



WHAT DO YOU SEE?



WE SEE JOB CREATION

Formerly home to a BP fuel distribution hub, we have since transformed this 65 acre site into the new Bay Campus for Swansea University. It opened in September 2015 to 917 new students, providing 775,000 sq ft of academic space and student accommodation. Future phases will increase facilities to allow the Campus to accommodate 2,000 students by September 2017.

A true catalyst for economic growth and regeneration across South Wales, the Campus is expected to deliver positive economic impact for the Swansea Bay City region of £3bn and create up to 10,000 jobs over the project's lifetime and beyond.

An aerial photograph showing a large-scale development project. In the foreground, there is a dense cluster of newly built red-brick houses with blue roofs. Behind them, a large industrial or commercial building with a grey roof is under construction. The background features rolling green fields and distant hills under a cloudy sky. A white rectangular box is superimposed over the middle of the image, containing the text 'WE SEE COMMUNITIES'.

WE SEE COMMUNITIES

Previously owned by the Ministry of Defence, this 479 acre site is quickly transforming into a new Warwickshire community known as 'Meon Vale'. The mixed-use redevelopment includes 800,000 sq ft of commercial space, employing over 200 people, a leisure hub, public open space and a 1-mile extension to the Greenway foot and cycle path into Stratford-upon-Avon. With planning for 1,050 homes, of which 230 have already been built, Meon Vale offers a sustainable solution to the demand for both housing and community facilities in this region.



T.K. maxx

TESCO

metro

Iceland

Argos

SPORTS
DIRECT.COM

The 10 year, £90m regeneration programme for Wembley Central completed in March 2015. This prominent Town Centre scheme comprises an 86-bedroom Travelodge and 120,000 sq ft of new retail and leisure space leased to major national retailers including TK Maxx, Tesco, Sports Direct, Iceland, Costa and Argos. It also includes 273 apartments, a new public square and a refurbished and upgraded tube and train station which services over 2.5m users each year. This asset is now generating an annualised rental income of £2.2m.

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“It is extremely pleasing to achieve record profits and growth from a year of excellent delivery across all areas of the portfolio.”

BILL OLIVER
Chief Executive



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PROFIT BEFORE ALL TAX

£258.4m*

+91%

PROPERTY PROFITS

£67.4m

+31%

EARNINGS PER SHARE

97.9p

+82%

NET ASSET VALUE PER SHARE

413.5p

+27%

SEE-THROUGH LOAN-TO-VALUE

30%

-1%

ADJUSTED GEARING

48%**

+1%

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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.

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* Includes £127.4m, being the Group share of the gain from initial recognition of New Covent Garden Market.

** Adjusted gearing is the ratio of net borrowings (excluding finance leases) to net assets. See note 2 to the Group Financial Statements.

At a glance

WE SEE PROGRESS

This has been a year of achievement where we have reached significant milestones in all areas of regeneration across our portfolio.

ACTIVE LAND BANK

6,000 acres

PROPERTY PORTFOLIO

£1.7bn

COMMERCIAL PROPERTY PIPELINE

1.6m sq ft

2014

2015

DECEMBER

Letchworth Business Park, Letchworth

– works commenced for 90,000 sq ft of speculative development. Subsequently 100% let and investment sale agreed



FEBRUARY

Access 18, Avonmouth – planning consent granted for 148,000 sq ft of speculative space of which 80,000 sq ft was subsequently let and sold upon tenant occupation. A further 68,000 sq ft of speculative space is being progressed

→ We see job creation Pages 22 and 23

APRIL

North West acquisitions – of two strategic sites, Moorgate Point, Liverpool and Old Mill, Preston, adding £1.7m of net rental income

Meon Vale, Warwickshire – planning permission secured for an additional 550 homes at this mixed-use new community, bringing the total number of consented homes to 1,050

JUNE

Half Year Results – record half year profits of £203.1m announced

Technology Retail Park, Rugby – sale of this retail park, 100% pre-let to major retailers, for £17.4m to Aberdeen Asset Management

JANUARY

DPD (UK) – following a 60,000 sq ft unit in Exeter, planning consent granted to build two additional depots for DPD (UK) in Liverpool and Stoke-on-Trent. All three, totalling 189,000 sq ft, subsequently sold upon tenant occupation

Branston Leas Woods, Burton upon Trent – planting of 21,000 trees and 14,000 bluebells commenced at this new woodland adjacent to the growing community of Branston Leas



MARCH

Wembley Central, London – completion of this 10 year, £90m regeneration project. This asset is generating an annualised rental income of £2.2m

→ We see income Pages 28 and 29

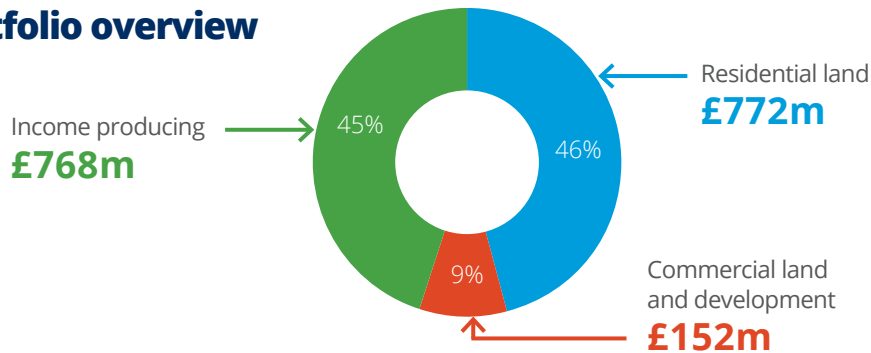
MAY

Burton Gateway, Burton upon Trent – an additional 230,000 sq ft of industrial space granted planning permission at this major employment site, bringing total development consented to 1m sq ft

Whitley Business Park, Coventry – land sale and site start for a 214,000 sq ft regional distribution centre for Travis Perkins and sale of land to Jaguar Land Rover

£1.7bn* portfolio overview

* On a proportionally consolidated basis including share of joint ventures. Please see note 2c to the Group Financial Statements.



TOTAL RESIDENTIAL PORTFOLIO

32,516
plots

NUMBER OF DEVELOPMENT PROJECTS

100+

TRACK RECORD

30
years



AUGUST

New Covent Garden Market, London – further to securing unconditional status in April 2015, works commenced to the New Covent Garden Market site in Nine Elms, London

→ We see communities Pages 24 to 27



NOVEMBER

Longbridge, Birmingham – Phase 2 of the Town Centre opened with 150,000 sq ft Marks & Spencer store and other national retailers, delivering £3.2m annualised income as part of this £1bn regeneration project

→ We see income Pages 28 and 29

JULY

Brentwood, Essex – development agreement signed with Brentwood Council for 1m sq ft of industrial, logistics and office space, close to the M25



SEPTEMBER

Bay Campus, Swansea University – opens its doors to 917 new students and 'St. Modwen Student Living' established to manage the recurring income from the student accommodation which will increase to 2,000 rooms by September 2017

→ We see job creation Pages 22 and 23

OCTOBER

Kirkby Town Centre, Liverpool – acquisition of this key retail centre, with additional retail and housing development potential, for £35.8m

Celtic Business Park, Newport – steel frames erected at this major new business park in South Wales

ST. MODWEN

30 YEARS: A GENERATION OF REGENERATION

2016:

OUR 30TH ANNIVERSARY

2016 marks 30 years of St. Modwen's status as a listed company. Throughout the year we will be launching a series of CSR initiatives, in addition to reflecting on 30 years of successful regeneration and looking forward to delivering shareholder value in the years to come...

Chairman's Statement

"This exceptional set of results is testament to our expertise across the many facets of regeneration."

BILL SHANNON
Chairman



Looking back over the last 12 months alone, there are many examples that illustrate these values in action.

We think long-term – continually restocking the development pipeline with new opportunities:



Our successful business model is based on a long-term approach to regeneration and development. Be it a new acquisition offering excellent potential for development and income, entering a new marketplace that offers a recurring revenue stream or building speculatively in an area with good prospects for economic growth, this long-term approach ensures we are continually adding value to our existing 6,000 acre land bank as well as creating new opportunities for its growth.

In this way, we have maintained an active commercial development pipeline this year, which now stands at 1.6m sq ft. As we complete our developments, we seek to restock the pipeline with new opportunities. For example, Longbridge has been transformed from a disused car factory to a living, breathing new community and a key business destination for Birmingham. At its heart is a new Town Centre for which the second phase completed in November 2015 marked by opening of the 150,000 sq ft Marks & Spencer and other national retailers.

In the coming year, new opportunities include a variety of schemes throughout the UK, such as a 214,000 sq ft design and build project for Travis Perkins in Whitley, Coventry and 148,000 sq ft of speculative development in Avonmouth, Bristol of which over 50% is now let and sold.

We are innovative – creating new revenue streams:

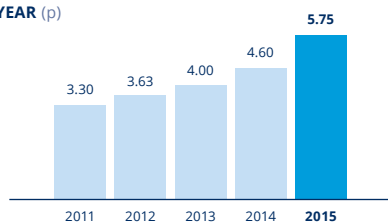


We have the confidence in our own abilities to tackle complex schemes and we embrace challenges, always adopting a pragmatic approach which enables us to manage risk and make the right decisions for business growth whilst delivering shareholder value.

This year is no exception as we completed a major milestone for the New Covent Garden Market site which achieved unconditional status in April. This is a particularly complex and innovative development in terms of planning, design and engineering.

TOTAL DIVIDEND FOR THE YEAR (p)

+25%



As we approach our anniversary marking 30 years as a listed company, I am extremely pleased to report on a record set of results for the year ended 30th November 2015. The business has achieved a 27% increase in shareholders' equity NAV per share to 413.5p (2014: 325.1p) and profit before all tax of £258.4m (2014: £135.4m).

This exceptional set of results is testament to our expertise across the many facets of regeneration, ranging from remediation and planning skills, to construction and development, through to project delivery and asset management.

These skills and expertise are driven by our set of core values that define both the business and the approach we adopt to manage, develop and extract maximum value from our land bank. At every point of the development lifecycle 'we think long-term', 'we are innovative' and 'we do what we say'.

Our 30th anniversary in 2016 will provide an excellent opportunity to reflect on how the business has grown with these values at its core, whilst also looking forward to the next 30 years of progress.

We also demonstrated innovation through the introduction of 'Income Producing Residential' to our portfolio. This comprises two new revenue streams for the business that highlight our ability to increase the flow of development profits and create further sources of income:

- **St. Modwen Student Living, Bay Campus** – to coincide with the opening of the Bay Campus for Swansea University, we established a team of facilities management professionals to manage the retained student accommodation and associated facilities for this major new asset in South Wales.
- **Private Rented Sector (PRS)** – having monitored this growing marketplace over the last couple of years, in 2015 we completed two initial PRS schemes in Wembley and Rugby. We expect to grow in this market in 2016/17.

Finally, the growth of St. Modwen Homes shows how we can assess our existing land bank carefully and bring new, value-adding opportunities to life.

We do what we say – *delivering for all our stakeholders:*



As a trusted developer, we can be relied upon to speak plainly and knowledgeably to our current and prospective partners. In addition, when we know a decision is the right one, having undertaken the appropriate analysis, we will always follow through.

During 2015 we have taken advantage of strong investor interest by disposing of a number of mature assets to which we could no longer add material value. At the same time we acquired new assets from which we can extract good latent value.

The acquisition of Kirkby Town Centre is a good example of our commitment to acquire valuable new property. In a £35.8m transaction, we added this Town Centre scheme, which combines development and income producing potential, to the carrying amount of our £1.7bn* portfolio.

We also deliver on our promises in terms of the development of design and build projects for major UK occupiers. This includes Screwfix, which in 2015 extended its existing distribution hub in Stoke-on-Trent by 310,000 sq ft to 630,000 sq ft. Following the completion of this project, we converted it into an opportunity to deliver further value for shareholders by disposing of the asset for £18.1m to the Prudential Assurance Co. Ltd.

From a major project perspective, in 2013 we made a commitment to Swansea University that we would complete the new Bay Campus by September 2015. This year we achieved exactly this, opening the first phase, comprising 775,000 sq ft, to 917 new students on time and within budget.

Dividend

Our policy is to increase our dividends in line with the growth in net asset value and to reflect the Company's results. For the year ended 30th November 2015, the Board is recommending a 25% increase in the total dividend for the year to 5.75p per share (2014: 4.6p per share), giving a final dividend for the year of 3.85p per share (2014: 3.137p per share). The final dividend will be paid on 1st April 2016 to shareholders on the register at 4th March 2016.

People

These record results would not have been possible without the passion of our talented team of dedicated staff. Embodying our values of innovation, commitment and long-term thinking, they are critical to the success of the business and I would like to express my thanks to everyone at St. Modwen for their continuing valuable contribution.

Board changes

In March 2015 John Salmon retired from the Board after more than nine years' service. His position as Audit Committee Chairman has been assumed by Ian Bull, who joined the Board in September 2014. Ian is currently Chief Financial Officer and main board director at Ladbrokes plc.

We welcomed Rob Hudson to the Board in September 2015 on his appointment as Group Finance Director. Rob, previously Group Financial Controller at British Land Company plc, has wide-ranging financial skills and experience together with property sector knowledge which makes him an excellent addition to the Board.

Prospects

We have a long track record of unrivalled regeneration expertise, robust asset management skills and a proven ability to realise value from our extensive land bank. 2016 marks 30 years of such success and we see continued progress in each of these areas of the business in the year ahead.

Whilst we are currently experiencing macro-economic uncertainty, we anticipate a continued, if slow, overall improvement in the UK economy with sustained growth in the regions. Our extensive regional portfolio provides us with a good base from which we will continue to realise residential and commercial development opportunities, either from our existing land bank or through new acquisitions. In addition, our retained portfolio of assets and new ventures, including income producing residential, should ensure a continued stream of recurring income that continues to underpin the business running costs.

We therefore look towards 2016 with a sense of optimism and look forward to growing the business further and enhancing shareholder value.

Bill Shannon

Chairman

1st February 2016

* On a proportionally consolidated basis including share of joint ventures. Please see note 2c to the Group Financial Statements.

Chief Executive's Review

"It is extremely pleasing to achieve record profits and growth from a year of excellent delivery across all areas of the portfolio."

BILL OLIVER
Chief Executive



This has been another record year for the business, resulting in an unprecedented increase in profit before all tax of 91% to £258.4m (2014: £135.4m) and a significant 27% increase in NAV per share to 413.5p (2014: 325.1p).

It has been a year of major achievement across the portfolio, where we have recycled capital through disposals of mature assets such as Cranfield University Technology Park into added-value acquisitions including Kirkby Town Centre purchased off a net initial yield of 9% on the main Shopping Centre.

This was a year in which we brought forward a further 400,000 sq ft into the commercial development pipeline, underlining our ability to secure new opportunities and extract maximum value from our 6,000 acre land bank.

It was also a year during which we established two new revenue streams: the first through the management of income from student accommodation at the Bay Campus for Swansea University by our newly created 'St. Modwen Student Living' business and the second through delivery of our first two developments for the Private Rented Sector (PRS) at Wembley Central and Rugby.

We also saw continued growth of our housebuilding business, culminating in an overall profit increase of 21% to £29m (2014: £24m), of which St. Modwen Homes contributed £12m (2014: £8m) and the Persimmon joint venture* contributed £17m (2014: £16m).

Our achievements in 2015 were exemplified by the completion of key milestones across all major projects, making a strong contribution to this excellent set of results. Each of these projects reflected a specific facet of our business model:

- New Covent Garden Market demonstrated our ability to add significant value to brownfield land through our planning skills, as we achieved unconditional status in the first half of the year, adding a net £127.4m of value to our property portfolio. Works to the new market commenced in the second half of the year, signifying a major step towards securing vacant possession of the 10 acre Nine Elms Square site and we will explore our options to either sell, joint venture or develop the site during 2016.

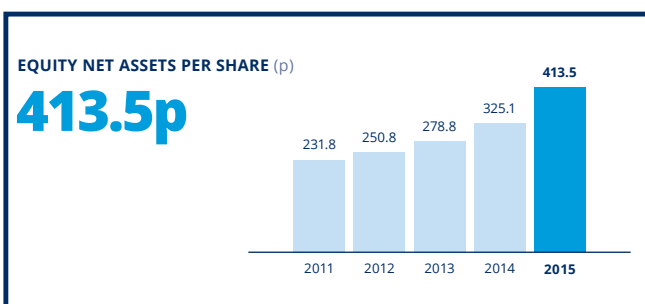
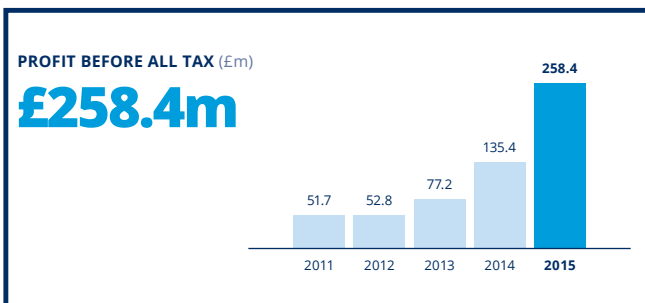


Photo: We achieved unconditional status for the New Covent Garden Market site in April 2015.

* A series of commercial contracts with Persimmon.

- As the second phase opened in November 2015, Longbridge Town Centre highlighted our skill in generating an increased stream of income from our development projects that helps to underpin the running costs of the business. Anchored by a 150,000 sq ft Marks & Spencer store, the largest in the Midlands, and additional retail already leased to a number of major national occupiers, the Town Centre will now generate £3.2m of annualised income.
- The Bay Campus developed for Swansea University is a prime example of our expertise in cleaning up brownfield sites to develop thriving new communities that contribute positively to the local and broader economy, whilst delivering substantial recurring income and shareholder value. We have retained ownership of the income from the student accommodation, the first phase of which opened its doors in September 2015 housing 917 new students and the second phase opened in January 2016. Demonstrating our long-term approach to development, the flexibility of our land bank and our ability to deliver continued growth, in December 2015 we signed a development agreement with Swansea University to develop Phase 3 which will be available to new students in September 2017 and will bring the total number of student rooms to 2,000.

Strategy overview

We are constantly adding value to our 6,000 acre land bank and growing our development pipeline through initiatives carried out by our regional teams of property and construction experts.

These initiatives include remediating brownfield land and successfully securing planning permissions in order for sites to be carefully and sensitively redeveloped. We also keep our retained properties, both mature and newly developed, under constant review, running them for income for a period of time until we take a strategic decision to either their redevelopment or disposal. This income stream underpins the running costs of the business.

We are always looking for the next opportunity and actively working our land bank at all stages of the development cycle. As our major projects reach their peaks, new prospects across our regional portfolio are already being identified and prepared in order to deliver maximum value for shareholders in the future.

Commercial development pipeline	Number of schemes	sq ft	% pre-let/ pre-sold	Development expenditure £m	GDV £m
Movement during the year					
Position at 30 th November 2014	32	2,045,000	62%	136	259
Sold/transferred to investment properties	(10)	(855,000)			
Schemes added to the pipeline	11	400,000			
Position at 30 th November 2015	33	1,590,000	51%	114	213
Analysis of position at 30th November 2015					
Retail	10	305,000	50%	28	64
Industrial	23	1,285,000	52%	86	149
Total	33	1,590,000	51%	114	213

Chief Executive's Review (continued)

Market overview

➔ We see opportunity Pages 10 and 11

As a regeneration specialist, our activities touch many sectors of the property market. The way we manage our land bank and implement our strategy ensures that we have the flexibility to alter our development focus at any time in the economic cycle.

Our biggest project by value, New Covent Garden Market, is located in London but our regional presence in the UK defines the business and has done so for the last 30 years.

Overall, our commitment to the regions has continued to produce results during the year.

Active commercial marketplace

Our commercial marketplace, predominantly spanning retail and industrial space, has fared well with our major projects experiencing an exceptional year in terms of delivery and income generation. Overall, our programme of commercial development is now at 1.6m sq ft and we will continue to add new opportunities to the pipeline as schemes complete.

Our programme of speculative space is now at 775,000 sq ft for which we have been successful in securing a number of key tenants over the last 12 months. We expect this momentum to continue in line with current occupier demand.

We have also secured a number of significant design and build projects this year, demonstrating appetite from larger tenants for new premises as they expand or relocate. These include the Defence Infrastructure Organisation (DIO) which has committed to a £32m residential facility for military staff working at the Royal Centre for Defence Medicine (RCDM) Birmingham, to be delivered at Longbridge and Travis Perkins for which we started on site with a 214,000 sq ft regional distribution centre in Whitley, Coventry.

We are experiencing a steady flow of tenant demand for our existing space, enabling us to grow our stream of recurring income which, in turn, helps to underpin the running costs of the business and provides a firm financial footing from which we operate.

Our asset management capabilities continue to deliver strong net rental income from our retained development portfolio. In particular, the regeneration of Wembley Central, completed in March 2015, combines an excellent mix of retail, leisure, residential and office space which is now generating an annualised net rental income of £2.2m.

The Company completed or secured a number of acquisitions this year for a total value of £95m in order to grow the portfolio and extend its development pipeline further. In addition to Kirkby Town Centre, other highlights include industrial estates at Moorgate Point in Liverpool and Old Mill in Preston.

The retail market remains competitive across the UK as retailers face the challenge of meeting ever-changing customer demands in an increasingly crowded space. Nevertheless, we have managed to remain successful in this market and have created a good level of retailer demand for our schemes which are well-located, predominantly mixed-use and therefore offer a one-stop-shop for the increasingly busy consumer.

Strong investment market

This year saw strong investor interest for commercial property which we captured through the sale of a number of our mature sites and newly developed assets. This included the delivery of three distribution centres, comprising a total of 189,000 sq ft, for express delivery service DPD (UK) at three of our sites across the UK. Demonstrating the appetite within the investor marketplace, we disposed of all three assets in two separate transactions at the time of tenant occupation at yields of 5% and 5.3%.



Photo: One of the three distribution centres built for DPD (UK) and subsequently sold.

Strong residential market

The residential part of our business is a core element of our strength in the regions. The planning process continues to prove challenging nationwide and has presented a delay to some site starts during the year. However, across our extensive portfolio we have successfully secured over 1,438 homes through planning permissions granted in the year.

Demand still remains high for new homes across the UK with regional house price inflation surpassing build cost inflation. The Help to Buy initiative has contributed positively to sales rates, underlining the need for affordable properties to meet demand from first time buyers.

We have continued to grow in this market and remain strong in the regions due to our ability to realise development opportunities from our own land bank and our skill in adding value through planning which enables us to satisfy quickly third party housebuilder demand for land.

Our residential development activities have grown out of the Midlands and we are now active across many other parts of the UK including the South West, South Wales, the North West and in parts of London.

Business outlook

During the next 12 months we will continue to add value to the portfolio and realise milestones across our projects. New Covent Garden Market will be a particular focus, where we will progress towards vacant possession of the 10 acre Nine Elms Square site and we will explore our options to either sell, joint venture or develop the site during 2016.

Across our commercial portfolio, we anticipate an ongoing steady stream of tenant demand. At the same time, our development pipeline will continue to be restocked with new opportunities as we embark on new speculative schemes and design and build projects.

We expect an equally keen investor market in 2016 and will progress with the disposal of those assets from within our portfolio which have reached maturity. Similarly, we will remain acquisitive, seeking new opportunities to grow our land bank, generate more income and ultimately convert into our ongoing programme of development.

We anticipate steady demand for our residential land from third party housebuilders. On the development side, we anticipate the continued growth of St. Modwen Homes which will become more dominant and replace profits from the Persimmon joint venture as it draws to its natural close by 2018.

The newly established Income Producing Residential route to market will experience further growth as new opportunities come on line and as we look for other prospects within our own land bank that enable us to enter emerging or existing markets, with the aim of continually bolstering levels of recurring income.

Finally, 2016 marks our 30th anniversary as a listed company and provides for an opportunity to celebrate the positive impact we have made to the UK landscape during this time; creating new communities that lead to job creation, helping to boost the local, regional and national economy and delivering significant shareholder value.

Bill Oliver

Chief Executive

1st February 2016

Our marketplace

WE SEE OPPORTUNITY

As a regeneration specialist, our activities touch many sectors of the property market. Our regional presence has defined the business for the last 30 years. Our commitment to this marketplace has continued to produce results during the year with our commercial development pipeline now at 1.6m sq ft.

Market trends and focus*



COMMERCIAL

Market trends

The commercial marketplace is performing well, particularly the industrial sector where there is good demand across most UK occupational and investment markets.

Despite a steady pick up in speculative development, the supply constraints in the big box and multi-let sectors show little signs of easing, which is forcing occupiers

and investors to broaden their search criteria and target good quality stock in well-located second tier and secondary markets.

Demand for prime office space in key regional business hubs is strengthening, driven by the services sector, although overall take up is constrained by the lack of prime stock.



RETAIL

Market trends

Outside of Central London, the retail market remains competitive as retailers are trading in an increasingly crowded space, with the added challenge of having to continually diversify their offering to meet the ever changing demands of the consumer.

Technology, accessibility and the combination of demand for a leisure offering and night time economy

is growing in importance to satisfy customers' continually evolving tastes.

This considered, there is steady improvement in specific areas of the country. Secondary High Street markets have yet to build notable momentum with moderate demand.



RESIDENTIAL

Market trends

The planning process continues to prove challenging nationwide.

Demand for new homes remains high with regional house price inflation surpassing build cost inflation.

The Help to Buy initiative is making a positive contribution to sales rates and underlining the need for affordable properties to meet demand from first time buyers.

The Private Rented Sector (PRS) is now the second largest rental provider in England. 19% of all households are renting privately whilst home-ownership has fallen to 64%.



INVESTMENT

Market trends

The low interest rate environment, coupled with relatively high and stable income yields of UK commercial property, is still proving attractive to new investors.

Investment activity has been aided by greater depth and liquidity in the financing market, particularly in the regions, targeting opportunities across prime and secondary markets.

As we enter 2016, yield compression is anticipated to continue and strong demand and high pricing expected to persist.

* Source: Cushman & Wakefield.

What does this mean for St. Modwen?

We will continue to add to our 1.6m sq ft commercial property pipeline as we reach completion of those projects in build.

Our programme of speculative development will be progressed across the UK to meet ongoing demand.

We will continue to maximise revenue streams through our asset management capabilities and remain acquisitive for new opportunities that enable value creation through recurring income and ultimately development.



The mixed-use, well-located nature of our predominantly secondary retail portfolio, combining a Town Centre offering with leisure, work space and housing, has enabled us to remain successful in this market and attract retailers to our schemes.

We will continue to remain abreast of consumer tastes and adapt our offering accordingly to ensure maximum return on investment across this marketplace.



Through our strong regional presence we will continue to realise residential development opportunities from our own land bank as well as making appropriate acquisitions that suit our portfolio and expertise.

St. Modwen Homes will become more dominant and take over from the Persimmon joint venture as it draws to its natural close by 2018.

Having already experienced good returns from our two initial PRS schemes, we expect to grow in this marketplace in 2016.



We will continue to capture this strong investor interest through the disposal of those properties within our portfolio to which we can no longer add material value, reinvesting the revenue raised back into the business.

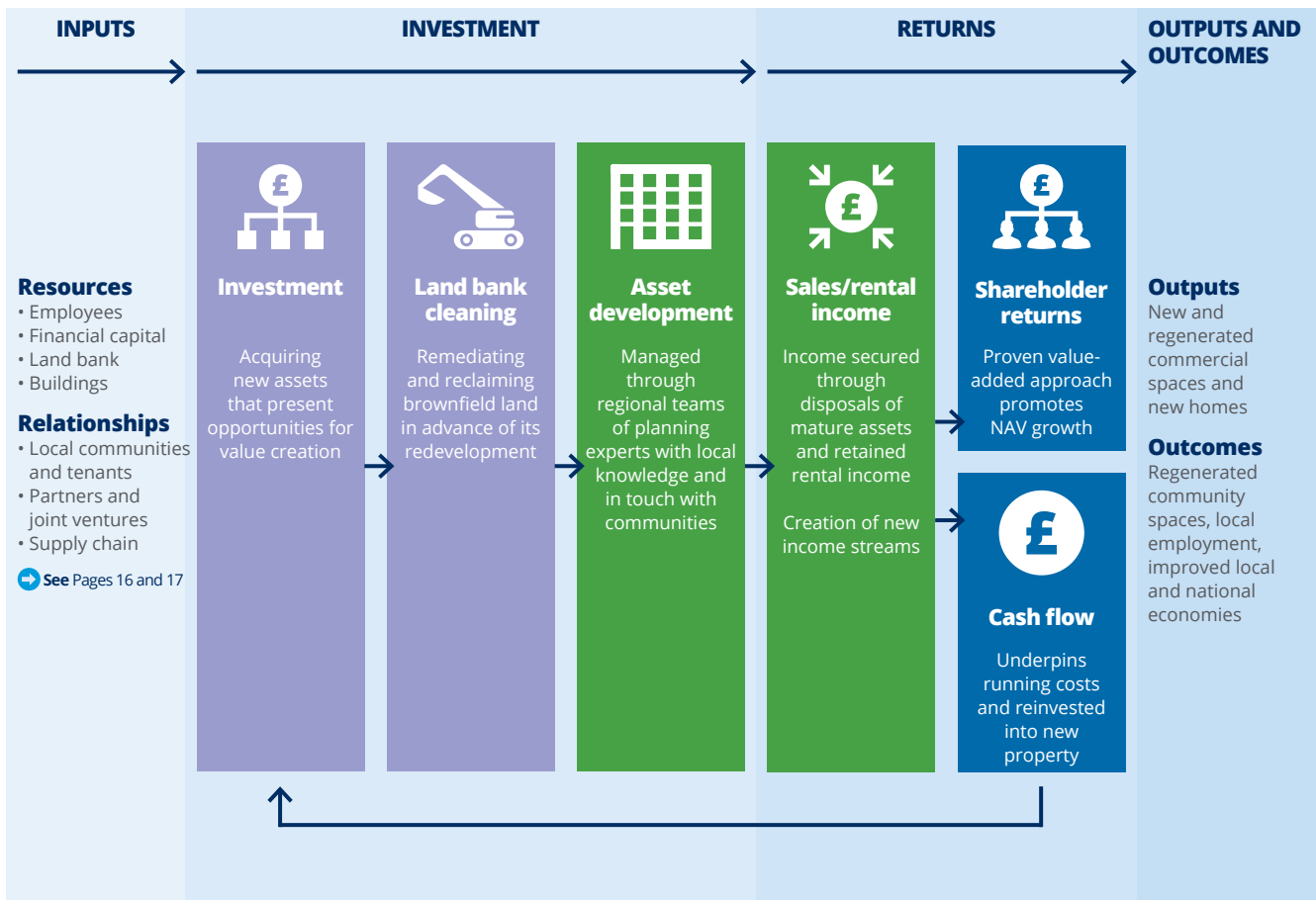
The disposal of retained property is not confined to our mature assets. We also release assets for sale to satisfy specific investor demand in the marketplace.



Our business model

WE SEE OURSELVES DIFFERENTLY

Our business model generates recurring revenue and drives portfolio value. It is successful because it enables us to reinvest continually into the business, ensuring a steady stream of development opportunities and income.



OUR VALUES



We think long-term



We are innovative



We do what we say

Purpose and values



Our business model generates recurring revenue and drives portfolio value. It is successful because it enables us to reinvest continually into the business, ensuring a steady stream of development opportunities and income. At its core sits our corporate values:

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

These values drive the business model, defining employee behaviour and our approaches to development and regeneration, ultimately resulting in value creation.

Land bank cleaning

We have a land bank of 6,000 acres, of which 90% is previously used (or brownfield) land.

As the UK's leading expert in regeneration, cleaning up or remediating brownfield land is fundamental to everything we do. In doing so, we have a positive impact on the environment and we add value to this low-cost development resource which in turn enables us to breathe new life into previously neglected areas of the country through redevelopment and without the need for significant financing.

New and existing industrial partners choose us as their developer of choice as they trust our proven capability to remove risk from any site through our expertise and innovation in remediation, leaving them a legacy to be proud of.

Asset development

Once a site has been cleaned we start to realise our vision for its redevelopment through our regional teams.

Our strong track record in securing consents to develop our proposed schemes is testament to the skill of these regional teams who, throughout the planning process, will actively consult with the local community, the relevant local authorities and associated agencies to ensure our proposals remain sensitive to local need. In addition, our close contact with these key stakeholders ensures our plans include the right balance of housing, commercial space, supporting infrastructure and community facilities.

Our skills in this area can be applied to small developments or long-term and complex regeneration projects.

How we create income

Sales income

We retain acquired commercial properties or existing retail centres for income as they await redevelopment. Once a development is completed, we either retain it, run it for income and then sell on once we can add no further material value, or we release it immediately to satisfy investor demand within the market.

Similarly, we sell remediated brownfield land with planning permission to housebuilders at a significantly higher value than initially acquired.

Rental income

Whether awaiting redevelopment or newly completed, our individual properties are worked hard by our teams of highly skilled asset managers via regular rent reviews, lease renewals and careful property maintenance which delivers a strong revenue stream for the business.

Furthermore, our innovative approach to development enables us to assess our existing land bank for other sources of revenue. This year we added a new income stream to our portfolio by way of 'Income Producing Residential' which includes revenue received from our properties held in the Private Rented Sector (PRS) and through the newly created 'St. Modwen Student Living' business to manage retained income from student accommodation at Bay Campus, Swansea University. Both streams will increase as we grow into these new areas of the business.

How value is returned to shareholders/reinvested

The revenue raised from rental income and property sales either helps to underpin the running costs of the business or is reinvested into new land or properties that are run for income initially, before their ultimate redevelopment which in turn triggers the cycle of the business model once more.

This underlying and recurring source of income reduces dramatically our reliance on bank finance and third party funding and provides us with a firm financial footing from which to fund our own development opportunities and deliver shareholder value.

Similarly, our regeneration activities in terms of brownfield renewal, the creation of new communities and business destinations as well as our investment in new opportunities help to promote NAV growth and deliver strong shareholder returns.

Outputs and outcomes

The business model enables us to invigorate once neglected spaces, former industrial estates and disused brownfield land and create thriving new communities, business parks and new Town Centres that help to satisfy housing demand, create new jobs and provide a boost to the immediate, regional and national economy. It also helps to ensure that we put into place the right mix of uses and supporting infrastructure and create new places that can be enjoyed for generations to come.

Regeneration and remediation



WE SEE POTENTIAL

The clean up and renewal of previously used (brownfield) land is central to the progress of development in the UK and is fundamental to St. Modwen's business model. We are experts in this field, having reclaimed thousands of acres of brownfield land over the last 30 years.

Cleaning up, recycling and reusing this previously developed land goes hand in hand with safeguarding the countryside and preserving natural habitats. It also helps to tackle the blight of dereliction by transforming poor quality sites into flourishing new communities and successful business destinations that trigger future economic growth.

Our expertise in this area rests with our team of highly skilled construction experts who work closely with the Environment Agency and other associated Government regulators to ensure that we employ the latest and most sustainable, environmentally responsible techniques across our remediation and construction projects. In doing so, we pay close attention to energy consumption, use of sustainable resources, minimising waste and reducing our consumption of raw materials.

Across our developable land bank there are currently hundreds of acres of land in the process of being remediated, reclaimed, remodelled and redeveloped. The following case study brings our rare skill in this fundamental area of regeneration to life.

Longbridge, Birmingham

Remediation works commenced on the 468 acre Longbridge site in 2001. At the time, it comprised four main sub-sites namely North Works, South Works, East Works and West Works, with two smaller sites known as Flight Shed (formerly an engine test and fuel storage facility) and Cofton Works. All were located around the (still operational) Shanghai Automotive works. Phased remediation works were agreed with the Environmental Authorities in line with an evolving masterplan and programme.

The main elements of the remediation strategy included:

- removal of any hydrocarbon impacted material, including soil and ground water;
- use of biophysical techniques to clean up soil in compliance with risk-based remediation targets agreed with the Environmental Authorities;
- monitoring and validation of shallow and deep groundwater quality;
- careful monitoring of dust, noise, odour and surface water levels;
- placement of remediated soil to an engineering specification;
- regular samples taken of remediated materials to demonstrate targets have been achieved;
- installation of gas monitoring boreholes and subsequent monitoring to confirm any preventative measures required for future development; and
- production of reports for approval by the Environmental Authorities to support planning.

Particular remediation challenges at Longbridge included:

- **East Works** – preparation of development plateau at the East Works site which required the transfer and placement of approximately 120,000 tonnes of soil;
- **Flight Shed** – this site has been subject to a six-year long hydrocarbon extraction, recovery and recycling exercise to remove a plume within former tunnels and the surrounding soils; and
- **East Works (northern area)** – this site was prepared to include a cut off wall to protect the site from surrounding impacted areas and has since been redeveloped into a housing scheme under our joint venture with Persimmon.

This meticulous approach to remediation has been instrumental in the transformation of this brownfield site from a former car plant to a thriving new community for this part of Birmingham which now comprises a Town Centre, £66m Bournville College, Technology Park, employment centre, residential development and two new parks.



Photo: Remediation at the Longbridge site.

[Corporate Social Responsibility](#) Pages 42-45

 For more information on our CSR activities please see our February 2016 CSR booklet or visit: www.stmodwen-csr.co.uk

Resources and relationships

WE SEE PROSPECTS

Our long lasting partnerships with key stakeholders are pivotal to the success of our regeneration activities. These relationships are complemented by a key set of resources, and together they enable us to create value and generate strong returns.

Resources

Employees

Our employees are the driving force behind our success and we aim to attract, develop and retain the best people. Across all disciplines we employ a highly skilled team to safeguard our values and deliver excellent returns whilst protecting assets.



Financial capital

Our recurring income stream underpins the running costs of the business. Whilst we maintain strong relationships with key banks, we are not reliant on bank finance and have diversified our sources of funding through equity and debt issues.



Land bank

Our £1.7bn property portfolio is managed across our 6,000 acre land bank. At any point in time we are continually adding value to it through remediation, planning, development, disposals and new acquisitions.



Buildings

Where possible we seek to reuse existing buildings during development. However, where demolition is necessary we will reclaim and recycle as much existing material as is possible to reduce both cost and the impact on the environment.



Relationships

Local communities and tenants

We seek to maintain good working relationships with our extensive tenant base through our regional and local asset management teams. We engage with communities throughout development to ensure we remain sensitive to the impact of our schemes.



Private sector and jvs

We have a number of long-term relationships with private sector partners either in joint venture or through land acquisitions or development agreements. Our core values help to maintain these relationships from which we seek to secure maximum mutual value.



Public sector and regulators

We work with local authorities, and public sector organisations at a regional level throughout the lifecycle of an asset. We also work closely with the HSE, Environment Agency and other Government regulators to ensure best practice is met at all stages of delivery.



Supply chain

Our supply chain partners are required to share our core principles of delivering to the highest quality, on time and within budget. Many of our contractors work with us on a number of schemes, enhancing mutual understanding and trust.



Bay Campus, Swansea University

Professor Iwan Davies, Pro-Vice Chancellor, Swansea University

"The Bay Campus has been recognised as among the most ambitious projects in the UK higher education sector for decades.

"Its realisation, in partnership with St. Modwen, heralds a new era and new status for Swansea University which is transforming into a global exemplar of a 21st Century University and one that promotes and champions the student experience.

"St. Modwen has been fundamental in adopting this vision and enabling the University to deliver the first stage of this ambitious development on time and on budget. This has been achieved through the exceptional and dedicated project management of St. Modwen's senior team and the relationship with the construction supply chain that they have managed throughout the process.

"In addition, St. Modwen has respected the University's policy in promoting regional opportunities wherever that is possible. The impact has been 170 contracts being awarded within Wales and almost 7,000 jobs during the 26-month construction period."



Longbridge, Birmingham

Sacha Berendji, Director of Retail, Marks & Spencer

"At 150,000 sq ft, M&S Longbridge is one of our biggest stores. The vibrancy and connectivity of the area, plus the diverse, growing population made it the perfect location and St. Modwen's ongoing regeneration of Longbridge is establishing it as a truly mixed use model of sustainability."

Richard Burden, MP for Birmingham Northfield

"For a hundred years, Longbridge was not only a byword for car making – one of the defining industries of the twentieth century. It has also been central to the identity of this part of Birmingham; part of its culture and the way people thought about themselves and their communities.

"So the collapse of the former MG Rover plant in 2005 was a huge blow, not only to the economy but to the self-confidence of local people. Therefore redeveloping the site has been about rebuilding an identity and a community's self-confidence as much as the massive physical scale of the challenge involved.

"St. Modwen's – and St. Modwen Homes' – role in taking this forward has been and remains pivotal – from the reclamation of acres upon acres of industrial land to the construction of new homes, a town centre and the attraction of new businesses. The developer has also been pivotal in proactively engaging with local people both directly and through their representatives.

"There is still a long way to go until the project is complete but it is important to recognise how much the developer has contributed. It is good to have them as partners on Longbridge's climb into the future."



Our strategy and KPIs

WE SEE VALUE

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.



Secure excellent returns...

Our broad regeneration expertise and land bank of 6,000 acres provides us with the flexibility to move with market demands and pursue those opportunities that generate the greatest value at any one time.



...through a focus on long-term significant added value...

We have the financial strength and vision to acquire sites opportunistically that have clear potential to benefit from our specialist value-adding skills and which can generate profits from commercial and residential development at every stage of the property lifecycle.



...while protecting our assets

As the UK's leading regeneration specialist we strive to adopt only the most sustainable approaches to regeneration and development. We operate from a firm financial footing, carefully monitoring cash flow and debt, whilst our development activities are underpinned by a reliable and recurring income stream that enables us to fund our cost base and progress our longer-term regeneration projects at low risk and in a profitable manner.



Secure excellent returns...

Objectives

Invest at a point in the property lifecycle from which we can achieve maximum development returns.

Maximise individual asset values through our locally-based expertise.

Recycle assets where significant opportunities to add value are exhausted in order to generate capital for reinvestment.

Progress

We have experienced an exceptional year, achieving key value-added milestones across our £1.7bn property portfolio, resulting in a valuation gain of £201.7m. Most notably for all major projects: Phase 2 of Longbridge Town Centre completed, Bay Campus for Swansea University opened and NCGM reflected on the Balance Sheet.

Net asset value has continued to grow with gains predominantly secured through our own asset management initiatives, handled in each region and including remediation, planning gains, rental growth and strategic disposal of mature assets.

Against the backdrop of some economic uncertainty, our prevalence in the regions, our strong financial position and the diverse nature of our UK-wide property portfolio enables us to avoid overexposure to a single scheme, tenant or sector and safeguards our strong financial position.

Next steps

Continue to grow development profits and generate valuation gains through planning gain, strategic acquisitions and identifying new opportunities from our existing 6,000 acre land bank.

Continue to promote and enhance the Group's inherent value and long-term prospects.

Develop and grow our net asset base so that dividends can grow in line. Continue to secure profitable development to generate consistent future returns.

Principal risks

Market/economic changes affect market confidence and in turn, property and equity valuations.

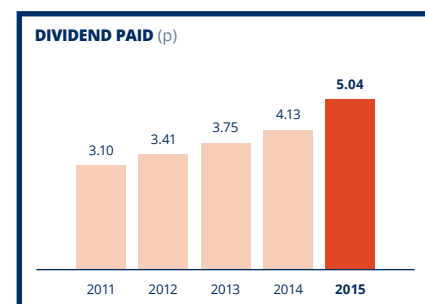
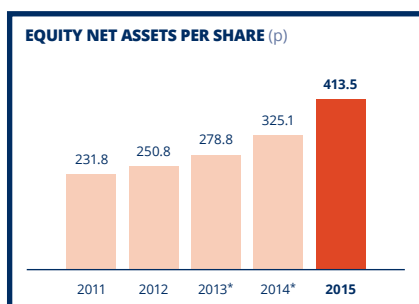
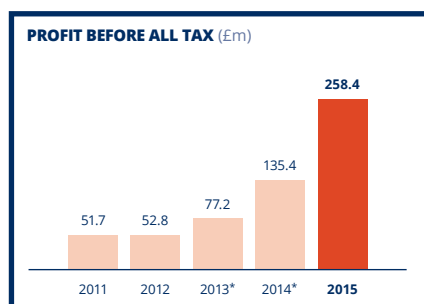
Changes to local and national planning processes could adversely impact our strategy by limiting our ability to secure viable permissions and/or removing competitive advantage.

The management of development is a complex process, with successful delivery dependent on our expertise.

Link to remuneration

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.

Key performance indicators



* Restated.

Our strategy and KPIs (continued)



...through a focus on long-term significant added value...

Objectives

Build our land bank to deliver future opportunities and secure planning gain, with a focus on brownfield renewal and sustainable development.

Adapt our asset strategies over the long-term to meet changing market demands.

Employ highly-skilled and motivated people to deliver our asset strategies and future growth.

Progress

We continue to acquire brownfield sites at low cost and prepare for development through remediation and securing planning permissions which in turn realises value.

We have completed a number of strategic acquisitions during the year, predominantly in the North West, including Kirkby Town Centre for £35.8m and our appointment as development manager on the 200 acre MoD Ashchurch site. In this way, we have added value to the portfolio in terms of securing immediate rental income and presenting good future development potential.

The business has grown throughout the year, expanding each regional team and St. Modwen Homes through a number of senior appointments. The Group's management team has grown by 5% to 63 (2014: 60), with all having completed a comprehensive development programme during the year.

The CSR Steering Group is now established and all 10 objectives set at the start of the period either exceeded, achieved or on target to achieve.

Next steps

Selective and capital efficient acquisitions.

Continue to adopt the latest, most sustainable, development and remediation techniques.

Continued recycling of assets with limited opportunity for further significant added value. Capitalise on heightened investor interest.

Continue to retain, recruit and motivate highly-skilled people throughout the business and implement an ongoing programme of staff training and management development.

Principal risks

Unforeseen or failure to manage long-term environmental issues relating to brownfield or contaminated sites.

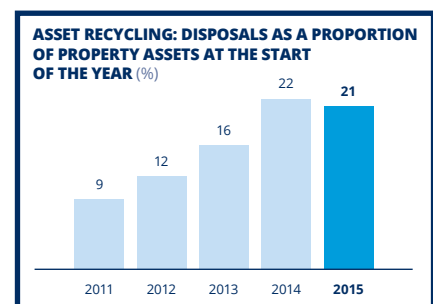
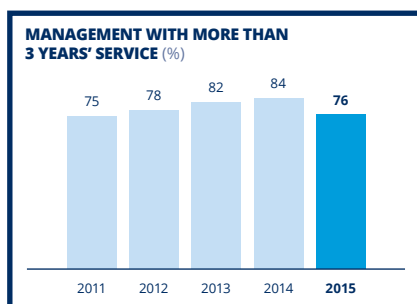
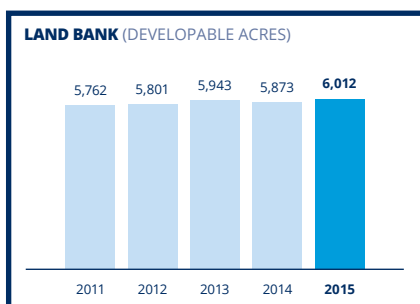
Inability to recruit, develop and retain staff with the right skills and expertise, resulting in disruption/loss of intellectual property.

Employment of inadequate practices to remediate contaminated sites results in reputational damage.

Link to remuneration

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

Key performance indicators





...while protecting our assets

Objectives

Maintain an appropriate capital structure to meet our future development and funding needs.

Generate cash-backed income streams to substantially cover the running costs of our business.

Promote positive Group-wide culture towards safety, health and environmental matters.

Progress

We continue to innovate and secure value from our existing land bank with new value-added initiatives such as 'income producing residential' (PRS and St. Modwen Student Living) which generates substantial recurring income.

Recurring income levels are enhanced by retained income, strategic acquisitions and robust asset management.

No facility refinancing is expected before 2018, with refinancings staggered between 2018 and 2021.

Sufficient headroom now exists with our corporate facilities to enable us to meet future development and funding requirements. At the date of reporting we have £554m of facilities against year-end net borrowings of £443m.

Accident frequency rates for our development sites and for St. Modwen Homes significantly outperformed the industry benchmark in the year.

Next steps

Manage existing finance facilities to support ongoing growth.

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

Continue to enhance levels of recurring income through robust asset management.

Actively seek to de-gear and sell more assets into a receptive investment market.

Continue to attain or exceed 2016 health and safety related CSR objectives.

Principal risks

Reduction in availability of funding, resulting in lack of liquidity that impacts borrowing capacity and reduces saleability of assets.

Failure to anticipate market changes through poor market intelligence leads to selection of inappropriate schemes, ultimately impacting commercial and residential profit levels.

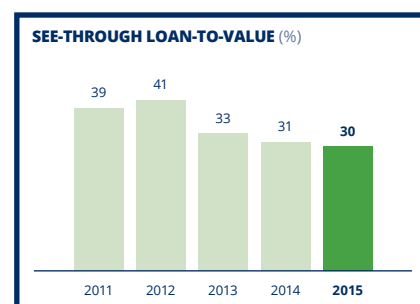
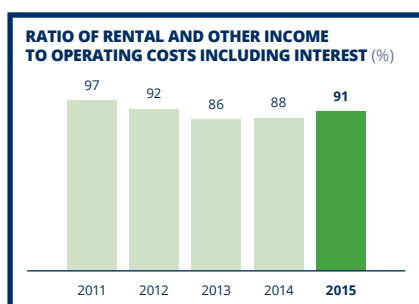
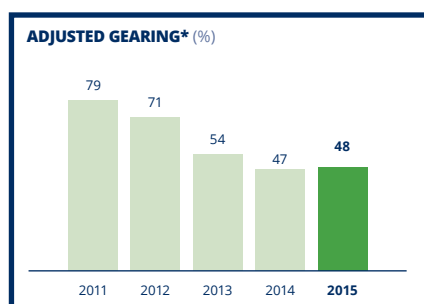
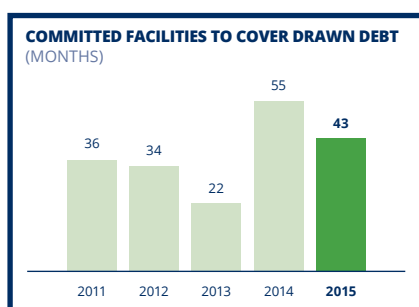
Safety, health and environment culture leads to a major incident, resulting in financial penalties and/or reputational damage.

Failure to monitor major projects effectively leads to higher costs/reduced margins.

Link to remuneration

Gearing levels were a corporate performance measure of the annual bonus arrangements for executive directors in the year.

Key performance indicators




* Adjusted gearing is the ratio of net borrowings (excluding finance leases) to net assets. See note 2 to the Group Financial Statements.

Commercial land and development



WE SEE JOB CREATION



Our commercial land and development portfolio has fared well, with our major projects experiencing an exceptional year in terms of delivery and income generation. Overall, our programme of commercial development is now at 1.6m sq ft and we will continue to add new opportunities to the pipeline as schemes complete.

Commercial land

Commercial land and development makes up 9% of the overall portfolio by value, representing £152m. Over the last 12 months, with a view to adding value to our commercial development pipeline, we have continued to secure sites, predominantly brownfield, at low cost and prepare them for development through remediation and planning.

Once an asset or new community is built, we either dispose of it or retain it as a long-term income producing asset. In line with the Company's strategy, many of our assets have further development potential.

During the period, we have secured a number of commercial-led brownfield land opportunities.

Highlights:

- **Kirkby, Liverpool** – an existing Town Centre with potential for the development of 120,000 sq ft of new retail and leisure space including a foodstore which, subject to planning, could start on site in 2017.
- **Brentwood, Essex** – a strategic 58 acre site, situated at junction 29 of the M25, for which a development agreement was signed with the landowners in July 2015. The site will now be progressed through the planning system and then developed into 1m sq ft of industrial, logistics and office space.
- **Formby, Merseyside** – a 40 acre site to be progressed through planning with a view to developing 100,000 sq ft of retail, 350,000 sq ft of new employment space and enhanced sports facilities.

Commercial planning and development milestones

We are active across our 6,000 acre land bank at every stage of the development cycle, and throughout the year we have continued to secure planning approvals for commercial-led schemes which have enabled us to add to our pipeline of development and delivery.

Planning highlights:

- **Burton Gateway, Burton upon Trent** – planning consent has been secured for an additional 230,000 sq ft of distribution and industrial space at this key site for East Staffordshire, taking the total amount of planned employment space to 1m sq ft. Construction works began speculatively on the first warehouse of 87,000 sq ft in the second half of the year.
- **Centurion Park, Tamworth** – plans to build 200,000 sq ft of industrial accommodation have been granted permission by North Warwickshire Borough Council. Works to a 53,000 sq ft unit started speculatively in August 2015; this is now under offer to a tenant for occupation in June 2016. Once complete, works to another speculative unit, comprising 153,000 sq ft of space, will commence.
- **Nunnery Park, Worcester** – planning permission has been granted by Worcester City Council for a 20 acre mixed-use development which provides up to 160,000 sq ft of business and industrial units as well as a car showroom, public house and 'drive-thru' restaurant.

Commercial development highlights:

- **Letchworth Industrial Estate, Letchworth** – commenced as a speculative development in January 2015, this 90,000 sq ft industrial estate is now complete and fully let to two major operators; Tyco and Titan Logistics (a DPD (UK)-franchisee) have leased 75,000 sq ft and 15,000 sq ft, respectively. Generating an annual rental income of £680,000, the investment has been sold post year-end at a yield of 5.2%.
- **Whitley Business Park, Coventry** – following a land sale and agreement to build a 214,000 sq ft regional distribution centre for Travis Perkins, for which works are due to complete in Spring 2016, just seven acres now remain on this 93 acre site which is under offer for sale to Jaguar Land Rover.
- **Access 18, Avonmouth** – further to securing a pre-let with parcel distribution firm 'MyHermes' for a 43,000 sq ft warehouse which was sold to Associated British Foods for £5.6m at a yield of 5.9%, Kent Foods took a 37,000 sq ft speculative unit as an owner-occupier for £3.6m. On the back of these two transactions we are progressing with a further 68,000 sq ft of speculative space.
- **DPD (UK)** – three distribution centres were successfully developed, totalling 189,000 sq ft of space, for express delivery service DPD (UK) at our sites at Skypark in Exeter, Etruria Valley in Stoke-on-Trent and Stonebridge in Liverpool. The three assets were subsequently sold in two separate transactions at yields of 5% and 5.3%, both completed upon tenant occupation.
- **Technology Retail Park, Rugby** – this 100,000 sq ft retail park was already 100% pre-let to major retailers including Homebase, Wickes, Bensons for Beds and Pets at Home before construction started in 2014. Prior to works completing it was sold to Aberdeen Asset Management for £17.4m, reflecting a net initial yield of 5.75%.
- **Screwfix, Stoke-on-Trent** – having extended an existing 320,000 sq ft distribution hub to 630,000 sq ft for this national retailer of trade tools, accessories and hardware products, within two months of completion the asset was sold to the Prudential Assurance Co. Ltd for £18.1m.

Outlook

We anticipate sustained activity in the commercial sector during 2016 and we will continue to build on our 1.6m sq ft commercial development pipeline to meet ongoing regional tenant demand.

Residential



WE SEE COMMUNITIES

The residential part of our business is a core element of our strength in the regions. We have continued to grow in this area due to our ability to realise development opportunities from our own land bank and our skill in adding value through planning.

We acquire potential residential land at low cost and add to its value through remediation and securing planning permissions. Residential land and development is now the largest part of the portfolio, by value, representing 46% or £772m. To date, we have realised this value through three routes to market:

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

This year we added another route to market, namely 'Income Producing Residential' which demonstrates our ability to increase our flow of development profits and create a further source of recurring income from our residential land bank. There are two facets to this: retained income from student accommodation at the Bay Campus managed by the newly established St. Modwen Student Living business and our first two PRS developments at Wembley Central and Rugby. Combined, these represent a further £106m, or 6% of the wider portfolio by value.

Performance – Residential land

Our ongoing ability to secure planning permissions for residential land has continued this year and 80% of our portfolio (over 26,000 plots) has either planning permissions or allocations within local plans. Overall, we have increased the size of our residential portfolio to 32,516 plots (2014: 28,790) as we continue to top-up this part of the land bank with new opportunities.

Highlights:

- **MoD Ashchurch, Gloucestershire** – VINCI St. Modwen (VSM) was appointed as Development Manager by the Defence Infrastructure Organisation (DIO) for the regeneration of MoD Ashchurch. This 200 acre site provides an opportunity to deliver a new mixed-use community comprising up to 1,900 new homes and around 15 acres of land for employment use. VSM will work closely with DIO to fund, manage and lead the development.
- **Whittington Road, Worcester** – an 18.5 acre site from the Department for Environment, Food and Rural Affairs (DEFRA).

Once planning permissions are secured we either retain the site to develop ourselves or we sell on to third party housebuilders. This year we sold or agreed for sale 70.1 acres of land securing £87m of value.

Highlights:

- **Millbrook Park, Mill Hill** – the sale of 6.9 acres of land to Taylor Wimpey and Prime Place (part of Wilmott Dixon Group) for a total of £43m.
- **Pirelli, Burton upon Trent** – the sale of 16.5 acres of land to Persimmon for £8.6m.
- **Pye Green, Worcestershire** – the sale of 17.4 acres of land to Barratt Homes for £8.2m.

Planning consents achieved – highlights:

- **New Covent Garden Market, London** – for 3,019 homes (600 affordable) and 100,000 sq ft of office and retail space, plus a 500,000 sq ft new market.
- **Meon Vale, Warwickshire** – for 550 homes at this 479 acre leisure-led development in addition to planning already obtained for 500 homes, of which over 230 have been developed by St. Modwen Homes and Persimmon.
- **Hendrefoilan, Swansea** – for up to 300 homes on this site which is currently accommodating an existing Swansea University student village.

Applications submitted – highlights:

- **Wolverton Works, Milton Keynes** – for a mixed-use development including 375 homes on this rail-related site.
- **Leigate, London** – for 229 homes as part of a retail-led mixed-use development.
- **Locking Parklands, Weston-super-Mare** – for an additional 165 homes at this 200 acre site which, when complete, will comprise 650,000 sq ft of employment space, 1,450 homes, a district centre including retail, library, school and additional leisure and community facilities.

Performance – Residential development

We have experienced a year of strong growth across our residential business, with the resulting development translating into an overall profit increase of 21% to £29m (2014: £24m) of which St. Modwen Homes contributed £12m (2014: £8m) and the Persimmon joint venture £17m (2014: £16m). Sales rates remain strong with a total of 967 house completions achieved for the year (2014: 820) comprising 315 for St. Modwen Homes (2014: 258) and 652 for the Persimmon joint venture (2014: 562).

We expect to maintain performance in 2016 which will be a transitional year as St. Modwen Homes becomes more dominant and replaces the profits from the Persimmon joint venture to give sustainable future profit levels.

St. Modwen Homes

At the core of St. Modwen Homes' success is the competitive advantage that our land bank provides. We are able to use our extensive expertise in planning from across the business and select those sites that are best suited to the St. Modwen Homes brand. As a result, we invest by providing a good quality product which, in comparison with the average new home, benefits from larger gardens, greater ceiling heights and a higher specification.

St. Modwen Homes continues to grow and is now operating across the UK with 13 sites under development and five due to start on site in 2016. Those currently under development include:

- **Gregory's Bank, Worcestershire** – a scheme of 165 homes, all under development by St. Modwen Homes which has already completed 76 units.
- **Edison Place, Rugby** – part of a large regeneration scheme being carried out by St. Modwen and comprising a new college, retail park and associated facilities, along with a total of 600 new homes of which St. Modwen Homes is delivering 350 and to date has completed 132 units.

Residential (continued)



Photo: Radley Park, Liverpool, a St. Modwen Homes scheme of 161 homes.

- **Littlecombe, Dursley** – part of the broader redevelopment of the former Lister Petter factory, this 92 acre scheme has planning for 40 acres of public, open green space, 150,000 sq ft of employment space and 450 homes of which St. Modwen Homes is delivering 258. To date, St. Modwen Homes has completed 88 homes.

The five sites to come on stream during 2016 include:

- **Meon Vale, Warwickshire** – for 258 new homes as part of this 479 acre leisure-led, mixed-use community of 1,050 homes, 800,000 sq ft of commercial accommodation, primary school, a community centre, gym and leisure hub.
- **Longbridge East, Birmingham** – for 175 new homes at this 468 acre major regeneration project which has planning permission for a total of 2,000 homes. This latest housing phase is in addition to the 360 homes already delivered on site and will add to this growing community which already comprises 750,000 sq ft of commercial space, including a new Town Centre, the £66m Bournville College, Longbridge Technology Park and Cofton Centre, and the £2m Austin Park.
- **St. Andrew's Park, Uxbridge** – for 71 homes at this 110 acre former RAF site. Once complete, this new community will comprise 1,340 new homes, 2,000 sq ft of commercial space, a theatre and other key community facilities including a new 40 acre park for Greater London.

Persimmon joint venture

Our joint venture with Persimmon is now at its peak with all eight sites and the majority of the 2,300 plots under the agreement now in development. This partnership will reach its natural end by 2018 with the first sites reaching completion during 2016.

Income Producing Residential

This is the latest route to market for our residential portfolio and underlines our ability to extract value from our existing land bank, embrace new markets and produce a recurring stream of income. It currently comprises two key areas:

- **Private Rental Sector (PRS)** – we have been monitoring this growing marketplace closely over the last two years and have started to realise private rental opportunities from our existing portfolio. We have already delivered and let PRS properties at Wembley Central, London and at Edison Place, Rugby where we have completed the leasing of a total of 64 apartments which are generating an annualised income of £0.7m.

We are progressing other opportunities in this sector, having recently submitted a planning application for 77 private rented apartments at Edmonton Green, London and we plan to commence construction of up to 200 apartments at St. Andrew's Park, Uxbridge during 2016, for which we have received detailed planning permission.

We will continue to monitor this emerging marketplace closely and selectively designate those sites that are best suited to extract maximum value.

- **Swansea University, Student Accommodation** – coinciding with the opening of the Bay Campus in September 2015, we established 'St. Modwen Student Living' specifically to manage the student accommodation which by 2017 will comprise 2,000 rooms. This area of the business is generating £1.8m of annualised net income which will continue to grow as the future phases of student accommodation come on line. At the same time, these new phases will provide additional scope for further revaluation gains.

Outlook

We expect a continued focus on the regions next year with some opportunities in the London market also coming through. In terms of development activity, we expect St. Modwen Homes to further expand and for 2016 to be a year of transition during which St. Modwen Homes becomes more dominant and replaces the profits from the Persimmon joint venture to give sustainable future profit levels.

There is still strong demand for new homes to be built across the UK, consequently we expect continued steady demand from third party housebuilders for our residential land.

Income Producing Residential, our newest route to market, will expand as we grow the number of sites for the PRS business and as Swansea University welcomes new students to the next phases of accommodation at Bay Campus.

Overall, we anticipate continued growth of the residential business, good profit levels and ongoing delivery across this segment of our portfolio.

Income producing properties

WE SEE INCOME

Our asset management capabilities continue to deliver strong rental income and we are experiencing a steady stream of tenant demand for our existing space. We continue to take advantage of heightened investor demand by disposing of properties to which we can add no further value. The revenue generated from these activities helps to underpin the running costs of the business and provides a firm financial footing from which we operate.

Performance

Representing 45% by value of the total portfolio, our income producing properties have grown in value this year by 37% to £768m (2014: £562m). This growth reflects the strategic acquisitions that we have secured during the period which include a regional Town Centre and industrial opportunities across the UK.

Growth can also be attributed to a number of newly developed assets which we have retained for income, all adding to the annual rent roll, including Wembley Central which completed in March 2015.

We manage all of these assets on behalf of over 1,700 occupiers for which there have been negligible tenant administrations in the year. Any tenant vacancies have been more than offset by new occupiers with new lettings of £13.1m (2014: £5.3m), all contributing to an annualised gross rent roll of £58.4m (2014: £45.4m).

Income highlights

- **Student Accommodation, Bay Campus, Swansea University** – the £450m Bay Campus opened in September 2015 welcoming 917 new students. Phase 2 opened in January 2016 and Phase 3 will open in September 2017, bringing the total number of student rooms to 2,000. Currently this asset provides an annualised net income of £1.8m.
- **Longbridge Town Centre, Birmingham** – Boots, Poundland and Mountain Warehouse have taken 17,500 sq ft of space next to the 150,000 sq ft Marks & Spencer store in Phase 2 of Longbridge Town Centre. The High Street is also filling up with new lettings to EE, Countrywide Estate Agents and Tailor Made, all contributing to an annualised rental income of £3.2m.
- **Wembley Central, London** – the redevelopment of this prominent Town Centre scheme completed in March 2015. It comprises an 86-bedroom Travelodge and 120,000 sq ft of new retail and leisure space leased to major national retailers including TK Maxx, Tesco, Sports Direct, Iceland, Costa and Argos. This asset is now generating an annualised rental income of £2.2m.

Acquisitions

We have remained predominantly acquisitive during the year, adding a number of key opportunities to the portfolio, particularly in the North West.

Highlights:

- **Kirkby Town Centre, Liverpool** – comprising 400,000 sq ft of retail and leisure space leased to 80 tenants and providing an immediate gross rental income of £3m, we acquired this site from Tesco, along with 80 acres of residential development land and the opportunity to develop up to 120,000 sq ft of new retail space, for £35.8m, reflecting a net initial yield of 9% on the main Shopping Centre.
- **Moorgate Point, Liverpool** – comprising 445,000 sq ft of industrial and office accommodation with 6.5 acres of development land, this new asset provides an immediate gross rental income of £1.3m. It was acquired from a private vendor for £10m.

Disposals

We continue to assess our portfolio of retained assets for the value they bring to the business. This year we disposed of a number of properties which we developed for income or to which we could no longer add any material value, including:

- **Cranfield University Technology Park** – this 110,000 sq ft business park, almost fully let to over 60 businesses, was sold in two separate transactions for a total of £16.5m.
- **Eccles, Greater Manchester** – this 22.6 acre site was fully let to Akcros Chemicals and was sold to Friends Life for £8.27m, reflecting a net initial yield of 7.4%.

Outlook

We expect continued activity in the investment market and we will seek to dispose of those assets to which we can no longer add value, and recycle the income to secure new opportunities across the business. Equally, we will remain acquisitive for the right opportunities in 2016.

We predict a steady occupational market during 2016, however rental income will continue to grow as the business benefits from those rental streams that have come on line towards the end of the period, including income producing residential opportunities such as Swansea University, as well as Longbridge and Kirkby Town Centres.

Financial Review

“Growth has been delivered during the year and we have achieved significant financial milestones across all major projects.”

ROB HUDSON
Group Finance Director



PROFIT BEFORE ALL TAX

£258.4m
+91%

NET ASSET VALUE (PER SHARE)

413.5p
+27%

Overview

The Group has had an exceptional year, achieving significant financial milestones across all of its major projects and culminating in the delivery of a record set of results, with profit before all tax increasing by 91% to £258.4m (2014: £135.4m).

Our major project, New Covent Garden Market (NCGM), achieved unconditional status in April 2015 and has played a significant part in these results, with the Group share of the valuation gain on initial recognition contributing £127.4m to a total revaluation gain of £201.7m (2014: £93.5m).

Growth has also been delivered during the year from strong underlying performance in the business through the steady improvement of the regional property markets and our ability to perform development, investment and asset management actions.

As a result, our NAV per share increased by 27% to 413.5p over the year (2014: 325.1p), and the value of our UK-wide property portfolio (on a proportionally consolidated basis including share of joint ventures) increased by 34% to £1.7bn.

The year can be defined as one of net investment, with borrowings increasing as a result of some major strategic transactions including the £35.8m acquisition of Kirkby Town Centre, Liverpool, together with the retention of Longbridge Town Centre Phase 2 and the student accommodation at Bay Campus, Swansea University.

We cover our recurring overheads and interest costs substantially with revenue from our income producing portfolio. In the year, coverage of 91% (2014: 88%) demonstrates a good rate, and would be over 100% excluding direct residential overhead costs. The retention of major completed developments in the second half of the year, including the Bay Campus student accommodation and the second phase of Longbridge Town Centre (incorporating Marks & Spencer and additional retail), provides a platform for further increases to net rents in 2016 and continued improvement to our coverage of business running costs.

Presentation of financial information

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 between the numbers reported below and statutory numbers) in note 2 of the Group Financial Statements.

Income Statement

Our 6,000 acre land bank sits at the heart of everything we do, enabling us to create long-term added value and generate strong returns from our £1.7bn portfolio of property assets, amongst which our income producing properties represents 45% by value.

These properties are assets that we own and manage, both directly and through joint venture arrangements, for income whilst we progress the sites through the planning process and ultimately redevelop and regenerate. We also retain a proportion of our newly developed commercial assets for income, until such time we feel it is right to dispose and reinvest the proceeds into acquiring and delivering new opportunities.

	Year ended 30 th November 2015 £m	Year ended 30 th November 2014 £m
Profit and loss		
Net		
Rental Income	38.7	37.1
Property Profits	67.4	51.3
Other Income	4.2	3.6
Overheads	(26.5)	(23.2)
Operating Profit	83.8 (+22%)	68.8
Interest	(20.5)	(23.1)
Trading Profit	63.3 (+39%)	45.7
Added Value		
Valuation Gains	38.6	35.9
NCGM		
Valuation Gain	127.4	-
Market		
Valuation Gain	35.7	57.6
Other		
Finance Charges	(6.6)	(3.8)
Profit Before All Tax	258.4 (+91%)	135.4 (+68%)
Earnings		
Per Share	97.9p	53.8p

The above figures are stated on a proportionally consolidated basis including share of joint ventures. Please see note 2 to the Group Financial Statements.

Rental and recurring income

Net rental income increased to £38.7m (2014: £37.1m), largely driven by retained income secured from our development portfolio. In particular, the last quarter of the financial year saw the completion of the first phase of the Bay Campus student accommodation for Swansea University and the completion of the second phase of Longbridge Town Centre (incorporating Marks & Spencer and additional retail). Swansea University contributes an annualised net income of £1.8m and Longbridge Phase 2 contributes an additional £2.2m of annualised net rental income.

The reduction in rent roll from the disposal of Cranfield University Technology Park has been offset by a number of acquisitions, most notably Kirkby Town Centre towards the end of the financial year, which provides an immediate gross rental income of £3m. Together, these actions have increased our gross rent roll in the year to £58.4m (2014: £45.4m), and will provide a source of continued growth in our reported rents for 2016.

Occupancy levels remain stable at 89% and average lease length has improved to six years (2014: five years). A degree of void period is important for the Group as we prepare our retained income producing properties for redevelopment.

Property profits

Property profits from development for the full year have increased by 31% to £67.4m (2014: £51.3m). This comprises:

- £34m (2014: £22m) from commercial development, including £5m from Longbridge Town Centre, as our pipeline converts into realised profits;
- £4m (2014: £5m) from the completion of 775,000 sq ft of academic buildings as part of the Bay Campus development at Swansea University; and
- £29m (2014: £24m) from residential development which provides positive, tangible returns and improved levels of development. It is underpinned by the continued growth of St. Modwen Homes which will offset the natural wind down of the Persimmon joint venture over future years, giving a sustainable level of profits.

Financial Review (continued)

Overheads

Ongoing growth in the business has been supported through investment in additional staff to service both the development pipeline and St. Modwen Homes. This brings our average headcount to 309 full-time equivalent employees (2014: 287). Our recruitment drive, coupled with the bonuses paid for successful business delivery, means that administrative expenses for 2015 increased to £26.5m (2014: £23.2m).

Finance costs and income

Finance costs have reduced during the year, despite average debt levels increasing over 2014 with increased investment activity. We are still experiencing the benefit of the extensive refinancing activity carried out during 2014. This, together with increased investment at lower marginal interest rates, has reduced our weighted average cost of borrowing to 3.9% (2014: 4.8%). At the year-end, 48% of our net debt position was fixed. This proportion will increase as the convertible bond reverts to fixed rate in March 2017. Net interest charges have reduced to £20.5m (2014: £23.1m).

Trading profit

Overall we have achieved a trading profit increase of 39% to £63.3m (2014: £45.7m), this strong result being driven by our management actions.

During 2016, we will continue to focus on generating value across our land bank and ensuring that our rental and recurring income underpins the running costs of the business.

Investor appetite continues to be strong for commercial property and we will dispose of mature assets selectively and seek to reinvest in additional added value opportunities. Combined with a residential market that continues to perform at sustainable levels and our active management activities, we anticipate further good prospects to grow the net asset value of the Group.

Basis of valuation

All of our investment properties are independently valued every six months by our external valuers Cushman & Wakefield (formerly DTZ) and Jones Lang LaSalle (for NCGM only). Our 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 expected increases but discounts are applied to reflect any future uncertainties. In accordance with accounting standards, valuation movements are reflected as gains or losses in the Income Statement. Where appropriate, we will also independently assess our work in progress for any impairment issues.

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

Property portfolio

The value of our UK-wide property portfolio which includes our share of joint venture arrangements stands at £1.7bn (2014: £1.3bn). During the year, we continued to add appropriate sites to our development portfolio, most notably NCGM which achieved unconditional status in April and, more recently, the acquisition of Kirkby Town Centre in October 2015. The portfolio includes the retained major completed developments such as the second phase of Longbridge Town Centre and the Bay Campus student accommodation for Swansea University, the latter providing future scope for further revaluation gains as new phases of accommodation come on stream.

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 (land renewal, planning gain, robust asset management), and those resulting from changes in the overall property market.

Our valuers provide this split as part of their independent property valuations.

Property valuation

Portfolio – shape

£m	Nov 2014	Additions	Reductions	Updated portfolio	Valuation movement		
					Market	St. Modwen added	Nov 2015
Residential land (46%)							
– Residential portfolio	553	167	(187)	533	2	17	552
– NCGM	3	90	–	93	–	127	220
Commercial land (9%)	146	86	(77)	155	–	(3)	152
Income producing (45%)							
– Industrial	248	22	(14)	256	15	5	276
– Retail	220	102	–	322	16	–	338
– Residential	33	52	–	85	1	20	106
– Office	61	–	(15)	46	2	–	48
	1,264	519	(293)	1,490	36	166	1,692

• Stated on a proportionally consolidated basis including share of joint ventures. See note 2c to the Group Financial Statements.

• Additions include purchases, capital expenditure and inward reclassifications.

• Reductions include disposals and outward reclassifications.

• Income Producing Residential includes PRS and Bay Campus Student Accommodation.

New Covent Garden Market

2015 saw the culmination of several years of development activity resulting in NCGM achieving unconditional status in April 2015 and being included on the Balance Sheet. As a result of completing the following development activities conditionality was removed:

- documentation and agreement of a section 106 agreement together with entry into statutory roads and services agreements;
- expiry of the subsequent judicial review period;
- delivery of a Deed of Grant with the US Embassy to provide a road from the Embassy on surplus Covent Garden Market Authority (CGMA) land;
- formal issue of planning consent and confirmation of acceptability from CGMA and VINCI St. Modwen; and
- independent certification that the market can be procured within CGMA's affordability limit.

At the year-end, Jones Lang LaSalle reached its valuation of this 57 acre site by starting with a serviced land value of £643m, based on static residential sales prices.

This was reduced over the half year position of £660m as a result of build cost inflation, partly offset by a discount unwind as we move closer to vacant possession of the first 10 acres (Nine Elms Square).

Enabling costs and overage at the year-end of £203m have reduced from the £220m at the half year as a result of reduced overage on lower serviced land values, resulting in Jones Lang LaSalle's net valuation of £440m remaining unchanged from the half year.

After deduction of the initial land value recognised and subsequent costs incurred to date, totalling £185m, the resulting gross valuation gain was £255m. Therefore, the 50% Group share of the valuation gain also remains consistent with the half year at £127m.

Other movements

In addition to this gain, we have continued to generate a particularly strong level of added value from the balance of our portfolio, with further gains of £38.6m as we successfully managed assets through the planning process. Our portfolio of residential and commercial land has remained broadly in line with last year, with demand remaining steady. The growth of St. Modwen Homes continues to provide additional liquidity to our residential land bank.

During the year, in line with market movements and the growth of our lower yielding residential portfolio, yields for our income-producing properties have improved, with equivalent yields now at 7.7% (2014: 8.9%). This yield compression, and some limited regional rental growth, led to a market driven valuation increase for our portfolio of £35.7m across the year (2014: £57.6m).

Added value growth for the full year has therefore increased to £166.0m (2014: £35.9m) of which NCGM contributes £127.4m.

Yield analysis (weighted average including Group share of joint ventures)

	Equivalent		Net initial	
	30 th Nov 2015	30 th Nov 2014	30 th Nov 2015	30 th Nov 2014
Retail	7.6%	8.9%	6.1%	7.1%
Office	8.9%	9.2%	6.6%	7.3%
Industrial	8.4%	8.8%	7.3%	7.7%
Residential	5.0%	n/a	5.0%	n/a
Portfolio	7.7%	8.9%	6.5%	7.4%

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) and our convertible bond. The derivative valuations are based on the financial market's forward prediction curves for interest rates. As a result of the convertible bond trading above par at the end of the financial reporting period, and together with other finance charges, this caused a charge of £6.6m (2014: £3.8m charge).

Including the recognition of NCGM and a net valuation gain of £127.4m, profit before all tax increased substantially by 91% to a record level of £258.4m (2014: £135.4m).

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 £41.1m (2014: £15.4m). Despite this, we achieved a substantial result for the year with profits after tax up by 81% to £217.3m (2014: £120.0m). The resultant earnings per share of 97.9p (2014: 53.8p) is up 82% year on year.

As a property group, tax and its treatment is often an integral part of transactions. The outcome of tax treatments, including tax planning, is recognised by the Group to the extent that the outcome is reasonably certain. The effective rate of tax for the year is 14% (2014: 11%) and benefits from certain investment gains not being taxable as a result of indexation and the property ownership structure within the group. As a result of proposed changes in the Group structure the effective tax rate is expected to move towards, but remain below, the standard rate of tax.

Financial Review (continued)

Balance sheet

Balance sheet	30 th Nov 2015	30 th Nov 2014
Property assets	1,265	1,058
Investments in joint ventures and other assets	232	134
Debtors	112	72
Pensions	-	-
Gross assets	1,609	1,264
Net borrowings	(443)	(337)
Finance leases	(55)	(23)
Trade payable etc	(189)	(180)
Gross liabilities	(687)	(540)
Net assets	922	724
Non-controlling assets	(7)	(6)
Shareholders' funds	915	718
NAV per share	414 (+27%)	325p
EPRA NAV per share	446 (+30%)	342p

Restatements

During the period we were required to adopt a number of new accounting standards including IFRS 10 Consolidated Financial Statements. The adoption of this standard requires that we equity account for VSM Estates (Holdings) Ltd on the basis this is jointly controlled with our joint venture partner, VINCI Investments Ltd. This entity was previously consolidated under SIC 12 as a result of our greater economic interest. Comparative information has been restated accordingly and details are included in the Accounting Policies note to the Group Financial Statements.

Following receipt of the first rental income, further consideration was given to the revenue streams associated with the first two phases of student accommodation at the Bay Campus development for Swansea University. Due to the fixed (subject only to annual RPI adjustment) nature of the Group's annual rental payments to M&G, meaning that the Group retains exposure (both positive and negative) to all variability in net rentals generated from the properties, it has been concluded that the transaction is more appropriately accounted for as a finance lease arrangement, rather than as the sale of 50% of the assets. Consequently, we have restated our 2014 results and opening Balance Sheet to reflect recognition by the Group of the following elements:

- the whole (rather than 50%) of the property interest in the student accommodation;
- to account for the amounts due to M&G as a finance lease liability;
- to eliminate the construction contract accounting recognised in respect of the proportion of the development work performed on these sites that was funded by M&G; and
- to revalue the site during the course of construction.

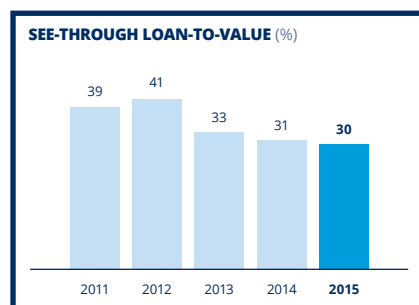
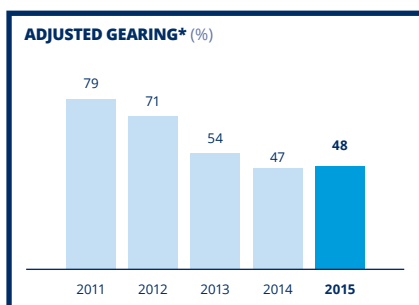
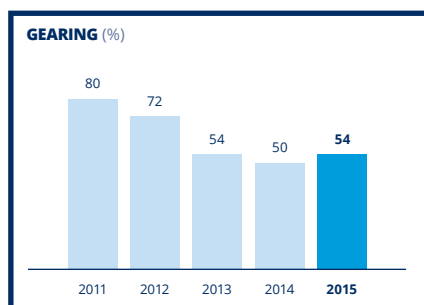
Details of both restatements are included in the accounting policies note to the Group Financial Statements.

Funding levels

During the year our Balance Sheet borrowings increased reflecting recent investment activities, including the acquisition of Kirkby Town Centre for £35.8m and the retention of major completed developments at the Bay Campus for Swansea University and the second phase of Longbridge Town Centre. As a result, net borrowings (as detailed in note 2g to the Group Financial Statements) stand at £443m (Nov 2014: £337m).

At the same time, the value of our property portfolio rose throughout the year. This reflected our actions in the management of our existing and new assets, continued market driven increases and, more specifically, the NCGM site achieving unconditional status in April 2015.

The measure most widely used in our industry is see-through loan-to-value. Our see-through loan-to-value ratio of 30% has decreased slightly from last year (2014: 31%). Gearing and adjusted gearing (at amortised cost and excluding finance leases) increased with our net investment activities. The Company's capital structure remains strong. We will continue to dispose of assets as they mature and acquire opportunities selectively as they arise.



* Adjusted gearing is the ratio of net borrowings (excluding finance leases) to net assets. See note 2 to the Group Financial Statements.

New Covent Garden Market

With the contract for NCGM now fully unconditional as of April 2015, in the first half of the year we recognised the Group's interest in the value of the surplus 19 acres of NCGM land as an asset and the cost of procuring the new market as a liability. The contract is in joint venture with VINCI Investments Ltd and therefore appears as part of joint ventures within our Balance Sheet. This represents a step-change to our asset base and on a see-through basis the value of our property portfolio is now £1.7bn.

Works to the new market commenced in the second half of the year, signifying a major step towards securing vacant possession of the first 10 acres of surplus land, known as Nine Elms Square, and we will explore our options to either sell, joint venture or develop the site during 2016.

Net assets

At the year-end the shareholders' equity value of net assets was £915m (2014: £718m) or 413.5p per share which represents a 27% increase over the year (2014: 325.1p per share).

This growth is after payment of increased dividends of £11.1m (5.04p per share) in 2015 (2014: £9.1m or 4.13p per share).

This represents a 25% increase in line with dividend payable for 2015 to 5.75p (2014: 4.6p) in line with NAV growth.

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 30% to 446p from 342p per share. A full reconciliation of our net assets is provided in note 2 to the Group Financial Statements.

Corporate facilities

Following the comprehensive refinancing of our banking portfolio, the bulk of which was achieved during 2014 and completed in January 2015 with an extension to the HSBC facility to 2020, we have no facility refinancing expected before 2018 and going forward refinancings are staggered between 2018 and 2021.

Furthermore, we have sufficient headroom with our corporate facilities to enable us to meet future development and funding requirements. At the date of reporting we have £554m of facilities against year-end net borrowings of £443m.

Hedging and cost of debt

We aim to have predictable costs attached to our borrowing and therefore hedge a significant portion of our interest rate risk. At the year end, 47% of our borrowings were fixed or hedged (2014: 63%). With forward starting swaps in place, and the expiry of swaps to floating, our proportion of borrowings hedged will increase over time. As any new financing is put in place we will ensure that our hedging positions are appropriate for our future development expectations.

As a result of our refinancing activities and our net investment at lower marginal costs of borrowing, our weighted average cost of borrowing now stands at 3.9% (2014: 4.8%).

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 £922m);
- gearing must not exceed 175% (actual 54%); and
- interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 4.1x).

Retail bond:

- see-through loan-to-value ratio must not exceed 75% (actual 30%); and
- interest cover ratio must be greater than 1.5x (actual 5.4x).

Covenant compliance continues to be met at all levels and across all metrics. We continue to operate with headroom on loan-to-value, net asset value and gearing and even allowing for a market decline, expect these to be met comfortably.

Pension scheme

Our defined pension scheme continues to be fully funded on an IAS 19 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

The past year has been an exceptional one for the business, particularly with the recognition of NCGM in the first half.

Activity across our commercial portfolio is progressing in line with the regional market recovery. We are witnessing a steady stream of occupational demand, demonstrated by the performance of our well-let income producing portfolio, and are experiencing encouraging results from our speculative commercial development programme. As we realise our pipeline of development opportunities these are contributing positively to property profits.

Investor appetite continues to remain strong for commercial property and we will selectively dispose of mature assets and seek to replenish these with new opportunities in the marketplace. Combined with a residential market that is performing at sustainable levels, we anticipate delivering further NAV enhancing activity during 2016.

* As a development business many of the EPRA metrics are inappropriate as they are geared to property investment. Relevant EPRA metrics are reported on page 124.

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 for 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 an extensive range of 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. The Board, through the Audit Committee, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Its evaluation of these solvency risks is described further in the Going Concern section on page 97 and a description of how principal risks are managed and mitigated is set out on pages 38 to 41.

The Audit Committee also monitors the Company's 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 level, provide a framework for all employees to contribute to delivering our strategy by recognising their shared responsibility for the effective management of risk.

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 its annual audit plan and findings are reported to and considered by the Audit Committee.

➔ **Audit Committee Report** Pages 58 to 65

➔ **Going concern** Page 97

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. Oversight 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.



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 on pages 38 to 41. This year we recognise the increasing risks associated with economic uncertainty, upcoming political events such as the UK referendum on EU membership 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.

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

- 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 committed 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;
- recent formation of a capital projects committee;
- 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.

Viability statement

The directors have assessed the viability of the Company over the period to November 2018, being the first three years of the most recent strategy process as this timeframe gives more certainty over the forecasting assumptions used. The strategy process is conducted at Group level and reviewed each year by the Board with key influencers within the business having ownership of the outcomes from the process. Once approved by the Board, the plan provides the basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance.

The strategy process considers the Group's cash flows including the normal level of capital recycling expected to occur, funding requirements and other key financial ratios over the period, as well as the headroom in the financial covenants contained in its various loan agreements. In making their assessment the directors assessed the potential impacts, in severe but plausible scenarios, of the principal risks set out on pages 38 to 41 together with the likely degree of effectiveness of mitigating actions reasonably expected to be available to the Company.

The most relevant potential impact of these risks on viability was considered to be:

- market/economic changes such as higher interest rates, reduced demand for land/new properties, reduced availability of credit and declining investment yields restricting business development and causing valuation falls;
- significant political events which may delay or impact investment decisions and reduce returns; and
- a reduction in the availability of funding causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets.

On the basis of this and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Company will be able to continue in operation and meet its liabilities as they fall due over the periods used for the assessment. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Our principal risks

Strategic objective:



Secure excellent returns..

Risk and potential impact

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.

Changes to **local and national planning processes** adversely impact our strategy by limiting our ability to secure viable permissions and/or by removing our competitive advantage.

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.

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

Mitigation

- 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.

- 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.
- Contact with lobbying both central and local Government.

- 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.

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

Strategic objective:



...through a focus on long-term significant added value...

Risk and potential impact

Failure to manage long-term **environmental issues** relating to brownfield and contaminated sites and human health issues leads to a major environmental incident, resulting in financial and/or reputational damage.

Failure to **recruit, develop and retain staff** with the necessary skills resulting in significant disruption/loss of intellectual property.

Mitigation

- 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.

- 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: (movement in the year)

- + Exposure increased
- Exposure reduced
- = No significant change



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 6,000 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 outcome of the UK referendum on EU membership has the potential to impact the appeal and performance of investment in the UK in general.



Over the course of the last year, the continuing economic problems within the Eurozone and in China and the emerging markets 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 ever changing nature of planning legislation 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 and we continue to favour financially stable and robust contractors.



Our key partners are Persimmon PLC, VINCI plc and Sahlia 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 with all our joint venture partners.



Commentary

Movement in the 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.



Staff turnover remains low and the proportion of management with more than three years' service is at 76%. 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:



...while protecting our assets

Risk and potential impact

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.

Failure to anticipate **market changes** through poor market intelligence leads to the selection of inappropriate and, ultimately, unprofitable schemes.

Failure to identify a pipeline of future residential sites or reduced availability of mortgage finance adversely impacts the performance of our **residential business**.

Failure to **manage major projects** effectively (e.g. civil engineering and earth moving issues) leads to higher costs/reduced margins.

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.

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.

Mitigation

- 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.

- 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.

- 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).

- Most of our big projects can be broken down into smaller, more manageable projects (e.g. Longbridge).
- Significant in-house expertise.
- High level of pre-sale agreements.

- 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.

- 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: (movement in the year)

- + Exposure increased
- Exposure reduced
- = No significant change



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. The success of our first retail bond (October 2012), a share placing (February 2013) and a convertible bond (February 2014) has further diversified our debt financing profile by providing access to unsecured funding.

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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.

=

We use our knowledge and expertise in remediation, planning, asset development and construction to manage all of our development activity, including our major projects. Our existing skill base enables us to oversee each stage of the development process, progressing activities to completion before subsequent stages are commenced. Major projects are also subject to detailed monitoring by executive management, and progress reported to the Board at each Board meeting.

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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.

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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.

+

Corporate Social Responsibility

A photograph of three young children, two girls and one boy, sitting at a wooden table outdoors. They are wearing blue school uniforms with a circular logo on the chest. They are holding paintbrushes and appear to be painting on a piece of paper on the table. The background is a blurred green landscape with trees.

WE SEE FUTURE GENERATIONS

Acquiring brownfield sites, remediating and transforming them into cleaner, greener and brighter environments where business and communities can thrive: this is the essence of what we do.

Our approach

As a brownfield regeneration specialist Corporate Social Responsibility (CSR) lies at the very heart of who we are and what we do. We are constantly cleaning and greening up brownfield land across the country and from dilapidated and disused sites we seek to create thriving and inspirational new communities. We invest much needed time, money and expertise into these areas and across the entire lifecycle of our projects, we continue to ensure that environmental, social and community considerations are integrated within our day-to-day practices.

We actively promote responsible construction and development that reflects our approach to CSR and look to our employees, our partners and our supply chain to enable us to achieve our short and long-term goals.

Our CSR objectives

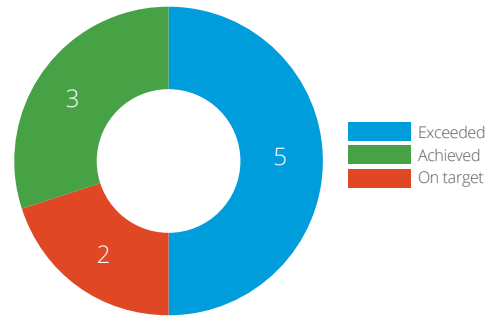
For the financial year ended 30th November 2015 we established a set of 10 CSR objectives and are pleased to report that these have been achieved, with good progress made against longer-term objectives. These objectives have since been reviewed and updated by the CSR Steering Group to ensure that we continue to strive for improved performance during 2016.

Both strategic and long-term, our objectives focus on:

- ensuring sustainable business;
- creating better environments by greening and cleaning up brownfield land (which makes up 90% of our developable portfolio); and
- supporting the communities in which we build.

In addition, we also continue to support a number of CSR initiatives which are not part of our 10 objectives. These prove our innovative and broad-minded attitude to CSR; we are constantly mindful of the positive impact our projects can have on the community, the environment and the economy.

Our CSR results



For more information on our CSR results, goals and approach please see our February 2016 CSR booklet or visit: www.stmodwen-csr.co.uk

CSR Steering Group

The CSR Steering Group, chaired by the Group Construction Director, meets quarterly to review progress against our CSR objectives and to ensure the Company maintains a best practice approach to CSR activities across its operations.



Photo: We engage the local community on our sites through events, initiatives and projects.



Photo: We create new, and preserve and enhance existing, public spaces within and surrounding our developments.

Corporate Social Responsibility (continued)

Employee diversity

We recognise our responsibility as an employer to look after the wellbeing of our staff. We are committed to providing an inclusive working environment where everyone feels valued and respected. The diverse range of talent, skills and experience across the business is reflected in the new communities that we build and ensures our continued success.

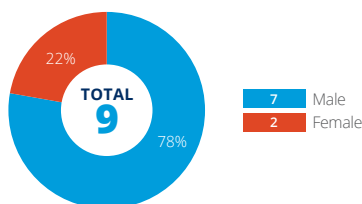
The Company adheres to a clear equality policy which sets out individuals' rights and obligations as defined by the Equality Act 2010. This policy covers the responsibilities and approach we have to our employees and our duty to avoid discrimination in all aspects of recruitment and employment.

The charts below set out the number of men and women employed (full-and part-time) as at 30th November 2015, across our business and split between the Board, our senior management and our employees.

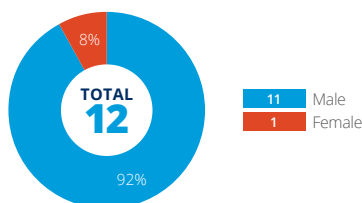
In considering appointments to the Board and to senior executive positions, it is our policy to evaluate the skills, knowledge and experience required by a particular role with due regard for the benefit of diversity and to make an appointment accordingly.

➔ **Nomination Committee Report** Pages 66 to 69

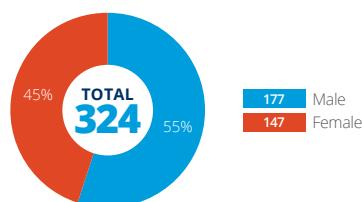
Board diversity



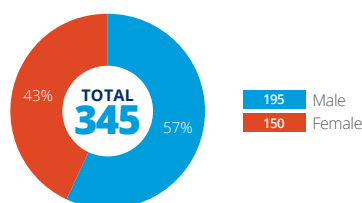
Senior management diversity



Employee diversity



All employee diversity



Training and development

We are proud to have a good level of staff retention. 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, 76% of management had more than three years' service (2014: 84%). On face value there has been a decline on the previous 12 months but the proportion reflects the growth of our management team by 5% to 63 (2014: 60). We have been successful in attracting more senior professionals into the business over the period and this in turn is evidence of the strength and appeal of the Company.

During the first half of 2015, our management team completed training sessions, produced by Farscape Developments and Pinsent Masons, from which staff initiatives were identified and have since been implemented. We have received positive feedback from this programme and we will continue to run these sessions for new management staff throughout 2016. Further training opportunities have also been identified and are being pursued.

In addition, due to the geographic spread of our UK-wide development portfolio, many staff are required to drive significant distances to fulfil their role. To ensure they are safe and best equipped to do so, during 2015 all staff with a company car, van or car allowance were invited to attend a driver training course in partnership with The Royal Society for the Prevention of Accidents. Following the success of this exercise, we are seeking to carry out further training in 2016.

All employees are encouraged to maintain their Continuing Professional Development (CPD) and support is provided for staff to attain qualifications and professional memberships relevant to their role.

Finally, we remain committed to taking on bright new talent and nurturing skills into appropriate areas of our business. We have increased our CSR target to create opportunities for a total of 25 full-time or equivalent trainees/graduates across the business.

Human rights

We support the United Nation's Universal Declaration of Human Rights and have policies in place to ensure that we act in accordance with our principles in relation to areas such as anti-corruption, diversity and whistleblowing.

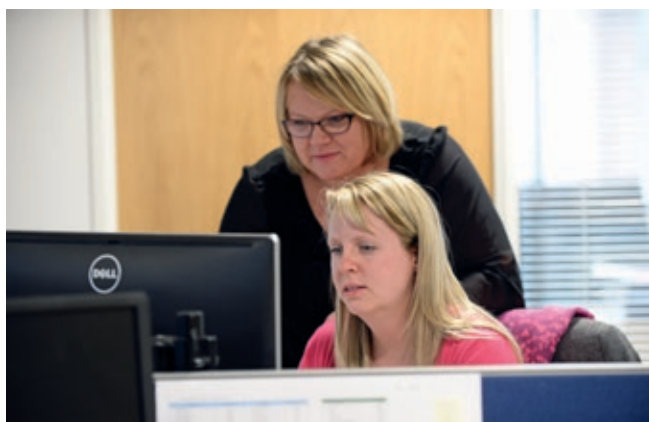


Photo: We encourage staff to maintain their Continuing Professional Development.

Health and safety

We are committed to safeguarding 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 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.



Photo: We are committed to supporting charities in the vicinity of our development projects.

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 2015 the AFR for our development sites and for St. Modwen Homes was 0.09 and 0.00 respectively, both significantly outperforming the industry benchmark (0.40). With the number of man hours worked in the year exceeding 3m we are pleased to report that there were no health and safety prosecutions, enforcement actions or fatalities arising from our activities during the year.

Working with charities

Due to the variety of projects across our portfolio, we have chosen not to focus on a single national charity. Instead, we support a number of local charities linked or in close proximity to our development sites.

➔ For more information and to see case studies on some of the charities we have supported throughout 2014/15 please see our February 2016 CSR booklet, alternatively please visit:

 www.stmodwen-csr.co.uk/charities

Approval of Strategic Report

The Strategic Report for the year ended 30th November 2015 has been approved by the Board and was signed on its behalf by

Bill Oliver

Chief Executive

1st February 2016

WE SEE STEWARDSHIP



Photo: Technology Retail Park, Rugby which was 100% pre-let to major national retailers before being sold to Aberdeen Asset Management for £17.4m.

Chairman's Introduction

"Good governance is crucial to ensuring we are well managed and can deliver our strategic priorities."

BILL SHANNON
Non-executive Chairman



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.

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 composition of the Board is also refreshed and in the year John Salmon retired from the Board as Audit Committee Chairman and Michael Dunn stepped down as Group Finance Director. Both have been ably replaced by Ian Bull and Rob Hudson respectively.

Our approach to governance is outlined in the following report, which describes how we integrate into our business the main principles of the 2014 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 70 to 93. 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 36 to 41. This is the first year that the Company has been subject to the 2014 Code and I am pleased to confirm that, throughout the financial year ended 30th November 2015, we complied in full with its provisions.

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

1st February 2016

The Board remains committed to:

- Driving the Group's long-term objectives.
- Oversight of operations to ensure competent and prudent management.
- Sound planning and internal control.
- Developing leadership and succession plans.
- Maintaining strong relationships with key stakeholders.

Areas of focus for 2015/16:

- Competitive tender for the external auditor appointment.
- Full review of remuneration policy for executive directors.
- Monitoring of succession planning at Board and senior management level.

Code principles - how they are applied

Leadership

Continued focus on strategy and its execution

» Pages 52 to 54

Effectiveness

A strong, open and effective Board

» Pages 55 and 56

Accountability

Close scrutiny of risks and controls

» Pages 36 to 41

Remuneration

Prudent oversight of executive remuneration

» Pages 70 to 93

Relations with shareholders

Open engagement with shareholders

» Page 57

The Board



Bill Shannon
Non-executive Chairman



Appointed: November 2010 as non-executive director and Chairman Designate, March 2011 as non-executive Chairman.

Key strengths: significant management and board experience across retail, leisure, financial services and property sectors.

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, 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. A qualified Chartered Accountant (Scotland).

External appointments: Deputy Chairman and Senior Independent Director of LSL Property Services plc, non-executive director of Johnson Service Group plc and Council Member of the University of Southampton.



Bill Oliver
Chief Executive

Appointed: January 2000.

Key strengths: extensive strategic and operational leadership and financial management experience in the property industry.

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

External appointments: Member of the advisory board of the Government's Regeneration Investment Organisation.



Steve Burke
Group Construction Director

Appointed: November 2006.

Key strengths: strong operational leadership and project management experience in the construction sector.

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.

External appointments: none.



Rob Hudson
Group Finance Director

Appointed: September 2015.

Key strengths: strong financial management, commercial and operational experience in financial services, information services and commercial property sectors.

Experience: over 20 years' experience in finance, most recently as Group Financial Controller at British Land PLC from 2011. Joined PricewaterhouseCoopers on graduating then moved to Experian PLC in 2000 where he held a number of senior financial roles, including Global Finance Director of its Decision Analytics business and UK Finance Director. A qualified Chartered Accountant.

External appointments: member of the Board of Governors of the English National Ballet School and chair of its Finance Committee.



Richard Mully
Senior Independent Director



Appointed: September 2013 as non-executive director, December 2013 as Senior Independent Director.

Key strengths: extensive experience in investment banking, fund management, capital markets and real estate private equity investing with considerable board experience.

Experience: Partner and Managing Director at Bankers Trust Company from 1992 to 1998 and Managing Director and Head of European Merchant Banking from 1998 to 2000. Co-Founder and Managing Partner of Soros Real Estate Partners LLC and its successor firm, Grove International Partners LLP, a major real estate private equity firm from 2000 to 2011. Former Senior Independent Director of Hansteen Holdings plc.

External appointments: Senior Independent Director of 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: September 2014.

Key strengths: strong financial management and operational experience in major commercial businesses across a range of sectors.

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 Ltd. A Fellow of the Chartered Institute of Management Accountants.

External appointments: Chief Financial Officer and main board director of Ladbrokes plc.



Kay Chaldecott
Independent non-executive director



Appointed: October 2012.

Key strengths: significant knowledge of the retail property sector, including the retail development process, retail mix and leasing and shopping centre operations.

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. Former non-executive director of Boyer Planning Ltd. A member of the Royal Institution of Chartered Surveyors.

External appointments: non-executive director of NewRiver Retail Ltd and Advisory Board member of Next Leadership.



Simon Clarke, DL
Non-executive director

Appointed: October 2004.

Key strengths: strong commercial and management experience in both farming and property and extensive knowledge of the Company's history.

Experience: 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. Former Deputy Chairman of Northern Racing plc and director and Vice-Chairman of The Racecourse Association Ltd. An Honorary Doctor of Staffordshire University.

External appointments: Chairman of Dunstall Holdings Ltd. Trustee of Racing Welfare and Chairman of Racing Homes. Member of Staffordshire University's Development Board. Deputy Lieutenant for Staffordshire.



Lesley James, CBE
Independent non-executive director



Appointed: October 2009.

Key strengths: extensive executive remuneration and human resources experience and considerable Board experience across public, private, voluntary and education sectors.

Experience: HR Director for Tesco plc from 1985 to 1999 and a main board director from 1994. Former non-executive director for various 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. Awarded a CBE in 2003 for services to the DTI Partnership at Work Assessment Panel. A Companion of the Chartered Institute of Personnel and Development.

External appointments: none.



Tanya Stote
Company Secretary

Appointed: March 2012.

Experience: over 15 years of governance and compliance experience in FTSE listed companies, including Misy 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.

Key responsibilities: these include board and board committee support, corporate governance, statutory and regulatory compliance, insurance, HR and pensions.

Changes to the Board

- **John Salmon** retired from the Board as independent non-executive director and Audit Committee Chairman on 27th March 2015.
- **Ian Bull** was appointed Audit Committee Chairman with effect from 27th March 2015.
- **Michael Dunn** stepped down from the Board as Group Finance Director on 31st May 2015.
- **Rob Hudson** joined the Board as Group Finance Director on 28th September 2015.

Key:

Member of the Audit Committee

Member of the Nomination Committee

Member of the Remuneration Committee

Denotes Committee Chairman

The Property Board



Richard Bannister
Regional Director
– Yorkshire and North East

Length of service: 7 years

Experience: began his career at St. Modwen as Development Manager for the Yorkshire and North East region in 2008 and was promoted to Regional Manager in 2014 and Regional Director in 2015. Previously Strategic Director of Pearson Developments Ltd and worked at Turner & Partners Chartered Surveyors. A member of the Royal Institution of Chartered Surveyors.

Key activity in the year: continues to oversee the ongoing development of Waterdale Shopping Centre, Doncaster, which has seen a 70% rise in overall footfall and new lettings announced in 2015. Managed the sale of a 1.2 acre site to Aldi plus four new lettings in the year at Billingham Town Centre following its acquisition for £14.3m in 2014.



Guy Gusterson
Group Residential Director

Length of service: 9 years

Experience: joined St. Modwen as Land Director for Project MoDEL in 2006 and became Residential Director in 2009. Previously Development Director at Crest Nicholson PLC overseeing residential-led mixed use developments in London and the South East. Led the establishment and development of St. Modwen Homes.

Key activity in the year: promoted to Group Residential Director in 2015 with responsibility for maximising the value of the Group's residential land bank by optimising St. Modwen's residential projects, delivery of infrastructure, working with joint venture partners and co-ordinating development with St. Modwen Homes.



Mike Herbert
Regional Director
– The Trentham Estate

Length of service: 25 years

Experience: began his career as a chartered surveyor at Louis Taylor Ltd advising on commercial property projects before joining St. Modwen as Development Surveyor and promoted to Regional Director in 1997. Delivered numerous major projects across the North Staffordshire region including Trentham Lakes, Etruria Valley and Festival Park.

Key activity in the year: continues to oversee the regeneration and management of the Trentham Estate, a 725 acre tourist, leisure and shopping destination centred on the restored Trentham Gardens and attracting over 3m visitors per year. The Gardens were named BBC Countryfile Magazine 'Garden of the Year' in March 2015.



Rupert Joseland
Regional Director
– South West and South Wales

Length of service: 14 years

Experience: joined Chestertons on graduating before moving to Boots Properties Ltd and then to Miller Developments Ltd to gain further experience in commercial development and estate management. Promoted from Midlands Development Surveyor in 2004 and moved to Bristol to establish the South West and South Wales regional office. A member of the Royal Institution of Chartered Surveyors.

Key activity in the year: regional delivery of the first phase of the new Swansea University Bay Campus comprising both student accommodation and academic facilities. Responsible for the ongoing mixed-use regeneration schemes at Coed Darcy, Neath and Glan Llyn, Llanwern, with the latter welcoming its first resident in the year. Project lead for the redevelopment of MoD Ashchurch.



Steven Knowles
Regional Director
– North West

Length of service: 12 years

Experience: has over 20 years' experience in the property sector, including in the investment and development division at Evans Property Group Ltd. Joined as Northern Development Surveyor in 2003 and promoted to North West Regional Director in 2014. A member of the Royal Institution of Chartered Surveyors.

Key activity in the year: managed the £10m acquisition of Moorgate Point, Liverpool and the purchase of Kirkby Town Centre for £35.8m. Continues to oversee the regeneration of Great Homer Street, Liverpool and Skelmersdale Town Centre.



Richard Powell
Build Director

Length of service: 9 years

Experience: held commercial management and quantity surveying roles at a number of companies including Bovis Lend Lease Ltd, Balfour Beatty Building Ltd and Skanska Construction UK Ltd. Joined St. Modwen in 2006 as Construction Manager and has delivered both mixed-use and commercial schemes such as Wembley Central, Farnborough Town Centre and Skypark, Exeter. Promoted to Build Director in 2015.

Key activity in the year: delivery of 775,000 sq ft of accommodation and academic facilities at Bay Campus, Swansea to welcome over 900 students in September 2015. The second phase of the project is on site and a development agreement with the University to develop a third phase was signed in December 2015.



Stephen Prosser
Regional Director
– Midlands

Length of service: 18 years

Experience: background in surveying, property valuation and asset management for both local councils and Allied London Properties PLC. Established the Yorkshire and North East office in 2005 and became Regional Director for the North in 2012. Promoted to Midlands Regional Director in 2014. A member of the Royal Institution of Chartered Surveyors.

Key activity in the year: oversees the ongoing £1bn regeneration of Longbridge, including the new 150,000 sq ft Marks & Spencer store which opened in November 2015. Other regional activity includes 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

Length of service: 9 years

Experience: began his career at Edward Erdman as Development Surveyor before moving to Land Securities PLC in 1994. Here he gained experience in both the retail and commercial offices sectors and became Development Director, with responsibility for a number of town and city centre regeneration-led projects throughout the UK.

Key activity in the year: the regeneration of the 57 acre New Covent Garden Market sites in Nine Elms, London, which achieved unconditional status in the year, and the mixed-use redevelopment of the former RAF site at Uxbridge. Will also oversee delivery of a development agreement for a 1m sq ft business park in Brentwood, Essex which was signed in July 2015.



Dave Smith
Managing Director
– St. Modwen Homes

Length of service: Less than a year

Experience: joined St. Modwen in 2015 from Morgan Sindall where he was Construction Managing Director with responsibility for the north of England and Wales. Previously worked for St. Modwen from 2003 until 2009 as a Construction Manager. A member of the Royal Institute of Chartered Surveyors and a fellow of the Chartered Institute of Building.

Key activity in the year: responsible for the ongoing operation of St. Modwen Homes, the Group's housebuilding business, which has 13 schemes under development across the country and five due to start on site in 2016.



Andy Taylor
Group Financial Controller

Length of service: 8 years

Experience: joined Deloitte on graduating and became Senior Audit and Assurance Manager. Also held positions at Wilson Bowden plc as Group Financial Controller and David Wilson Homes as Southern Division Finance Director. Became Group Financial Controller for St. Modwen in 2007.

Key activity in the year: led the Group's finance team and with responsibility for all areas of operational finance, together with the management of corporate finance activity, treasury, tax and internal and external financial reporting. Appointed Acting Group Finance Director from June to September 2015.



Rupert Wood
Regional Director
– Northern Home Counties

Length of service: 9 years

Experience: previously worked for various retail agencies dealing in land acquisition and property management. Joined St. Modwen in 2006 from LendLease where he was Senior Development Manager. Established the Northern Home Counties office in 2008 as Regional Manager and promoted to Regional Director in 2009. A member of the Royal Institution of Chartered Surveyors.

Key activity in the year: 90,000 sq ft speculative development at Letchworth Industrial Estate completed and fully let, with the investment sold post year-end at a yield of 5.2%. Managed the disposal of the Group's assets at Cranfield University Technology Park for £16.5m in July 2015. Continues to lead St. Modwen Energy, established in 2011 to promote large scale power generation projects across the UK, including Wrexham in North Wales and Meaford in Staffordshire.

Bill Oliver, Steve Burke, Rob Hudson and Tanya Stote are also members of the Property Board. See pages 48 and 49 for their biographies.

Corporate Governance Report Leadership

This report examines the members of the Board, their role, their performance and their oversight. It also looks at the induction, succession, independence and effectiveness of the directors.

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 assist the Board in carrying out its functions and to ensure independent oversight of matters such as remuneration, internal control and risk management, the Board delegates certain responsibilities to its three principal Committees. Membership of these Committees consists primarily of the independent non-executive directors and, in some cases, the Chairman. The Chairmen of each Board Committee report to the Board on matters discussed at Committee meetings.

Matters reserved to the Board

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

Audit Committee

Oversees financial and narrative reporting, property portfolio valuations, internal control, risk management systems, and internal and external audit processes

➔ **Audit Committee Report**
Pages 58 to 65

Nomination Committee

Oversees Board and senior management succession planning, leads the process for Board appointments and monitors membership of Board Committees

➔ **Nomination Committee Report**
Pages 66 to 69

Remuneration Committee

Determines the remuneration arrangements for the executive directors, the Chairman and the Company Secretary

➔ **Directors' Remuneration Report**
Pages 70 to 93

Supported by

Executive directors

Implement strategic decisions approved by the Board and monitor operational performance

Capital Projects Committee

Established during the year to review significant projects, either in terms of capital investment and/or risk

Property Board

Reviews performance and considers Group-wide operational issues and initiatives

Safety, Health and Environment Steering Group

Oversees Group strategy, procedure and performance in relation to safety, health and environmental matters

CSR Steering Group

Co-ordinates the Group's approach to and enhance the reporting of its corporate social responsibility activities

How the responsibilities of the Board are divided

The Board comprises the Chairman, three executive directors and five non-executive directors. Their responsibilities are summarised in the table below and their biographical details can be found on pages 48 and 49. There is a clear division of responsibility between the Chairman, who is accountable for the leadership of the Board, and the Chief Executive, who manages and leads the business.

Chairman	<p>Bill Shannon's role is to lead the Board and ensure that it operates effectively. His responsibilities include:</p> <ul style="list-style-type: none"> • 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.
Chief Executive	<p>Bill Oliver is responsible for the leadership of the business, managing it within the authorities delegated by the Board. His responsibilities include:</p> <ul style="list-style-type: none"> • 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.
Group Finance Director	<p>Rob Hudson is responsible for devising and implementing the Group's financial strategy and policies. He also oversees investor relations, internal audit and IT.</p>
Group Construction Director	<p>Steve Burke is responsible for procurement and programme delivery and oversees the Group's major projects. He also chairs the Company's Steering Groups for CSR and safety, health and the environment.</p>
Senior Independent Director	<p>Richard Mully's role involves:</p> <ul style="list-style-type: none"> • 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.
Non-executive directors	<p>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.</p>
Company Secretary	<p>Tanya Stote:</p> <ul style="list-style-type: none"> • supports the Chairman and Chief Executive in fulfilling their duties; • is available to all directors for advice and support; • keeps the Board regularly updated on governance matters; and • attends, and maintains a record of the matters discussed and approved at, Board and Committee meetings. <p>She also oversees the Group's HR and Insurance functions and supports the trustee of the Group's pension scheme.</p>

Corporate Governance Report (continued)

Board meetings

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 the year ended 30th November 2015 the Board held nine meetings; individual director attendance is set out in the table below.

Sites visits in the year included the Trentham Estate; the 310,000 sq ft extension to the Screwfix distribution facility at Trentham Lakes, Stoke-on-Trent; the regeneration scheme at Branston Leas in Burton upon Trent, comprising both residential and commercial development; and St. Modwen Homes' sites at Manorfields, Swadlincote and Edison Place, Rugby (including PRS units).

Matters considered at each Board meeting

- Strategic matters
- Acquisition and development opportunities
- Operational updates
- Trading results and forecasts
- Management accounts, key performance indicators and financial commentary
- Health and safety
- Board Committee activities
- Investor relations and shareholder feedback
- Legal, company secretarial and regulatory matters
- Minutes of previous meetings
- Implementation of actions from previous meetings
- Rolling programme of agenda items

Key Board activity in 2014/15



- Considered annual renewal of insurance arrangements for the Group
- Approved the Chairman's fee



- Approved the Group's results for the year ended 30th November 2014, including the Group's property portfolio valuation and final dividend recommendation



- Considered actions arising from the internal Board evaluation
- Considered AGM-related matters



- Toured commercial development sites in North Staffordshire
- Considered risks arising from the Scottish referendum and the UK General Election



- Considered Group financing strategy
- Reviewed and approved the acquisition of Kirkby Town Centre, Liverpool



- Toured commercial and residential sites in the Midlands, including PRS schemes



- Annual strategy review, including input from the Company's brokers
- Approved the appointment of a professional trustee to the Company's pension scheme



- Reviewed and approved the 2016 budget
- Considered updates on Group PR and environmental activity



- Reviewed the Group's plans in respect of employee recruitment, retention and development

Attendance at Board meetings

Director	Role	Director since	Meetings attended in year out of maximum possible	% attended in year
Ian Bull	Non-executive director	Sep 2014	9/9	100%
Steve Burke	Group Construction Director	Nov 2006	9/9	100%
Kay Chaldecott	Non-executive director	Oct 2012	9/9	100%
Simon Clarke ⁽¹⁾	Non-executive director	Oct 2004	8/9	89%
Michael Dunn ⁽²⁾	Group Finance Director	Dec 2010	4/4	100%
Rob Hudson ⁽³⁾	Group Finance Director	Sep 2015	2/2	100%
Lesley James ⁽⁴⁾	Non-executive director	Oct 2009	8/9	89%
Richard Mully	Senior Independent Director	Sep 2013	9/9	100%
Bill Oliver	Chief Executive	Jan 2000	9/9	100%
John Salmon ⁽⁵⁾	Non-executive director	Oct 2005	3/3	100%
Bill Shannon	Chairman	Nov 2010	9/9	100%

(1) Unable to attend the Board meeting in June 2015 due to a prior personal commitment.

(2) Stepped down from the Board on 31st May 2015.

(3) Appointed to the Board on 28th September 2015.

(4) Unable to attend the Board visit in April 2015 due to illness.

(5) Retired from the Board on 27th March 2015.

Effectiveness

Induction of a new director

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.

Director development

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.

Director independence and re-election to the Board

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 14.4% 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.

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.

At the 2016 AGM, and in accordance with the Company's Articles of Association, Rob Hudson will retire and offer himself for election. All other directors will retire and offer themselves for 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 167 to 174

External appointments

On appointment directors are advised of, and requested to make, the necessary time commitment required to discharge their responsibilities effectively. This time commitment is also outlined in the letters of appointment issued to non-executive directors.

The Chairman reviews annually the time each director has dedicated to St. Modwen as part of their individual performance evaluations and is satisfied that their other duties and time commitments do not conflict with those as directors of the Company. Similarly, the Board is content that the Chairman's external appointments do not impact on his ability to allocate sufficient time to discharge his responsibilities to St. Modwen.

Conflicts of interest

The Board operates a policy to identify and, where appropriate, manage any conflicts of interest affecting directors.

This enables the Board to consider and, if thought appropriate, to authorise a director's actual or potential conflict of interest, taking into consideration what is in the best interests of the Company and whether the director's ability to act in accordance with his or her wider duties is affected.



Governance in action: Rob Hudson's induction

"On joining St. Modwen as Group Finance Director I received a comprehensive, tailored induction. This involved business briefings with members of the Board and Property Board, meetings with senior managers of operating departments such as finance, internal audit, IT and HR and a review of Board policies and procedures with the Company Secretary.

"I was introduced to key external advisors, including the Company's joint brokers, key banking relationship managers and our external valuers and auditor, and have had meetings with our joint venture partners.

"I have also taken the opportunity to visit St. Modwen's assets across the country and look forward to building a more in depth knowledge of the Company's property portfolio in the coming months."

Corporate Governance Report (continued)

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.

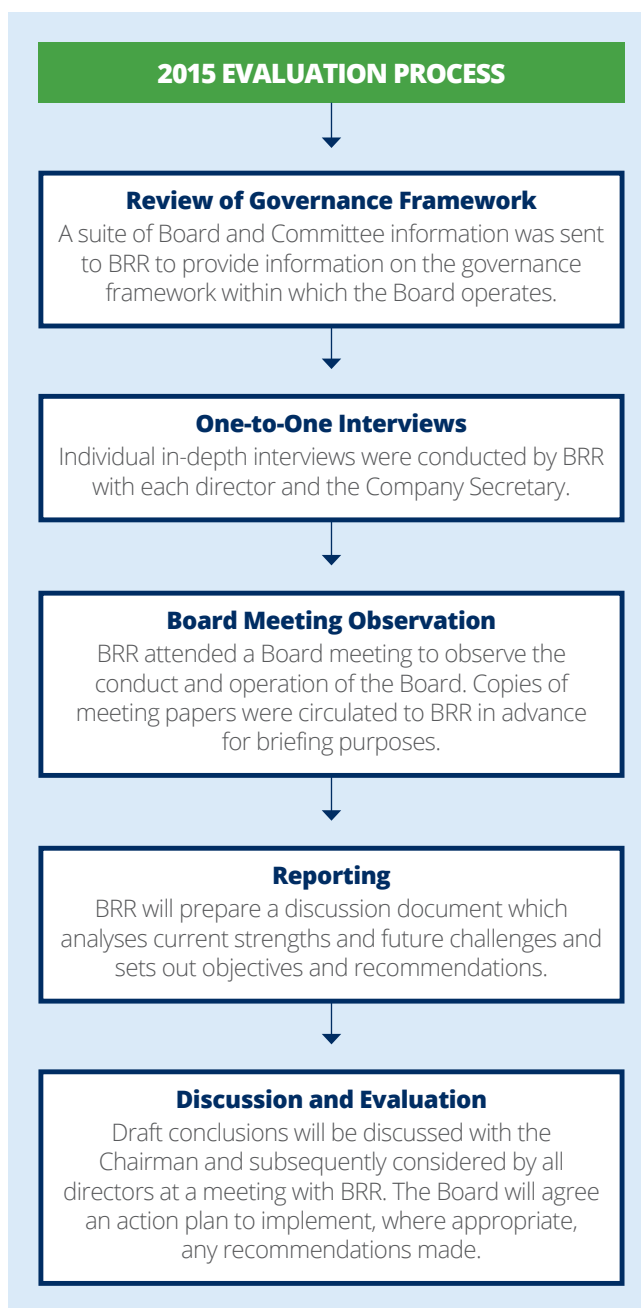
The evaluation review for 2014 was led by the Chairman and involved one-to-one discussions with each director, together with a review of the effectiveness of the Committees considered collectively by relevant Committee members. Progress against those areas for improvement identified by the 2014 review can be found in the table below.

It was agreed by the Board that the evaluation for 2015 would commence after Rob Hudson had joined as Group Finance Director at the end of September 2015 in order that his initial views on the operation of the Board could be considered. In accordance with the Code, the assessment is being facilitated by Dr. Tracy Long of Boardroom Review Ltd (BRR), who received a comprehensive brief from the Chairman, including the outturn of areas identified for improvement from the 2014 internal review. Neither Tracy nor BRR has any other connection with the Company and is considered by the Board to be independent.

The outturn of the 2015 evaluation will be considered by the Board at a separate meeting to be held in March 2016 and reported on in the 2016 Annual Report.

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. No actions were considered necessary as a result of these evaluations and the Board is of the view that the performance of all directors continues to be effective, that they continue to demonstrate commitment to their respective roles, and that their respective skills complement one another to enhance the overall operation of the Board.

Board Committee performance was also evaluated by means of a questionnaire completed by relevant Committee members and meeting attendees. The outturn of these evaluations will be considered as part of the Board performance review meeting in March 2016.



2014 Board evaluation

2014 Findings	2014 Findings	2014 Findings	2014 Findings
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.	
Progress in 2015	Six Board meetings now held annually, complemented by two site visits. Intra-Board communication between meetings co-ordinated by the Chairman.	Members of the management team attended Board meetings to facilitate discussion on issues including PR, people-strategy and the Group's environmental activities.	Board workshop held and enhancements made to internal risk reporting. External advisor engaged to facilitate business-wide improvements to risk awareness and culture.

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 trading updates, are published on the Company's website at www.stmodwen.co.uk. Meetings with principal shareholders 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 2016 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 167 to 174

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 2014/15. 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 2015, 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 98 and 99 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 63, 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.

Audit Committee Report

“The Committee continues to focus on matters important by virtue of size, complexity, level of judgement required or impact on the Financial Statements.”

IAN BULL

Chairman of the Audit Committee



Committee member	Member since	Meetings attended in year out of maximum possible	% attended in year
Ian Bull ⁽¹⁾	Sep 2014	3/3	100%
Kay Chaldecott	Dec 2012	3/3	100%
Lesley James	Oct 2009	3/3	100%
Richard Mully	Sep 2013	3/3	100%
John Salmon ⁽²⁾	Oct 2005	1/1	100%

(1) Appointed Chairman of the Committee with effect from 27th March 2015.

(2) Retired from the Board and as Chairman of the Committee on 27th March 2015.

COMMITTEE MEETING ATTENDEES (BY INVITATION)

Chairman

Bill Shannon

Group Finance Director

Mike Dunn (1st December 2015 to 31st May 2015)

Rob Hudson (from 28th September 2015)

Non-executive director

Simon Clarke

Group Financial Controller

Andy Taylor

Internal Audit Manager

David Edwards

Company Secretary and secretary to the Committee

Tanya Stote

External auditor

Representatives from Deloitte

External valuers

Representatives from Cushman & Wakefield and

Jones Lang LaSalle

External tax advisors

Representatives from PwC

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.

Key activities in 2014/15

- Considered Balance Sheet recognition of the Group's interest in New Covent Garden Market and prior year restatements.
- Examined changes to the UK Corporate Governance Code (the Code) on risk management and assessed how these would be implemented.
- Contributed towards a smooth transition following the appointment of a new Group Finance Director and on the change of Committee Chairman.

Areas of focus for 2015/16

- Competitive tender for the external auditor appointment to be commenced.
- Continuing enhancements to the Group's risk assurance framework.
- Ongoing monitoring of cyber-security and the robustness of the Group's preventative procedures.
- Independent external review of the Internal Audit function.

As Chairman of the Audit Committee I am pleased to present our report for the financial year ended 30th November 2015. The report is intended to provide meaningful insight into the Committee's activities in the year and sets out how we have performed our responsibilities in relation to financial reporting, internal control and risk management and in relation to the external auditor, Deloitte.

Following the appointments of Cushman & Wakefield, formerly DTZ, (external valuers) and PwC (tax compliance advisors) in 2014, 2015 was another key year for the Committee. A new Group Finance Director, Rob Hudson, was appointed in September 2015 and the Committee has spent time helping to ensure a smooth transition from Rob's predecessor. As Committee Chairman I have also discussed with Rob his initial priorities and look forward to working with and supporting him as he settles into his role.

We have made good progress to further reduce the level of non-audit fees payable to Deloitte, our external auditor. Amounts paid to Deloitte in the year for non-audit services represented 31% of the fees paid for audit and audit-related assurance services. The Committee has approved the continued engagement of Deloitte Real Estate for the provision of property consulting services in respect of a long-term development project, subject to a cap on fees.

The tendering of external audit arrangements has been the subject of considerable debate in recent years, both at a national and European level. Noting the requirements on audit tendering set out in the Code, the Competition and Markets Authority Order and the Department for Business, Innovation and Skills proposals to implement the EU's June 2014 Audit Directive and Regulation, the Committee has agreed that a competitive tender process be commenced during 2016 in readiness for the external audit for the year ending 30th November 2017.

In terms of risk, the Committee has agreed with management that activity should continue to focus on enhancing the risk management culture across the business, with individual ownership of risks and associated mitigating actions. This in turn should further strengthen the linkage between operational risk management and risk reporting, both internally and externally, with focus being given to those areas of highest risk.

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. In 2015 these included accounting for the funds received from M&G in relation to the student accommodation at Bay Campus, Swansea University and associated restatements, and Balance Sheet recognition in respect of the Group's interest at New Covent Garden Market. These and the other issues considered by the Committee during the year, and the actions taken to address them, are detailed within this report.

As I approach the anniversary of my appointment as Committee Chairman I would like to thank both my fellow Committee members and the management team for their continued support and commitment to ensuring effective governance through the Committee's activities. I would also like to take this opportunity to thank John Salmon for the insight, direction and focus that he provided over the years as Committee Chairman and to wish him well for the future.

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

Ian Bull

Chairman of the Audit Committee

1st February 2016

Audit Committee Report (continued)

Committee membership

All members of the Committee are independent non-executive directors, with each bringing broad financial and commercial experience at senior levels across a range of industries. 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.

In March 2015 John Salmon retired as Committee Chairman and was replaced by Ian Bull, Chief Financial Officer of Ladbrokes plc. Ian is considered to have significant, recent and relevant financial experience as required by the Code.

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

How the Committee operates

The Committee met three times during the year as part of its standard schedule of meetings. No supplementary meetings were necessary in the year. Meetings of the Committee generally take place just prior to a Board meeting to maximise the efficiency of interaction with the Board and the Committee Chairman reports to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of its work.

Representatives from the external auditor, Deloitte LLP, are invited to each meeting together with other Board members, the Group Financial Controller, the Internal Audit Manager and the Company Secretary. Representatives from both Cushman & Wakefield and Jones Lang LaSalle (JLL), the external valuers, are invited to attend meetings at which the half year and annual results are considered by the Committee. Representatives from the Group's tax compliance advisor, PwC, are invited to attend meetings as appropriate.

At least once a year, immediately following a Committee meeting, the Committee meets separately with the external audit engagement partner and with the Internal Audit Manager to give them the opportunity to discuss matters without executive management being present. The Committee Chairman also holds separate one to one meetings with the Group Finance Director, the Internal Audit Manager and with Deloitte, typically ahead of Committee meetings, in order to better understand the issues and areas of concerns and to make sure adequate time is devoted to these matters at the subsequent meeting.

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.

In late 2015 the Committee's performance was reviewed internally by way of a questionnaire which was completed by all members of the Committee, the Group's senior management and external audit engagement partner. The feedback received will be considered as part of the Board performance review meeting in March 2016.

Activities of the Committee during the year

Reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review with both management and the external auditor the integrity of the Half Year and Annual Financial Statements with particular focus on:

- the consistency of, and any changes to, accounting policies and practices;
- material areas in which significant judgements have been applied or where significant financial issues have been discussed with the external auditor;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, such as statements on viability and going concern; and
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Accounting policies and practices

The Committee received reports from management in relation to the continuing appropriateness of accounting policies applied by the Group and any changes required as a consequence of the implementation of new accounting standards.

During the year the Group was required to adopt a number of new accounting standards including IFRS 10 Consolidated Financial Statements, which replaced SIC 12 Consolidation – Special Purpose Entities in its entirety and changed the accounting treatment to be applied in respect of VSM Estates (Holdings) Ltd. Whilst this entity is jointly owned with VINCI Investments Ltd, under the funding agreement the Group obtains the majority of benefits of the entity and also retains the majority of the residual risks. This entity was previously consolidated under SIC 12, however the conditions for consolidation in IFRS 10 do not exist and, as such, the entity is now required to be accounted for using the equity method.

Following consideration and discussions with Deloitte, the Committee was satisfied that the accounting policies and related disclosure in this Annual Report was appropriate.

➔ **Accounting policies** Pages 110 to 118

Significant judgements and 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 in relation to the 2015 Financial Statements, and how these were addressed, are outlined on pages 61 and 62. The Committee discussed these with the external auditor and, where appropriate, how these were addressed by Deloitte's audit scope.

➔ **Independent Auditor's Report** Pages 100 to 105

Significant issue

Work undertaken by and conclusion of Committee

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 as well as executive variable remuneration.

Although the portfolio valuation is conducted externally by independent valuers, the nature of valuation estimates is inherently subjective and requires significant judgements and assumptions to be made by the valuers. These include market comparable yields, estimates in relation to future rental income, void periods, purchaser costs, together with remediation and other costs to complete, some of which require management input.

The Committee adopts a formal approach by which the valuation process, methodology, assumptions and outcomes are reviewed and robustly challenged. This includes separate review and scrutiny by both management and the Committee, with members of the Committee discussing the valuations both prior to and at Committee meetings in January and June. It also includes the external auditor which is assisted by its own specialist team of chartered surveyors who are familiar with the valuation approach and UK property market.

The external auditor has direct access to the Group's valuers and their remit extends to investigating and confirming that no undue influence has been exerted by management in relation to the valuations. The external auditor reviewed the valuations and process and reported its findings to the Committee.

Both Cushman & Wakefield (formerly DTZ) and JLL submit their valuation reports to the Committee as part of the half year and full year results process. Both valuers were asked to attend and present to the Committee their valuation reports and highlight any significant judgements made or disagreements between themselves and management; there were none. With the background of continued strength in the property market, the Committee discussed in detail the rationale underlying significant increases to valuations, and considered these on a case-by-case basis as appropriate.

Based on the degree of oversight and challenge applied to the valuation process, the Committee concluded that the valuation as a whole had each been conducted appropriately, independently and in accordance with the valuers' professional standards.

Valuation of inventory

The Group's inventory, comprising property held for sale, property under development commenced with a view to sale 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. For the majority of inventories held management rely on their own internal procedures for assessing the carrying value of inventory.

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.

The Committee concluded that the judgements and estimates made by management were in line with Group policy, reasonable and appropriate.

New Covent Garden Market

2015 saw the culmination of several years of development activity resulting in this project achieving unconditional status in April 2015 and being included on the Balance Sheet. The recognition comprised the Group's interest in the value of the 19 acres of surplus land as an asset and the cost of procuring the 500,000 sq ft new market facilities as a liability.

As with the rest of our portfolio, significant judgements and assumptions were made by JLL, our independent valuers of this project, in arriving at the valuation, some of which required management input.

The Committee reviewed the decision for recognition in the year, and the associated accounting treatment.

In considering the satisfaction of the requirements for unconditional contract status, and resulting Balance Sheet recognition, the Committee noted:

- documentation and approval of a section 106 agreement together with entry into statutory roads and services agreements;
- expiry of the subsequent judicial review period;
- delivery of a Deed of Grant with the US Embassy to provide a road from the Embassy on surplus Covent Garden Market Authority (CGMA) land;
- formal issue of planning consent and confirmation of acceptability from CGMA and VINCI St. Modwen; and
- independent certification that the market can be procured within CGMA's affordability limit.

The Committee also considered:

- accounting for the acquisition of the interest in land, including reviewing with both JLL and management the valuation assumptions for the 19 acres of surplus land, enabling costs and overage, and the costs of procuring the new market facilities;
- measurement of the liability to procure the new market facilities; and
- the classification of the Group's interest in the surplus land as investment property.

The Committee concluded (and Deloitte concurred) that the recognition and accounting treatment adopted was appropriate.

Audit Committee Report (continued)

Activities of the Committee during the year (continued)

Significant issue	Work undertaken by and conclusion of Committee
<p>Bay Campus, Swansea University</p> <p>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 in respect of the academic facilities at the Campus.</p> <p>The Committee also reviewed the accounting for the funds received from M&G in relation to the student accommodation at the Campus and, as part of the valuation of investment properties, considered the valuation of the Group's interests in the student accommodation facilities.</p>	<p>During the year, following receipt of the first rental income, further consideration was given to the revenue streams associated with the first two phases of student accommodation at the Bay Campus. Due to the fixed (subject only to annual RPI adjustment) nature of the Group's annual rental payments to M&G, meaning that the Group retains exposure (both positive and negative) to all variability in net rentals generated from the properties, it was concluded that the transaction was more appropriately accounted for as a finance lease arrangement, rather than as the sale of 50% of the assets.</p> <p>Consequently the 2014 results and opening Balance Sheet have been restated to reflect recognition by the Group of the following elements:</p> <ul style="list-style-type: none"> • the whole (rather than 50%) of the property interest in the student accommodation; • to account for the amounts due to M&G as a finance lease liability; • to eliminate the construction contract accounting recognised in respect of the proportion of the development work performed on these sites that was funded by M&G; and • to revalue the site during the course of construction. <p>Both the Committee and Deloitte agreed that the accounting for the project, including the revised treatment applied to the student accommodation, was appropriate.</p> <p>Details of the restatement are set out in the Accounting Policies note on pages 117 and 118.</p>
<p>Tax provisions</p> <p>As a property group, tax and its treatment is often an integral part of transactions undertaken by St. Modwen. The outcomes 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, or new tax regulation is introduced, provision is made for the best estimate of potential exposure based on the information available at the reporting date.</p>	<p>Based on reports from management, Deloitte and PwC (the Group's tax compliance advisor), the Committee considered the individual judgements made by management in respect of tax provisions and was satisfied that the resultant level of tax provisioning at both the full year and half year remained appropriate.</p> <p>Further disclosure on taxation is set out in Note 5 to the Group Financial Statements, page 128 and the Accounting Policies note on page 116.</p>

Viability and going concern

The Committee provides advice to the Board on the form and basis underlying both the going concern statement and the new, longer-term viability statement.

As both statements rely 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 also reviewed the sensitivity analysis prepared by management, including the assumptions made.

The Committee concluded that it remains appropriate for the Financial Statements to be prepared on a going concern basis and recommended the viability statement to the Board.

➔ **Going concern statement** Page 97

➔ **Viability statement** Page 37

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 Committee. This responsibility covers the Annual and Half Year Reports and Financial Statements, as well as trading updates and other financial reporting.

The Committee is satisfied and has confirmed to the Board that the 2015 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 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 Committee of reports prepared by management 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 Committee in advance of final sign-off; and
- review and approval by the external auditor.

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

External auditor

Deloitte, as the external auditor, is engaged to express an opinion on the Company's and the Group's financial statements. Their audit includes a review and test of the systems of internal control and data contained in the Financial Statements to the extent necessary to express an audit opinion on them.

Audit plan

In respect of the audit for the financial year ended 30th November 2015, Deloitte presented their audit plan (prepared in consultation with management and the Internal Audit Manager) to the Committee. The audit plan took into account key changes in the business and the impact of these on materiality, scope and risk assessment. The audit fee, which was approved by the Committee, was felt to be appropriate given the scope of work whilst not adversely affecting Deloitte's independence or objectivity.

Non-audit fees

To help safeguard Deloitte's objectivity and independence, the Committee has approved a non-audit services policy which sets out the circumstances and financial limits within which the external auditor may be permitted to provide certain non-audit services (such as tax and other services).

This policy sets a presumption that Deloitte should only be engaged for non-audit services where alternative providers do not exist or where it is cost effective or in the Group's interest for Deloitte to provide such services. It also precludes Deloitte from providing certain services such as litigation support, actuarial services or internal audit activities. Advance approval of both the Group Finance Director and the Committee Chairman is required if fees for an engagement are anticipated to exceed £25,000 or where the fee is contingent in full or in part; no such approvals were required in the year. Approval below these levels is required from the Group Finance Director and all expenditure is reviewed annually by the Committee.

Non-audit fees paid to Deloitte in the year totalled £107,000, representing 31% of the fees paid for audit and audit-related assurance services. The reduction in expenditure over prior years follows the engagement of PwC for tax compliance work from June 2014 and the conclusion of certain property consulting services provided by Drivers Jonas (now part of Deloitte Real Estate) on two long-term development projects, their involvement in which pre-dated their acquisition by Deloitte. It is anticipated that further work will be required in respect of one project, and the Committee has approved the continued engagement of Deloitte Real Estate subject to an appropriate cap on fees.

Further information on the remuneration of the external auditor can be found in note 3b to the Group Financial Statements.

Audit Committee Report (continued)

External auditor (continued)

Independence

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. In undertaking its assessment, the Committee has reviewed:

- the confirmation from Deloitte that they maintain appropriate internal safeguards in line with applicable professional standards;
- the Financial Reporting Council's May 2015 Audit Quality Inspection Report in respect of Deloitte's audit engagements and the firm's policies and procedures supporting audit quality;
- the mitigating actions taken by the Committee in seeking to safeguard Deloitte's independence status, including the operation of policies designed to regulate the appointment of former employees of the external audit firm and the extent of non-audit services provided by the external auditor;
- the tenure of the audit engagement partner (not being greater than five years); and
- the performance evaluation of Deloitte.

Taking the above review into account, the Committee concluded that Deloitte remained objective and independent in their role as external auditor.

Effectiveness

The Committee has undertaken a review of Deloitte's performance and the effectiveness of the external audit process. The review was primarily undertaken by way of an extensive questionnaire on external audit effectiveness which was completed by management and assessed by the Committee. The Committee also considered a self-assessment carried out by Deloitte on audit objectives, leadership, qualification, quality and independence, together with 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.

Tender

Deloitte was appointed in 2007 following a tender process. The current audit engagement partner, Jonathan Dodworth, was appointed for the 2011/12 financial year audit and, in line with ethical standards published by the Auditing Practices Board, can remain in post until the 2015/16 financial year audit.

In line with the various requirements on audit tendering in the Code, the Competition and Markets Authority Order and the Department for Business, Innovation and Skills proposals to implement the EU's June 2014 Audit Directive and Regulation, Deloitte is able to complete the audit for the year ending 30th November 2016. The engagement of an external auditor for the 2017 audit will need to be subject to a competitive tender process and it is intended that this will be commenced during 2016.

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 recommended to the Board that a resolution to re-appoint Deloitte to office for a further year be proposed at the 2016 AGM.

There are no contractual obligations which would restrict the Company's selection of an external auditor.

Internal audit

The Group has an internal audit function which reports to the Committee and works under the supervision of the Group Finance Director. Its key objectives are to provide independent and objective assurance that each business area implements and maintains appropriate and effective controls. An Internal Audit Charter, which is reviewed annually, governs its remit and sets out the standards against which activities are undertaken.

Internal audit is an agenda item at each Committee meeting. Reports from the Internal Audit Manager usually include updates on audit activities, progress of the Group audit plan, the results of internal audits and the status of implementation of recommendations to address any unsatisfactory areas. In 2015 internal audits were carried out across a number of areas including the Baglan Solar Park, Group-wide service charge arrangements and the Group insurance function.

On an annual basis the Committee reviews and approves the audit plan for the year and has input into ensuring that adequate resources are made available and that the necessary support is provided by the business to accomplish the agreed work programme. The Committee Chairman meets with the Internal Audit Manager regularly to discuss activities and the nature of any significant issues which may have arisen.

The effectiveness of the internal audit function is reviewed annually by the Committee, primarily by assessing performance against the Internal Audit Charter. The Committee remained satisfied that the function continued to operate effectively throughout 2015.

In the spirit of improving all audit activities, and to ensure that it remains appropriate for the future strategic direction of the Group, in 2016 the Committee will seek an independent external review to ensure the continued suitability of the Internal Audit function to the business. Initial discussions have also taken place with external providers to identify potential co-sourcing relationships for agreed audit work and these will be explored further during the coming year.

Risk management and internal control

During the year, the Committee monitored and reviewed the effectiveness of the Group's internal control systems, accounting policies and practices, standards of risk management and risk management procedures and compliance controls, as well as the Company's statements on internal controls, before they were agreed by the Board for this Annual Report.

In doing so the Committee considered:

- the Group's risk register, including significant and emerging risks, mitigating controls in place and how exposures have changed over the reporting period;
- internal audit reports on key audit areas and any significant deficiencies in the control environment;
- management reports on the systems of internal controls and risk management, including tax compliance;
- external audit reports from Deloitte which included details of their risk assessment process for the purposes of audit;
- actual and potential legal claims and litigation involving the Group;
- internal audit reports on potential fraudulent activities perpetrated against the Group;
- the effectiveness of the internal audit function; and
- the Group's approach to IT, cyber-security and whistleblowing.

 **Risk Management** Pages 36 and 37

Whistleblowing and fraud

The Group's 'whistleblowing' policy encourages employees to report, in confidence and anonymously if preferred, concerns about suspected impropriety or wrongdoing in any matters affecting the business. Reports can be made by confidential telephone reporting lines and a secure website reporting facility which are operated by an independent third party. Any matters reported are investigated by the Company Secretary and, where appropriate, reported to the Committee together with details of any corrective action taken. During the year there were no whistleblowing incidents reported.

The Group's fraud prevention policy requires employees to be alert to the possibility of the threat of fraud and to report immediately any concerns they have. The Company remains vigilant against such risk, including fraudulent payment requests, and continues to ensure the adequacy of controls and procedures to prevent such fraud. The Committee is made aware of all potential fraudulent activity.

Nomination Committee Report

“This year was again an important one for the Committee, with the primary focus on succession planning.”

BILL SHANNON

Chairman of the Nomination Committee



Committee member	Member since	Meetings attended in year out of maximum possible	% attended in year
Ian Bull	Sep 2014	7/7	100%
Kay Chaldecott	Mar 2013	7/7	100%
Lesley James	Oct 2009	7/7	100%
Richard Mully	Sep 2013	7/7	100%
John Salmon ⁽¹⁾	Mar 2013	2/2	100%
Bill Shannon	Nov 2010	7/7	100%

(1) Retired from the Board on 27th March 2015.

COMMITTEE MEETING ATTENDEES (BY INVITATION)

Chief Executive

Bill Oliver

Non-executive director

Simon Clarke

Company Secretary and secretary to the Committee

Tanya Stote

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.

Key activities in 2014/15

- Selected and recommended the appointment of Rob Hudson as Group Finance Director.
- Reviewed and recommended the re-appointment of Lesley James and Kay Chaldecott.
- Reviewed succession plans for Board members and senior management.

Areas of focus for 2015/16

- Continue to monitor Board and senior management succession.
- Ongoing assessment of Board and senior management diversity.
- Consider the re-appointments of Lesley James, Bill Shannon and Richard Mully.

Terms of reference
www.stmodwen.co.uk/about-us/corporate-governance

The Committee plays a vital role in ensuring that St. Modwen is headed by a Board which is collectively responsible for the long-term success of the Company and is best placed to operate effectively in the context of our strategic objectives.

This year was again an important one for the Committee, with the primary focus on the process for identifying potential candidates for the role of Group Finance Director. I am very pleased with the outcome of this process which resulted in the appointment of Rob Hudson, previously Group Financial Controller at British Land Company plc. We announced Rob's appointment in April 2015 and he formally took up his position on 28th September 2015.

The Committee continues to monitor non-executive director succession to identify any skills gap whilst ensuring an appropriate balance of skills and experience. In the year both Lesley James and Kay Chaldecott were re-appointed and Ian Bull replaced John Salmon as Audit Committee Chairman following John's retirement in March 2015.

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 2016, we will continue to review succession plans to ensure that arrangements are in place for the orderly and progressive refreshing of the Board and to identify individuals with potential for appointment to senior management and Board positions. Recognising the benefits that diversity can bring, we will also continue to support the Board in its commitment to strengthening female representation at both Board and senior management level.

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

1st February 2016

Committee membership

All members of the Committee are independent non-executive directors, with each bringing broad financial and commercial experience at senior levels across a range of industries. 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.

The Chairman of the Board chairs all meetings of the Committee unless they relate to the appointment of his successor; for these meetings the Senior Independent Director is invited to take the Chair.

How the Committee operates

The Committee meets on an ad hoc basis, usually immediately prior to or following a Board meeting, but on other occasions as may be needed. It met formally on seven occasions during the year, primarily to progress the appointment of a new Group Finance Director. A number of informal meetings, conference calls and discussions also took place between Committee members, search consultants and potential candidates throughout the recruitment process. The Committee Chairman reports to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of its work.

Only members of the Committee have the right to attend meetings. However an invitation to attend meetings is extended to Simon Clarke, a non-executive director, and the Chief Executive attends for all or part of meetings by invitation as and when appropriate. Tanya Stote, Company Secretary, is secretary to the Committee.

In 2015 the Committee's performance was reviewed internally by way of a questionnaire which was completed by all members of the Committee and the Chief Executive. The feedback received will be considered as part of the Board performance review meeting in March 2016.

Activities of the Committee in the year

Appointment and re-appointment of directors

The Committee leads the process for appointments to the Board and makes recommendations to the Board when suitable candidates have been identified in line with Board-approved procedures. When a vacancy arises, the Committee evaluates the balance of skills, experience, independence and knowledge on the Board before preparing a description of the role and capabilities required for that appointment. Where appropriate external recruitment consultants are engaged to assist with the search process. Appointments are made based on merit whilst having regard to the need to maintain Board diversity in all its forms.

Nomination Committee Report (continued)

Activities of the Committee in the year (continued)

Appointment of Group Finance Director

In December 2014 the Committee engaged Odgers Berndtson, a leading executive search firm, to assist with the search for a Group Finance Director to replace Michael Dunn, who stepped down from the Board on 31st May 2015. Odgers Berndtson has no other connection with the Company other than in its capacity as a search consultant.

The Committee assessed the skills and experience required to fulfil the role of Group Finance Director and a list of potential candidates, both internal and external, was drawn up. These included both men and women that occupied senior finance roles in both listed and private companies across a range of sectors. This list was reviewed by the Committee in early 2015 and a shortlist prepared. Interviews were conducted, initially involving both the Chairman and Chief Executive, with short-listed candidates meeting members of the Committee and the Group Construction Director. Psychometric assessments were also undertaken. After consideration the Committee unanimously concluded that the appointment of Rob Hudson, then Group Financial Controller at British Land Company plc, be recommended to the Board. The Board unanimously approved the recommendation and his appointment was confirmed in April 2015. Rob joined the Company on 28th September 2015.

Noting that the Company would have no Group Finance Director in post for the period from June to September 2015, the Committee agreed with the Chief Executive that Andy Taylor, the Company's Group Financial Controller, be appointed Acting Group Finance Director for the period.

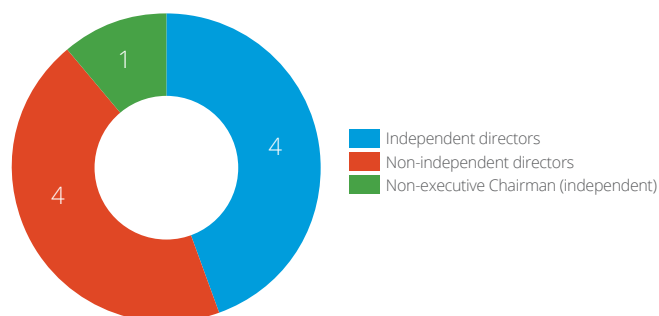
Re-appointment of non-executive directors

Independent non-executive directors, including the Chairman, are appointed by the Board for an initial three-year term and typically serve a second three-year term. Beyond this a third term of up to three years may be served subject to a particularly rigorous review and taking into account the need for progressive refreshment of the Board. Appointments are subject to satisfactory performance reviews, re-election by shareholders and statutory provisions relating to the removal of directors.

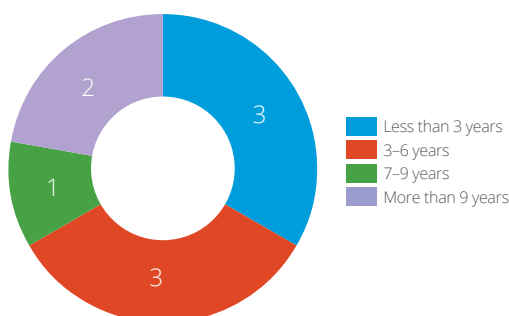
The terms of service of the Chairman and the other non-executive directors are contained in letters of appointment. These set out the time commitment expected from each non-executive director to ensure they perform their duties satisfactorily. Each non-executive director confirms that they are able to allocate the time commitment required at the time of their appointment and thereafter as part of their individual annual effectiveness review undertaken by the Chairman (or the Senior Independent Director in the case of the Chairman's review).

During the year the Committee considered the re-appointment of Lesley James and Kay Chaldecott to the Board, who had completed six and three years' service respectively. The Committee was satisfied that both Lesley and Kay remained independent and would be able to continue to dedicate sufficient time to fulfil their roles as non-executive directors of the Company. The Committee recommended, and the Board approved, the re-appointment of Kay for a second three-year term. Noting that Lesley had completed her second three-year term, and the need to ensure continued refreshing of the Board, the Board approved the Committee's recommendation that her appointment be renewed for a further year, and annually thereafter as appropriate to 2018.

Composition of the Board



Length of directors' tenures



Succession planning

John Salmon, non-executive director and Chairman of the Audit Committee, retired at the 2015 AGM. Whilst his tenure exceeded nine years, the Board was of the view that John was 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.

The Committee recommended to the Board that Ian Bull, who was appointed as a non-executive director in September 2014 and is Chief Financial Officer and main board director of Ladbrokes plc, be appointed as Committee Chairman in John's stead. His appointment took effect from 27th March 2015.

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. For more information see page 44.

Independence and re-election to the Board

Following his appointment in September 2015 Rob Hudson will retire and offer himself for election at the 2016 AGM. In accordance with the UK Corporate Governance Code all other directors will retire and offer themselves for re-election to the Board.

Each of the directors has been subject to a formal performance evaluation process and both the Committee and the Board are satisfied that all directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company. The Board therefore recommends that shareholders approve the resolutions to be proposed at the 2016 AGM relating to the election and re-election of the directors.

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 also reviewed and confirmed the independence of each non-executive director seeking re-election at the 2016 AGM.

Board diversity

All aspects of diversity, including but not limited to gender, are considered during the recruitment process at every level within the business, including appointments to the Board.

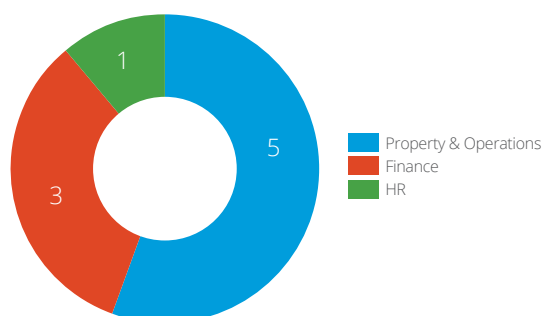
Recognising the benefits that diversity can bring, the Board seeks to recruit directors from different backgrounds with a range of experience, perspectives, personalities, skills and knowledge. Both the Committee and the Board have a fundamental obligation to ensure that appointments are of the best 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.

The Board currently comprises two female non-executive directors, Lesley James and Kay Chaldecott, who together represent 22% female Board membership. Gender diversity below Board level is set out in the Corporate Social Responsibility Report.

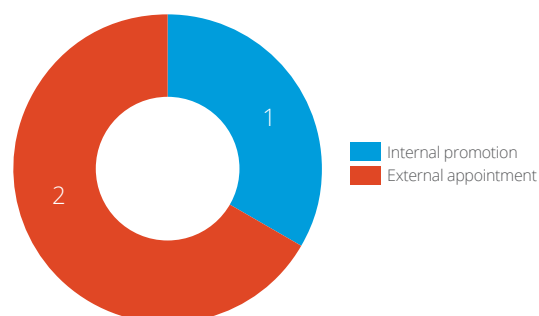
In support of its diversity policy, the Committee will only engage executive search firms who have signed up to the Enhanced Voluntary Code of Conduct which supports more female appointments to FTSE 350 boards.

[Corporate Social Responsibility Report](#) Pages 42 to 45

Directors' core areas of expertise



Executive directors' appointments



Directors' Remuneration Report

“As the focus on executive pay continues, the Committee remains mindful of the developing remuneration landscape.”

LESLEY JAMES, CBE
Chairman of the Remuneration Committee



Committee member	Member since	Meetings attended in year out of maximum possible	% attended in year
Ian Bull	Sep 2014	3/3	100%
Kay Chaldecott	Dec 2012	3/3	100%
Lesley James	Oct 2009	3/3	100%
Richard Mully	Sep 2013	3/3	100%
John Salmon ⁽¹⁾	Oct 2005	1/1	100%
Bill Shannon	Nov 2010	3/3	100%

(1) Retired from the Board on 27th March 2015.

Committee meeting attendees (by invitation)

Chief Executive

Bill Oliver

Non-executive director

Simon Clarke

Company Secretary and secretary to the Committee

Tanya Stote

Committee advisor

Representatives from New Bridge Street

Principal role

Determines 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.

Key activities in 2014/15

- Determined the application of the remuneration policy in respect of the recruitment of Rob Hudson, Group Finance Director.
- Monitored market trends in and the governance environment of remuneration arrangements.
- Commenced preparation for remuneration policy activity required ahead of the 2017 AGM.

Areas of focus for 2015/16

- Full review of remuneration policy, including proposals for replacement long-term incentive arrangements.
- Consult with major shareholder on any proposed changes to remuneration policy.



Terms of reference
www.stmodwen.co.uk/about-us/corporate-governance

Annual Statement

On behalf of the Board I am pleased to present the report on directors' remuneration for the financial year ended 30th November 2015.

This report includes an annual report on remuneration (pages 82 to 93) which describes how the remuneration policy was implemented for the year ended 30th November 2015 and how we intend for the policy to apply for the year ending 30th November 2016. This report, together with my annual statement, will be put to an advisory shareholder vote at the 2016 AGM.

To ensure clarity and to enable you to cross reference our remuneration practice against our policy, we have also republished the key elements of 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, to drive strong returns for our shareholders and to promote the long-term success of the Company. Shareholders will not therefore be asked to approve any revisions to the policy at the 2016 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. Pages 18 to 41 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 18 to 21.

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 2014/15

You will see from our financial results that the Company has had another exceptional year, delivering record profits and strong growth in net asset value. Performance highlights can be found on pages 30 to 35 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 earned for the year ended 30th November 2015 (2014: 125% of salary).

The 2013 Performance Share Plan awards are due to vest in March 2016 based on performance over the three financial years to 30th November 2015. 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 142% and absolute TSR growth of 123% over the performance period, awards will vest in full. Further information, including the Committee's consideration of the underpin conditions which must be met before it can permit awards to vest, can be found on pages 84 and 85.

Remuneration policy for 2015/16

Our policy has been developed taking full account of the UK Corporate Governance Code (the Code), the views of our major shareholders and the advice of New Bridge Street, the Committee's independent advisor on remuneration matters. The remuneration packages of our executive directors include a significant proportion of performance-related elements which are subject to demanding targets, 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 2015/16 will therefore remain largely unchanged from that applied in 2014/15.

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 2015. 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.

Directors' Remuneration Report (continued)

Annual Statement (continued)

Changes to the Board

We announced on 22nd December 2014 that Michael Dunn had agreed with St. Modwen to leave the Company. Michael subsequently stepped down from the Board on 31st May 2015 and remained on garden leave for the remainder of his notice period to 18th December 2015. During this period Michael continued to receive salary and contractual benefits and remained eligible to be awarded a bonus for the period from 1st December 2014 to 31st May 2015. Michael's unvested PSP awards will continue with performance tested at the end of the relevant performance periods and awards pro-rated to 31st May 2015. Full details of his remuneration arrangements are set out on page 87.

We are delighted that Rob Hudson has joined us as Group Finance Director on 28th September 2015. His remuneration arrangements, details of which can be found on page 87, are fully consistent with our remuneration policy. In order to secure his appointment, the Committee agreed to take into account deferred unvested incentive awards from his previous employer which Rob would have forfeited. The Committee has taken particular care in ensuring that these arrangements are appropriate in light of our policy and replicate, as closely as possible, the expected value, form and time horizons of the forfeited awards.

Looking ahead

As the focus on executive pay continues, the Committee remains mindful of the developing remuneration landscape. In 2016 we will consider our current remuneration policy against this backdrop, whilst ensuring that it remains clearly aligned to business strategy and promotes the long-term success of the Company. We will also consult with our major shareholders on the proposed scheme to replace our Performance Share Plan, which expires in 2017. Resolutions seeking shareholder approval of both the remuneration policy and new long-term incentive arrangements will be put to the AGM in 2017.

Finally, I would like to thank my fellow Committee members for their hard work and support, including John Salmon who retired from the Committee and the Board in March 2015.

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

Lesley James

Chairman of the Remuneration Committee

1st February 2016

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 2014 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.

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.

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 74 to 81. Remuneration arrangements for the financial year ending 30th November 2016 will be in line with the policy below; further information can be found on pages 90 and 91.

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

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

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

Directors' Remuneration Report (continued)

Remuneration Policy Report (continued)

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.



Base salary

Purpose	Operation	Opportunity	Performance measures
<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. 	<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. 	<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 90 for those effective 1st December 2015).</p>	<p>None, although overall performance of the individual is considered by the Committee as part of the annual review.</p>



Benefits

Purpose	Operation	Opportunity	Performance measures
<ul style="list-style-type: none"> • To provide a competitive and cost-effective benefits package. • To assist with recruitment and retention. 	<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>	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.	None



Pension

Purpose	Operation	Opportunity	Performance measures
<ul style="list-style-type: none"> • To provide competitive post-retirement benefits in a cost-effective manner. • To assist with recruitment and retention. 	<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>	15% of base salary for all executive directors.	None

Directors' Remuneration Report (continued)

Remuneration Policy Report (continued)



Annual bonus

Purpose	Operation	Opportunity	Performance measures
<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. 	<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>	<p>Maximum bonus potential of 125% of salary for all executive directors. On target performance would result in a bonus payment of 75% of salary.</p>	<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⁾ • The specific measures that will apply for the year ending 30th November 2016 are described in the annual report on remuneration on page 90.

(1) The Committee has discretion to recover some or all of the value of annual bonus if, within four years following payment, it acquires evidence to support the fact that the bonus has been overpaid due to a restatement of accounts, or there has been an error, or it is determined that the eligible executive committed an act of gross misconduct which, if known at the time, would have meant that a lower or nil bonus would have been paid. Overpayments can be recovered through clawing back the value of bonus payments direct from the executive, or by a reduction of future bonus payments or future payments under any other incentive plan.

(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.



Long-term incentives

Purpose	Operation	Opportunity	Performance measures
<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. 	<p>Awards of nil-cost options are normally made annually with vesting, in normal circumstances, dependent on the achievement of stretching performance conditions set by the Committee and measured over a three year period, and the director remaining in employment.</p> <p>The Committee has discretion to decide whether and to what extent performance conditions have been achieved and must also be satisfied that two underpin conditions are met before permitting awards to vest.⁽¹⁾</p> <p>On the exercise of vested awards, executive directors receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the date of exercise on the number of shares which have vested.</p> <p>Withholding and recovery provisions apply to all awards granted.⁽²⁾</p> <p>Other than in exceptional circumstances as determined by the Committee, no further grants under the Executive Share Option Schemes (ESOS) will be made to executive directors.</p>	<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 <p>with straight line vesting between.</p>	<p>Performance is measured over a three year period with no retesting against the following metrics:</p> <ul style="list-style-type: none"> • 50% of the award based on relative TSR performance; and • 50% of the award based on absolute TSR growth.⁽³⁾ <p>The specific measures that will apply for the year ending 30th November 2016 are described in the annual report on remuneration on page 91.</p>

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

(2) The Committee has discretion to recover some or all of the value of any awards (calculated at vesting) if, within four years following vesting, it acquires evidence to support the fact that the value of awards has been overstated due to a restatement of accounts, or there has been an error, or it is determined that the eligible executive committed an act of gross misconduct which, if known at the time, would have meant that a lower or nil award would have vested. Vested awards can be recovered through clawing back the value of awards direct from the executive, or by a reduction of future awards on vesting or future bonus payments.

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

Directors' Remuneration Report (continued)

Remuneration Policy Report (continued)



All-employee share schemes

Purpose	Operation	Opportunity	Performance measures
<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. 	<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>	<p>Maximum participation limits are set in line with HMRC guidelines in force at the time of award.</p>	<p>None</p>



Shareholding requirement

Purpose	Operation	Opportunity	Performance measures
<ul style="list-style-type: none"> To ensure alignment of interests of executive directors and shareholders. 	<p>The Company operates a shareholding requirement which is subject to periodic review.</p>	<p>Executive directors are required to build up a shareholding worth 200% of base salary within five years of appointment.</p>	<p>None</p>



Fees payable to Chairman and non-executive directors

Purpose	Operation	Opportunity	Performance measures
<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. 	<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>	<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 91 for those effective 1st December 2015).</p>	<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 six months 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 principles set out in the table below will apply to annual bonus and long-term incentive arrangements in the event of loss of office.

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.

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 (as apply to the Company's current Performance Share Plan)	<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>

Directors' Remuneration Report (continued)

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3, Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 and with the requirements of the Financial Conduct Authority's Listing Rules.

Remuneration payable (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	
	2015	2014	2015	2014	2015	2014	2015 ⁽³⁾	2014 ⁽⁴⁾	2015	2014	2015	2014 ⁽⁶⁾	2015	2014
Executive directors														
Bill Oliver	485	471	31	34	606	588	1,032	1,750	73	71	-	169	2,227	3,083
Steve Burke	320	311	11	26	400	388	681	1,155	48	47	-	67	1,460	1,994
Michael Dunn ⁽⁷⁾	146	283	6	11	182	353	462	1,051	22	42	-	-	818	1,740
Rob Hudson ⁽⁸⁾	49	-	39	-	61	-	-	-	7	-	-	-	156	-
Non-executive directors														
Bill Shannon	155	150	-	-	-	-	-	-	-	-	-	-	155	150
Ian Bull	49	10	-	-	-	-	-	-	-	-	-	-	49	10
Kay Chaldecott	42	41	-	-	-	-	-	-	-	-	-	-	42	41
Simon Clarke	42	41	-	-	-	-	-	-	-	-	-	-	42	41
Lesley James	51	50	-	-	-	-	-	-	-	-	-	-	51	50
Richard Mully	51	50	-	-	-	-	-	-	-	-	-	-	51	50
John Salmon ⁽⁹⁾	17	50	-	-	-	-	-	-	-	-	-	-	17	50
	1,407	1,457	87	71	1,249	1,329	2,175	3,956	150	160	-	236	5,068	7,209

(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. Rob Hudson is also entitled to a relocation allowance of up to 25% of base salary in respect of reasonable and appropriate costs to enable him to relocate to the Midlands following his appointment on 28th September 2015; in the year ended 30th November 2015 payments totalling £37,471 were made to Rob Hudson in connection with his relocation.

(2) Bonus payable in respect of the relevant financial year. Further information as to how the level of bonus awarded in 2015 was determined is provided on pages 83 and 84.

(3) Relates to the 2013 PSP awards which are due to vest and become exercisable on 6th March 2016. As the awards had not vested as at the date of this report, their value has been estimated using a share price of 433.7p, being the three month average to 30th November 2015, plus 12.92p 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 2015. Further information on the awards and the performance conditions to which they were subject can be found on pages 84 and 85.

(4) Relates to the 2012 PSP awards which vested and became exercisable on 17th February 2015. The share price used to value the awards was 470.00p, being the share price on the vesting date, plus 11.293p per share which is the value of the dividend equivalent deliverable in shares on vesting. The dividend equivalent is based on dividends paid to shareholders with record dates occurring between the date of grant and the date of vesting.

(5) Further details regarding pension entitlements can be found on pages 86 and 87.

(6) Values shown comprise the notional gain on the exercise of options granted under the Company's Executive Share Option Schemes and Saving Related Share Option Scheme.

(7) Stepped down from the Board on 31st May 2015. Values for 2015 reflect remuneration received as a director in the period from 1st December 2014 to 31st May 2015. Information on the payments made to Michael Dunn for the period from 1st June 2015 to 30th November 2015 can be found on page 87.

(8) Appointed to the Board on 28th September 2015. Further information on the recruitment arrangements for Rob Hudson can be found on page 87.

(9) Retired from the Board on 27th March 2015.

Annual bonus outturn (audited information)

In the financial year ended 30th November 2015 all executive directors had the opportunity to be awarded an annual bonus of up to 125% of base salary as at 1st December 2014. 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 below.

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	21% growth	Committee discretion	27% growth to 413.5p
Profit before all tax	£231.2m	Committee discretion	£258.4m
Total dividend for the year	5.5p per share	Committee discretion	5.75p per share
Gearing levels ⁽³⁾	48%	48%	48%
Covenant compliance	Full	Full	Full
Achievement against a number of strategic objectives which primarily included: <ul style="list-style-type: none"> • achieving targeted development milestones to support future profit delivery; and • progressing acquisitions to enhance the Company's land bank. 	Achievement determined by the Committee against measurable objectives set at the beginning of the year		Achieved in full as detailed in the Strategic Report
Personal (20% of salary)			
Achievement against a number of operational objectives which primarily included: <ul style="list-style-type: none"> • achieving unconditional status in respect of New Covent Garden Market and the identification of procurement options; • delivering completion of the first phase at Bay Campus, Swansea University; • initiation and development of PRS programme; • advancing the embedding of risk management across the Group; • development of longer-term resourcing arrangements in line with business needs; and • enhancing the Company's CSR activities. 	Achievement determined by the Committee against measurable objectives set at the beginning of the year		Achieved in full as detailed in the Strategic Report

(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).

(3) Defined as adjusted gearing, being the ratio of net borrowings (excluding finance leases) to net assets, and consistent with the measure set at the beginning of the year.

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 27% to 413.5p per share;
- an unprecedented increase in profit before all tax of 91% to £258.4m;
- realised property profits up by 31% to £67.4m;
- earnings per share up 82% to 97.9p;
- total dividend for the year increased by 25% to 5.75p per share;
- valuation gain of £201.7m, of which £166.0m was as a result of planning and asset management initiatives;
- significant milestones achieved across all major projects, including achieving unconditional status for the redevelopment of New Covent Garden Market in April 2015, the opening of Bay Campus at Swansea University in September 2015 and completion of the second phase of Longbridge Town Centre, including a new 150,000 sq ft flagship store for Marks & Spencer; and
- the continued recycling of capital through disposals of mature assets, such as Cranfield University Technology Park, into added-value acquisitions, such as Kirkby Town Centre.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

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 earned in the year. Consequently the award made to Michael Dunn was pro-rated in respect of the period from 1st December 2014 to 31st May 2015 when he commenced garden leave and the award made to Rob Hudson reflected his appointment to the Board on 28th September 2015.

Bonus payments made to Bill Oliver and Steve Burke were conditional upon the executive director 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. The payment made to Rob Hudson was similarly conditional, albeit he was required to undertake to invest the full bonus received, after payment of income tax and national insurance.

Long-term incentives (audited information)

Performance Share Plan (PSP)

On 9th April 2015, 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	£606	130,501	25%
Steve Burke	125% of salary	£400	86,107	25%

(1) Calculated using the average share price of 464.37p 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 2016 awards which are described on page 91. The performance period started on 1st December 2014 and will end on 30th November 2017.

Following his appointment on 28th September 2015, the following PSP award was granted as a nil cost option to Rob Hudson on 2nd October 2015:

Executive director	Basis of award	Face value of award £000 ⁽¹⁾	Number of shares	% of award that would vest for threshold performance ⁽²⁾
Rob Hudson	180% of salary	£495	119,018	25%

(1) Calculated using the average share price of 415.9p 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 award mirror those proposed for the 2016 awards which are described on page 91. The performance period started on 1st December 2014 and will end on 30th November 2017.

The three year performance period for the 2013 PSP awards ended on 30th November 2015. 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%	122.65%	50%
TSR relative to FTSE All-Share Real Estate Investment & Services Index	50% of award	Equal to Index	12.5%	120% of Index	50%	142% of Index	50%
TOTAL							100%

To ensure that the level of vesting of PSP awards accurately reflected the performance of the Company during the period, the Committee also considered whether it was satisfied that the two underpins (details of which are set out in note 1 on page 77) had been met. In respect of the dividend underpin, an interim dividend of 1.9p per share was paid on 3rd September 2015 and the Board is recommending that a final dividend for the year of 3.85p per share be paid on 1st April 2016. Furthermore, the Committee currently has no reason to believe that dividends will not be paid in respect of the 2016 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 2012 ⁽¹⁾	As at 30 th November 2015	Improvement
Profit before all tax	£52.8m	£258.4m	389%
Shareholders' equity net asset value per share	250.8p	413.5p	65%
Total dividend per share for the financial year	3.63p	5.75p	58%
Adjusted gearing	71%	48%	32%
See-through loan-to-value	41%	30%	27%

(1) Due to the negligible impact, financial information has not been restated to reflect the revised accounting treatment of VSM Estates (Holdings) Ltd under IFRS 10. See the Accounting Policies note on pages 116 and 117 of the Group Financial Statements for further information.

The Committee therefore determined that the PSP awards granted in 2013 will vest in full and become exercisable on the third anniversary of grant (6th March 2016). Further details can be found in the table below.

Executive director	Total number of shares granted	Number of shares to vest
Bill Oliver	231,077	231,077
Steve Burke	152,468	152,468
Michael Dunn	138,802	103,468 ⁽¹⁾

(1) Pro-rated to reflect the time elapsed from the date of grant to 31st May 2015 when Michael Dunn stepped down from the Board. Further information can be found on page 87.

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	Awards held on 1 st December 2014	Awards made during year	Awards vested during year	Awards exercised during year	Awards lapsed/forfeited during year	Awards held on 30 th November 2015 ⁽¹⁾	End of performance period	Exercise period
Bill Oliver	17/02/12	363,529	-	350,226	350,226 ⁽²⁾	13,303 ⁽³⁾	-	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
	09/04/15	-	130,501 ⁽⁴⁾	-	-	-	130,501	30/11/17	09/04/18 to 08/04/25
		744,747	130,501	350,226	350,226	13,303	511,719		
Steve Burke	17/02/12	239,863	-	226,560	226,560 ⁽²⁾	13,303 ⁽³⁾	-	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
	09/04/15	-	86,107 ⁽⁴⁾	-	-	-	86,107	30/11/17	09/04/18 to 08/04/25
		491,397	86,107	226,560	226,560	13,303	337,641		
Rob Hudson ⁽⁵⁾	02/10/15	-	119,018	-	-	-	119,018	30/11/17	02/10/18 to 01/10/25
Michael Dunn ⁽⁶⁾	17/02/12	218,362	-	205,059	205,059 ⁽²⁾	13,303 ⁽³⁾	-	30/11/14	17/02/15 to 16/02/22
	06/03/13	138,802	-	-	-	35,334	103,468	30/11/15	06/03/16 to 05/03/23
	05/03/14	90,186	-	-	-	52,911	37,275	30/11/16	05/03/17 to 04/03/24
		447,350	-	205,059	205,059	101,558	140,743		

(1) The performance conditions for all awards held on 30th November 2015 mirror those proposed for the 2016 awards as described on page 91.

(2) Awards exercised on 17th February 2015. 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: Bill Oliver: 8,753 shares; Steve Burke: 5,775 shares; Michael Dunn: 5,257 shares.

(3) The awards granted in 2012 comprised an approved ESOS award over 19,769 shares with an exercise price of 151.75p and a PSP award for the balance. On exercise the value delivered by the PSP awards was scaled back by the value delivered by the approved ESOS award to ensure that the total pre-tax value delivered to executive directors remained unchanged. Details of the approved ESOS awards granted in 2012 can be found in the table on page 86.

(4) The share price used to calculate the number of shares awarded, under the rules of the PSP, was 464.37p. The closing mid-market share price on the date of the award was 470p.

(5) Appointed to the Board on 28th September 2015. The share price used to calculate the number of shares awarded to Rob Hudson in the year, under the rules of the PSP, was 415.9p. The closing mid-market share price on the date of award was 417p.

(6) Stepped down from the Board on 31st May 2015 and ceased to be an employee on 18th December 2015. PSP awards granted in 2013 and 2014 have been pro-rated to reflect the time elapsed from the date of grant to 31st May 2015. Further information can be found on page 87.

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 2014	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 th November 2015	Exercise price	Exercise period
Bill Oliver	15/08/05	102,955	–	102,955 ⁽²⁾	–	–	375.22p ⁽¹⁾	15/08/08 to 14/08/15
	17/02/12 ⁽³⁾	19,769	–	19,769 ⁽²⁾	–	–	151.75p	17/02/15 to 16/02/22
		122,724	–	122,724	–	–		
Steve Burke	15/08/05	39,825	–	39,825 ⁽²⁾	–	–	375.22p ⁽¹⁾	15/08/08 to 14/08/15
	17/02/12 ⁽³⁾	19,769	–	19,769 ⁽²⁾	–	–	151.75p	17/02/15 to 16/02/22
		59,594	–	59,594	–	–		
Michael Dunn ⁽⁴⁾	17/02/12 ⁽³⁾	19,769	–	19,769 ⁽²⁾	–	–	151.75p	17/02/15 to 16/02/22

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

(2) Exercised on 17th February 2015.

(3) Granted in conjunction with the 2012 PSP awards so as to enable the executive directors to benefit from UK tax efficiencies under HMRC agreed share schemes legislation. For further information see note (3) to the table on page 85.

(4) Stepped down from the Board on 31st May 2015.

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 2014	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 th November 2015	Exercise price	Exercise period
Steve Burke	16/08/11	9,887	–	–	–	9,887	156p	01/10/16 to 31/03/17
Michael Dunn ⁽¹⁾	16/08/11	9,887	–	–	–	9,887	156p	01/10/16 to 31/03/17

(1) Stepped down from the Board on 31st May 2015 and ceased to be an employee on 18th December 2015.

The closing mid-market share price on 30th November 2015 was 432.5p and the price range during the year was 370.0p to 493.6p.

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 £	
	2015	2014	2015	2014	2015	2014
Bill Oliver	–	–	72,721	70,603	72,721	70,603
Steve Burke	39,996	42,192	7,987	4,393	47,983	46,585
Michael Dunn	18,000 ⁽¹⁾	38,136	3,841 ⁽¹⁾	4,273	21,841 ⁽¹⁾	42,409
Rob Hudson ⁽²⁾	–	–	7,344	–	7,344	–
	57,996	80,328	91,893	79,269	149,889	159,597

(1) Contributions made from 1st December 2014 to 31st May 2015 when Michael Dunn stepped down from the Board. Pension contributions paid from 1st June 2015 to 30th November 2015 are detailed on page 87.

(2) Appointed to the Board on 28th September 2015.

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.

	Age at 30 th November 2015	Accrued pension at 30 th November 2014 ⁽¹⁾ £pa	Accrued pension at 30 th November 2015 ⁽¹⁾ £pa	Increase in accrued pension during the year £pa	Increase in accrued pension during the year (excluding inflation) £pa
Executive director					
Steve Burke	56	28,006 ⁽²⁾	28,342 ⁽²⁾	336	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.

Recruitment arrangements for Rob Hudson

Rob's service contract and remuneration arrangements are consistent with the remuneration policy set out on pages 74 to 81. His base salary is £275,000 and he is eligible for an annual bonus of up to 125% of that salary. He will also be eligible for an annual award under the Company's PSP (the normal and current annual award limit is 125% of base salary). Additionally he receives a pension allowance of 15% of base salary and other benefits in line with the remuneration policy; these benefits include a relocation allowance of up to 25% of base salary in respect of reasonable and appropriate costs to enable Rob to relocate to the Midlands.

As a consequence of joining the Company, Rob was required to forfeit certain long-term incentives from his previous employer. In order to compensate him for that, the Committee agreed:

- a one-off cash payment of £414,000 in recognition of an outstanding long-term incentive award which had reached the end of the performance measurement period in March 2015 (such that the full value could be determined) but which was not due to vest until December 2015. As the vesting date fell soon after his appointment, a cash payment (rather than an award of shares) was considered fair and reasonable. The payment was made in December 2015 and was subject to the deduction of tax and national insurance contributions; and
- a PSP award over 119,018 shares in the Company granted on 2nd October 2015, representing 180% of base salary. This award was in recognition of two outstanding long-term incentive awards for which performance measurement periods would end in March 2016 and 2017. The Committee took the view that the PSP award was appropriate as it was of a lower fair value and matched the form of and would vest later than the awards forfeited. Subject to the achievement of the same performance measures and period as apply to the PSP awards granted on 9th April 2015, the award will vest on the third anniversary of grant.

Payments to past directors and for loss of office (audited information)

Further to the disclosure in last year's Directors' Remuneration Report, Michael Dunn stepped down from the Board on 31st May 2015. He remained on garden leave for the remainder of his notice period to 18th December 2015 when he ceased to be an employee of the Company.

Details of his remuneration from 1st December 2014 to 31st May 2015 can be found in the table on page 82. For the period from 1st June 2015 to 30th November 2015 Michael received £145,605 in base salary, £5,644 in benefits and £21,841 in pension contribution. He remained eligible to be awarded a bonus, subject to the achievement of performance measures, in respect of the period from 1st December 2014 to 31st May 2015; further details can be found on pages 83 and 84.

The Committee has exercised discretion under the rules of the PSP to allow unvested awards to continue subject to time pro-rating and performance assessment. Awards have been pro-rated to reflect the time elapsed from the date of grant to 31st May 2015; details can be found on pages 84 and 85. 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 1 on page 77) 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 is exercisable to the extent of accumulated savings (plus any applicable interest) in the six months following 18th December 2015.

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.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

Statement of directors' shareholding and share interests (audited information)

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

	As at 30 th November 2015					As at 1 st December 2014				
	Ordinary shares	PSP awards vested but unexercised	PSP awards not yet vested	ESOS awards	SAYE awards	Ordinary shares	PSP awards vested but unexercised	PSP awards not yet vested	ESOS awards ⁽¹⁾	SAYE awards
Executive directors										
Bill Oliver	879,625	-	511,719	-	-	854,625	-	744,747	102,955	-
Steve Burke	500,258	-	337,641	-	9,887	480,489	-	491,397	39,825	9,887
Michael Dunn	247,861 ⁽²⁾	-	140,743 ⁽²⁾	-	9,887 ⁽²⁾	222,861	-	447,350	-	9,887
Rob Hudson	-	-	119,018	-	-	-(3)	-(3)	-(3)	-(3)	-(3)
Non-executive directors										
Bill Shannon	75,000	-	-	-	-	75,000	-	-	-	-
Ian Bull	15,000	-	-	-	-	15,000	-	-	-	-
Kay Chaldecott	10,000	-	-	-	-	10,000	-	-	-	-
Simon Clarke	3,112,657	-	-	-	-	3,112,657	-	-	-	-
Lesley James	20,000	-	-	-	-	20,000	-	-	-	-
Richard Mully	20,000	-	-	-	-	20,000	-	-	-	-
John Salmon	30,000 ⁽⁴⁾	-	-	-	-	30,000	-	-	-	-

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

(2) On stepping down from the Board on 31st May 2015.

(3) On appointment to the Board on 28th September 2015.

(4) On retirement from the Board on 27th March 2015.

There were no changes in these shareholdings or interests between 30th November 2015 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. Both Bill Oliver and Steve Burke have met and exceeded the shareholding requirement; Rob Hudson has until 28th September 2020 to do so.

Executive director	Ordinary shares held as at 30 th November 2015	Shareholding requirement as % of base salary	Shareholding at 30 th November 2015 as % of base salary ⁽¹⁾
Bill Oliver	879,625	200%	785%
Steve Burke	500,528	200%	676%
Rob Hudson	-	200%	0%

(1) Based on the closing mid-market share price on 30th November 2015 of 432.5p and salary as at 30th November 2015.

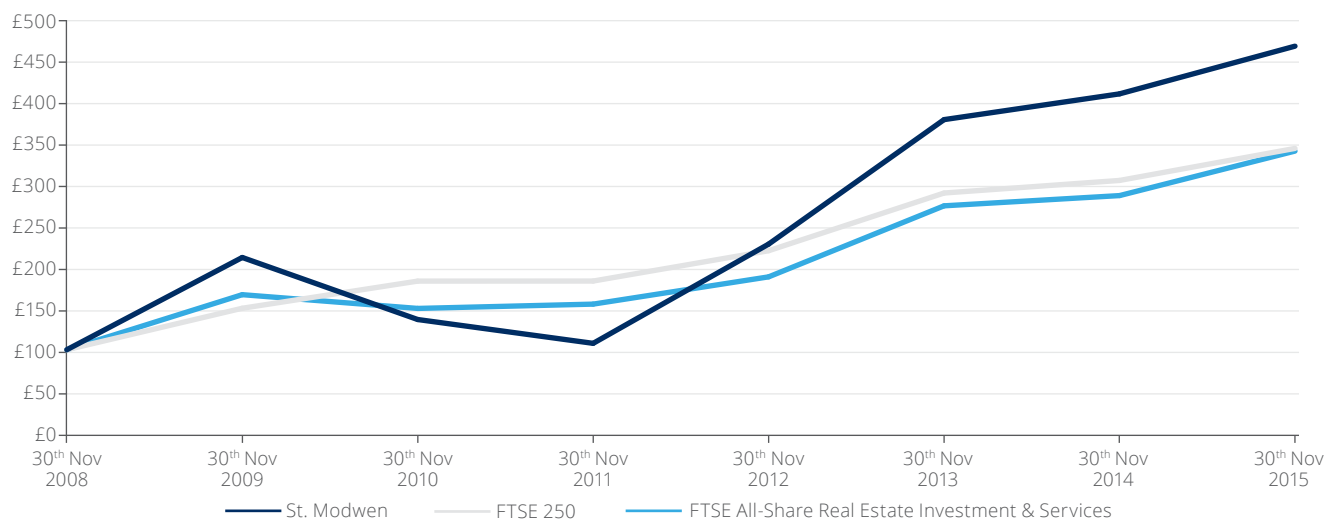
The Committee has noted investor sentiment and the provisions of the Code in respect of holding periods following the vesting or exercise of long-term incentive awards. Given the substantial shareholding requirement set out above, the element of compulsory investment in shares of the annual bonus arrangements and robust incentive withholding and recovery provisions, the Committee does not currently feel that such holding periods are necessary for the Company's PSP arrangements. However, detailed consideration will be given to this area in 2016 in respect of both future long-term incentive design and remuneration policy provisions, both of which will be put to shareholders for approval at the 2017 AGM.

External appointments

Michael Dunn is a non-executive director of Metropolitan Housing Trust. He received and retained fees of £5,417 for the period from 1st December 2014 to 31st May 2015 when he ceased to be a director of the Company.

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 seven 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 seven year period to 30th November 2015. Since the Company was a constituent of both the FTSE 250 and the FTSE All-Share Real Estate Investment & Services Indices during the year, these are considered to be appropriate benchmarks for the graph.

Chief Executive remuneration for year ended

30th November	2009	2010	2011	2012	2013	2014	2015
Total remuneration (£000) ⁽¹⁾	876	902	1,049	1,672	2,419	3,083	2,227
Annual bonus awarded (as a % of maximum opportunity)	50.00 ⁽²⁾	80.00	95.00	90.00	95.00	100.00	100.00
PSP vesting (as a % of maximum opportunity)	0.00	0.00	0.00	45.77 ⁽³⁾	100.00	100.00	100.00

(1) Total remuneration includes those elements shown in the single total figure of remuneration table on page 82.

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

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

Change in remuneration of Chief Executive compared to employees

The table below shows the percentage change in salary, benefits and annual bonus between the years ended 30th November 2015 and 30th November 2014 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 ⁽²⁾	3.0
All permanent employees	3.0 ⁽¹⁾	0.0 ⁽³⁾	11.4 ⁽⁴⁾

(1) General cost of living increase for permanent employees. Including adjustments for promotions and recognition of exceptional performance, the weighted average increase in salary was 4.6%.

(2) The year on year decrease in benefits shown in the single total figure of remuneration table on page 82 reflects a reduction in taxable benefit arising following a change of company car.

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

(4) Weighted average increase.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

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 Group Financial Statements for the last two financial years. Information in respect of profit and net asset value performance has been provided for context.

Measure	Relevant note to the Group Financial Statements	Year ended 30 th November 2014	Year ended 30 th November 2015	% Increase
Total spend on pay	3c	£17.4m	£21.8m	25%
Profit before all tax	2a	£135.4m	£258.4m	91%
Dividends paid	7	£9.1m	£11.1m	22%
Equity attributable to owners of the Company	2f	£718.1m	£914.7m	27%

Implementation of remuneration policy for 2015/16

Base salary

In line with the general cost of living salary increase awarded to the Company's permanent employees, Bill Oliver and Steve Burke received an annual salary increase of 3% with effect from 1st December 2015. In light of his length of service the Committee determined that it was not appropriate to apply an increase to the salary payable to Rob Hudson.

Executive director	Base salary as at 30 th November 2015	Base salary with effect from 1 st December 2015	% Increase
Bill Oliver	£484,807	£499,351	3.0%
Steve Burke	£319,885	£329,481	3.0%
Rob Hudson ⁽¹⁾	£275,000	£275,000	0.0%

(1) Appointed to the Board on 28th September 2015.

Benefits and pension arrangements

Benefits and pension arrangements for the financial year ending 30th November 2016 will be consistent with the respective policies detailed on page 75.

Annual bonus

The annual bonus arrangements for the financial year ending 30th November 2016 will operate on the same basis as for 2014/15 and will be consistent with the annual bonus policy detailed on page 76 (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 2016 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 2014/15, PSP awards granted to executive directors in the financial year ending 30th November 2016 will be over shares worth 125% of salary and will be consistent with the long-term incentives policy detailed on page 77 (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 2016; these targets are set out in the table below and will be measured over the three financial years ending on 30th November 2018.

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 provided by New Bridge Street to ensure that performance is independently verified.

Chairman and non-executive director fees

Following a review by the Board, the annual fees payable to the Chairman and non-executive directors have been increased in line with the cost of living salary increase awarded to the Company's employees with effect from 1st December 2015.

	Fee as at 30 th November 2015	Fee with effect from 1 st December 2015	% Increase
Base fee			
Chairman	£154,500	£159,135	3.0%
Non-executive directors	£42,436	£43,709	3.0%
Additional fees			
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
Executive directors			
Bill Oliver	24 th January 2000	7 th January 2016	N/A
Steve Burke	30 th November 2006	18 th January 2016	N/A
Rob Hudson	28 th September 2015	20 th April 2015	N/A
Non-executive directors			
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 2018
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 2016
Richard Mully	1 st September 2013	16 th July 2013	31 st August 2016

(1) Appointed Chairman on 22nd March 2011.

Directors' Remuneration Report (continued)

Annual Report on Remuneration (continued)

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 2015 was as follows:

Type of scheme	Limit	Actual
All schemes	10%	3.24%
Executive schemes only	5%	2.99%

During the year a total of 500,000 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 2015 the Trust held a total of 690,274 shares in the Company (2014: 460,427 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.

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 2015 ⁽¹⁾	
Lesley James	Chairman	3/3
Ian Bull	Member	3/3
Kay Chaldecott	Member	3/3
Richard Mully	Member	3/3
John Salmon	Member ⁽²⁾	1/1
Bill Shannon	Member	3/3

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

(2) Until retirement from the Board on 27th March 2015.

Remuneration Committee attendees (by invitation)

Bill Oliver	Chief Executive
Simon Clarke	Non-executive director
Tanya Stote	Company Secretary and secretary to the Committee
Representatives from New Bridge Street	Remuneration Committee advisor

Advice provided to the Committee

New Bridge Street (NBS), a trading name of Aon Hewitt Ltd (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 2014/15 NBS provided specific advice to the Committee on remuneration arrangements relating to the departure of Michael Dunn and the appointment of Rob Hudson, the application of withholding and recovery provisions and TSR monitoring services. Fees are charged on a cost incurred basis and totalled £50,500 in the year ended 30th November 2015.

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.

Activities of the Committee

The Committee met on three occasions in the financial year ended 30th November 2015 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 2015/16 annual bonus arrangements for executive directors and undertake an assessment of performance against targets for 2014/15;
- to approve the outturn of PSP awards granted in 2012;
- to approve share awards granted in 2015 together with associated performance criteria;
- to approve the application of withholding and recovery provisions to the rules of both the PSP and annual bonus arrangements in line with Code requirements;
- to determine the application of the remuneration policy for the recruitment of Rob Hudson;
- to consider investor feedback on the Company's remuneration policy and the report on directors' remuneration for the 2014 Annual Report;
- to review market trends and the governance environment in respect of remuneration arrangements;
- to formulate actions required to enable shareholder approval of the Company's proposed remuneration policy and revised long-term incentive arrangements to be sought in 2017;
- to review 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 27th March 2015 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)	165,897,466	98.54%	2,458,130	1.46%	168,355,596	387,682

(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.

This report on remuneration has been approved by the Board and signed on its behalf by

Lesley James

Chairman of the Remuneration Committee

1st February 2016

Directors' Report

The directors present their report for the year ended 30th November 2015.

As permitted by legislation, some of the matters historically included in this report have instead been included in the Strategic Report on pages 1 to 45 as the Board considers them to be of strategic importance. Specifically these relate to the Company's business model and strategy, future business developments and risk management. The corporate governance statement as required by the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) is set out on pages 46 to 93 and is incorporated into this report by reference.

Annual General Meeting

The AGM of the Company will be held at 12.00 noon on Wednesday, 23rd March 2016 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 167 to 174.

Dividend

An interim dividend of 1.9p per ordinary share (2014: 1.463p) was paid on 3rd September 2015.

The directors recommend a final dividend of 3.85p per ordinary share in respect of the year ended 30th November 2015 (2014: 3.137p), making a total dividend for the year of 5.75p per share (2014: 4.6p), payable on 1st April 2016 to shareholders on the register on 4th March 2016.

Other than as referred to under the heading 'Share capital' below, during the year there were no arrangements under which a shareholder has waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends.

Share capital

Capital structure

The Company has a single class of share capital which is divided into ordinary shares of 10p each, all ranking *pari passu*. Each share carries the right to one vote at general meetings of the Company.

At 30th November 2015 there were 221,876,988 ordinary shares in issue and fully paid. Further details relating to share capital, including movements during the year, are set out in note (K) to the Company Financial Statements.

Share allotments

During the year, and in accordance with the authority granted by shareholders at the 2015 AGM, 500,000 ordinary shares were allotted at par value to the Company's Employee Share Trust to enable it to satisfy the vesting and exercise of awards of ordinary shares made under the Company's share-based incentive arrangements.

Purchase by the Company of its own shares

At the 2015 AGM, shareholders renewed the Company's authority to make market purchases of up to 22,137,698 ordinary shares, representing 10% of the issued share capital at that time. No shares were repurchased during the year and the Company does not hold any shares in treasury.

This standard authority will expire at the 2016 AGM and a resolution to renew it will be proposed.

Employee Share Trust (Trust)

As at 30th November 2015, the Trust held 690,274 shares (2014: 460,427 shares), representing 0.31% (2014: 0.21%) of the Company's issued share capital. The Trust deed contains a dividend waiver provision in respect of shares held by the Trust, such that dividends are waived with the exception of a hundredth of a penny per share. 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.

Further details regarding the Trust and of shares issued pursuant to the Company's share-based incentive arrangements are set out in note (K) to the Company Financial Statements.

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 report, 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 2016 AGM are set out in the notice of meeting on pages 167 to 174.

Restrictions on the transfer of shares

As at 30th November 2015 and the date of this report, except as referred to below:

- there were no restrictions on the transfer of ordinary shares in the Company;
- there were no limitations on the holding of ordinary shares;
- there were no requirements to obtain the approval of the Company, or of other holders of ordinary shares in the Company, for a transfer of shares; and
- no person held shares in the Company carrying any special rights with regard to control of the Company.

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 (Articles), 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 (Act).

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.

Interests in voting rights

Information provided to the Company pursuant to the FCA's Disclosure and Transparency Rules (DTR 5) is published on a Regulatory Information Service and on the Company's website. As at 30th November 2015, the following information had been received in accordance with DTR 5 from holders of notifiable interests in the Company's issued share capital.

The information provided below was correct at the date of notification; however the date the notification received may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. Notification of any change is not required until the next notifiable threshold is crossed.

Shareholder	Nature of holding	Total voting rights	% of total voting rights
The late Lady Clarke and connected parties (including Simon Clarke)	Direct interest	18,575,196	8.43%
J.D. Leavesley and connected parties	Direct interest	13,447,099	6.07%
Aviva plc	Direct interest	8,889,142	4.02%
	Indirect interest	5,582,987	2.52%
	Total	14,472,129	6.54%
BlackRock, Inc.	Indirect interest	11,075,661	5.03%
Royal London Asset Management Ltd	Direct interest	11,186,531	5.04%
TR Property Investment Trust plc	Direct interest	6,802,638	3.40%

No changes in interests in the voting rights of the Company's issued share capital have been notified to the Company in accordance with DTR 5 between 30th November 2015 and 1st February 2016.

Directors

The Board

The following served as directors during the year ended 30th November 2015:

- Ian Bull
- Steve Burke
- Kay Chaldecott
- Simon Clarke
- Michael Dunn (stepped down from the Board on 31st May 2015)
- Rob Hudson (appointed on 28th September 2015)
- Lesley James
- Richard Mully
- Bill Oliver
- John Salmon (retired on 27th March 2015)
- Bill Shannon

The biographical details of all the directors serving at 30th November 2015, including details of their relevant experience and other significant commitments, are shown on pages 48 and 49.

The Directors' Remuneration Report, which includes details of directors' service contracts and their interests in the Company's shares, is set out on pages 70 to 93. 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.

Appointment and replacement of directors

The appointment and replacement of directors is governed by the Articles, the UK Corporate Governance Code (Code), the Act and related legislation. Under the Articles:

- the number of directors is not subject to any maximum but must not be less than three, unless otherwise determined by the Company in general meeting;
- directors may be appointed by an ordinary resolution of the Company or by resolution of the directors, either to fill a casual vacancy or as an additional director; and
- a director appointed by the directors must retire at the next AGM and is not taken into account in determining the directors who are to retire by rotation at the meeting.

The Articles require that at least one third of the Board must retire by rotation at each AGM. Notwithstanding these provisions, the Board has agreed that all directors will seek re-election at each AGM in accordance with the Code. At the 2016 AGM Robert Hudson, who was appointed by the directors in September 2015, will retire and be offering himself for election; all other directors will be offering themselves for re-election.

Directors' Report (continued)

Directors (continued)

A director may be removed by a special resolution of the Company. In addition, a director must automatically cease to be a director if he or she:

- resigns from his or her office by notice in writing to the Company or, in the case of an executive director, the appointment is terminated or expires and the directors resolve that his or her office be vacated;
- becomes bankrupt or makes any arrangement or composition with his or her creditors generally;
- is suffering from a mental disorder;
- is absent from meetings of the directors for more than six consecutive months without permission of the directors and the directors resolve that his or her office be vacated; or
- becomes prohibited by law from acting as a director.

Powers of the directors

The Board of Directors may exercise all the powers of the Company, subject to the Articles, UK legislation including the Act and any directions given by the Company in general meeting.

The directors have been authorised by the Articles 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 94.

Conflicts of interest

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.

Under the Act, directors have a statutory duty to avoid conflicts of interest with the Company. As permitted by the Act, the Articles enable non-conflicted directors to authorise actual or potential conflicts of interest, either with or without limits or conditions. Formal procedures for the notification and authorisation of such conflicts are in place. Any potential conflicts of interest in relation to newly appointed directors are considered by the Board prior to appointment. All directors have a continuing duty to update any changes to conflicts.

Indemnities and insurance

The Company has granted indemnities to each of its directors and the Company Secretary to the extent permitted by law in respect of costs of defending claims against them and third party liabilities. These provisions, deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Act, were in force during the year ended 30th November 2015 and remain in force as at the date of this report.

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.

The Company also maintains directors' and officers' liability insurance which gives appropriate cover for any legal action taken against its directors.

Articles of Association

The Articles can only be amended, or new Articles adopted, by a special resolution at a general meeting of the Company.

A resolution to adopt new Articles will be put to shareholders at the 2016 AGM; further information can be found in the notice of meeting on pages 167 to 174.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. These include committed bank facilities, which would be terminable at the bank's discretion, and the Company's retail and convertible bonds, holders of which would have an option to require the Company to redeem the bonds.

The Company's share-based incentive arrangements contain provisions that take effect in the event of a change of control but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant scheme.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs specifically as a result of a takeover bid.

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.

Employee involvement

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. Regular 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 and support employee share ownership.

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

The disclosures required by law relating to the Group's greenhouse gas emissions (GHG) are set out in the table below. GHG from those sources for which the Company is deemed to be directly responsible are monitored for reporting purposes, namely gas and electricity purchased for consumption at properties under the Company's operational control (such as Head Office, certain regional offices, St. Modwen Homes' sales offices and vacant space), and petrol and diesel used in Company cars.

Political donations

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

Going concern

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

The review included an assessment of future funding requirements based on cash flow forecasts extending for 18 months from the date of signing the Financial Statements, valuation projections and the ability of the Group to meet covenants on existing borrowing facilities. The directors were satisfied that the forecasts and projections were based on realistic assumptions and that the sensitivities applied in reviewing downside scenarios were appropriate.

As described in the Financial Review on pages 30 to 35, there are no corporate or joint venture facilities that require renewal before 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.

GHG	2015 intensity ratio			2014 intensity ratio ⁽³⁾		
	CO ₂ emissions (tonnes)	tCO ₂ emissions/ full-time employees ⁽¹⁾	tCO ₂ emissions/£m property portfolio ⁽²⁾	CO ₂ emissions (tonnes)	tCO ₂ emissions/ full-time employees ⁽¹⁾	tCO ₂ emissions/ £m property portfolio ⁽²⁾
Scope 1:						
Total purchased gas	433			222		
Petrol and diesel	586			542		
Total Scope 1	1,019	3.3	0.5	764	2.7	0.6
Scope 2:						
Total purchased electricity	1,529			937		
Total Scope 2	1,529	4.9	0.7	937	3.3	0.7
Total Scope 1 & 2	2,548	8.2	1.2	1,701	6.0	1.3

(1) Equivalent CO₂ emissions per full-time employee.

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

(3) Due to the negligible impact, information has not been restated to reflect the revised accounting treatment of VSM Estates (Holdings) Ltd under IFRS 10. See the Accounting Policies note on pages 116 and 117 of the Group Financial Statements for further information.

Methodology

Emissions from gas and electricity consumption have been calculated using the main requirements of the GHG Protocol Standard (revised edition) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014. The measurement of emissions from Company cars is based 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). DEFRA's 2013 conversion factors have also been used within the reporting methodology.

Organisation boundary and responsibility

The Company does not have responsibility for GHG that are beyond the boundary of the Company's operational control. As such, gas and electricity purchased and consumed by tenants is not included within the Scope 1 and 2 data above. Data also excludes the purchase for and consumption by those sites which fall within the Persimmon joint venture as Persimmon controls the procurement of utilities to these sites. GHG for all other joint ventures has been included as the Company is deemed to be wholly responsible for such GHG.

Directors' Report (continued)

Disclosure required by Listing Rule 9.8.4R

The information required to be disclosed by LR 9.8.4R of the FCA's Listing Rules can be found on the following pages of this Annual Report:

Section	Topic	Page reference
(1)	Interest capitalised	N/A
(2)	Publication of unaudited information	N/A
(4)	Details of long-term incentive schemes established specifically to recruit or retain a director	N/A
(5) & (6)	Waiver of emoluments by a director	N/A
(7) & (8)	Non-pre-emptive issues of equity for cash	144
(9)	Parent company participation in placing by a listed subsidiary	N/A
(10)	Contracts of significance	N/A
(11)	Provision of services by a controlling shareholder	N/A
(12) & (13)	Shareholder waiver of dividends	94
(14)	Agreements with controlling shareholders	N/A

Important events since 30th November 2015

There have been no important events affecting the Company or any subsidiary since 30th November 2015.

Auditor

Resolutions to re-appoint Deloitte LLP as auditor of the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the 2016 AGM.

Management report

The Strategic Report and the Directors' Report together comprise the 'management report' for the purposes of the FCA's Disclosure and Transparency Rules (DTR 4.1.8R).

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 the Group and of their profit or loss 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 Act. 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 48 and 49, 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 management report (which comprises the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; 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 Act.

The Directors' Report, prepared in accordance with the requirements of the Act and the FCA's Listing and Disclosure and Transparency Rules and comprising pages 94 to 99, was approved by the Board and signed on its behalf by

Tanya Stote

Company Secretary

1st February 2016

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 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

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

Separate opinion in relation to IFRSs as issued by the IASB

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

In our opinion the Group Financial Statements comply with IFRSs as issued by the IASB.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the Directors' Report and the directors' statement on the longer-term viability of the Group contained within Risk Management.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 36 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 38 to 41 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement on page 97 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial Statements; and
- the directors' explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. In 2015, as part of the 'one-off property transactions' risk we have also considered the risk around the correct accounting for the material prior period error, as disclosed in the Accounting Policies note to the Group Financial Statements. Last year our auditor's report included covenant compliance and liquidity disclosure risk, which is not separately included in our report this year, since the Group's headroom has significantly grown over the years with significantly improved trading results, and reduced gearing.

Risk	How the scope of our audit responded to the risk
<p>Valuation of investment property</p> <p>Valuation of investment property is an area of judgement which could materially affect the Financial Statements. The Group's investment property portfolio, as detailed in note 8, together with the Group's share of joint ventures and associates is held at fair value. The Group's accounting policy is described on page 111 and further details of investment properties in note 2c. The directors employ external valuers to assist in determining the fair value, who 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, occupancy rates, lease incentives, break clauses, lease lengths and purchaser costs.</p>	<p>We met with the third-party valuers, appointed by the directors, and assessed the competence, capabilities and objectivity of those external valuers.</p> <p>We selected a sample of investment properties (based on value, absolute and percentage movement, and some random properties). For this sample, we assessed and challenged the reasonableness of the significant judgements and assumptions applied in the valuation model. We assessed the completeness and accuracy of the data provided by St. Modwen to the valuers for the purposes of their valuation exercise.</p> <p>With the assistance of expert members of our audit team who are chartered surveyors, we reviewed the significant assumptions in the valuation process, tested a sample of properties by benchmarking against external appropriate property indices, understood the valuation methodology and the wider market analysis. We reviewed the information provided by the valuers both in the meeting and contained in the detailed valuation reports; and we undertook our own research into the relevant markets to evaluate the reasonableness of the valuation inputs and the resulting fair values.</p>
<p>Valuation of inventories</p> <p>The Group's accounting policy on inventory is disclosed on page 112 and further details of inventory in note 12. The Group's inventory balance of £183.7m (2014: £201.0m) includes assets for resale (those being actively marketed) and properties being developed with a view to sale.</p> <p>The Group has continued to use its own internal appraisal monitoring process during the year to assess the net realisable value (NRV) of those properties held within inventories through the preparation of appraisals for each site which calculate forecast revenues and costs.</p> <p>The risk here is that the NRV could be overstated by using inappropriate forecast revenue and forecast cost to complete.</p> <p>Moreover, management appraisals also include a number of judgements, assumptions and estimates regarding future costs and revenues. Given the quantum of the inventories balance recorded by the Group in its Financial Statements, a misstatement in this balance could have a material impact on the Financial Statements as a whole. At 30th November 2015, a limited proportion of inventory included on the Balance Sheet (mainly income generating inventory) is valued externally – this involves significant judgements as demonstrated under valuation of investment property.</p> <p>The risk also involves proper classification and valuation of inventory items transferred to and from investment properties on a change in use of the property.</p>	<p>We identified the various components of the Group's inventories and we sampled the balance of £183.7m and challenged management's appraisal documentation for a representative sample of £145m. We have challenged 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 challenged the key assumptions within the appraisals to supporting evidence through test of the management forecasts and valuation reports. Where a site has been appraised by management over a period of time, we have also sought to understand the changes to assumptions over time. In addition we have also:</p> <ul style="list-style-type: none"> • reviewed a sample of marketed sites and post year-end sales prices to assess whether any inventory held is marketed below its valuation; • challenged the lack of NRV write-downs identified in the current period and challenged whether evidence exists to reverse NRV write-downs recorded in prior periods through review of documentation supporting the status of the project and management's plans; and • for a representative sample of income generating sites valued by the external valuers we assessed valuation yields used in appraisals for developments against yields used on the investment property portfolio in line with the work set out above on valuation of investment properties. Our real estate experts assisted us in this review. <p>For a representative sample we tested properties which have been transferred from investment property to inventories and from inventories to investment property during the year based on the documents, supporting management's plans for future use of the property, both to assess whether those transfers met the IFRS transfer criteria, and also that the properties transferred to inventories are properly valued.</p>

Independent auditor's report to the members of St. Modwen Properties PLC (continued)

One-off property transactions

The Group has restated the way that it accounts for its Swansea student accommodation development.

Previously the Group position focused on the provision of construction services to an M&G fund and treated the contract as a development agreement with M&G. During the current year, on revisiting the underlying judgements and facts behind the development, it became clear that the Group continues to retain the risks and rewards of owning the entire property, with M&G receiving a fixed (subject only to RPI) return. In its 2015 Financial Statements the Group has restated its 2014 comparatives in respect of this as is disclosed on pages 116 and 117, resulting in the reversal of £5.4m of development profits recognised in the year ended 30th November 2014 and £2.1m recognised in the year ended 30th November 2013; recognition of a finance lease obligation of £22.6m as at 30th November 2014; the recognition of an asset of £22.7m, for the proportion of the property that had previously been derecognised and reflected as development expenditure on behalf of M&G. This has been classified as an investment property. Investment property revaluation gain of £8.4m was recognised in the year ended 30th November 2014.

In addition, property acquisitions and disposals can be significant and complex transactions for the Group's results in a given period. The most significant added value movement in the year was the recognition of the New Covent Garden Market (NCGM) site in Nine Elms, London, for the regeneration of the 57 acre site, which achieved unconditional planning status in April 2015. The Group recognised the interest in land as investment property when the contract became unconditional, with a liability recorded at initial recognition reflecting the obligation that was taken on in exchange for the land. We have identified it as a significant risk area for our annual audit, considering the risks around contractual terms, initial classification, initial measurement and subsequent valuation of property (the model for which uses many assumptions and inputs), initial measurement of the liability, as well as alternative accounting treatments. The NCGM value as at 30th November 2015 was £440m, which was held in a joint venture as investment property. The results of the joint venture were accounted for by the Group under equity method.

We have analysed management's accounting judgement paper on the Swansea student accommodation development accounting, which summarised the facts and background of the transaction, as well as previous accounting treatment, possible alternative treatments and the reasons for a restatement. We have audited management's calculation of the correction, through review of the supporting contracts, challenging the details of the calculation and resulting disclosures made in the Financial Statements. We also audited other property transactions on a representative sample basis to confirm there were no similar arrangements, which might have resulted in similar prior period errors.

We assessed the NCGM transaction and evaluated the accounting treatment adopted by management on initial recognition and on revaluation to fair value, as well as available alternative treatments. We involved our real estate experts to review and challenge valuation assumptions used by the external valuer in their valuation. In our testing we:

- assessed the competence, capabilities and objectivity of the external valuers;
- reviewed the contractual conditions and ensured they were satisfied to render the NCGM contract unconditional;
- assessed whether the interest in land under the contract meets the definition of investment property under IFRS, and when they should be recognised;
- tested the value of the initial recognition of the liability arising from the contract becoming unconditional including challenge of the key assumptions in the model;
- reviewed the asset valuation methodology applied by the Group's external valuers as well as assumptions used;
- challenged the key assumptions in the model used in initial recognition of the liability arising from the contract becoming unconditional;
- reviewed management's plans as part of the going concern analysis to ensure no contradictory evidence exists as to the classification of the property interests as investment property on the grounds of uncertain future use; and
- held a meeting attended by senior members of our core engagement team, our real estate experts, who are also chartered surveyors, and the external valuers of the Group. During this meeting, the valuation basis and assumptions used were challenged by our experts and the audit team. Our experts also reviewed sensitivity analysis around the key assumptions used by the external valuers in the valuation of the NCGM property to illustrate how the property value responds to changes in those assumptions.

Accounting for taxation

As set out in the Group's use of estimates and judgements on pages 115 to 116, tax planning is often an integral part of transactions as the Group is a property group. Further details of provision are disclosed in note 5. 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.

Revenue recognition

We have defined this risk for the Group as arising from revenue recognition from development income under IAS 11 'Construction Contracts' and IFRIC Interpretation 15 – Agreements for the Construction of Real Estate. This is due primarily to the fact that judgement is required as to whether revenue can be recognised on a contract basis. Judgement is also exercised in determining the costs to complete for each site and the stage of completion at the Balance Sheet date.

We tested a representative sample of revenue recognised under IAS 11 during the year to ensure the Group policy is in line with the standards. We assessed whether the stage of completion at the Balance Sheet date was reasonable by vouching the assessment of stage of completion to independent certification where possible or to management's best estimate and contractual terms, recalculating any profit recognised and through our audit of inventories assessing the costs to complete for reasonableness.

The significant risk in relation to revenue recognition also arises from rental income and property disposal transactions occurring near the period-end being recognised in the wrong period.

The Group's accounting policy on revenue is disclosed on pages 113 to 114 and further revenue details in note 1.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 61 and 62.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 £9.0m (2014: £7.0m), which is approximately 1% of equity (2014: 1% of equity). We consider the Group's equity to be the most appropriate benchmark for materiality, which is one of the main areas of interest for the investors in property companies.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.18m, (2014: £0.14m) 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 the Group audit team are not auditors amount to 0.54% (2014: 0.23%) of the Group's assets, 0.74% (2014: 0.06%) of Group revenue and 0.69% (2014: 0.03%) of the Group's profit before tax, as such, there are 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.

Independent auditor's report to the members of St. Modwen Properties PLC (continued)

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.

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 certain 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). 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

1st February 2016

Financial Statements

Group Income Statementfor the year ended 30th November 2015

	Notes	2015 £m	2014 restated £m
Revenue	1	287.5	266.5
Net rental income	1	32.8	31.2
Development profits	1	51.7	42.3
Gains on disposals of investments/investment properties	1	11.7	5.2
Investment property revaluation gains	8	73.9	63.9
Release of negative goodwill to income	19	-	2.1
Other net income	1	4.2	3.6
Profits of joint ventures and associates (post-tax)	10	106.8	27.1
Administrative expenses	3	(26.1)	(22.7)
Profit before interest and tax		255.0	152.7
Finance costs	4	(25.2)	(26.2)
Finance income	4	5.4	5.3
Profit before tax		235.2	131.8
Taxation	5a	(17.9)	(11.8)
Profit for the year		217.3	120.0
Attributable to:			
Owners of the Company		216.4	118.6
Non-controlling interests		0.9	1.4
		217.3	120.0
		pence	pence
Basic earnings per share	6	97.9	53.8
Diluted earnings per share	6	90.4	49.9

Group Statement of Comprehensive Incomefor the year ended 30th November 2015

	Notes	2015 £m	2014 restated £m
Profit for the year		217.3	120.0
Items that will not be reclassified to profit and loss:			
Pension fund actuarial losses	18	(0.1)	-
Deferred tax thereon	18	-	-
Total comprehensive income for the year		217.2	120.0
Attributable to:			
Owners of the Company		216.3	118.6
Non-controlling interests		0.9	1.4
Total comprehensive income for the year		217.2	120.0

Group Balance Sheet

as at 30th November 2015

	Notes	30 th November 2015 £m	30 th November 2014 restated £m	1 st December 2013 restated £m
Non-current assets				
Investment properties	8	1,081.0	856.8	744.6
Operating property, plant and equipment	9	4.2	7.0	6.6
Investments in joint ventures and associates	10	227.3	127.2	120.1
Trade and other receivables	11	6.1	6.0	7.0
		1,318.6	997.0	878.3
Current assets				
Inventories	12	183.7	201.0	199.7
Trade and other receivables	11	104.7	63.9	52.1
Derivative financial instruments	16	0.8	1.9	-
Cash and cash equivalents		4.8	3.2	3.2
		294.0	270.0	255.0
Current liabilities				
Trade and other payables	13	(146.6)	(148.6)	(144.6)
Derivative financial instruments	16	(8.0)	(8.7)	(12.8)
Borrowings and finance lease obligations	14	(0.4)	(0.1)	(62.5)
Current tax	5	(11.1)	(7.3)	(3.6)
		(166.1)	(164.7)	(223.5)
Non-current liabilities				
Trade and other payables	13	(3.1)	(3.5)	(9.1)
Borrowings and finance lease obligations	14	(506.5)	(363.1)	(275.6)
Deferred tax	5	(15.4)	(11.7)	(8.5)
		(525.0)	(378.3)	(293.2)
Net assets		921.5	724.0	616.6
Capital and reserves				
Share capital	17	22.2	22.1	22.0
Share premium account		102.8	102.8	102.8
Retained earnings		739.3	544.0	439.3
Share incentive reserve		5.2	4.8	2.1
Own shares		(1.0)	(1.8)	(0.3)
Other reserves		46.2	46.2	46.2
Equity attributable to owners of the Company		914.7	718.1	612.1
Non-controlling interests		6.8	5.9	4.5
Total equity		921.5	724.0	616.6

These Financial Statements were approved by the Board and authorised for issue on 1st February 2016.

Bill Oliver

Chief Executive

Company Number: 349201

Rob Hudson

Group Finance Director

Financial Statements

Group Statement of Changes in Equityfor the two years ended 30th November 2015

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 30 th November 2013 (as reported)	22.0	102.8	441.4	2.1	(0.3)	46.2	614.2	12.8	627.0
Prior year adjustment	-	-	(2.1)	-	-	-	(2.1)	(8.3)	(10.4)
Equity at 30 th November 2013 (restated)	22.0	102.8	439.3	2.1	(0.3)	46.2	612.1	4.5	616.6
Profit for the year attributable to shareholders (restated)	-	-	118.6	-	-	-	118.6	1.4	120.0
Pension fund actuarial losses (note 18)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year (restated)	-	-	118.6	-	-	-	118.6	1.4	120.0
Equity issue	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)
Equity at 30th November 2014 (restated)	22.1	102.8	544.0	4.8	(1.8)	46.2	718.1	5.9	724.0
Profit for the year attributable to shareholders	-	-	216.4	-	-	-	216.4	0.9	217.3
Pension fund actuarial losses (note 18)	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total comprehensive income for the year	-	-	216.3	-	-	-	216.3	0.9	217.2
Equity issue	0.1	-	-	-	(0.1)	-	-	-	-
Share-based payments	-	-	(8.6)	0.4	-	-	(8.2)	-	(8.2)
Share transfers	-	-	(0.9)	-	0.9	-	-	-	-
Adjustment arising from change in non-controlling interest	-	-	(0.4)	-	-	-	(0.4)	-	(0.4)
Dividends paid	-	-	(11.1)	-	-	-	(11.1)	-	(11.1)
Equity at 30th November 2015	22.2	102.8	739.3	5.2	(1.0)	46.2	914.7	6.8	921.5

Own shares represent the cost of 690,274 (2014: 460,427) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30th November 2015 was £2,985,435 (2014: £1,763,435).

Group Cash Flow Statement

for the year ended 30th November 2015

	Notes	2015 £m	2014 restated £m
Operating activities			
Profit before interest and tax		255.0	152.7
Gains on disposal of investments/investment properties		(11.7)	(5.2)
Share of profits of joint ventures and associates (post-tax)	10	(106.8)	(27.1)
Investment property revaluation gains	8	(73.9)	(63.9)
Release of negative goodwill to income	19	-	(2.1)
Depreciation	9	0.8	0.5
Impairment losses on inventories	12	1.4	0.1
(Increase)/decrease in inventories		(49.0)	10.1
Increase in trade and other receivables		(29.0)	(0.2)
Decrease in trade and other payables		(8.3)	(0.3)
Pensions		-	(0.1)
Share options and share awards		(7.8)	(3.4)
Tax paid	5c	(9.4)	(5.0)
Net cash (outflow)/inflow from operating activities		(38.7)	56.1
Investing activities			
Proceeds from investment property disposals		84.4	31.4
Investment property additions		(160.5)	(97.8)
Acquisition of subsidiary undertaking	19	(0.2)	(0.8)
Property, plant and equipment additions	9	(0.6)	(1.0)
Dividends received from joint ventures		6.7	20.0
Net cash outflow from investing activities		(70.2)	(48.2)
Financing activities			
Dividends paid	7	(11.1)	(9.1)
Interest paid		(18.0)	(23.9)
Amounts advanced under finance lease arrangements		32.5	22.6
New borrowings drawn		190.9	115.0
Repayment of borrowings		(83.8)	(112.5)
Net cash inflow/(outflow) from financing activities		110.5	(7.9)
Increase in cash and cash equivalents		1.6	-
Cash and cash equivalents at start of year		3.2	3.2
Cash and cash equivalents at end of year		4.8	3.2
Cash		4.8	3.2
Bank overdrafts		-	-
Cash and cash equivalents at end of year		4.8	3.2

Accounting policies

for the year ended 30th November 2015

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 2015, 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.

In the current year the Group has adopted:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 (amendment) 'Financial instruments: Presentation' (assets and liability offsetting)
- IAS 36 (amendment) 'Impairment of Assets'
- IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'
- Amendments to IFRS 10, IFRS 11, IFRS 12 (transition guidance)

The Group undertook an assessment of the treatment of its subsidiaries, joint ventures and interests in other entities prior to the adoption of IFRS 10, 11 and 12. Other than as detailed below in prior year restatements for IFRS 10, it was concluded that no changes in relation to the presentation of these interests was required.

IFRS 10 replaces those parts of IAS 27 that relate to consolidated financial statements and SIC 12 in its entirety. It outlines the requirements for the preparation of consolidated financial statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

The Company's functional currency (together with that of all of its subsidiaries) and the presentation currency for the Group is pounds sterling and its principal IFRS 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 exposure, or rights, to variable returns, the power to direct the relevant activities of the investee and the ability to use its power over the investee to affect the returns. This is achieved through direct or indirect ownership of voting rights or by contractual agreement. A list of the entities controlled is given in note (F) to the Company's Financial Statements.

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 arrangements

Arrangements under which the Group has contractually agreed to share control with another party or parties are assessed to determine whether they represent joint ventures or joint operations. Joint arrangements are classified as joint ventures where the parties have rights to the net assets of the arrangement. Should the parties have rights to assets and obligations for liabilities relating to the arrangement they would instead be classified as joint operations. Currently, all arrangements where the Group has contractually agreed to share control have been determined to be joint ventures.

The Group recognises its interests in joint ventures using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Income Statement reflects the Group's share of the joint venture's 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 joint venture 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 arrangements, 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 to the former owners and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and is adjusted to reflect 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 (adjusted to reflect the fair value of any pre-existing equity interest in the subsidiary) and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the acquired subsidiary and the measurement of all amounts has been reviewed, the difference is recognised directly in the Income Statement as a release of negative goodwill to income.

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, together with land options where the land is for an 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 year.

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.

Accounting policies (continued)

for the year ended 30th November 2015

Properties (continued)

Inventories

Inventories principally comprise properties held for sale, properties under construction and land under option with a view to future sale. 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. Inventory is transferred to investment properties only when the asset meets the definition of an investment property and there has been a change in use evidenced by commencement of an operating lease.

Due to the scale of the Group's developments, the Group has to allocate site-wide development costs between properties on the site. Such site-wide costs are allocated to properties based on the forecast value of each individual unit as a proportion of the aggregate forecast value of the individual units on the site. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

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.

Interests in leasehold investment properties are accounted for as finance leases with the value of guaranteed minimum rents inherent within the carrying value of the property and the liability reflected within long-term liabilities. On payment of a guaranteed rent, initially the majority of such costs is charged to the Income Statement as interest payable, with the balance reducing 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, adjusted for the impact of any cash incentives given to the lessee and to reflect any rent-free incentive periods, is recognised in the Income Statement on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period of the lease.

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 or other comprehensive income if it relates to items that are credited or charged to equity or other comprehensive income. 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 on the earlier of:

- the date on which the plan amendment or curtailment occurs; or
- when the Company recognises related restructuring costs or termination benefits.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised in the Income Statement as finance cost.

Actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) 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 the fair value of plan assets out of which the obligations are to be settled directly.

When a pension asset (net surplus) arises from the above calculation, it is limited to the present value of any economic benefits that will be available to the Company 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 as a deduction from 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 (including the fair value of any residential properties received in part-exchange), excluding discounts, rebates, VAT and other sales taxes or duty. Where required, revenue is allocated between components in a multi-element transaction (e.g. where there is simultaneously a sale of land and a construction contract with the purchaser of the land) based on their respective fair values of the components.

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.

Construction contracts

Revenue arising from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below). An appropriate proportion of revenue from construction contracts is recognised by reference to the stage of completion of contract activity.

Rental income

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

Management and performance fees

Where the Group is solely providing development management services (without being responsible for the performance of the underlying construction), management fees receivable are recognised over time as the service is performed in the period to which they relate. Performance fees are recognised when the Group has substantially fulfilled its obligations in respect of the transaction and hence the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Group.

Accounting policies (continued)

for the year ended 30th November 2015

Revenue recognition (continued)

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 to the extent that it is probable that they will result in revenue.

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's equity-settled share-based payments are measured at fair value at the date of grant using an appropriate option pricing model. The fair value at the date of grant (or at date of reclassification from cash settled to equity settled) is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

Fair value hierarchy

Assets and 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.)

Financial instruments

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits with banks with initial maturity less than three months.

Trade and other payables

Trade and other payables are recorded at amortised cost. Where payment is on deferred terms the liability is 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 re-measured 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 IAS 32 Financial Instruments: Presentation. The Group's convertible bonds have been designated as at fair value through profit and loss.

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 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 as confirmed in the Directors' Report it is considered appropriate to prepare the Financial Statements for the year ended 30th November 2015 on a going concern basis.

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. Professional judgement is applied in determining such things as an appropriate yield for a given property and estimated rental values.

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 for both revenue and costs were based on information available at, and pertaining to, 30th November 2015. 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, some of which involve costs which will be settled only gradually over a number of years and the application of discounting, may impact the carrying values of investment properties and/or inventories and/or the quantum of liabilities recognised.

Complex transactions

Certain property transactions entered into by the Group involve an element of complexity and the need to exercise judgement to determine the most appropriate accounting policy. Such transactions include the accounting for the acquisition of land at New Covent Garden Market together with the associated obligation to procure the new market for the Covent Garden Market Authority and the accounting for the first two phases of student accommodation at the Bay Campus development for Swansea University.

Accounting policies (continued)

for the year ended 30th November 2015

Use of estimates and judgements (continued)

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.

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.

Standards and interpretations 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):

- Annual Improvements to IFRSs 2010 – 2012 cycle
- Annual Improvements to IFRSs 2011 – 2013 cycle
- IAS 16 (amended) 'Property, Plant and Equipment'
- IAS 19 (amended) 'Employee Benefits'
- IAS 27 (amended) 'Separate Financial Statements'
- IAS 38 (amended) 'Intangible Assets'
- IFRS 9 Financial Instruments
- IFRS 10 (amended) 'Consolidated Financial Statements'
- IFRS 11 (amended) 'Joint Arrangements'
- IFRS 14 'Regulatory Deferral Accounts'
- Annual Improvements to IFRSs 2012 – 2014 cycle
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'

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.

IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group's year ending 31st March 2019. The Group has not yet completed its evaluation of the effect of the adoption.

IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 – the standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group has not yet completed its evaluation of the effect of the adoption.

Prior year restatements

VSM Estates (Holdings) Ltd

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. In prior years, this entity was consolidated in line with SIC 12 'Consolidation – Special Purpose Entities'. However the conditions for consolidation set out in IFRS 10 do not exist and accordingly, the entity is now required to be accounted for using the equity method.

Under the equity method, the interest is carried in the Balance Sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Income Statement reflects the Group's share of the results after interest and tax.

The adoption of IFRS 10 requires the restatement of the comparative financial information for the two years ended 30th November 2014.

IFRS 11 replaced IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non-monetary Contributions by Venturers'. It defines two types of joint arrangement (joint operations and joint ventures) and specifies the accounting for each arrangement. Joint operations must be accounted for by including the owner's share of the assets, liabilities, income and expenses on a line by line basis. Joint ventures are equity accounted in accordance with IAS 28 (revised).

VSM Estates (Holdings) Ltd is 50% owned by St. Modwen Properties PLC and is accounted for as a joint venture under IFRS 11.

Swansea University

During the year, further consideration was given to the revenue streams associated with the first two phases of student accommodation at the Bay Campus development for Swansea University. Due to the fixed (subject only to annual RPI adjustment) nature of the Group's annual rental payments to M&G, the Group retains exposure (both positive and negative) to all variability in net rentals generated from the properties, it has been concluded that the transaction is more appropriately accounted for as a finance lease arrangement, rather than as the sale of 50% of the assets. Consequently, we have restated our 2014 results to reflect recognition by the Group of the following elements:

- the whole (rather than 50%) of the property interest in the student accommodation;
- to account for the amounts due to M&G as a finance lease liability;
- to eliminate the construction contract accounting recognised in respect of the proportion of the development work performed on these sites that was funded by M&G; and
- to revalue the site during the course of construction.

The impact on previously reported financial information for the year ended 30th November 2014 and the opening Balance Sheet as at 1st December 2013 is as follows:

Income statement

	Year ended 30 th November 2014 £m
Decrease in development profits	(5.4)
Decrease in gains on disposals of investments/investment properties	(4.0)
Decrease in investment property revaluation gains	(11.9)
Increase/(decrease) in profits of joint ventures and associates (post tax)	13.5
Decrease in administrative expenses	0.2
Decrease in profit before interest and tax	(7.6)
Decrease in finance costs	1.7
Decrease in profit before tax	(5.9)
Decrease in tax charge	3.8
Decrease in profit for the year	(2.1)
Equity attributable to owners of the Company	2.4
Non-controlling interests	(4.5)
	(2.1)
	Year ended 30 th November 2014 £m
Lease accounting adjustments (Swansea)	2.4
IFRS 10 adjustments (VSM Estates)	(4.5)
	(2.1)

Basic and diluted earnings per share for the year ended 30th November 2014 each increased by 1.1p as a result of the prior year restatements above.

Financial Statements

Accounting policies (continued)for the year ended 30th November 2015**Prior year restatements (continued)****Assets, liabilities and equity**

	As at 30 th November 2014				As at 1 st December 2013			
	Previously reported £m	IFRS 10 adjustments £m	Lease accounting adjustments £m	Total restated £m	Previously reported £m	IFRS 10 adjustments £m	Lease accounting adjustments £m	Total restated £m
Investment properties	903.3	(69.2)	22.7	856.8	813.3	(68.7)	–	744.6
Operating property, plant and equipment	7.0	–	–	7.0	6.6	–	–	6.6
Investments in joint ventures and associates	88.9	38.3	–	127.2	95.3	24.8	–	120.1
Non-current trade and other receivables	14.5	(8.5)	–	6.0	17.6	(10.6)	–	7.0
Inventories	201.0	–	–	201.0	205.9	(6.2)	–	199.7
Current trade and other receivables	80.2	(16.3)	–	63.9	59.7	(7.6)	–	52.1
Derivative financial instruments	1.9	–	–	1.9	–	–	–	–
Cash and cash equivalents	6.5	(3.3)	–	3.2	7.4	(4.2)	–	3.2
Current trade and other payables	(163.7)	18.2	(3.1)	(148.6)	(157.4)	14.9	(2.1)	(144.6)
Derivative financial instruments	(8.7)	–	–	(8.7)	(12.8)	–	–	(12.8)
Current borrowings and finance lease obligations	–	–	(0.1)	(0.1)	(62.5)	–	–	(62.5)
Tax payables	(9.3)	2.6	(0.6)	(7.3)	(3.4)	(0.2)	–	(3.6)
Non-current trade and other payables	(28.5)	21.1	3.9	(3.5)	(46.2)	37.1	–	(9.1)
Non-current borrowings and finance lease obligations	(340.6)	–	(22.5)	(363.1)	(285.6)	10.0	–	(275.6)
Deferred tax	(16.0)	4.3	–	(11.7)	(10.9)	2.4	–	(8.5)
Total effect on net assets	736.5	(12.8)	0.3	724.0	627.0	(8.3)	(2.1)	616.6
Equity attributable to owners of the Company	717.8	–	0.3	718.1	614.2	–	(2.1)	612.1
Non-controlling interests	18.7	(12.8)	–	5.9	12.8	(8.3)	–	4.5
Total effect on equity	736.5	(12.8)	0.3	724.0	627.0	(8.3)	(2.1)	616.6

The impact on cash flows for the two years ended 30th November 2013 and 30th November 2014 from these adjustments is to change the movement on the cash and cash equivalents for those years as follows.

	Previously reported £m	IFRS 10 adjustments £m	Total restated £m
30 th November 2013	(1.5)	(4.2)	(5.7)
30 th November 2014	(0.9)	0.9	–

The impact on other, previously reported non-statutory financial information is shown in note 2.

Notes to the Group Financial Statements

for the year ended 30th November 2015

1. Segmental information

IFRS 8 – Operating Segments, requires the identification of the Group's operating segments, defined as being discrete components of the Group's operations whose results are regularly reviewed by the Chief Operating Decision Maker (being the Chief Executive) to allocate resources to those segments and to assess their performance. The Group divides its business into the following segments:

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

Revenue	2015			2014 restated		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Rental Income	41.2	–	41.2	39.2	–	39.2
Development	98.4	140.5	238.9	104.2	116.7	220.9
Other Income	7.4	–	7.4	6.4	–	6.4
Total revenue	147.0	140.5	287.5	149.8	116.7	266.5

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

The Group's total revenue for 2015 was £300.8m (2014: £276.5m) and in addition to the amounts above included service charge income of £9.4m (2014: £7.8m), for which there was an equivalent expense and interest income of £3.9m (2014: £2.2m).

Profit before tax	2015			2014 restated		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Net rental income	32.8	–	32.8	31.2	–	31.2
Development profits	22.6	29.1	51.7	17.9	24.4	42.3
Gains on disposal of investments/ investment properties	11.7	–	11.7	5.2	–	5.2
Investment property revaluation gains	73.9	–	73.9	63.9	–	63.9
Negative goodwill attributable to property assets ⁽¹⁾	–	–	–	2.6	–	2.6
Other net income	4.2	–	4.2	3.6	–	3.6
Profits of joint ventures and associates ⁽²⁾	125.6	–	125.6	28.8	–	28.8
Administrative expenses	(20.9)	(5.2)	(26.1)	(17.7)	(5.0)	(22.7)
Finance costs ⁽³⁾	(15.1)	(2.0)	(17.1)	(15.5)	(2.4)	(17.9)
Finance income ⁽⁴⁾	3.9	–	3.9	2.2	–	2.2
Attributable profit	238.7	21.9	260.6	122.2	17.0	139.2
Negative goodwill attributable to tax ⁽¹⁾			–			(0.5)
Other losses of joint ventures and associates ⁽²⁾			(18.8)			(1.7)
Other finance costs ⁽³⁾			(8.1)			(8.3)
Other finance income ⁽⁴⁾			1.5			3.1
Profit before tax			235.2			131.8

(1) Negative goodwill has been split between amounts relating to property revaluations arising as a result of fair value adjustments of £nil (2014: £2.6m) and deferred tax thereon of £nil (2014: £0.5m).

(2) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees, other non-cash items and tax of £18.8m (2014: £1.7m). 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 £8.1m (2014: £8.3m). These amounts are reclassified to other finance costs.

(4) Stated before mark-to-market of derivatives and other non-cash items of £1.5m (2014: £3.1m). These items are reclassified to other finance income.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

1. Segmental information (continued)

Other net income of £4.2m (2014: £3.6m) comprises revenue of £7.4m (2014: £6.4m) less associated costs of £3.2m (2014: £2.8m).

Cost of sales in respect of rental income comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and total £8.4m (2014: £8.0m), of which £0.6m (2014: £0.3m) is in respect of properties that did not generate any rental income.

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

	2015 £m	2014 restated £m
Revenue	87.7	87.6
Cost of sales	(75.2)	(62.0)
Gross profit	12.5	25.6

Amounts recoverable on contracts as disclosed in note 11 comprise £23.5m (2014: £5.3m) of contract revenue recognised and £7.8m (2014: £0.7m) of retentions. Contracts in progress at 30th November 2015 include the aggregate amount of costs incurred of £134.3m (2014: £127.9m), recognised profits less recognised losses to date of £35.5m (2014: £44.2m) and advances received of £27.4m (2014: £85.3m).

There were no amounts due to customers (2014: £nil) included in trade and other payables in respect of contracts in progress at the Balance Sheet date.

	Portfolio £m	2015 Residential development £m	Total £m	Portfolio £m	2014 restated Residential development £m	Total £m
Net assets						
Investment property	1,081.0	-	1,081.0	856.8	-	856.8
Inventories	84.2	99.5	183.7	90.0	111.0	201.0
Investments in joint ventures and associates	227.3	-	227.3	127.2	-	127.2
Attributable assets	1,392.5	99.5	1,492.0	1,074.0	111.0	1,185.0
Operating property plant and equipment			4.2			7.0
Trade and other receivables			110.8			69.9
Cash and cash equivalents			4.8			3.2
Trade and other payables			(149.7)			(152.1)
Derivative financial instruments			(7.2)			(6.8)
Borrowings and finance lease obligations			(506.9)			(363.2)
Tax payables			(11.1)			(7.3)
Deferred tax			(15.4)			(11.7)
Net assets			921.5			724.0

2. Non-statutory information

a. Trading profit and profit before all tax

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

	2015			2014 restated		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Net rental income	32.8	5.9	38.7	31.2	5.9	37.1
Development profit ⁽¹⁾	53.1	-	53.1	42.4	-	42.4
Gains on disposal of investments/ investment properties	11.7	2.6	14.3	5.2	3.7	8.9
Other income	4.2	-	4.2	3.6	-	3.6
Administrative expenses	(26.1)	(0.4)	(26.5)	(22.7)	(0.5)	(23.2)
Finance costs ⁽²⁾	(17.1)	(8.3)	(25.4)	(17.9)	(7.4)	(25.3)
Finance income ⁽³⁾	3.9	1.0	4.9	2.2	-	2.2
Trading profit	62.5	0.8	63.3	44.0	1.7	45.7
Investment property revaluation gains ⁽¹⁾	72.5	129.2	201.7	66.4	27.1	93.5
Other net finance costs ⁽²⁾	(8.1)	(0.6)	(8.7)	(8.3)	(0.1)	(8.4)
Other finance income ⁽³⁾	1.5	0.6	2.1	3.1	1.5	4.6
Profit before all tax	128.4	130.0	258.4	105.2	30.2	135.4
Taxation ⁽⁴⁾	(17.9)	(23.2)	(41.1)	(12.3)	(3.1)	(15.4)
Profit for the year	110.5	106.8	217.3	92.9	27.1	120.0

(1) Stated before the deduction of net realisable value provisions of: Group £1.4m (2014: £0.1m); Joint ventures and associates £nil (2014: £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 £nil (2014: £2.6m).

(2) Stated before mark-to-market of derivatives, amortisation loan arrangement fees and other non-cash items of: Group £8.1m (2014: £8.3m); Joint ventures and associates £0.6m (2014: £0.1m). These items are reclassified to other finance costs.

(3) Stated before mark-to-market of derivatives and other non-cash items of: Group £1.5m (2014: £3.1m); Joint ventures and associates £0.6m (2014: £1.5m). 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 £nil (2014: £0.5m).

b. Property valuations

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

	2015			2014 restated		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Property revaluation gains	73.9	129.2	203.1	63.9	27.1	91.0
Release of negative goodwill to income	-	-	-	2.6	-	2.6
Net realisable value provisions	(1.4)	-	(1.4)	(0.1)	-	(0.1)
Property valuation gains	72.5	129.2	201.7	66.4	27.1	93.5
Added value	37.7	128.3	166.0	22.5	13.4	35.9
Market movements	34.8	0.9	35.7	43.9	13.7	57.6
Property valuation gains	72.5	129.2	201.7	66.4	27.1	93.5

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.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

2. Non-statutory information (continued)

c. Property portfolio

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

	2015			2014 restated		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Investment properties	1,081.0	416.8	1,497.8	903.3	148.0	1,051.3
Less assets held under finance leases not subject to revaluation	(3.9)	(1.2)	(5.1)	(3.9)	(1.2)	(5.1)
Add back lease incentives (recorded in receivables)	11.9	1.4	13.3	5.5	1.1	6.6
Inventories	183.7	1.9	185.6	201.0	5.4	206.4
Less non-property assets within inventory	-	-	-	(0.7)	-	(0.7)
Property portfolio as previously reported	1,272.7	418.9	1,691.6	1,105.2	153.3	1,258.5
Lease accounting additional investment properties	-	-	-	22.7	-	22.7
IFRS 10 investment properties adjustments	-	-	-	(69.2)	52.0	(17.2)
Property portfolio as restated	1,272.7	418.9	1,691.6	1,058.7	205.3	1,264.0

As at 30th November 2015 the Group had assets of £633.2m (2014: £461.7m) included within the Group property portfolio (excluding joint ventures and associates) which were wholly owned, unencumbered and able to be pledged as security for Group debt facilities.

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

	2015 £m	2014 restated £m
Industrial	275.6	248.1
Retail	337.5	220.0
Residential	106.3	33.0
Offices	48.1	61.0
Income producing	767.5	562.1
Residential land – New Covent Garden Market	220.0	2.6
Residential land – other	552.3	553.4
Total residential land	772.3	556.0
Commercial land	151.8	145.9
Property portfolio	1,691.6	1,264.0

d. Movement in net debt

Movement in net debt is set out below:

	2015 £m	2014 restated £m
Change in cash and cash equivalent	1.6	-
Borrowings drawn	(195.0)	(115.0)
Repayment of borrowings	83.8	112.5
Fair value movements on convertible bonds	4.1	-
Increase in net borrowings	(105.5)	(2.5)
Fair value movements on convertible bonds	(4.1)	-
Finance leases	(32.5)	(22.6)
Increase in net debt	(142.1)	(25.1)

e. Trading cash flow

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

	2015			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	37.0	-	-	37.0
Property disposals	180.5	84.4	-	264.9
Property acquisitions	-	(57.2)	-	(57.2)
Capital expenditure	(208.2)	(104.1)	-	(312.3)
Working capital and other movements	(5.5)	-	-	(5.5)
Overheads and interest	(33.1)	-	(18.0)	(51.1)
Taxation	(9.4)	-	-	(9.4)
Trading cash flow	(38.7)	(76.9)	(18.0)	(133.6)
Net borrowings	-	-	107.1	107.1
Finance leases	-	-	32.5	32.5
Net dividends	-	6.7	(11.1)	(4.4)
Movement in cash and cash equivalents	(38.7)	(70.2)	110.5	1.6

	2014 restated			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	25.6	-	-	25.6
Property disposals	245.4	31.4	-	276.8
Property acquisitions	(5.6)	(47.9)	-	(53.5)
Capital expenditure	(181.0)	(51.7)	-	(232.7)
Working capital and other movements	2.6	-	-	2.6
Overheads and interest	(25.9)	-	(23.9)	(49.8)
Taxation	(5.0)	-	-	(5.0)
Trading cash flow	56.1	(68.2)	(23.9)	(36.0)
Net borrowings	-	-	6.4	6.4
Finance leases	-	-	18.7	18.7
Net dividends	-	20.0	(9.1)	10.9
Movement in cash and cash equivalents	56.1	(48.2)	(7.9)	-

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

2. Non-statutory information (continued)

f. Net assets per share

Net assets per share are calculated as set out below.

	2015 £m	2014 restated £m
Total equity	921.5	724.0
Less: Non-controlling interests	(6.8)	(5.9)
Equity attributable to owners of the Company	914.7	718.1
Adjustments of inventories to fair value	11.9	11.5
Diluted EPRA triple net assets	926.6	729.6
Deferred tax on capital allowances and revaluations	50.0	19.2
Mark-to-market of derivative financial instruments	10.9	7.5
Diluted EPRA net assets	987.5	756.3
Shares in issue ⁽¹⁾ (number)	221,186,714	220,916,561
Equity attributable to owners of the Company, net assets per share (pence)	413.5p	325.1p
Percentage increase	27%	
Diluted EPRA triple net assets per share (pence)	418.9p	330.3p
Percentage increase	27%	
Diluted EPRA net assets per share (pence)	446.4p	342.3p
Percentage increase	30%	

(1) Shares in issue exclude 690,274 shares held by The St. Modwen Properties PLC Employee Share Trust (2014: 460,427).

g. Net borrowing and net debt

	2015 £m	2014 restated £m
Cash and cash equivalents	4.8	3.2
Borrowings due within one year	-	-
Borrowings due after more than one year	(451.8)	(340.6)
Less: Fair value movements on convertible bonds	4.1	-
Net borrowings	(442.9)	(337.4)
Fair value movements on convertible bonds	(4.1)	-
Finance lease liabilities due within one year	(0.4)	(0.1)
Finance lease liabilities due after more than one year	(54.7)	(22.5)
Net debt	(502.1)	(360.0)

h. Gearing and loan-to-value

The Group's capacity to borrow is primarily linked to the quantum of the property portfolio excluding assets held under finance leases. Accordingly both gearing and loan-to value are calculated using the comparable measure of net borrowings. This represents bank loans and outstanding bond liabilities at amortised cost.

The table overleaf shows the calculation of:

- gearing, being the ratio of net debt to total equity;
- adjusted gearing, being the ratio of net borrowings to total equity; and
- loan-to-value being the ratio of net borrowings to the property portfolio (representing amounts that could be used as security for that debt).

	2015		
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	1,272.7	418.9	1,691.6
Less valued assets held under finance leases	(53.1)	-	(53.1)
Net property portfolio	1,219.6	418.9	1,638.5
Total equity	921.5	N/A	921.5
Net debt	502.1	47.6	549.7
Net borrowings (note 2g)	442.9	46.4	489.3
Gearing	54%		60%
Adjusted gearing	48%		53%
Loan-to-value	36%		30%
		2014 restated	
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c) – as previously reported	1,105.2	153.3	1,258.5
IFRS 10 adjustments	(69.2)	52.0	(17.2)
Lease accounting adjustments	22.7	-	22.7
Property portfolio as restated	1,058.7	205.3	1,264.0
Less valued assets held under finance leases	(20.0)	-	(20.0)
Net property portfolio as restated	1,038.7	205.3	1,244.0
Total equity as previously reported	736.5	-	736.5
IFRS 10 adjustments	(12.8)	-	(12.8)
Lease accounting adjustments	0.3	-	0.3
Total equity as restated	724.0	-	724.0
Net debt as previously reported ⁽¹⁾	334.1	45.3	379.4
IFRS 10 adjustments	3.3	(2.5)	0.8
Finance lease obligations (including accounting adjustments)	22.6	1.2	23.8
Net debt as restated	360.0	44.0	404.0
Net borrowings as previously reported	334.1	45.3	379.4
IFRS 10 adjustments	3.3	(2.5)	0.8
Net borrowings as restated	337.4	42.8	380.2
Gearing as previously reported	45%		52%
Gearing as restated	50%		56%
Adjusted gearing as previously reported	45%		52%
Adjusted gearing as restated	47%		53%
Loan-to-value as previously reported	30%		30%
Loan-to-value as restated	32%		31%

(1) Excludes £3.9m of finance leases that are included in £22.6m finance lease liabilities.

Bank covenant compliance is based on the ratio of gearing, being net debt to equity of 54% (2014 restated: 50%) against a covenant of 175%.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

3. Other Income Statement disclosures

a. Administrative expenses

Administrative expenses have been arrived at after charging:

	2015 £m	2014 restated £m
Depreciation	0.8	0.5
Operating lease costs	1.5	1.0

b. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2015			2014		
	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	125	-	125	123	-	123
The audit of subsidiary companies and joint ventures pursuant to legislation	162	-	162	157	-	157
Total audit fees	287	-	287	280	-	280
Audit-related assurance services	60	-	60	55	-	55
Other assurance services	3	-	3	20	-	20
Tax compliance services	-	16	16	-	67	67
Tax advisory services	-	20	20	-	80	80
Property consulting	-	69	69	-	202	202
Other	-	2	2	-	-	-
Total non-audit fees	63	107	170	75	349	424
Total fees	350	107	457	355	349	704

The Group continues to monitor the provision of audit and other services by the auditor and fees charged for other services in 2015 were 31% (2014: 98%) 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.

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

	2015 Number	2014 Number
Property and administration	257	220
Leisure and other activities	52	67
Total employees	309	287

The total payroll costs of these employees were:

	2015 £m	2014 £m
Wages and salaries	18.6	13.9
Social security costs	2.4	2.7
Pension costs	0.8	0.8
Total payroll costs	21.8	17.4

d. Share-based payments

The Group has a Save As You Earn 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 operates a discretionary Executive Share Option Scheme (ESOS). Options are granted at a fixed exercise price equal to the market price at the date of grant. With the exception of awards made to the executive directors in conjunction with the PSP awards granted in 2012, there are no performance conditions attached to ESOS awards. Employees must ordinarily remain in service for a period of three years from the date of grant before exercising their ESOS awards. The option period ends on the 10th anniversary of the date of grant.

Details of the Group's Performance Share Plan (PSP) are given in the Directors' Remuneration Report.

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

	Number of options	2015 Weighted average price		Number of options	2014 Weighted average price	
		All options £	Excluding PSP £		All options £	Excluding PSP £
Outstanding at start of year	9,117,437	1.87	2.31	10,371,497	1.58	2.06
Granted	1,288,365	3.46	4.67	1,386,436	2.75	3.64
Forfeited	(398,241)	3.23	3.23	(47,108)	(2.26)	(2.26)
Exercised	(3,917,473)	1.57	2.03	(2,593,388)	1.16	1.92
Outstanding at end of year	6,090,088	2.33	2.89	9,117,437	1.87	2.31
Exercisable at year end	1,887,986	1.75	1.75	2,946,495	2.00	2.00

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 2015	2.0	0.4-1.1	37.6-56.9	1.1	1.23-3.99
30 th November 2014	2.4	0.4-1.1	37.6-56.9	1.1	1.23-3.99

(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 £5.2m (2014: £4.8m) and included £1.8m (2014: £0.8m) 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 £4.63 (2014: £3.82). The executive share options outstanding at the year end had a range of exercise prices between £1.75 and £4.74 (2014: £1.75 and £3.75) with PSP options exercisable at between £nil and £4.71 (2014: £nil and £1.52). Outstanding options had a weighted average maximum remaining contractual life of nine years (2014: nine years).

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

4. Finance costs and finance income

	2015 £m	2014 restated £m
Interest payable on borrowings	16.5	17.9
Amortisation of loan arrangement fees	1.1	2.6
Write off of convertible bond issue costs	-	2.4
Amortisation of discount on deferred payment arrangements	1.1	1.9
Head rents treated as finance leases	0.6	0.2
Movement in fair value of convertible bond	4.1	-
Movement in fair value of financial instruments	0.8	-
Interest on pension scheme liabilities	1.0	1.2
Total finance costs	25.2	26.2

All finance costs, other than in respect of the convertible bond which is carried at fair value, derive from financial liabilities measured at amortised cost. Included within amortisation of loan arrangement fees is £nil (2014: £1.4m) in relation to the early termination of bank facilities.

	2015 £m	2014 restated £m
Interest receivable	3.9	2.2
Movement in fair value of convertible bond	-	0.9
Movement in fair value of derivative financial instruments	0.4	1.0
Interest income on pension scheme assets	1.1	1.2
Total finance income	5.4	5.3

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

5. Taxation

a. Tax on loss on ordinary activities

	2015 £m	2014 restated £m
Tax charge/(credit) in the Income Statement:		
Corporation tax		
Current year tax	13.9	8.6
Adjustments in respect of previous years	(0.8)	(1.3)
	13.1	7.3
Deferred tax		
Temporary differences	0.4	1.0
Impact of current year revaluations and indexation	4.3	5.9
Net use of tax losses	-	1.3
Change in rate for provision of deferred tax	(0.1)	-
Adjustments in respect of previous years	0.2	(3.7)
	4.8	4.5
Total tax charge in the Income Statement	17.9	11.8
Tax relating to items in the Statement of Comprehensive Income:		
Deferred tax		
Actuarial losses on pension schemes	-	-
Tax credit in the Statement of Comprehensive Income	-	-

b. Reconciliation of effective tax rate

	2015 £m	2014 restated £m
Profit before tax	235.2	131.8
Less: joint ventures and associates	(106.8)	(27.1)
Pre-tax profit attributable to the Group	128.4	104.7
Corporation tax at 20.3% (2014: 21.7%)	26.1	22.6
Effect of non-deductible expenses	0.3	0.8
Impact of current year revaluations and indexation	(6.3)	(5.8)
Difference between chargeable gains and accounting profit	0.2	(0.8)
Change in rate used for provision of deferred tax	(0.1)	-
Losses – Recognition of previously unrecognised deferred tax assets	(1.7)	-
Current year charge	18.5	16.8
Adjustments in respect of previous years	(0.6)	(5.0)
Tax charge for the year	17.9	11.8
Effective rate of tax	14.0%	11.3%

The post tax results of joint ventures and associates are stated after a tax charge of £23.2m (2014: £3.1m charge). The effective tax rate for the Group including joint ventures and associates is a charge of 15.9% (2014: 11.4%).

The Finance (No. 2) Act 2015 included provisions which reduced the main rate of corporation tax to 19% from 1st April 2017 and 18% from 1st April 2020. Current tax has therefore been provided 20.33% and deferred tax at rates from 18% to 20%.

c. Balance Sheet

	2015		2014 restated	
	Corporation tax £m	Deferred tax £m	Corporation tax £m	Deferred tax £m
Balance at start of the year	7.3	11.7	3.6	8.5
Charge to the Income Statement	13.1	4.8	7.3	4.5
Acquired with subsidiary	-	-	-	0.5
Net payment	(9.4)	-	(5.0)	-
Other	0.1	(1.1)	1.4	(1.8)
Balance at end of the year	11.1	15.4	7.3	11.7

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

	2015			2014 restated		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Property revaluations	-	16.4	16.4	-	10.0	10.0
Capital allowances	-	3.9	3.9	-	3.9	3.9
Appropriations to trading stock	-	0.5	0.5	-	0.5	0.5
Unutilised tax losses	(1.7)	-	(1.7)	-	-	-
Other temporary differences	(3.7)	-	(3.7)	(2.7)	-	(2.7)
Total deferred tax	(5.4)	20.8	15.4	(2.7)	14.4	11.7

At the Balance Sheet date, the Group has unused tax losses in relation to 2015 and prior years of £2.9m (2014: £1.3m), of which £1.7m (2014: £nil) has been recognised as a deferred tax asset. A deferred tax asset of £1.2m (2014: £1.3m) has not been recognised in respect of current and prior year tax losses as it is not considered sufficiently certain that there will be taxable profits available in the short-term against which these can be offset.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

5. Taxation (continued)

d. Factors that may affect future tax charges

As a property group, tax and its treatment is often an integral part of transactions. The outcome of tax treatments, including tax planning, are recognised by the Group to the extent that 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.

The effective rate of tax for the year of 14% reflects the benefit of certain investment gains not being taxable because of indexation, recognition of tax losses and the property ownership structure within the Group. As a result of proposed changes in the Group's property ownership structure the effective tax rate is expected to move towards, but remain below, the standard rate of tax as a result of indexation on property revaluations together with land remediation and other property reliefs.

6. Earnings per share

	2015 Number of shares	2014 restated Number of shares
Weighted number of shares in issue	221,076,984	220,617,339
Weighted number of diluted shares relating to the convertible bond	18,867,925	14,150,943
Weighted number of diluted shares relating to share options	6,383,088	4,602,679
	246,327,997	239,370,961

	2015 Earnings £m	2014 restated Earnings £m
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	216.4	118.6
Effect of dilutive potential ordinary shares:		
Interest on convertible bond (net of tax)	2.3	1.7
Movement in fair value of the convertible bond	4.1	(0.9)
Earnings for the purposes of diluted earnings per share	222.8	119.4

	2015 pence	2014 restated pence
Basic earnings per share	97.9	53.8
Diluted earnings per share	90.4	49.9

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

In addition to the 1.1p increase resulting from prior year restatements for IFRS 10 and lease accounting, diluted EPS for the year ended 30th November 2014 has been updated for the potentially dilutive impact of the Group's convertible bond. This reduces diluted EPS for the year ended 30th November 2014 by 2.8p to 49.9p.

As the Group is principally a development business EPRA earnings per share on a basic and diluted basis 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 a final dividend for 2014 and an interim dividend for 2015. 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.

	2015		2014	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	3.14	6.9	2.67	5.9
Interim dividend in respect of current year	1.90	4.2	1.46	3.2
Total	5.04	11.1	4.13	9.1
Proposed				
Current year final dividend	3.85	8.5	3.14	6.9

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

8. Investment property

	Freehold investment properties £m	Restated leasehold investment properties £m	Total £m
Fair value			
At 30 th November 2013 (restated)	615.5	129.1	744.6
Additions – new properties	28.3	–	28.3
Other additions	61.5	0.8	62.3
Net transfers to inventories (note 12)	(6.8)	–	(6.8)
Disposals	(31.6)	(3.9)	(35.5)
Gain on revaluation (restated)	57.0	6.9	63.9
At 30 th November 2014 (restated)	723.9	132.9	856.8
Additions – new properties	57.2	–	57.2
Other additions	102.7	2.6	105.3
Net transfers from inventories (note 12)	51.6	13.3	64.9
Disposals	(55.4)	(21.7)	(77.1)
Gain on revaluation	67.8	6.1	73.9
At 30th November 2015	947.8	133.2	1,081.0

Investment properties were valued at 30th November 2015 and 30th November 2014 by DTZ Debenham Tie Leung Ltd (since the merger of the firms trading, and herein referred to, as Cushman & Wakefield), Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Cushman & Wakefield are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

The historical cost of investment properties at 30th November 2015 was £840.5m (2014: £723.9m).

As at 30th November 2015, £498.2m (2014: £450.0m) of investment property was pledged as security for the Group's loan facilities.

Included within investment properties are £57.0m (2014: £23.9m) of assets held under finance leases.

IFRS 13 'Fair Value Measurement' disclosures in respect of investment property are detailed below.

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

Investment property		2015 £m	2014 restated £m
– Income producing properties	Level 3	656.6	450.1
– Residential land	Level 3	339.8	296.5
– Commercial land	Level 3	92.6	110.3
Assets held under finance leases ⁽¹⁾	N/A	3.9	3.9
Lease incentives (recorded in receivables)	N/A	(11.9)	(4.0)
		1,081.0	856.8

(1) £3.9m of the Group's assets held under finance leases are not subject to revaluation. These assets represent head leases on certain investment property and are carried at the value recognised at inception less repayments of principal. This does not include lease arrangements at Swansea University which are subject to revaluation.

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 estimated rental value. 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.

Equivalent yields and estimated rental value are considered to be unobservable inputs and details of the ranges used for each category of income producing properties is provided overleaf.

All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of an asset, and an increase in the current or estimated future rental stream would have the effect of increasing the capital value, and vice versa. However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

8. Investment property (continued)

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.

Sales prices, build costs and profit margins are considered to be unobservable inputs and details of the ranges used are provided below.

All other factors being equal, a higher sales price would lead to an increase in the valuation of an asset, a higher profit margin would lead to a decrease in the valuation of an asset, and a decrease in the build costs would have the effect of increasing the capital value, and vice versa. However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

Commercial land is valued on a land value per acre less costs to remediate and service the land. Land value per acre is considered to be an unobservable input and details of the ranges used are detailed below.

All other things being equal, a higher value per acre would lead to an increase in the valuation of an asset and vice versa.

Information about fair value measurements using unobservable inputs (Level 3)

	Fair value at 30 th November 2015 £m	ERV per square foot		Equivalent yield	
		Min £	Max £	Min %	Max %
Income producing properties					
Industrial	202.5	0.67	10.50	6.4	12.0
Retail	310.0	5.00	52.00	5.6	12.0
Residential	106.3	12.60	37.50	4.1	6.7
Offices	37.8	7.50	28.00	7.3	14.4
Total income producing properties	656.6				

	Fair value at 30 th November 2014 £m	ERV per square foot		Equivalent yield	
		Min £	Max £	Min %	Max %
Income producing properties					
Industrial	178.3	0.50	10.50	7.2	11.4
Retail	201.0	5.00	52.00	7.0	14.5
Residential	22.7	32.00	36.00	4.5	6.8
Offices	48.1	6.00	28.00	7.5	14.3
Total income producing properties	450.1				

As the Group holds property both directly and through joint ventures and associates the Strategic Report discusses yields applied to investment property on a weighted average see-through basis. This provides a composite position with respect to the Group's exposure to asset types by sector. The equivalent yield ranges provided above are consistent with those for assets held by the Group together with its joint ventures and associates.

The Group's portfolio has a wide spread of yields as it includes assets that are at various stages of the property lifecycle.

Income producing assets are generally acquired at high yields where the Group has the opportunity to add significant value.

As assets are enhanced and development activity is undertaken, improved and new assets are created and valued at lower yields.

	Fair value at 30 th November 2015 £m	Sales price per sq ft £	Land value per acre £000	Build costs per sq ft £	Profit margin %
	Residential land	339.8	144-270	-	82-110
Commercial land	92.6	-	125-595	-	-

	Fair value at 30 th November 2014 £m	Sales price per sq ft £	Land value per acre £000	Build costs per sq ft £	Profit margin %
	Residential land	296.5	145-260	-	75-110
Commercial land	110.3	-	125-625	-	-

9. Operating property, plant and equipment

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30 th November 2013	6.9	5.4	12.3
Additions	0.1	0.9	1.0
Disposals	–	(0.4)	(0.4)
At 30 th November 2014	7.0	5.9	12.9
Additions	–	0.6	0.6
Disposals	(2.5)	(0.5)	(3.0)
At 30th November 2015	4.5	6.0	10.5
Depreciation			
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 30 th November 2014	1.0	4.9	5.9
Charge for the year	0.1	0.7	0.8
Disposals	–	(0.4)	(0.4)
At 30th November 2015	1.1	5.2	6.3
Net book value			
At 30 th November 2013	6.0	0.6	6.6
At 30 th November 2014	6.0	1.0	7.0
At 30th November 2015	3.4	0.8	4.2

Tenure of operating properties:

	2015 £m	2014 £m
Freehold	3.4	3.4
Leasehold	–	2.6
	3.4	6.0

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

10. Joint ventures and associates

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

	2015					Total £m
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	
Income Statements						
Revenue	16.8	-	-	0.4	4.6	21.8
Net rental income	5.9	(0.2)	-	-	0.2	5.9
Gains/(losses) on disposal of investments/ investment properties	2.8	-	(0.9)	0.4	0.3	2.6
Investment property revaluation gains/ (losses)	6.7	(3.9)	(1.3)	127.4	0.3	129.2
Administrative expenses	(0.1)	-	(0.1)	(0.1)	(0.1)	(0.4)
Profit/(loss) before interest and tax	15.3	(4.1)	(2.3)	127.7	0.7	137.3
Finance cost	(2.3)	(3.3)	(1.6)	(1.5)	(0.2)	(8.9)
Finance income	0.5	0.4	0.7	-	-	1.6
Profit/(loss) before tax	13.5	(7.0)	(3.2)	126.2	0.5	130.0
Taxation	(2.3)	1.8	2.8	(25.5)	-	(23.2)
Profit/(loss) for the year	11.2	(5.2)	(0.4)	100.7	0.5	106.8

	2014 restated					Total £m
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	
Income Statements						
Revenue	9.4	-	-	-	1.1	10.5
Net rental income	5.7	-	-	-	0.2	5.9
Gains on disposal of investments/ investment properties	0.7	-	3.0	-	-	3.7
Investment property revaluation gains	11.1	0.4	15.2	-	0.4	27.1
Administrative expenses	(0.2)	-	(0.2)	-	(0.1)	(0.5)
Profit before interest and tax	17.3	0.4	18.0	-	0.5	36.2
Finance cost	(3.1)	(3.0)	(1.2)	-	(0.2)	(7.5)
Finance income	0.7	0.8	-	-	-	1.5
Profit/(loss) before tax	14.9	(1.8)	16.8	-	0.3	30.2
Taxation	(0.4)	0.6	(3.3)	-	-	(3.1)
Profit/(loss) for the year	14.5	(1.2)	13.5	-	0.3	27.1

Included in other joint ventures and associates above are results from associated companies of £0.3m (2014: £nil).

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

	2015					Total £m
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	
Balance Sheets						
Non-current assets	104.8	52.0	41.6	220.0	3.0	421.4
Current assets	1.9	4.7	28.5	-	6.3	41.4
Current liabilities	(6.7)	(17.2)	(25.4)	(5.5)	(3.4)	(58.2)
Non-current liabilities	(34.2)	(24.1)	(6.8)	(113.8)	1.6	(177.3)
Net assets	65.8	15.4	37.9	100.7	7.5	227.3
Equity at start of year	61.3	20.6	38.3	-	7.0	127.2
Profit/(loss) for the year	11.2	(5.2)	(0.4)	100.7	0.5	106.8
Dividends paid	(6.7)	-	-	-	-	(6.7)
Equity at end of year	65.8	15.4	37.9	100.7	7.5	227.3
	2014					
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	Total £m
Balance Sheets						
Non-current assets	95.6	55.4	51.9	-	6.5	209.4
Current assets	6.3	5.8	21.1	2.6	3.4	39.2
Current liabilities	(7.2)	(21.5)	(15.6)	(2.6)	(1.5)	(48.4)
Non-current liabilities	(33.4)	(19.1)	(19.1)	-	(1.4)	(73.0)
Net assets	61.3	20.6	38.3	-	7.0	127.2
Equity at start of year	66.8	21.8	24.8	-	6.7	120.1
Profit/(loss) for the year	14.5	(1.2)	13.5	-	0.3	27.1
Dividends paid	(20.0)	-	-	-	-	(20.0)
Equity at end of year	61.3	20.6	38.3	-	7.0	127.2

Included in other joint ventures and associates above are net assets of £3.3m (2014: £2.9m) in relation to associated companies. These net assets comprise total assets of £3.9m (2014: £3.5m) and total liabilities of £0.6m (2014: £0.6m).

New Covent Garden Market (NCGM)

NCGM received unconditional status in the year and, as a result, the valuation increase of £127.4m has had a significant impact on the current year results.

NCGM was valued at 30th November 2015 by Jones Lang LaSalle LLP, Chartered Surveyors; in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Jones Lang LaSalle LLP are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

The liability of VSM (NCGM) Ltd to procure a new market facility for CGMA has been calculated by:

- the Board of VSM (NCGM) Ltd, including representatives of VINCI and St. Modwen, assessing the costs of procuring the market facility at current rates;
- applying a current estimate of inflation for the period of build; and
- discounting the forecast cash flows to today's value using a discount rate of 5%.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

10. Joint ventures and associates (continued)

The following information on unobservable inputs is detailed below for understanding and completeness.

	Range per square foot		Average per square foot £	Profit margin on GDV %
	Minimum £	Maximum £		
Sales price	900	1,566	1,326	–
Build costs	–	–	433	–
Profit margin on GDV	–	–	–	20.0

The material joint venture and associate companies comprise the following:

Name	Status	Interest	Activity
Barton Business Park Ltd	Joint venture	50%	Property development
Key Property Investments Ltd	Joint venture	50%	Property investment and 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
VSM (NCGM) Ltd	Joint venture	50%	Property development
VSM Estates (Holdings) Ltd	Joint venture	50%	Property development
VSM Estates Uxbridge (Group) Ltd	Joint venture	50%	Property investment and 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

A full list of joint venture and associate companies is included in note (F) to the Company Financial Statements.

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

	2015 £m	2014 restated £m
Non-current		
Other debtors	0.1	–
Amounts due from joint ventures	6.0	6.0
	6.1	6.0
Current		
Trade receivables	5.6	4.7
Prepayments and accrued income	8.6	5.5
Other debtors	22.2	22.7
Amounts recoverable on contracts	31.3	6.0
Amounts due from joint ventures	37.0	25.0
	104.7	63.9

IFRS 7 and IFRS 13 disclosures in respect of financial assets included above are provided in note 16.

12. Inventories

	2015 £m	2014 restated £m
Properties held for sale	5.3	5.8
Properties under construction	161.6	176.7
Land under option	16.8	18.5
	183.7	201.0

The movement in inventories during the two years ended 30th November 2015 is as follows:

	£m
At 30 th November 2013 (restated)	199.7
Additions	173.1
Net transfers from investment property (note 8)	6.8
Disposals (transferred to development cost of sales) (note 1)	(178.6)
At 30 th November 2014	201.0
Additions	234.8
Net transfers to investment property (note 8)	(64.9)
Disposals (transferred to development cost of sales) (note 1)	(187.2)
At 30th November 2015	183.7

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

Included within disposals of inventories are net realisable value provisions made during the year of £1.4m (2014: £0.1m).

As at 30th November 2015 £43.4m (2014: £16.8m) of inventory was pledged as security for the Group's loan facilities.

13. Trade and other payables

	2015 £m	2014 restated £m
Current		
Trade payables	38.5	24.4
Amounts due to joint ventures	15.4	29.0
Other payables and accrued expenses	75.6	74.4
Other payables on deferred terms	17.1	20.8
	146.6	148.6
Non-current		
Other payables on deferred terms	3.1	3.5
	3.1	3.5

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.

IFRS 7 and IFRS 13 disclosures in respect of financial liabilities included above are provided in note 16.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

14. Borrowings and finance lease obligations

	2015 £m	2014 restated £m
Current		
Bank overdrafts	-	-
Bank loans	-	-
Finance lease liabilities due in less than one year	0.4	0.1
	0.4	0.1
Non-current		
Amounts repayable between one and two years	-	50.0
Amounts repayable between two and five years	344.3	253.1
Amounts repayable after more than five years	107.5	37.5
Non-current borrowings	451.8	340.6
Finance leases liabilities due after more than one year	54.7	22.5
Non-current borrowings and finance lease obligations	506.5	363.1

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

Borrowings

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

	2015			2014		
	Drawn £m	Undrawn £m	Total £m	Drawn £m	Undrawn £m	Total £m
Secured floating rate borrowings:						
Less than one year ⁽¹⁾	-	-	-	-	-	-
One to two years	-	-	-	50.0	25.0	75.0
Two to three years	89.0	10.0	99.0	-	-	-
Three to four years	71.2	53.8	125.0	64.0	35.0	99.0
Four to five years	70.0	30.0	100.0	9.1	115.9	125.0
More than five years	37.5	12.5	50.0	37.5	12.5	50.0
	267.7	106.3	374.0	160.6	188.4	349.0
Unsecured fixed rate borrowings:						
Three to four years	184.1	-	184.1	-	-	-
Four to five years	-	-	-	180.0	-	180.0
	451.8	106.3	558.1	340.6	188.4	529.0

(1) In addition to the principal amounts included above, £1.8m (2014: £1.4m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

Interest rate profile

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

	2015		2014	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	137.7	Margin + 3 month LIBOR	30.6	Margin + 3 month LIBOR
Fixed rate bank debt	130.0	Margin + 2.76% weighted average swap rate	130.0	Margin + 2.93% weighted average swap rate
Retail Bond – Maturity 2019	80.0	6.25% fixed rate	80.0	6.25% fixed rate
Convertible Bond – Maturity 2019	104.1	2.875% fixed rate – swapped to 1.43% + 6 month LIBOR until 6 th March 2017	100.0	2.875% fixed rate – swapped to 1.43% + 6 month LIBOR until 6 th March 2017
At 30th November	451.8		340.6	

The average margin on the Group's bank debt is 1.9% (2014: 1.9%).

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 2015

These swaps hedge the Group's floating rate bank debt as at 30th November 2015. The fixed rates for these swaps range from 2.01% to 5.16% (2014: 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 2.0 years (2014: 2.5 years).

	2015				2014			
	Earliest termination		Latest termination		Earliest termination		Latest termination	
	£m	% ⁽¹⁾	£m	% ⁽¹⁾	£m	% ⁽¹⁾	£m	% ⁽¹⁾
Less than one year	50.0	3.06	40.0	2.54	20.0	3.81	10.0	4.48
One to two years	20.0	2.01	20.0	2.01	40.0	2.54	40.0	2.54
Two to three years	–	–	10.0	5.16	20.0	2.01	20.0	2.01
Three to four years	50.0	3.00	50.0	3.00	–	–	10.0	5.16
Four to five years	10.0	1.60	10.0	1.60	50.0	3.00	50.0	3.00
	130.0	2.76	130.0	2.76	130.0	2.93	130.0	2.93

(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 2015 and increase interest rate certainty through to bank facility renewal dates. The fixed rates for these swaps range from 2.72% to 2.97% (2014: 2.72% to 2.97%) 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 £120m of hedging at a weighted average interest rate of 2.83% extending to a weighted average life of 3.6 years (2014: £110m at 2.95% for 4.7 years).

	2015		2014	
	£m	% ⁽¹⁾	£m	% ⁽¹⁾
Period from 2016 – 2021	20.0	2.90	20.0	2.90
Period from 2017 – 2019	40.0	2.87	40.0	2.87
	60.0	2.88	60.0	2.88

(1) Weighted average interest rate.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

14. Borrowings and finance lease obligations (continued)

c) Convertible bond (the Convertible Bonds)

On 6th March 2014 St. Modwen Properties Securities (Jersey) Ltd (the Issuer) issued £100.0m 2.875% Guaranteed Convertible Bonds due 2019 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 seventh 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 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 dividend ex date. No changes to the exchange price have been made up to 30th November 2015.

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 of the Convertible Bonds were issued and remain outstanding at 30th November 2015.

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 2015 the fair value of the Convertible Bonds was £104.1m 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 as disclosed in note 4.

Obligations under finance leases

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

	2015			2014		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	2.7	2.3	0.4	1.1	1.0	0.1
Between one and five years	13.6	11.4	2.2	5.5	4.7	0.8
More than five years	164.2	111.7	52.5	101.3	79.6	21.7
	180.5	125.4	55.1	107.9	85.3	22.6

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2014: 6.0%) has been used to derive the fair value of the principal amount outstanding. All lease obligations are denominated in sterling.

15. Operating leases

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:

	2015 £m	2014 £m
In one year or less	0.9	0.8
Between one and five years	2.4	3.2
In five years or more	0.2	0.2
	3.5	4.2

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:

	2015 £m	2014 £m
In one year or less	55.7	31.5
Between one and five years	156.1	85.3
In five years or more	431.4	172.3
	643.2	289.1

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.7m (2014: £0.8m) were recognised during the year.

16. Financial instruments

Categories and classes of financial assets and liabilities

	2015 £m	2014 restated £m
Financial assets		
Loans and receivables:		
Cash and cash equivalents ⁽¹⁾	4.8	3.2
Trade and other receivables ⁽¹⁾	55.1	48.9
Derivative financial instruments held at fair value through profit or loss ⁽²⁾	0.8	1.9
	60.7	54.0
Financial liabilities		
Derivative financial instruments held at fair value through profit or loss ⁽²⁾	8.0	8.7
Amortised cost:		
Bank loans and overdrafts ⁽¹⁾	267.7	160.6
Retail bond ⁽¹⁾	80.0	80.0
Convertible bond ⁽¹⁾	104.1	100.0
Trade and other payables ⁽¹⁾	86.5	88.4
Other payables on deferred terms ⁽¹⁾	20.2	24.3
Finance lease liabilities (head rents) ⁽¹⁾	55.1	22.7
	621.6	484.7

(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 £15.8m (2014: £9.5m) of non-financial assets.

Trade and other payables above comprise trade payables, amounts due to joint ventures and other payables and accrued expenses and as disclosed in note 13, for current and non-current amounts, after deduction of £43.0m (2014: £39.4m) of non-financial liabilities.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

16. Financial instruments (continued)

		2015 £000	2014 restated £000
Derivative financial instruments held at fair value through profit or loss			
Assets	Level 2	0.8	1.9
Liabilities	Level 2	(8.0)	(8.7)
		(7.2)	(6.8)

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.

Where applicable, the value of early termination options in favour of the issuing party are included in the external valuations using an option pricing model which also factors in projected interest rate volatility.

Capital risk

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

Market risk

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

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

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

1% increase in interest rates		2015 £m	2014 £m
Interest on borrowings		(2.1)	(1.2)
Effect of interest rate swaps		1.5	1.0
		(0.6)	(0.2)
1% decrease in interest rates		2015 £m	2014 £m
Interest on borrowings		2.1	1.2
Effect of interest rate swaps		(1.5)	(1.0)
		0.6	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 £2.5m (2014: £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 £0.4m (2014: £0.6m) 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.

	2015 £m	2014 £m
Movement in the allowance for doubtful debts		
At start of year	0.6	0.5
Impairment losses recognised	0.4	0.6
Amounts written off as uncollectable	(0.4)	(0.3)
Impairment losses reversed	(0.2)	(0.2)
At end of year	0.4	0.6

Trade and other receivables include £0.8m (2014: £1.4m) which are past due as at 30th November 2015 for which no provision has been made because the amounts are considered recoverable. The following table provides an ageing analysis of these balances.

	2015 £m	2014 £m
Number of days past due but not impaired		
1-30 days	0.3	0.4
31-60 days	0.1	0.2
60 days +	0.4	0.8
	0.8	1.4

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 for the Group's 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
2015						
Bank loans and overdrafts and bonds	1.2	2.7	11.6	452.5	37.5	505.5
Trade and other payables	57.3	5.8	23.3	-	-	86.4
Finance leases – minimum lease payments (note 14)	-	-	2.7	13.6	164.2	180.5
Other payables on deferred terms	-	-	17.1	3.1	-	20.2
	58.5	8.5	54.7	469.2	201.7	792.6
2014 restated						
Bank loans and overdrafts and bonds	0.5	3.4	10.3	354.9	37.5	406.6
Trade and other payables	51.8	10.1	26.6	-	-	88.5
Finance leases – minimum lease payments (note 14)	-	-	1.1	5.5	101.3	107.9
Other payables on deferred terms	-	-	20.8	5.6	-	26.4
	52.3	13.5	58.8	366.0	138.8	629.4

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

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

17. Share capital

Equity share capital	Ordinary 10p shares Number	£m
At start of year	221,376,988	22.1
Issue of share capital	500,000	0.1
At end of year	221,876,988	22.2

On 23rd September 2015 the Group issued 500,000 ordinary shares of 10p each at par. The shares were allotted and issued 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 for details of outstanding options to acquire ordinary shares.

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, future accrual. The Income Statement includes:

- a charge of £0.2m (2014: £0.2m) for the defined benefit section; and
- a charge of £0.7m (2014: £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 Trustees' 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

Funding policy

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 2016 is expected to be £0.2m, consistent with the current year (£0.2m). From 1st January 2015 the administrative expenses were met by St. Modwen Properties PLC.

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30th November 2015 on an IAS 19 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:

	2015	2014	2013
Rate of increase in deferred pensions	2.1%	2.1%	2.6%
Rate of increase in pensions in payment			
Pre 6 th April 1997 benefits	3.0%	3.0%	3.0%
Post 5 th April 1997 benefits	3.1%	3.1%	3.4%
Discount rate	3.5%	3.6%	4.5%
Inflation assumption	2.1%	2.1%	2.6%

Following the closure of the defined benefit section to future accrual, the assumption regarding the rate of increase in salaries is no longer applicable as retirement benefits will be based on salaries at 31st August 2009. Benefits earned up to the point of the scheme closure will be protected and will be increased in line with inflation, subject to a maximum of 5% per annum. From 2010 the basis of the inflation assumption has been amended, in line with market practice, from the Retail Price Index to the Consumer Price Index.

The mortality rates adopted are from the VITA Tables with CMI_2013 'core' projections and a long-term improvement of 1% pa with peaked short-term improvements and improvements remaining level at the oldest ages. The resultant assumptions are, for example:

- Average future life expectancy (in years) for a pensioner aged 65 at 30th November 2015: 23.1 (male), 23.9 (female).
- Average future life expectancy (in years) at age 65 for a non-pensioner aged 40 at 30th November 2015: 24.0 (male), 26.2 (female).

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

	2015 £m	2014 £m
Equities		
UK equity	4.2	5.2
Overseas equity	2.4	2.5
Debt securities		
UK corporate bonds	7.0	6.8
Overseas corporate bonds	1.2	1.0
UK Government bonds	0.4	0.8
UK index-linked gilts	8.3	7.8
Property	5.3	5.6
Commodities	-	0.1
Infrastructure	0.4	-
Cash	0.6	0.5
	29.8	30.3
Actuarial value of liabilities	(27.5)	(28.6)
Unrecognised surplus	(2.3)	(1.7)
Surplus in the scheme	-	-
Related deferred tax liability	-	-
Fair value of pension asset net of deferred tax	-	-

The cumulative amount of actuarial gains and losses (before unrecognised surplus of £2.3m) recorded in the Group Statement of Comprehensive Income is a loss of £0.1m (2014: gain of £1.0m).

Analysis of the amount charged to operating profit

	2015 £m	2014 £m	2013 £m
Current service cost and total operating charge	(0.2)	(0.2)	(0.2)

Analysis of net interest

	2015 £m	2014 £m	2013 £m
Interest income on scheme assets	1.1	1.2	1.2
Interest on pension scheme liabilities	(1.0)	(1.2)	(1.1)
Total net interest	0.1	-	0.1

The actual return on pension scheme assets was a gain of £1.3m (2014: £3.4m).

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

	2015 £m	2014 £m
The returns on scheme assets (excluding amounts included in net interest)	0.2	2.2
Experience gains and losses arising on fair value of scheme liabilities	0.5	0.9
Actuarial gains and losses arising from changes in demographic assumptions	-	0.5
Actuarial gains and losses arising from changes in financial assumptions	(0.2)	(2.4)
Change in unrecognised surplus	(0.6)	(1.2)
Remeasurement of the net defined benefit asset	(0.1)	-

Financial Statements

Notes to the Group Financial Statements (continued)for the year ended 30th November 2015**18. Pensions (continued)**

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

	2015 £m	2014 £m
Beginning of year	28.6	28.5
Movement in year:		
Current service cost	-	0.2
Interest cost	1.0	1.2
Employee contributions	-	-
Experience gains and losses arising on fair value of scheme liabilities	(0.5)	(0.9)
Actuarial gains and losses arising from changes in demographic assumptions	-	(0.5)
Actuarial gains and losses arising from changes in financial assumptions	0.2	2.4
Benefits paid	(1.8)	(2.3)
End of year	27.5	28.6

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

	2015 £m	2014 £m
Beginning of year	30.3	29.0
Movement in year:		
Interest income	1.1	1.2
Contributions by employer	-	0.2
Employee contributions	-	-
Return on assets excluding amounts included in net interest	0.2	2.2
Benefits paid	(1.8)	(2.3)
End of year	29.8	30.3
Surplus in scheme at the year end	2.3	1.7
Unrecognised surplus	(2.3)	(1.7)
Net surplus	-	-

History of experience gains and losses

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Difference between expected and actual return on scheme assets:					
Amount	0.2	2.2	0.8	1.1	(0.4)
Percentage of scheme assets	0.7%	7.3%	2.8%	3.9%	(1.5%)
Experience gains and losses on scheme liabilities:					
Amount	0.5	0.9	(0.2)	(0.5)	(1.8)
Percentage of fair value of scheme liabilities	(1.8%)	(3.1%)	0.7%	1.9%	7.3%

Information about the defined benefit obligation

	Liability split		Duration (years)	
	2015 %	2014 %	2015 years	2014 years
Active members	-	-	-	-
Deferred members	34.0	35.5	20.0	20.0
Pensioners	66.0	64.5	12.0	12.0
Total	100.0	100.0	14.8	14.8

Sensitivity analysis

Change in assumptions compared with 30th November 2015 actuarial assumptions:

- A 0.5% decrease in the discount rate would increase the actuarial value of liabilities by £2.1m to £29.6m.
- A 1 year increase in life expectancy would increase the actuarial value of liabilities by £0.8m to £28.3m.
- A 0.5% increase in the inflation rate would increase the actuarial value of liabilities by £1.3m to £28.8m.
- A 0.5% increase in the rate of increase in deferred pensions would increase the actuarial value of liabilities by £0.3m to £27.8m.
- A 0.5% increase in the rate of increase in pensions in payments would increase the actuarial value of liabilities by £1.0m to £28.5m.

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 a 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 was 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 was held by Simon Clarke, was also entered into on 22nd May 2014. Total consideration payable for the entire issued share capital of Branston was:

- £0.8m on completion;
- £0.1m payable on shareholder approval;
- £0.1m 12 months after completion which was paid on 22nd May 2015; 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 equated to 12.5% of the amounts above. As the consideration payable to Mr. Clarke was in excess of £100,000, the conditional agreement constituted 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 was conditional, among other things, on approval of shareholders of St. Modwen Properties PLC; this approval was given at the Company's Annual General Meeting held on 27th March 2015.

As required by IFRS 3 (2008) Business Combinations, this acquisition resulted in the assets and liabilities of Branston being remeasured to fair value at the acquisition date and the resulting negative goodwill arising of £2.1m credited to the Income Statement.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

19. Acquisition of a 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 paid on shareholder approval			0.1
– Deferred proceeds paid 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.

On 3rd March 2015 the Group acquired the remaining share capital in Killingholme Land Ltd and Killingholme Energy Ltd for nil consideration.

20. Capital commitments

At 30th November 2015 the Group had contracted capital expenditure of £12.2m (2014 restated: £8.1m). In addition the Group's share of the contracted capital expenditure of its joint venture undertakings was £1.4m (2014 restated: £2.3m). 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, together with VINCI PLC, has provided a joint and several parent company guarantee in respect of the £26m bank facility provided to VSM Estates (Uxbridge) Ltd, a subsidiary of VSM Estates Uxbridge (Group) Ltd.

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 Salhia 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 per cent of the total commitment under the agreement from time to time, limiting the Group guarantee to £40m as at 30th November 2015.

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 2015.

Name of subsidiary	Company registration number
Blackpole Trading Estate (1978) Ltd	00581658
Boughton Holdings	04112012
Broomford Vange Ltd	05697168
Chertsey Road Property Ltd	06899060
Festival Waters Ltd	04354481
Holaw (462) Ltd	03666441
Shaw Park Developments Ltd	04625000
St. Modwen Developments (Chorley) Ltd	05727011
St. Modwen Developments (Connah's Quay) Ltd	05726352
St. Modwen Developments (Daresbury) Ltd	06163550
St. Modwen Developments (Eccles) Ltd	05867740
St. Modwen Developments (Hillington) Ltd	04150262
St. Modwen Developments (Holderness) Ltd	05726995
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 (Telford) Ltd	05411357
St. Modwen Developments (Weston) Ltd	05411348
St. Modwen Developments (Wythenshawe) Ltd	05594279
St. Modwen Hungerford Ltd	06160323
St. Modwen Investments Ltd	00528657
St Modwen Securities Ltd	00460301

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:

Joint ventures and associates

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 (2014: £0.4m). The balance due to the Group at year end was £0.8m (2014: £2.5m). 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 £22.3m (2014: £21.8m), of which £6.0m (2014: £6.0m) is loan notes. All amounts are interest bearing and interest charged in the year ended 30th November 2015 was £2.6m (2014: £2.2m).

VSM Estates (Holdings) Ltd (VSM Holdings)

VSM Holdings is funded by loan notes and short term funding provided by the Group and VINCI PLC. The balance due from the Group at the year-end was £0.5m (2014: £3.4m). All amounts due to the Group are interest bearing and interest charged in the year ended 30th November 2015 was £1.1m (2014: £0.7m).

Barton Business Park Ltd (Barton)

The balance due to Barton at the year end was £3.8m (2014: £3.8m). No interest is charged on this balance.

Notes to the Group Financial Statements (continued)

for the year ended 30th November 2015

22. Related party transactions (continued)

Skypark Development Partnership LLP (Skypark)

During the year the Group provided funding of £0.6m to Skypark (2014: £nil). The balance due to the Group from Skypark at the year end was £1.7m (2014: £1.1m), of which £1.4m (2014: £1.1m) relates to loan notes issued to the Group. Interest of £0.1m (2014: £0.1m) was charged in the year.

Wrexham Power Ltd (Wrexham Power)

During the year the Group provided funding to Wrexham Power of £0.2m (2014: £0.7m). The balance due to the Group at the year end was £1.1m (2014: £0.9m). No interest is charged on this balance.

Wrexham Land Ltd (Wrexham Land)

During the year the Group provided funding to Wrexham Land of £nil (2014: £nil). The balance due to the Group at the year end was £0.1m (2014: £0.1m). No interest is charged on this balance.

VSM (NCGM) Ltd (VSM (NCGM))

During the year the Group provided funding to VSM (NCGM) of £1.7m (2014: £1.5m). The balance due to the Group at the year end was £4.6m (2014: £2.9m). No interest is charged on this balance.

Pension

St. Modwen Pension Scheme

The Group occupies offices owned by the pension scheme with an annual rental payable of £0.1m (2014: £0.1m). The balance due to the Group at year end was £nil (2014: £nil).

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	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Norton & Proffitt Developments Ltd	-	-	-	-	0.3	0.3
Stoke-on-Trent Regeneration (Investments) Ltd	-	-	-	-	(0.6)	(0.5)
Stoke-on-Trent Regeneration Ltd	-	-	(0.2)	(0.1)	(21.7)	(10.1)
VSM Estates (Ashchurch) Ltd	-	-	-	-	0.2	-
Widnes Regeneration Ltd	-	-	-	-	2.0	2.0
	-	-	(0.2)	(0.1)	(19.8)	(8.3)

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 (2014: £nil). No guarantees have been given or received from related parties.

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 was 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 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Tangible fixed assets	(E)	0.9	1.0
Investments held as fixed assets	(F)	1,037.2	796.8
		1,038.1	797.8
Current assets			
Debtors (including amounts falling due after more than one year of £212.6m (2014: £212.6m))	(G)	637.0	563.3
Cash at bank and in hand		3.7	3.2
Current liabilities			
Creditors: amounts falling due within one year	(H)	(356.9)	(328.5)
Net current assets			
		283.8	238.0
Total assets less current liabilities			
		1,321.9	1,035.8
Creditors: amounts falling due after more than one year	(H)	(354.3)	(286.6)
Net assets			
		967.6	749.2
Capital and reserves			
Called up share capital	(K)	22.2	22.1
Share premium account	(L)	102.8	102.8
Revaluation reserve	(L)	767.3	526.9
Profit and loss account	(L)	24.9	48.2
Share incentive reserve	(L)	5.2	4.8
Own shares	(L)	(1.0)	(1.8)
Other reserves	(L)	46.2	46.2
Equity shareholders' funds			
		967.6	749.2

These Financial Statements were approved by the Board and authorised for issue on 1st February 2016.

Bill Oliver

Chief Executive

Company Number: 349201

Rob Hudson

Group Finance Director

Notes to the Company Financial Statements

for the year ended 30th November 2015

(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.

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. The Company's equity settled share based payments are measured at fair value at the date of the grant using an appropriate option pricing model. The fair value at the date of grant (or the date of reclassification from cash settled to equity settled) is expensed on a straight line basis over the vesting period on the Company's estimate of shares that will eventually vest.

Pensions

The Company operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1st September 2009, to future accrual.

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

The interest element of the defined benefit cost represents the change in present value of scheme obligations. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the Profit and Loss Account as other finance income or expense.

Actuarial gains and losses are recognised in full in the Statement of Total Recognised Gains and Losses in the year in which they occur. The defined benefit pension asset or liability in the Balance Sheet comprises the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

Contributions to defined contribution schemes are recognised in the Profit and Loss Account in the period in which they become payable.

Derivative financial instruments and hedging

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

Full details of the Company's derivative financial instruments are given in note 16 to the Group Financial Statements.

Own shares

Shares in St. Modwen Properties PLC held by the Company are classified in as a deduction from equity shareholder's funds and are recognised at cost.

Notes to the Company Financial Statements (continued)

for the year ended 30th November 2015

(A). Accounting policies (continued)

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. The convertible bonds have been designated at fair value through profit or loss.

Operating leases

Rentals payable under operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease term.

Cash Flow Statement

The Company has taken advantage of the exemption permitted by FRS1 not to present a Cash Flow Statement.

(B). Result for the financial year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these Financial Statements. The Company's loss for the year ended 30th November 2015 was £2.7m (2014 profit: £13.9m).

(C). Other Income Statement disclosures

(i) Administrative expenses

Administrative expenses have been arrived at after charging:

	2015 £m	2014 restated £m
Depreciation	0.6	0.2
Operating lease costs	1.5	1.0

(ii) Audit fees

	2015			2014		
	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	125	-	125	123	-	123
Total audit fees	125	-	125	123	-	123
Audit related assurance services	55	-	55	55	-	55
Other assurance services	3	-	3	20	-	20
Tax compliance services	-	16	16	-	30	30
Tax advisory services	-	20	20	-	55	55
Other	-	2	2	-	-	-
Total non-audit fees	58	38	96	75	85	160
Total fees	183	38	221	198	85	283

(iii) Employees

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

	2015 Number	2014 Number
Property and administration	257	220
Leisure and other activities	31	40
Total employees	288	260
	2015 £m	2014 £m
Wages and salaries	17.3	12.7
Social security costs	2.3	2.6
Pension costs	0.8	0.7
Total payroll costs	20.4	16.0

(D). Dividends

Dividends paid during the year were a final dividend for 2014 and an interim dividend for 2015. 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.

	2015		2014	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	3.14	6.9	2.67	5.9
Interim dividend in respect of current year	1.90	4.2	1.46	3.2
Total	5.04	11.1	4.13	9.1
Proposed				
Current year final dividend	3.85	8.5	3.14	6.9

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

(E). Tangible fixed assets

	Long leasehold investment properties £m	Plant, machinery and equipment £m	Total £m
Cost or valuation			
At 30 th November 2014	0.3	3.3	3.6
Additions	-	0.6	0.6
Disposals	-	(0.1)	(0.1)
At 30th November 2015	0.3	3.8	4.1
Depreciation			
At 30 th November 2014	-	2.6	2.6
Charge for the year	-	0.6	0.6
At 30th November 2015	-	3.2	3.2
Net book value			
At 30 th November 2014	0.3	0.7	1.0
At 30th November 2015	0.3	0.6	0.9

Investment properties were valued at 30th November 2015 and 30th November 2014 by DTZ Debenham Tie Leung Ltd (since the merger of the firms trading, and herein referred to, as Cushman & Wakefield), Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Cushman & Wakefield are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

Long leasehold investment properties are currently let under operating leases for the purpose of generating rental income.

Notes to the Company Financial Statements (continued)

for the year ended 30th November 2015

(F). Investments held as fixed assets

	Investment in subsidiary companies £m	Investment in joint ventures £m	Total £m
Valuation			
At 30 th November 2014	699.9	96.9	796.8
Revaluation of investments	77.1	163.3	240.4
At 30th November 2015	777.0	260.2	1,037.2
Cost			
At 30 th November 2014	278.4	26.5	304.9
At 30th November 2015	278.4	26.5	304.9

Subsidiary undertakings, joint ventures and associates as at 30th November 2015:

Company name	Country of incorporation	Company registration number	Ultimate % holding	Principal activities
Baglan Bay Company Ltd	England and Wales	06383208	25.0%	Property development
Barton Business Park Ltd	England and Wales	03807742	50.0%	Property investment
Barton Business Park Property Management Ltd	England and Wales	05289394	50.0%	Dormant
Bay Campus Developments LLP	England and Wales	OC389022	50.0%	Dormant
Blackpole Trading Estate (1978) Ltd	England and Wales	00581658	100.0%	Property investment
Blue Ice (Widnes) Ltd	England and Wales	06160293	100.0%	Dormant
Boltro Properties Ltd	England and Wales	02616865	100.0%	Property investment
Boughton Enterprises Ltd	England and Wales	05068420	100.0%	Dormant
Boughton Holdings	England and Wales	04112012	100.0%	Property investment – ceased trading
Branston Properties Ltd	England and Wales	02893827	100.0%	Property development
Broomford Vange Ltd	England and Wales	05697168	100.0%	Property investment
Castle Hill Dudley Ltd	England and Wales	05411315	81.0%	Property development
Chaucer Estates Ltd	England and Wales	00456386	100.0%	Property investment/ development
Chertsey Road Property Ltd	England and Wales	06899060	100.0%	Property investment – ceased trading
Coed Darcy Estates Management Ltd	England and Wales	07848407	100.0%	Property management
Coed Darcy Ltd	England and Wales	00577934	49.0%	Property development
Coed Darcy Management Ltd	England and Wales	06477385	100.0%	Dormant
Festival Waters Ltd	England and Wales	04354481	100.0%	Property investment
Glan Llyn Management Ltd	England and Wales	07848409	100.0%	Property management
Great Yarmouth Regeneration Ltd	England and Wales	05594264	100.0%	Dormant
Heenan Group Pensions Ltd	England and Wales	00548316	100.0%	Dormant
Holaw (462) Ltd	England and Wales	03666441	100.0%	Property investment
Key Property (Developments) Ltd	England and Wales	04780513	50.0%	Property development
Key Property Investments (Number Eight) Ltd	England and Wales	04502433	50.0%	Property investment/ development
Key Property Investments (Number Eleven) Ltd	England and Wales	05226386	50.0%	Property investment
Key Property Investments (Number Four) Ltd	England and Wales	04305282	50.0%	Property investment/ development
Key Property Investments (Number Nine) Ltd	England and Wales	04471664	50.0%	Property investment/ development
Key Property Investments (Number One) Ltd	England and Wales	03450063	50.0%	Property investment/ development

Company name	Country of incorporation	Company registration number	Ultimate % holding	Principal activities
Key Property Investments (Number Seven) Ltd	England and Wales	04460875	50.0%	Holding company
Key Property Investments (Number Six) Ltd	England and Wales	04331826	50.0%	Holding company
Key Property Investments (Number Ten) Ltd	England and Wales	04471654	50.0%	Dormant
Key Property Investments (Number Three) Ltd	England and Wales	04305272	50.0%	Property investment/ development
Key Property Investments (Number Twelve) Ltd	England and Wales	05732834	50.0%	Dormant
Key Property Investments (Number Two) Ltd	England and Wales	04177539	50.0%	Property investment/ development
Key Property Investments Ltd	England and Wales	03372175	50.0%	Holding company
Killingholme Energy Ltd	England and Wales	08320277	100.0%	Property development
Killingholme Land Ltd	England and Wales	08320297	100.0%	Property development
Knights Park (Management) Ltd	England and Wales	02487814	16.7%	Dormant
KPI Corporate Services Ltd	England and Wales	09040522	50.0%	Property management
KPI I S.à.r.l.	Luxembourg	B154101	50.0%	Property investment
KPI II S.à.r.l.	Luxembourg	B154102	50.0%	Property investment
KPI S.à.r.l.	Luxembourg	B153301	50.0%	Property investment
Lapwing Centre (Management) Ltd	England and Wales	02487912	12.5%	Dormant
Lawnmark Ltd	England and Wales	04089229	100.0%	Dormant
Leisure Living Ltd	England and Wales	02106984	100.0%	Property development
Longbridge Innovation Centre Ltd	England and Wales	06163526	100.0%	Dormant
Meaford Energy Ltd	England and Wales	08575649	50.0%	Property development
Meaford Land Ltd	England and Wales	08575760	50.0%	Property development
Newcastle Regeneration Partnership Ltd	England and Wales	02741086	100.0%	Dormant
Norton & Proffitt Developments Ltd	England and Wales	03717397	75.0%	Property investment/ development
Peacehaven Valley Owners Ltd	England and Wales	02648782	4.2%	Dormant
Petre Court Management (Number 1) Ltd	England and Wales	06160268	100.0%	Dormant
Raddclyffe Estates Ltd	England and Wales	05816682	100.0%	Dormant
Redman Heenan Properties Ltd	England and Wales	00073265	100.0%	Property investment/ development
Sandpiper Quay (Management Company No.1) Ltd	England and Wales	02485619	13.3%	Dormant
Sandpiper Quay (Management Company No.2) Ltd	England and Wales	02485456	100.0%	Dormant
Saxon Business Centre (Management) Ltd	England and Wales	02470756	40.0%	Dormant
Shaw Park Developments Ltd	England and Wales	04625000	100.0%	Property development
Skypark Development Partnership LLP	England and Wales	OC343583	50.0%	Property development
SMP 14H S.à.r.l.	Luxembourg	B187462	100.0%	Property investment
Snipe Centre (Management) Ltd	England and Wales	02485535	33.3%	Dormant
Sowcrest Ltd	England and Wales	02948648	100.0%	Property investment
St Modwen Developments (Meon Vale) Ltd	England and Wales	05294589	100.0%	Property investment – ceased trading
St Modwen Securities Ltd	England and Wales	00460301	100.0%	Property development
St. Modwen (SAC1) Ltd	England and Wales	08296927	100.0%	Dormant
St. Modwen (SAC2) Ltd	England and Wales	08296934	100.0%	Property investment
St. Modwen (Shelf 1) Ltd	England and Wales	02741186	100.0%	Dormant

Notes to the Company Financial Statements (continued)

for the year ended 30th November 2015

(F). Investments held as fixed assets (continued)

Company name	Country of incorporation	Company registration number	Ultimate % holding	Principal activities
St. Modwen (Shelf 64) Ltd	England and Wales	06160316	100.0%	Dormant
St. Modwen Corporate Services Ltd	England and Wales	06163437	100.0%	Property management
St. Modwen Development (Coed Darcy) Ltd	England and Wales	06163563	100.0%	Dormant
St. Modwen Developments (Bedford) Ltd	England and Wales	05411282	100.0%	Dormant
St. Modwen Developments (Belle Vale) Ltd	England and Wales	04145782	100.0%	Dormant
St. Modwen Developments (Blackburn) Ltd	England and Wales	05732825	100.0%	Property investment
St. Modwen Developments (Bognor Regis) Ltd	England and Wales	06160250	100.0%	Dormant
St. Modwen Developments (Brighton West Pier) Ltd	England and Wales	04069008	100.0%	Dormant
St. Modwen Developments (Chorley) Ltd	England and Wales	05727011	100.0%	Property investment
St. Modwen Developments (Colne) Ltd	England and Wales	05726325	100.0%	Dormant
St. Modwen Developments (Connah's Quay) Ltd	England and Wales	05726352	100.0%	Dormant
St. Modwen Developments (Cranfield) Ltd	England and Wales	06163509	100.0%	Dormant
St. Modwen Developments (Daresbury) Ltd	England and Wales	06163550	100.0%	Dormant
St. Modwen Developments (Eccles) Ltd	England and Wales	05867740	100.0%	Property investment
St. Modwen Developments (Edmonton) Ltd	England and Wales	02405853	100.0%	Property investment/ development
St. Modwen Developments (Facility Services) Ltd	England and Wales	08996358	100.0%	Dormant
St. Modwen Developments (Hatfield) Ltd	England and Wales	04354480	100.0%	Property investment/ development
St. Modwen Developments (Hillington) Ltd	England and Wales	04150262	100.0%	Property investment/ development
St. Modwen Developments (Holderness) Ltd	England and Wales	05726995	100.0%	Property development
St. Modwen Developments (Hull) Ltd	England and Wales	05593517	100.0%	Property development
St. Modwen Developments (Kirkby 2) Ltd	England and Wales	09746395	100.0%	Property development
St. Modwen Developments (Longbridge) Ltd	England and Wales	02885028	100.0%	Property investment/ development
St. Modwen Developments (Queens Market) Ltd	England and Wales	05289380	100.0%	Property development
St. Modwen Developments (Quinton) Ltd	England and Wales	01479159	100.0%	Property development
St. Modwen Developments (Silverstone) Ltd	England and Wales	05594232	100.0%	Dormant
St. Modwen Developments (Skelmersdale) Ltd	England and Wales	06163591	100.0%	Dormant
St. Modwen Developments (St Helens) Ltd	England and Wales	05726666	100.0%	Dormant
St. Modwen Developments (Telford) Ltd	England and Wales	05411357	100.0%	Property investment/ development
St. Modwen Developments (Walthamstow) Ltd	England and Wales	06163459	100.0%	Dormant
St. Modwen Developments (Weston) Ltd	England and Wales	05411348	100.0%	Property development
St. Modwen Developments (Wythenshawe 2) Ltd	England and Wales	05851760	100.0%	Dormant
St. Modwen Developments (Wythenshawe) Ltd	England and Wales	05594279	100.0%	Dormant
St. Modwen Developments Ltd	England and Wales	00892832	100.0%	Property investment/ development
St. Modwen Holdings Ltd	England and Wales	01991339	100.0%	Dormant
St. Modwen Homes Ltd	England and Wales	09095920	100.0%	Property development
St. Modwen Hungerford Ltd	England and Wales	06160323	100.0%	Property development
St. Modwen Investments Ltd	England and Wales	00528657	100.0%	Property investment
St. Modwen Neath Canal Ltd	England and Wales	06160309	100.0%	Holding company
St. Modwen Pensions Ltd	England and Wales	00878604	100.0%	Dormant
St. Modwen Properties 11 S.à.r.l.	Luxembourg	B199875	100.0%	Property investment

Company name	Country of incorporation	Company registration number	Ultimate % holding	Principal activities
St. Modwen Properties I S.à.r.l.	Luxembourg	B154036	100.0%	Property investment
St. Modwen Properties II S.à.r.l.	Luxembourg	B154040	100.0%	Property investment
St. Modwen Properties III S.à.r.l.	Luxembourg	B154089	100.0%	Property investment
St. Modwen Properties IV S.à.r.l.	Luxembourg	B154061	100.0%	Property investment
St. Modwen Properties IX S.à.r.l.	Luxembourg	B154099	100.0%	Property investment
St. Modwen Properties S.à.r.l.	Luxembourg	B153339	100.0%	Property investment
St. Modwen Properties Securities (Jersey) Ltd	Jersey	114977	100.0%	Financing company
St. Modwen Properties V S.à.r.l.	Luxembourg	B154141	100.0%	Property investment
St. Modwen Properties VI S.à.r.l.	Luxembourg	B154133	100.0%	Property investment
St. Modwen Properties VII S.à.r.l.	Luxembourg	B154093	100.0%	Property investment
St. Modwen Properties VIII S.à.r.l.	Luxembourg	B154097	100.0%	Property investment
St. Modwen Properties X S.à.r.l.	Luxembourg	B154153	100.0%	Property investment
St. Modwen Residential Living Ltd	England and Wales	09266033	100.0%	Property management
St. Modwen Services Ltd	England and Wales	02885024	100.0%	Dormant
St. Modwen Ventures Ltd	England and Wales	01486151	100.0%	Property investment/ development
Statedale Ltd	England and Wales	03656832	100.0%	Holding company
Stoke on Trent Regeneration (Investments) Ltd	England and Wales	04289476	50.0%	Property investment
Stoke on Trent Regeneration Ltd	England and Wales	02265579	50.0%	Property investment/ development
Swan Business Park (Management) Ltd	England and Wales	02424524	25.0%	Dormant
The Company of Proprietors of the Neath Canal Navigation	England and Wales	ZC000173	68.4%	Property investment
Trentham Gardens Ltd	England and Wales	00533242	100.0%	Dormant
Trentham Leisure Ltd	England and Wales	03246990	100.0%	Property investment
Tukdev 11 Ltd	England and Wales	02885000	100.0%	Dormant
Uttoxeter Estates Ltd	England and Wales	02725709	81.0%	Property investment
VSM (Mill Hill 1) Ltd	England and Wales	05851870	50.0%	Property development
VSM (Mill Hill 2) Ltd	England and Wales	05851871	50.0%	Property development
VSM (Mill Hill 3) Ltd	England and Wales	05851774	50.0%	Property development
VSM (Mill Hill 4) Ltd	England and Wales	05867674	50.0%	Property development
VSM (Mill Hill 5) Ltd	England and Wales	05867677	50.0%	Property development
VSM (Mill Hill 6) Ltd	England and Wales	05867678	50.0%	Property development
VSM (NCGM) Ltd	England and Wales	08333203	50.0%	Property development
VSM (Uxbridge 1) Ltd	England and Wales	05851806	50.0%	Property investment
VSM (Uxbridge 2) Ltd	England and Wales	05851814	50.0%	Property investment
VSM (Uxbridge 3) Ltd	England and Wales	05851817	50.0%	Property investment
VSM (Uxbridge 4) Ltd	England and Wales	05851821	50.0%	Property investment
VSM (Uxbridge 5) Ltd	England and Wales	05851830	50.0%	Property investment
VSM (Uxbridge 6) Ltd	England and Wales	05851841	50.0%	Property investment
VSM (Uxbridge 7) Ltd	England and Wales	05851862	50.0%	Property investment
VSM (Uxbridge 8) Ltd	England and Wales	05851866	50.0%	Property investment
VSM (West Ruislip 3) Ltd	England and Wales	05867747	50.0%	Property investment – ceased trading
VSM (West Ruislip 4) Ltd	England and Wales	05867730	50.0%	Dormant

Notes to the Company Financial Statements (continued)

for the year ended 30th November 2015

(F). Investments held as fixed assets (continued)

Company name	Country of incorporation	Company registration number	Ultimate % holding	Principal activities
VSM (West Ruislip 1) Ltd	England and Wales	05732822	50.0%	Dormant
VSM (West Ruislip 2) Ltd	England and Wales	05732818	50.0%	Dormant
VSM (Woolwich 1) Ltd	England and Wales	05867687	50.0%	Property investment – ceased trading
VSM (Woolwich 2) Ltd	England and Wales	05867692	50.0%	Dormant
VSM Estates (Ashchurch) Ltd	England and Wales	09494284	50.0%	Property investment/development
VSM Estates (Holdings) Ltd	England and Wales	05867718	50.0%	Property development
VSM Estates (Uxbridge Holdings) Ltd	England and Wales	08030263	50.0%	Dormant
VSM Estates (Uxbridge) Ltd	England and Wales	08000629	50.0%	Property investment/development
VSM Estates Ltd	England and Wales	05732806	50.0%	Property development
VSM Estates Uxbridge (Group) Ltd	England and Wales	08083799	50.0%	Property development
Walton Securities Ltd	England and Wales	02314059	100.0%	Dormant
Widnes Regeneration Ltd	England and Wales	03643210	81.0%	Property development
Woking Developments Ltd	England and Wales	05411325	100.0%	Dormant
Woodingdean Estate Management Company Ltd	England and Wales	09293061	100.0%	Property management
Wrexham Land Ltd	England and Wales	06748467	50.0%	Property development
Wrexham Power Ltd	England and Wales	06762265	50.0%	Property development

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

(G). Debtors

	2015 £m	2014 £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
	2015 £m	2014 £m
Amounts falling due within one year:		
Trade debtors	0.3	0.1
Amounts due from subsidiaries	362.6	304.2
Amounts due from joint venture and associated companies	34.3	22.8
Other debtors	0.7	1.9
Prepayments and accrued income	4.1	6.0
Derivative financial instruments	0.8	1.0
Corporation tax	18.9	12.5
Deferred tax asset (see note (J))	2.7	2.2
	424.4	350.7

(H). Creditors

	2015 £m	2014 £m
Amounts falling due within one year:		
Bank overdrafts	-	3.7
Trade creditors	-	0.9
Amounts due to subsidiaries	311.8	292.0
Amounts due to joint venture and associated companies	15.5	4.7
Other tax and social security	1.6	0.8
Other creditors	1.2	1.5
Accruals and deferred income	9.8	11.9
Derivative financial instruments	17.0	13.0
	356.9	328.5
	2015 £m	2014 £m
Amounts falling due after more than one year:		
Bank loans	182.5	106.6
Other loans	171.8	180.0
	354.3	286.6

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

Other loans comprise an unsecured 6.25% fixed rate retail bond maturing in November 2019 and a 2.875% convertible bond maturing March 2019.

Financial Statements

Notes to the Company Financial Statements (continued)for the year ended 30th November 2015**(I). Borrowings**

The maturity profile of the bank borrowings is as follows:

	2015 £m	2014 £m
Less than one year	-	-
One to two years	-	-
Two to five years	316.8	249.1
More than five years	37.5	37.5
Total	354.3	286.6

(J). Deferred taxation

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

	Provided		Unprovided	
	2015 £m	2014 £m	2015 £m	2014 £m
Other timing differences	2.7	2.2	139.1	93.5

The unprovided deferred taxation represents the amounts that would be payable should the Company sell all of its investments in subsidiaries, joint ventures and associated companies.

Reconciliation of movement on deferred tax asset included in debtors

	£m
Balance as at 30 th November 2014	2.2
Profit and loss account	0.5
Balance as at 30th November 2015	2.7

Reconciliation of deferred tax liability included in pension scheme asset

	£m
Balance as at 30 th November 2014	-
Profit and Loss Account	-
Statement of Total Recognised Gains and Losses	-
Balance as at 30th November 2015	-

(K). Share capital

Equity share capital	Ordinary 10p shares Number	£m
At start of year	221,376,988	22.1
Issue of share capital	500,000	0.1
At end of year	221,876,988	22.2

On 23rd September 2015 the Company issued 500,000 ordinary shares of 10p each at par. The shares were allotted and issued 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.

(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 2014	102.8	526.9	48.2	4.8	(1.8)	46.2
Surplus on revaluation of investments	-	240.4	-	-	-	-
Retained (loss) for the year (note B)	-	-	(2.7)	-	-	-
Equity issue	-	-	-	-	(0.1)	-
Share-based payment charge	-	-	(8.6)	0.4	-	-
Net share disposals	-	-	(0.9)	-	0.9	-
Dividends paid (note D)	-	-	(11.1)	-	-	-
Actuarial loss on pension scheme (note M)	-	-	-	-	-	-
Movement on deferred tax relating to pension asset (note J)	-	-	-	-	-	-
At 30th November 2015	102.8	767.3	24.9	5.2	(1.0)	46.2

Own shares represents the cost of 690,274 (2014: 460,427) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30th November 2015 was £2,985,435 (2014: £1,763,435). In addition the Employee Benefit Trust has £0.1m (2014: £0.1m) of cash and an intercompany receivable of £13.8m due to the Company (2014: £2.8m 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 IAS 19 'Employee Benefits' disclosures for the Group, also covers the requirements of FRS17 'Retirement Benefits' for the Company.

(N). Operating lease commitments

Operating lease commitments where the Company is the lessee

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

	2015		2014	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases which expire:				
In one year or less	-	-	-	-
Between one and five years	0.5	0.7	0.5	0.7
In more than five years	0.1	0.6	0.1	0.6
	0.6	1.3	0.6	1.3

(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.

Financial Statements

Five Year Record

	2011 £m	2012 £m	2013 restated £m	2014 restated £m	2015 £m
Rental income ⁽¹⁾	35.5	36.2	36.3	37.1	38.7
Property profits ⁽¹⁾⁽²⁾	23.8	29.0	37.7	51.3	67.4
Revaluation surplus/(deficit) ⁽¹⁾⁽³⁾	33.9	28.0	39.1	93.5	201.7
Profit before all tax ⁽⁴⁾	51.7	52.8	77.2	135.4	258.4
Earnings per share (pence)	21.7	21.3	30.9	53.8	97.9
Dividends paid per share (pence)	3.10	3.41	3.75	4.13	5.04
Dividend cover (times)	7.0	6.2	8.2	13.0	19.4
Shareholders' equity net assets per share (pence)	231.8	250.8	278.8	325.1	413.5
Increase on prior year	9%	8%	11%	17%	27%
Net assets employed					
Investment properties	848.7	770.4	744.6	856.8	1,081.0
Investments	50.3	75.2	120.1	127.2	227.3
Inventories	191.1	175.2	199.7	201.0	183.7
Other net liabilities	(267.0)	(141.1)	(112.9)	(101.0)	(68.4)
Net debt	(347.1)	(366.0)	(334.9)	(360.0)	(502.1)
Minority interests	(11.6)	(11.1)	(4.5)	(5.9)	(6.8)
Equity attributable to owners of the Company	464.4	502.6	612.1	718.1	914.7
Financed by					
Share capital	20.0	20.0	22.0	22.1	22.2
Reserves	444.9	483.1	590.4	697.8	893.5
Own shares	(0.5)	(0.5)	(0.3)	(1.8)	(1.0)
	464.4	502.6	612.1	718.1	914.7

(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, for example obtaining planning consent, achieving remediation milestones and improving lease terms.

Adjusted gearing – the level of the Group's net borrowings (at amortised cost and excluding finance leases) expressed as a percentage of net assets.

Average lease length – the weighted average lease term to the first tenant break.

EPRA – the European Public Real Estate Association, a body that has put forward recommendations for best practice in financial reporting by real estate companies.

EPRA net asset value (EPRA NAV) – the Balance Sheet net assets, adjusted to include the fair value of inventories and exclude deferred tax on capital allowances and revaluations, and mark-to-market of derivative financial instruments.

EPRA net asset value per share – EPRA net asset value divided by the number of ordinary shares in issue at the period end (excluding shares held by The St. Modwen Properties PLC Employee Share Trust).

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.

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.

Gearing – the level of the Group's net debt 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 of a property expressed as a percentage of the property's 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 – the ratio of operating income less overheads to interest for the Group (including its share of joint ventures and associates).

Land bank – 100% of the land and property owned and controlled by the Group together with joint ventures and associates (including land under option and development agreements).

LIBOR – the London interbank offered rate is the interest rate which banks charge when lending to other banks.

Loan-to-value (LTV) – the level of the Group's net borrowings expressed as a percentage of the Group's property portfolio excluding assets held under finance leases (representing amounts that could be used as security of that debt and excluding assets held under finance leases).

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 (excluding shares held by The St. Modwen Properties PLC Employee Share Trust).

Net borrowings – total borrowings (at amortised cost and excluding finance leases) less cash and cash equivalents and fair value movements on the Group's convertible bond.

Net debt – total borrowings and finance leases including fair value movements in the Group's convertible bond less cash and cash equivalents.

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.

Net rental income – the rental income receivable in the period less non-recoverable property costs for the Group (including its share of joint ventures and associates).

Glossary of terms (continued)

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

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).

Operating income – the total of net rental income, other income and property profits for the Group (including its share of joint venture and associates).

Other income – other rental type income generated from the operating assets of the Group (including its share of joint ventures and associates).

Persimmon joint venture – a series of commercial contracts with Persimmon to develop residential units on agreed sites within St. Modwen's land bank.

Pre-sold properties under construction – those properties we are constructing 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 – investment properties and inventories of the Group (including its share of joint ventures and associates) comprising income producing properties together with residential and commercial land.

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).

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

Reversionary yield – the anticipated yield to which the initial yield will rise or fall once the rent reaches the ERV.

RICS – Royal Institution of Chartered Surveyors.

Section 106 agreement – planning obligations attached to a development, often improvements to local infrastructure and facilities, to ensure that wherever possible a development makes a positive contribution to the local area and community.

See-through loan-to-value (LTV) – the level of the Group's net borrowings expressed as a percentage of the Group's property portfolio.

SIC – Standards and Interpretations Committee.

Trading profit – operating income less operating costs.

TSR – total shareholder return, representing the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock.

Weighted average term of borrowings – each tranche of the Group's borrowings is multiplied by the remaining period to its maturity and the result is divided by total Group borrowings at the period end.

Weighted average interest rate – the Group's annualised loan interest and derivative costs at the period end, divided by total Group borrowings at the period end.

Notice of Annual General Meeting

Notice is hereby given that the seventy fifth 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 Wednesday, 23rd March 2016 at 12.00 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 15 inclusive will be proposed as ordinary resolutions and resolutions 16 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 2015 be received.
2. That the Directors' Remuneration Report, excluding the part containing the directors' remuneration policy, set out on pages 70 to 93 of the Annual Report and Financial Statements for the financial year ended 30th November 2015 be approved.
3. That a final dividend for the financial year ended 30th November 2015 of 3.85p per ordinary share payable on 1st April 2016 to those shareholders on the register of members at the close of business on 4th March 2016 be declared.
4. That Rob Hudson be elected as a director.
5. That Ian Bull be re-elected as a director.
6. That Steve Burke be re-elected as a director.
7. That Kay Chaldecott be re-elected as a director.
8. That Simon Clarke be re-elected as a director.
9. That 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 Audit Committee be authorised to determine the remuneration of the Company's auditor on behalf of the Board.

Special business

15. 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 (the 2006 Act) 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 £7,395,899; and
 - (b) allot equity securities (within the meaning of section 560 of the 2006 Act) up to a further aggregate nominal amount of £7,359,899 in connection with an offer by way of a rights issue to:

- (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

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

such authorities to expire at the conclusion of the AGM of the Company to be held after the date of the passing of this resolution or 22nd June 2017, 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

16. That, in substitution for all existing powers and subject to the passing of resolution 15, the directors be generally empowered pursuant to section 570 of the Companies Act 2006 (the 2006 Act) to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by resolution 15 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the 2006 Act, in each case free of the restriction in section 561 of the 2006 Act, provided that such power to be limited to:
 - (a) the allotment of equity securities pursuant to the authority granted by paragraph (a) of resolution 15 and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the 2006 Act (in each case otherwise than in the circumstances set out in paragraph (b) of this resolution) up to a nominal amount of £2,218,769; 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 15, 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,

Notice of Annual General Meeting (continued)

Special business (continued)

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 22nd June 2017, 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

17. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the 2006 Act) to make market purchases (as defined in section 693 of the 2006 Act) of ordinary shares of 10p each in its capital (Ordinary Shares) on such terms and in such manner as the directors may from time to time determine provided that:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 22,187,698;
- (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 22nd June 2017, 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

18. That a general meeting other than an AGM may be called on not less than 14 clear days' notice.

Special resolution

19. That the new Articles of Association of the Company produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, its existing Articles of Association.

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

18th February 2016

St. Modwen Properties PLC

Registered number: 349201

Registered Office: Park Point, 17 High Street, Longbridge, Birmingham B31 2UQ

Explanatory notes to proposed resolutions

Ordinary resolutions

For a resolution proposed as an ordinary resolution to be passed, more than half of the votes cast must be in favour of the resolution.

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 2015. 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 2015 of 3.85p per ordinary share. If approved, this will be paid on 1st April 2016 to shareholders on the register of members at the close of business on 4th March 2016.

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 28th September 2015 and in accordance with the Company's Articles of Association, Rob Hudson will retire and offer himself for election at the 2016 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 pages 48 and 49.

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 2016 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 Audit Committee to determine their remuneration on behalf of the Board.

Resolution 15 – 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 2016 AGM. Resolution 15 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 15 will, if resolution 15 is passed, authorise the directors to allot shares up to a maximum aggregate nominal amount of £7,395,899, which represents one-third of the Company's issued ordinary share capital as at 9th February 2016 (being the latest practicable date prior to the publication of the notice of AGM). Paragraph (b) of resolution 15 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 £7,395,899.

The authorities sought in paragraphs (a) and (b) of resolution 15 are in substitution for all existing authorities granted in the Company's Articles of Association or otherwise, and are without prejudice to previous allotments or agreements or offers to allot made under such existing authorities. The authorities will each expire at the earlier of the conclusion of the next AGM of the Company and 22nd June 2017.

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.

Special resolutions

For a resolution proposed as a special resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Notice of Annual General Meeting (continued)

Explanatory notes to proposed resolutions (continued)

Resolution 16 – Authority to disapply 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 16 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 16 will, if resolution 16 is passed, authorise the directors to allot new shares pursuant to the authority given in paragraph (a) of resolution 15 for cash up to a maximum aggregate nominal value of £2,218,769, equivalent to 10% of the Company's issued ordinary share capital as at 9th February 2016 (being the latest practicable date prior to the publication of the notice of AGM) without the shares first being offered to existing shareholders in proportion to their existing holdings.

In addition, in light of the IA guidance described in the explanation of resolution 15 above, paragraph (b) of resolution 16 will, if resolution 16 is passed, authorise the directors to allot new shares pursuant to the authority given by paragraph (b) of resolution 15 for cash in connection with a rights issue without the shares first being offered to existing shareholders in proportion to their existing holdings.

This authority is in line with institutional shareholder guidance, and in particular with the Pre-Emption Group's Statement of Principles (the Pre-Emption Principles) revised in March 2015 to allow the authority for an issue of shares for cash otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of a company's issued ordinary share capital, provided that the company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment (within the meaning of the Pre-Emption Principles). The directors therefore confirm, in accordance with the Pre-Emption Principles:

(a) that to the extent the authority in paragraph (a) of resolution 16 is used for an issue of ordinary shares with a nominal value in excess of £1,109,384, representing 5% of the Company's issued ordinary share capital as at 9th February 2016 (being the latest practicable date prior to the publication of the notice of AGM), they intend that this authority will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue; and

(b) that, excluding any shares issued in connection with an acquisition or specified capital investment as described above, they intend 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.

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 22nd June 2017.

The directors have no present intention of exercising this authority other than to fulfil the Company's obligations under its share incentive schemes approved previously by shareholders, but consider it prudent to obtain the flexibility that this authority provides.

Resolution 17 – Authority to purchase shares

Resolution 17 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 22,187,698 of its ordinary shares, which represents 10% of the Company's issued ordinary share capital as at 9th February 2016 (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 22nd June 2017.

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 9th February 2016 (being the latest practicable date prior to the publication of the notice of AGM), the Company had options outstanding over 6,047,076 ordinary shares, representing 2.73% 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 9th February 2016 would represent 3.41% of the issued share capital.

Resolution 18 – Notice period of general meetings

Resolution 18 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.

Resolution 19 – Adoption of new Articles of Association

The Company regularly reviews the suitability of its Articles of Association following developments in applicable law and regulation and UK market practice. It is proposed that the Company adopts new Articles of Association (the New Articles) principally in order to reflect developments in current practice, and to provide clarification and additional flexibility in relation to certain matters. The existing Articles of Association were most recently updated and adopted by the Company on 26th March 2010. A summary of the principal changes being proposed in the New Articles are summarised in the Appendix to this notice of AGM. Other changes, which are deemed to be of a minor, non-substantive, technical or clarificatory nature (including, where relevant, to certain defined terms), have not been noted in the Appendix. A copy of the Company's existing Articles of Association, a copy of the New Articles and a copy marked up to show the proposed changes will be available for inspection at the registered office of the Company and at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF during normal business hours from the date of this notice of AGM until the close of the AGM, and at the place of the AGM from 15 minutes before the start of the meeting until the end of the meeting.

Shareholder notes

1. Entitlement to attend and vote

To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), shareholders must be entered on the Company's register of members at 6.00pm on Monday, 21st March 2016 (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 Monday, 21st March 2016. 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 0371 384 2198 (overseas callers should dial +44 (0)121 415 7047. Lines are open from 8.30am to 5.30pm, Monday to Friday excluding UK bank holidays). 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.

Notice of Annual General Meeting (continued)

Shareholder notes (continued)

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 Monday, 21st March 2016.

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/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 Monday, 21st March 2016. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified the original proxy appointment will remain valid. Termination of proxy appointments made through CREST must be made in accordance with the procedures described in the CREST Manual.

7. Corporate representatives

A corporate shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the AGM. Please contact Equiniti for further guidance.

8. Nominated persons

Any person to whom this notice is sent who is not a shareholder but is a person nominated by a shareholder under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement with the shareholder who nominated him/her, have a right to be appointed, or have someone else appointed, as a proxy for the AGM. If a Nominated Person has no such right or does not wish to exercise it, he/she may, under any such agreement, have a right to give voting instructions to the shareholder.

The statement of the rights of shareholders in relation to the appointment of proxies set out in notes 2 to 7 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by shareholders of the Company. If you are a Nominated Person it is important to remember that your main contact in terms of your investment remains the registered shareholder or the custodian or broker who administers the investment on your behalf.

9. Shareholder participation

Any shareholder attending the AGM has the right to ask questions relating to the business of the meeting and the Company has an obligation to answer such questions unless (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

10. Availability of information on website

A copy of this notice of AGM, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website at www.stmodwen.co.uk.

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 9th February 2016 (being the latest practicable date prior to the publication of the notice of AGM), the Company's issued share capital consisted of 221,876,988 shares carrying one vote each. Therefore the total voting rights in the Company as at 9th February 2016 was 221,876,988.

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 existing Articles of Association, a copy of the New Articles and a copy of the existing Articles of Association marked up to show the proposed changes; 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.

Notice of Annual General Meeting Appendix

This appendix sets out a summary of the principal changes proposed to be made to the Company's existing Articles of Association.

1. Share warrants

The Small Business, Enterprise and Employment Act 2015 prohibits the creation of new bearer shares and requires existing bearer shares to be converted into registered shares. In light of this, the provisions in the existing Articles of Association relating to share warrants have been removed from the New Articles.

2. Retirement and re-election of directors

The New Articles have been amended to reflect the Company's established practice, in line with the UK Corporate Governance Code and current best practice, that all directors be subject to annual re-election by shareholders. The New Articles provide that at each AGM every director retires from office and each director wishing to remain in office is required to stand for election or re-election as appropriate.

3. Directors below minimum through vacancies

The New Articles include language to deal with a situation where the number of directors required under the Articles of Association falls below the minimum. Currently the Board's powers in this regard are limited. The amended wording in the New Articles would allow the Board to remain fully functional in this situation until additional directors have been appointed.

4. Directors' fees

The cap on the fees payable to directors for their services in the office of director has been increased in the New Articles from £600,000 per annum to £800,000 per annum. This increase would provide the Company with sufficient headroom and flexibility in order to increase the number of directors and maintain its directors' fees in line with the market. Whilst the Company does not anticipate any significant increase to directors' fees or any significant increases to the size of the Board, the directors believe that it is prudent to maintain flexibility in this regard. Any increase to fees will be in line with the directors' remuneration policy, last approved by shareholders in 2014.

5. Company name

The New Articles give the directors the power to resolve to change the Company's name, as permitted by the Companies Act 2006.

6. Dividend payment procedure

The New Articles have been amended following guidance published by the ICSA Registrars' Group in March 2014 to provide the Company with additional flexibility to prescribe the manner in which dividends are paid. Currently the Company pays dividends by electronic payment, cheque or similar financial instrument. The use of cheques and similar financial instruments has reduced in recent years and there has been a significant focus on the development of new payment methods, which are intended to improve the security of payments to shareholders and to reduce costs. Although the existing Articles of Association permit the payment of dividends by electronic means, the New Articles allow the directors to determine how dividends are paid to shareholders, which method shall be the default method for paying dividends and whether shareholders may (or may not) make an election for payments to be made other than in the default manner. It is not the Board's intention to change the current methods of payment at this time. However, it is important that the Company is able to cater for new developments and changes in practice, including considering the efficiency and costs saving that would flow from a change to electronic only payment. The New Articles further specify when a dividend or other sum will be treated as unclaimed for the purposes of the Articles of Association.

7. Scrip dividends

The existing Articles of Association already enable the directors to offer shareholders a scrip dividend scheme if authorised by an ordinary resolution of the shareholders. In line with recent institutional investor guidance, the provision stating that a resolution to authorise a scrip dividend for a period of five years has been removed.

8. Indemnity and insurance

As permitted by the Companies Act 2006, provisions for the indemnification of a director of an associated company against liabilities incurred in connection with that associated company's activities as trustee of an occupational pension scheme of the Company have been included in the New Articles.

9. Generally

Generally, the opportunity has been taken to bring clearer language into the New Articles wherever appropriate.

Information for shareholders

Financial calendar

Ordinary shares quoted ex-dividend	3 rd March 2016
2014/15 final dividend record date	4 th March 2016
AGM	23 rd March 2016
2014/15 final dividend payment date	1 st April 2016
Announcement of 2016 half year results	5 th July 2016
Announcement of 2016 final results	February 2017

Annual General Meeting

The AGM will be held on Wednesday, 23rd March 2016 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 167 to 174.

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: 0371 384 2198* (+44 (0)121 415 7047 if calling 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 0371 384 2198* or go to www.shareview.co.uk for further information.

Overseas dividend payment service

If you are resident outside the UK, Equiniti (by arrangement with Citibank Europe PLC) can provide dividend payments that are automatically converted into your local currency and paid direct to your bank account. For more information on this overseas payment service please contact Equiniti on +44 (0)121 415 7047 or download an application form at www.shareview.co.uk.

Share dealing service

If you are UK resident, you can buy and sell shares in St. Modwen through Shareview Dealing, a telephone and internet based service provided by Equiniti Financial Services Ltd. For further details please visit www.shareview.co.uk/dealing or call Equiniti on 03456 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/consumers/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 you should contact Action Fraud on 0300 123 2040.

* Lines are open 8.30 am to 5.30 pm, Monday to Friday excluding UK bank holidays.

Additional Information

Information for shareholders (continued)

Shareholder analysis

Holdings of ordinary shares as at 30th November 2015:

	Shareholders		Shares	
	Number	%	Number	%
By shareholder				
Individuals	3,020	77.22	11,066,255	4.99
Directors and connected persons	39	1.00	28,646,452	12.91
Insurance companies, nominees and pension funds	789	20.17	181,798,329	81.94
Other limited companies and corporate bodies	63	1.61	365,952	0.16
	3,911	100.00	221,876,988	100.00
By shareholding				
Up to 500	1,027	26.26	251,400	0.11
501 to 1,000	657	16.80	508,579	0.23
1,001 to 5,000	1,327	33.93	3,120,496	1.41
5,001 to 10,000	332	8.49	2,431,890	1.10
10,001 to 50,000	294	7.52	6,284,582	2.83
50,001 to 100,000	74	1.89	5,342,913	2.41
100,001 to 500,000	114	2.91	27,953,106	12.60
500,001 to 1,000,000	34	0.87	25,009,105	11.27
1,000,001 and above	52	1.33	150,974,917	68.04
	3,911	100.00	221,876,988	100.00

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 advisors 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.

Contacts

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Midlands

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Northern Home Counties

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