares were allotted to the Company's Employee Share Trust (Trust) to enable it to satisfy the vesting and exercise of awards of ordinary shares made under the Company's share-based incentive arrangements. As at 30th November 2014, the Trust held 460,427 shares (2013: 72,582 shares), representing 0.21% (2013: 0.03%) of the Company's issued share capital. The Trust deed contains a dividend waiver provision in respect of shares held by the Trust. 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 2015 AGM are set out in the notice of meeting on pages 166 to 172.

DIRECTORS' REPORT

continued

SHARE CAPITAL continued

Restrictions on the transfer of shares

As at 30th November 2014 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 2014, 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 (including Simon Clarke)	18,575,196	8.39%	–	–	18,575,196	8.39%
J.D. Leavesley and connected parties	15,996,845	7.23%	–	–	15,996,845	7.23%
Aviva plc	8,889,142	4.02%	5,582,987	2.52%	14,472,129	6.54%
BlackRock, Inc.	–	–	11,075,661	5.00%	11,075,661	5.00%
TR Property Investment Trust plc	6,802,638	3.07%	–	–	6,802,638	3.07%

As at 2nd February 2015, 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 2014:

Name	Position as at 30 th November 2014	Service in the year ended 30 th November 2014
Ian Bull	Independent non-executive director	Appointed on 1 st September 2014
Steve Burke	Group 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
Lesley James	Independent non-executive director	Served throughout the year
Richard Mully	Senior Independent Director	Served throughout the year
Bill Oliver	Chief Executive	Served throughout the year
John Salmon	Independent non-executive director	Served throughout the year
Bill Shannon	Chairman	Served throughout the year

The biographical details of all the directors serving at 30th November 2014, including details of their relevant experience and other significant commitments, are shown on page 53.

Following his appointment to the Board in September 2014 and in accordance with the Company's Articles of Association, Ian Bull will retire and offer himself for election at the 2015 AGM. With the exception of John Salmon, who will retire from the Board at the conclusion of the 2015 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 77 to 100. 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 of Directors 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 101.

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 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. A copy of the indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

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 and convertible 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.

DIRECTORS' REPORT

continued

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 44 to 51.

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 eighteen 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 page 36, there are no corporate or joint venture facilities that require renewal before May 2018. As a result the directors are satisfied that the Group will have sufficient ongoing facilities available to meet its 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 2015 AGM. The Board, on the advice of the Audit Committee, recommends their re-appointment.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss of the Company for that period.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that directors:

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

In preparing the Company Financial Statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (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 52 and 53, 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;
- 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; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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.

Approved by the Board and signed on its behalf by

Tanya Stote
Company Secretary

2nd February 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST. MODWEN PROPERTIES PLC

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 2014 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 and Parent Company Balance Sheets, The Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Cash Flow Statement 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 104 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

There has been no significant change in the Group's operations nor in our assessment of materiality, therefore the assessed risks of material misstatement described below, which have the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team are consistent with the risks in previous year:

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 Group and joint ventures' investment property portfolio is £1.05bn. The Group's accounting policy on page 117 states that investment property is held at fair value. In determining the fair value, the external valuers make a number of key estimates and assumptions, in particular assumptions in relation to market comparable yields and estimates in relation to future rental income increases or decreases, void periods and purchaser costs. Certain of these estimates and assumptions require input from management. Some of these estimates and assumptions are subject to market forces and will change over time.

As set out in the Audit Committee's Report on page 69 we met with the third-party valuers, appointed by those charged with governance of St. Modwen Properties PLC.

For each element of the investment property portfolio we assessed the reasonableness of the significant judgements and assumptions applied in their valuation model, including occupancy rates, lease incentives, break clauses, lease lengths and yields. With the assistance of a specialist member of the audit team who is a chartered surveyor we reviewed the significant assumptions in the valuation process, tested a sample of properties through benchmarking against appropriate property indices, understanding the valuation methodology and wider market analysis. We verified the integrity of a sample of information provided to the valuers by management relating to rental income, occupancy and life of the lease by agreement to lease contracts.

Valuation of inventories

The Group and joint ventures has £206m 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. Management, as set out in the Group's use of estimates and judgements on page 117 rely, for the majority of inventories held, on their own internal procedures for assessing the carrying value of inventory. These procedures inherently rely on management judgement and estimates.

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 the third-party valuers to focus on those with lower margins and assessed the reasonableness of the assumptions applied. We have assessed whether the expected revenues in site appraisals have been updated to reflect the cost and yields seen on similar assets in the investment property portfolio and corroborated the key assumptions within the appraisals to supporting evidence such as estimations and contracts for future costs as well as estimated and contracted sales values. Where a site has been held in inventory over a period of time, we have also sought to understand the changes to assumptions for future use and forecast cost and sales values. In our audit of property disposals we have also considered whether the disposal values of similar properties provide further evidence of the carrying values of the inventory portfolio.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST. MODWEN PROPERTIES PLC

continued

One-off property transactions

Accounting for property acquisitions and disposals as these can be significant and complex transactions which can be material to the Group's results in a given period. In the current year there are two property transactions which we consider to be significant, being the Development Agreement for New Covent Garden Market and the acquisition of Branston Properties Ltd.

New Covent Garden Market is a multi-phased project with a gross development value of approximately £2bn. The Development Agreement is conditional upon a number of events. The key area of judgement is whether the outstanding matters that cause the contract to remain conditional have sufficient substance to prevent the recognition of the assets and liabilities that are expected to arise under the contract.

The acquisition of Simon Clarke's shares in Branston Properties Ltd is subject to approval from the shareholders of the Group at the AGM in March 2015. As at 30th November 2014 the Group has acquired the remainder of the shares in the company but has not recognised a non-controlling interest for the shares not yet acquired by the Group. Our judgement is focused on whether this accounting treatment is reasonable.

In the current period, we have considered the terms of the New Covent Garden Market Development Agreement including the key milestones required to be met before this contract becomes unconditional. We have assessed the judgement regarding the conditions attached to the contract, including the implications of the resolution to grant from the planning authority, and whether appropriate accounting treatment has been followed by management.

We have reviewed the evidence around the Branston site acquisition, including the alternative options available to management in assessing whether a non-controlling interest should be recognised for the shares not yet acquired from Simon Clarke.

Accounting for taxation

As set out in the Group's use of estimates and judgements on page 121, tax planning is often an integral part of transactions as the Group is a property group. Where tax planning has been challenged by HMRC, or management believe there is a risk of such challenge, provision is made for the best estimate of the potential exposure based on the information available at the Balance Sheet date.

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, including reviewing any correspondence with HMRC and considered the adequacy of disclosures made in the Annual Report.

Covenant compliance and liquidity disclosure

Covenant compliance and liquidity disclosure is dependent on cash management and the associated headroom available, property valuations and the terms of the Group's finance facilities. The Group's covenant compliance and disclosure is dependent on forecasted property sales and spend.

We tested compliance with loan covenants at the Balance Sheet date. We reviewed management's forecasts and assumptions for ongoing covenant compliance and available headroom on these covenants and existing finance facilities and reviewed the historical forecasting accuracy of those forecasts. We also confirmed that adequate disclosures have been made in the Annual Report.

Revenue recognition

Revenue recognition in relation to revenue arising from construction contracts requires judgement to be exercised in determining the costs to complete for each site and the stage of completion at the Balance Sheet date.

We tested a sample of revenue recognised under construction contracts and assessed whether the revenue recognition policies adopted complied with IFRSs. We reviewed evidence of the stage of completion of the sample of contracts to confirm that the revenue and profit recognised to date was based on management's current best estimate of stage of completion. We referred to evidence such as signed contract terms and latest external and internal contract valuations and discussed contract progress and future risks with management.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 69 and 70.

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.

Our application of materiality

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.

We determined materiality for the Group to be £7.0m (2013: £6.2m), which is approximately 1% of equity (2013: 1% of equity). As a property group, we consider the Group's equity to be the most appropriate benchmark for materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.14m (2013: £0.12m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit scope is consistent with our scope in the previous year. As the Group auditors we are responsible for the majority of the Group's subsidiaries and joint ventures, notably KPI and VSM Uxbridge Group. The subsidiaries and joint ventures for which we did not perform or arrange to have performed a component audit for the purposes of our Group audit amount to 0.23% of the Group's assets, 0.06% of Group revenue and 0.03% of the Group's profit before tax, as such, there is no component auditors reporting into Group.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST. MODWEN PROPERTIES PLC

continued

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

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.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

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:

- 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.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's 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.

Jonathan Dodworth (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK

2nd February 2015

GROUP INCOME STATEMENT

for the year ended 30th November 2014

	Notes	2014 £m	2013 £m
Revenue	1	282.1	161.1
Net rental income	1	31.2	29.0
Development profits	1	47.7	24.7
Gains on disposal of investments/investment properties		9.2	3.6
Investment property revaluation gains	8	75.8	32.6
Negative goodwill	19	2.1	–
Other net income	1	3.6	2.9
Profits of joint ventures and associates (post-tax)	10	13.6	21.8
Administrative expenses	3	(22.9)	(19.9)
Profit before interest and tax		160.3	94.7
Finance cost	4	(27.9)	(23.6)
Finance income	4	5.3	9.4
Profit before tax		137.7	80.5
Tax charge	5	(15.6)	(6.6)
Profit for the year		122.1	73.9
Attributable to:			
Equity attributable to owners of the Company		116.2	72.1
Non-controlling interests		5.9	1.8
		122.1	73.9
	Notes	2014 pence	2013 pence
Basic earnings per share	6	52.7	33.5
Diluted earnings per share	6	51.6	32.9

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 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Investment property	8	903.3	813.3
Operating property, plant and equipment	9	7.0	6.6
Investments in joint ventures and associates	10	88.9	95.3
Trade and other receivables	11	14.5	17.6
		1,013.7	932.8
Current assets			
Inventories	12	201.0	205.9
Trade and other receivables	11	82.1	59.7
Cash and cash equivalents		6.5	7.4
		289.6	273.0
Current liabilities			
Trade and other payables	13	(172.4)	(170.2)
Borrowings	14	-	(62.5)
Tax payables	5	(9.3)	(3.4)
		(181.7)	(236.1)
Non-current liabilities			
Trade and other payables	13	(28.5)	(46.2)
Borrowings	14	(340.6)	(285.6)
Deferred tax	5	(16.0)	(10.9)
		(385.1)	(342.7)
Net assets		736.5	627.0
Capital and reserves			
Share capital	17	22.1	22.0
Share premium account		102.8	102.8
Retained earnings		543.7	441.4
Share incentive reserve		4.8	2.1
Own shares		(1.8)	(0.3)
Other reserves		46.2	46.2
Equity attributable to owners of the Company		717.8	614.2
Non-controlling interests		18.7	12.8
Total equity		736.5	627.0

These Financial Statements were approved by the Board and authorised for issue on 2nd February 2015.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

Company Number: 349201

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th November 2014

	Notes	2014 £m	2013 £m
Profit for the year		122.1	73.9
Pension fund:			
– Actuarial losses	18	–	(0.1)
– Deferred tax thereon	18	–	–
Total comprehensive income for the year		122.1	73.8
Attributable to:			
– Owners of the Company		116.2	72.0
– Non-controlling interests		5.9	1.8
Total comprehensive income for the year		122.1	73.8

GROUP STATEMENT OF CHANGES IN EQUITY

for the two years ended 30th November 2014

	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 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 payments	–	–	–	(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
Profit for the year attributable to shareholders	–	–	116.2	–	–	–	116.2	5.9	122.1
Pension fund actuarial losses (note 18)	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	116.2	–	–	–	116.2	5.9	122.1
Equity issue (note 17)	0.1	–	–	–	(0.1)	–	–	–	–
Share-based payments	–	–	(6.2)	2.7	–	–	(3.5)	–	(3.5)
Share transfers	–	–	1.4	–	(1.4)	–	–	–	–
Dividends paid	–	–	(9.1)	–	–	–	(9.1)	–	(9.1)
At 30th November 2014	22.1	102.8	543.7	4.8	(1.8)	46.2	717.8	18.7	736.5

Own shares represent the cost of 460,427 (2013: 72,582) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30th November 2014 was £1,763,435 (2013: £259,553).

GROUP CASH FLOW STATEMENT

for the year ended 30th November 2014

	Notes	2014 £m	2013 £m
Operating activities			
Profit before interest and tax		160.3	94.7
Gains on disposals of investments/investment properties		(9.2)	(3.6)
Share of profits of joint ventures and associates (post-tax)	10	(13.6)	(21.8)
Investment property revaluation gains	8	(75.8)	(32.6)
Negative goodwill	19	(2.1)	—
Depreciation	9	0.5	0.5
Impairment losses on inventories	12	0.1	1.7
Decrease/(increase) in inventories		16.3	(22.3)
Increase in trade and other receivables		(6.8)	(9.0)
(Decrease)/increase in trade and other payables		(9.9)	21.8
Pensions		(0.1)	—
Share options and share awards		(3.4)	(0.1)
Tax paid	5 (c)	(5.1)	(4.1)
Net cash inflow from operating activities		51.2	25.2
Investing activities			
Investment property disposals		59.2	54.0
Investment property additions		(87.5)	(74.5)
Acquisition of subsidiary undertaking	19	(0.8)	—
Property, plant and equipment additions		(1.0)	(0.4)
Dividends received from joint ventures		20.0	1.7
Net cash outflow from investing activities		(10.1)	(19.2)
Financing activities			
Dividends paid	7	(9.1)	(8.2)
Dividends paid to non-controlling interests		—	(0.1)
Interest paid		(25.4)	(20.3)
Receipt of funds from equity placing		—	47.9
New borrowings drawn		115.0	51.0
Repayment of borrowings		(122.5)	(77.8)
Net cash outflow from financing activities		(42.0)	(7.5)
Decrease in cash and cash equivalents		(0.9)	(1.5)
Cash and cash equivalents at start of year		7.4	8.9
Cash and cash equivalents at end of year		6.5	7.4

ACCOUNTING POLICIES

for the year ended 30th November 2014

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 2014, 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) to the Company's Financial Statements.

VSM Estates (Holdings) Ltd 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 negative goodwill.

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; and
- 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.

ACCOUNTING POLICIES continued

for the year ended 30th November 2014

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 will not be taxable or deductible.

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the Balance Sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

PENSIONS

The Group operates a pension scheme with 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 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

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

DIVIDENDS

Dividends declared and approved 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.

ACCOUNTING POLICIES continued

for the year ended 30th November 2014

FINANCIAL INSTRUMENTS continued

Cash and cash equivalents

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

Trade and other payables

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

Interest bearing loans and borrowings

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

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

The effective interest rate method is used to charge interest to the Income Statement.

Derivative financial instruments and hedging

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

Equity instruments

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

Convertible bonds

Convertible bonds are assessed on issue as to whether they should be classified as a financial liability, as equity or as a compound financial instrument with both debt and equity components. This assessment is based on the terms of the bond and in accordance with IAS32 Financial Instruments: Presentation.

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 2014. 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 and its treatment is often an integral part of transactions. The outcome of tax treatments are recognised by the Group to the extent the outcome is reasonably certain. Where tax treatments have 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 treatments 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

The following standards, amendments and interpretations have been adopted in the current year:

- IFRS13 Fair Value Measurement: This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The adoption of this standard has had no material impact on the measurement of fair value for the Group's assets and liabilities and no retrospective changes were required as a result of adopting this standard. Additional disclosures required by this standard are set out in note 16.
- IAS19 (revised 2011) Employee Benefits: No material impact on the Group's Financial Statements. Revised disclosures as required by this standard are set out in note 18.

In addition, minor amendments to existing standards were made under Improvements to IFRSs (issued December 2010) and have been adopted during the year.

Impact of standards and interpretations in issue but not yet effective

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

IAS1	Disclosure Initiative
IAS19 (revised 2013)	Defined Benefit Plans: Employee Contributions
IAS27 (revised 2011)	Separate Financial Statements
IAS27 (amended 2012)	Investment Entities
IAS28 (revised 2011)	Investments in Associates and Joint Ventures
IAS36 (amended 2013)	Recoverable Amount Disclosures for Non-financial Assets
IAS39 (amended 2013)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC21	Levies
IFRS9	Financial Instruments
IFRS10	Consolidated Financial Statements
IFRS10 (amended 2012)	Investment Entities
IFRS11	Accounting for Acquisitions of Interests in Joint Operations
IFRS12 (amended 2012)	Investment Entities
IFRS14	Regulatory Deferral Accounts
IFRS15	Revenue from Contracts with Customers

In addition, Improvements to IFRSs (issued May 2012, December 2013 and September 2014) 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.

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. Adoption of the majority of these standards, amendments and interpretations are expected to have little or no impact on the reported results of the Group, although amended disclosures may be required. IFRS15 may have an impact on revenue recognition and related disclosures. It is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review of the revenue streams to which is expected to apply has been completed.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 30th November 2014

1. SEGMENTAL INFORMATION

IFRS8 – Operating Segments, requires the identification of the Group's operating segments, defined as being discrete components of the Group's operations whose results are regularly reviewed by the Chief Operating Decision Maker (being the Chief Executive) to allocate resources to those segments and to assess their performance. The Group divides its business into the following segments:

- Residential development, being housebuilding activity through St. Modwen Homes and the Persimmon joint venture arrangements; and
- The balance of the Group's portfolio of properties which the Group manages internally, and reports as a single business segment.

Revenue	2014			2013		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Rental income	39.2	–	39.2	37.1	–	37.1
Development	119.8	116.7	236.5	72.1	46.0	118.1
Other income	6.4	–	6.4	5.9	–	5.9
Total revenue	165.4	116.7	282.1	115.1	46.0	161.1

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

The Group's total revenue for 2014 was £292.1m (2013: £169.0m) and in addition to the amounts above included service charge income of £7.8m (2013: £6.5m), for which there was an equivalent expense and interest income of £2.2m (2013: £1.4m). In the year ended 30th November 2014 both development revenue and cost of sales include £6.7m (2013: £20.8m) in relation to amounts settled by the Ministry of Defence in respect of RAF Northolt under Project MoDEL.

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

	2014 £m	2013 £m
Revenue	103.2	41.9
Cost of sales	(83.0)	(27.3)
Gross profit	20.2	14.6

Amounts recoverable on contracts as disclosed in note 11 comprise £5.3m (2013: £10.2m) of contract revenue recognised and £0.7m (2013: £0.8m) of retentions.

There were no amounts due to customers (2013: £nil) included in trade and other payables in respect of contracts in progress at the Balance Sheet date.

	2014			2013		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Profit before tax						
Net rental income	31.2	–	31.2	29.0	–	29.0
Development profits	23.3	24.4	47.7	15.9	8.8	24.7
Gains on disposal of investments/ investment properties	9.2	–	9.2	3.6	–	3.6
Investment property revaluation gains	75.8	–	75.8	32.6	–	32.6
Negative goodwill attributed to property assets ⁽¹⁾	2.6	–	2.6	–	–	–
Other net income	3.6	–	3.6	2.9	–	2.9
Administrative Expenses	(17.9)	(5.0)	(22.9)	(15.9)	(4.0)	(19.9)
Profits of joint ventures and associates ⁽²⁾	12.1	–	12.1	21.4	–	21.4
Finance costs ⁽³⁾	(17.2)	(2.4)	(19.6)	(18.1)	(2.3)	(20.4)
Finance income ⁽⁴⁾	2.2	–	2.2	1.4	–	1.4
Attributable profit	124.9	17.0	141.9	72.8	2.5	75.3
Negative goodwill attributable to tax ⁽¹⁾			(0.5)			–
Other profits of joint ventures and associates ⁽²⁾			1.5			0.4
Other finance costs ⁽³⁾			(8.3)			(3.2)
Other finance income ⁽⁴⁾			3.1			8.0
Profit before tax			137.7			80.5

(1) Negative goodwill has been split between amounts relating to property revaluations arising as a result of fair value adjustments of £2.6m (2013: £nil) and deferred tax thereon of £0.5m (2013: £nil).

(2) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees, other non-cash items and tax of £1.5m (2013: £0.4m). These amounts are reclassified to other profits of joint ventures and associates.

(3) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees and other non-cash items of £8.3m (2013: £3.2m). These amounts are reclassified to other finance costs.

(4) Stated before mark-to-market of derivatives and other non-cash items of £3.1m (2013: £8.0m). These items are reclassified to other finance income.

Cost of sales in respect of rental income comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and total £8.0m (2013: £8.1m), of which £0.3m (2013: £0.1m) is in respect of properties that did not generate any rental income.

	2014			2013		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Net assets						
Investment property	903.3	–	903.3	813.3	–	813.3
Inventories	90.0	111.0	201.0	83.9	122.0	205.9
Investments in joint ventures and associates	88.9	–	88.9	95.3	–	95.3
Attributable assets	1,082.2	111.0	1,193.2	992.5	122.0	1,114.5
Operating property, plant and equipment			7.0			6.6
Trade and other receivables			96.6			77.3
Cash and cash equivalents			6.5			7.4
Trade and other payables			(200.9)			(216.4)
Borrowings			(340.6)			(348.1)
Tax payables			(9.3)			(3.4)
Deferred tax			(16.0)			(10.9)
Net assets			736.5			627.0

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

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	2014 Group £m	2014 Joint ventures and associates £m	2014 Total £m	2013 Group £m	2013 Joint ventures and associates £m	2013 Total £m
Net rental income		31.2	5.9	37.1	29.0	7.3	36.3
Development profit	(1)	47.8	–	47.8	26.4	0.5	26.9
Gains on disposal of investments/ investment properties		9.2	0.7	9.9	3.6	9.3	12.9
Other income		3.6	–	3.6	2.9	–	2.9
Administrative expenses		(22.9)	(0.3)	(23.2)	(19.9)	(0.3)	(20.2)
Finance costs	(2)	(19.6)	(6.1)	(25.7)	(20.4)	(6.5)	(26.9)
Finance income	(3)	2.2	–	2.2	1.4	–	1.4
Trading profit		51.5	0.2	51.7	23.0	10.3	33.3
Investment property revaluation gains	(1)	78.3	11.9	90.2	30.9	11.1	42.0
Other finance costs	(2)	(8.3)	(0.1)	(8.4)	(3.2)	–	(3.2)
Other finance income	(3)	3.1	1.5	4.6	8.0	2.1	10.1
Profit before all tax		124.6	13.5	138.1	58.7	23.5	82.2
Taxation	(4)	(16.1)	0.1	(16.0)	(6.6)	(1.7)	(8.3)
Profit for the year		108.5	13.6	122.1	52.1	21.8	73.9

(1) Stated before the deduction of net realisable value provisions of: Group £0.1m (2013: £1.7m); joint ventures and associates £nil (2013: £nil). These items are reclassified to investment property revaluations, together with negative goodwill arising on acquisitions as a result of fair value adjustments to property assets of £2.6m (2013: £nil).

(2) Stated before mark-to-market of derivatives, amortisation loan arrangement fees and other non-cash items of: Group £8.3m (2013: £3.2m); joint ventures and associates £0.1m (2013: £nil). These amounts are reclassified to other finance costs.

(3) Stated before mark-to-market of derivatives and other non-cash items of: Group £3.1m (2013: £8.0m); joint ventures and associates £1.5m (2013: £2.1m). These items are reclassified to other finance income.

(4) Stated after inclusion of negative goodwill arising as a result of deferred tax on property revaluations included as part of fair value adjustments of: Group £0.5m (2013: £nil); joint ventures and associates £nil (2013: £nil).

b. Property valuations

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

	2014 Group £m	2014 Joint ventures and associates £m	2014 Total £m	2013 Group £m	2013 Joint ventures and associates £m	2013 Total £m
Investment property revaluation gains	75.8	11.9	87.7	32.6	11.1	43.7
Negative goodwill attributable to property assets	2.6	–	2.6	–	–	–
Net realisable value provisions	(0.1)	–	(0.1)	(1.7)	–	(1.7)
Property valuation gains	78.3	11.9	90.2	30.9	11.1	42.0
Added value	31.3	0.5	31.8	21.0	7.1	28.1
Market movements	47.0	11.4	58.4	9.9	4.0	13.9
Property valuation gains	78.3	11.9	90.2	30.9	11.1	42.0

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.

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	2014 Joint ventures and associates £m	Total £m	Group £m	2013 Joint ventures and associates £m	Total £m
Investment properties	903.3	148.0	1,051.3	813.3	137.6	950.9
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)	5.5	1.1	6.6	5.6	1.3	6.9
Inventories	201.0	5.4	206.4	205.9	3.6	209.5
Less 'barter' properties ⁽¹⁾	(0.7)	–	(0.7)	(20.4)	–	(20.4)
Property portfolio	1,105.2	153.3	1,258.5	1,000.5	141.3	1,141.8

(1) 2014: Represents deductions for non-property assets within inventory. Through to 2013 this included 'barter' properties, including RAF Northolt as part of the Project MoDEL arrangements between VSM Estates Ltd and the Ministry of Defence.

As at 30th November 2014 the Group had assets of £461.7m (2013: £228.6m) 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:

	2014 £m	2013 £m
Retail	230.3	201.0
Offices	61.0	59.4
Industrial	248.1	253.2
Income producing	539.4	513.6
Residential land	573.2	481.8
Commercial land	145.9	146.4
Property portfolio	1,258.5	1,141.8

d. Movement in net debt

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

	2014 £m	2013 £m
Movement in cash and cash equivalents	(0.9)	(1.5)
Borrowings drawn	(124.5)	(51.0)
Repayment of borrowings	132.0	77.8
Receipt of funds from equity placing	–	(47.9)
Decrease/(increase) in equivalent net debt	6.6	(22.6)
Receipt of funds from equity placing	–	47.9
Decrease in net debt	6.6	25.3

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

2. NON-STATUTORY INFORMATION continued

e. Trading cash flow

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

	2014			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	34.8	–	–	34.8
Property disposals	241.4	59.2	–	300.6
Property acquisitions	(5.6)	(37.6)	–	(43.2)
Capital expenditure	(181.0)	(51.7)	–	(232.7)
Working capital and other movements	(7.4)	–	–	(7.4)
Overheads and interest	(25.9)	–	(25.4)	(51.3)
Taxation	(5.1)	–	–	(5.1)
Trading cash flow	51.2	(30.1)	(25.4)	(4.3)
Net borrowings	–	–	(7.5)	(7.5)
Net dividends	–	20.0	(9.1)	10.9
Movement in cash and cash equivalents	51.2	(10.1)	(42.0)	(0.9)

	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)

f. Group Balance Sheet

VSM Estates (Holdings) Ltd 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.

	Group £m	2014 VSM £m	Total £m	Group £m	2013 VSM £m	Total £m
Investment property	834.1	69.2	903.3	744.6	68.7	813.3
Other non-current assets	101.9	8.5	110.4	108.9	10.6	119.5
Inventory	201.0	–	201.0	199.7	6.2	205.9
Cash and cash equivalents	3.2	3.3	6.5	3.2	4.2	7.4
Other current assets	37.5	44.6	82.1	34.7	25.0	59.7
Total assets	1,177.7	125.6	1,303.3	1,091.1	114.7	1,205.8
Current liabilities	(130.2)	(51.5)	(181.7)	(142.0)	(31.6)	(173.6)
Borrowings	(340.6)	–	(340.6)	(338.1)	(10.0)	(348.1)
Other non-current liabilities	(23.4)	(21.1)	(44.5)	(19.3)	(37.8)	(57.1)
Total liabilities	(494.2)	(72.6)	(566.8)	(499.4)	(79.4)	(578.8)
Net assets	683.5	53.0	736.5	591.7	35.3	627.0
Equity attributable to owners of the Company	678.1	39.7	717.8	587.7	26.5	614.2
Non-controlling interests	5.4	13.3	18.7	4.0	8.8	12.8
Total equity	683.5	53.0	736.5	591.7	35.3	627.0

g. Net assets per share

Net assets per share are calculated as set out below:

	2014 £m	2013 £m
Total equity	736.5	627.0
Less: Non-controlling interest	(18.7)	(12.8)
Equity attributable to owners of the Company	717.8	614.2
Fair value of inventories	11.5	8.5
Diluted EPRA triple net assets	729.3	622.7
Deferred tax on capital allowances and revaluations	23.5	20.5
Mark-to-market of derivative financial instruments	7.5	12.7
Diluted EPRA net assets	760.3	655.9
Shares in issue ⁽¹⁾ (number)	220,916,561	220,304,406
Total equity attributable to owners of the Company net assets per share (pence)	324.9	278.8
Percentage increase	17%	11%
Diluted EPRA triple net assets per share (pence)	330.1	282.6
Percentage increase	17%	12%
Diluted EPRA net assets per share (pence)	344.2	297.7
Percentage increase	16%	10%

(1) Shares in issue exclude 460,427 shares held by The St. Modwen Properties PLC Employee Share Trust (2013: 72,582 shares)

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

2. NON-STATUTORY INFORMATION continued

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 (LTV), being the ratio of net debt to the property portfolio (representing amounts that could be used as security for that debt).

	Group £m	2014 Joint ventures and associates £m	Total £m	Group £m	2013 Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	1,105.2	153.3	1,258.5	1,000.5	141.3	1,141.8
Total equity	736.5	N/A	736.5	627.0	N/A	627.0
Net debt	334.1	45.3	379.4	340.7	33.0	373.7
Gearing	45%		52%	54%		60%
LTV	30%		30%	34%		33%

3. OTHER INCOME STATEMENT DISCLOSURES

a. Administrative expenses

Administrative expenses have been arrived at after charging:

	2014 £m	2013 £m
Depreciation	0.5	0.5
Operating lease costs	1.0	0.7

b. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2014			2013		
	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	123	–	123	120	–	120
The audit of subsidiary companies and joint ventures pursuant to legislation	157	–	157	150	–	150
Total audit fees	280	–	280	270	–	270
Audit-related assurance services	55	–	55	55	–	55
Other assurance services	20	–	20	–	–	–
Tax compliance services ⁽¹⁾	–	67	67	–	166	166
Tax advisory services ⁽¹⁾	–	80	80	–	174	174
Property consulting ⁽²⁾	–	202	202	–	30	30
Total non-audit fees	75	349	424	55	370	425
Total fees	355	349	704	325	370	695

The Group continues to monitor the provision of non-audit services provided by the auditor and fees charged for other services in 2014 were less than 100% of audit and audit-related fees. The Group's policy permits the auditor to provide non-audit services 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. Of particular note with respect to non-audit services provided by Deloitte in the year are:

- (1) Following a formal tender process, which did not include Deloitte, PricewaterhouseCoopers LLP (PwC) was engaged in June 2014 to provide tax compliance services to the Group. As a result the level of tax compliance and advisory services provided by Deloitte has reduced in the year.

(2) Deloitte Real Estate (previously Drivers Jonas) provided property consulting services to the Group in the year. All property consulting services provided were in respect of long-term projects at Burnley and Leegate (where 50% of the planning costs will be borne by the tenant). In both cases the involvement of Drivers Jonas pre-dated the firm's acquisition by Deloitte and it was not in the Group's commercial interests to change provider. Advice in respect of Burnley is now substantially complete but some follow up work may be required in respect of Leegate. No further work has been, or is currently planned to be, placed with Deloitte Real Estate.

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:

	2014 Number	2013 Number
Property and administration	220	192
Leisure and other activities	67	63
Total employees	287	255

The total payroll costs of these employees were:

	2014 £m	2013 £m
Wages and salaries	13.9	12.8
Social security costs	2.7	1.9
Pension costs	0.8	0.8
Total payroll costs	17.4	15.5

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

d. Share-based payments

The Group has a SAYE share option scheme open to all employees. Employees must ordinarily remain in service for a period of three or 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 granted under this plan with nil exercise price.

	2014			Number of options	2013	
	Number of options	Weighted average price			Weighted average price	
		All options £	Excluding nil exercise price £		All options £	Excluding nil exercise price £
Outstanding at start of year	10,371,497	1.58	2.06	10,930,665	1.49	1.90
Granted	1,386,436	2.75	3.64	1,758,696	2.09	2.97
Forfeited	(47,108)	(2.26)	(2.26)	(528,823)	(1.92)	(1.92)
Lapsed	-	-	-	(266,239)	(0.20)	(4.10)
Exercised	(2,593,388)	1.16	1.92	(1,522,802)	1.65	1.86
Outstanding at end of year	9,117,437	1.87	2.31	10,371,497	1.58	2.06
Exercisable at year end	2,946,495	2.00	2.00	3,324,326	1.90	2.06

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

3. OTHER INCOME STATEMENT DISCLOSURES continued

d. Share-based payments continued

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 £ ⁽¹⁾
30th November 2014	2.4	0.4–1.1	37.6–56.9	1.1	1.23–3.99
30 th November 2013	1.9	0.4–1.1	37.6–56.9	1.1	1.23–3.20

(1) 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 £4.8m (2013: £2.1m) and included £0.8m (2013: £0.7m) 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 £3.82 (2013: £3.00). The executive share options outstanding at the year end had a range of exercise prices between £1.75 and £3.75 (2013: £1.69 and £3.75) with PSP options exercisable at between £nil and £1.52 (2013: £nil and £1.52). Outstanding options had a weighted average maximum remaining contractual life of nine years (2013: nine years).

4. FINANCE COST AND FINANCE INCOME

	2014 £m	2013 £m
Interest payable on borrowings	(19.4)	(20.2)
Amortisation of loan arrangement fees	(2.6)	(1.2)
Convertible bond issue costs	(2.4)	–
Amortisation of discount on deferred payment arrangements	(2.1)	(0.9)
Head rents treated as finance leases	(0.2)	(0.2)
Interest on pension scheme liabilities (note 18)	(1.2)	(1.1)
Total finance cost	(27.9)	(23.6)

All finance costs derive from financial liabilities measured at amortised cost. Included within amortisation of loan arrangement fees is £1.4m (2013: £nil) in relation to the early termination and renewal of bank facilities.

	2014 £m	2013 £m
Interest receivable	2.2	1.4
Credit in respect of discount on deferred receivables	–	0.1
Movement in fair value of derivative financial instruments	1.9	6.7
Expected return on pension scheme assets (note 18)	1.2	1.2
Total finance income	5.3	9.4

The finance income on interest rate derivatives derives from financial liabilities held at fair value through profit or loss.

5. TAXATION

a. Tax on profit on ordinary activities

	2014 £m	2013 £m
Tax charge/(credit) in the Income Statement:		
Corporation tax		
Current year tax	12.3	4.3
Adjustments in respect of previous years	(1.3)	(0.1)
	11.0	4.2
Deferred tax		
Temporary differences	1.0	2.7
Impact of current year revaluations and indexation	6.0	3.0
Net use/(recognition) of tax losses	1.3	(1.2)
Change in rate for provision of deferred tax	–	(1.0)
Adjustments in respect of previous years	(3.7)	(1.1)
	4.6	2.4
Total tax charge in the Income Statement	15.6	6.6
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

	2014 £m	2013 £m
Profit before tax	137.7	80.5
Less: joint ventures and associates	(13.6)	(21.8)
Pre-tax profit attributable to the Group	124.1	58.7
Corporation tax at 21.7% (2013: 23.3%)	26.9	13.7
Permanent differences	0.2	0.1
Short-term timing differences	0.6	5.8
Impact of current year revaluations and indexation	(6.3)	(3.0)
Difference between chargeable gains and accounting profit	(0.8)	(6.8)
Change in rate used for provision of deferred tax	–	(0.4)
Deferred tax asset not recognised	–	(1.6)
Current year charge	20.6	7.8
Adjustments in respect of previous years	(5.0)	(1.2)
Tax charge for the year	15.6	6.6
Effective rate of tax	13%	11%

The post-tax results of joint ventures and associates are stated after a tax credit of £0.2m (2013: £1.7m charge). The effective tax rate for the Group including joint ventures and associates is a charge of 11.5% (2013: 10.1%).

The Finance Act 2013 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 21.7% and deferred tax at 20%.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

5. TAXATION continued

c. Balance Sheet

	2014		2013	
	Corporation tax £m	Deferred tax £m	Corporation tax £m	Deferred tax £m
Balance at start of the year	3.4	10.9	3.3	8.5
Charge to the Income Statement	11.0	4.6	4.2	2.4
Acquired with subsidiary	–	0.5	–	–
Net payment	(5.1)	–	(4.1)	–
Balance at end of the year	9.3	16.0	3.4	10.9

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

	2014			2013		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Property revaluations	–	14.3	14.3	–	11.8	11.8
Capital allowances	–	3.9	3.9	–	3.5	3.5
Appropriations to trading stock	–	0.5	0.5	–	0.7	0.7
Unutilised tax losses	–	–	–	(1.6)	–	(1.6)
Other temporary differences	(2.7)	–	(2.7)	(3.5)	–	(3.5)
Total deferred tax	(2.7)	18.7	16.0	(5.1)	16.0	10.9

At the Balance Sheet date, the Group has unused tax losses in relation to 2014 and prior years of £1.3m (2013: £3.2m), of which £nil (2013: £1.6m) has been recognised as a deferred tax asset. A deferred tax asset of £1.3m (2013: £1.6m) has not been recognised in respect of current and prior year tax losses as it is not considered sufficiently certain that there will be appropriate taxable profits available in the short-term against which these can be utilised.

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 and its treatment is often an integral part of transactions. The outcome of tax treatments are recognised by the Group to the extent the outcome is reasonably certain. Where tax treatments have 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.

6. EARNINGS PER SHARE

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

	2014 Number of shares	2013 Number of shares
Weighted number of shares in issue	220,617,339	215,236,438
Weighted number of dilutive shares	4,602,679	4,074,926
	225,220,018	219,311,364
	2014 £m	2013 £m
Profit attributable to equity shareholders (basic and diluted)	116.2	72.1
	2014 pence	2013 pence
Basic earnings per share	52.7	33.5
Diluted earnings per share	51.6	32.9

Shares held by The St. Modwen Properties PLC Employee Share Trust are excluded from the above calculations.

As the Group is principally a development business EPRA earnings per share are not provided. These calculations exclude all revaluation gains, including value added by management actions, and development profits. These are the key activities of the Group and excluding such gains and profits would not provide a meaningful measure of the performance of the business.

7. DIVIDENDS

Dividends paid during the year were in respect of the final dividend for 2013 and interim dividend for 2014. 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.

	2014		2013	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.67	5.9	2.42	5.3
Interim dividend in respect of current year	1.46	3.2	1.33	2.9
Total	4.13	9.1	3.75	8.2
Proposed				
Current year final dividend	3.14	6.9	2.67	5.9

The St. Modwen Properties PLC Employee Share Trust waives its entitlement to dividends with the exception of 1/100p per share.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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for the year ended 30th November 2014

8. INVESTMENT PROPERTY

	Freehold investment properties £m	Leasehold investment properties £m	Total £m
Fair value			
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 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 30 th November 2013	615.5	197.8	813.3
Additions – new properties ⁽¹⁾	28.3	–	28.3
Other additions	47.2	4.8	52.0
Net transfers to inventories (note 12)	(6.8)	–	(6.8)
Disposals	(31.6)	(27.7)	(59.3)
Gain on revaluation	48.6	27.2	75.8
At 30th November 2014	701.2	202.1	903.3

(1) Additions – new properties include £8.5m (2013: £nil) acquired through business combinations.

Investment properties were valued at 30th November 2014 by DTZ Debenham Tie Leung Ltd, Chartered Surveyors (2013: Jones Lang LaSalle LLP), in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Both DTZ Debenham Tie Leung Ltd and Jones Lang LaSalle LLP are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

The historical cost of investment properties at 30th November 2014 was £723.9m (2013: £699.3m).

As at 30th November 2014, £450.0m (2013: £633.2m) of investment property was pledged as security for the Group's loan facilities.

Included within leasehold investment properties are £3.9m (2013: £3.9m) of assets held under finance leases.

IFRS13 disclosures in respect of investment property are provided in note 16.

9. OPERATING PROPERTY, PLANT AND EQUIPMENT

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
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 30 th November 2013	6.9	5.4	12.3
Additions	0.1	0.9	1.0
Disposals	–	(0.4)	(0.4)
At 30th November 2014	7.0	5.9	12.9
Depreciation			
At 30 th November 2012	0.8	4.4	5.2
Charge for the year	0.1	0.4	0.5
At 30 th November 2013	0.9	4.8	5.7
Charge for the year	0.1	0.4	0.5
Disposals	–	(0.3)	(0.3)
At 30th November 2014	1.0	4.9	5.9
Net book value			
At 30 th November 2012	6.2	0.6	6.8
At 30 th November 2013	6.0	0.6	6.6
At 30th November 2014	6.0	1.0	7.0
Tenure of operating properties:			
		2014	2013
		£m	£m
Freehold		3.4	3.4
Leasehold		2.6	2.6
		6.0	6.0

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

10. JOINT VENTURES AND ASSOCIATES

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

	2014				2013			
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	Other joint ventures and associates £m	Total £m	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	Other joint ventures and associates £m	Total £m
Income Statements								
Revenue	9.4	–	1.1	10.5	13.8	–	1.4	15.2
Net rental income	5.7	–	0.2	5.9	7.1	(0.1)	0.3	7.3
Development profits	–	–	–	–	0.2	–	0.3	0.5
Gains on disposal of investments/ investment properties	0.7	–	–	0.7	9.3	–	–	9.3
Investment property revaluation gains/(losses)	11.1	0.4	0.4	11.9	6.2	5.1	(0.2)	11.1
Administrative expenses	(0.2)	–	(0.1)	(0.3)	(0.2)	(0.1)	–	(0.3)
Profit before interest and tax	17.3	0.4	0.5	18.2	22.6	4.9	0.4	27.9
Finance cost	(3.1)	(3.0)	(0.1)	(6.2)	(4.1)	(2.3)	(0.1)	(6.5)
Finance income	0.7	0.8	–	1.5	1.9	0.2	–	2.1
Profit/(loss) before tax	14.9	(1.8)	0.4	13.5	20.4	2.8	0.3	23.5
Taxation	(0.4)	0.6	(0.1)	0.1	(1.6)	(0.1)	–	(1.7)
Profit/(loss) for the year	14.5	(1.2)	0.3	13.6	18.8	2.7	0.3	21.8

Included in other joint ventures and associates above are results from associated companies of £nil (2013: £nil).

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

	2014				2013			
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	Other joint ventures and associates £m	Total £m	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	Other joint ventures and associates £m	Total £m
Balance Sheets								
Non-current assets	95.6	55.4	6.5	157.5	80.7	60.0	6.4	147.1
Current assets	6.3	5.8	6.0	18.1	10.2	2.9	4.1	17.2
Current liabilities	(7.2)	(21.5)	(4.1)	(32.8)	(8.9)	(16.0)	(2.4)	(27.3)
Non-current liabilities	(33.4)	(19.1)	(1.4)	(53.9)	(15.2)	(25.1)	(1.4)	(41.7)
Net assets	61.3	20.6	7.0	88.9	66.8	21.8	6.7	95.3
Equity at start of year	66.8	21.8	6.7	95.3	49.2	19.1	6.9	75.2
Profit/(loss) for the year	14.5	(1.2)	0.3	13.6	18.8	2.7	0.3	21.8
Dividends paid	(20.0)	–	–	(20.0)	(1.2)	–	(0.5)	(1.7)
Equity at end of year	61.3	20.6	7.0	88.9	66.8	21.8	6.7	95.3

Included in other joint ventures and associates above are net assets of £nil (2013: £nil) in relation VSM (NCGM) Ltd. These net assets comprise total current assets (inventory) of £2.6m (2013: £1.1m) offset by total liabilities (amounts due to shareholders) of £2.6m (2013: £1.1m). The results and net assets of VSM (NCGM) Ltd are expected to be disclosed separately in future years.

Also included in other joint ventures and associates above are net assets of £2.9m (2013: £2.8m) in relation to associated companies. These net assets comprise total assets of £3.5m (2013: £3.6m) and total liabilities of £0.6m (2013: £0.8m).

Joint venture companies and associates comprise:

Name	Status	Interest	Principal nature of business
Key Property Investments Ltd	Joint venture	50%	Property investment and development
VSM Estates Uxbridge (Group) Ltd	Joint venture	50%	Property investment and development
VSM (NCGM) Ltd	Joint venture	50%	Property development
Barton Business Park Ltd	Joint venture	50%	Property development
Killingholme Energy Ltd	Joint venture	50%	Property development
Killingholme Land Ltd	Joint venture	50%	Property development
Meaford Energy Ltd	Joint venture	50%	Property development
Meaford Land Ltd	Joint venture	50%	Property development
Skypark Development Partnership LLP	Joint venture	50%	Property development
Wrexham Land Ltd	Joint venture	50%	Property development
Wrexham Power Ltd	Joint venture	50%	Property development
Coed Darcy Ltd	Associate	49%	Property investment and development
Baglan Bay Company Ltd	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 in this note. Revenue and profit from the Persimmon joint venture are recognised in Group development profit on legal completion of housing unit sales to third-party customers.

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

	2014 £m	2013 £m
Non-current		
Other debtors	8.5	11.6
Amounts due from joint ventures	6.0	6.0
	14.5	17.6
Current		
Trade receivables	4.7	2.2
Prepayments and accrued income	5.5	4.9
Other debtors	39.0	29.3
Amounts recoverable on contracts	6.0	11.0
Amounts due from joint ventures	25.0	12.3
Derivative financial instruments	1.9	–
	82.1	59.7

IFRS7 and IFRS13 disclosures in respect of financial assets included above are provided in note 16.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

12. INVENTORIES

	2014 £m	2013 £m
Properties held for sale	5.8	9.7
Properties under construction	176.7	177.3
Land under option	18.5	18.9
	201.0	205.9

The movement in inventories during the two years ended 30th November 2014 is as follows:

	£m
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 30 th November 2013	205.9
Additions	177.1
Net transfers from investment property (note 8)	6.8
Disposals (transferred to development cost of sales) (note 1)	(188.8)
At 30th November 2014	201.0

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 £0.1m (2013: £1.7m).

As at 30th November 2014 £16.8m (2013: £43.3m) of inventory was pledged as security for the Group's loan facilities.

13. TRADE AND OTHER PAYABLES

	2014 £m	2013 £m
Current		
Trade payables	24.4	21.1
Amounts due to joint ventures	29.0	25.0
Other payables and accrued expenses	89.5	92.8
Other payables on deferred terms	20.8	18.5
Derivative financial instruments	8.7	12.8
	172.4	170.2
Non-current		
Other payables on deferred terms	24.6	42.3
Finance lease liabilities (head rents)	3.9	3.9
	28.5	46.2

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.

IFRS7 and IFRS13 disclosures in respect of financial liabilities included above are provided in note 16.

14. BORROWINGS

	2014 £m	2013 £m
Current		
Bank overdrafts	–	–
Bank loans	–	62.5
	–	62.5
Non-current		
Amounts repayable between one and two years	50.0	64.0
Amounts repayable between two and five years	253.1	138.0
Amounts repayable after more than five years	37.5	83.6
	340.6	285.6
Total	340.6	348.1

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) together with £80m of retail bonds and £100m of convertible bonds. The maturity profile of the Group's committed borrowing facilities is set out below:

	Drawn £m	2014 Undrawn £m	Total £m	Drawn £m	2013 Undrawn £m	Total £m
Secured floating rate borrowings						
Less than one year ⁽¹⁾	–	–	–	62.5	42.5	105.0
One to two years	50.0	25.0	75.0	74.0	20.0	94.0
Two to three years	–	–	–	128.0	67.0	195.0
Three to four years	64.0	35.0	99.0	–	–	–
Four to five years	9.1	115.9	125.0	–	–	–
More than five years	37.5	12.5	50.0	3.6	1.0	4.6
	160.6	188.4	349.0	268.1	130.5	398.6
Unsecured fixed rate borrowings						
Four to five years	180.0	–	180.0	–	–	–
More than five years	–	–	–	80.0	–	80.0
	340.6	188.4	529.0	348.1	130.5	478.6

(1) In addition to the principal amounts included above, £1.4m (2013: £0.8m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

In January 2015 the £75m debt facility maturing in one to two years was increased to £100m and extended for a further five-year term to January 2020. There were no substantial changes to the terms of the loan.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

14. BORROWINGS continued

Interest rate profile

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

	2014		2013	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	30.6	Margin + 3 month LIBOR	68.1	Margin + 3 month LIBOR
Fixed rate bank debt	130.0	Margin + 2.93% weighted average swap rate	200.0	Margin + 3.34% weighted average swap rate
Retail bonds – maturity 2019	80.0	6.25% fixed rate	80.0	6.25% fixed rate
Convertible bonds – maturity 2019	100.0	2.875% fixed rate – swapped to 1.43% + 6 month LIBOR until 6th March 2017	–	–
At 30th November	340.6		348.1	

The average margin on the Group's bank debt is 1.9% (2013: 2.0%).

Derivative financial instruments

The Group's derivative financial instruments, which are classified as fair value through profit or loss, consist of:

a) Sterling denominated interest swaps from floating rate to fixed rate applicable as at 30th November 2014

These swaps hedge the Group's floating rate bank debt as at 30th November 2014. The fixed rates for these swaps range from 2.01% to 5.16% (2013: 2.01% to 5.16%) and details of their maturity profile are given below. Certain of the interest rate swaps are extendable at the bank's option; the tables below therefore show the dates of normal termination and extended termination. The weighted average maturity of the interest rate swaps below to the earliest termination date is 2.5 years (2013: 2.4 years).

	2014				2013			
	Earliest termination		Latest termination		Earliest termination		Latest termination	
	£m	% ⁽¹⁾	£m	% ⁽¹⁾	£m	% ⁽¹⁾	£m	% ⁽¹⁾
Less than one year	10.0	3.81%	20.0	4.48%	20.0	3.83%	10.0	2.79%
One to two years	40.0	2.54%	40.0	2.54%	70.0	3.28%	70.0	3.28%
Two to three years	20.0	2.01%	20.0	2.01%	60.0	2.99%	60.0	2.99%
Three to four years	10.0	5.16%	–	–	20.0	2.01%	20.0	2.01%
Four to five years	50.0	3.00%	50.0	3.00%	30.0	4.72%	40.0	4.76%
	130.0	2.93%	130.0	2.93%	200.0	3.34%	200.0	3.34%

(1) Weighted average interest rate.

b) Forward starting sterling denominated interest swaps from floating rate to fixed rate

These swaps provide continuity of hedging beyond the term of the interest rate swaps applicable as at 30th November 2014 and increase interest rate certainty through to bank facility renewal dates. The fixed rates for these swaps range from 2.72% to 2.97% (2013: N/A) and details of their maturity profile are given below. These hedges when taken together with existing hedges with an earliest termination date beyond 30th November 2017 comprise £110m of hedging at a weighted average interest rate of 2.95% extending to a weighted average life of 4.7 years (2013: £50m at 3.58% for 4.1 years).

	2014		2013	
	£m	% ⁽¹⁾	£m	% ⁽¹⁾
Period from 2016–2021	20.0	2.90%	–	–
Period from 2017–2019	40.0	2.90%	–	–
	60.0	2.90%	–	–

(1) Weighted average interest rate.

c) Convertible bonds

On 6th March 2014 St. Modwen Properties Securities (Jersey) Ltd (the Issuer) issued £100.0m 2.875% Guaranteed Convertible Bonds due 2019 (the Convertible Bonds) at par. The Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all its obligations (including payments) in respect of the Convertible Bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated and unsecured obligations of the Company.

Subject to certain conditions, the Convertible Bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or (at the Company's election) any combination of ordinary shares and cash. The Convertible Bonds can be converted at any time from 16th April 2014 up to the 7th dealing day before the maturity date.

The initial exchange price was £5.29 per ordinary share, a conversion rate of approximately 18,889 ordinary shares for every £100,000 nominal value of the Convertible Bonds. Under the terms of the Convertible Bonds, the exchange price is adjusted on the happening of certain events, including the payment of dividends by the Company in excess of a yield of 1.00% of the average share price in the 90 days preceding the ex-dividend date. No changes to the exchange price have been made up to 30th November 2014.

The Convertible Bonds may be redeemed at par at the Company's option subject to the Company's ordinary share price having traded at 30% above the conversion price for a specified period, or at any time once 85% of the Convertible Bonds have been traded or cancelled. If not previously converted, redeemed or purchased and cancelled, the Convertible Bonds will be redeemed at par on 6th March 2019.

A total of £100.0m nominal value of the Convertible Bonds were issued and remained outstanding at 30th November 2014. The Convertible Bonds are designated as at fair value through profit or loss and so are presented on the Balance Sheet at fair value with all gains and losses taken to the Income Statement through the movement in fair value of derivative financial instruments line. At 30th November 2014 the fair value of the Convertible Bonds was £99.1m with the change in fair value charged to the Income Statement. The Convertible Bonds are listed on the Official List of the Channel Islands Security Exchange.

Following the issue of the Convertible Bonds the Group was in an over-hedged position with an excess of debt at fixed rate. In order to reduce the level of fixed rate borrowings an interest rate derivative was entered into to swap the interest rate in the Convertible Bonds from a fixed rate of 2.875% to a floating rate of 6 month LIBOR plus 1.43% through to its third anniversary in March 2017.

The change in fair value of all of the above instruments is charged/credited to the Income Statement is disclosed in note 4.

15. LEASING

Operating lease commitments where the Group is the lessee

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

	2014 £m	2013 £m
In one year or less	0.8	1.0
Between one and five years	3.2	2.7
In five years or more	0.2	0.3
	4.2	4.0

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:

	2014 £m	2013 £m
In one year or less	31.5	30.2
Between one and five years	85.3	86.8
In five years or more	172.3	184.2
	289.1	301.2

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.8m (2013: £0.4m) were recognised during the year.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

15. LEASING continued

Obligations under finance leases

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

	2014			2013		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	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	66.0	62.1	3.9	65.9	62.0	3.9
	67.2	63.3	3.9	67.1	63.2	3.9

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2013: 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

	Notes	2014 £m	2013 £m
Financial assets			
Loans and receivables:			
Cash and cash equivalents	(1)	6.5	7.4
Trade and other receivables	(1)	73.7	52.4
Derivative financial instruments held at fair value through profit or loss	(2)	1.9	–
		82.1	59.8
Financial liabilities			
Derivative financial instruments held at fair value through profit or loss	(2)	8.7	12.8
Amortised cost:			
Bank loans and overdrafts	(1)	160.6	268.1
Retail bonds	(1)	80.0	80.0
Convertible bonds	(1)	100.0	–
Trade and other payables	(1)	103.5	87.2
Other payables on deferred terms	(1)	45.4	60.8
Finance lease liabilities (head rents)	(1)	3.9	3.9
		502.1	512.8

(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 £9.5m (2013: £9.0m) 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 £39.4m (2013: £51.7m) 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).

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

Investment property		2014 £000	2013 £000
– Income producing properties	Level 3	428.4	417.5
– Residential land	Level 3	368.5	281.7
– Commercial land	Level 3	106.5	115.8
Assets held under finance leases	N/A	3.9	3.9
Lease incentives (recorded in receivables)	N/A	(4.0)	(5.6)
		903.3	813.3

Investment properties were valued at 30th November 2014 by DTZ Debenham Tie Leung Ltd, Chartered Surveyors (2013: Jones Lang LaSalle LLP), in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Both DTZ Debenham Tie Leung Ltd and Jones Lang LaSalle LLP are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

Income producing properties have been valued using the investment method which involves applying a yield to rental income streams. Inputs include equivalent yields, current rent and ERV. The resulting valuations are cross checked against the resulting initial yields and, for certain assets, the land value underpin if the assets were to be redeveloped. For the valuation as at 30th November 2014 equivalent yields ranged from 7.0% to 14.5% (2013: 7.1% to 19.0%).

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

Derivative financial instruments held at fair value through profit or loss		2014 £000	2013 £000
Assets	Level 2	1.9	–
Liabilities	Level 2	(8.7)	(12.8)
		(6.8)	(12.8)

Derivative financial instruments are externally valued based on the present value of future cash flows estimated and discounted based on the applicable yield curves derived from market expectations for future interest rates at the Balance Sheet date.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

16. FINANCIAL INSTRUMENTS continued

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

1% increase in interest rates	2014 £m	2013 £m
Interest on borrowings	(1.2)	(1.6)
Effect of interest rate swaps	1.0	1.6
	(0.2)	–

1% decrease in interest rates	2014 £m	2013 £m
Interest on borrowings	1.2	1.6
Effect of interest rate swaps	(1.0)	(1.6)
	0.2	–

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 (2013: £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 £0.6m (2013: £0.5m) which is provided against as it represents estimated irrecoverable amounts. This allowance has been determined by a review of all significant balances that are past due considering the reason for non-payment and the creditworthiness of the counterparty. A reconciliation of the changes in this account during the year is provided below.

Movement in the allowance for doubtful debts	2014 £m	2013 £m
At start of year	0.5	0.4
Impairment losses recognised	0.6	0.6
Amounts written off as uncollectable	(0.3)	(0.3)
Impairment losses reversed	(0.2)	(0.2)
At end of year	0.6	0.5

Trade and other receivables include £1.4m (2013: £0.5m) which are past due as at 30th November 2014 for which no provision has been made because the amounts are considered recoverable. The following table provides an ageing analysis of these balances.

Number of days past due but not impaired	2014 £m	2013 £m
1–30 days	0.4	0.1
31–60 days	0.2	0.2
60 days +	0.8	0.2
	1.4	0.5

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 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 one month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	More than five years £m	Total £m
2014						
Trade and other payables	51.8	10.1	41.7	–	66.0	169.6
Other payables on deferred terms	–	–	20.8	26.7	–	47.5
	51.8	10.1	62.5	26.7	66.0	217.1
2013	Less than one month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	More than five years £m	Total £m
Trade and other payables	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

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	220,376,988	22.0
Issue of share capital	1,000,000	0.1
At end of year	221,376,988	22.1

On 7th April 2014 the Group issued 1,000,000 ordinary shares of 10p each at par which were allotted to The St. Modwen Properties PLC Employee Share Trust to satisfy the exercise of awards made under the Company's share-based incentive arrangements.

On 1st March 2013 the Group completed a 'cash box' placing of 20,016,057 ordinary shares of 10p each at 245p 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 and 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 2014

18. PENSIONS

The Group operates a UK based pension scheme, the St. Modwen Pension Scheme, with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1st September 2009, to future accrual. The Income Statement includes:

- a charge of £0.2m (2013: £0.2m) for the defined benefit section; and
- a charge of £0.6m (2013: £0.6m) for the defined contribution section.

The St. Modwen Pension Scheme is governed by the trustee company, St. Modwen Pensions Ltd. It is regulated by the UK regulatory regime, overseen by the Pensions Regulator.

The last formal actuarial valuation of the scheme was at 5th April 2014, when the market value of the net assets of the scheme was £38m, a funding level of 97% based on the trustee's proposed assumptions for technical provisions. The main actuarial assumptions were:

Investment rate of return:	pre-retirement	5.6% pa
	post-retirement	3.8% pa
Increase in pensions		2.7% pa

As the scheme is almost fully funded, the current schedule of contributions requires the Group to fund the Scheme to such an extent as to cover administrative expenses only. The expected contribution for year ended 30th November 2015 is expected to be £0.2m, consistent with the current year (£0.2m).

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30th November 2014 on an IAS basis by a qualified independent actuary. The valuation was performed using the 'Projected Unit Credit Method' under IAS 19. The major assumptions used by the actuary were:

	2014	2013	2012
Rate of increase in deferred pensions	2.1%	2.6%	2.0%
Rate of increase in pensions in payment			
Pre 6 th April 1997 benefits	3.0%	3.0%	2.7%
Post 5 th April 1997 benefits	3.1%	3.4%	2.7%
Discount rate	3.6%	4.5%	4.3%
Inflation assumption	2.1%	2.6%	2.0%

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 Hymans Robertson Scheme Specific VITA Tables with an underpin to future improvements of 1% per annum. The cohort effect is assumed to have peaked and improvements remain flat at the oldest ages. The resultant assumptions are, for example:

- Average future life expectancy (in years) for a pensioner aged 65 at 30th November 2014: 23.0 (male), 23.8 (female).
- Average future life expectancy (in years) at age 65 for a non-pensioner aged 40 at 30th November 2014: 23.9 (male), 26.1 (female).

The fair values of assets in the defined benefit section of the scheme were:

	2014 £m	2013 £m
Equities		
UK equity	5.2	5.7
Overseas equity	2.5	1.9
Debt Securities		
UK corporate bonds	6.8	5.8
Overseas corporate bonds	1.0	1.1
UK Government bonds	0.8	1.3
UK index-linked gilts	7.8	6.4
Property	5.6	5.8
Commodities	0.1	0.1
Cash	0.5	0.9
	30.3	29.0
Actuarial value of liabilities	(28.6)	(28.5)
Unrecognised surplus	(1.7)	(0.5)
Surplus in the scheme	–	–
Related deferred tax liability	–	–
Fair value of pension asset net of deferred tax	–	–

The cumulative amount of actuarial gains and losses (before unrecognised surplus of £1.7m) recorded in the Group Statement of Comprehensive Income is a gain of £1.0m (2013: loss of £0.2m).

Analysis of the amount charged to operating profit

	2014 £m	2013 £m	2012 £m
Current service cost and total operating charge	(0.2)	(0.2)	(0.2)

Analysis of net interest

	2014 £m	2013 £m	2012 £m
Interest income on scheme assets	1.2	1.2	1.3
Interest on pension scheme liabilities	(1.2)	(1.1)	(1.2)
Total net interest	–	0.1	0.1

The actual return on pension scheme assets was a gain of £3.4m (2013: £2.0m).

Analysis of the amount recognised in the Group Statement of Comprehensive Income

	2014 £m	2013 £m
The returns on scheme assets (excluding amounts included in net interest)	2.2	1.0
Experience gains and losses arising on fair value of scheme liabilities	0.9	(0.5)
Actuarial gains and losses arising from changes in demographic assumptions	0.5	–
Actuarial gains and losses arising from changes in financial assumptions	(2.4)	(1.2)
Change in unrecognised surplus	(1.2)	0.6
Remeasurement of the net defined benefit asset	–	(0.1)

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014**18. PENSIONS continued****Analysis of the movement in the present value of the scheme liabilities**

	2014 £m	2013 £m
Beginning of year	28.5	27.0
Movement in year:		
Current service cost	0.2	0.2
Interest cost	1.2	1.1
Employee contributions	–	–
Experience gains and losses arising on fair value of scheme liabilities	(0.9)	0.5
Actuarial gains and losses arising from changes in demographic assumptions	(0.5)	–
Actuarial gains and losses arising from changes in financial assumptions	2.4	1.2
Benefits paid	(2.3)	(1.5)
End of year	28.6	28.5

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

	2014 £m	2013 £m
Beginning of year	29.0	28.1
Movement in year:		
Interest income	1.2	1.2
Contributions by employer	0.2	0.2
Employee contributions	–	–
Return on assets excluding amounts included in net interest	2.2	0.8
Benefits paid	(2.3)	(1.3)
End of year	30.3	29.0
Surplus in scheme at the year end	1.7	0.5
Unrecognised surplus	(1.7)	(0.5)
Net surplus	–	–

History of experience gains and losses

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Difference between expected and actual return on scheme assets:					
Amount	2.2	0.8	1.1	(0.4)	0.9
Percentage of scheme assets	7.3%	2.8%	3.9%	(1.5%)	3.3%
Experience gains and losses on scheme liabilities:					
Amount	0.9	(0.2)	(0.5)	(1.8)	(0.7)
Percentage of fair value of scheme liabilities	(3.1%)	0.7%	1.9%	7.3%	2.8%

Information about the defined benefit obligation

	Number of members	Liability split	Duration (years)
Active members	–	–	–
Deferred members	159	35.5%	20.0
Pensioners	403	64.5%	12.0
Total	562	100.0%	14.8

Sensitivity analysis

The impact of changes in actuarial assumptions compared with those adopted for the year ended 30th November 2014 would be:

- A 0.5% decrease in the discount rate would increase the actuarial value of liabilities by £2.2m to £30.8m.
- A one-year increase in life expectancy would increase the actuarial value of liabilities by £0.9m to £29.5m.

Defined benefit scheme – risk factors

The Group is exposed to a number of risks related to its defined benefit scheme, the most significant of which are detailed below.

Asset volatility

Pension scheme liabilities are calculated using discount rates set with reference to bond yields. If the assets within the scheme deliver a return which is lower than the discount rate this will create or increase a deficit within the scheme. This risk is reduced by holding a significant proportion of the scheme assets in matching assets (bonds or similar). As the scheme matures, it is anticipated that this proportion will increase to better match the assets and liabilities of the scheme.

Changes in bond yields

A decrease in bond yields will typically increase liabilities, although this will be partially offset by an appreciation in the value of scheme assets held in bonds.

Inflation risk

As the pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities. The asset portfolio includes a significant proportion of inflation linked bonds to reduce this risk.

Member longevity

The pension obligations provide benefits for the life of the members, therefore increases in life expectancy will result in an increase in liabilities (and vice-versa).

19. ACQUISITION OF SUBSIDIARY UNDERTAKING

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

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

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

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

As required by IFRS3 (2008) Business Combinations, this acquisition has resulted in the assets and liabilities of Branston being remeasured to fair value at the acquisition date. Fair values are reported as provisional for 12 months to allow the incorporation of any subsequent amendments and the negative goodwill arising has been credited to the Income Statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

19. ACQUISITION OF SUBSIDIARY UNDERTAKING continued

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

	Book value £m	Fair value adjustments £m	Total £m
Net assets acquired:			
– Investment property	5.9	2.6	8.5
– Trade and other payables	(4.9)	–	(4.9)
– Deferred tax	–	(0.5)	(0.5)
Total identifiable net assets	1.0	2.1	3.1
Negative goodwill			(2.1)
Total consideration			1.0

£m

Satisfied by:

– Cash payable on acquisition	0.8
– Deferred proceeds payable on shareholder approval	0.1
– Deferred proceeds payable on 22 nd May 2015	0.1
Total consideration	1.0

If the acquisition had been completed on the first day of the financial year there would have been no incremental change to the Group's revenue or profit before tax.

20. CAPITAL COMMITMENTS

At 30th November 2014 the Group had contracted capital expenditure of £10.1m (2013: £12.6m). In addition the Group's share of the contracted capital expenditure of its joint venture undertakings was £0.8m (2013: £2.8m). 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) Ltd (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 has provided a parent company guarantee in respect of 50% of all obligations under the £26m bank facility provided to VSM Estates Uxbridge Ltd, a subsidiary of VSM Estates Uxbridge (Group) Ltd. This facility was repaid in full post-year end and a new five-year £30m facility was entered into. Under the terms of the revised facility the Group has provided a parent company guarantee of up to £15m in respect of all obligations under this facility.

The Group, together with VINCI PLC, has provided a joint and several guarantee in respect of the obligations of VSM (NCGM) Ltd 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 £80m bank facility provided to Key Property Investments Ltd. 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 £40m as at 30th November 2014.

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 2014.

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

22. RELATED PARTY TRANSACTIONS

All related party transactions involving directors, and those involving a change in the level of the Group's interest in non-wholly owned subsidiaries, joint ventures and associates, are specifically reviewed and approved by the Board. Monitoring and management of transactions between the Group and its non-wholly owned subsidiaries, joint ventures and associates is delegated to the executive directors. All related party transactions are clearly justified and beneficial to the Group, are undertaken on an arm's length basis on fully commercial terms and in the normal course of business. Related party transactions are detailed as follows:

Key Property Investments Ltd (KPI)

During the year the Group provided management and construction services to KPI for which it received fees totalling £0.4m (2013: £0.5m). The balance due to the Group at year end was £2.5m (2013: £1.8m). No interest is charged on this balance.

VSM Estates Uxbridge (Group) Ltd (VSM Uxbridge)

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 £21.8m (2013: £13.7m), of which £6.0m (2013: £6.0m) is loan notes. All amounts are interest bearing and interest charged in the year ended 30th November 2014 was £2.2m (2013: £1.4m).

Barton Business Park Ltd (Barton)

The balance due to Barton at the year end was £3.8m (2013: £3.8m). No interest is charged on this balance.

Skypark Development Partnership LLP (Skypark)

During the year the Group provided funding of £nil to Skypark (2013: £0.6m). The balance due to the Group from Skypark at the year end was £1.1m (2013: £1.1m), of which £1.1m (2013: £1.1m) relates to loan notes issued to the Group. Interest of £0.1m (2013: £nil) was charged in the year.

Wrexham Power Ltd (Wrexham Power)

During the year the Group provided funding to Wrexham Power of £0.7m (2013: £nil). The balance due to the Group at the year end was £0.9m (2013: £0.2m). No interest is charged on this balance.

Wrexham Land Ltd (Wrexham Land)

During the year the Group provided funding to Wrexham Land of £nil (2013: £nil). The balance due to the Group at the year end was £0.1m (2013: £0.1m). No interest is charged on this balance.

Killingholme Land Ltd (Killingholme Land)

During the year the Group provided funding to Killingholme Land of £0.1m (2013: £nil). The balance due to the Group at the year end was £0.1m (2013: £nil). No interest is charged on this balance.

VSM (NCGM) Ltd (VSM (NCGM))

During the year the Group provided funding to VSM (NCGM) of £1.5m (2013: £1.4m). The balance due to the Group at the year end was £2.9m (2013: £1.4m). No interest is charged on this balance.

St. Modwen Pension Scheme Ltd

The Group occupies offices owned by the St. Modwen Pension Scheme Ltd with an annual rental payable of £0.1m (2013: £0.1m). The balance due to the Group at year end was £nil (2013: £0.1m).

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

22. RELATED PARTY TRANSACTIONS continued

Non-wholly owned subsidiaries

The Company provides administrative and management services and provides a central purchase ledger system to subsidiary companies. In addition, the Company also operates a central treasury function which lends to and borrows from subsidiary undertakings as appropriate. Management fees and interest charged/(credited) during the year and net balances due (to)/from subsidiaries in which the Company has a less than 90% interest were as follows:

	Management fees		Interest		Balance	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Norton & Proffitt Developments Ltd	-	-	-	-	0.3	(0.2)
Stoke-on-Trent Regeneration (Investments) Ltd	-	-	-	-	(0.5)	(0.8)
Stoke-on-Trent Regeneration Ltd	-	-	(0.1)	(0.1)	(10.1)	(3.5)
Uttoxeter Estates Ltd	-	-	-	-	0.1	(0.2)
VSM Estates (Holdings) Ltd	-	-	0.7	0.6	(3.3)	(17.3)
Widnes Regeneration Ltd	-	-	-	-	2.0	2.3
	-	-	0.6	0.5	(11.5)	(19.7)

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 (2013: £nil). No guarantees have been given or received from related parties.

On 27th November 2014, the Group acquired the remaining minority interest in Trentham Leisure Ltd for £0.1m. No changes were required by IFRS3 (2008) Business Combinations as a result of this acquisition.

Transactions in which directors have an interest

Branston Properties Ltd (Branston)

In 2010 the Group entered into an option to acquire the entire issued share capital of Branston, of which Simon Clarke is a shareholder, at market value. The price paid for the option was £0.1m and exercise of this was contingent on certain planning milestones being achieved. Following achievement of the requisite planning milestones the option was exercised by the Group on 22nd May 2014 and 87.5% of the issued share capital of Branston was acquired as discussed further in note 19.

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 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Tangible fixed assets	(E)	1.0	0.5
Investments held as fixed assets	(F)	796.8	692.7
		797.8	693.2
Current assets			
Debtors (including amounts falling due after more than one year of £212.6m (2013: £212.6m))	(G)	563.3	514.2
Cash at bank and in hand		3.2	3.2
Current liabilities			
Creditors: amounts falling due within one year	(H)	(328.5)	(296.7)
Net current assets		238.0	220.7
Total assets less current liabilities		1,035.8	913.9
Creditors: amounts falling due after more than one year	(H)	(286.6)	(270.0)
Net assets		749.2	643.9
Capital and reserves			
Called up share capital	(K)	22.1	22.0
Share premium account	(L)	102.8	102.8
Revaluation reserve	(L)	526.9	422.9
Profit and loss account	(L)	48.2	48.2
Share incentive reserve	(L)	4.8	2.1
Own shares	(L)	(1.8)	(0.3)
Other reserves	(L)	46.2	46.2
Equity shareholders' funds		749.2	643.9

These Financial Statements were approved by the Board and authorised for issue on 2nd February 2015.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

Company Number: 349201

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30th November 2014

(A). ACCOUNTING POLICIES

Basis of preparation

The Company 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. Following the publication of FRS100 – Application of Financial Reporting Requirements by the Financial Reporting Council, the Company is required to change its accounting framework for its entity financial statements, which is currently UK GAAP, for its financial year commencing 1st December 2015. The Company intends to adopt FRS101 – Reduced Disclosure Framework for its Parent Company Financial Statements. No disclosures in the current UK GAAP Financial Statements would be omitted on adoption of FRS101. Objections to the use of the disclosure exemptions may be served by a shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in St. Modwen Properties PLC, in writing, to its registered office (Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ), not later than 31st May 2015.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

(A). ACCOUNTING POLICIES continued

Derivative financial instruments and hedging

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

Full details of the Company's derivative financial instruments are given in note 16 to the Group Financial Statements.

Own shares

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.

Convertible bonds

Convertible bonds are assessed on issue as to whether they should be classified as a financial liability, as equity or as a compound financial instrument with both debt and equity components. This assessment is based on the terms of the bond and in accordance with FRS25 – Financial Instruments: Presentation.

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 2014 was £13.9m (2013: £34.6m).

(C). OPERATING EXPENSES**(i) Audit fees**

	2014			2013		
	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	157	–	157	150	–	150
Total audit fees	157	–	157	150	–	150
Audit related assurance services	55	–	55	50	–	50
Other assurance services	20	–	20	–	–	–
Tax compliance services	–	30	30	–	50	50
Tax advisory services	–	55	55	–	45	45
Total non-audit fees	75	85	160	50	95	145
Total fees	232	85	317	200	95	295

(ii) Employees

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

	2014 Number	2013 Number
Property and administration	220	192
Leisure and other activities	40	38
Total employees	260	230

The total payroll costs of these employees were:

	2014 £m	2013 £m
Wages and salaries	12.7	11.7
Social security costs	2.6	1.8
Pension costs	0.7	0.7
Total payroll costs	16.0	14.2

(D). DIVIDENDS

Dividends paid during the year were in respect of a final dividend for 2013 and an interim dividend for 2014. 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.

	2014		2013	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.67	5.9	2.42	5.3
Interim dividend in respect of current year	1.46	3.2	1.33	2.9
Total	4.13	9.1	3.75	8.2
Proposed				
Current year final dividend	3.14	6.9	2.67	5.9

The St. Modwen Properties PLC Employee Share Trust waives its entitlement to dividends with the exception of 1/100p per share.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

(E). TANGIBLE FIXED ASSETS

	Long leasehold investment properties £m	Plant, machinery and equipment £m	Total £m
Cost or valuation			
At 30 th November 2013	0.3	2.7	3.0
Additions	–	0.8	0.8
Disposals	–	(0.2)	(0.2)
At 30th November 2014	0.3	3.3	3.6
Depreciation			
At 30 th November 2013	–	2.5	2.5
Charge for the year	–	0.2	0.2
Disposals	–	(0.1)	(0.1)
At 30th November 2014	–	2.6	2.6
Net book value			
At 30 th November 2013	0.3	0.2	0.5
At 30th November 2014	0.3	0.7	1.0

Investment properties were valued at 30th November 2014 by DTZ Debenham Tie Leung Ltd, Chartered Surveyors (2013: Jones Lang LaSalle LLP), in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Both DTZ Debenham Tie Leung Ltd and Jones Lang LaSalle LLP are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

Long leasehold investment properties are currently let under operating leases for the purpose of generating rental income.

(F). INVESTMENTS HELD AS FIXED ASSETS

	Investment in subsidiary companies £m	Investment in joint ventures £m	Total £m
Valuation			
At 30 th November 2013	588.3	104.4	692.7
Additions	0.1	–	0.1
Revaluation of investments	111.5	(7.5)	104.0
At 30th November 2014	699.9	96.9	796.8
Cost			
At 30 th November 2013	278.3	26.5	304.8
At 30th November 2014	278.4	26.5	304.9

Subsidiary companies

At 30th November 2014 the principal subsidiaries, all of which were held directly by the Company, were as follows:

Name	Country of incorporation	Proportion of ordinary shares held	Principal nature of business
Chaucer Estates Ltd	England & Wales	100%	Property investment
Holaw (462) Ltd	England & Wales	100%	Property investment
Leisure Living Ltd	England & Wales	100%	Leisure operator
Redman Heenan Properties Ltd	England & Wales	100%	Property investment
Sowcrest Ltd	England & Wales	100%	Property development
St. Modwen Developments Ltd	England & Wales	100%	Property development
St. Modwen Properties Sarl	Luxembourg	100%	Property investment
St Modwen Ventures Ltd	England & Wales	100%	Property investment
Trentham Leisure Ltd	England & Wales	100%	Leisure operator
Stoke-on-Trent Regeneration Ltd	England & Wales	81%	Property development
Uttoxeter Estates Ltd	England & Wales	81%	Property development
Norton & Proffitt Developments Ltd	England & Wales	75%	Property development
VSM Estates (Holdings) Ltd	England & Wales	50%	Property development

Joint ventures

At 30th November 2014 the principal joint ventures were:

Name	Country of incorporation	Percentage shareholding	Principal nature of business
Barton Business Park Ltd	England & Wales	50%	Property development
Key Property Investments Ltd	England & Wales	50%	Property investment and development
Skypark Development Partnership LLP	England & Wales	50%	Property development
VSM (NGGM) Ltd	England & Wales	50%	Property development
VSM Estates Uxbridge (Group) Ltd	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 Company's next annual return to Companies House.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30th November 2014**(G). DEBTORS**

	2014 £m	2013 £m
Amounts falling due after more than one year:		
Amounts falling due from subsidiaries	206.6	206.6
Amounts due from joint venture and associated companies	6.0	6.0
	212.6	212.6

	2014 £m	2013 £m
Amounts falling due within one year:		
Trade debtors	0.1	0.3
Amounts due from subsidiaries	304.2	275.8
Amounts due from joint venture and associated companies	22.8	11.2
Other debtors	1.9	1.4
Prepayments and accrued income	6.0	3.2
Derivative financial instruments	1.0	–
Corporation tax	12.5	5.9
Deferred tax asset (see note (J))	2.2	3.8
	350.7	301.6

(H). CREDITORS

	2014 £m	2013 £m
Amounts falling due within one year:		
Bank overdrafts	3.7	8.4
Trade creditors	0.9	0.8
Amounts due to subsidiaries	292.0	257.7
Amounts due to joint venture and associated companies	4.7	4.0
Other tax and social security	0.8	1.5
Other creditors	1.5	1.4
Accruals and deferred income	11.9	10.6
Derivative financial instruments	13.0	12.3
	328.5	296.7

	2014 £m	2013 £m
Amounts falling due after more than one year:		
Bank loans	106.6	190.0
Other loans	180.0	80.0
	286.6	270.0

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

Other loans comprise £80m unsecured 6.25% fixed rate retail bonds maturing in November 2019 and £100m 2.875% convertible bonds maturing March 2019. Details of the terms of the convertible bonds are provided in note 14 to the Group Financial Statements.

(I). BORROWINGS

The maturity profile of the Company's borrowings is as follows:

	2014 £m	2013 £m
Less than one year	–	62.5
One to two years	–	45.0
Two to five years	249.1	82.5
More than five years	37.5	80.0
Total	286.6	270.0

(J). DEFERRED TAXATION

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

	Provided		Unprovided	
	2014 £m	2013 £m	2014 £m	2013 £m
Other timing differences	(2.2)	(3.8)	–	–
	(2.2)	(3.8)	–	–

Reconciliation of movement on deferred tax asset included in debtors

	£m
Balance as at 30 th November 2013	(3.8)
Profit and Loss Account	1.6
Balance as at 30th November 2014	(2.2)

Reconciliation of deferred tax liability included in pension scheme asset

	£m
Balance as at 30 th November 2013	–
Profit and Loss Account	–
Statement of Total Recognised Gains and Losses	–
Balance as at 30th November 2014	–

(K). SHARE CAPITAL

	Ordinary 10p shares Number	£m
Equity share capital		
At start of year	220,376,988	22.0
Issue of share capital	1,000,000	0.1
At end of year	221,376,988	22.1

On 7th April 2014 the Company issued 1,000,000 ordinary shares of 10p each at par, which were allotted to The St. Modwen Properties PLC Employee Share Trust to satisfy the exercise of awards made under the Company's share-based incentive arrangements.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30th November 2014

(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 2013	102.8	422.9	48.2	2.1	(0.3)	46.2
Surplus on revaluation of investments	–	104.0	–	–	–	–
Retained profit for the year (note (S))	–	–	13.9	–	–	–
Equity issue	–	–	–	–	(0.1)	–
Share-based payment charge	–	–	(6.2)	2.7	–	–
Net share disposals	–	–	1.4	–	(1.4)	–
Dividends paid (note (O))	–	–	(9.1)	–	–	–
Actuarial loss on pension scheme (note (M))	–	–	–	–	–	–
Movement on deferred tax relating to pension asset (note J)	–	–	–	–	–	–
At 30th November 2014	102.8	526.9	48.2	4.8	(1.8)	46.2

Own shares represents the cost of 460,427 (2013: 72,582) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30th November 2014 was £1,763,435 (2013: £259,553). In addition The St. Modwen Properties PLC Employee Share Trust has £0.1m (2013: £0.1m) of cash and £2.8m due to the Company (2013: £0.3m due to the Company), that can only be used for the benefit of employees.

(M). PENSIONS

The Company's pension schemes are the principal pension schemes of the Group and details are set out in note 18 of the Group Financial Statements. The directors are satisfied that this note, which contains the required IAS19 'Employee Benefits' disclosures for the Group, also covers the requirements of FRS17 'Retirement Benefits' for the Company.

(N). OPERATING LEASE COMMITMENTS

Operating lease commitments where the Company is the lessee

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

	2014		2013	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases which expire:				
In one year or less	–	–	–	0.2
Between one and five years	0.5	0.7	0.5	0.4
In five years or more	0.1	0.6	0.1	0.2
	0.6	1.3	0.6	0.8

(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 section 479A 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

	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m
Rental income ⁽¹⁾	33.7	35.5	36.2	36.3	37.1
Property profits ^{(1) (2)}	21.9	23.8	29.0	39.8	57.7
Revaluation surplus/(deficit) ^{(1) (3)}	23.0	33.9	28.0	42.0	90.2
Pre-tax profit ⁽⁴⁾	38.2	51.7	52.8	82.2	138.1
Earnings per share (pence)	18.6	21.7	21.3	33.5	52.6
Dividends paid per share (pence)	1.00	3.10	3.41	3.75	4.13
Dividend cover (times)	18.6	7.0	6.2	9.4	12.7
Shareholders' equity net assets per share (pence)	218.6	237.6	256.4	278.8	324.9
Increase on prior year	9%	9%	8%	11%	17%
Net assets employed					
Investment properties	828.0	848.7	770.4	813.3	903.3
Investments	49.4	50.3	75.2	95.3	88.9
Inventories	171.6	191.1	175.2	195.5	201.0
Other net liabilities	(297.3)	(267.0)	(141.1)	(136.4)	(122.6)
Net borrowings	(314.9)	(347.1)	(366.0)	(340.7)	(334.1)
Minority interests	(9.6)	(11.6)	(11.1)	(12.8)	(18.7)
Equity attributable to owners of the Company	427.2	464.4	502.6	614.2	717.8
Financed by					
Share capital	20.0	20.0	20.0	22.0	22.1
Reserves	407.8	444.9	483.1	592.5	697.5
Own shares	(0.6)	(0.5)	(0.5)	(0.3)	(1.8)
	427.2	464.4	502.6	614.2	717.8

(1) Including share of joint ventures.

(2) Stated before net realisable value provisions.

(3) Including net realisable value provisions and, where applicable, negative goodwill arising on acquisitions as a result of fair value adjustments to property assets.

(4) Stated before joint venture tax.

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.

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 fourth Annual General Meeting (AGM) of St. Modwen Properties PLC (the Company) will be held in the Evolution Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham B31 2TS on Friday, 27th March 2015 at 12.00 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 16 inclusive will be proposed as ordinary resolutions and resolutions 17 to 19 will be proposed as special resolutions.

ORDINARY BUSINESS

1. That the Annual Report and Financial Statements for the financial year ended 30th November 2014 be received.
2. That the Directors' Remuneration Report, excluding the part containing the directors' remuneration policy, set out on pages 77 to 100 of the Annual Report and Financial Statements for the financial year ended 30th November 2014 be approved.
3. That a final dividend for the financial year ended 30th November 2014 of 3.137p per ordinary share payable on 2nd April 2015 to those shareholders on the register of members at the close of business on 6th March 2015 be declared.
4. That Ian Bull be elected as a director.
5. That Steve Burke be re-elected as a director.
6. That Kay Chaldecott be re-elected as a director.
7. That Simon Clarke be re-elected as a director.
8. That Michael Dunn be re-elected as a director.
9. That Lesley James be re-elected as a director.
10. That Richard Mully be re-elected as a director.
11. That Bill Oliver be re-elected as a director.
12. That Bill Shannon be re-elected as a director.
13. 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.
14. That the directors be authorised to determine the remuneration of the Company's auditor.

SPECIAL BUSINESS

15. That the acquisition by the Company of 12.5% of the issued share capital of Branston Properties Ltd which is held by Simon Clarke (the Acquisition), as described in more detail in the note contained in this notice of the AGM, be approved for the purposes of section 190 of the Companies Act 2006 and that the directors of the Company be authorised to do all acts and things which they, in their absolute discretion, consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Acquisition.
16. 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 £7,379,232 (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 £7,379,232 in connection with an offer by way of a rights issue to:
 - (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any country or territory,such authorities to expire at the conclusion of the AGM of the Company to be held after the date of the passing of this resolution or 26th June 2016, whichever is the earlier, but, in each case, so that the Company may make offers and enter into agreements before the expiry of such authority which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.

Special resolution

17. That, in substitution for all existing powers and subject to the passing of resolution 16, 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 16 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 16 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 £1,106,884 (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 16, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,
 subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any country or territory,
- such power to expire at the conclusion of the AGM of the Company to be held after the date of the passing of this resolution or 26th June 2016, 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

18. 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 22,137,698;
 - (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 26th June 2016, 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

19. 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
19th February 2015

St. Modwen Properties PLC
Registered number: 349201
Registered Office: Park Point, 17 High Street, Longbridge, Birmingham B31 2UQ

NOTICE OF ANNUAL GENERAL MEETING

continued

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 2014. Copies will be available at the AGM.

Resolution 2 – Directors' Remuneration Report

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. A resolution to approve the directors' remuneration policy (set out in full in the Annual Report and Financial Statements for the year ended 30th November 2013 which is available at www.stmodwen.co.uk) was approved by shareholders at the 2014 AGM.

Resolution 3 – Declaration of final dividend

Resolution 3 is an ordinary resolution by which shareholders are asked to declare a final dividend. The directors recommend a final dividend for the financial year ended 30th November 2014 of 3.173p per ordinary share. If approved, this will be paid on 2nd April 2015 to shareholders on the register of members at the close of business on 6th March 2015.

Resolutions 4 to 12 – Election and re-election of directors

Resolutions 4 to 12 are ordinary resolutions which deal with the election and re-election of the directors.

Following his appointment to the Board on 1st September 2014 and in accordance with the Company's Articles of Association, Ian Bull will retire and offer himself for election at the 2015 AGM. John Salmon will retire from the Board at the end of the AGM. All other directors will retire and offer themselves for re-election in accordance with the 2014 UK Corporate Governance Code.

Biographical details of all directors are set out on page 53.

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 13 and 14 – 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 13 and 14 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 15 – Substantial property transaction

In 2010, the Company entered into an option to acquire the entire issued share capital of Branston Properties Ltd (Branston) at market value. The price paid for the option was £0.1m, with exercise contingent on the achievement of certain planning milestones in relation to land held by Branston. The option was exercised by the Company on 22nd May 2014, at which point it acquired 87.5% of the issued share capital of Branston. On the same day, the Company entered into an agreement to acquire the remaining 12.5% of the issued share capital of Branston, which is held by Simon Clarke, for an aggregate payment of £129,041 together with the right to receive contingent consideration based on the level of future development gains achieved in respect of the land and property held by Branston, subject always to compliance with the Listing Rules. As Mr. Clarke is a director of the Company, and the consideration payable exceeds £100,000, the transaction constitutes a substantial property transaction under section 190 of the Companies Act 2006. It is therefore conditional on the approval of the Company's shareholders being given. Accordingly, resolution 15 is an ordinary resolution to approve this transaction.

Resolution 16 – 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 2015 AGM. Resolution 16 is an ordinary resolution to renew this authority.

The Investment Association (IA) guidelines on directors' authority to allot shares state that IA 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 16 will, if passed, authorise the directors to allot shares up to a maximum aggregate nominal amount of £7,379,232, which represents one-third of the Company's issued ordinary share capital as at 10th February 2015 (being the latest practicable date prior to the publication of the notice of AGM). Paragraph (b) of resolution 16 proposes that, in accordance with IA 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 £7,379,232.

The authorities sought in paragraphs (a) and (b) of resolution 16 are in substitution for all existing authorities granted in the Company's Articles of Association or otherwise, and are without prejudice to previous allotments or agreements or offers to allot made under such existing authorities. The authorities will each expire at the earlier of the conclusion of the next AGM of the Company and 26th June 2016.

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 17 – 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 17 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 17 will, if passed, authorise the directors to allot new shares pursuant to the authority given in paragraph (a) of resolution 16 for cash (i) in connection with a pre-emptive offer or rights issue or (ii) otherwise up to a maximum aggregate nominal value of £1,106,884, equivalent to 5% of the Company's issued ordinary share capital as at 10th February 2015 (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 IA guidance described in the explanation of resolution 16, paragraph (b) of resolution 17 will, if passed, authorise the directors to allot new shares pursuant to the authority given by paragraph (b) of resolution 16 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 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 26th June 2016.

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 18 – Authority to purchase shares

Resolution 18 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 hold any shares in treasury.

If passed, the resolution gives authority for the Company to purchase up to 22,137,698 of its ordinary shares, which represents 10% of the Company's issued ordinary share capital as at 10th February 2015 (being the latest practicable date prior to the publication of the notice of AGM). The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire at the earlier of the conclusion of the next AGM of the Company and 26th June 2016.

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 2015 (being the latest practicable date prior to the publication of the notice of AGM), the Company had options outstanding over 8,755,695 ordinary shares, representing 3.96% 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 2015 would represent 4.94% of the issued share capital.

NOTICE OF ANNUAL GENERAL MEETING

continued

EXPLANATORY NOTES TO PROPOSED RESOLUTIONS continued

Resolution 19 – Notice period of general meetings

Resolution 19 is a special resolution to renew an authority granted at last year's AGM to allow the Company to hold general meetings (other than AGMs) on not less than 14 clear days' notice.

Changes made to the Companies Act 2006 by The Companies (Shareholders' Rights) Regulations 2009 increased the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot be less than 14 clear days. This approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. AGMs will continue to be held on at least 21 clear days' notice.

SHAREHOLDER NOTES

1. Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), shareholders must be entered on the Company's register of members at 6.00pm on Wednesday, 25th March 2015 (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, 25th March 2015. 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, 25th March 2015.

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 Ltd'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 or her intention to revoke a proxy appointment to Equiniti Ltd, 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, 25th March 2015. 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.

NOTICE OF ANNUAL GENERAL MEETING

continued

SHAREHOLDER NOTES continued

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.

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 2015 (being the latest practicable date prior to the publication of the notice of AGM), the Company's issued share capital consisted of 221,376,988 shares carrying one vote each. Therefore the total voting rights in the Company as at 10th February 2015 was 221,376,988.

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 Company's indemnity for directors.

14. Communication with the Company

You may not use any electronic address provided in this notice of AGM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR

Ordinary shares quoted ex-dividend	5 th March 2015
2013/14 final dividend record date	6 th March 2015
AGM	27 th March 2015
2013/14 final dividend payment date	2 nd April 2015
Announcement of 2015 half year results	30 th June 2015
Announcement of 2015 final results	February 2016

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 27th March 2015 in the Evolution 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 166 to 172.

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.

* Calls to this number cost 8p per minute plus network extras. Lines are open 8.30 am to 5.30 pm, Monday to Friday.

INFORMATION FOR SHAREHOLDERS

continued

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.

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 2014:

	Shareholders		Shares	
	Number	%	Number	%
<i>By shareholder</i>				
Individuals	3,128	79.43	11,557,581	5.22
Directors and connected persons	33	0.84	32,100,216	14.50
Insurance companies, nominees and pension funds	712	18.08	177,251,283	80.07
Other limited companies and corporate bodies	65	1.65	467,908	0.21
	3,938	100.00	221,376,988	100.00

	Shareholders		Shares	
	Number	%	Number	%
<i>By shareholding</i>				
Up to 500	1,026	26.06	251,189	0.11
501 to 1,000	662	16.81	512,506	0.23
1,001 to 5,000	1,357	34.46	3,146,605	1.42
5,001 to 10,000	349	8.86	2,534,039	1.15
10,001 to 50,000	301	7.64	6,409,040	2.90
50,001 to 100,000	65	1.65	4,737,810	2.14
100,001 to 500,000	99	2.52	23,522,091	10.63
500,001 to 1,000,000	32	0.81	22,502,640	10.16
1,000,001 and above	47	1.19	157,761,068	71.26
	3,938	100.00	221,376,988	100.00

SHAREHOLDER NOTES

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.

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ST. MODWEN PROPERTIES PLC

Company No. 349201

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MIDLANDS

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0121 647 1000

ST. MODWEN HOMES

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0121 647 1000

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