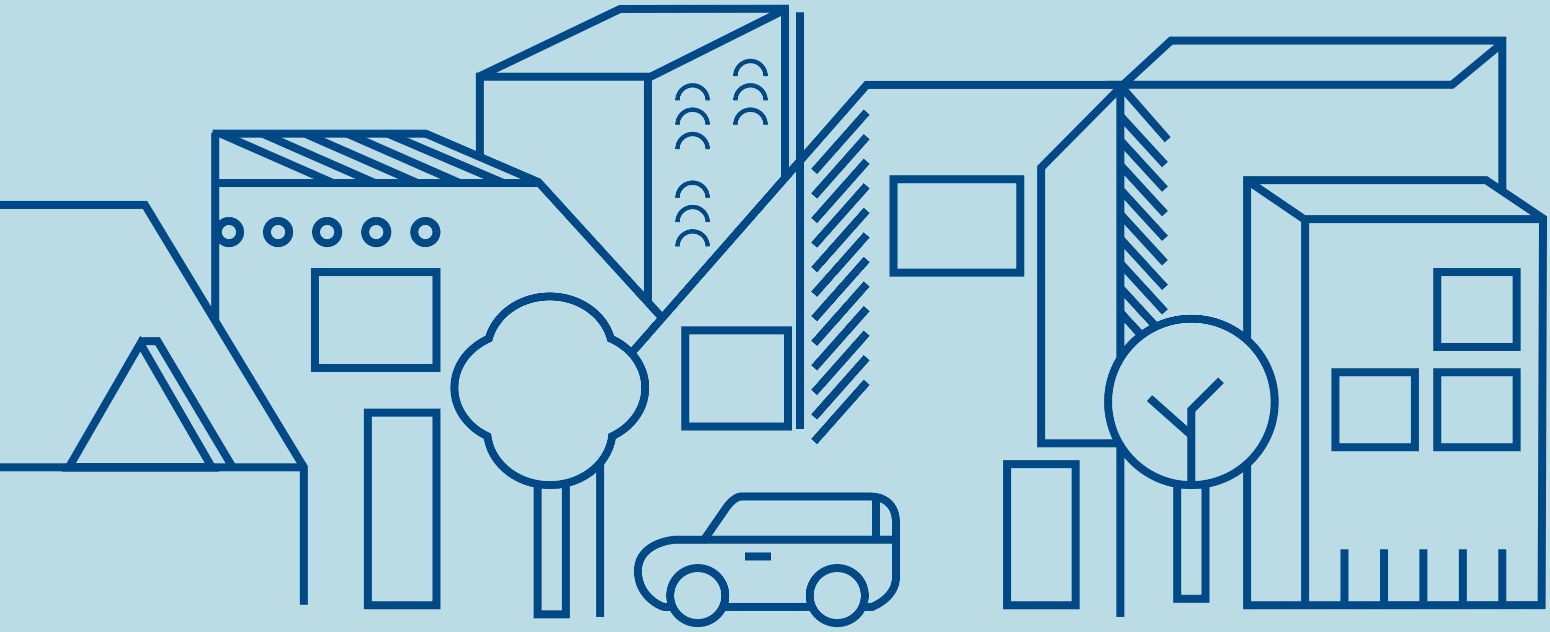

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

ST.MODWEN

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"OUR CORE PURPOSE AND VALUES WILL HELP US BUILD AND SUSTAIN A BUSINESS, BRAND AND REPUTATION THAT WE CAN BE PROUD OF."

MARK ALLAN
CHIEF EXECUTIVE

CREATING VALUE/ CONTRIBUTING MORE

St. Modwen has an extraordinary history, with a reputation for looking at things differently and creating opportunities where none existed. We take on challenges that others cannot.

We have a strong track record of creating value and have successfully grown our profits and grown our business. We are proud of what we have achieved.

But we need to contribute something more. We should make money and grow our business, but in the right way, which will underpin the long-term success of our business.

We feel it is important that all our shareholders, people, partners, customers and communities understand and value what we stand for and what we are seeking to accomplish.

Through our regeneration and development projects, we are changing the norm, by looking for better and lasting results for all concerned.

We are leading the way in delivering quality places to live and work that enhance communities and create opportunities for growth and shared returns.

We transform, optimise and improve and our purpose is to give new meaning to those communities we live in and serve and to the environments we develop.

Changing places. Creating better futures. This is our core purpose and the reason we exist as a business.

"OUR CORE PURPOSE AND VALUES WILL HELP US BUILD AND SUSTAIN A BUSINESS, BRAND AND REPUTATION THAT WE CAN BE PROUD OF."

MARK ALLAN
CHIEF EXECUTIVE

CREATING OPPORTUNITIES/ PROVIDING LASTING BENEFITS

We have taken thousands of acres of contaminated brownfield land and cleaned it to create areas that provide homes and thriving communities for thousands of people.

We have created new business parks, manufacturing facilities, warehousing and retail parks, supporting thousands of jobs across the country.

We transformed a derelict historic estate and gardens into a top five garden attraction and spectacular tourist destination that draws over three million visitors a year.

We breathe life into places to create new and better opportunities.

Every day, from our business strategy through our individual efforts, we strive to live our purpose. We turn new ideas and possibilities into plans that come to life.

"OUR CORE PURPOSE AND VALUES WILL HELP US BUILD AND SUSTAIN A BUSINESS, BRAND AND REPUTATION THAT WE CAN BE PROUD OF."

MARK ALLAN
CHIEF EXECUTIVE

SKILLED PEOPLE/ WORKING TOGETHER

Our people are skilled, responsive and passionate.

They are experts who take great pride in what they do and care about doing the right thing.

Working together with partners, we seek to create places and experiences that deliver shared value, build a lasting legacy and contribute to better futures for all.

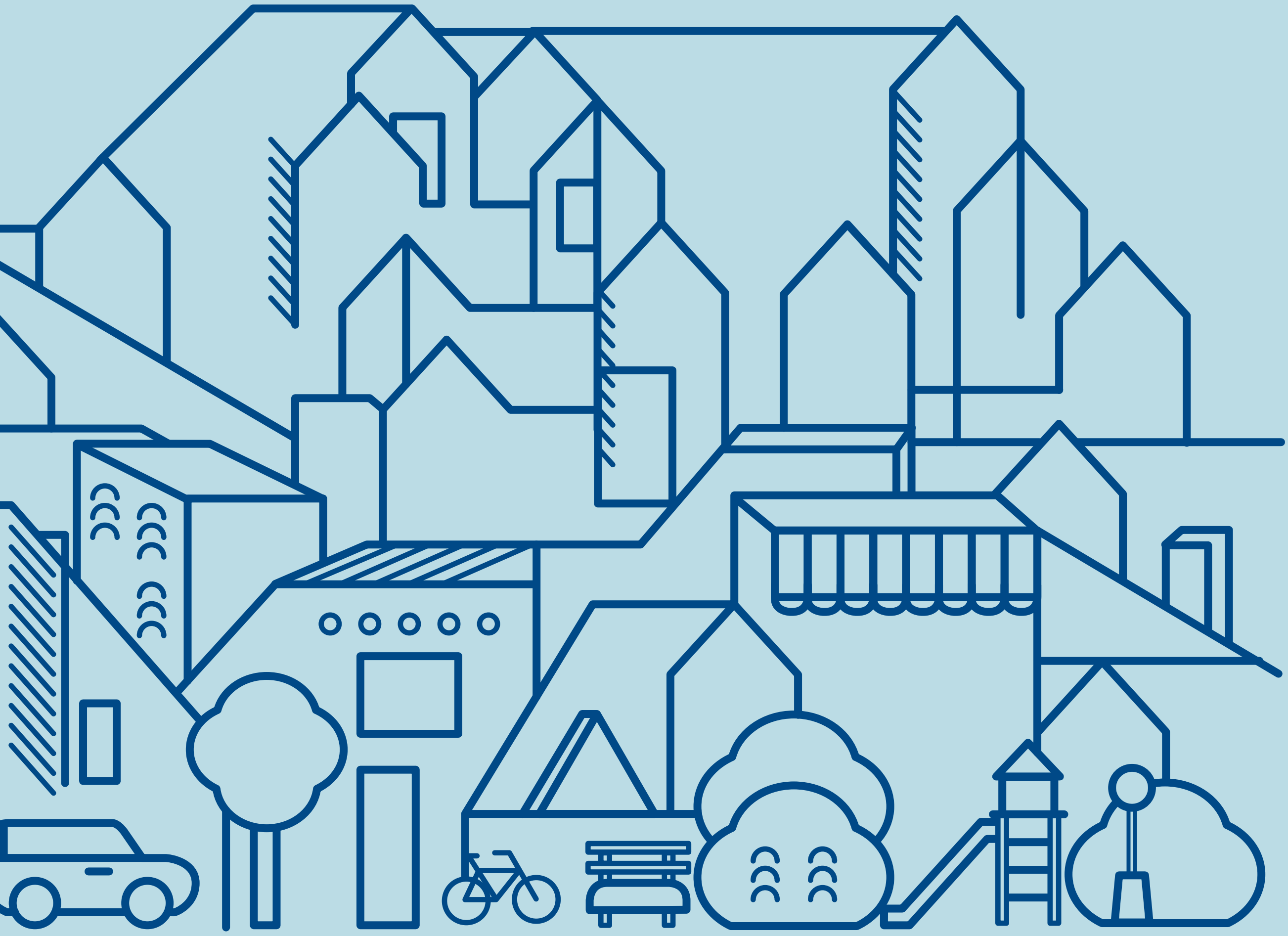
We do this because we believe there is a better way.

And because we can.

"OUR CORE PURPOSE AND VALUES WILL HELP US BUILD AND SUSTAIN A BUSINESS, BRAND AND REPUTATION THAT WE CAN BE PROUD OF."

MARK ALLAN
CHIEF EXECUTIVE

NEW POSSIBILITIES/ PLANS THAT COME TO LIFE



"OUR CORE PURPOSE AND VALUES WILL HELP US BUILD AND SUSTAIN A BUSINESS, BRAND AND REPUTATION THAT WE CAN BE PROUD OF."

MARK ALLAN
CHIEF EXECUTIVE

BEFORE THE DETAIL/ AN OVERVIEW OF THE BUSINESS

WHO WE ARE

St. Modwen has a history of looking at things differently, challenging norms and creating opportunities where none existed before. Operating across the full spectrum of the property industry, St. Modwen is committed to creating places which offer employment, quality homes for families, and leisure, retail and open spaces that make life better.

With an outstanding track record of over 30 years, St. Modwen adds value by managing schemes through the planning process, remediating brownfield land and active asset management and development. We tackle challenging sites that have the clear potential to benefit from our specialist skills, and turn them into inspirational and thriving new residential and business communities.

2017 RESULT

EPRA NAV per share[1]
471.2 pence +2.3%

NAV per share
450.9 pence +4.6%

Total accounting return[1][2]
6.0% +0.4ppt

Total dividend per share
6.28 pence +4.7%

Trading profit[1]
£64.6m +15.2%

Profit before tax
£70.3m +5.1%

Adjusted EPRA EPS[1][3]
13.3 pence +37.1%

Earnings per share
26.9 pence +11.6%

See-through loan-to-value[1]
24.2% -6.3ppt

Group net borrowings
£433.8m -7.7%

KEY FACTS

Track record
30+ years

UK-wide portfolio
£1.7bn

Residential portfolio
£561m

Residential plots with planning recognition
22,000+

Income generating portfolio
£844m

Committed development pipeline
1.6m sq ft

Long-term commercial pipeline
17m+ sq ft

(1) These measures are non-statutory, reconciliations between all the statutory and non-statutory measures and the explanations as to why the non-statutory measures give valuable further insight into the Group's performance are given in Note 2 to the Group financial statements.

(2) Our definition of total accounting return was revised in the year so that it now represents dividends paid in the year plus the movement in NAV per share in the year, rather than the movement in EPRA NAV per share. This change reflects that our strategy includes the repositioning and recycling of our portfolio towards sectors with strong structural growth, whereas the EPRA model assumes that properties are retained. An analysis of the effect of this change on the measures is included in note 2 to the Group financial statements.

(3) Our key performance metrics include a new measure of Adjusted EPRA Earnings and an associated Adjusted EPRA EPS calculation. This is a measure of profits which excludes non-cash valuation movements and will be used as a reference for dividend payments in the future. A detailed analysis of how this measure is calculated and reconciled to our statutory figures is included in Note 3 to the Group financial statements.

REASONS TO INVEST

Strategic insight
We have a clear and confident vision and strategy, with four objectives which drive the business and enable us to continue to achieve significant value creation.

We have the strategic insight and expert research capability to exploit market demands and pursue those opportunities that generate the greatest value at any one time.

Strong track record
We have a rich, 30-year heritage and a strong track record of delivery. We have unparalleled skills in the whole environment development lifecycle – planning, infrastructure, asset management, development and delivery.

Focused on secular growth areas of the market
We have a leading position in our chosen markets and our strong pipeline of activities is focused on two of the most attractive sectors in the UK property market – industrial and logistics development and housebuilding. We are securing the maximum value from our land bank of 6,000 developable acres with a fast-track programme for development.

Solid financial platform
Strong cash flow and rigorous portfolio and capital discipline, together with a flexible debt structure and low gearing, provide us with a robust financial platform for business growth.

Highly experienced people
We are experts in the regeneration and renewal of spaces. Our experience and expertise give us an unmatched ability to bring complex, strategic sites forward to create value.

WHAT WE DO

Our business focus is centred on four main strategic objectives, which are built around our clearly defined core purpose: Changing places. Creating better futures.

ACCELERATING OUR COMMERCIAL DEVELOPMENT ACTIVITY

Potential >7.5m sq ft to build out in medium term

Industrial/logistics focus

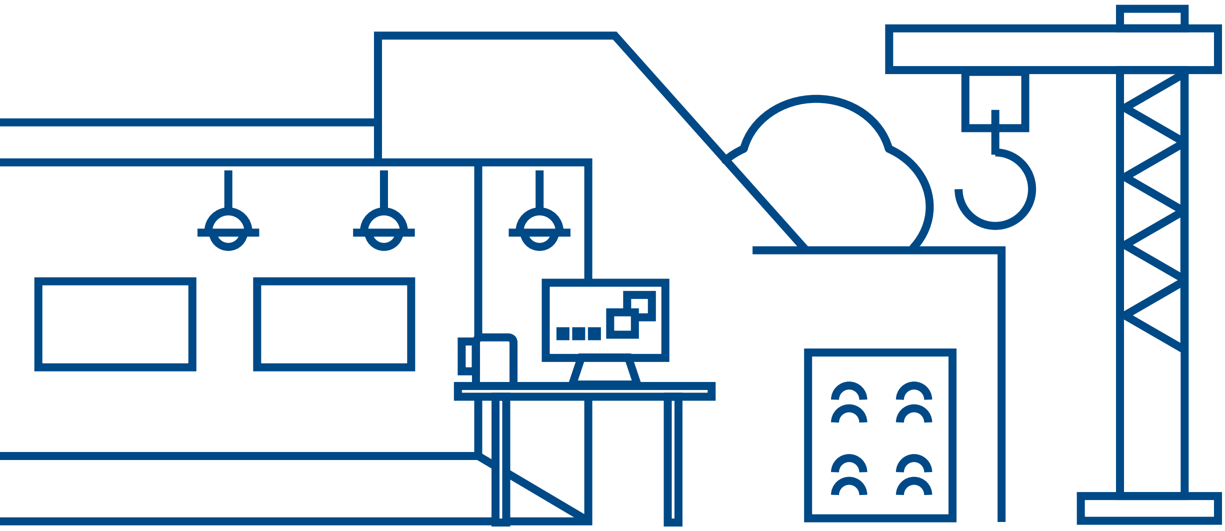
Find out more through our case studies on Gateway 12 and Celtic Business Park
See pages 30 to 31

GROWING OUR RESIDENTIAL AND HOUSEBUILDING BUSINESS

Potential >7,500 units for St. Modwen Homes to build out in the medium term

Potential >9,000 units third party land sales in medium term

Find out more through our case study on Trentham Manor
See page 33



CEMENTING OUR REGENERATION REPUTATION

Deliver brilliantly on our existing major regeneration projects

- Longbridge, Birmingham
- Bay Campus, Swansea University
- New Covent Garden Market, Nine Elms
- Unlock the next generation of regeneration

Find out more, see our case studies on New Covent Garden Market and Longbridge
See pages 34 to 35

FOCUSING ON OUR PORTFOLIO AND CAPITAL DISCIPLINE

Reduce borrowings further

Focus on fewer, larger projects

Focus on sectors with the best structural growth prospects

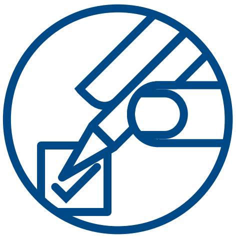
Growing exposure to income producing assets to be carefully balanced vs market conditions

Find out more, see our case study on Barton Business Park
See page 37

OUR VALUES

WE UNLOCK POTENTIAL

WE BUILD QUALITY OUTCOMES



WE DO THE RIGHT THING

WE'RE JOINED UP

WE DO WHAT WE SAY

Bill Shannon
Chairman

OUR NEW, MORE FOCUSED STRATEGY LEAVES US WELL PLACED AND MEANS WE APPROACH THE FUTURE WITH CONFIDENCE

2017 was a productive year for St. Modwen. With a new Chief Executive in post we undertook a full review of our business and portfolio and launched a new, more focused, strategy in the summer. This strategy is intended to improve returns on capital and enhance our operational flexibility and we believe that it will leave us well placed in what is an uncertain external environment that we expect to present both risks and opportunities.

Alongside the strategy review, the business continued to perform well. We delivered 4.6% growth in NAV per share for the year to 450.9 pence which, together with dividends, resulted in a total accounting return of 6.0% (2016: 5.6%), and profit before all tax increased 10.2% to £67.0m. We also achieved some significant milestones on our major projects, most notably the sale of the Nine Elms Square development site at New Covent Garden Market in August, which released capital for reinvestment back into the business and enabled us to keep borrowing levels firmly under control.

Our strategy is built around a clearly defined core purpose: Changing places. Creating better futures. This captures the regeneration heritage of the business and acts as an important reference point for our future activities, ensuring that our strategic objectives are not simply financially defined but reflect the value we seek to unlock more broadly. This is, of course, only possible as a result of the expertise and efforts of our people and I would like to recognise and congratulate them on another year of positive performance.

Dividend

Following the launch of our new strategy we have reviewed our dividend policy and are now making some changes to ensure that it is more closely linked to cash-backed profits. To facilitate this we are introducing a new profit measure, adjusted EPRA earnings per share, which is closely aligned to cash-backed profits. From the 2017/18 financial year we intend to distribute approximately 50% of this measure each year by way of dividend with the aim of providing a sustainable, progressive dividend for our shareholders.

For the year ended 30 November 2017, we intend to pay a total dividend per share of 6.28 pence, which marks an increase of 4.7% compared to the 6.00 pence for 2016. Taking account of the interim dividend paid of 2.02 pence, we are therefore proposing a final dividend of 4.26 pence per share to be paid on 4 April 2018 to shareholders on the register as at 9 March 2018.

Board changes

We were shocked and saddened by the sudden passing of Steve Burke, our Group Construction Director, in March 2017. Steve had been with St. Modwen for over 20 years and was a valued friend and colleague to many. He is sorely missed and our thoughts remain with his family and friends.

We have also recently announced some other changes to our Board which will become effective over the next couple of months. Jamie Hopkins, Chief Executive of Workspace plc, will join the Board as a non-executive director on 1 March 2018 while Kay Chaldecott and Richard Mully will step down from their non-executive positions at the next AGM, having served nearly six and five years respectively. Ian Bull will be assuming Richard's responsibilities as Senior Independent Director.

Jenefer Greenwood, who joined the Board in June 2017, will assume the position of Chair of the Remuneration Committee at the next AGM taking over from Lesley James who will be retiring from the Board later in 2018 having served nine years.

I would like to thank Kay, Richard and Lesley for their significant contributions to the Board, and wish Jamie, Jenefer and Ian well in their new roles.

Finally, I have informed the Board of my intention to step down as Chairman at the AGM in March 2019, at which point I will have been in post for eight years. Having recently overseen the appointment of a new Chief Executive and the launch of a new, more focused strategy, it is now appropriate that the Board considers my succession in an orderly and timely manner. I remain enthusiastic about the business and its prospects and will continue to support the Board and management team in delivering our strategy in the year ahead.

Prospects

As we enter 2018, St. Modwen is well placed. Our deep pipeline of projects underpins meaningful growth targets for both residential and commercial development, our planned portfolio rotation towards sectors with good structural growth prospects is underway and we are in a strong position financially. Although the external environment remains unsettled and is likely to remain so for some time, the combination of our focused strategy and unrivalled track record and expertise mean that we approach the future with confidence.

Bill Shannon
Chairman

5 February 2018

Total dividend per share

6.28 pence +4.7%

Earnings per share

26.9 pence +11.6%

MY JOB/ CREATING OUR STRATEGY...

Overview

2017 has been an important year for St. Modwen. Following a full review of our business, our portfolio and our pipeline, we are pursuing a more focused strategy, better suited to the external environment we operate in, and have begun to build momentum in executing this strategy. We can deliver this strategy over the next few years through a targeted approach to our existing portfolio of projects rather than needing to acquire more, an important source of advantage in investment markets which remain very competitive.

Our strategy is intended to improve returns on capital by concentrating our activities on sectors that have long-term structural growth characteristics while also enhancing our flexibility through tightly controlling leverage and reducing the proportion of our portfolio invested in land. This is captured through our four strategic objectives: portfolio focus and capital discipline; accelerate our commercial development activity; grow our residential and housebuilding business; and cement and grow our regeneration reputation.

Our results for the year were solid. We delivered 4.6% growth in NAV per share to 450.9 pence (2016: 431.0 pence) which, together with dividends paid during the year, resulted in a total accounting return of 6.0% (2016: 5.6%). Our EPRA NAV per share rose 10.7 pence over the year to 471.2 pence (2016: 460.5 pence) and profit before all tax increased to £67.0m (2016: £60.8m) with EPS of 26.9 pence (2016: 24.1 pence).

Key financial performance metrics

	2017	2016	Change
NAV per share (pence)	**450.9**	431.0	+4.6%
EPRA NAV per share (pence)	**471.2**	460.5	+2.3%
Dividend per share (pence)	**6.28**	6.00	+4.7%
Total accounting return (%)	**6.0**	5.6	+0.4ppt
Trading profit (£m)	**64.6**	56.1	+15.2%
Adjusted EPRA earnings (£m)	**29.4**	21.5	+36.7%
Profit before all tax (£m)	**67.0**	60.8	+10.2%
Profit before tax (£m)	**70.3**	66.9	+5.1%
Earnings per share (pence)	**26.9**	24.1	+11.6%
Adjusted EPRA earnings per share (pence)	**13.3**	9.7	+37.1%
See-through net borrowings (£m)	**388.2**	517.0	-24.9%
See-through loan-to-value(1) (%)	**24.2**	30.5	-6.3ppt
See-through loan-to-value (excluding residential)(1) (%)	**37.2**	54.3	-17.1ppt

(1) Including the Group's share of net borrowings and property held in joint ventures and associates.

We achieved strong progress against all key performance indicators for the year. Looking forward, we will continue to focus on total return, earnings and net borrowings as our key performance measures.

Our key performance metrics include a new measure of adjusted EPRA earnings and an associated adjusted EPRA EPS calculation. This is a measure of profits which excludes non-cash valuation movements and will be used as a reference for dividend payments in the future. With effect from the 2017/18 financial year we intend to pay a dividend equivalent to approximately 50% of adjusted EPRA EPS, with the aim to provide a sustainable, progressive dividend for our shareholders. We will cease to use profit before all tax as a key performance measure with effect from the 2017/18 financial year.

Mark Allan
Chief Executive

Enhancing our organisation's design and culture
Successful execution of our strategy relies on having an organisation that is closely aligned to our strategic objectives and where individuals and teams understand the role they play in helping deliver the strategy. With this in mind, during the second half of the year we restructured the business from seven to three regions, each focused on accelerating commercial development activity and bringing forward residential land for development; a new central asset management function responsible for shaping and managing our income producing portfolio; and St. Modwen Homes as a standalone housebuilder within the Group. These discrete business units are supported by central functions such as HR and finance. As part of this restructuring, and with our growth objectives in mind, we have identified a total of 10 new senior roles into which we are recruiting during 2018.

We are also focusing on creating a culture of empowerment, accountability and support in order to deliver the strategy. This started in 2017 with the organisational design work described above to create clear, consistent structures, roles and responsibilities across the Group and will continue in 2018 with the launch of tailored management and leadership development programmes. Recognising the need for our culture and organisation to be appropriate for the future, we have also taken the opportunity to refresh our branding and visual identity, which will be rolled out during 2018.

Our teams have performed extremely well throughout the year and remain the bedrock of the business, possessing considerable skills and experience that can help us continue to create significant value for all our stakeholders. Our focus on creating the right organisational design and culture will help them flourish in the years ahead.

Portfolio focus and capital discipline: reshaping our portfolio
Reflecting our new, focused strategy the shape of our portfolio began to shift over the course of 2017 and this process will continue into 2018 and beyond. The successful disposal of the Nine Elms Square development site at New Covent Garden Market in August for a gross consideration of £470m (net St. Modwen share £190m) released significant capital into the business and contributed towards the overall reduction in value of our land assets, meaning that income producing assets now make up 51% of our portfolio, up from 45% a year ago. We intend to increase this level further. The capital released from the sale allowed us to reduce leverage and also begin to invest in our other strategic priorities.

During 2018 we expect to be active in the disposal of many of our smaller assets and also in reducing our exposure to retail assets. We are targeting asset sales of this type of between £100m and £150m in total across the course of the year and have already made progress with terms agreed on the disposal of approximately £40m of such assets. The proceeds from our disposal programme will be recycled into retaining the majority of assets from our industrial and logistics development programme.

In terms of capital discipline, see-through net borrowings at 30 November 2017 stood at £388m, down from £517m a year earlier and our see-through LTV reduced to 24.2% (2016: 30.5%). Excluding residential, which is our preferred measure, see-through LTV fell from 54.3% to 37.2% at the year end.

Since the year end we have also refinanced the majority of our debt facilities such that we are now financed on a fully unsecured basis, providing a cost effective, greater level of flexibility as we execute our strategy.

Accelerating our commercial development activity: committed pipeline up 38%
Across the course of 2017 we increased commercial development activity, completing 1.4m sq ft of new space with a completed value of £216m. Of this total, £102m was pre-sold or has since been sold and £41m is held pending sale. The £73m we retained principally comprises developments completed towards the end of 2017 where occupancy currently stands at 54% by rental value, with a further 11% under offer and full occupancy targeted during 2018.

Entering the 2017/18 financial year our committed development pipeline stands at 1.6m sq ft with an expected value on completion of £326m, up 38% compared to the £237m of completed value at the beginning of 2017. We expect the pipeline to grow throughout 2018 as planning consent is granted to future schemes, subject to market demand. Around 90% of our committed pipeline is focused on sectors with good structural growth characteristics, such as industrial and logistics, PRS or student accommodation, and this will remain a feature of our development activity going forward. Approximately 40% of our industrial and logistics pipeline is pre-let or pre-sold, compared to 21% a year earlier.

Approximately £700m of our medium-term pipeline relates to industrial and logistics projects with an estimated rental value of £45m. As part of our strategy to focus on sectors with growth characteristics underpinned by long term structural trends, we intend to retain the majority of this pipeline for the longer term.

Growing our residential and housebuilding business: Homes targeting c. 25% growth
Our residential activities performed well throughout 2017. In addition to the sale of Nine Elms Square, over 2,200 units of 'oven-ready' land were either transferred to St. Modwen Homes or sold in the open market, with a total value of £137m. Proceeds from third party sales totalled £56m (2016: £48m), with sales at or above book value. The market remains robust with a healthy outlook for 2018, for which we expect to secure at least a similar level of residential land sales.

At St. Modwen Homes we continued to grow sales volumes materially while maintaining a focus on quality and on-site safety. In total we sold 694 new homes, up from 485 in 2016 and achieved 5-star status from the HBF and a Gold safety accreditation from RoSPA. Margins improved to 13.9% (2016: 13.4%), resulting in an operating profit of £23.3m, and the growth in profits from St. Modwen Homes more than offset the reduction in profits associated with the wind-down of our Persimmon Joint Venture (£8.1m of operating profit compared to £11.8m in 2016). Average private sales prices increased 19% to £259,000 for the year. Like-for-like sales prices were up 6%, with the balance reflecting an increase in average unit size and greater levels of activity at Uxbridge, Greater London.

Looking forward, we expect sales volumes for St. Modwen Homes to grow by up to 25% in 2018 and, with a robust outlook for regional house prices as well as a range of internal initiatives being pursued, we expect margins to improve by a similar level again across the course of the year. We will continue to prioritise quality and safety and, as these features become more firmly embedded, we are confident they will form a foundation from which financial performance can be improved further.

Cementing and growing our regeneration reputation: good progress across the board

We made important progress at each of our major regeneration projects during the year and were also successful in securing new opportunities focused on large scale residential development.

At Bay Campus, Swansea we successfully completed the most recent phase of student accommodation and commenced work on the next phase of academic facilities and accommodation. Significant development opportunities remain and we continue to work in close partnership with Swansea University to unlock them. Since the year end we have sold the completed first 2,005 beds of student accommodation to UPP for a net cash consideration of £87m, introducing an experienced operator onto the campus and releasing capital to invest in the next phases of development.

At Longbridge, 2017 saw the successful completion of 180 beds of medical accommodation pre-sold to the MoD's DIO, a 260-apartment Extracare retirement village and further phases of new homes. Longbridge is now approximately 50% developed and significant further opportunities remain, which we will be focused on during 2018.

At New Covent Garden Market, held in our VSM joint venture with VINCI, we successfully sold the first 10 acres of surplus land at Nine Elms Square. We also progressed the redevelopment of the market facilities with completion of both the interim flower market and the interim delivery unit, all of which unlocks the next phases of redevelopment. At this important juncture of the project we have undertaken a detailed review of our future obligations, resulting in an increase of our share of the cost provisions on the project by £24.6m. This reflects our experience of the project to date and, in particular, the constraints imposed by operating in a live environment. This was partly offset by a £14.5m increase in the value of the land.

Outside of our three major projects we were also successful in securing two new large scale residential development opportunities that provide an opportunity to showcase our infrastructure and planning capabilities. We have been appointed as master developer at both Wantage, South Oxfordshire for the construction of 1,500 new homes with associated infrastructure and Buckover, South Gloucestershire for the construction of a new 3,000 home garden village with associated infrastructure. Both of these opportunities have been secured on a 'capital light' basis whereby land is drawn down from the land owner on a phased basis linked to the pace of development and our return is linked to a share of planning gains and a margin on infrastructure works.

Looking forward

2018 promises to be a year of growth, focus and portfolio transition for St. Modwen. Having established our new strategy in 2017 and put in place the appropriate organisation to deliver it, we are now focused firmly on execution.

From a development perspective, we are confident that our activities are focused in areas that benefit from positive growth fundamentals, particularly in industrial/logistics and regional housebuilding, and we are seeking to accelerate activity in both of these areas during 2018. Importantly, this acceleration is based on increasing the rate at which we progress our existing pipeline of projects from our existing capital base; we have no need to acquire assets in what is a very competitive market and we have no need to attract additional funding given the opportunities for recyling capital out of our existing portfolio. As a result, we anticipate a meaningful improvement in both earnings and return on capital in the medium term.

Our commercial investment portfolio is beginning a period of transition as we seek to shift our focus towards industrial and logistics through retaining a greater proportion of our development pipeline and reducing our exposure to both retail and smaller, less efficient assets. This planned portfolio rotation is likely to result in some short-term volatility to our rental income profile, and therefore earnings, but will ultimately leave us with a higher quality earnings stream and more focused portfolio. Longer term, this should also provide the foundations for a meaningful increase in the income component of our returns.

The external environment is uncertain and is likely to remain so for some time, but we believe that our more focused strategy is well suited to such an environment. Our business is focused primarily in the regions, where there are less pronounced Brexit-related headwinds for property markets than in Central London, and on sectors that benefit from good structural growth prospects and, in the case of regional housebuilding, supportive Government policy.

The combination of our focused strategy, deep pipeline of projects, financial strength and unrivalled track record and expertise leaves us well placed for the future.

Mark Allan
Chief Executive

5 February 2018

...TO UNLOCK VALUE

WE USE OUR INSIGHT TO IDENTIFY MARKET TRENDS AND ENSURE WE DELIVER GREAT OUTCOMES FOR OUR STAKEHOLDERS.

THIS IN TURN INFORMS OUR BUSINESS MODEL AND THE RESOURCES AND RELATIONSHIPS WE HAVE WITH THE WIDER WORLD.

Remco Simon
Director of Strategy and Research
Remco joined the business in September 2017 to strengthen our strategic and capital markets capability and insight, to identify and exploit trends and opportunities.

UK economy
The relative strength in the UK economy moderated in 2017, as GDP growth slowed slightly compared to 2016 in the wake of continued political uncertainty. This uncertainty is likely to persist in 2018 pending further clarity about our future trading relationship with the rest of the world. Businesses and consumers continue to invest, but the latest Deloitte survey of UK CFOs showed corporate risk appetite remains low and consumer confidence drifted lower in the second half of 2017. As such, the outlook remains mixed and GDP growth is generally expected to remain below its long-term historical trend for the near term. On the flipside, unemployment is at a four-decade low and the effects on CPI inflation of higher import prices due to the fall in sterling following the EU referendum should subside in 2018, relieving part of the pressure on real wages. Moreover, interest rates are likely to remain low by any historic standard despite the first increase in base rates in a decade in 2017 and the expectation of further increases in 2018, whilst real interest rates remain firmly negative.

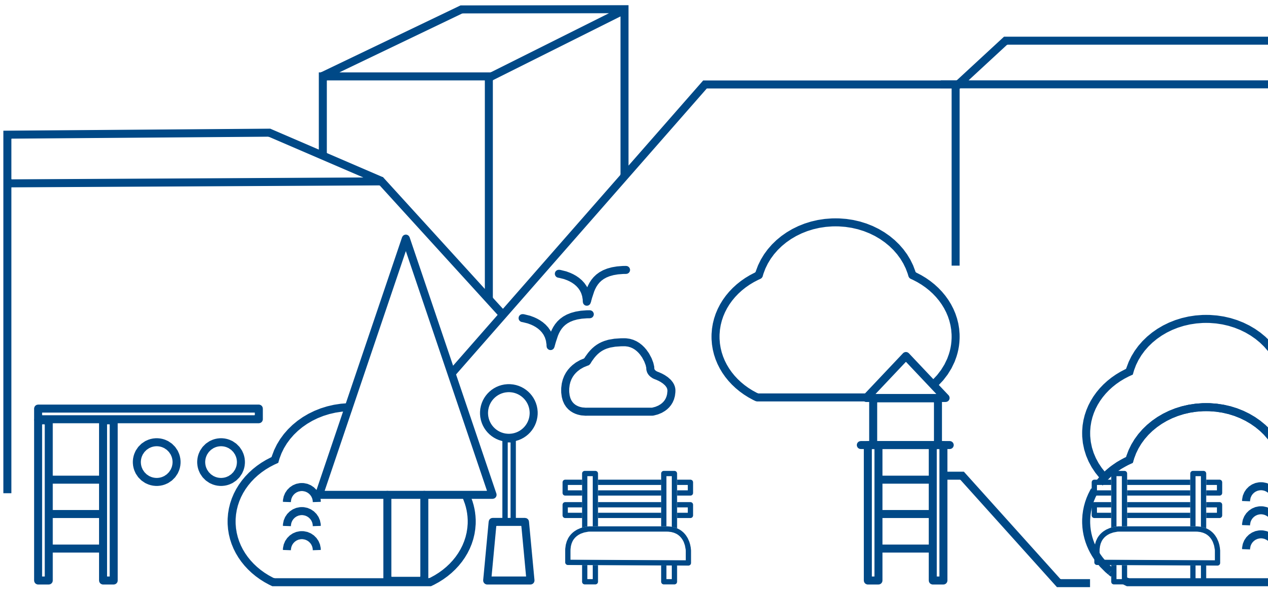
Commercial property market
Despite the uncertain macro backdrop, UK commercial property continued to benefit from strong investor interest, driven partly by the relatively high income yield it offers compared to other asset classes and the favourable exchange rate for overseas investors. According to Savills, the total investment volume in UK commercial property in 2017 was £61bn, marking an increase of 19% on the previous year. As a result, commercial property values remained more resilient than expected at the start of the year and increased on average 5.4% compared to the end of 2016 according to data from IPD.

Diverging growth prospects continue to drive marked differences in sector performance. Continued growth in e-commerce and growth in manufacturing meant logistics and industrial take-up was just above the long-term average at 24.5m sq ft in 2017, albeit down from the record year in 2016 which was boosted by a surge in design and build activity. As speculative supply remains modest, healthy occupier demand continues to drive growth in rents. Physical retail remains more challenging however, as occupiers continue to deal with changes in consumer behaviour and spending, with most of the growth in retail sales going online. This divergence is being reflected in investor interest, with retail yields showing some signs of softening during 2017, but industrial yields firming.

Our substantial commercial development pipeline is focused primarily on industrial/logistics space, leaving us well-placed to capitalise on occupier demand for good quality space, whilst our plan to retain the majority of this allows us to benefit from further medium-term growth. Retail values are likely to see some further pressure in 2018 as upside in rents is limited, but relative to the overall market our convenience-oriented, local retail assets provide a relatively high, stable income return.

Residential property market
The UK housing market remained resilient during 2017, in particular in the regions. Prime Central London house prices and transaction volumes remain under pressure, as affordability is stretched and increases in stamp duty and uncertainty around the impact of Brexit have a much bigger impact than in regional markets. Although UK house price inflation is expected to moderate slightly in 2018, it is expected to remain positive in the regions, where customer demand for new-built housing remains robust. Support to grow housebuilding is now well-established across the political spectrum, with the Government recently announcing a target to grow the number of new houses being built from 217,000 last year to 300,000 per year by the mid 2020s. At the same time, changes in consumer demand and demographic developments continue to drive growth in alternative tenures.

We have little exposure to prime Central London left following the sale of 10 acres at Nine Elms Square, as our residential pipeline is predominantly focused on the regions. Our ambition to grow volumes at St. Modwen Homes by up to 25% per year over the next few years and accelerate the pace of selling land to third party housebuilders means we are well placed to help address the ongoing shortage of relatively affordable housing in the UK across different tenures.



OUR BUSINESS MODEL

St. Modwen has a rich, 30-year heritage and a strong track record of creating and capturing value by managing schemes through the planning process, remediation, infrastructure and active asset management and development.

We seek to build success for our key stakeholders; our own people, our land and assets, shareholders, our partners, our customers and our communities.

Our core business purpose is:
Changing places. Creating better futures.

We lead the way in delivering quality places to live and work that enhance communities and create opportunities for growth and shared returns. Working together with our partners, we deliver shared value, aim to build a lasting legacy and contribute to better futures for all.

WHAT WE NEED TO CREATE VALUE

People
We have unparalleled skills in planning, infrastructure, asset management, development and delivery. Our experience and expertise give us an unmatched ability to bring complex, strategic sites forward to create value.

Strategic insight
We have the strategic insight and local market knowledge to exploit market demands and pursue those opportunities that generate the greatest value at any one time.

Financial strength
Strong cash flow and rigorous portfolio and capital discipline, together with a flexible debt structure, provide us with a robust financial platform for business growth.

Land
We are accelerating activity on the 6,000 developable acres we own to secure maximum value, with opportunity split broadly 50/50 between commercial and residential.

Assets
Our income producing portfolio currently has a value of £844m, representing £60m of annualised gross rental income from over 3,800 tenants. We intend to focus on the high quality industrial and logistics sector where we see long-term structural growth.

Partners
We develop strong, sustained relationships with our business partners and work collaboratively to deliver lasting, successful outcomes and a positive legacy.

Communities
We invest – and are invested – in the communities we help to build and consider carefully the economic, social and environmental impact of our work to ensure that we are locally appropriate.

Inputs

WHAT WE DO TO CREATE VALUE

Invest in new assets and opportunities that complement our strategic objectives and where our specialist skills can unlock potential

Apply our considerable development and asset management expertise to generate opportunities for growth, investment and momentum, creating inspirational and thriving new residential spaces and businesses.

Retain identified industrial/logistics assets and sell those assets where there is little future growth. Reinvest the proceeds from these sales to accelerate our commercial development activity or bring forward residential land for development.

We aim to improve returns on capital by concentrating our activities on sectors that have long-term sustainable growth characteristics while also enhancing our flexibility through tightly controlling leverage and reducing the proportion of our portfolio invested in land.

Our pipeline of activities is focused on two of the most attractive sectors in the UK property market – industrial and logistics development and housebuilding.

Celtic Business Park, South Wales
The 48,255 sq ft speculatively built unit let to Amazon was sold to Tilstone Industrial Warehouse Ltd in early 2017.

Locking Parklands, Weston-super-Mare
St. Modwen Homes has thus far delivered 330 new homes at the award-winning development.

CREATING SUSTAINABLE VALUE FOR ALL STAKEHOLDERS

We create vibrant new places where people can live, work and thrive. In doing so, we are helping to satisfy housing demand, create new jobs, improve the environment and provide a boost to the immediate regional and national economy.

Shareholders
Consistent delivery against our strategy has generated attractive financial returns for investors. The compound Annual Growth Rate of our total accounting return (NAV growth plus dividends) was 14% over the past five years and we are actively reducing borrowings.

Communities
We are committed to the care and stewardship of the communities and environments we regenerate and build. Our strong regional teams are embedded in their local areas and we work hard to build and maintain positive relationships with our partners, customers and local authorities. We deliver new employment and training opportunities, working with local experts and suppliers. We provide the catalyst for further economic growth and inward investment.

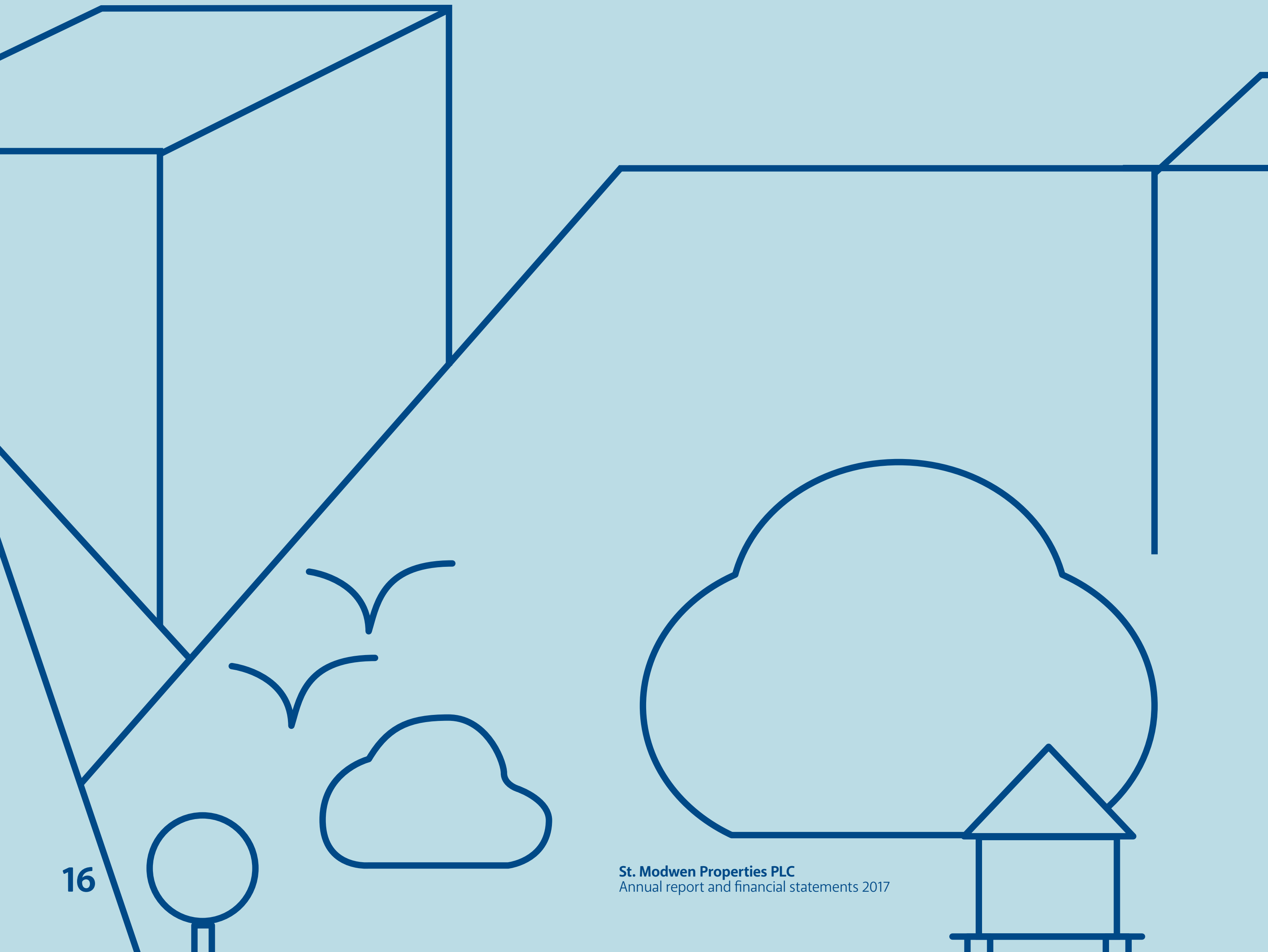
People
Our people are skilled, responsive and passionate, and they take great pride in what they do. Our teams across the company collaborate, share expertise and ideas to ensure that we're delivering the best possible outcomes, for the benefit of all our stakeholders.

We are committed to the continuous professional development of our people and have comprehensive training and apprenticeship programmes to equip them with the right skills and expertise.

We are making significant investment in growing our talent for the future as well as in our workplace systems and environments.

Outputs

COMMUNITY ENGAGEMENT/ AND BEING RESPONSIBLE



OUR CONNECTIONS

Partners
A key strength of our business is acting in partnership with public and private sector companies. Over time, we have formed strong relationships with many organisations, with whom we work closely to unlock the development potential from strategic sites. We nurture these partnerships to get to know and understand our partners, enabling us to create and maintain strong bonds. We take ownership and responsibility for projects, providing leadership and developing strong lines of communication.

We are able to offer the full suite of property services required for our partners to meet objectives and maximise value; from planning promotion and master planning, delivery of infrastructure, development of both residential and commercial through to long-term asset and estate management.

Communities
An integral part of the development process is not only building positive relationships with our partners but also other key stakeholders and, most importantly, the local communities we serve. By focusing on long-term success rather than short-term gain we ensure quality and excellence in our projects and create a lasting legacy of which we can be proud.

St. Modwen involves the local community through the lifecycle of every project to provide solutions that the community can embrace over the long term. Improving the quality of an environment means creating and maintaining strong, vibrant communities and involving stakeholders in decision-making that affects them. This approach is based on developing our understanding of all sectors of the community via consultation and communication. Our developments touch the lives of many and we recognise how proactive engagement with every community helps shape each new project for the better.

Supply chain
To help our understanding of and engagement with the local communities in which we work, we encourage the use of local sub-contractors, apprentices, resources, and materials through our supply chain. As an extension of the St. Modwen team, we encourage our supply chain partners to share our approach to community engagement, health and safety and quality management. A number of our contractors have worked with us across multiple schemes and this enhances our working relationship and mutual trust.

It is also important for our contractors to adhere to site specific as well as Group recycling and reclamation targets which reduce both cost and the impact on the environment.

St. Andrew's Park, Uxbridge
Top: We continue to work with schools adjacent to our development portfolio to give lessons in health and safety and to educate students on careers in the property sector.

Longbridge, Birmingham
Above: We have over 3,800 tenants across our diverse portfolio and we strive to foster excellent relationships with them.

OUR RESOURCES AND RELATIONSHIPS CONTINUED

Assets

When managing our retained assets as well as designing new buildings, and indeed when master planning, we are guided by our values to deliver sustainable, aesthetically pleasing and successful developments. A high quality building, designed to reduce energy and water can deliver benefits to both our tenants and the environment; in turn creating high quality, sustainable and safer communities.

Our retained income portfolio currently has a value of £844m, with an annualised gross rental income of £60m from over 3,800 tenants.

In our development projects, we look to recycle as much material as we can through demolition. We also build to a sustainable specification, which benefits the environment and our tenants.

We are rebalancing our portfolio through our focus on high quality industrial/logistics assets and by reducing our exposure to both retail and smaller, less efficient assets. The capital generated from these sales will be reinvested to help deliver our commercial development pipeline to build our industrial and logistics platform.

Land

Our large, geographically diverse land bank of 6,000 developable acres comprises an assortment of sites at varying stages in the development cycle, giving us the flexibility to move with market trends. We are accelerating activity on the land we own to secure maximum value, with opportunity split broadly 50/50 between commercial development and residential.

We will continue to pursue acquisitions that complement our skills in delivering infrastructure and new communities. We have the financial ability to acquire new schemes at the appropriate time and are adaptable to change.

Be it greenfield or brownfield, we recognise that land is a finite resource; it needs to be treated with care and used wisely. We utilise land as prudently as we can by protecting the environment and contributing to the social and economic needs of communities.

Finance

We are enhancing returns through asset recycling and land bank utilisation and see strong cash generation from the sale of residential land.

We aim to improve returns on capital by concentrating our activities on sectors that have long-term structural growth characteristics while also enhancing our flexibility through tightly controlling leverage and reducing the proportion of our portfolio invested in land.

The revenue raised through our value creating activities diversifies our cash flow and is then reinvested into new property and generates returns for our shareholders.

Great Homer Street, Liverpool
Top: As part of our commitment to the local communities in which we work, we have encouraged the use of local sub-contractors, apprentices and locally sourced materials.

Bay Campus, Swansea University
Above: The development of the new campus at Swansea University has seen over 11,000 people employed on site since 2013, including 176 trainees, apprentices and work experience students.

OUR COMMITMENT TO OUR PEOPLE

The expertise, commitment and teamwork of all our people are critical to the continued success and growth of the business. On 1 March 2017, Jane Saint joined the business as Group HR Director to further strengthen our approach to people and support our vision and strategy.

During the 2016/17 financial year, our aim has been to ensure St. Modwen is seen as **an inspiring place to work**, built around our shared purpose and guiding values. Over the next five years we will be creating modern working practices and office environments and ensuring our systems and the technology is in place to give our people the right tools to do their jobs as effectively and safely as possible.

Our aim is also to ensure that St. Modwen is **a place for advancement** where it is possible for everyone to develop their skills and realise their full potential. We are committed to the training and continued professional development of all our employees. During the year, we supported employees from all areas of the business on a total of 529 training days as well as supporting directly (or on site via our contractors) 76 graduates, trainees and apprentices across the business.

We also aim to be **a place of recognition** where we value the contribution of each and every employee. During the year we launched St. Modwen's first internal awards named 'The Mods'. The Mods gave people from across the Company an opportunity to celebrate the best of the business, to recognise our achievements and to thank the person, team or collective group of colleagues who embody the best of St. Modwen.

During 2017, we focused on ensuring we have the right organisational structure and resources in place, aligned to our strategic objectives. Led by Jane and two other Senior Leadership Executive colleagues, a team of senior managers from across the business was engaged in the organisational design work to restructure the business and ensure individuals and teams understand the role they play in helping to deliver the strategy.

We are also focusing on creating a culture of empowerment, accountability and collaboration. The organisation design work will create clear, consistent structures, roles and responsibilities across the Group and, in the first quarter of 2018, we will be launching tailored management and leadership development programmes.

Our recruitment activities have thus been focused on strengthening existing teams to deliver our strategy for growth and providing individual development and succession planning. We ended the year with 481 employees (2016: 393), a testament to our ability to continue to attract, develop and retain individuals who uphold our values and strive for excellence.

Employee diversity

Building a diverse and inclusive workforce which reflects the communities we work with and where everyone feels valued and respected is of paramount importance to us.

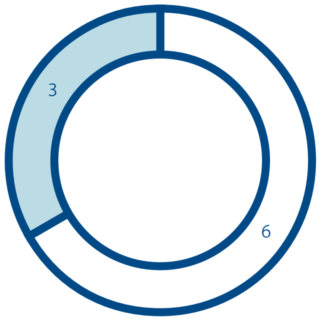
In 2018, we will be setting up a working group to help shape our new Diversity and Inclusion strategy. In addition, the Company adheres to a clear equality policy which sets out individuals' rights and obligations as defined by the Equality Act 2010.

The accompanying charts set out the number of men and women employed (full- and part-time) as at 30 November 2017, across our business and split between the Board, our Senior Executive Leadership team and our employees.

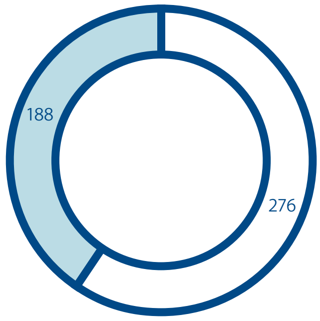
"Our people are skilled, responsive and passionate, proud about what they do and care about doing the right thing. We are putting in place the right structures, resources and people practices we need to achieve our aim of becoming an Employer of Choice."

Jane Saint
Group HR Director

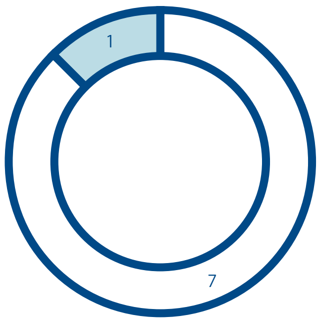
The Board
○ Male (67%)
● Female (33%)



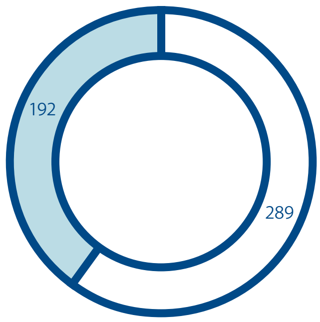
Employees
○ Male (59%)
● Female (41%)



SLE
○ Male (87%)
● Female (13%)



Total
○ Male (60%)
● Female (40%)



For the purposes of the charts above Mark Allan and Rob Hudson are only included in the Board figures.

Andrew Eames is excluded from all charts by virtue of his status as an interim employee.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to improving the built environment through our projects, transforming areas in need of redevelopment into inspirational and thriving communities.

We understand that regeneration goes beyond bricks and mortar; it is about making positive and genuine changes to communities, the environment and the economy. We see Corporate Social Responsibility (CSR) as the process of assessing our impact on society, evaluating our responsibilities and taking positive actions to improve how we operate and engage with people and our environment.

We have a dedicated CSR Steering Committee which meets every six weeks, chaired by Rupert Wood, Property Director – Asset Management; it includes representatives from each of the St. Modwen business disciplines. The Committee sets our strategy and helps to ensure we identify and actively pursue CSR initiatives across the Company. It reviews progress against our CSR objectives, ensures we maintain a best practice approach, and that we continue to evolve as the business grows.

Successful CSR initiatives take organisations beyond compliance with legislation and corporate governance requirements, and lead companies to honour ethical values and respect people, communities and the natural environment. A successful CSR programme can lead to enhanced financial performance and provides a means of improving the attractiveness of a company for its people (retention and recruitment), business partnerships and communities.

The CSR Steering Committee will continue to develop and inform our CSR strategy. In 2017/18, we will be reviewing our approach to CSR, to align, promote and endorse our purpose and values and to deliver and promote CSR internally and externally. It will develop a framework which identifies opportunities for all our people to actively participate in CSR activities and community engagement.

Our 10 CSR objectives

For the 2016/17 financial year, we have continued to use the 10 CSR objectives which focus our CSR capabilities and lead to further positive work being carried out across our business.

In addition, we are proud to have supported a number of individual project-led CSR initiatives this year. Please see our CSR booklet which can be found on our website (www.stmodwen-csr.co.uk) for more information and to read some of the highlights from the year.

Our progress on our objectives

Support to local schools

Objective for 2016/17: Visit a total of 25 schools adjacent to all our large construction sites at least once a year, to provide presentations on relevant aspects of education and training.

Progress: Exceeded (by eight). We have continued to nurture good relationships with schools near our development sites. We regularly carry out health and safety visits with primary school children and have engaged with 33 schools this financial year. The sessions provide a good opportunity to inspire pupils about the wide range of job opportunities in the construction industry.

Renewable energy

Objective for 2016/17: Continue to install solar panels on all marketing suites, as new St. Modwen homes sites are completed.

Progress: Achieved. We have successfully installed solar panels on all sales centres and over 10% of St. Modwen Homes built, generating 63,000 kWh energy for the year.

Rainwater harvesting

Objective for 2016/17: Recycle and re-use rainwater on 35% (by floor area) of our speculative[(1)], new build, industrial unit developments

Progress: Exceeded (by over 34ppts). We have successfully installed rainwater harvesting systems at over 69% of our speculative developments.

Re-use and reclamation

Objective for 2016/17: Recycle and re-use over 140,000 tonnes of material, in accordance with the Specification for Highway Works, to avoid the use of natural quarried materials.

Progress: Exceeded (by over 208,000 tonnes). We have successfully recycled and re-used 348,760 tonnes of material across our sites in the year.

Health and safety

Objective for 2016/17: Remain below the industry standard Accident Frequency Rate (AFR) (0.4) across our portfolio.

Progress: Achieved. We have successfully achieved an average score of 0.22 across the Group, with our asset management team scoring 0.21. St. Modwen Homes has scored 0.09; and the construction team scored 0.26.

Objective for 2016/17: Encourage and create opportunities for all staff to participate in a variety of Health and Safety training activities throughout the year, to embed further our value to put safety before anything else.

Progress: Achieved. We have provided 346 days of health and safety training for a wide range of employees throughout the year.

Smart meters

Objective for 2016/17: Install smart meters in all of our income-producing properties by 2020.

Progress: On target. We continue to make good progress with this target, with 74 installed in the period. We are still working towards achieving this objective by 2020.

Public green space

Objective for 2016/17: Create public green spaces, including parks and wildlife areas, across a minimum of 100 acres.

Progress: Exceeded (by over 46 acres). We have successfully created over 146 acres of new public open space.

Waste recycling

Objective for 2016/17: Continue to recycle waste to energy operators for waste disposal across our shopping centres.

Progress: Achieved. We have successfully increased both recycling rates and the volume of waste to energy throughout the period. Highlights included:

- At Lee Green, London, 100% of waste is now converted to energy
- The Meads in Farnborough, Hampshire, is recycling or converting to energy 99% of waste
- At Trentham Gardens, 75% of waste is recycled and the remaining is recovered for energy

(1) For the purpose of this objective, our speculative programme is defined as the point when construction commences on a building with no designated occupier.

Branston Leas, Burton
Top: We have found ways to engage local community groups in environment-led initiatives. This benefits the local ecology and encourages buy-in from nearby residents into the larger development scheme.

Kirkby town centre, Merseyside
Above: We carry out a number of community engagement activities across our portfolio. For instance, we host free events throughout the year to encourage people to come together.

Apprenticeships

Objective for 2016/17: Create opportunities for a minimum of 30 full-time equivalent trainees/graduates or apprentices across the Group.

Progress: Exceeded (by 46). In the year we have employed 76 trainees, apprentices and graduates across our regional, construction, head office and St. Modwen Homes teams.

Considerate Constructors

Objective for 2016/17: Extend the Considerate Constructors Scheme across additional regeneration projects.

Progress: Achieved. We have successfully registered 17 Group and 19 St. Modwen Homes development sites onto the Considerate Constructors Scheme.

Objective for 2016/17: Continue to achieve a minimum Considerate Constructors score of at least 36.75/50 on all St. Modwen Home schemes.

Progress: Not achieved. This year our St. Modwen Homes schemes achieved an average Considerate Constructors score of 36.58, with five scores achieving over 40. In future, we will be implementing a standard approach for the layout and management of our sites, to ensure there is consistency throughout.

Electric car charging points:

Objective for 2016/17: Install electric car charging points in the garages or car ports of 10% of the homes at the following three St. Modwen Homes sites: Weogoran Park; Longbridge; and St. Andrew's Park.

Progress: Achieved[(1)]. We have successfully installed car charging points at three of our 20 live St. Modwen Homes sites.

- Longbridge has a total of 113 car charging points which equates to 50% of the homes
- St. Andrew's Park, Uxbridge phase three has 27 car charging points installed, or 30% of homes
- St. Andrew's Park, Uxbridge phase six has 26 car charging points installed, or 40% of homes

Objective for 2016/17: Install electric car charging points at all of our commercial speculative schemes across the UK and continue to investigate further opportunities.

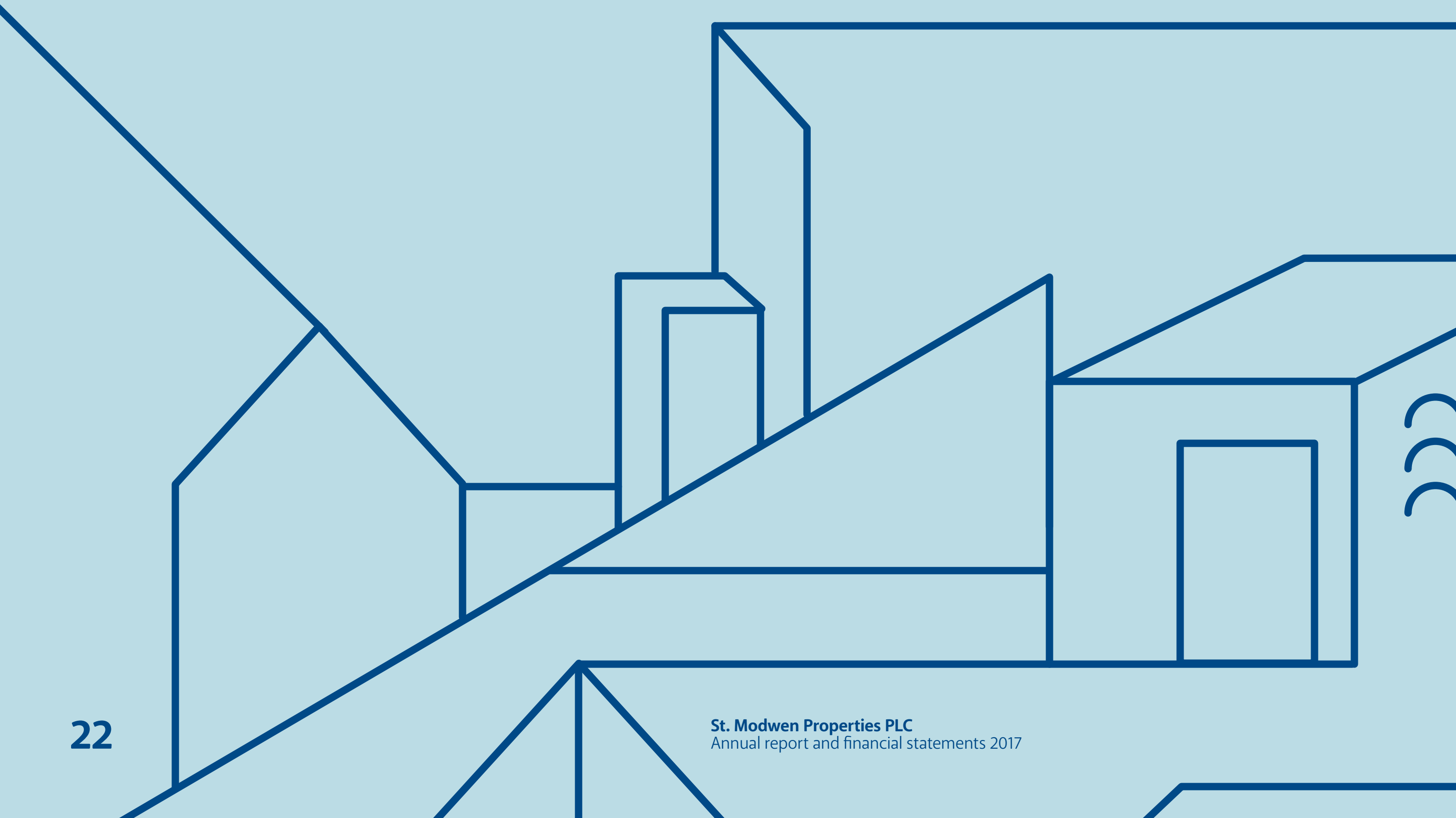
Progress: Work in progress. Of our four commercial speculative schemes developed during the year, we have successfully installed car charging points at two of the sites and we continue to investigate opportunities for further car charging points to be installed at other schemes.

Working with charities

We continue to work with a variety of charities from across the UK which have a synergy with our developments. These charities are either located within the vicinity of our sites or have similar objectives to us around ensuring a sustainable business; creating better environments; or supporting the communities which we serve.

(1) We have not included Weogoran Park within these three sites, and instead have included two separate phases of construction at St. Andrew's Park in Uxbridge.

DRIVING RETURNS/ ENHANCING OPERATIONAL FLEXIBILITY



MEASURING OUR SUCCESS

CHANGING PLACES/ CREATING BETTER FUTURES

Our strategy is intended to improve our returns on capital and enhance our operational flexibility through tightly controlling leverage and reducing the proportion of our portfolio invested in land. We believe that successful execution of our strategy will not only improve returns, it will also leave us well positioned in an uncertain external environment that we expect to present both risks and opportunities.

Our people are central to the delivery of our strategy and we must maintain a highly skilled and committed workforce to maximise our chance of success.

Objectives

- Improve our financial returns
- Employ highly skilled and motivated people to deliver our strategy and future growth
- Have a positive impact on communities in which we operate

Progress

- We ended the year with 481 employees (2016: 393) testament to our ability to attract, develop and retain talented individuals
- Alongside the strategy review, the business continued to perform well delivering trading profit of £64.6m and adjusted EPRA earnings of £29.4m
- Profit before all tax increased 10.2% to £67.0m (2016: £60.8m)
- We delivered 4.6% growth in NAV per share to 450.9 pence and 2.3% growth in EPRA NAV per share to 471.2 pence

Next steps

- Continue to develop and execute on our strategy and associated business plans to improve financial returns over time and deliver more operational flexibility.

Principal risks

- Downturn in external market and economic conditions
- Absence of high quality contractors, consultants and third parties
- Unforeseen exposures and rising costs and liabilities on projects
- Reduced availability of funding and unforeseen changes to cash flow requirements
- Inability to recruit and retain staff with the right skills and expertise

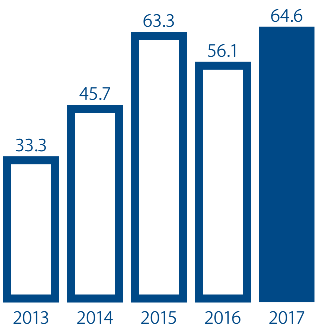
Principal risks and uncertainties
See pages 53 to 58

Key performance indicators

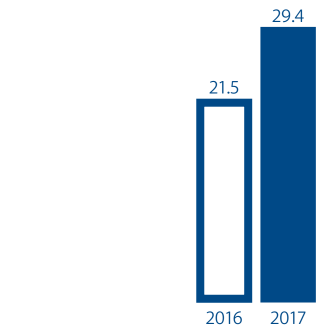
Trading profit, see-through LTV and total accounting return are used to set targets by which financial performance is assessed for the purposes of calculating executive directors' annual bonuses and (in the case of the latter) awards under performance share plans.

Directors' remuneration report
See pages 86 to 109

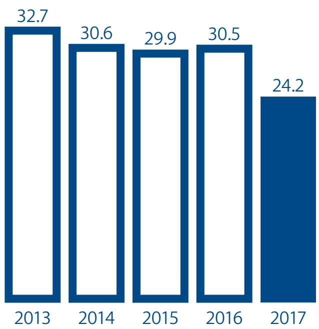
Trading profit
£m



Adjusted EPRA earnings[1]
£m



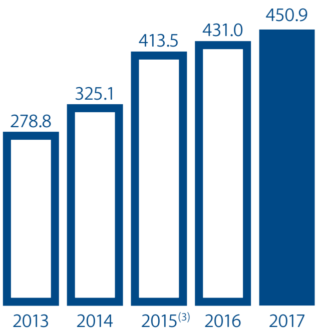
See-through LTV
%



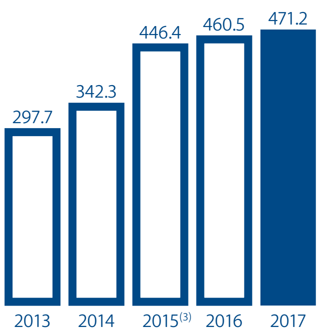
People engagement
Committed and loyal people willing to go the extra mile

73%

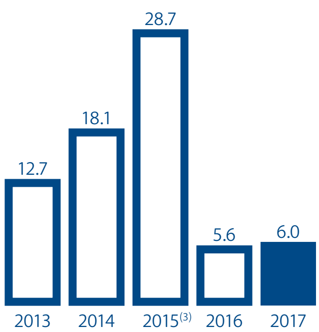
NAV per share
pence



EPRA NAV per share
pence



Total accounting return[2]
%



(1) Adjusted EPRA earnings is a measure of profits which excludes non-cash valuation movements and will be used as a reference for dividend payments in the future. See note 3 to the Group financial statements.

(2) Our definition of total accounting return was revised in the year. See note 2 to the Group financial statements.

(3) 2015 benefited from a £127.4m valuation on our land held at Nine Elms Square.

OUR STRATEGY AND KEY PERFORMANCE INDICATORS CONTINUED

OUR STRATEGY IS UNDERPINNED BY FOUR KEY STRATEGIC OBJECTIVES

1

Accelerate commercial development activity

We have a significant pipeline of commercial development opportunities across our extensive land bank. We have identified 7.5m sq ft of commercial development opportunities that are deliverable in the medium term in high quality and desirable locations.

2

Grow our residential and housebuilding business

Within our land bank we have also identified more than 7,500 residential units that can be developed in the medium term by our St. Modwen Homes business. In addition, we have identified more than 9,000 units that can be sold to third parties by way of residential land sales.

3

Cement and grow our regeneration reputation

We are committed to delivering on our existing major regeneration projects at Longbridge, Swansea University, New Covent Garden Market and town centres. Regeneration remains a significant part of what we do at St. Modwen and we are focused on unlocking the next generation of regeneration projects.

4

Portfolio focus and capital discipline

We believe we can deliver greater returns in the future by focusing on fewer projects in the sectors with the best structural growth prospects. We need to balance our plans for increasing commercial and residential development activity against possible fluctuations in macroeconomic and market conditions. Therefore, to further manage our potential exposure to changes in the external market we plan to reduce our levels of borrowing.

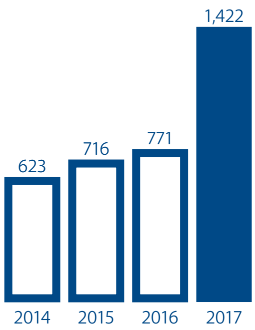
ACCELERATE OUR COMMERCIAL DEVELOPMENT ACTIVITY

1

Having identified 7.5m sq ft of potential development in the medium term, we have developed plans to accelerate our commercial development activities, subject to risk and prevailing market conditions.

Key performance indicator

Commercial delivery
sq ft (1,000)



Objectives

- We will prioritise investment and focus our commercial development activity on those sites with the greatest potential, in terms of expected demand and deliverability.
- Subject to demand and market conditions, we will target growth of up to 25% per annum.

Progress:

- Across the course of 2017 we completed 1.4m sq ft of new commercial development through a combination of both 'Design & Build' and speculative development
- From the 7.5m sq ft medium term A1 industrial and logistics pipeline we have established a number of development opportunities for 2018 and beyond, with our current committed pipeline standing at 1.6m sq ft at the end of November 2017

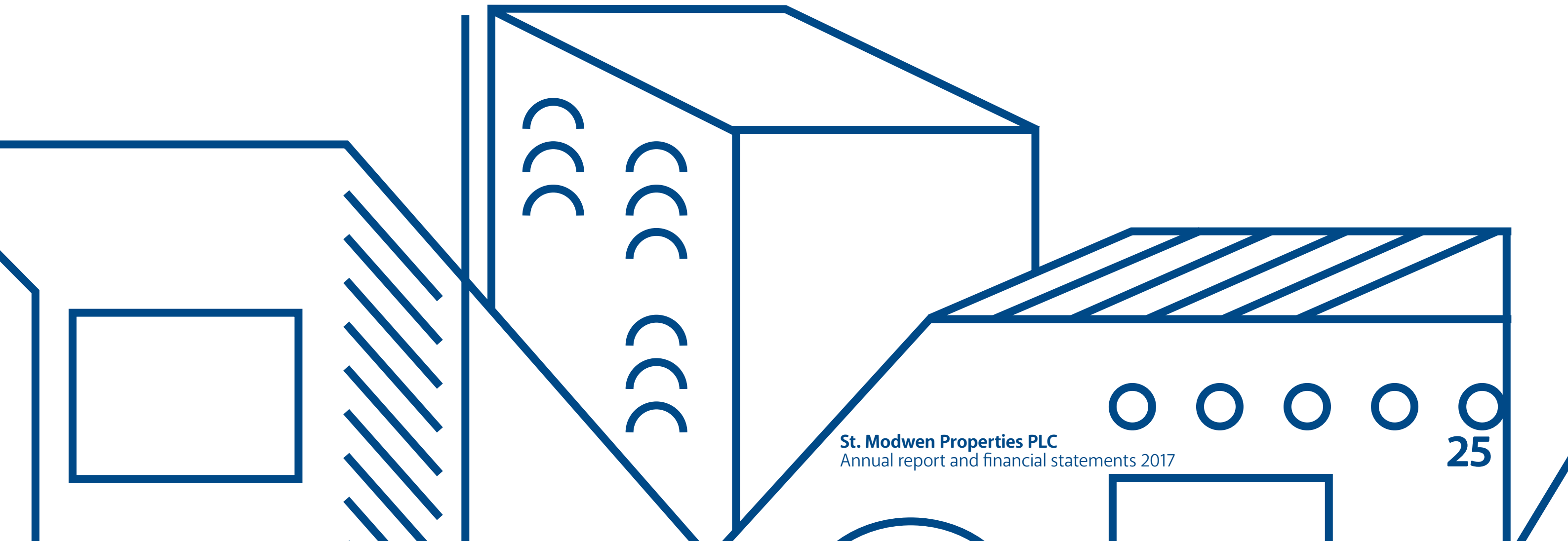
Next steps:

- Subject to market demand, we will continue to accelerate our commercial development activity through delivery of the committed pipeline in 2018 and through progressing planning on the 7.5m sq ft pipeline of potential future developments in key locations
- Enhance our relationship with key occupiers across the UK by hiring a National Head of Leasing

Principal risks:

- Downturn in external market and economic conditions
- Absence of high quality contractors, consultants and third parties
- Unforeseen exposures and rising costs and liabilities on projects
- Reduced availability of funding and unforeseen changes to cash flow requirements

Principal risks and uncertainties
See pages 53 to 58



GROW OUR RESIDENTIAL AND HOUSEBUILDING ACTIVITY

2

Having identified 16,900 plots for potential development or sale in the medium term, we plan to accelerate our residential and housebuilding business while maintaining a focus on quality and onsite safety.

Objectives:

- Subject to continued positive market conditions, we plan to grow our St. Modwen Homes sales volumes by up to 25% per annum and maintain our current rate of third party land disposals.

Progress:

- We have grown our St. Modwen Homes sales volumes materially in 2017, selling 694 new homes, up from 485 in 2016.
- Margins from St. Modwen Homes improved to 13.9% from 13.4% in 2016, resulting in an operating profit of £23.3m in the year.
- In addition to the £190m of our share of proceeds from the sale of 10 acres of land at Nine Elms Square, proceeds from other third party sales totalled £56m versus £48m in 2016.

Next steps:

- We will continue to grow our residential and housebuilding business in 2018 and beyond through the sale or development of the 16,900 plots identified within our land bank. We will continue to focus on quality and safety to develop a foundation upon which financial performance can be improved even further.

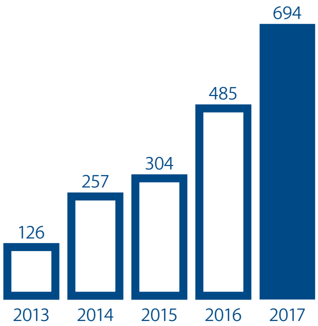
Principal risks:

- Downturn in external market and economic conditions
- Absence of high quality contractors, consultants and third parties
- Unforeseen exposures and rising costs and liabilities on projects
- Reduced availability of funding and unforeseen changes to cash flow requirements

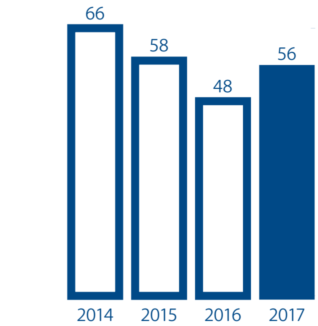
Principal risks and uncertainties
See pages 53 to 58

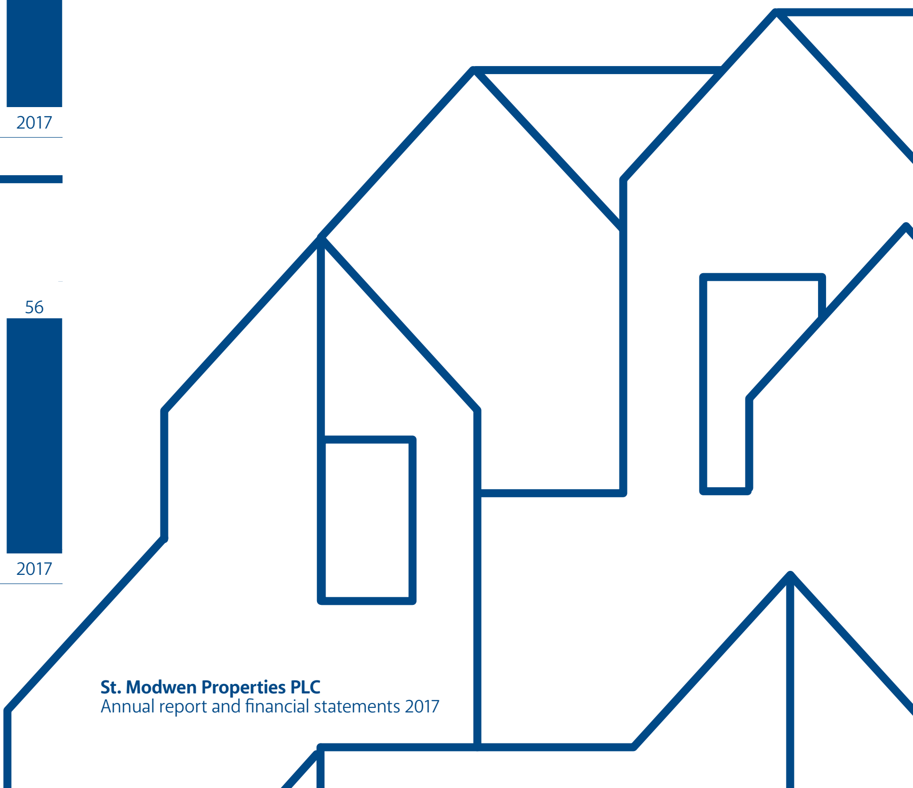
Key performance indicators

St. Modwen Homes
units per annum



Residential land sales
£m





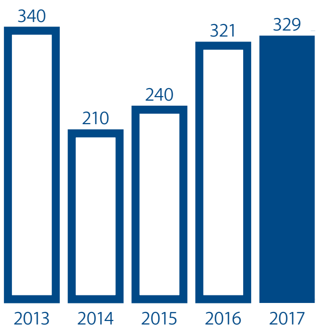
CEMENT AND GROW OUR REGENERATION REPUTATION

3

Large scale regeneration projects have demonstrated the impact we can have in supporting and regenerating communities over the long term. We made noteworthy progress against each of our major regeneration projects during 2017 and we were successful in securing new opportunities focused on large scale residential development.

Key performance indicator

Prepared for development
acres



Objectives:

- We will continue to deliver on our existing regeneration projects at Longbridge, Swansea, New Covent Garden Market and other locations.
- We will leverage the expertise within our business to unlock the next generation of regeneration.

Progress:

- At Bay Campus, Swansea we completed the most recent phase of student accommodation and started work on the next phase of both academic facilities and accommodation.
- At Longbridge, we delivered 180 beds of medical accommodation for the MoD's DIO, a 260 bed retirement village and 38 new homes.
- At New Covent Garden Market we successfully sold the first 10 acres of surplus land at the Northern Site and continued to make progress on the delivery of the new market facilities.

Next steps:

- Recruit a Head of Major Projects to support the continued delivery of our existing projects as well as to identify and secure the next generation of regeneration projects.

Principal risks:

- Failure to effectively manage our major projects
- Downturn in external market and economic conditions
- Absence of high quality contractors, consultants and third parties
- Unforeseen exposures and rising costs and liabilities on projects
- Reduced availability of funding and unforeseen changes to cash flow requirements

Principal risks and uncertainties
See pages 53 to 58

PORTFOLIO FOCUS AND CAPITAL DISCIPLINE

4

We are going to focus on fewer, larger projects on sectors with the best structural growth prospects – this means that we will reposition our income producing portfolio towards the higher growth industrial and logistics market and reduce our exposure to other sectors, including retail and smaller assets, over time.

In conjunction with executing on our strategy, we intend to bring LTV excluding residential under 40% over the medium term to give ourselves greater flexibility and control in an uncertain macroeconomic environment.

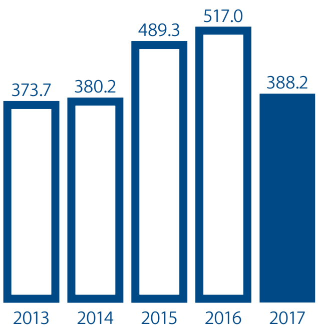
Key performance indicators

See-through LTV is used to set targets by which financial performance is assessed for the purposes of calculating executive directors' annual bonuses

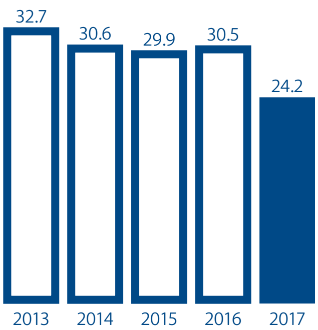
Directors' remuneration report

See pages 86 to 109

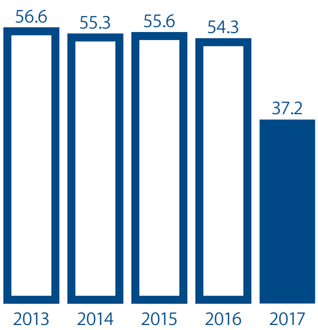
See-through net borrowings
£m



See-through LTV
%



See-through LTV (excluding residential)
%



Objectives:

- We will reposition our portfolio by reinvesting proceeds from our planned recycling activities into retaining a greater proportion of assets from our industrial and logistics development pipeline.
- We have clear plans to bring LTV (excluding residential) under 40% over the medium term through retained proceeds from our major asset sales and a profitable cash generative business

Progress:

- We have made progress on the planned disposal of retail and smaller assets with terms agreed on the disposal of approximately £40m
- See-through net borrowings have reduced to £388m, down from £517m in 2016 and our corresponding see-through LTV reduced to 24.2% in 2017 from 30.5% in 2016.
- See-through LTV excluding residential, which is our preferred measure, fell to 37.2% at the end of 2017 from 54.3% at the end of 2016.

Next steps:

- During 2018 we plan to continue disposing of many of our smaller assets and reducing our exposure to the retail sector. The proceeds generated from these activities will be reinvested into retaining a greater proportion of assets from our industrial and logistics development programme.

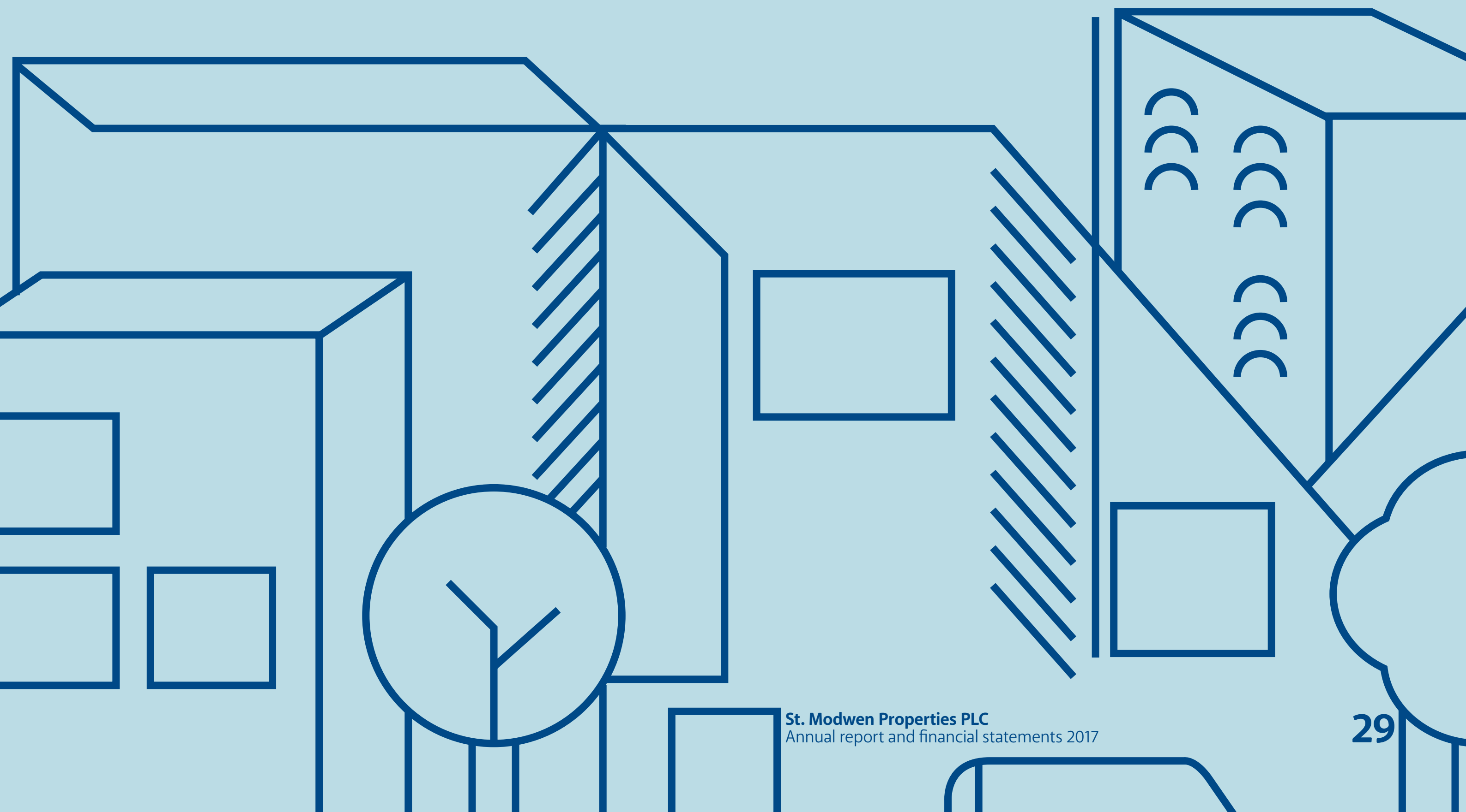
Principal risks:

- Reduced availability of funding and unforeseen changes to cash flow requirements

Principal risks and uncertainties

See pages 53 to 58

STRATEGIC DELIVERY/ BUILDING LASTING LEGACIES



ACCELERATE OUR COMMERCIAL DEVELOPMENT ACTIVITY

We see long-term structural growth in the industrial and logistics sector, which will significantly improve the returns we generate for the business, and we are well positioned to meet the needs of occupiers. We have continued with our speculative unit build programme, in response to market demand for good quality commercial space in the South West. There is particular demand from online retailers for regional fulfilment centres and last mile units, which we anticipate will grow. We offer a range of size and specification of units to reflect this.

Gateway 12, Gloucestershire
At our 16 acre Gateway 12 development, we completed build on two speculative units of 39,000 and 41,000 sq ft respectively in October and discussions are progressing with a number of interested parties.

We are also underway with the build of a further two speculative units of 24,000 and 34,000 sq ft which will be completed for occupation in 2018 with interest already being shown. Following planning permission in December, we have started on site with a final speculative 66,000 sq ft unit which will extend our offering. The completion of this final phase in September 2018 will mark the conclusion of the £22m Gateway 12 development.

This activity follows the sale of the site's first two 40,000 sq ft speculative buildings in 2016.

Rupert Joseland
Property Director – West and Wales
"Proximity to junction 12 of the M5 makes Gateway 12 a clear choice for businesses looking for prime quality industrial and warehousing space and our speculative building on site seeks to meet this demand. Being close to a number of major residential areas, Gateway 12 is also an ideal place for last mile units. Our momentum continues in the region with the start of our programme of commercial development activity at our site in Quedgeley East, just over one mile from Gateway 12."

We have continued to focus on securing design and build solutions for occupiers for sale or rent; our expertise in nurturing existing and cultivating new relationships with potential occupiers positions us well for growth. The proportion of our committed industrial and logistics pipeline being developed pre-let or pre-sold has grown to 41% (May 2017: 27%). A key deal secured and started on site this financial year has been the new manufacturing facility for Spanish Company Construcciones y Auxiliar de Ferrocarriles (CAF) at Celtic Business Park in Newport, South Wales.

Speculative commercial build in 2017

800,000 sq ft

Celtic Business Park, Newport, South Wales

Following the lease to Amazon and the subsequent sale to Tilstone Industrial Warehouse Ltd of the speculatively built 48,255 sq ft warehouse in early 2017 at Celtic Business Park, construction started on the new 165,000 sq ft train assembly facility for CAF in August 2017.

Due for completion in July 2018, this bespoke facility will be used to produce a wide range of rail transport vehicles, including trams and high speed trains.

Richard Powell
Construction Director
"This is one of a number of exciting and unique projects for St. Modwen. We have worked closely with CAF to create an intelligent and simple design whilst dealing with complex sub-structure solutions housing an intricate production facility. We are connecting into an existing rail line on the adjacent site so are working closely with our neighbours, Tata Steel. In addition, we are installing substantial cranes with the capacity to lift 25 tonnes into the infrastructure of CAF's building and tracks to ensure their new facility is fit for purpose. Ultimately we are delivering a product which offers longevity and is of the highest possible standard whilst working to the client's tight production schedule."

Jointly funded by the Welsh Government, CAF expects the plant to employ around 200 staff when it opens in 2018, rising to 300 by 2019, as well as running training and apprenticeship schemes.

Committed development pipeline of industrial/logistics space

Over 1m sq ft

GROW OUR RESIDENTIAL AND HOUSEBUILDING BUSINESS

This financial year St. Modwen Homes has experienced continued demand for new homes with sales volumes for the year growing by 43% to 694 homes. The business continues its unique offering of delivering high quality homes which stand out from the competition. Our architects ensure the layout of each development is sensitive to its surroundings and each home is designed with large windows and higher than average ceilings to allow light to flood through.

In its sixth year of trading, St. Modwen Homes is now selling homes on 16 sites and building on 20 across the UK. On the back of this continued success, the recent identification of 7,500 plots from our existing land bank for St. Modwen Homes to draw down and utilise means that our residential business has a significant and strong foundation for further growth.

Trentham Manor, Stoke-on-Trent

At Trentham Manor we have accelerated sales with 95 homes completed and six exchanged for the first phase of 132 units. To encourage a sense of community, St. Modwen Homes has built a new children's play area at the development and also provides free membership to all home owners for access to our 725 acre leisure scheme, Trentham Estate and Gardens, just a short distance from Trentham Manor. We have been successful in attracting local buyers to the development, with a recent homebuyer survey showing 95% of buyers at Trentham Manor previously lived in Stoke-on-Trent, with the remaining 5% coming from the wider Staffordshire region.

St. Modwen Homes will soon be launching its new development of an additional 130 homes in Stoke-on-Trent at Victoria Park, the former Victoria Ground football stadium site.

Dave Smith
Managing Director, St. Modwen Homes
"Trentham Manor won the top accolade at this year's Housebuilder Awards which looks to celebrate the best residential developments in the country. St. Modwen Homes was celebrated for its commitment to the local community, its house designs and quality of build, all of which have helped transform the former site of Hem Heath Colliery into a desirable place to live. This is the second year in a row that St. Modwen Homes has won the Best Regeneration Initiative category, having taken home the top award for Branston Leas in Burton-upon-Trent in 2016. We are now looking forward to continuing this success in the region with the launch of Victoria Park later in 2018."

St. Modwen Homes are currently rated 5-star by the Home Builders Federation

5-star rating – HBF

CEMENTING AND GROWING OUR REGENERATION REPUTATION

We have been successful with a number of large-scale acquisition opportunities. These projects reflect the Government's agenda for developing more housing and employment spaces which complement our skills in delivering complex, mixed-use communities and infrastructure.

Meanwhile, we aim to deliver brilliantly our existing portfolio of large-scale regeneration projects. These projects exemplify our commitment to fulfil our core business purpose. We are building new communities and creating lasting legacies of which we can be proud.

Longbridge, South Birmingham
At Longbridge, we are paving the way for the delivery of more new family homes with the recent land sale to housebuilder Taylor Wimpey. The seven acre site already has detailed planning consent for 95 homes and work began in November. This follows the launch of St. Modwen Homes' second phase of its new residential development at Longbridge, named Crofton Grange where the Company is building 226 homes, of which 38 are already completed with a further 10 reserved.

Guy Gusterson
Property Director – Midlands and North
"Longbridge is changing day by day and is increasingly becoming a destination for people to live, work and enjoy their leisure time. We have continued to foster a strong local community across the existing Town Centre and have hosted 14 community led events in this financial year alone. In addition, this financial year saw us hand over a six storey, purpose built, 180 bed building for the Royal Centre for Defence Medicine, delivered on behalf of the Defence Infrastructure Organisation. The recent activity on site is further confirmation of the fundamental transformation that is taking place to create an innovative community space and breathe new life into a former industrial site."

Our large-scale regeneration projects also include Bay Campus at Swansea University and New Covent Garden Market. These, too, demonstrate the positive difference we can make socially, environmentally and economically. All three projects have contributed significantly to their local environments, not just by protecting jobs, but also by increasing employment opportunities and providing much needed housing and education facilities. Each showcases the depth and range of our skills across our portfolio. Most significantly they also create opportunities for growth, encouraging investment and promoting business which helps to drive the wider economy with clear benefits for everyone invested in the scheme.

Community events hosted at Longbridge this year

14

New Covent Garden Market, Nine Elms, London

At New Covent Garden Market, we have this year completed and opened the new 89,000 sq ft interim flower market for the Covent Garden Market Authority which supplies 75% of London's florists. This complements the completed work on site, including the refurbishment of the existing multi-storey car park, the provision of a new recycling and waste facility (featuring rooftop 5-a-side football pitches for use by the local resident population), a welfare block and a new vehicular entrance plaza. The completion of the Food Exchange, around 50,000 sq ft, is the next step in the exciting evolution of the market.

Following the vacation of the former Flower Market at Nine Elms Square, in August 2017, we successfully completed on the sale of this 10-acre parcel of land for £470m. This was held in joint venture with VINCI plc and St. Modwen's share of the proceeds was £190m.

Tim Seddon
Property Director – South East
"At New Covent Garden Market, we have continued momentum to deliver modern new space for the flower market so that it can continue its long and proud wholesale tradition within London. The sale of Nine Elms Square has released capital for further development across the remaining 47 acres at New Covent Garden Market, including the development over the next seven years of over 500,000 sq ft of wholesale market facilities and residential, commercial and community amenities at Nine Elms Gardens and Nine Elms Grove. In line with our strategy, the proceeds from the transaction have also been used to reduce Group borrowings."

London florists using interim flower market

75%

PORTFOLIO FOCUS AND CAPITAL DISCIPLINE

Following the Group's strategic review, it was decided to centralise our Asset Management function to drive performance and the operational efficiency through the retained income portfolio.

Whilst we have continued to pro-actively manage our assets to drive rental and capital growth we have, over the last year, begun to recycle assets out of the retained income portfolio as planned, allowing us to start to rebalance our portfolio towards the industrial and logistic sector where we see greater long-term structural growth. This will be delivered through our commercial development activity.

The Asset Management team is working closely with the Commercial Development teams to identify the industrial and logistics developments that we should retain for the retained income portfolio. An example of this is the retention of BG87 at our Burton Gateway development.

Burton Gateway, Burton-on-Trent

In August 2017, at Burton Gateway we successfully let the speculatively built 87,000 sq ft unit to global logistics experts Hellman Worldwide Logistics on a 10-year lease, which we have subsequently kept as part of our retained income portfolio. Burton Gateway has outline consent for 1m sq ft of industrial space and we have recently received planning consent for the next phase of development of more than 100,000 sq ft of speculative industrial space over three units.

This demonstrates our focus in delivering our key objective of retaining new industrial and logistics developments that will allow us to reshape our retained income portfolio as we recycle out of some of our existing assets.

Rupert Wood

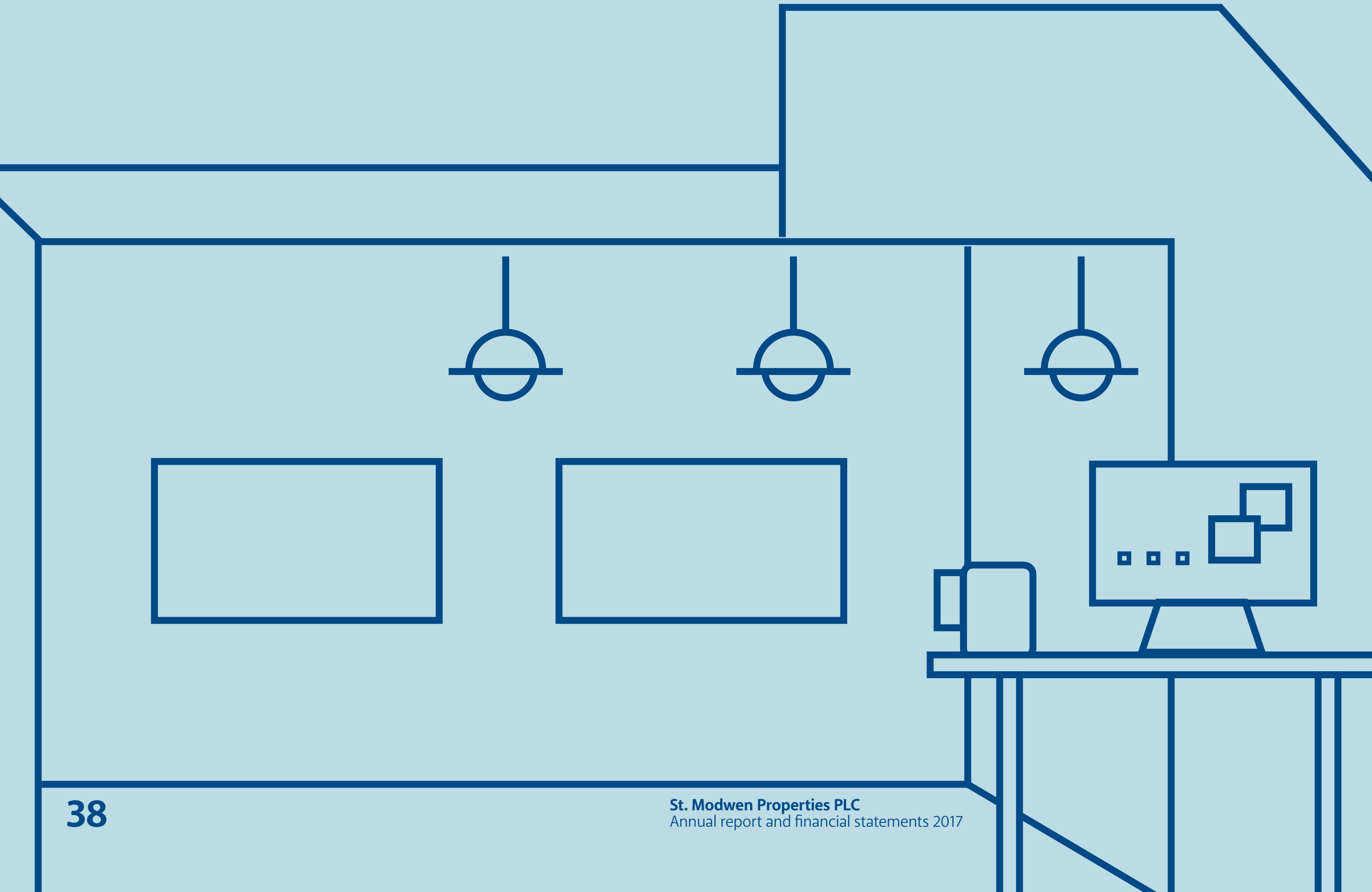
Property Director – Asset Management

"The retention of developments such as Burton Gateway allows us to drive forward with our asset recycling strategy and build a quality industrial and logistics portfolio."

Planned industrial development space to be retained for income in 2018

Over 700,000 sq ft

PERFORMING WELL/ OPERATING EFFICIENTLY



Portfolio focus and capital discipline

Valuation performance

Our portfolio was valued at £1.7bn at the end of November 2017. Adjusted for investments and disposals, our portfolio value increased by 2.6% during the year. This valuation uplift was largely driven by development gains and an increase in the value of our industrial portfolio, partly offset by a modest weakening in retail values and the New Covent Garden Market (NCGM) cost provision.

The value of our income producing portfolio, which makes up 51% of our total portfolio (2016: 45%), increased by 1.5%. Industrial/logistics values increased 6.2%, reflecting a combination of yield compression and rental value growth. Retail values were down 2.1% as valuation yields softened and other assets (mostly PRS/student housing) were up 0.8%. Overall, our income producing portfolio was valued at an equivalent yield of 7.5% at the end of November, which was down 20bps for the year on a like-for-like basis.

The remainder of our portfolio consists of a combination of current developments (19%) and land earmarked for future development (30%). Commercial land values were up 3.5% during the year, whilst commercial developments were up 15.9%. Residential land values were up 1.1%, as increases in value of land at NCGM and other sites including South Ockenden were partly offset by the increased cost provision for NCGM.

Looking forward to 2018, we expect retail values will continue to see some further softening, but good investment and occupational demand continues to underpin industrial/logistics values. We expect upside in land values to be largely reliant on potential further planning gains.

Portfolio value

£1.7bn

Industrial/logistics pipeline

c. £700m

	Value £m	Valuation movement(1) %	Net initial yield %	Equivalent yield %	LFL equivalent yield shift bps	LFL ERV growth %
Industrial/logistics	306	6.2	6.7	8.2	(30)	3.9
Retail	343	(2.1)	6.4	7.7	10	(0.1)
Other	195	0.8	5.6	6.0	–	1.7
Income producing portfolio	**844**	**1.5**	**6.3**	**7.5**	**(20)**	**1.7**
Of which high yield	332	3.7	6.7	8.6	(40)	1.9
Of which investment	512	–	6.1	6.7	–	1.5
Residential developments(2)	203	N/A				
Commercial developments	120	15.9				
Total developments(3)	**323**	**15.9**				
Residential land	358	1.1				
Commercial land	139	3.5				
Total land	**497**	**1.7**				
Total portfolio	**1,664**	**2.6**				

(1) Portfolio valuation movements exclude current residential developments.

(2) Includes land held by St. Modwen Homes for future development.

(3) Excludes inventories of £39m included within the income producing portfolio.

Operational performance

Our £844m income producing portfolio currently generates £60m in annualised passing rent. Like-for-like rent increased 3.3% during 2017, with 6.7% growth in industrial ahead of 1.2% growth in retail. Overall vacancy increased from 10.7% in November 2016 to 11.7% in November 2017, partly due to a number of larger lease expiries in assets which have been taken offline for planned refurbishment. Part of our vacancy is deliberately held back for future redevelopments.

Excluding developments, we signed almost two million sq ft of new leases and lease renewals during the year generating £11.6m of annualised rental income, on average 15% above previous passing rent and 1% above November 2016 ERVs. The overall ERV of our income portfolio currently stands at £74.8m. Our average remaining lease term to first break increased slightly to 5.3 years (2016: 5.2 years).

	ERV £m	Passing rent[1] £m	Vacancy %	LFL rent growth %
Industrial/logistics	27.2	21.7	13.1	6.7
Retail	31.2	23.5	13.8	1.2
Other	16.4	15.0	6.5	0.9
Total income producing portfolio	**74.8**	**60.2**	**11.7**	**3.3**

(1) Excluding £2.7m (ERV £3.6m) of passing rent on land and £0.8m of turnover rent at Trentham Gardens.

During the year we created a centralised asset management function as part of our new organisational design. Historically our income producing portfolio was largely held to cover the running cost of the business through its relatively high rental yield and to act as a source of future redevelopment potential, but over the next few years income producing assets will start to make up a much larger part of our portfolio and should become a performance driver in their own right. The planned sale of our c. 100 smallest assets of on average £1m each, retention of the majority of our industrial/logistics developments, disposal of more of our retail assets and focused asset management approach is expected to lead to opportunities to improve operational efficiency over the next few years. The effects of this will mostly become visible in 2019 and 2020 rather than 2018, as there is a time-lag before our current initiatives translate into actual results.

Investments and disposals

2017 has been an active year, marking the start of a significant shift in the shape of our portfolio. Excluding our housebuilding activities, we have invested £213m in developments and acquisitions, which was more than offset by £324m in disposals during the period and a further £165m since the year end.

As we have substantial potential to invest in our own pipeline at much higher returns than those available in the current investment market, we have been very selective in acquisitions. We acquired £68m of assets, of which £49m comprised land drawdowns under existing development agreements for near-term development starts, principally at Uxbridge and Wantage. We also acquired a £7m industrial asset in Speke (Merseyside) where we see potential to redevelop and significantly increase the current 368,000 sq ft space.

We have been very active on the disposal side, having sold £324m of assets during the year. The largest deal was the disposal of Nine Elms Square, New Covent Garden Market for a total consideration of £470m. This was in line with the May 2017 valuation and released £190m net proceeds for our share of the site. In addition, we have sold 25 small assets for a total amount of £27m (15% above book value), two industrial assets where we believe further upside was limited for £19m (18% above book value) and four non-industrial developments for £27m. We also stepped up the disposal of residential land and sold 54 acres of oven-ready land for the construction of 1,188 new homes for £56m (2016: £48m), capitalising on the continued good levels of demand from housebuilders.

Since the end of November 2017, we have completed the disposal of the existing 2,005-bed student accommodation at Bay Campus, Swansea University in a deal which releases £87m of capital, with gross proceeds of £139m partially offset by the transfer of the corresponding finance lease creditor. We have also disposed of an industrial asset in Eastleigh (£10m our share) and the last phase of residential land at Mill Hill, North London (£16m our share). On average, these deals were in line with the latest book value.

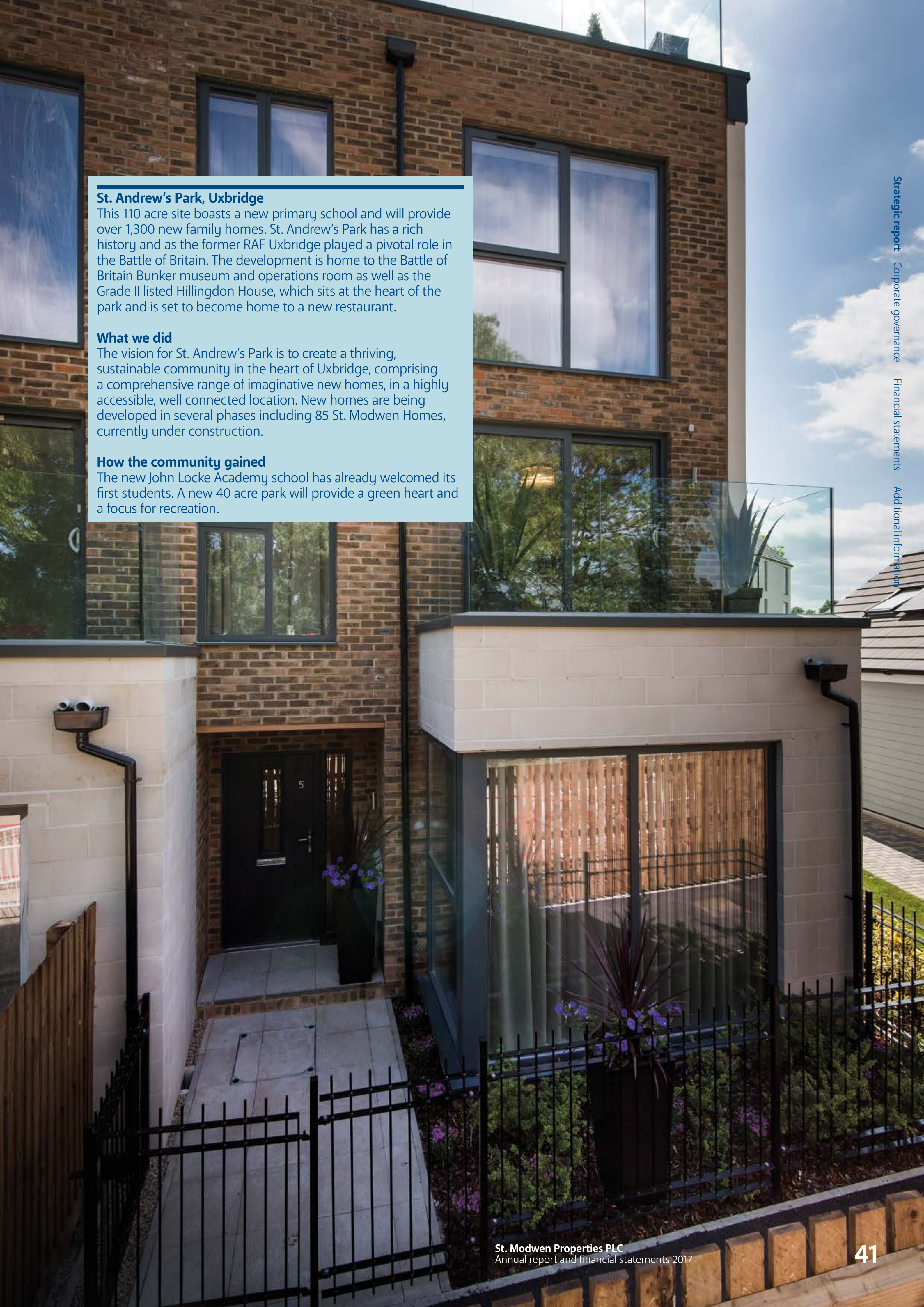
	Amount[1] £m	Initial yield[2] %
Acquisitions during 2017		
Residential land	47	N/A
Commercial land	14	N/A
Industrial	7	9.7
Total	**68**	**9.7**
Disposals during 2017[3]		
Nine Elms Square, NCGM	190	N/A
Residential land	56	N/A
Commercial land	5	N/A
Industrial	19	6.8
Retail/PRS/other	27	N/A
Small assets	27	6.1
Total	**324**	**6.4**
Disposals post-year end[3]		
Swansea University	139	5.7
Industrial	10	8.1
Residential land	16	N/A
Total	**165**	**5.9**

(1) Based on the Group's net share of amounts relating to joint ventures.

(2) Income producing assets excluding land.

(3) Excluding land transfers to St. Modwen Homes and completed home sales.

In 2018 we will continue to rebalance our portfolio to those sectors which offer the best return prospects. We expect to sell more of our remaining small asset portfolio, now comprising 80 assets valued at c. £80m, and more of our retail assets as we target a total disposal volume for these types of assets of around £100-150m. We plan to recycle this capital into retaining more of our industrial/logistics developments. We will also look to accelerate the release of capital from our land bank and plan to pursue new projects mostly on a 'capital light' development agreement basis where our initial capital outlay is limited. We have already increased our exposure to income producing assets to 51% (2016: 45%) and intend to grow this further over the next few years, recognising the significant cost of holding non-income producing land over time. We will remain very selective in terms of acquisitions, as we generally see better returns from investing our capital in our own developments than competing for existing assets.



St. Andrew's Park, Uxbridge

This 110 acre site boasts a new primary school and will provide over 1,300 new family homes. St. Andrew's Park has a rich history and as the former RAF Uxbridge played a pivotal role in the Battle of Britain. The development is home to the Battle of Britain Bunker museum and operations room as well as the Grade II listed Hillingdon House, which sits at the heart of the park and is set to become home to a new restaurant.

What we did

The vision for St. Andrew's Park is to create a thriving, sustainable community in the heart of Uxbridge, comprising a comprehensive range of imaginative new homes, in a highly accessible, well connected location. New homes are being developed in several phases including 85 St. Modwen Homes, currently under construction.

How the community gained

The new John Locke Academy school has already welcomed its first students. A new 40 acre park will provide a green heart and a focus for recreation.

Longbridge, South Birmingham

Longbridge is a 468 acre regeneration site which sits south of Birmingham city centre and is being transformed into a mixed-use, high quality urban environment. It has a worldwide reputation as the historical home to the Austin Mini and has latterly retained a 60 acre research and production facility for MG Motors.

What we did

St. Modwen has worked on significantly regenerating Longbridge and has successfully reinvigorated employment in the area through the completion of Longbridge Innovation Centre, Devon Way and the Cofton Centre. St. Modwen has also successfully completed the first two phases of the town centre, including a new £66m purpose built college and over 350 new homes.

How the community gained

The regeneration of Longbridge is expected to create up to 10,000 new jobs through a diverse range of employment opportunities. The town centre now attracts over 64,000 shoppers each week and in 2017 alone we hosted 14 free public events in the town centre. The ripple effect of the regeneration of Longbridge is evident and looks on course to become the driving force for prosperity and social wellbeing in the area.

Commercial development

In 2017 we invested £145m in commercial development, delivering £30.6m in profits (2016: £30.4m). Including 0.9m sq ft industrial/ logistics space, we completed 1.4m sq ft of commercial projects, with a total GDV of £216m. We will retain £73m of this and have already secured 54% of the associated c. £6m ERV with a further 11% under offer. Around 60% of this was still held as development assets at 30 November 2017, whilst the rest has already been transferred to the income producing portfolio. Key completions included the latest 543-bed phase of student housing at Swansea, which we sold to UPP following the year end as part of a larger transaction, a 180-bed Royal Centre for Defence Medicine at Longbridge which we pre-sold to the MoD's DIO, 78,000 sq ft industrial space at Parkside which we let to Bosch and DB Schenker, and 153,000 sq ft logistics space at Tamworth which is currently being marketed and where we are seeing good levels of tenant interest.

Our current committed pipeline of 1.6m sq ft has a total GDV of £326m, development cost of £272m (2016: £198m) and a further £178m cost to complete. The majority of this 1.6m sq ft is focused on industrial and logistics, which we anticipate to deliver a yield on cost of c. 8% and a profit on cost of c. 20%, with an expected overall GDV of £126m, of which we expect to retain the majority. Around 90% of our committed pipeline is in sectors where the structural outlook is positive, including the next phase of development at Swansea Bay and PRS at Uxbridge. Reflecting the healthy occupational demand for our assets, our industrial and logistics committed pipeline is currently 40% pre-let/sold (2016: 21%), with key lettings of 164,900 sq ft to Spanish train manufacturer CAF at Celtic Business Park and 113,000 sq ft to global automotive manufacturing firm Grupo Antolin at Barton Business Park.

	No. of projects	Area msq ft	Total cost[1] £m	Cost to complete £m	ERV £m	Pre-let/ sold %
Industrial/ logistics – retained	8	0.7	61	46	5.1	19
Industrial/ logistics – other	4	0.3	40	23		76
Industrial/ logistics – total	**12**	**1.0**	**101**	**69**		**40**
Retail	2	0.1	28	23		49
Other	7	0.5	143	86		41
Total	**21**	**1.6**	**272**	**178**		**41**

(1) Including land.

As part of our strategic review during the year, we identified our existing commercial land bank had the potential to deliver 17.3m sq ft of industrial/logistics space in the long term. Of this, we identified 7.5m sq ft which could be delivered in the next five years based on planning and strength of location, most of which is located in the Midlands and South West. We plan to accelerate the delivery of this 7.5m sq ft over the next few years, but the short lead-time of these schemes means we retain flexibility should demand for space unexpectedly deteriorate. Including land preparation costs, the expected future capex on these projects is c. £490m, on top of a current land value of c. £90m. With an expected ERV of c. £45m these projects should deliver a yield on cost of c. 8% and profit on cost of c. 20%, with a yield on incremental capex investments of over 9%.

In 2018 we plan to grow the amount of industrial/logistics space we deliver by up to 25% subject to market demand and we will work on preparing our pipeline for 2019 and 2020 such that we maintain the potential to deliver a similar growth rate. Given the high quality of industrial and logistics assets we build and positive medium-term outlook for these locations, we intend to retain the majority of these developments. A large part of our development profits will therefore become non-cash revaluation gains, although this change has no impact on our overall profitability. We will also continue to progress our pipeline of PRS and student accommodation opportunities, but managing these assets efficiently in the long run requires a platform and scale we do not envisage building up ourselves. In addition, we intend to sharpen the focus of our commercial land holdings to those locations where we see most near-term development upside.

Residential development – housebuilding

The UK housebuilding market remains resilient, especially in the regions, which is where the bulk of our activities are focused. As such, we have continued to see good demand for new homes built by our housebuilding subsidiary St. Modwen Homes, which sold 694 units during the year. This marked a 43% increase for the year (2016: 485), whilst the average private sales price increased 19% to £259,000 (2016: £217,000). Like-for-like private sales prices increased 6%, reflecting the good demand for our high-quality houses, with the balance due to an increase in average unit size and the mix of sites, including Uxbridge.

St. Modwen Homes retained its 5-star customer service and quality status from the HBF and gained RoSPA Gold safety accreditation, demonstrating that growth does not have to come at the expense of quality or safety. This will remain a key focus going forward. Net operating margins increased to 13.9% (2016: 13.4%), but as we transfer land to St. Modwen Homes at market value instead of at historic cost and do so on a 'just in time' basis for development, we estimate this continues to artificially reduce margins by c. 3ppt.

St. Modwen Homes: key operating metrics

	2017	2016	Change
Private units sold	**619**	438	41.3%
Affordable units sold	**75**	47	59.6%
Total units sold	**694**	485	43.1%
Private sales rate (units/week)	**0.8**	0.8	–
Average sales-active sites	**15**	11	36.4%
Average private selling price (£k)	**259**	217	19.4%
Average affordable selling price (£k)	**97**	90	7.8%
Operating margin (%)	**13.9**	13.4	0.5ppt

Overall, housebuilding activities contributed £31.4m operating profit for the year (2016: £27.1m). Reflecting its strong growth, St. Modwen Homes delivered a 52% increase in operating profit to £23.3m (2016: £15.3m). This more than offsets the reduction in operating profit from our Persimmon JV to £8.1m (2016: £11.8m) as this continues to scale down its activities as planned, having sold 227 units during the year (2016: 402).

For 2018, we expect sales volumes for St. Modwen Homes to grow by up to 25%, but despite this strong growth our focus remains first and foremost on retaining our high quality and safety standards. St. Modwen Homes was actively selling on an average of 15 sites during 2017 (2016: 11), which we expect to increase to 20 in 2018. We expect volumes in the Persimmon JV to reduce by around half as it continues to wind down its activities over the next two years, but we expect the reduction in profits from this to be more than offset by growth in St. Modwen Homes' profits. We expect St. Modwen Homes' operating margins to improve by a similar level as in 2017 and still see room to improve margins by 2-3ppt over the medium term.

Residential development – residential land

During 2017 we secured planning consent for more than 2,000 new homes (2016: 1,670), including 370 at Longbridge and 200 at Victoria Ground, Stoke-on-Trent. At the end of 2017 our residential land bank comprised approximately 22,000 plots (2016: 25,000), mostly in the Midlands and South West, plus an additional 2,400 plots where development is subject to third party consent.

As part of our strategic review this year, we indicated that we intend to grow sales volumes in St. Modwen Homes by up to 25% per year over the next couple of years, but even at this pace it would take us well over 15 years to work through our current land bank. We therefore earmarked 7,700 plots for St. Modwen Homes and plan to sell most of the remaining plots to other housebuilders over the next few years to realise the value we have created. We already sold 1,188 plots during the year and we continue to see good demand from housebuilders. Notable deals included sales at Mill Hill (609 units) and Ellesmere Port (327 units). Combined with the sale of Nine Elms Square, the sale of the final phase of Mill Hill following the year end reduced the London exposure of our residential land bank from approximately 46% to 11%.

Major regeneration projects

In 2017 we have continued to make good progress at our three major regeneration projects, Longbridge, New Covent Garden Market and Swansea, whilst we agreed two new major residential-led projects in Wantage and Buckover which will deliver a total of 4,500 homes.

At Bay Campus, Swansea we successfully completed the latest 543-bed phase of student accommodation ahead of the 2017/18 academic year, taking the total number of students living on campus to approximately 2,000. Since the year end we have sold the existing student accommodation to UPP for gross proceeds of £139m, with net proceeds of £87m reflecting the transfer of the associated finance lease creditor. This transaction introduces an experienced operator on campus whilst releasing funds for us to invest in the next phases of development. We have started the development of the next phase of academic facilities and the next 400 of the remaining 2,000 beds of student accommodation, which will complete in summer 2018 and early 2019 and have a GDV of over £50m, and we continue to work closely with Swansea University to progress the remaining substantial future development opportunities.

Longbridge saw the completion of the development of 180 beds of key worker accommodation for the MoD's DIO, a 260-apartment Extracare retirement village and further new homes by St. Modwen Homes and other housebuilders. With the overall project c. 50% developed, we will continue to progress further development.

At New Covent Garden Market, via our JV with VINCI, we sold 10 acres of land at Nine Elms Square for £470m, crystallising a substantial profit and releasing net proceeds of £190m for our 50% share. The JV continues to work on the relocation of the existing market facilities, which will be ongoing for a number of years. Following the disposal of Nine Elms Square we have undertaken a full review of the remaining works. The complicated nature of working on a site with a live market and an anticipated extended duration of the project have resulted in an increase in expected construction costs, with our share of this increase being £24.6m. This was partly offset by a £14.5m increase in the value of our land holdings. Our share of the remaining 10 acres of land, which will be released upon completion of the market relocation, is now valued at c. £6m per acre.

During the year we secured two new large residential-led developments. At Kingsgrove, Wantage we signed a development agreement to deliver a mixed-use community of 1,500 homes over the next 10-15 years across a 227-acre site and St. Modwen Homes commenced works in late 2017. We also signed a development agreement to deliver Buckover Garden Village, a new community of up to 3,000 homes in Gloucestershire over the next 25 years, together with our development partner, the Tortworth Estate. We anticipate submitting a planning application for the 536-acre site during the second half of 2018.

Looking forward, we will continue to pursue new regeneration opportunities on a 'capital light' basis, but as these new projects are opportunistic by nature, it is difficult to make specific forecasts for this.

Parkside Business Park, Doncaster

A 27 acre strategic development site, situated close to Doncaster Town Centre and within easy reach of the M18 and A1, Parkside is one of the largest managed business parks in Doncaster.

What we did

Outline consent for 250,000 sq ft of business units on the development plot was granted in December 2015, including detailed planning consent for two high-specification units of 36,846 and 41,095 sq ft. St. Modwen remediated the land for these first two units which included the recycling of more than 13,000 tonnes of concrete.

How the community gained

These units have recently been let to Bosch for an Automotive Training Centre and to Schenker for a servicing facility for the East Coast Main line. In summer 2018, St. Modwen will complete the speculative development of two more versatile units which will further satisfy the shortage of mid-size industrial units in the South Yorkshire market.

DURING THE YEAR, WE HAVE DELIVERED A SOLID PERFORMANCE IN SPITE OF CONTINUED UNCERTAINTY, AND HAVE MADE GOOD PROGRESS IN REDUCING OUR LEVERAGE.

Rob Hudson
Chief Financial Officer

Overview

During the year, we have delivered a solid performance in spite of the continuing uncertain market environment and have made strong progress in delivering upon the portfolio focus and capital discipline element of our strategy. NAV per share increased 4.6% to 450.9 pence (2016: 431.0 pence) and EPRA NAV per share increased 2.3% to 471.2 pence (2016: 460.5 pence) in spite of an 8.3 pence or 1.8% reduction as a result of deferred tax crystallising on the sale of land at Nine Elms Square. The underlying business performed well, as evidenced by trading profits of £64.6m (2016: £56.1m), and total valuation gains increased considerably to £34.6m (2016: £4.1m). As previously noted, the review of NCGM resulted in an increase in our share of the forecast market cost estimate of £24.6m. However, the £34.6m valuation gains above include our share of an uplift in the value of the land at Nine Elms Square of £14.5m, which together with the market cost increase results in a combined charge to the income statement of £10.1m.

Shortly after the year end, we refinanced £488m of bilateral secured debt facilities with a £475m unsecured revolving credit facility with an initial maturity of five years which can be extended to a maximum of seven years, subject to lender consent. In line with our strategic plans, the refinancing provides a reduced cost of debt and improved operational flexibility. The transition to unsecured debt financing provides us with the option to extend further our debt maturity profile and diversify our sources of unsecured finance ahead of the maturity of our £100m convertible bond and £80m retail bond in 2019.

Presentation of financial information

Due to the number of significant joint venture arrangements, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. Reconciliations between all the statutory and non-statutory measures and the explanations as to why the non-statutory measures give valuable further insight into the Group's performance are given in note 2 to the Group financial statements. In particular, profit before all tax is used because it reflects the way the Group is run on a proportionally consolidated basis, and because it also removes the taxation effects on equity accounted entities from the statutory profit before tax figure. The Group has four material joint ventures, three of which are in partnership with VINCI and one in partnership with Salhia. The VINCI joint ventures comprise the NCGM operation and joint ventures at Uxbridge and Mill Hill (the latter through The Inglis Consortium), both of which are engaged in the remediation and subsequent sale of land. The Salhia joint venture, Key Property Investments (KPI), owns a portfolio of principally income producing industrial assets acquired between 1998 and 2002.

Our key performance metrics include a new measure of adjusted EPRA earnings and an adjusted EPRA EPS calculation, which exclude non-cash valuation gains and losses. As our residential developments are built to sell, residential profits are cash-based and therefore included in this metric, but as our commercial developments will now be predominantly built to hold, commercial development profits will be largely non-cash in the future. As such, these are excluded from adjusted EPRA earnings, other than development fee income. This change has no impact on our overall profitability.

Our current dividend policy is linked to NAV growth, but this includes non-cash items which cannot directly fund dividends. In order to align our dividend policy to cash profitability we therefore intend to pay a dividend equivalent to approximately 50% of adjusted EPRA EPS from the year ending 30 November 2018, with the aim of providing a sustainable, progressive dividend for our shareholders.

Our total dividend payable for 2017 is 6.28 pence (2016: 6.00 pence), an increase of 4.7% in line with NAV growth.

	2017			2016		
	Total[1] £m	**Adjusted EPRA earnings £m**	**Other £m**	Total[1] £m	Adjusted EPRA earnings £m	Other £m
Gross rental and other income	**67.6**	**69.6**	**–**	60.8	60.8	–
Property outgoings	**(13.8)**	**(13.8)**	**–**	(14.9)	(14.9)	–
Other net income	**2.0**	**2.0**		4.2	4.2	
Net rental and other income	**55.8**	**55.8**	**–**	50.1	50.1	–
Commercial property profits	**30.6**	**3.8**	**26.8**	30.4	2.1	28.3
Residential property profits	**31.4**	**31.4**	**–**	27.1	27.1	–
Administrative expenses	**(29.0)**	**(29.0)**	**–**	(29.3)	(29.3)	–
Net cash finance costs	**(24.2)**	**(24.2)**	**–**	(22.2)	(22.2)	–
Trading profit	**64.6**	**37.8**	**26.8**	56.1	27.8	28.3
Investment property revaluation gains	**34.6**	**–**	**34.6**	4.1	–	4.1
Change in cost to establish a market in Nine Elms	**(24.6)**	**–**	**(24.6)**	–	–	–
Net non-cash finance costs	**(7.6)**	**0.1**	**(7.7)**	0.6	0.1	0.5
Profit before all tax	**67.0**	**37.9**	**29.1**	60.8	27.9	32.9
Taxation	**(6.9)**	**(8.4)**	**1.5**	(7.2)	(6.3)	(0.9)
Profit for the year	**60.1**	**29.5**	**30.6**	53.6	21.6	32.0
Less non-controlling interests	**(0.5)**	**(0.1)**	**(0.4)**	–	(0.1)	0.1
Profit attributable to owners of the Company	**59.6**	**29.4**	**30.2**	53.6	21.5	32.1
Earnings per share (pence)	**26.9**	**13.3**		24.1	9.7	

(1) This table is presented on a proportionally consolidated basis, including the Group's share of profits and losses of joint ventures and associates in the income statement categories to which they relate, rather than on a statutory basis as one line representing the share of net losses of those joint ventures and associates.

Net rental and other income
The Group's share of net rental and other income has increased in the year to £55.8m (2016: £50.1m). The disposal of our student accommodation at Swansea completed after the year end and will result in a reduction of c. £5.8m net rental income in 2018, offset by a reduction of £2.1m in finance lease interest due to the sale. Our target to dispose of £100m to £150m of retail and small assets this year will likely result in a further temporary reduction in net rental and other income, given the time lag in recycling these proceeds into our industrial/logistics developments.

Overheads
Administrative expenses for the year were £29.0m (2016: £29.3m) reflecting a £1.5m one-off credit relating to the closure of our insurance captive. With planned investment in our organisational capabilities to deliver our planned growth, we expect costs in 2018 to increase from the underlying level by c. 5% next year.

Cash finance costs and income
Finance costs have increased during the year in line with increases in the average levels of see-through net debt prior to the sale of the land at Nine Elms. See-through net cash finance costs increased to £24.2m (2016: £22.2m). For the coming year, we expect finance costs to reduce as a result of lower net debt, a lower cost of debt due to the recent refinancing and the reduction in finance lease interest from the Swansea sale.

Non-cash finance costs and income
Net non-cash finance costs were £7.6m (2016: £0.6m income). The elements of these non-cash costs which recur at reasonably constant levels are a £5.2m (2016: £5.6m) charge for discount unwinds, principally on our share of the long-term liability to deliver the NCGM project, and a £2.2m (2016: £1.5m) charge for the amortisation of arrangement fees in relation to our loan facilities.

The other material components of these non-cash costs are inherently less predictable, as they are dependent on market movements. These relate to the valuation of our convertible bond, where we would expect a charge if the likelihood of conversion increases (i.e. if the share price increases), and the valuation of the derivatives we use to hedge our interest rate risk, where we would expect a charge if swap rates are lower than the prevailing rates at the time we entered into the derivatives. For the year just ended, the net effect of these two items was minimal, whereas in the prior year, a large favourable movement in the convertible bond more than offset the charge for discount unwinds and amortisation of arrangement fees.

Property valuation

All of our investment properties are independently valued every six months by our external valuers Cushman & Wakefield and Jones Lang LaSalle (the latter 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. 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. The total valuation gain in the year was £34.6m, compared to £4.1m in 2016, for the reasons previously outlined.

Profit before all tax

Profit before all tax for the year was £67.0m (2016: £60.8m), and is stated before tax on joint venture income.

Taxation and profit after tax

Our total tax charge (including joint venture tax) for the year was £6.9m (2016: £7.2m) resulting in profit after tax on a proportionally consolidated basis of £60.1m (2016: £53.6m).

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. Overall, the see-through effective rate of tax for the year was below the prior year at 10.3% (2016: 11.8%), resulting from a blend of a lower Group tax charge of 12.9% (2016: 14.0%) due to the reduction in the deferred tax rate, and a higher JV tax credit in the period. Following the freezing of indexation allowance from 31 December 2017 announced in the November budget, and as signalled in previous reporting updates, the effective tax rate is expected to move towards, but remain slightly below the standard rate of tax of 19%.

See-through loan-to-value

24.2%

NAV per share

450.9 pence

Balance sheet

At the year end the shareholders' equity value of net assets was £1,000.3m (2016: £955.2m) or 450.9 pence per share which represents a 4.6% increase over the year (2016: 431.0 pence per share). This growth is after the increased dividend payments (2017 interim and 2016 final) of £13.5m or 6.08 pence per share (2016: £12.8m or 5.79 pence per share). Our EPRA net asset value rose 2.3% to 471.2 pence per share from 460.5 pence per share in spite of an 8.3 pence or 1.8% reduction as a result of deferred tax crystallising on the sale of land at Nine Elms Square.

	2017			2016
	Group £m	JVs £m	Total[(1)] £m	Total[(1)] £m
Property portfolio	**1,516.0**	**148.0**	**1,664.0**	1,752.3
Other assets	**85.5**	**82.0**	**167.5**	170.6
Gross assets	**1,601.5**	**230.0**	**1,831.5**	1,922.9
Net borrowings	**(433.8)**	**45.6**	**(388.2)**	(517.0)
Finance leases	**(57.0)**	**(0.9)**	**(57.9)**	(57.7)
Other liabilities	**(224.3)**	**(155.1)**	**(379.4)**	(386.1)
Gross liabilities	**(715.1)**	**(110.4)**	**(825.5)**	(960.8)
Net assets	**886.4**	**119.6**	**1,006.0**	962.1
Non-controlling interests	**(5.7)**	**–**	**(5.7)**	(6.9)
Equity attributable to owners of the Company	**880.7**	**119.6**	**1,000.3**	955.2
NAV per share (pence)			**450.9**	431.0
EPRA NAV per share (pence)			**471.2**	460.5
See-through LTV (%)			**24.2**	30.5
See-through LTV (excluding residential) (%)			**37.2**	54.3
Total accounting return[(2)] (%)			**6.0**	5.6

(1) This table is presented on a proportionally consolidated basis, including the Group's share of assets and liabilities of joint ventures and associates in the balance sheet categories to which they relate, rather than on a statutory basis as one line representing the share of net assets of those joint ventures and associates.

(2) Our definition of total accounting return was revised in the year so that it now represents dividends paid in the year plus the movement in NAV per share in the year, rather than the movement in EPRA NAV per share. This change reflects that our strategy includes the repositioning and recycling of our portfolio towards sectors with strong structural growth, whereas the EPRA model assumes that properties are retained. Using the revised definition results in a total accounting return of 6.0% (2016: 5.6%) as noted above. Under the previous definition, total accounting return would have been 3.6% (2016: 4.5%). Further information is included in note 2 to the Group financial statements.

Financing

During 2017 we achieved a significant reduction in our year end see-through net borrowing position, mostly through the Nine Elms Square sale. The year end figure also benefited from a £49.0m share of the cash held in a Development Account for delivery of the NCGM project.

Cash generated (before new investment, tax and dividends) was £542.7m (2016: £306.4m) and new investment was managed tightly such that net borrowings, including our share of JVs, decreased to £388.2m (2016: £517.0m). Whilst inventories increased by £125.8m to £361.9m (2016: £236.1m) around half of this increase results from accelerated activity and land transfers for St. Modwen Homes with the remainder reflecting increased commercial development in line with our strategy. See-through loan-to-value of 24.2% (2016: 30.5%) improved markedly upon the prior year. Excluding residential, the Group's see-through loan-to-value ratio fell to 37.2% (2016: 54.3%) and, whilst the Company's capital structure remains strong, we are aiming to continue to reduce this over time.

	2017	2016
See-through borrowings	**463.3**	524.9
See-through net borrowings	**388.2**	517.0
See-through loan-to-value[1] (%)	**24.2**	30.5
See-through loan-to-value (excluding residential)[1] (%)	**37.2**	54.3

(1) See-through loan-to-values are reconciled in note 2i to the Group financial statements.

Refinancing

As noted above, shortly after the year end, we achieved a transformational refinancing, moving from bilateral secured facilities to an unsecured club structure. In doing so, we paid off the balance sheet liability for out of the money interest rate swaps for a cash outlay of £5.1m and entered into an interest rate cap. This hedging activity will result in initial annual savings of c. £2.5m. A non-cash expense of £3.4m will be recognised in the first half of the Group's 2018 financial year in respect of capitalised arrangement fees relating to the previous facilities. These actions increased our weighted average facility life to 4.1 years from 2.7 years at the year end (or to 5.5 years if the two one-year extensions are applied). With £690m of see-through committed facilities against see-through net borrowings of £388.2m, we have ample headroom to transact.

	2017 pro forma for refinancing	2017	2016
Average duration of facilities (years)	**4.1**	**2.7**	3.7
Weighted average interest rate[1] (%)	**3.7**	**4.4**	3.8
Percentage of net borrowings fixed or hedged (%)	**88.5**	**82.8**	50.0

(1) The weighted average interest rate is calculated using current interest rates and hedging profile applied to the Group net borrowings at 30 November 2017, thereby assuming constant net borrowing levels for 2018.

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, 82.8% (2016: 50.0%) of our borrowings were fixed or hedged. Our ongoing interest rate risk will be managed via a combination of caps and hedges to maintain compliance with this policy.

Our spot year-end weighted average cost of borrowing increased to 4.4% (2016: 3.8%) as a result of lower borrowings at the lower marginal rates on our banking facilities. The refinancing actions above shortly after the year end reduce this to 3.7%, despite the lower borrowings.

Corporate funding covenants

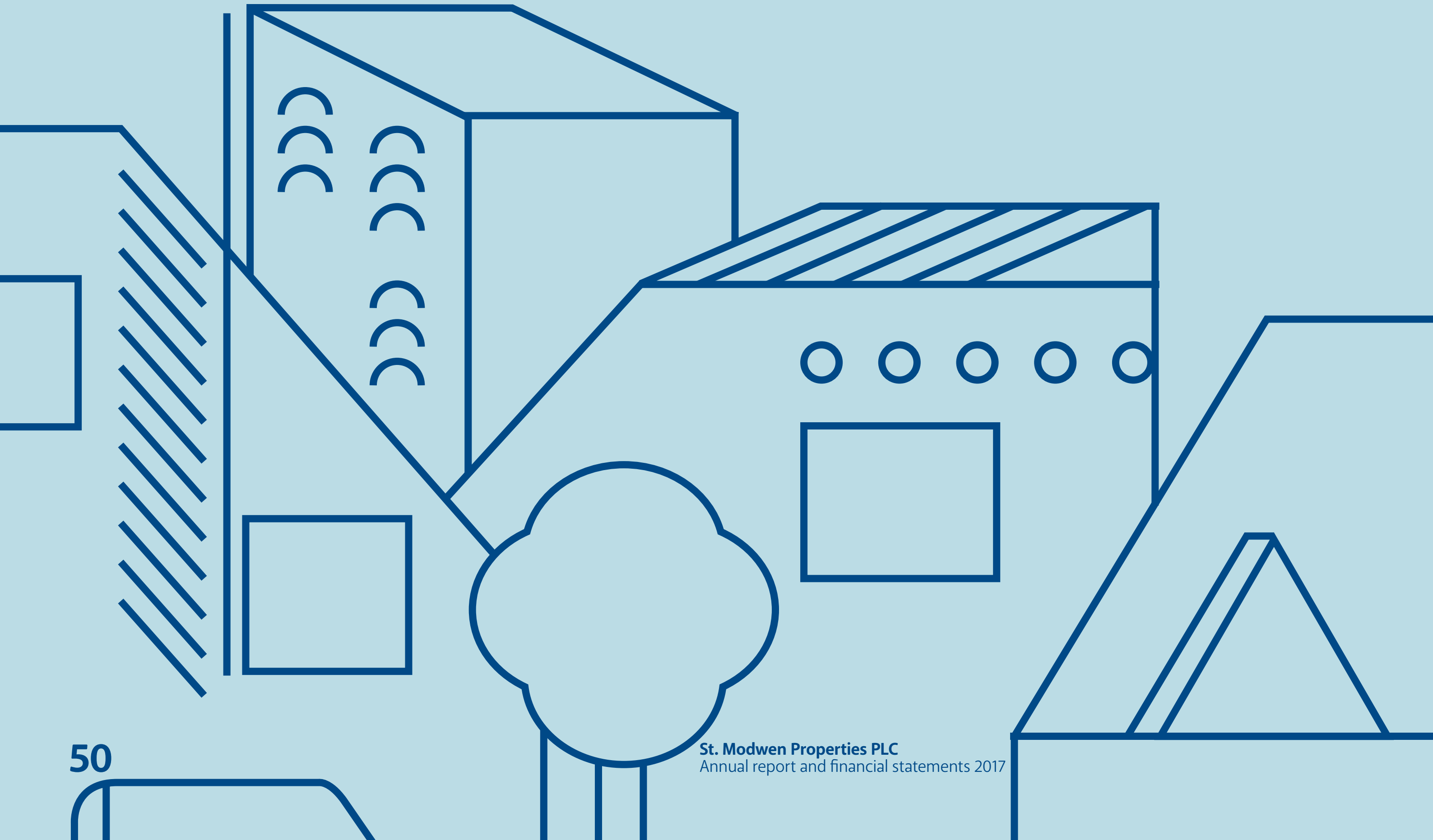
Covenant compliance continues at all levels and across all metrics and we continue to operate with considerable headroom against all measures, our portfolio could withstand a 40% fall in values before our covenants would be breached.

Mark Allan
Chief Executive

Rob Hudson
Chief Financial Officer

5 February 2018

IDENTIFYING/ MANAGING RISK



Risk management and internal control

As the UK's leading regeneration specialist, exposure to risk is inherent in the delivery of St. Modwen's strategy. The Board continues to recognise that effective risk management and robust internal control is critical in managing risk effectively and enabling the business to mitigate the potential downside whilst leveraging the potential opportunities that may arise in a considered and informed way. The Board is ultimately responsible for maintaining a sound system of risk management and internal control and for determining the nature and extent of risks it is willing to take to achieve its strategic objectives.

During 2017 the Board assessed the adequacy and effectiveness of the Group's overarching risk management framework and processes. This included the consideration of the Group's principal risks and uncertainties to ensure they remain aligned with the refreshed strategic objectives which are to deliver excellent returns through:

- Accelerating commercial development activity;
- Growing our residential and housebuilding business;
- Cementing and growing our regeneration reputation; and
- Portfolio focus and capital discipline.

Further detail with respect to the Group's strategy is detailed on pages 22 to 28.

Additionally, the Board, through the Audit Committee, has carried out a robust assessment of the principal risks facing St. Modwen, 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 and Viability statements on pages 113 and 61 respectively.

St Modwen's Risk Management Framework

Owned and set by the PLC Board with input from the Senior Leadership Executive

Responsibility of the Senior Leadership Executive

Sources of independent assurance

Reviewed by the PLC Board and Senior Leadership Executive

Group objectives, values and culture

Establishing the risk management framework

- Risk culture
- Risk appetite
- Key risk indicators
- Risk strategy and policy framework

Risk management and mitigation

- Strategic
- Financial
- Operational
- Technological
- Project (including joint ventures)

Risk monitoring and reporting

- Principal risks and uncertainties (Annual Report)
- Group (Strategic) risk register
- Key risk indicator performance
- Operational risk registers

Independent assurance

- Internal audit
- External audit
- SHE audits
- Environmental audits

The identification, evaluation and management of risk incorporates both a top-down and bottom-up approach, to ensure there is a consistent understanding of those risks that the Group is exposed to and their potential impact on the achievement of the strategic objectives.

Top-down risk management process
A top-down process driven by the Board, who have responsibility for establishing and maintaining robust systems of risk management and internal control.

The Board regularly considers and challenges the organisation's risk profile and the effectiveness of mitigation strategies in order to ensure the risk exposure remains within the Board's risk appetite.

The Board formally reviews the Group's strategic risks twice yearly and will consider the movements and trends of the existing risks, as well as the addition of new or emerging risks. In evaluating the risk exposure, the Board considers the interdependency between risks across all financial and non-financial categories. The Board's consideration of risk is further supported by the Audit Committee who also assess and challenge the robustness of the Group's risk management process twice per year.

The Senior Leadership Executive maintains day to day responsibility for the management and monitoring of strategic risks in line with the delivery of the Group's strategy.

Bottom-up risk management process
Risks are identified and escalated via the bottom-up process by individual regions, divisions and functional departments who maintain their own operational risk registers.

The respective Property Director or Head of Department is responsible for ensuring their risks are subject to regular review, mitigating controls remain effective and additional actions are completed within the agreed timescales.

The Risk Management function meets with the owners of the respective risk registers twice per year to facilitate the discussion of risk and to provide challenge to the status of risk.

A revised summary of the consolidated operational risk profile is presented to the Senior Leadership Executive twice per year. Where the risk exposure of one or a number of operational risks may have a potentially significant impact on the Group, the Senior Leadership Executive will consider these for inclusion within the Group risk register.

Risk profiles exist at a project level for those 'major projects' and/or schemes with joint venture partners. These risks are managed and monitored by the respective project teams. The risks associated with these projects and schemes are also subject to regular review by the Senior Leadership Executive.

Key features of St. Modwen's risk management and internal controls framework

- Clear organisational structure with delegations of authority and responsibilities for the management of risk across the Group
- Robust system of monthly reporting including financial budgeting, reporting and re-forecasting, and the monitoring of performance against financial and operational KPIs
- Monthly operational reviews between executive management, Property Directors and functional heads
- Board and Audit Committee monitoring and review of business performance, risk and internal control
- Periodic assessment, reporting and monitoring of risk at a Group, regional and departmental level
- Risk profiles and risk registers maintained and regularly reviewed for major projects and joint ventures
- Group-wide policy framework in place which includes key policies in areas such as anti-bribery, whistleblowing and IT security
- Independent reports from internal audit on the effective design and operation of controls within selected areas of risk
- Annual environmental audits undertaken at St. Modwen sites with actions monitored through to completion
- Proactive management of health and safety across all sites supported by independent audits and regular management reporting

Risk appetite

The UK Corporate Governance Code requires companies to determine their risk appetite in terms of the level of risk that they are willing to take in achieving their strategic objectives.

As the UK's leading regeneration specialist there is an understanding that risk is inherent within St. Modwen's development and asset management activities. The acceptance of this risk, however, is taken on an informed and considered basis, with significant focus on those activities required to manage and mitigate risk to an acceptable level. The tolerances applied vary depending on the associated risk and the level of related controls in place.

To support the Group's overarching risk appetite statement, a suite of risk appetite statements has been established for each of St. Modwen's key risk categories; economic environment and market, construction, development and asset management, regulatory and compliance, financial and organisational.

These risk appetite statements are supported by a suite of key risk indicators (KRIs) aligned to the Group's principal risks. These KRIs enable the Board and Senior Leadership Executive to measure and monitor the extent to which the Group is operating within its stated risk appetite.

During 2017 the risk appetite statements and key risk indicators were reviewed by the Board to ensure that they remained appropriate and reflected changes in the Board's appetite for risk as a result of the revised strategic objectives and broader operating environment. Examples of the key risk indicators that will be monitored in the future are detailed for each principal risk.

Principal risks and uncertainties

Our business model exposes us a variety of external and internal risks. At a macro level, there is continued uncertainty due to political and economic factors outside of our control which could have a significant impact, both positively and negatively, on our business. These include Government policy at both a national and local level, monetary policy, investor confidence and the availability and affordability of mortgages. We believe that this macro level uncertainty will continue in the medium term, particularly as the implications from the UK withdrawing from the EU are still to be fully understood. Whilst our ability to influence external factors remains limited, we continue to remain vigilant by proactively monitoring the wider business environment, operating an agile delivery model allowing us to respond quickly to changes in our risk profile and maintaining a strong financial position.

Following the Board's consideration of the Group's principal risks against the revised strategic objectives, the **financial collapse or dispute with a key joint venture partner**, included as a principal risk within the 2016 Annual Report, is no longer considered to be a principal risk within the 2017 Annual Report. This reflects the reduced risk as a consequence of the scaling down of the joint venture with Persimmon Homes and the sale of 10 acres at Nine Elms Square. The risk exposure relating to the construction of the New Covent Garden Market, which is being delivered in partnership with VINCI, is reflected within the risk of us **failing to manage major projects**.

An additional risk has also been included within the 2017 principal risks and uncertainties, with respect to **significant disruption to our assets and business operations**. This reflects the increased threat from terrorism, social disturbances and severe weather conditions as well as external cyber threats.

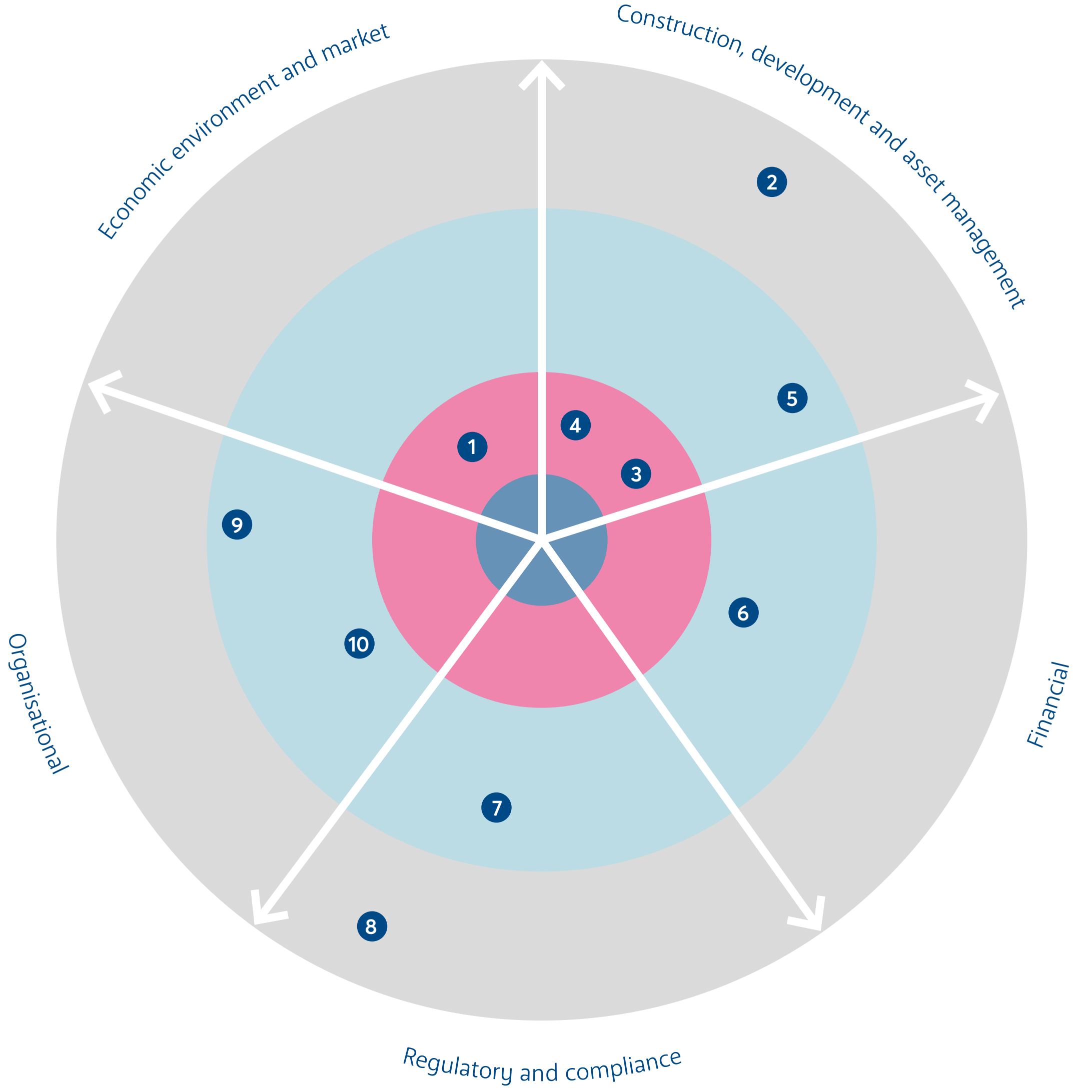
A summary of the principal risks which could prevent the achievement of our strategic objectives and may have a material impact on our business are set out on the following pages.

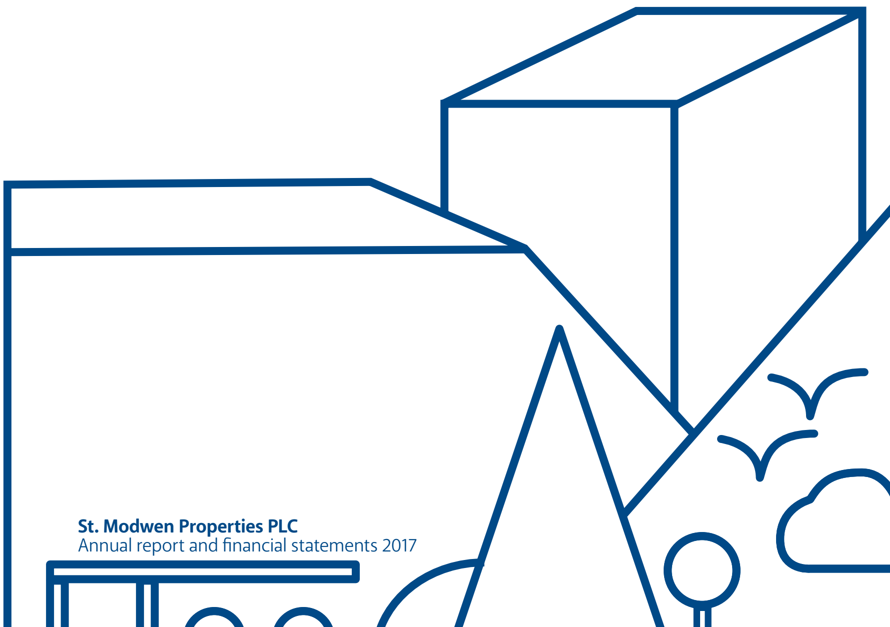
Principal risks heat map*

Risk level

- L Low
- M Medium
- H High
- Severe

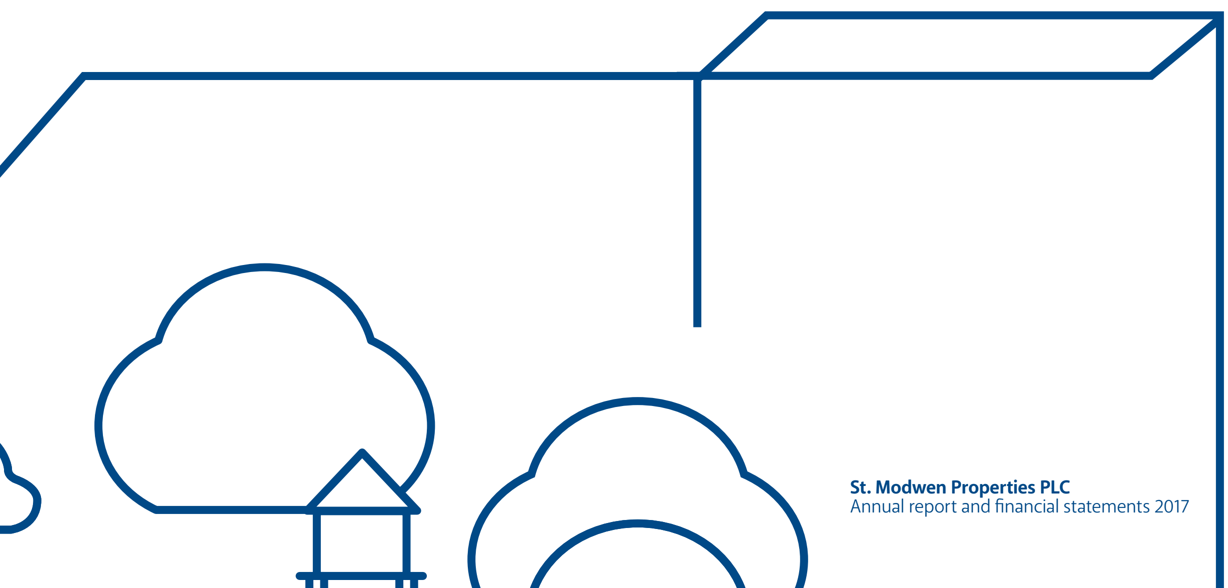
* Representing residual risk after mitigation





Ref	Strategic objective
A	Accelerate our commercial development
B	Grow our residential housebuilding business
C	Cement and grow our regeneration reputation
D	Portfolio focus and capital discipline

Risk category	Ref	Strategic objective	Risk description	Risk level	Trend
Economic environment and market	1	**A,B,C**	Downturn in market and economic conditions	H	↑
Construction, development and asset management	2	**A,B,C**	Changes to the planning framework at a national and regional level	L	→
	3	**A,B,C,D**	Failure to effectively manage major projects	H	→
	4	**A,B,C**	Unforeseen exposures, costs and liabilities on projects	H	→
	5	**A,B,C**	Absence of high quality contractors, consultants and third parties	M	↑
Financial	6	**A,B,C,D**	Reduced availability of funding and unforeseen changes to cash flow requirements	M	↓
Regulatory and compliance	7	**A,B,C**	A major health and safety incident occurs or non-compliance with SHE legislation	M	→
	8	**A,B,C**	Failure to manage long-term environmental issues relating to brownfield and contaminated sites	L	→
Organisational	9	**A,B,C,D**	Inability to recruit and retain staff with the right skills and expertise	M	↑
	10	**A,B,C**	Significant disruption to our assets or business operations	M	→



ECONOMIC ENVIRONMENT AND MARKET

1 Downturn in market and economic conditions

Risk assessment H

Strategic objectives A,B,C

Trend ↑

Impact
- Devaluation of assets
- Reduction in investor appetite
- Reduced occupier demand

Example risk indicators
- Weighted development pipeline
- Residential reservation rate
- Void rate

Commentary

During 2017 there has been continued uncertainty in the UK property market and broader UK economy.

The refreshed strategic plan ensures that we continue to focus on asset classes where there is continued, sustainable appetite and demand and in a variety of geographical regions. This diversification ensures that we are not exposed to any one sector or region. This is complemented by a considered medium-term disposal programme of drier assets which will see proceeds realised in tranches and reinvested in targeted asset classes.

We are in continuous communication with occupiers of our commercial assets to minimise the risk of rent default and void periods and invest in our residential sales team and customer services process to maximise upsell opportunities.

Mitigation
- Strategic focus on asset classes where there is the greatest demand and appetite
- Regional spread reduces risk exposure to any one area or location
- Active portfolio management of assets minimises revenue loss and achieves better than market utilisation of assets
- Extensive land bank with a continuing stream of planning applications
- Regular monitoring of macro level indicators

CONSTRUCTION DEVELOPMENT AND ASSET MANAGEMENT

2 Changes to the planning framework at a national and regional level

Risk assessment L

Strategic objectives A,B,C

Trend →

Impact
- Failure to obtain planning permissions
- Failure to maximise returns from developments
- Loss of competitive advantage

Example risk indicators
- Weighted development pipeline
- Proportion of land bank with outline planning permission

Commentary

Recent policy announcements by the current UK Government have indicated a willingness to re-evaluate the planning framework to support the continued demand for brownfield development activity, particularly with respect to residential development, creating potential opportunities.

There is a continued focus on bringing forward land for redevelopment and our strategic plan and portfolio will enable us to take advantage of this demand.

Mitigation
- Regular dialogue with central and local government
- Active involvement in public consultations
- Use of high-quality professional advisors
- Constant monitoring of the planning framework by in-house experts

3 Failure to effectively manage major projects

Risk assessment	H
Strategic objectives	A,B,C,D
Trend	→

Impact
- Significant financial loss
- Negative reputational impact

Example risk indicators
- Speculative WIP exposure
- Commercial WIP exposure

Commentary

We use our extensive knowledge and experience in remediation, asset development and construction to manage our major projects. A number of our major projects are joint ventures which therefore shares the risk exposure whilst benefiting from the considerable expertise of both parties.

Major projects are subject to regular review by the Chief Executive, Senior Leadership Executive and the Board to ensure that we continue to manage these risks effectively.

Mitigation
- Joint ventures on a number of major projects reduce the overall risk exposure
- Significant in-house development skills and expertise
- Sites are often prime locations allowing flexibility over their use and increasing development options.
- Regular performance review by Senior Leadership Executive and the Board

4 Unforeseen exposures or rising costs and liabilities on projects

Risk assessment	H
Strategic objectives	A,B,C
Trend	→

Impact
- Inability to deliver development scheme
- Financial loss on major projects

Example risk indicators
- Speculative WIP exposure
- Future development profits secured
- Client claims

Commentary

All developments are subject to financial appraisal and are approved in accordance with defined authority limits. Our contractor selection and management processes are rigorous and we continue to favour financially stable and robust contractors. Subcontractor packages and direct material purchases are subject to our robust procurement processes and are competitively tendered to secure the best value.

All developments and cost forecasts are subject to regular review and challenge at a regional level and by the Senior Leadership Executive. Well-established processes also exist acting as early warning indicators for any potential claims or material increases in cost forecasts.

To date, labour and material costs have remained in line with expectations. It is, however, acknowledged that fluctuations in the value of sterling and inflationary pressures may lead to an increase in the cost of both labour and materials in the medium term. We continue to monitor this closely, with focus on the budgeting and forecasting process and continuing close working relationships with subcontractors.

Mitigation
- Use and close supervision of a preferred supply chain of high-quality trusted suppliers and professionals
- Robust procurement and purchasing processes in place
- Detailed budgets are established for each project which are regularly monitored with significant variances investigated
- Application of 'development' skills and expertise
- Projects, acquisitions and disposals are reviewed and financially appraised in detail, with clearly defined authority limits
- Contractual liability clearly defined
- Standard build specification continually reviewed

CONSTRUCTION, DEVELOPMENT AND ASSET MANAGEMENT CONTINUED

5 Absence of high-quality contractors, consultants and third parties

Risk assessment	M
Strategic objectives	A,B,C
Trend	↑

Impact
- Adverse impact on the quality of work
- Reduced customer satisfaction impacting on St. Modwen's reputation
- Inability to meet demand and support the growth of the business
- Financial impact on the returns achieved on individual developments

Example risk indicators
- Quality satisfaction scores
- Considerate contractor scores

Commentary

The expansion of the business and increased volume of work, particularly in residential housing, has resulted in the need for additional contractors and consultants to meet this demand. Additionally, in the long term, any restriction on the movement of labour, as a result of negotiations with the EU, may result in the reduced availability of skills and expertise.

We continue to use trusted contractors and consultants working in a partnership approach. We also seek to continually develop our pool of third party expertise and ensure value for money at both a national and regional level through regular market testing. This ensures we do not become overly reliant on a single supplier.

Mitigation
- Regular tendering is undertaken for new consultants and contractors
- Reliance on a single consultant/contractor minimised through the use of pools of specialists
- Close monitoring of contractor/consultant performance and financial viability

FINANCIAL

6 Reduced availability of funding and unforeseen changes to cash flow requirements

Risk assessment	M
Strategic objectives	A,B,C,D
Trend	↓

Impact
- Lack of liquidity
- Adverse impact on the saleability of assets
- Limits the ability of the business to meet its ongoing commitments
- Restricts the ability of the business to grow

Example risk indicators
- Minimum headroom
- Future facilities

Commentary

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.

Our banking relationships are strong, which enabled us, shortly after the year-end, to achieve one of our long-term goals of transitioning our banking facilities to unsecured from secured. This extended the maturities of these facilities as well as providing us with greater operational flexibility and access to more diverse sources of funding in the future.

The sale of land at Nine Elms Square, in addition to the sale of our residential assets at Swansea University subsequent to the year-end, considerably reduced our LTV whilst providing funds for additional development activity and over 80% of our borrowings were fixed or hedged at 30 November 2017.

At a regional level, we continue to focus on maximising income through rent reviews and lease renewals, and driving down operational cost.

Mitigation
- Recurring income from rent broadly covers the overhead and interest cost base
- Financial headroom is maintained to provide flexibility
- Regular and detailed cash flow forecasts enable monitoring of performance and management of future cash flows
- Strong relationships with key banks; all corporate debt refinanced until at least 2019

REGULATORY AND COMPLIANCE

7
A major health and safety incident occurs or non-compliance with SHE legislation

Risk assessment	M
Strategic objectives	A,B,C
Trend	→

Impact
- Serious injury or death to an employee, client, contractor or member of the public
- Financial penalties
- Reputational damage

Example risk indicators
- Accident frequency rate

Commentary

The nature of our operations means that ensuring effective health and safety arrangements remains a priority as the Group has no appetite for health and safety risk exposure. Health and safety is discussed at each meeting of the Senior Leadership Executive and the Board.

The SHE Committee has continued to meet during 2017 and is chaired by a member of the Senior Leadership Executive supported by a dedicated Health and Safety team who support in the development of policies and procedures, undertake health and safety audits and monitor health and safety incidents.

Furthermore, during the year a revised health and safety training programme was rolled out to all relevant staff.

Mitigation
- SHE Committee chaired by the St. Modwen Homes Managing Director
- Regular reporting of performance against indicators to the Senior Leadership Executive and the Board.
- Dedicated in-house health and safety resource
- Annual cycle of SHE audits
- Defined business processes in place to proactively manage issues arising

8
Failure to manage long-term environmental issues relating to brownfield and contaminated sites

Risk assessment	L
Strategic objectives	A,B,C
Trend	→

Impact
- Major environmental issue
- Financial and reputational damage

Example risk indicators
- Proportion of the land bank rated high for environmental risk factors
- Controllable reportable environmental incidents

Commentary

In line with our risk appetite, we are willing to accept a degree of environmental risk where opportunities for higher returns exist. The inherent risks are minimised or passed on wherever possible and the residual risk remains acceptably low.

We continue to undertake annual environmental audits of our portfolio to ensure we have visibility of, and can manage, environmental issues effectively. Actions arising from these audits are monitored through to implementation.

Mitigation
- Use of high-quality external advisors
- Risk assessments conducted as part of due diligence process
- Contamination remediated immediately following acquisition
- Cost plans allow for unforeseen remediation costs
- Annual independent audit of environment risk
- Full warranties for professional consultants and remediation contractors

ORGANISATIONAL

9 Inability to recruit and retain staff with the necessary skills and expertise

Risk assessment	M
Strategic objectives	A,B,C,D
Trend	↑

Impact
- Significant disruption to the business
- Loss of intellectual property
- Adversely affects the ability to grow the business

Example risk indicators
- Voluntary employee turnover
- Employee satisfaction

Commentary

An HR Director was appointed in March 2017 to support in the delivery of the strategic plan through the 'organisational structure and its people' work stream. This has included the development of a detailed people plan which has been presented to the Board.

During 2017 there have been changes in the Senior Leadership Executive, supported by senior and experienced staff within each region. This has further strengthened the resilience of the business.

Mitigation
- Succession planning monitored at Board level and below
- Leadership and management development plans in place
- Regular review and benchmarking of remuneration packages
- Targeted recruitment with competitive, performance-driven remuneration packages to secure highly-skilled and motivated employees
- Key information is documented to safeguard knowledge

10 Significant disruption to our assets or business operations

Risk assessment	M
Strategic objectives	A,B,C
Trend	→

Impact
- Loss or corruption of data
- Inability to access St. Modwen assets
- Unavailability of IT systems
- Loss of revenue and potential financial penalties

Example risk indicators
- IT System availability
- Internal or external reportable data breaches

Commentary

Risk assessments are performed for those assets considered to be exposed to a higher risk of a significant event, such as terrorism, flood or fire occurring. Specific terrorism insurance is also in place across our asset portfolio.

Our IT resilience has been further strengthened during the year through incident penetration and information systems assessments. A GDPR Steering Group has been established with executive sponsorship supported by dedicated project resource to support the business in meeting the requirements of GDPR by May 2018.

Mitigation
- Asset risk assessments performed covering security, environmental and health and safety
- Specific terrorism insurance in place over Group portfolio
- Dedicated IT team to monitor IT security and performance of information systems
- Penetration and information systems reviews performed by independent third party
- Dedicated resource and project plan in place with defined activities for completion ahead of GDPR introduction in May 2018

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, and taking into account the Group's current position and its principal risks for a period longer than the 12 months required by the going concern statement, a business plan and downside case was prepared which was reviewed and considered by the Audit Committee and the Board.

In doing so, we reviewed the length of the viability in the context of the Group's principal income streams, which are:

- rental income from income-producing properties, which have an average lease length (excluding Swansea) of 5.3 years;
- residential development, for which we have plans reaching out to 2020; and
- commercial development, where we have plans reaching out to 2020.

We therefore used a three-year period for our business planning exercise, which reflects the length of the development cycle and that our development income streams are more forecastable and certain over the shorter term. This period allows for relative certainty in the modelling of future capital expenditure, asset recycling and development programmes planned during the timeframe and also reflects cash flows generated by the projects currently under development. The reduction in this period to three years from four years in comparison to the previous financial year reflects our new strategy and our development income streams' increased importance to that strategy.

Reporting on the Company's viability requires the directors to consider those principal risks that could impair the solvency and liquidity of the Company. In order to determine those risks, the directors robustly assessed the Group-wide principal risks. Through this assessment, the directors identified low probability, high loss scenarios with the potential magnitude to severely impact the Group's solvency and/or liquidity.

For the purpose of assessing the Group's viability, we identified that of the principal risks detailed on pages 56-60, the following are the most important to the Group's viability assessment and therefore performed scenario analysis on these as follows:

Risk	Scenario	Cash mitigation/further analysis
Downturn in market and economic conditions	A fall in occupancy across our income-producing portfolio, combined with increased operating costs and an assumption that leases of prospective developments fall	As the construction lead-time for our industrial/logistics pipeline is only 9-10 months, we can reduce our capital commitments quickly if we see occupier demand slow. If we slow down our pipeline, our low LTV means we have enough financial flexibility to retain additional income by delaying the disposal of retail assets.
	A fall in homes sales volumes and prices in 2020 in comparison to our forecasts	Given the relatively short construction time of less than 26 weeks, the impact on debt levels would be relatively modest, as we would reduce new construction commitments and reduce WIP by selling down existing stock.
	• An adverse yield shift in expected rental values • A fall in commercial expected rental values • A fall in the valuation of our land bank • A lag in the sale of planned retail and smaller asset disposals	This is a non-cash impact in the short-term, the most significant impact being on our bank covenants. However, our property portfolio could withstand a 40% fall in portfolio value before any of our covenants would be breached. In the event of our failure to sell properties in line with our strategy, we have identified contingency plans to overcome the reduced cash inflows, such as alternative asset disposals and capital expenditure controls in order to maintain adequate headroom.
Reduced availability of funding and unforeseen changes to cash flow requirements	Further increases in the base rate and an increased funding requirement in the event of an economic downturn	With c. £200m of headroom we have enough financial flexibility to absorb an economic shock at a magnitude similar to that experienced in the global financial crisis of 2008-9. With 82% of our debt fixed or hedged at the year-end, we are well protected from interest rate rises.

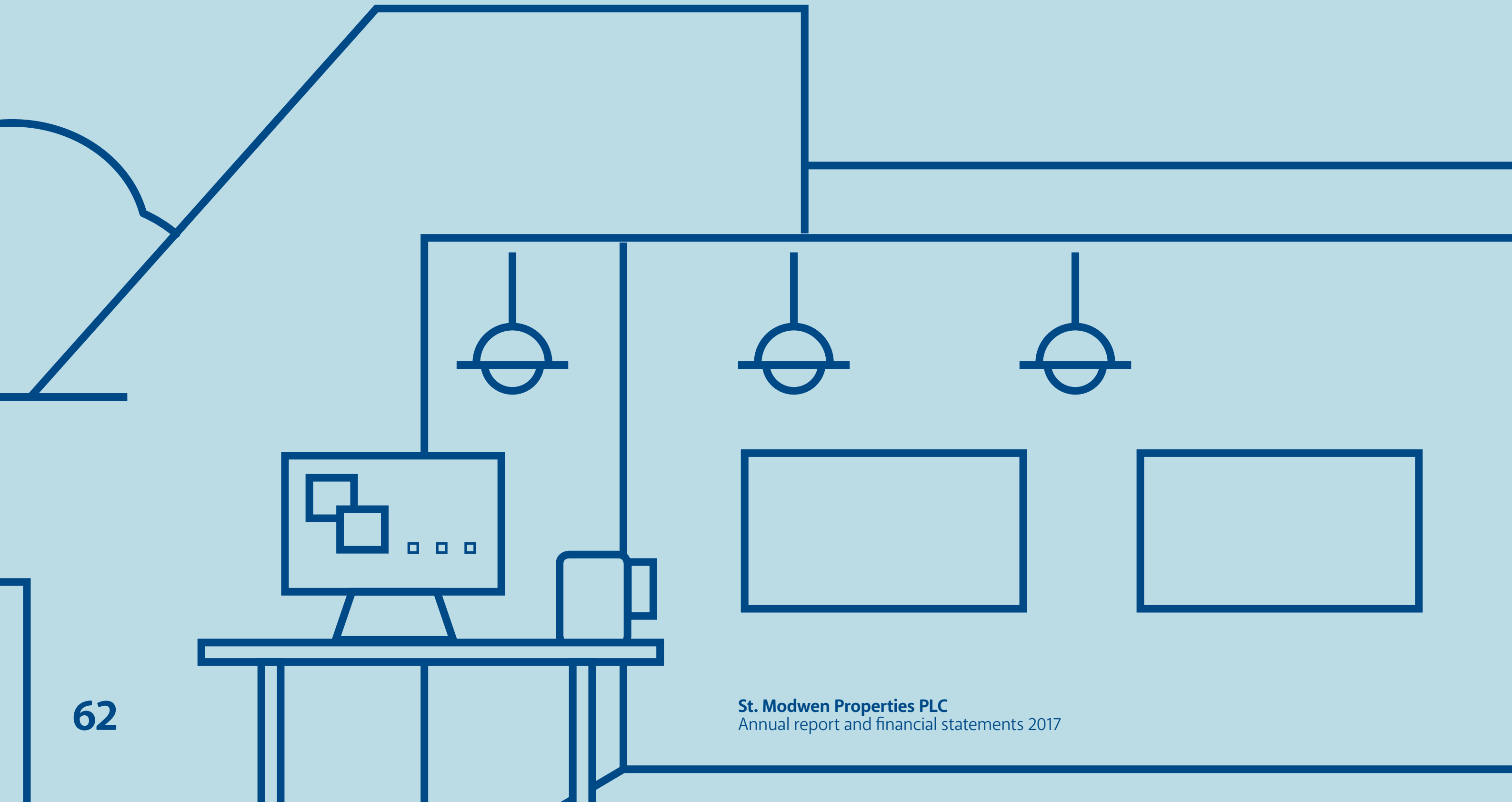
The scenarios used are hypothetical and extremely severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group, however, multiple control measures are in place to prevent or mitigate any such occurrences from taking place. Based on the results from this analysis, and having considered the established controls for the risks and the available mitigating actions, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment. Our recent refinancing activity extends our banking facilities out to 2022, which provides further support to our viability assessment. This longer-term assessment process supports the directors' statements on both viability, as set out above, and going concern, set out on page 113.

Approval of Strategic report
The Strategic report for the year ended 30 November 2017 has been approved by the Board and was signed on its behalf by:

Mark Allan
Chief Executive

5 February 2018

ENSURING GOOD GOVERNANCE/ COMPLIANCE



CHAIRMAN'S INTRODUCTION TO GOVERNANCE

OUR GOVERNANCE FRAMEWORK IS KEPT UNDER REGULAR AND CLOSE REVIEW AS OUR STRATEGY PROGRESSES.

Bill Shannon
Non-executive Chairman

The Board remains committed to:
- Driving the Group's long-term objectives.
- Overseeing the Group's operations to ensure competent and prudent management.
- Sound planning and internal control.
- Continuous leadership development and succession planning.
- Maintaining strong relationships with key stakeholders and effective communication of the business strategy.

Areas of focus for 2017/18:
- Continue progress with the business strategy following its successful communication in the year.
- Continue to ensure the business is managed in a prudent and agile manner against ongoing political uncertainty.
- Monitor future developments in the UK Corporate Governance Code and work towards continued good compliance.

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. This is enabling us to work to achieve our core purpose 'Changing Places. Creating better futures' and further establishing our reputation within the marketplace.

Our approach to governance is outlined in the following report, which describes how we integrate into our business the main principles of the 2016 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 86 to 109.

We were pleased to receive over 96% of votes in favour of our Remuneration Policy following our consultations with major shareholders and over 94% of votes in favour of our Remuneration report at our AGM in March and I thank our shareholders for their engagement and support.

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 56 to 60. In line with the development of our business, our governance framework is kept under close review in order to ensure that shareholders' interests are safeguarded and to sustain the success of the Company over the longer term. As our strategy progresses in the forthcoming year we will continue to further assess our governance framework to ensure that it remains fit for purpose and effectively supports the business.

There has been a full Board agenda this year, a calendar detailing the areas of focus at our Board meetings is set out on page 71 which has included, health and safety, people, purpose and values and a new organisational design aligned to enhance our strategy.

In March we were saddened by the sudden passing of Steve Burke, our Group Construction Director. Steve was with the business for over 20 years, serving on the Board since 2006, and he was instrumental in delivering many of the large-scale projects that form the basis of our success. Instead, following a review of the responsibilities of the members of our senior management team, a number of individuals in the business have taken on additional responsibilities. The number of executive director roles on the Board has therefore reduced from three to two.

Following his appointment in 2016, Mark Allan has completed his first anniversary as Chief Executive. There is clear evidence of enhanced focus and momentum in our business and the operational governance will be reviewed to ensure that we remain fit for purpose.

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

The notice of meeting, which includes the special business to be transacted and an explanation of all the resolutions to be considered at the AGM, is set out on pages 180 to 185.

Bill Shannon
Chairman

5 February 2018

AN OVERVIEW OF OUR GOVERNANCE

LEADERSHIP

The role of the Board
- An annual programme of Board and Committee meetings
- A schedule of matters reserved for the Board is in place
- A D&O policy and third-party indemnities are in place

Division of responsibilities
- Roles of the Chairman and Chief Executive are separate
- An established division of responsibilities

Board roles – see page 69

The Chairman
- An independent Chairman is appointed who leads the Board

Non-executive directors
- A Senior Independent Director is appointed
- Non-executive directors meet separately throughout the year

ACCOUNTABILITY

Financial and business reporting
- The Board is responsible for the Annual Report which is fair, balanced and understandable
- The Annual Report includes a description of the business model and strategy – see pages 14 and 15
- For the going concern statement –see page 113

Risk management and internal control
- Work on risk management undertaken across the business – see pages 50 to 55
- For the viability statement – see page 61
- Audit Committee review of effectiveness – see page 81

Audit Committee and Auditors
- At 30 November 2017 the Audit Committee comprised three independent non-executive directors
- The Audit Committee as a whole has relevant sector experience
- The Audit Committee's Terms of Reference are available on the Company website
- KPMG and PwC respectively were appointed as external and internal auditor following robust tender processes in 2016

Audit Committee report – see pages 75 to 82

UK CORPORATE GOVERNANCE CODE

See page 71 for Compliance Statement

REMUNERATION

The level and components of remuneration

Directors' remuneration report – see pages 86 to 109

Procedure
- The Committee at 30 November 2017 comprised five independent non-executive directors and the Chairman
- The Remuneration Policy was approved at the 2017 AGM

EFFECTIVENESS

Appointments to the Board
- The Nomination Committee leads the process of appointment to the Board
- The Nomination Committee's Terms of Reference are available on the Company website

Nomination Committee report
– see pages 83 to 85

Commitment
- Directors' time commitment is considered on appointment and annually thereafter

The composition of the Board
- A complementary balance of skills and experience – see pages 66 to 67
- The Board at 30 November 2017 comprised five independent non-executive directors (excluding the Chairman) out of a total of nine directors

Evaluation
- An internal Board evaluation undertaken – see page 73
- Next external Board evaluation to be in 2018/19

Development
- Directors are given an induction on joining the Board and ongoing training

Information and support
- All directors have access to the Company Secretary and independent professional advice
- Directors access information securely via an online portal

Re-election
- All directors stand for re-election at the AGM – see pages 180 to 185

RELATIONS WITH SHAREHOLDERS

Dialogue with shareholders
- For communications with shareholders and investors – see page 74

Constructive use of General Meetings
- Each resolution is set out in the AGM notice – see pages 180 to 185
- Chairman is available to answer questions at the AGM and together with directors meets shareholders
- Notice of meeting sent at least 21 clear days before the AGM

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.

N R

Mark Allan
Chief Executive

Appointed: 1 November 2016 as Chief Executive Designate, 1 December 2016 as Chief Executive.

Key strengths: extensive knowledge and experience of the property sector combined with strong operational leadership and financial and strategic management skills.

Experience: joined St. Modwen from The Unite Group plc where he had been Chief Executive since 2006. He moved to Unite in 1999 from KPMG and held a number of financial and commercial roles in the business, including Chief Financial Officer from 2003 to 2006. A qualified Chartered Accountant and a member of the Royal Institution of Chartered Surveyors.

External appointments: Trustee director on the non-executive board of Anchor Trust.

Rob Hudson
Chief Financial Officer

Appointed: September 2015 as Group Finance Director.

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: none.

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 and ISG plc.

External appointments: non-executive director of Standard Life Aberdeen plc, Aberdeen Asset Management plc and Great Portland Estates plc. Vice Chairman of Alstria Office REIT-AG. Senior Advisor of TPG Real Estate.

A N R

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 of Parkdean Resorts Group since March 2016. Previously Chief Financial Officer and main board director at Ladbrokes plc (2011 to 2016) and Group Finance Director of Greene King plc (2006 to 2011). Over 20 years' financial experience with companies such as Whitbread plc, Buena Vista Home Entertainment (Walt Disney Company) and BT Group. Former non-executive director of Paypoint Ltd. A Fellow of the Chartered Institute of Management Accountants.

External appointments: none

A N R

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. A member of the Royal Institution of Chartered Surveyors.

External appointments: non-executive director of NewRiver REIT plc and Lichfields and Advisory Board member of Next Leadership.

N R

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 family, one of 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. Chairman 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.

R N

Jenefer Greenwood, OBE

Independent non-executive director

Appointed: 1 June 2017.

Key strengths: extensive knowledge of the retail and regeneration sectors of the real estate industry combined with significant board-level experience.

Experience: over 30 years' experience in the real estate sector with companies such as Hillier Parker (now CBRE) and Grosvenor Ltd, where she was Director of Sales and Lettings, Great Britain and Ireland before retiring in 2012. Currently serves the board of Assura plc and Devon & Cornwall Housing. Formerly served on the board of The Crown Estate and has chaired the National Skills Academy for Retail. Awarded an OBE in 2014 for services to the UK Real Estate Industry and for voluntary services to young people. A Fellow of the Royal Institution of Chartered Surveyors.

External appointments: Non-executive director for both Assura plc and DCH Group, member of the supervisory board of INTERNOS Global Investors Ltd and trustee of the Ernest Cook Trust.

A N R

Andrew Eames

General Counsel & Company Secretary (Interim)

Appointed: November 2017.

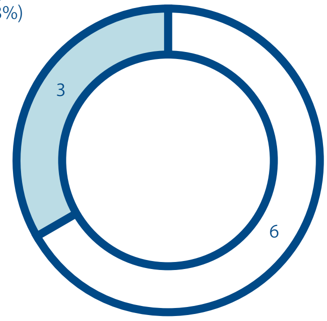
Key strengths: a lawyer with over 15 years of legal, commercial and governance experience across a number of different sectors.

Experience: Joined St. Modwen from Mothercare Plc where he was Group General Counsel and Company Secretary (Interim), having previously held various positions at Nomura International Plc including Co-Head of Corporate Legal and Company Secretary.

Key responsibilities: leads the legal, company secretarial, compliance, risk and insurance functions and is responsible for legal, compliance and governance activity across the Group. Provides advice and support to the Board and its Committees and oversees the Group's relationship with its external law firms.

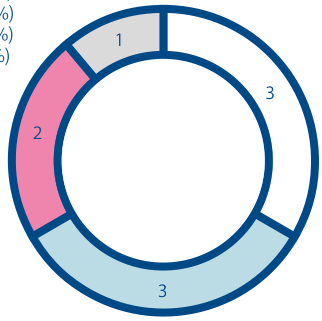
Board diversity

- Male (67%)
- Female (33%)



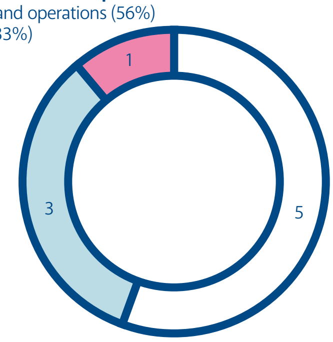
Length of directors' tenures

- < 3 yrs (33%)
- 3-6 yrs (33%)
- 7-9 yrs (23%)
- > 9 yrs (11%)



Directors' core area of expertise

- Property and operations (56%)
- Finance (33%)
- HR (11%)



Changes to the Board

- **Steve Burke**, Group Construction Director, sadly passed away on 13 March 2017.
- **Jenefer Greenwood** joined the Board as independent non-executive director on 1 June 2017.
- **Tanya Stote** stepped down as Company Secretary on 1 November 2017. Rob Hudson was appointed as Company Secretary (Interim) until 9 November 2017 when Andrew Eames joined the Company as General Counsel & Company Secretary (Interim).

A Member of the Audit Committee

N Member of the Nomination Committee

R Member of the Remuneration Committee

Denotes Committee Chairman

LEADERSHIP

The Role of the Board
The Board provides leadership of the Company and oversees the management of the Group's activities and 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.

Matters reserved to the Board
To help retain control of key decisions, the Board has a formal schedule of reserved matters that require its approval. Matters reserved include strategy, new business or geographical areas, transactions in the ordinary course of business where the value is £25m or greater and those which are otherwise significant, risk management and internal control, Board and Committee composition and dividend policy.

Board Committees
In accordance with the UK Corporate Governance Code, the Board delegates certain responsibilities to its three principal Committees. The Committees assist the Board in carrying out its functions and ensure closer oversight on matters such as remuneration, internal control and the Company's risk management framework. Membership of these Committees comprises primarily the independent non-executive directors and, in some cases, the Chairman. The Chairs of each Board Committee report to the Board on matters discussed at Committee meetings. All Committees operate within defined terms of reference which are updated as appropriate and can be viewed on the Company website www.stmodwen.co.uk.

Executive Directors
The Board has delegated the delivery of strategy and day-to-day management of operations to the Chief Executive.

How the Board operates
Board meeting agendas are prepared collaboratively with input from the Chairman, Chief Executive, Chief Financial Officer, members of the Senior Leadership Executive and the Company Secretary. Each agenda is carefully planned to ensure sufficient time is given to regular operational and financial reports as well as topical items and matters of interest or concern.

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 30 November 2017 the Board met formally on 11 occasions, which included a strategy day in March and a visit to Firepool in Taunton and Locking Parklands in Weston-super-Mare in July. Individual director attendance is set out in the table below. The Chairman also met the non-executive directors periodically without the executive directors present and maintained regular contact with the Chief Executive.

For directors unable to attend the meeting their views are made known to the Chairman ahead of each meeting. Members of the SLE and certain advisors are invited to attend meetings in relation to specific agenda items. Meetings are typically set well ahead of time to minimise any clashes with non-executive directors other commitments as far as possible.

Information and support
All directors have access to the advice and services of the Company Secretary. Board papers and meeting minutes are sent to directors in a timely manner to enable sufficient time to consider and review ahead of meetings and are circulated via a secure online portal.

Attendance at Board meetings

Director	Role	Director since	Meetings attended in year out of maximum possible	% attended in year
Mark Allan	Chief Executive	Nov 2016	11/11	100%
Ian Bull(1)	Non-executive director	Sep 2014	10/11	90.1%
Steve Burke(2)	Group Construction Director	Nov 2006	2/2	100%
Kay Chaldecott(3)	Non-executive director	Oct 2012	8/11	72.73%
Simon Clarke(4)	Non-executive director	Oct 2004	10/11	90.1%
Jenefer Greenwood(5)	Non-executive director	June 2017	5/5	100%
Rob Hudson	Chief Financial Officer	Sep 2015	11/11	100%
Lesley James(6)	Non-executive director	Oct 2009	10/11	90.1%
Richard Mully	Senior Independent Director	Sep 2013	11/11	100%
Bill Shannon	Chairman	Nov 2010	11/11	100%

(1) Unable to attend the Board Meeting in February 2017 due to a prior commitment.

(2) Steve Burke sadly passed away in March 2017.

(3) Unable to attend Board Meetings in January, May and September due to prior commitments.

(4) Unable to attend the Board meeting in January 2017 due to a prior commitment.

(5) Appointed to the Board as a non-executive director in June 2017.

(6) Unable to attend Board Meeting in July 2017 due to a prior commitment.

The Board
Develops strategy and effectively monitors its execution

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

Nomination Committee
Oversees Board and senior management succession, leads the process for Board appointments and monitors membership of Board Committees. Assists the Chairman with the Board evaluation process

Remuneration Committee
Develops the remuneration policy and determines the remuneration arrangements for the executive directors, the Chairman and the Company Secretary

Audit Committee report
See pages 75 to 82

Nomination Committee report
See pages 83 to 85

Directors' remuneration report
See pages 86 to 109

Supported by

Investment Committee
Responsible for considering and approving investment transactions and recommends higher value transactions to the SLE and Board for approval

Performance and Pipeline Review
Reviews and oversees portfolio management and asset performance as part of the operational strategy

Senior Leadership Executive(1)
Reviews performance and considers Group-wide operational issues and initiatives

Safety, Health & Environment Steering Committee
Oversees Group strategy, procedure and performance in relation to safety, health and environmental matters

Corporate Social Responsibility Steering Committee
Co-ordinates the Group's approach to, and enhances the reporting of, its corporate social responsibility activities and initiatives

Division of role and responsibilities

The Board comprises the Chairman, two executive directors and six non-executive directors of which five are independent. Their biographical details can be found on pages 66 and 67. 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	Bill Shannon leads the Board and ensures that it is effectively operated. He is responsible for setting appropriate agendas for Board meetings and ensuring that all matters are given due consideration. Maintains a culture of openness, debate and constructive challenge between the non-executive directors and the Senior Leadership Executive. Monitors the performance of the Chief Executive and ensures effective dialogue takes place between St. Modwen and its shareholders.
Senior Independent Director	Richard Mully acts as a sounding board for the Chairman and serves as a trusted intermediary for the other directors when necessary, whilst also providing an additional channel of communication for shareholders. He leads the other independent non-executive directors in the performance evaluation of the Chairman.
Non-executive directors	The non-executive directors work with and challenge the executive directors in the development of St. Modwen's strategy. They offer an independent, external perspective on the business and bring wide and varied commercial experience to both the Board and its Committees. With the exception of Simon Clarke, all non-executive directors are considered to be independent.
Chief Executive	Mark Allan is responsible for the leadership and strategic direction of the business and managing it within the authorities delegated by the Board. He is responsible for the day-to-day management of the business, recommending proposals for St. Modwen's strategic development and implementing the strategy. He leads the senior management through the SLE.
Chief Financial Officer	Rob Hudson is responsible for devising and implementing the Group's financial strategy and policies, as well as financial reporting and internal controls. He also oversees investor relations, internal audit and IT.
Company Secretary (Interim)	Andrew Eames(2) supports the Chairman and Chief Executive in fulfilling their duties and is available to all directors for advice, support and assistance. He is responsible for keeping the Board regularly updated on governance matters. He attends and maintains a record of the matters discussed and approved at Board and Committee meetings and facilitates effective information flows between the Board, its Committees and the SLE and non-executive directors.

(1) **Senior Leadership Executive (SLE)** – The members of the Senior Leadership Executive are: Guy Gusterson (Property Director – Midlands and North), Rupert Joseland (Property Director – West and Wales), Richard Powell (Construction Director), Jane Saint (Group HR Director), Tim Seddon (Property Director – South East), Remco Simon (Director of Strategy and Research), Dave Smith (Managing Director of St. Modwen Homes), Rupert Wood (Property Director – Asset Management). Mark Allan, Rob Hudson and Andrew Eames are also members of the Senior Leadership Executive.

(2) Tanya Stote resigned as Company Secretary on 1 November 2017 and Andrew Eames was appointed as General Counsel & Company Secretary (Interim) on 9 November 2017.

What the Board did this year

During 2017, the Board concluded a strategy review and identified four clear strategic objectives against which future performance and direction will be reported against. The business purpose together with the five values that were developed through the year will guide our behaviour and enable us to live our purpose and deliver our strategy.

See Strategic review – pages 22 to 28

The key Board activity table opposite sets out the regular matters that were considered at meetings and highlights the key focus areas in relation to the strategy review and strategy development activities undertaken in 2017.

The regular matters considered at each meeting are formed of strategy and property, operational, financial performance and governance.

Key Board activity in 2017

Timeline	Strategy and property	Operational	Financial performance	Governance	Key Board focus for 2017: Organisational design and purpose, values, culture and brand
	• Strategic matters • Acquisition and development opportunities	• Operational updates • CEO report • Health, Safety & Environment • Construction report	• Trading results and forecasts • Market update • Management accounts and KPIs	Legal, company secretarial and regulatory matters • Board Committee activities • Investor relations	
Jan	• Considered proposed approach to strategy review and Board engagement	• Received updates on sales bids for Nine Elms Square site and Swansea University	• Received 2017 budget update		Considered the proposals to develop our purpose, values, culture and brand
Feb			• Approved the 2016 Annual Report and financial statements and final dividend recommendation	• Considered and approved 2017 Notice of AGM	Launched employee engagement survey and external stakeholder perception audit, an anonymised and independent review undertaken with 25 stakeholders
Mar	• Held a strategy day and a separate Board meeting • Agreed the four strategic objectives	• Reviewed residential and commercial opportunities	• Considered the Group's capital structure and resourcing	• Considered AGM preparation and related matters	
Apr	• Approved the revised Senior Leadership Executive structure	• Concluded residential and commercial development activities			Discussed the outcome of the employment engagement survey and external stakeholder perception audit
May	• Approved the final Capital Markets day presentation		• Considered the updated financial model, scenario analysis and risk appetite	• Approved appointment of Jenefer Greenwood to the Board	Approved the communications plan in relation to the Group's strategic objectives and its purpose statement
June		• Approved the sale of Nine Elms Square site	• Approved the 2017 half year results and interim dividend	• Analysed feedback from the Capital Markets day	A Capital Markets day was held on 7 June 2017
July	Visited Firepool in Taunton and Locking Parklands in Weston-super-Mare				
Sep		• Reviewed the St. Modwen homes 3-5 year plan			Considered the proposed five values and people plan
Oct		• Discussed the Commercial development business plan • Approved a significant commercial bid	• Reviewed and approved the 2018 budget • Considered the Group financing strategy and move to an unsecured facility		Reviewed the next phase of the organisational design and considered the new brand/ visual identity proposals
Nov		• Considered the asset management business plan • Reviewed Group business plan and scenario analysis	• Approved Group delegated authorities and reviewed dividend policy • Considered and approved trading statement	• Held annual meeting with the Company's brokers	

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 Group'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 Group's property portfolio, both as a Board and individually and regular presentations to the Board by members of the SLE and senior management on key issues and major projects. Board members can also meet with the external valuers to review their property valuation reports and develop further understanding of the markets within which we operate. An overview of this year's key Board activities, is set out on page 71.

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 family and has held the position for over nine years. 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 2018 AGM, and in accordance with the Company's Articles of Association, Jenefer Greenwood and Jamie Hopkins (joining the Board with effect from 1 March 2018) will retire and offer themselves for election. As announced Kay Chaldecott and Richard Mully will be not be standing for re-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 the directors proposed for re-election at the AGM should be re-appointed. It has concluded that the performance of each director continues to be effective, that they continue to demonstrate commitment to their respective roles, and that their respective skills complement one another to enhance the overall operation of the Board.

Notice of AGM
Pages 180 to 185

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.

PERFORMANCE EVALUATION

To ensure its continued effectiveness, the Board undertakes performance evaluations.

The Board evaluation will usually comprise a questionnaire that is circulated to all Board members based on a scoring system which measures the extent to which directors agree with a series of statements on a number of key themes. There is also an opportunity to provide additional commentary if desired.

One-to-one discussions with the Chairman follow to enhance the feedback received and results and conclusions are considered by the Board. A programme of actions and recommendations is then implemented.

The Board was content to conduct an internal review in late 2017, having undertaken an external review in late 2015, and in light of the appointment of Mark Allan on 1 November 2016 (appointed Chief Executive 1 December 2016).

Key themes in the 2017 evaluation questionnaire

1) Corporate culture and governance leadership: statements included whether 'the Board has clear agreement on its role in shaping, embedding and overseeing the Group's corporate culture', and 'has visibility over KPI's measuring corporate value'.

2) Behaviours: a statement included whether 'the Board members support and debate the Company's strategy, enabling them to set the strategy from the top'. As detailed in the various sections of this annual report, strategy will continue to feature regularly on the Board's agenda as it further progresses into 2018.

3) Processes: statements included whether 'Board members receive proper induction on appointment' and 'Board packs are circulated in a timely manner and contain the appropriate level of information and detail'. The Company Secretary will in 2018 undertake to review and refresh the director induction process. In addition, he will review timings of distribution of Board packs and proposes to include a useful overview of each Board paper.

Good progress has been made against actions and recommendations arising from previous Board performance evaluations, including the following:

- Formal non-executive director appraisals are undertaken annually with the Chairman to shape the contribution of the Board and align views over time. Discussions also help inform and guide the Board's refreshment and succession planning.
- A cycle of longer Board meetings has been implemented. Committee meetings are held prior to Board meetings to facilitate reporting of Committees into the Board.
- There is continued development (with the assistance of the Nomination Committee) of a skills matrix and succession planning to ensure alignment of the Board's composition with strategy.
- A review of the risk appetite framework has been completed with the assistance of the Audit Committee alongside key risk indicators and has been incorporated in the year.
- To increase the visibility and input of HR, the HR director attends Remuneration Committee meetings.

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 (who, in aggregate, hold over 80% of the issued share capital in the Company), 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 by the Chief Executive and Chief Financial Officer in face to face meetings and on conference calls with institutional investors, analysts and the media. Copies of these presentations, together with trading updates, are published on the Company's website. Meetings with principal shareholders were also held and the Company had regular dialogue with its key relationship banks throughout the year. 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.

A capital markets day was held for investors and analysts on 7 June 2017. The event was initiated by Mark Allan and arranged immediately following the completion of the six-month strategic and portfolio review. A copy of the presentation can be found at www.stmodwen.co.uk/uploads/documents/capital-markets-day-presentation.pdf

Three key objectives were identified for the capital markets day:

1. to provide greater visibility of the value creation potential primarily through the commercial and residential pipelines;
2. to demonstrate the skills and abilities of the senior management team in driving forward the strategy; and
3. to detail the modelling of the Group in relation to the key areas of development and the associated financing.

Presenters included Mark Allan, Rob Hudson and other members of the SLE and covered the Group's strategy, highlighting the opportunities identified across the Group's assets in the context of the launch of the four strategic objectives (see pages 22 to 28).

Feedback from the analysts and institutional investors that attended was collated and reviewed by the Board at its June meeting, with the key messaging well received.

Annual General Meeting
The AGM provides an opportunity for all shareholders to vote on the resolutions proposed and to question the Board and the Chairs of the Board Committees on matters put to the meeting.

Resolutions for consideration at the 2018 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 after the meeting.

Notice of AGM
Pages 180 to 185

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 'Principal risks and uncertainties', provide a description of how the main principles of the Code have been applied by St. Modwen in 2016/17. 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 30 November 2017, the Company complied 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 page 114 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 80, 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.

THE COMMITTEE'S ACTIVITIES CONTINUE TO ENHANCE HOW WE UNDERSTAND AND MONITOR THE BUSINESS.

Ian Bull
Chairman of the Audit Committee

Principal role
To monitor the integrity of the Group's financial reporting process, review the effectiveness and oversee the development of the internal controls and risk management systems and the results of internal audit reviews.

To monitor the statutory audit and review and monitor the independence of the external auditor, their objectivity and effectiveness and is responsible for the recommendation of the selection of the external auditor to the Board.

Key activities in 2016/17
Reviewed all risk management activities, including assessment of risk appetite and the Group's key risk indicators.

Reviewed and changed internal audit (outsourced to PwC in 2016) as part of an integrated approach to management of risk and controls.

Reviewed a number of key business functions: Finance, IT and systems support including resourcing to support the Group's strategy.

Reviewed the General Data Protection Regulation (GDPR) plans for the Group and supported the handover of external audit services from Deloitte to KPMG.

Areas of focus for 2017/18
- Continuing to improve and assess risk management and internal controls.
- Continuing to enhance the Group's risk assurance framework and procedures including GDPR and cyber security.
- Continuing risk management in the context of the Group's new strategy.

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

AT A GLANCE

Committee member	Member since	Meetings attended in year out of maximum possible	% attended in year
Ian Bull Fellow of the Chartered Institute of Management Accountants	Sep 2014	5/5	100%
Kay Chaldecott[(1)] Member of the Royal Institution of Chartered Surveyors	Dec 2012	3/4	75%
Jenefer Greenwood[(2)] Fellow of the Royal Institution of Chartered Surveyors	June 2017	2/2	100%
Lesley James[(3)] Companion of the Chartered Institute of the Personnel and Development	Oct 2009	2/2	100%
Richard Mully	Sep 2013	5/5	100%

(1) Unable to attend the meeting in January 2017 due to a prior business commitment. Resigned from the Committee with effect from 28 June 2017.

(2) Joined the Committee with effect from 1 June 2017.

(3) Resigned from the Committee with effect from 30 January 2017.

Committee meeting attendees (by invitation)
Chairman
Bill Shannon

Chief Financial Officer
Rob Hudson

Non-executive director
Simon Clarke

Group Financial Controller and Treasurer
Simon Redfern

Company Secretary and Secretary to the Committee
Tanya Stote[(1)]

Andrew Eames[(2)]

Head of Internal Audit
Representatives from PwC

External auditor
Representatives from Deloitte and KPMG[(3)]

External valuers
Representatives from Cushman & Wakefield and Jones Lang LaSalle

External advisors
Representatives from RSM (risk management)

(1) Resigned as Company Secretary on 1 November 2017.

(2) Appointed as General Counsel & Company Secretary (Interim) on 9 November 2017 (Rob Hudson, Chief Financial Officer was appointed as Company Secretary in the interim).

(3) Following the appointment of KPMG as the Company's auditor for the year ended 30 November 2017, Deloitte were invited to attend to complete the audit for the year ended 30 November 2016, whilst KPMG commenced as external auditor for the year ended 30 November 2017.

AUDIT COMMITTEE REPORT CONTINUED

As Chairman of the Audit Committee I am pleased to present the Committee's report for the financial year ended 30 November 2017. 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 those areas within the Committee's terms of reference, including financial reporting, internal control, risk management and in transition to KPMG's first year as external auditor.

Good progress was made in the year across a number of areas including the approval of the Group's tax strategy for publication as required and the accounting policies and judgements undertaken in relation to asset disposals in the year, including the 10-acre Nine Elms Square site and the review of the forecast liability to establish the market on behalf of the Covent Garden Market Authority (CGMA). The Committee continues to obtain greater insight into the business, from which we are able to effectively monitor, review and challenge as required. The work undertaken to assess and refresh the risk management process as a continuation of a Group-wide initiative in 2016 has progressed and has been assessed and tested to ensure that it remains effective in supporting the identification and management of the uncertainties faced by St. Modwen.

At the end of their first year as internal auditor (appointed 1 December 2016), PwC has made a smooth transition, undertaken several key reviews and provided assurance on a number of internal processes such as the Group's procurement process, identifying a number of operating inefficiencies of which improvements have been implemented, and an assessment of our cash handling procedures at a number of our sites where additional controls and management oversight has been introduced. Our approach to risk management is beginning to drive the audit requirements in the next few years. A full schedule of activities is planned for the coming year which will include a governance review as the Group's strategy progresses.

As advised in last year's report, the Committee determined that in 2016 the external audit would be put out to competitive tender with a recommendation by the Committee to the Board to appoint KPMG as the Company's external auditor for the 2016/17 financial year. I am pleased to report the transition to KPMG from Deloitte went well and they have gained a good understanding of the business over the year. We thank Deloitte for their services and supporting the smooth transition.

The Committee also reaffirmed the arrangements it has developed to define and manage the use of the external auditor for non-audit services. In order to safeguard the objectivity, independence and effectiveness of its external auditor, St. Modwen continues to adopt a policy on the provision of non-audit services by its external auditor (or any member of the external auditor's network) to the Group and having reviewed the policy in the year, non-audit services will fall into one of three categories:

1. where the involvement of the external auditor is prohibited;
2. where the external auditor can be engaged, subject to the approval of the Chief Financial Officer; and
3. where the external auditor can be engaged, subject to Audit Committee approval.

In categories 2 and 3, the skills and experience of the external auditor to perform the required services, the effect of the non-audit services on the audited financial statements, the potential impact of each project on the external auditor's independence and objectivity, and the resulting ratio of non-audit to audit fees will be taken into consideration.

We will report on the non-audit services undertaken in line with these arrangements in future reports. We also reviewed the Group's policy on the employment of former employees of the auditor to ensure that the policy takes into account relevant legal requirements and professional standards.

The Committee also continues to focus on those matters it considers to be important by virtue of their size, complexity, level of judgement required or impact on the financial statements; these included the accounting treatment of the sale of our interest in the 10-acre Nine Elms Square site.

I would like to thank my fellow Committee members for their continued support and commitment to ensuring effective governance through the Committee's activities and also to the executive team for their continued positive engagement on matters within the Committee's remit.

Finally, there were a number of changes to the Committee's composition in the year, after just over seven years' service Lesley James stepped down as a member of the Committee and Kay Chaldecott also resigned from the Committee, in part to focus on assisting the SLE with the portfolio reviews as part of the strategy development process. I thank Kay and Lesley for their contributions. We were however pleased to welcome Jenefer Greenwood to the Committee following her appointment to the Board in June 2017 and look forward to welcoming Jamie Hopkins in the coming year as part of planned succession. We have also announced that Richard Mully will be stepping down from the Board after nearly five years following the 2018 AGM, and I would also like to thank him for his contribution.

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

5 February 2018

Committee membership
All members of the Committee are independent Non-Executive Directors, collectively bringing broad financial and commercial experience at senior levels across a range of industries, particularly within the property industry. Ian Bull was appointed Committee Chairman in March 2015. He was Chief Financial Officer of Ladbrokes plc until February 2016 and is currently Chief Financial Officer of Parkdean Resorts UK Ltd. The Board considers him to have significant, recent and relevant financial experience as required by the Code. 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, and the Board is of the view that the Committee as a whole has competence relevant to the sector in which the Company operates.

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 and there is opportunity for Committee members to speak with various employees within the Group as they present to the Committee on matters such as cyber security and the forthcoming data protection regulation, GDPR.

How the Committee operates
The Committee met five times during the year; the schedule included a stand-alone meeting with the external valuers to review and discuss their valuation reports. 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 relevance to the Board in the conduct of its work.

Representatives from the external auditor are invited to each meeting together with other Board members, the Group Financial Controller, the Head of Internal Audit 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 valuations of the Group's investment properties are considered by the Committee. Representatives from the Group's external advisors such as RSM who advise on risk management, as well as other St. Modwen employees, are invited to attend meetings as appropriate.

At least once a year, usually preceding a Committee meeting, the Committee meets separately with the external audit engagement partner and with the Head of Internal Audit 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 Chief Financial Officer, the Head of Internal Audit and with KPMG, typically ahead of Committee meetings, to better understand the issues and areas of concern and to make sure adequate time is devoted to these matters at the subsequent meeting.

The Committee has direct access to the Head of Internal Audit, 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.

The performance of the Committee was evaluated by way of a questionnaire which was completed by all members of the Committee as well as those who attended Committee meetings. Feedback received was supportive of the manner in which the Committee operated, particularly in relation to the agenda items covered at Committee meetings and there was full consensus that the Chairman facilitated constructive debate in order to reach agreement and bring discussion to conclusion. Further feedback included the requirement to ensure future appointments will reinforce the Committee with further skills, expertise and experience in financial reporting. This is being addressed as part of the skills matrix assessments and succession planning activities of the Nomination Committee (see Nomination Committee report on pages 83 to 85. As identified in the 2015/16 Committee questionnaire and mentioned in last year's Audit Committee report, the Committee has sought to strengthen the Internal Audit function with the appointment of PwC as Internal Auditors, see Internal Audit pages 81 and 82.

Activities of the Committee during the year
Reporting
The Committee undertook its primary responsibility in relation to the Group's financial reporting, 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 we have begun our analysis of the implications of adopting three new significant accounting standards and their effects.

Standard	Expected impact	Future actions
IFRS 9 *Financial Instruments*	Likely limited to the calculation of bad debt provision to focus on expected losses rather than incurred losses.	Review of bad debt processes and designing new policy during the forthcoming year.
IFRS 15 *Revenue from contracts with customers*	Likely to result in different revenue recognition profiles, particularly on certain construction contracts and non-standard elements of housebuilding.	Detailed review of existing contracts to commence during the forthcoming year.
IFRS 16 *Leases*	Recognition of 'right of use assets' and associated liabilities for operating leases, limited to certain premises, motor vehicles and office equipment.	Review of leases to take place during the forthcoming year to model the impact of the new accounting standard.

Following consideration and discussions with KPMG, the Committee was satisfied that the accounting policies and related disclosure in this annual report were appropriate.

Accounting policies
See pages 126 to 132

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 2017 financial statements, and how these were addressed, are outlined below. The Committee discussed these with the external auditor and, where appropriate, how these were addressed by KPMG's audit scope.

Independent Auditor's report
See pages 115 to 120

Significant issues	Work undertaken by and conclusion of the Committee
Valuation of investment properties (see note 9 to the Group financial statements) The valuation of St. Modwen's investment properties is a key determinant of the Group's balance sheet and performance as well as indirectly impacting 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. These judgements and assumptions are subject to market forces and will change accordingly.	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 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 present their valuation reports at Committee meetings and highlight any significant judgements made or disagreements between themselves and management; there were none. Against the backdrop of the continued uncertainty created by the UK's vote to leave the EU, the Committee also considered the extent to which this could impact the property investment and lettings market in terms of both activity and liquidity. 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.

Significant issues	Work undertaken by and conclusion of the Committee
Net realisable value of inventories (see note 13 to the Group financial statements) The Group's inventories, 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. These require a number of judgements to be made, such as forecast revenue and costs, that derive a profit margin over the development and provide an indication of the recoverability of the 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. Cushman & Wakefield also provided valuations 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 and were supported by KPMG.
Accrual for costs in relation to the NCGM site (see note 11 to the Group financial statements) The project to procure a market at the Nine Elms site for CGMA is a significant project which is forecast to continue for multiple years. Our share of the total costs of the market construction are forecast (pre-discounting) to be c.£145m but this assessment is an area of significant accounting judgement for the Group. The Group engages with external experts to form a reliable estimate of the costs associated with the project.	During 2017, the Committee has: • reviewed a report from the external expert to form a view on the appropriateness of the liability included for the NCGM project; • assessed and discussed the sensitivities, risks and opportunities inherent in the project highlighted in this report; and • assessed the range of outcomes discussed in this report to satisfy itself that the accrual has been made at a level which fairly represents the likelihood of the sensitivities, risks and opportunities materialising. The Committee concluded that the liability recognised in respect of this project was appropriate.

Other issues	Work undertaken by and conclusion of the Committee
Tax provisions (see note 6 to the Group financial statements) 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.	Based on reports from management and PwC (the Group's tax compliance advisor), the Committee has continued to assess the risk of challenge and individual judgements made by management in respect of tax provisions and was satisfied that the mitigating actions and resultant level of tax provisioning at both the full year and half year remained appropriate. Further disclosure on taxation is set out in note 6 to the Group financial statements and the accounting policies note on page 131.
Disposal of 10-acre site at Nine Elms Square (see note 11 to the Group financial statements) Certain property transactions entered into by the Group are more significant to the results of the Group and/or involve an element of complexity and the need to exercise judgement to determine the most appropriate accounting treatment. This includes the disposal of the 10-acre site at Nine Elms Square in August 2017 by a joint venture of the Group for £470m. Due to the significant size of the transaction, and because the sale represented only a proportion of the land on this site, there were a number of complexities inherent in its disposal. As with the rest of the portfolio, significant judgements and assumptions are made by JLL, our independent valuers of this asset, in arriving at the valuation, some of which required management input.	Following the initial recognition in 2015, the Committee has continued to assess the appropriateness of the accounting treatment adopted and associated disclosure, particularly given the scale and complexity of the proposed development. In addition, in relation to the disposal the Committee reviewed; • the elements of the asset included in the disposal and their valuation; • the liabilities retained under the terms of the disposal for completeness; • the calculation of the overage liability to the CGMA in respect of the disposal; and • the calculation of profit on disposal and the associated tax provision. The Committee concluded that the accounting treatment adopted and valuation assumptions made were appropriate.

Viability and going concern

The Committee provides advice to the Board on the form and basis underlying both the going concern statement and the 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
See page 113

Viability statement
See page 61

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 2017 annual report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group'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 include:

- 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

KPMG, 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. Having undertaken a competitive external auditor tender process in respect of the 2016/17 year and appointing KPMG to the office of auditor, with Bill Holland of KPMG as the Senior Audit Partner, the Company has complied with the Statutory Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Responsibilities) order 2014. Under the current regulations, the Company will be required to retender the audit by no later than 2026/27 and the Committee will keep the external auditor tender under review and act in accordance with any changes in regulations and best practice relating to the tenure of the external auditor.

Audit plan

In respect of the audit for the financial year ended 30 November 2017, KPMG presented their audit plan to the Committee (prepared in consultation with management). 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 KPMG's independence or objectivity.

Independence

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. In KPMG's first year as external auditor, the Committee has reviewed:

- the confirmation from KPMG that they maintain appropriate internal safeguards in line with applicable professional standards; and
- the mitigating actions taken by the Committee in seeking to safeguard KPMG's independent 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.

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

Non-audit fees

To help safeguard KPMG's objectivity, independence and effectiveness, the Committee has refreshed 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 KPMG should only be engaged for non-audit services where there is an obvious and compelling reason to do so (for example their skills and experience or ability to provide the services) and provided such work does not impair their independence or objectivity and has no impact on the audited financial statements. It prohibits KPMG from providing certain services including legal, valuation, actuarial and internal audit. Where KPMG can be engaged and their fees are anticipated to exceed £25,000, advance approval of the Audit Committee on the recommendation of the Chief Financial Officer is required; no such approvals were required in the year.

The Committee is advised of all non-audit services provided, irrespective of value, and reviews all expenditure annually. Save for any fees payable for non-audit work required to be carried out by the external auditor by law or regulation, the policy limits the total fees payable to the external auditor for non-audit services to no more than 70% of the average of the audit fees paid in the last three consecutive financial years for the audit of the Company and the Group.

Non-audit fees paid to KPMG (2016: Deloitte) in the year totalled £nil (2016: £22,000), representing 0% (2016: 5%) of the fees paid for audit and audit-related assurance services.

Further information on the remuneration of the external auditor can be found in Note 4b to the Group financial statements.

Effectiveness

The Committee resolved not to undertake an assessment of Deloitte's performance as outgoing external auditor. As the financial year ended 30 November 2017 is KPMG's first year as external auditor, an assessment on external audit effectiveness will be completed later in 2018 when sufficient time has passed with KPMG in post which will comprise an extensive questionnaire on external audit effectiveness to be completed by management and the Board which will be assessed by the Committee. The Committee will also consider KPMG'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. As part of its considerations, the Committee reviews a report on the audit firm's own internal quality control procedures together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements.

Internal audit

A competitive tender process was undertaken in 2016 and the Committee approved the appointment of PwC to provide internal audit services with effect from 1 December 2016. As the complexity and reach of the business continues to grow, the Committee recognises the benefits that a fully outsourced internal audit function offers. The internal auditor's 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 a standing agenda item at each Committee meeting. Reports from the Head of Internal Audit usually include updates on audit activities and assurance, progress of the Group audit plan, the results of internal audits and monitoring the status of implementation of recommendations to address any unsatisfactory areas. During the year, internal audits were carried out across a number of areas, as intended, extending the scope of internal audit within the business including key controls reviews, to build on the Group internal controls checklist to identify control gaps and mitigating controls and aspects of Safety, Health & Environment (SHE), focusing largely on the sufficiency of management oversight controls and associated reporting.

The Committee reviews and approves annually the audit plan for a rolling three-year period which is closely aligned to the key risks the business faces. It also 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 Head of Internal Audit regularly to discuss activities and the nature of any significant issues which may have arisen.

As PwC is already engaged by the Group to provide tax compliance advice, extensive enquiries were made prior to their appointment as internal auditor to ensure that their existing role did not compromise their independence. As intended no new areas of tax work have been allocated to PwC and safeguards continue to be in place, with Committee approval as necessary, should a conflict arise. There were none reported in the year.

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 the year. It was the Committee's intention to seek an independent external review of the function in 2016, however, in light of the decision to outsource, this was postponed until after PwC's first year in the role. During the year ending 30 November 2018 the Committee will review PwC's activities and performance to ensure that the internal audit services meet the scope and quality required.

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;
- an updated risk appetite framework, with key risk indicators reviewed and refreshed and associated tolerances defined and aligned to the business's wider performance reporting following the development of the strategy;
- 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 KPMG 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, information security and Data Protection regulations.

A significant project to review the Group's risk appetite, risk register and the monitoring and mitigation of risks had taken place during 2016 in consultation with RSM. The risk appetite framework to ensure that St. Modwen continues to operate within a level of risk exposure acceptable to the Board has been reviewed and reassessed in the year. As further progress a suite of key risk indicators has been established and integrated into the overall framework for risk monitoring, see pages 50 to 61. This review has also included a detailed review of the Group risk register, the risk appetite framework and risk management strategy.

The 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. The Group's risk management framework incorporates both a top-down and bottom-up approach to the evaluation of risk, to ensure there is a common understanding of those risks to which the Group is exposed and their potential impact on the performance of the business and achievement of strategy. Its evaluation of these solvency risks in the context of the new strategy is described further in the going concern and viability statements.

Following a review in 2016 by BDO a number of enhancements have been made to strengthen the control environment, meaning that all actions are either completed or well-progressed. For 2017, PwC have built upon this review, both tracking progress on the actions identified by BDO and by suggesting areas for improvement in the internal control environment, particularly key financial controls but also other controls, which are in the process of being addressed.

The Board is ultimately responsible for maintaining a sound system of risk management and internal control and for determining the nature and extent of risks it is willing to take to achieve its strategic objectives.

Risk management
See pages 50 to 55

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. An independent hotline exists to facilitate this process. Any matters reported are thoroughly investigated and escalated to the Committee. During the year there was one whistleblowing incident reported to the Committee and, following review, it was satisfied that matters had been dealt with appropriately.

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 monitor the adequacy of controls and procedures to prevent such fraud. The Committee is made aware of all potential fraudulent activity. During the year the Committee reviewed the instances of cash across the Group and the controls over them, and commissioned internal audit reviews to gain assurance over this area.

THE COMMITTEE WILL CONTINUE TO REVIEW SUCCESSION PLANS IN THE CONTEXT OF THE GROUP'S STRATEGY.

Bill Shannon
Chairman of the Nomination Committee

Principal role
To review the succession planning and leadership needs of the Group and lead the process for Board appointments, ensuring that directors have an appropriate range of skills, diversity and experience to deliver St. Modwen's strategy.

Key activities in 2016/17
- Selected and recommended the appointment of Jenefer Greenwood as non-executive director.
- Reviewed and recommended the re-appointment of Simon Clarke, Lesley James, and Bill Shannon.
- Reviewed and then utilised the skills matrix developed in 2016 as part of succession planning activity.

Areas of focus for 2017/18
- Continue to monitor and develop Board and senior management succession in the context of the Company's medium and longer-term strategy.
- Continue to support management and the Board in promoting diversity across the workforce.

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

AT A GLANCE

Committee member	Member since	Meetings attended in year out of maximum possible	% attended in year
Ian Bull	Sep 2014	3/3	100%
Kay Chaldecott(1)	Mar 2013	2/3	66.6%
Jenefer Greenwood(2)	Jun 2017	3/3	100%
Lesley James	Oct 2009	3/3	100%
Richard Mully	Sep 2013	3/3	100%
Bill Shannon	Nov 2010	3/3	100%

(1) Unable to attend the meeting in September 2017 due to a prior business commitment.

(2) Joined the Committee with effect from 1 June 2017.

Committee meeting attendees (by invitation)
Chief Executive
Mark Allan

Non-executive director
Simon Clarke

Company Secretary and secretary to the Committee
Tanya Stote(1)

Andrew Eames(2)

(1) Resigned as Company Secretary on 1 November 2017.

(2) Appointed as General Counsel & Company Secretary (Interim) on 9 November 2017 (Rob Hudson, Chief Financial Officer was appointed as Company Secretary in the interim).

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 again was an important one for the Committee. Having appointed Mark Allan as Chief Executive in 2016, the primary focus returned to wider succession planning in the context of the Group's strategy as outlined in this Annual Report. The Committee has undertaken to ensure that arrangements are in place for the orderly and progressive refreshing of the Board as we look ahead and consider the extent to which the collective skills, experience and capabilities of the directors support the Group's strategic direction.

Having further enhanced and utilised a skills matrix developed to support its assessment of the requirements of the Board, we were pleased to appoint Jenefer Greenwood as an independent non-executive director in June. Jenefer's considerable experience working with both investors and developers in the property and regeneration sectors and expertise in leasing and sales strategy was identified by the Board in the context of the skills assessment. Jenefer has joined the Audit, Nomination and Remuneration Committees and in line with succession planning arrangements, Jenefer will succeed Lesley James as Chair of the Remuneration Committee during 2018, a role she is experienced in.

The Committee also considered the appointment of the new Company Secretary, following the resignation of Tanya Stote after five years' service. We were pleased in November to appoint Andrew Eames as General Counsel & Company Secretary (Interim).

The Committee also considers the skills matrix, together with matters such as independence and individual performance, when making its recommendations to the Board on the re-appointment of non-executive directors. In the year, Simon Clarke, Lesley James and I were re-appointed to the Board.

Looking forward to 2018, the Committee will continue to review succession plans in the context of the Group's strategy to ensure that arrangements are in place for the orderly and progressive refreshing of the Board and to identify key talent within the business with potential for appointment to senior management and Board positions.

Recognising the benefits that diversity can bring, and noting publications such as Sir John Parker's report on ethnic diversity and the Hampton-Alexander Review of gender diversity in FTSE companies, the Committee will also continue to support management and the Board in promoting parity of representation across the workforce.

Meaningful reporting on the activities of the Committee is challenging due to the sensitive nature of the matters which fall within its remit. However, the remainder of this report attempts to provide insight into the way in which the Committee operates and its activities during the year; I hope you find it informative.

Bill Shannon
Chairman of the Nomination Committee

5 February 2018

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 is responsible for keeping its composition under review and for making recommendations to the Board as to its membership. Its assessment using the skills matrix includes specific desired attributes such as regeneration expertise, planning and portfolio management, financial acumen and audit and remuneration experience.

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 (SID) is invited to take the Chair unless the SID is in contention for the role.

How the Committee operates

The Committee met formally on three occasions, primarily to progress succession planning as the Company's strategy developed and usually immediately prior to or following a Board meeting, but also meets on other occasions on an ad hoc basis as may be needed. A number of informal meetings, conference calls and discussions also took place between Committee members, search consultants and potential candidates throughout the year. 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 in order that the Committee can understand his views, particularly on key talent within the business.

The performance of the Committee was evaluated during the year by way of a questionnaire which was completed by all members of the Committee as well as those who attended Committee meetings. Feedback received was supportive of the manner in which the Committee operated, but highlighted that there was scope to improve and evolve in relation to developing talent within the business and to closely monitor the environment for prospective candidates. Details of the steps taken to address succession planning can be found below in the section headed 'Succession planning' overleaf.

Activities of the Committee during 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.

Appointment of non-executive director

During the year The Committee engaged the Zygos Partnership, a leading executive search firm, that had been used previously in the appointment of Mark Allan as Chief Executive to assist with the search to identify a new non-executive director who would also succeed Lesley James as Chair of the Remuneration Committee during 2018. Whilst Zygos has been engaged by the Company in a search consultancy capacity previously, it does not provide any other services to the Company.

In accordance with the Committee's appointment procedures, Zygos prepared a detailed role specification which included the expected time commitment and duties to be performed both as a non-executive director and as Chairman, in the future, of the Remuneration Committee. Candidates from a range of backgrounds were considered, including both male and female candidates, and comprehensive profiles were prepared by Zygos for consideration by the Committee. Detailed references were sought in respect of the shortlisted candidates. Following a thorough process, the Nomination Committee recommended that Jenefer Greenwood be appointed to the role having the desired skillset and remuneration experience. The Board accepted the recommendation and Jenefer was duly appointed as a non-executive director on 1 June 2017. Since her appointment Jenefer has been gaining significant knowledge of the Company and the role of the Chair of the Remuneration Committee alongside Lesley James.

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 SID in the case of the Chairman's review).

During the year, the Committee considered the re-appointment of Simon Clarke (non-executive director), Lesley James (Remuneration Committee Chairman), and Bill Shannon (Chairman). In making its recommendations, which were approved by the Board and are set out below, the Committee considered the relevant director's skills, experience, independence and performance, succession planning in the context of the Company's strategy and the extent to which it was satisfied that the director would be able to continue to dedicate sufficient time to fulfil their role on the Board.

- Simon Clarke: completed 13 years' service and re-appointed for a further one-year term. Whilst not considered to be independent for the purposes of the UK Corporate Governance Code, as the longest serving director on the Board, Simon brings continuity and extensive knowledge of the business to the Board as well as strong commercial and management experience.
- Lesley James: completed eight years' service. Appointment renewed for a further one-year term.
- Bill Shannon: completed seven years' service. Appointment renewed for a further one-year term.

Independence and re-election to the Board

Following her appointment in June 2017, Jenefer Greenwood will retire and offer herself for re-election. Jamie Hopkins, appointed in the year 2017/18 (joining the Board with effect from 1 March 2018) will also retire for re-election. As announced Kay Chaldecott and Richard Mully will not be standing for re-election at the 2018 AGM. In accordance with the UK Corporate Governance Code all other directors will retire and offer themselves for re-election to the Board.

Those directors who have been in post throughout the year have 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 2018 AGM relating to the election and re-election of the directors. Further supporting information in respect of the non-executive directors can be found on pages 66 and 67.

With the exception of Simon Clarke, who is not deemed to be independent by virtue of his representation of the interests of the Clarke family and his length of tenure, the Committee has also reviewed and confirmed the independence of each non-executive director seeking re-election at the 2018 AGM.

Succession planning

Effective succession planning is critical to the long-term success of the Company. To support its activities in respect of succession planning at Board level, the Committee completed a skills matrix assessment to identify any competencies or skills that will be required or should be strengthened to support the delivery of the strategy in the longer term and help guide recruitment needs over the medium term.

The Committee intends to continue to undertake a skills matrix assessment annually to ensure that succession planning remains closely aligned to the strategic direction of the Group and delivers the correct balance of knowledge, skills and attributes to enable the Board and its Committees to operate effectively.

The Board also 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. As part of the Board's agenda in the year a new organisational design framework was presented, aligning the SLE to the new strategy and detailing a clear career development pipeline and key employees were identified in respect of new roles within St. Modwen.

Board diversity

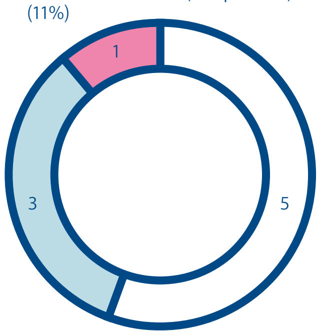
All aspects of diversity, including but not limited to gender, are considered during the recruitment process at every level within the business, including appointments to the Board. The Board acknowledges the importance of diversity in all forms and recognises the benefits that it can bring, both to the boardroom and across the business by drawing on a range of thought, experience and expertise. Differences in skills, industry experience, background, ethnicity, gender and other qualities can combine to provide different perspectives and impact positively on the Group's performance and wider organisational effectiveness.

Both the Committee and the Board have a fundamental obligation to ensure that the best candidates, selected on merit against objective criteria, are appointed. 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 and gender will continue to be an active consideration. 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.

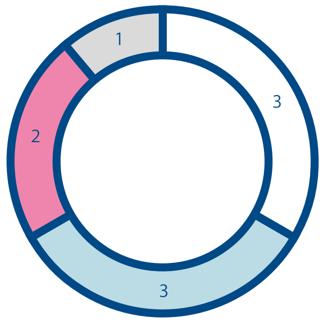
The Board currently comprises three female non-executive directors, Lesley James, Jenefer Greenwood and Kay Chaldecott, who together represent 33% female Board membership. Gender diversity below Board level is set out on page 19.

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 and that, as far as possible, search agencies would be encouraged to provide a diverse range of candidates for vacancies. The policy would be kept under review as market practice in this area continued to evolve.

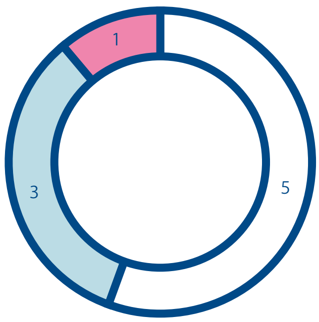
Composition of the Board
- Independent directors (56%)
- Non-independent directors (33%)
- Non-exec. Chairman (independent) (11%)



Length of directors' tenures
- < 3 yrs (33%)
- 7-9 yrs (23%)
- 3-6 yrs (33%)
- > 9 yrs (11%)



Directors' core area of expertise
- Property and operations (56%)
- Finance (33%)
- HR (11%)



VARIABLE REMUNERATION FOR THE YEAR REFLECTS THE FINANCIAL PERFORMANCE OF THE GROUP.

Lesley James, CBE
Chairman of the Remuneration Committee

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 controls and be aligned to the Company's long-term strategic goals, culture and values.

Key activities in 2016/17
- Finalised remuneration policy for three years from 2017 AGM and determined how the policy would be applied for 2016/17.
- Reviewed the remuneration and incentive arrangements of our senior executive team alongside the Board's review of the role and responsibilities of the members of that team.
- Ensured the performance metrics and targets selected for incentive plans were closely aligned with our long-term strategic goals.
- Continued to monitor market trends in remuneration arrangements and developments in corporate governance.
- Undertook our triennial review of the Committee's external advisors and, following a tender process, Korn Ferry Hay Group were appointed with effect from December 2017.

Areas of focus for 2017/18
- Continue to monitor market trends and governance developments – in particular legislative and regulatory changes resulting from the proposed reforms to pay governance, including the broader role and remit of the Committee.
- Review the implementation of the remuneration policy to ensure it remains appropriate in light of our evolving business strategy, culture and values while also taking due account of wider company pay structures.

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

AT A GLANCE

Committee member	Member since	Meetings attended in year out of maximum possible	% attended in year
Ian Bull[1]	Sep 2014	3/4	75%
Kay Chaldecott	Dec 2012	4/4	100%
Jenefer Greenwood, OBE[2]	Jun 2017	3/3	100%
Lesley James, CBE	Oct 2009	4/4	100%
Richard Mully	Sep 2013	4/4	100%
Bill Shannon	Nov 2010	4/4	100%

(1) Unable to attend the meeting in February 2017 due to a prior business commitment.

(2) Joined the Committee with effect from 1 June 2017.

Committee meeting attendees (by invitation)
Chief Executive
Mark Allan

Non-executive director
Simon Clarke

Group HR Director
Jane Saint

Company Secretary and Secretary to the Committee
Tanya Stote[1]

Andrew Eames[2]

Committee advisor
Representatives from New Bridge Street (Committee advisors to 1 December 2017).

(1) Resigned as Company Secretary on 1 November 2017 and

(2) Appointed as Company Secretary & General Counsel (Interim) on 9 November 2017 (Rob Hudson, Chief Financial Officer was appointed as Company Secretary in the interim)

ANNUAL STATEMENT

On behalf of the Board I am pleased to present the report on directors' remuneration for the financial year ended 30 November 2017.

This report includes an annual report on remuneration (pages 86 to 109) which describes how the shareholder approved directors' remuneration policy was implemented for the year ended 30 November 2017 and how we intend to apply the policy for the year ending 30 November 2018. This report, together with my annual statement, will be put to an advisory shareholder vote at the 2018 AGM.

Our approach to remuneration is governed by our directors' remuneration policy, which received shareholder approval at the 2017 AGM and came into formal effect from that date. 96% of votes were cast in favour and we thank shareholders for their continued support. We consulted extensively and constructively with our largest shareholders in advance of seeking approval for the policy. Shareholders were generally supportive of our proposals and we received some helpful feedback which resulted in the Committee building in some further improvements. The key changes to our policy included:

- the introduction of a requirement to hold vested LTIP shares for a further two years after vesting;
- more rounded and balanced performance metrics across the bonus and LTIP;
- a commitment to greater transparency and clarity in our disclosure to evidence our approach to setting stretching targets;

- an increase in the proportion of bonus compulsorily invested and retained in shares; and
- a reduction in both the proportion of bonus payable at target and LTIP payable at threshold.

These changes ensure that the policy continues to support the Company's key strategic goals as they evolve, incentivises management to deliver strong returns for our shareholders and promotes the long-term success of the Company.

Having reviewed the policy and its operation in the first year, we are proposing no further policy changes at the 2018 AGM. To enable you to cross reference our remuneration practice against our policy, we have republished the key parts of our Directors' remuneration policy which can be found on pages 88 to 92.

Remuneration outcomes in 2016/17

In the year to November 2017, the Company delivered a good performance against the backdrop of an uncertain market environment. The business continues to demonstrate its resilience, with all parts of the Group contributing positively in 2017. Our recently concluded strategy and portfolio review, confirmed the significant potential in our business and pipeline, and we are now focused on realising these opportunities.

Reflecting both the financial results for the year and individual performance, Mark Allan and Rob Hudson were awarded bonuses equivalent to 121% and 122.9% of their base salaries (80.7% and 81.9% of the maximum) for the year ended 30 November 2017. Full details of the Committee's assessment of performance against bonus objectives for the year can be found on pages 97 to 98.

The Performance Share Plan (PSP) awards granted in 2015 were subject to performance conditions measured over the three financial years to 30 November 2017. Vesting of half of this award was subject to Total Shareholder Return (TSR) performance relative to the FTSE All-Share Real Estate Investment & Services Index, with the remaining 50% subject to an absolute TSR condition. Neither element met the threshold level of performance required for vesting set by the Committee, so this PSP cycle has delivered a zero payment. Actual performance is detailed on page 98 to 100.

Changes to the Board

We announced in March 2017 the sad news of the passing of our Group Construction Director, Steve Burke. The Committee determined that a pro rata bonus should be payable for the proportion of the financial year Steve worked and that outstanding PSP awards should be capable of vesting on their normal vesting dates based on performance and scaled back pro rata for the shorter period of service.

We have taken the decision not to replace Steve on the Board. Following a review of the responsibilities of the members of our senior management team, a number of individuals in the business have taken on additional responsibilities instead. Therefore the number of executive director roles on the Board has reduced from three to two. Following this change, the responsibilities attached to Rob Hudson's role have increased materially outside of his core finance remit. In particular Rob has taken ongoing responsibility for Group-wide business planning and operational oversight, areas that would previously have fallen to Steve. These will be ongoing responsibilities for Rob. As a consequence of this expanded role the Committee determined that the base salary for Rob Hudson should as a one-off and in accordance with the remuneration policy, be increased by 12.8% which, on top of the 2.5% awarded to the executive team, took his salary to £325,000. We consulted with major shareholders who were, again, generally supportive of this proposal.

How we will apply our remuneration policy in 2017/18

The structure of remuneration arrangements for 2017/18 will remain largely unchanged from that applied in 2016/17. Executive directors will continue to have the opportunity to earn a bonus of up to 150% of salary and will be granted long-term incentive awards to the same value, both subject to stretching and rigorously applied performance conditions aligned to our business KPIs.

The salaries of the executive directors have been increased by 2.5%, effective 1 December 2017 (with Rob Hudson's salary subject to a further increase as explained above). This is in line with the average cost of living increase that will be awarded to the Company's employees and is considered appropriate in light of the executive directors' continued strong performance.

Change to Committee Chair

Following over eight years as Chair of the Remuneration Committee I will be stepping down following the 2018 AGM, and will be retiring from the Board later this year. In line with our succession planning, my Board colleague Jenefer Greenwood will assume the role of Chair. Jenefer has been a director and member of the Remuneration Committee since 1 June 2017 and is experienced in chairing remuneration committees, currently as Chair at Assura plc and DCH Group, so is well qualified to assume this role. I would personally like to thank my colleagues on the Board and our shareholders for the support shown over my tenure on remuneration matters.

Conclusion

I hope that you find the report clear and informative and I look forward to receiving your support for the resolution approving this report at the 2018 AGM.

Lesley James
Chairman of the Remuneration Committee

5 February 2018

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 UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.

DIRECTORS' REMUNERATION POLICY

The key parts of the Directors' remuneration policy that was approved by shareholders at the 2017 AGM are set out overleaf 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 2020 AGM. The original policy approved at the 2017 AGM is published in its entirety in the Company's Annual Report for the year ended 30 November 2016, which is available to view at www.stmodwen.co.uk.

How the Committee sets the remuneration policy

The primary objective of the Company's remuneration policy is to promote the long-term success of the Company through the operation of competitive pay arrangements, which are structured so as to be in the best interests of shareholders. The executive directors' remuneration includes a significant proportion of performance-related elements with demanding targets to align their interests with shareholders and to reward success. The policy is structured so as to be aligned with key strategic priorities, reflect the Company's culture and values and to be consistent with a Board-approved level of business risk. The Committee also considers developments in institutional investors' best practice expectations and the views expressed by shareholders.

In setting and operating 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. 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 expected to have the greatest impact on Company performance.

The Committee is aware of the support expressed by some shareholders for the downward harmonisation of executive pension allowances to bring them into line with percentages for the wider workforce. Current allowances for the Company's executive directors are 15% of base salary, which reflects mid-market practice and previous commitments made on appointment. However, the Committee is closely monitoring how market practice and investor views about this topic develop.

The Committee does not consult directly with employees regarding the remuneration policy for executive directors. However, when considering the level and structure of remuneration to apply to executive directors, the Committee takes into account the overall approach to reward for employees across the business and is kept updated of any changes. The Committee continues to monitor proposed changes to the Corporate Governance Code as they relate to (amongst other matters) stakeholder engagement and will take appropriate action as and when these changes come into effect. Salary increases are normally (in percentage of salary terms) no higher than those awarded to the wider workforce and all qualifying employees are eligible to participate in the Group's Saving Related Share Option Scheme (SAYE).

How the Committee takes account of the views of shareholders
The Committee is committed to an ongoing dialogue with shareholders and seeks the views of its major investors when considering significant changes to remuneration arrangements. The Committee also considers shareholder feedback received in relation to the Directors' Remuneration Report each year following the AGM. This, 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. During the year the Committee consulted in relation to the proposal to increase the base salary level for the Chief Financial Officer and was pleased with the levels of shareholder support received.

Summary of directors' remuneration policy

Base salary	
Purpose	• To attract, retain and motivate individuals of the necessary calibre to execute the Company's strategy. • To provide competitive base remuneration relative to the external market. • To recognise and reward performance, skills and experience.
Operation	Normally reviewed annually with changes typically effective from 1 December. Review reflects: • individual and corporate performance; • the individual's level of skill and experience; • increases throughout the Company (including 'cost of living' awards); • internal relativities; and • prevailing market conditions through periodic benchmarking for comparable roles in companies of a similar size and scope. The Committee is mindful of institutional investors' concerns on the upward ratchet of base salaries and does not consider benchmark data in isolation.
Opportunity	Salaries may be adjusted and salary increases will normally be (in percentage of salary terms) no higher than those awarded to the wider workforce. Larger increases may be awarded at the Committee's discretion to take account of exceptional circumstances such as: • 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. Actual salary levels are disclosed in the annual report on remuneration for the relevant financial year (see page 105 for those effective 1 December 2017).
Performance measures	None, although overall performance of the individual is considered by the Committee as part of the annual review.

Benefits	
Purpose	• To provide a competitive and cost-effective benefits package. • To assist with recruitment and retention.
Operation	The Company provides a range of non-pensionable benefits to executive directors which may, for example, 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. Other benefits such as relocation allowances may be offered if considered appropriate and reasonable by the Committee. Executive directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses can be reimbursed, including the tax thereon if determined to be a taxable benefit. Executive directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees.
Opportunity	There is no maximum limit set. Benefits are set at a level which the Committee considers to be appropriately positioned against comparable roles in companies of a similar size and scope and provides a sufficient level of benefit based on the role and individual circumstances.
Performance measures	None.

Pension	
Purpose	• To provide competitive post-retirement benefits in a cost-effective manner. • To assist with recruitment and retention.
Operation	The Company offers an allowance (expressed as a percentage of base salary) which can be taken as: • an employer contribution to the defined contribution section of the Company's pension scheme; • a cash allowance (which is not counted as salary for bonus purposes); or • a blend of the two. As a result of historic contractual commitments, retirement benefits for Steve Burke were also delivered by membership of the defined benefit section of the Company's pension scheme which is closed to future accrual. 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.
Opportunity	Up to 15% of base salary for all executive directors.
Performance measures	None.

Annual bonus	
Purpose	• To incentivise and reward the delivery of stretching, near-term strategic, financial and operational measures at company and personal levels. • Corporate measures selected are consistent with and complement the budget and strategic plan. • An element of compulsory investment in shares to align to shareholders' interests in the creation of sustainable, long-term value.
Operation	All measures, weightings and targets are reviewed and set annually by the Committee at the beginning of the financial year and specific performance criteria will be aligned to the Company's strategic objectives at that time. Levels of award determined by the Committee after the year end will be based on performance against the targets set. The Committee retains an overriding discretion to ensure that overall bonus payments reflect its view of corporate performance during the year. Bonuses are paid in cash and are non-pensionable. Directors are required to invest an amount equal to 40% of the net bonus received in the Company's shares and to retain these shares for a minimum period of three years. Withholding (malus) and recovery (clawback) provisions apply to all bonuses paid such that, in exceptional circumstances such as misstatement of performance or misconduct, the Committee has discretion to reduce some or all of the value of an award within a period of four years following the end of the relevant bonus year.
Opportunity	Maximum bonus potential of up to 150% of salary for all executive directors. On-target performance would result in a bonus payment of half of the maximum potential.
Performance measures	Performance is assessed using the following metrics: • a majority of the award will be based on corporate measures; and • a minority (no more than 25% of the overall bonus opportunity) will be based on personal measures[(1)]. There is also a cap on the amount of bonus awarded for performance in respect of personal measures, set at one-third of the total actual bonus awarded. The specific measures that will apply for the year ending 30 November 2018 are described in the annual report on remuneration on pages 105 to 106. Measures for subsequent years will be summarised in the annual report on remuneration for the relevant year.

(1) The annual bonus metrics are designed to ensure that annual performance is focused on key corporate 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	• To incentivise and reward the delivery of strong returns to shareholders and sustained, long-term performance. • Aligns the long-term interests of directors and shareholders. • Promotes retention.
Operation	Awards are normally made under the Performance Share Plan (PSP) annually with vesting dependent on the achievement of stretching performance conditions set by the Committee. A holding period will apply to awards granted in the financial year ending 30 November 2017 and beyond. The holding period will require executive directors to retain at least the after-tax value of shares acquired for a minimum period of 24 months from the vesting date and will remain in place if the executive leaves employment during the two-year holding period. A dividend equivalent provision exists which allows the Committee to pay an amount (in cash or shares) equivalent to the dividends paid or payable on vested shares between the date of grant and the vesting of an award (or, if later, and only whilst an option remains unexercised in respect of vested shares, the expiry of the holding period). An amount payable may assume the reinvestment of dividends. Withholding (malus) and recovery (clawback) provisions apply to all awards granted such that, in exceptional circumstances such as misstatement of performance or misconduct, the Committee has discretion to reduce some or all of the value of an award within a period of four years following the end of the relevant performance period.
Opportunity	The maximum annual grant level is 150% of salary (or 200% in exceptional circumstances, such as recruitment). The normal annual award limit is 150% of salary for all executive directors. Awards vest on the following basis: • threshold performance delivers 20% of the shares awarded; and • maximum performance delivers 100% of the shares awarded, with straight-line vesting between.
Performance measures	Performance is normally measured over three years. Awards to vest based on performance against stretching financial targets and relative TSR performance are set and assessed by the Committee at its discretion(1). Within these parameters, the Committee may introduce or reweight specific performance measures so that they are directly aligned with the Company's strategic objectives for each performance period. The Committee has discretion to decide whether and to what extent performance conditions have been achieved and must also be satisfied that certain underpinning conditions are met before permitting awards to vest (for example, that the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the performance period). The underpinning conditions will be set so that they are directly aligned with the Company's strategic objectives for each performance period. The specific measures that will apply for awards made in the year ending 30 November 2018 are described in the annual report on remuneration on page 106. Measures for subsequent years will be summarised in the annual report on remuneration for the relevant year.

(1) The Committee believes that a combination of relative TSR and key financial 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.

Shareholding requirement	
Purpose	To ensure alignment of interests of executive directors and shareholders.
Operation	The Company operates a shareholding requirement which is subject to periodic review.
Opportunity	Executive directors are required to build up and maintain a shareholding worth at least 200% of base salary, which is normally expected to be reached within five years of appointment. Executive directors are required to retain all of the post-tax shares acquired as a result of the compulsory investment of bonus into shares and half of the post-tax shares vesting under the PSP until the shareholding requirement is met.
Performance measures	None.

Fees payable to the Chairman and non-executive directors	
Purpose	To attract and retain the calibre of Chairman and non-executive directors necessary to promote the long-term success of the Company by offering market competitive fee levels.
Operation	Normally reviewed annually with changes effective typically from 1 December. Any increase will be guided by changes in market rates, time commitment and responsibility levels, as well as by increases made throughout the Company. Fees are structured as follows: • 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 for undertaking the Senior Independent Director role, which are determined by the Board on the recommendation of the executive directors. Fees are normally paid in cash. 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. Any reasonable business-related expenses can be reimbursed, including the tax thereon if determined to be a taxable benefit.
Opportunity	Fees are set at a level which reflects the commitment and contribution that is expected and are appropriately positioned against comparable roles in companies of a similar size and scope. Overall fees paid to directors will remain within the limit set out in the Company's articles of association. Actual fee levels are disclosed in the annual report on remuneration for the relevant financial year (see page 106 for those effective 1 December 2017).
Performance measures	None, although overall performance of the individual is considered as part of the annual review.

Discretion to withhold payment or amend arrangements

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

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

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

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

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

Illustration of remuneration policy

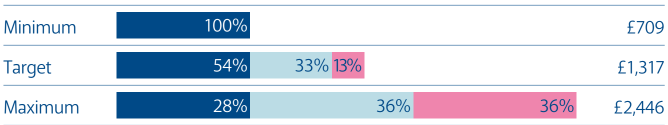
The following charts illustrate the remuneration opportunity provided to each executive director at different levels of performance for the 2017/18 financial year.

Three scenarios have been illustrated for each executive director:

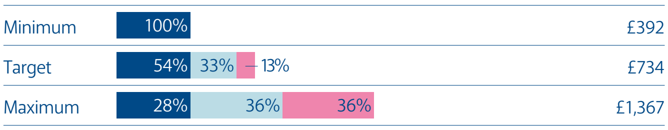
1. **Minimum performance:** comprising the minimum remuneration receivable (i.e. fixed pay only, being base salary effective 1 December 2017, pension allowances for the 2017/18 financial year and benefits calculated using the 2016/17 figure.
2. **On-target performance:** comprising fixed pay, an annual bonus payment of 50% of the maximum opportunity (75% of salary) and long-term incentive awards vesting at 20% of the maximum opportunity (30% of salary).
3. **Maximum performance:** comprising fixed pay, 100% of annual bonus (150% of salary) and 100% vesting of long-term incentive awards (150% of salary).

The illustrations do not take into account share price appreciation or dividends, and exclude the value of any all-employee share plan awards.

Mark Allan, Chief Executive
£'000



Rob Hudson, Chief Financial Officer
£'000



- Fixed pay
- Annual bonus
- Long-term incentives

Recruitment arrangements

The remuneration package for a new executive director will be set in accordance with the terms of the prevailing approved remuneration policy at the time of the appointment and take into account the skills and experience of the individual, the market rate for a candidate of that level of experience and the importance of securing the relevant individual.

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.

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. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay, or benefit arrangements, forfeited by an executive leaving a previous employer. 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.

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. A long-term incentive award can be made shortly following an appointment provided the Company is not in a close period.

Where a position is filled internally, the Committee may 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).

For internal and external appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

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 agreements and payments for loss of office

The Company's policy is for executive directors to have service agreements which may be terminated by the Company for breach by the executive or with no more than 12 months' notice from the Company to the executive and six months' notice from the executive to the Company.

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 a maximum of 12 months' base salary and benefits including pension contribution but excluding bonus, payable in monthly instalments, which would be subject to mitigation if alternative employment is taken up during this time. Alternatively, the Committee retains discretion to provide this payment 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 their 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, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the executive director may have. 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 overleaf 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 Employee Share Option Schemes, the same leaver conditions will be applied to executive directors as those applied to other employees.

Remuneration element	'Good' leavers	Other leavers
Annual bonus	An executive director will be treated as a good leaver in certain circumstances, for example 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, or for any other reason at the discretion of the Committee. 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.	Unless the Committee exercises its discretion to treat the executive director as a good leaver, no bonus will be payable.
Long-term incentive awards (As apply to the Company's current Performance Share Plan approved at the 2017 AGM)	An executive director will be treated as a good leaver in certain circumstances, for example death, injury, disability or for any other reason at the discretion of the Committee. Awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro rata to reflect the proportion of the vesting period actually served. However, under the plan rules, the Committee has discretion to determine that awards vest at cessation of employment and/or to disapply the time pro rating if it considers it appropriate to do so. A good leaver may exercise their vested awards for a period of 12 months following the individual's cessation of employment and unvested awards may be exercised for a period of 12 months from vesting.	All awards will lapse in full where termination is by reason of summary dismissal. In other circumstances, unvested awards will lapse in full unless the Committee applies discretion to treat the executive director as a good leaver.

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.

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)

	Base salary/fees £000		Benefits[1] £000		Annual bonus[2] £000		Share plans vesting £000		Pension contribution/ allowance[4] £000		Other items £000		**Total £000**	
	2017	2016	**2017**	2016	**2017**	2016	**2017[3]**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Executive directors														
Mark Allan	**565**	47	**23**	2	**684**	–	**–**	–	**85**	7	**1,235[5]**	–	**2,592**	56
Steve Burke[6]	**95**	329	**6**	16	**117**	182	**–**	–	**14**	49	**1[7]**	15[8]	**233**	591
Rob Hudson	**282**	275	**19**	40	**346**	146	**–**	–	**42**	41	**–**	415[9]	**689**	917
Non-executive directors														
Bill Shannon	**163**	159	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**163**	159
Ian Bull	**54**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	53
Kay Chaldecott	**45**	44	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	44
Simon Clarke	**45**	44	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	44
Lesley James	**54**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	53
Jenefer Greenwood[10]	**22**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**22**	–
Richard Mully	**54**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	53
	1,379	1,057	**48**	58	**1,147**	328	**–**	–	**141**	97	**1,236**	430	**3,951**	1,970

(1) All benefits for the executive directors (comprising mainly the provision of company car/car allowance, private fuel and medical insurance), and in the case of Rob Hudson, a final amount of £4,937 in respect of his relocation to the Midlands (which is within the 25% of salary allowance agreed on recruitment), arise from employment with the Company and do not form part of final pensionable pay.

(2) Bonus payable in respect of the relevant financial year. Further information as to how the level of bonus awarded in 2017 was determined is provided on pages 97 and 98. 40% of the after tax amount of any bonus earned is required to be invested in shares and held for three years.

(3) The performance period for the 2015 PSP awards ended on 30 November 2017. The performance conditions to which these awards were subject were not achieved, hence the awards will lapse in full on 9 April 2018 and 2 October 2018 (relating to Rob Hudson's award). Further information on awards and performance conditions to which they were subject can be found on pages 98 to 100

(4) Further details regarding pension entitlements can be found on page 101.

(5) The vesting of Mark Allan's share plan award relates to tranches 1 and 2 of a share award granted in connection with his recruitment, as detailed in last year's Directors' remuneration report on page 90. Tranche 1 relating to 138,511 shares (following a downward adjustment described on page 100 was not subject to additional performance conditions and vested in full on 10 April 2017. Tranche 2 relating to 211,353 shares was subject to performance conditions relating to Mark Allan's original employer Unite plc which were met in full, thereby resulting in full vesting of this award on 10 April 2017. The share award includes an entitlement to a cash payment following a tranch's vesting date in respect of the dividend equivalent that would have accrued under the forfeited awards to the extent they had vested. The dividend equivalent following the exercise of tranches 1 and 2 was £61,680, paid to Mark Allan in April 2017. The share price on the date of vesting used to value the award was 335.3 pence.

(6) Passed away on 13 March 2017. Details of the remuneration treatment for Steve Burke are disclosed throughout this report.

(7) Reflects the exercise pro rata on 20 November 2017 by Steve Burke's estate of a SAYE option granted on 15 August 2016. The value is based on the market value on the date of exercise (394.6 pence), less the option price (246.0 pence), multiplied by the number of options exercised). Further details can be found on page 102.

(8) Reflects (a) the grant of a SAYE option on 15 August 2016 (the value is based on the market value on the date of grant (274.5 pence), less the option price (246.0 pence), multiplied by the number of options granted); and (b) the exercise of a SAYE option on 3 October 2016 (the value is based on the market value on the date of exercise (298.4 pence), less the option price (156.0 pence), multiplied by the number of options exercised). Further details can be found on page 88 of last year's Directors' remuneration report.

(9) As set out in the 2015 Remuneration Report, the Committee agreed to compensate Rob Hudson for certain long-term incentives from his previous employer that he was required to forfeit on him leaving to join St. Modwen in September 2015. This included a one-off cash payment of £414,000 (subject to the deduction of tax and national insurance contributions) 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 amount shown in the table above also reflects the grant of a SAYE option on 15 August 2016, with the value based on the market value on the date of grant (274.5 pence), less the option price (246.0 pence), multiplied by the number of options granted. Further details can be found in last year's Directors' remuneration report on page 88.

(10) Appointed to the Board on 1 June 2017.

Annual bonus outturn (audited information)
In the financial year ended 30 November 2017 all executive directors had the opportunity to be awarded an annual bonus of up to 150% of base salary as at 1 December 2016. Of this, 112.5% of base salary (75% of the overall opportunity) was dependent on achieving corporate measures and 37.5% of base salary (25% of the overall opportunity) was dependent on meeting personal objectives.

Performance against targets and resulting bonus awards are set out in the tables below.

Measure	Link to strategy	Weighting as % of award	Threshold performance (25% of maximum)	On-target performance (50% of maximum)	Stretch performance (75% of maximum)	Super stretch (100% of maximum)	Actual performance achieved[1]	Payout (% of maximum)
Corporate:								
Trading profit	Reflects cash profitability of the business after interest and operating costs	25%	£51.7m (-10%)	£57.4m	£63.1m (+10%)	£68.9m (+20%)	£64.6m	81.3%
Total accounting return	Recognises the delivery of significant added value	25%	20.1 pence per share (-15%)	23.7 pence per share	27.2 pence per share (+10%)	30.8 pence per share (+20%)	26.0 pence per share	66.4%
See-through loan-to-value	Ensures continued balance sheet strength	25%	30.3% (+5%)	28.9%	27.4% (+10%)	26.0% (+20%)	24.2%	100%
Personal:								
Individual targets for executive directors	Ensures that each director focuses on their individual contribution in the broadest sense through business performance, leadership, people and team, and personal development objectives	25%	Substantially met	Met	Exceeded	Significantly exceeded	Mark Allan: Stretch Rob Hudson: Stretch Steve Burke: Stretch	Mark Allan: 74.9% Rob Hudson: 80.0% Steve Burke: 80.0%
	Award (% of salary)		37.5%	75.0%	112.5%	150.0%		Mark Allan: 80.7% Rob Hudson: 81.9% Steve Burke: 81.9%

(1) Details of performance versus personal objectives for each of the three executive directors is further explained in the supplementary table below.

	Key personal objectives	Assessment of achievement of objectives
Mark Allan	To lead a review of strategy culminating in a comprehensive Group strategic plan for Board approval. Lead the design and implementation of an appropriate leadership team and organisational structure to deliver the strategic plan. Put in place the foundations of an effective approach to people development. Put in place a clear objective setting and bonus plan for the Group's senior team.	Successful delivery of a Group strategy review leading to a full strategic plan delivered, signed off by the Board and its successful communication as shown throughout this Annual Report. Delivered an organisational structure aligned to the revised strategy with no negative impact on current year objectives. Successful development and first stage implementation of the Group's people plan and wider succession planning. Delivered a more focused approach to objective setting and bonus alignment for the senior leadership team, with further alignment to the overall performance of the Group.
Rob Hudson	Continued development of the Group's finance team, which included a renewed team structure with the appropriate profile and skillsets. Leading and driving the strategic plan through the year alongside the Chief Executive. As part of the strategic plan identifying opportunities regarding St. Modwen's funding structure.	Strong finance team developed with improvements delivered on transactional finance and increasing the contribution of Financial Planning & Analysis to the business. A broader role beyond that of finance with regard to operational coordination and in particular a focus on IT to ensure the function effectively supports the Group's development. Development of refinancing plan and successful progress in the year to deliver an unsecured £475m bank club facility by the end of 2017.

In light of both corporate and individual performance, the Committee determined that the following bonus awards be made:

Executive director	Award – Corporate (as a % of salary)	Award – Personal (as a % of salary)	Total award (as a % of salary)	Salary on which bonus award is calculated	Total bonus award
Mark Allan	92.9%	28.1%	121.0%	£565,000	£683,650
Steve Burke[(1)]	92.9%	30.0%	122.9%	£95,442	£117,298
Rob Hudson	92.9%	30.0%	122.9%	£281,875	£346,424

(1) Salary paid to Steve Burke to the date he passed away.

Bonus payments to Mark Allan and Rob Hudson were conditional upon them undertaking to invest at least 40% 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 bonus payment to Steve Burke's estate was scaled back pro rata to the proportion of the financial year worked. When determining performance against Steve Burke's bonus objectives, the Committee took due account of the fact that a number of them were not capable of achievement at the time of his passing.

Long-term incentives (audited information)

2015 PSP

The three-year performance period for the 2015 PSP awards ended on 30 November 2017. 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%	8.92%	0.0%
TSR relative to FTSE All-Share Real Estate Investment & Services Index	50% of award	Equal to Index	12.5%	120% of Index	50%	return of 11.44%	0.0%
Total							**0.0%**

The Committee therefore determined that the 2015 PSP awards will lapse in full.

2017 PSP

On 7 July 2017, the following PSP awards were granted to executive directors as nil cost options:

Executive director	Basis of award	Face value of award £000[2]	Number of shares	% of award that would vest for threshold performance
Mark Allan	180% of salary[1]	£1,017	278,500	20%
Rob Hudson	150% of salary	£423	115,785	20%

(1) As reported last year, Mark Allan received a recruitment-related PSP award over shares worth 180% of salary (i.e. higher than the 150% policy level).

(2) Calculated using the average share price of 365.17 pence 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).

The performance conditions which apply to these PSP awards are summarised below. The performance period started on 1 December 2016 and will end on 30 November 2019.

Performance measure	Link to strategy	Threshold performance	Vesting of award at threshold performance[2]	Maximum performance	Vesting of award at maximum performance[2]
Relative TSR performance[1] (50% of award)	• Rewards outperformance of the returns generated by a comparator group comprising listed company peers • Directly correlates reward with the return delivered to shareholders through share price growth and dividend payments • Provides an objective measure of the Company's long-term success	Company's TSR is ranked at median of the comparator group's TSR	20%	Company's TSR is ranked at or above the upper quartile of the comparator group's TSR	100%
Total accounting return (50% of award)	• Rewards delivery of significant continued long-term added value • Key internal measure of the Company's long-term performance • Reflects value added by the Company's asset management activities	5% average per annum	20%	11% average per annum	100%

(1) The constituents of the TSR peer group for the 2017 awards are:

A&J Mucklow Group	Grainger	LondonMetric Property	St. Modwen Properties
British Land Company	Great Portland Estates	Picton Property Income	Town Centre Securities
Capital & Counties Properties	Hammerson	Regional REIT	U and I Group
Capital & Regional	Hansteen Holdings	SEGRO	Workspace Group
Derwent London	Helical Land Securities Group	Shaftesbury	

(2) Vesting of awards between threshold and maximum performance will be on a straight-line basis. Performance below threshold will result in nil vesting for that measure.

The 2017 awards will be subject to an additional performance condition whereby the Committee must be satisfied that the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the three-year performance period.

The 2017 awards will also be subject to a compulsory two-year post-vesting holding period, which will require executive directors to hold any shares vesting (after tax) for a period of two years, meaning there can be no disposal of shares for a period of at least five years from grant. The holding period will remain in place if the executive leaves employment during the two-year holding period.

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 December 2016	Awards made during year	Awards vested during year	Awards lapsed/ forfeited during year	**Awards held on 30 November 2017[1]**	End of performance period	Exercise period
Steve Burke[2]	05/03/14[3]	99,066	–	–	(99,066)	**–**	30/11/16	05/03/17 to 04/03/24
	09/04/15	86,107	–	–	(30,798)	**55,309**	30/11/17	09/04/18 to 08/04/25
	22/02/16	125,400	–	–	(81,350)	**44,050**	30/11/18	22/02/19 to 21/02/26
		310,573	–	–	(211,214)	**99,359**		
Rob Hudson	02/10/15	119,018	–	–	–	**119,018**	30/11/17	02/10/18 to 01/10/25
	22/02/16	104,664	–	–	–	**104,664**	30/11/18	22/02/19 to 21/02/26
	07/07/17	–	115,785[4]			**115,785**	30/11/19	07/07/20 to 06/07/27
		223,682	115,785	–	–	**339,467**		
Mark Allan	02/11/16[5]	138,539	–	(138,511)[6]	(28)[6]	**–**	–	10/04/17 to 10/10/17
		211,353	–	(211,353)	–	**–**	31/12/16	10/04/17 to 10/10/17
		105,708	–	–	–	**105,708**	31/12/16	10/04/18 to 10/10/18
		159,134	–	–	–	**159,134**	31/12/17	02/04/18 to 02/10/18
		79,591	–	–	–	**79,591**	31/12/17	02/04/19 to 02/10/19
	07/07/17	–	278,500[4]	–	–	**278,500**	30/11/19	07/07/20 to 06/07/27
		694,325	278,500	(349,864)	(28)	**622,933**		

(1) The performance conditions for the 2015 and 2016 awards are based 50% on relative TSR compared to a peer group and 50% based on a range of absolute TSR targets, as described on page 99.

In addition, all awards are subject to two underpinning conditions, namely that (a) the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the performance period; and (b) 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) Passed away on 13 March 2017. PSP awards granted in 2015 and 2016 have been pro rated for the time employed during the performance period with the extent of vesting determined on the third anniversary of grant (i.e. in 2018 and 2019 respectively). As noted above the 2015 award lapsed in full due to the performance conditions not being met.

(3) Awards lapsed in full on 5 March 2017. Further details can be found in last year's Directors' remuneration report on page 87.

(4) The share price used to calculate the number of shares awarded, under the rules of the PSP, was 365.17 pence, the three-day average share price before the date of the award.

(5) The Company agreed to compensate Mark Allan for unvested share-based incentives awarded to him by his previous employer and forfeited as a consequence of him leaving to join St. Modwen on 1 November 2016. The compensation comprised the grant, on 2 November 2016, of an award over 694,325 shares in the Company. Vesting of the first two tranches of the award occurred on 10 April 2017 and Mark Allan exercised the awards on 6 July 2017. Further details of the recruitment arrangements for Mark Allan can be found on page 90 of last year's Directors' remuneration report.

(6) Award exercised reduced from 138,539 to 138,511 due to an alternative method of calculation adopted by Unite plc (Mark Allan's previous employer) for the remaining balance of the award.

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 December 2016	Options granted during year	Options exercised during year	Options lapsed during year	**Options held on 30 November 2017**	Exercise price	Exercise period
Steve Burke[1]	15/08/16	3,658	–	(508)	(3,150)	**–**	246p	01/10/19 to 31/03/20
Rob Hudson	15/08/16	3,658	–	–	–	**3,658**	246p	01/10/19 to 31/03/20

(1) Passed away on 13 March 2017. SAYE options held were exercised pro rata by Steve Burke's estate.

The closing mid-market share price on 30 November 2017 was 390.8 pence and the price range during the year was 278.4 pence to 399.8 pence.

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.

	Pension contribution £		Cash allowance in lieu of pension contribution £		Total £	
Executive director	**2017**	2016	**2017**	2016	**2017**	2016
Mark Allan	**–**	–	**84,750**	7,063	**84,750**	7,063
Steve Burke	**–**	23,331	**14,316**	26,090	**14,316**	49,421
Rob Hudson	**–**	–	**42,281**	41,250	**42,281**	41,250
	–	23,331	**141,347**	74,403	**141,347**	97,734

Steve Burke was 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 pension regulations in respect of defined benefit pension arrangements for the part year in which Steve was an executive director is set out below.

Executive director	Age at 30 November 2017	Accrued pension at 30 November 2016[1] £pa	**Accrued pension at 13 March 2017[1] £pa**	Increase in accrued pension during the year £pa	Increase in accrued pension during the year (excluding inflation) £pa
Steve Burke	58	28,342[2]	**28,342[2]**	–	–

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

(2) These figures have been calculated by applying deferred revaluation to Steve Burke's deferred pension as at 1 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.
- No death in service benefit was paid and no additional benefits were 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 19 to the Group financial statements.

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

Steve Burke

Details of Steve Burke's remuneration from 1 December 2016 to 13 March 2017 can be found in the table on page 96. His estate was eligible to receive any bonus payment owed to Steve, subject to the achievement of performance measures and scaled back pro rata for the period from 1 December 2016 to 13 March 2017; further details can be found on pages 97 and 98.

Unvested PSP awards will continue, subject to the performance conditions. Awards have been scaled back pro rata to reflect the time elapsed from the date of grant to 13 March 2017; details can be found on page 100. Satisfaction of the performance conditions will be assessed at the end of the relevant performance periods in line with the PSP rules.

Steve's SAYE awards were exercisable to the extent of accumulated savings in the six months following cessation of employment in accordance with the rules of the scheme, and were exercised by his estate.

Bill Oliver

Further to the disclosure in last year's Directors' remuneration report, Bill Oliver retired from the Board as Chief Executive and an executive director on 30 November 2016. His employment with the Company also ended on this date. The Committee exercised discretion under the rules of the PSP to allow unvested awards to continue subject to time pro-rating and performance assessment. The 2014, 2015 and 2016 PSP Awards were pro rated to reflect the time elapsed from the date of grant to 30 November 2016; details can be found on page 88 of last year's Remuneration Report.

The PSP award granted to Bill in 2014 lapsed in full on 5 March 2017, as the performance conditions were not met. In addition, as noted on page 98, neither absolute nor relative TSR measures achieved the threshold level of performance required for vesting of the 2015 PSP Award set by the Committee, such that the award (over 71,561 shares) will also lapse in full.

Bill remained eligible to be awarded a bonus, subject to the achievement of performance measures, in respect of the financial year ended 30 November 2016; details can be found on pages 85 and 86 of last year's Remuneration Report. In accordance with last year's annual bonus outturn a payment of £265,904 was paid to Bill in February 2017.

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 November 2017 or on date of leaving the Board if earlier			
	Ordinary shares	Long-term incentive awards vested but unexercised	Long-term incentive awards not yet vested	SAYE awards
Executive directors				
Mark Allan	185,427	–	622,933	–
Steve Burke(1)	526,615	–	99,359	–
Rob Hudson	27,525	–	339,467	3,658
Non-executive directors				
Bill Shannon	95,000	–	–	–
Ian Bull	25,000	–	–	–
Kay Chaldecott	21,025	–	–	–
Simon Clarke	2,704,157	–	–	–
Jenefer Greenwood, OBE(2)	–	–	–	–
Lesley James, CBE	30,000	–	–	–
Richard Mully	70,000	–	–	–

(1) As at 13 March 2017, the date of Steve Burke's death.

(2) Appointed to the Board on 1 June 2017.

There have been no changes in these shareholdings or interests between 30 November 2017 and the date of this report.

Required shareholding
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 worth at least 200% of their base salary. Until this has been achieved, an executive director is required to retain all the shares acquired through the bonus investment process as well as 50% of any exercised long-term incentive award.

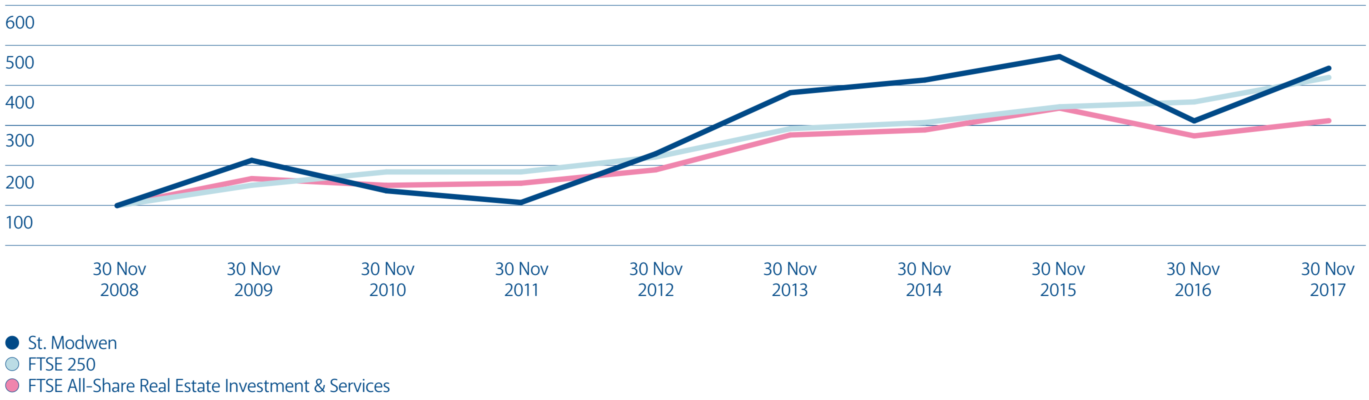
Executive director	Ordinary shares held as at 30 November 2017	Shareholding requirement as % of base salary	Value of shareholding at 30 November 2017 as % of base salary(1)
Mark Allan	185,427	200%	128.26%
Rob Hudson	27,525	200%	38.16%

(1) Based on the closing mid-market share price on 30 November 2017 of 390.8p and salary as at 30 November 2017.

External appointments (unaudited information)
Mark Allan is a trustee director on the non-executive board of Anchor Trust. For the period from 1 December 2016 to 30 November 2017 he received and retained fees from Anchor Trust of £25,000.

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

Total Shareholder Return
£



The chart is prepared in accordance with the required 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 30 November 2008 and values at intervening financial year ends over a nine-year period to 30 November 2017. Since the Company was a constituent of both the FTSE 250 and the FTSE All-Share Real Estate Investment & Services Indices during the majority of the period, these are considered to be appropriate benchmarks for the graph.

Chief Executive remuneration for the year ended 30 November	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Total remuneration (£000)(1)	876	902	1,049	1,672	2,419	3,083	1,931	867	**2,592**
Annual bonus awarded (as a % of maximum opportunity)	50.00(2)	80.00	95.00	90.00	95.00	100.00	100.00	53.25	**80.7%**
PSP vesting (as a % of maximum opportunity)	0.00	0.00	0.00	45.77(3)	100.00	100.00	100.00	0.00	**0.00**
Share Award (Mark Allan)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**100%(4)**

(1) Total remuneration includes those elements shown in the remuneration payable table on page 96.

(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.

(4) This relates to the value, on vesting, of tranches 1 and 2 of Mark Allan's recruitment award (i.e. not awards granted under the PSP). See page 100 for further details.

Change in remuneration of Chief Executive compared to employees (unaudited information)

The table below shows the percentage change in salary, benefits and annual bonus between the years ended 30 November 2016 and 30 November 2017 for the Chief Executive, and for all permanent employees of the Group.

	Change in base salary %	Change in benefits %	Change in annual bonus %
Chief Executive[1]	13.2	(20.7)[2]	157
All permanent employees	2.5[2]	0.0[3]	28[4]

(1) Note that this table compares the salary, benefits and bonus of Bill Oliver in the year ended 30 November 2016 to Mark Allan in the year ended 30 November 2017.

(2) General cost of living increase for permanent employees. Including adjustments for promotions and recognition of exceptional performance, the weighted average increase in salary was 7.0%.

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

(4) Weighted average increase.

Relative spend on pay (unaudited information)

The table below shows the total expenditure on remuneration for all employees of the Group (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 November 2016	**Year ended 30 November 2017**	% Increase
Total spend on pay	4c	£23.7m	**£33.5m**	41.4%
Profit before all tax	2a	£60.8m	**£67.0m**	10.2%
Dividends paid	8	£12.8m	**£13.5m**	5.5%
Equity attributable to owners of the Company	2c	£955.2m	**£1,000.3m**	4.7%

Whilst total spend on pay in the above table increased by 41.4% in the year, as disclosed in note 4c of the Group financial statements, this is principally because average employee numbers increased by 25.2% in the year.

How we will apply our remuneration policy for 2017/18

Base salary

In line with the general cost of living salary increase awarded to the Company's permanent employees and reflecting their continued strong performance, Mark Allan and Rob Hudson received an annual salary increase of 2.5% with effect from 1 December 2017. In addition for the reasons described in the Chairman's Statement the Committee determined that the base salary for Rob Hudson should be increased by an additional 12.8%.

Executive director	Base salary as at 30 November 2017	Base salary with effect from 1 December 2017	% Increase
Mark Allan	£565,000	£579,125	2.5%
Rob Hudson	£281,875	£325,000	15.3%

Benefits and pension arrangements

Benefits will be consistent with the policy detailed on page 89. Mark Allan and Rob Hudson will receive cash allowances in lieu of pension contributions of 15% of base salary.

Annual bonus

Executive directors will have the opportunity to be awarded a bonus of up to 150% of base salary.

Bonus awards will be based on achievement of the following measures:

Measure	Link to strategy	Weighting as % of award	Threshold performance	On-target performance	Stretch performance	Super-stretch performance
Corporate:						
Trading profit	Reflects cash profitability of the business after interest and operating costs	25%	Budget -10%	Budget	Budget +10%	Budget +20%
Total accounting return	Recognises the delivery of significant added value	25%	Budget -15%	Budget	Budget +15%	Budget +30%
See-through loan-to-value	Ensures continued balance sheet strength	25%	Budget -5%	Budget	Budget +5%	Budget +10%
Personal:						
Individual targets for executive directors	Ensures that each director focuses on their individual contribution in the broadest sense through business performance, leadership, people and team, and personal development objectives	25%	Substantially met	Met	Exceeded	Significantly exceeded

The Committee has set specific targets for all corporate measures, which reflect the Committee's judgement of the ability of management to influence performance within the year. Threshold performance will deliver 25% of the maximum opportunity, on-target performance 50% of the maximum, stretch 75% of the maximum and super stretch 100% of the maximum. Stretch targets are demanding and will require a very substantial outperformance of budget to achieve payout.

The threshold, target, stretch and super stretch performance requirements for financial objectives, together with outcomes, will be disclosed in the Remuneration report for the year ending 30 November 2018. This report will also include detailed commentary on the key deliverables, and assessment of outcomes, for personal objectives. Reflecting the new policy introduced last year, the proportion of the overall bonus that is awarded for personal performance will be capped at one-third of the total actual bonus awarded. Any bonus awarded will be subject to the requirement to invest 40% of the net amount received in purchasing shares in the Company and to retain these shares for at least three years, irrespective of whether the executive director has met the shareholding requirement.

Long-term incentives

PSP awards will be granted to executive directors over shares worth 150% of base salary and will be consistent with the long-term incentives policy detailed on page 89.

The performance measures and targets associated with the PSP awards are summarised in the table below. The Committee is satisfied that the targets are suitably stretching. Performance against each target will be measured independently over the three financial years ending on 30 November 2020.

Performance measure	Link to strategy	Threshold performance	Vesting of award at threshold performance	Maximum performance	Vesting of award at maximum performance
Relative TSR performance versus a bespoke group of real estate companies (50% of award)	• Rewards outperformance of the returns generated by a comparator group comprising listed company peers • Directly correlates reward with the return delivered to shareholders through share price growth and dividend payments • Provides an objective measure of the Company's long-term success	Company's TSR is ranked at median of the comparator group's TSR	20%	Company's TSR is ranked at or above the upper quartile of the comparator group's TSR	100%
Total accounting return (50% of award)	• Rewards delivery of continued long-term significant added value • Key internal measure of the Company's long-term performance • Reflects value added by the Company's asset management activities	5% average per annum	20%	11% average per annum	100%

Vesting of awards between threshold and maximum performance will be on a straight-line basis. Performance below threshold will result in nil vesting for that measure.

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 comparator group comprises the companies listed on page 99. The 2017/18 awards will be subject to an underpinning condition which the Committee must be satisfied has been met before permitting awards to vest, namely that the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the three-year performance period.

The awards will also be subject to a compulsory two-year post-vesting holding period, which will require executive directors to hold any shares vesting (after tax) for a period of two years, meaning there can be no disposal of shares for a period of at least five years from grant. The holding period will remain in place if the executive leaves employment during the two-year holding period.

Chairman and non-executive director fees

Following a review by the Board, the annual base 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 1 December 2017.

	Fee as at 30 November 2017	**Fee with effect from 1 December 2017**	% Increase
Base fee			
Chairman	£163,113	**£167,190**	2.5%
Non-executive directors	£44,801	**£45,921**	2.5%
Additional fees			
Senior Independent Director	£9,000	**£9,000**	–
Audit Committee Chairman	£9,000	**£9,000**	–
Remuneration Committee Chairman	£9,000	**£9,000**	–

Dates of appointment of directors

Director	Date of appointment	Date of contract/original letter of appointment	Expiry of current term
Executive directors			
Mark Allan[(1)]	1 November 2016	6 April 2016	N/A
Steve Burke	30 November 2006	18 January 2016	N/A
Rob Hudson	28 September 2015	20 April 2015	N/A
Non-executive directors			
Bill Shannon[(2)]	1 November 2010	18 October 2010	31 October 2018
Ian Bull	1 September 2014	21 August 2014	31 August 2020
Kay Chaldecott	22 October 2012	22 October 2012	21 October 2018
Simon Clarke	11 October 2004	4 October 2004	10 October 2018
Jenefer Greenwood, OBE	1 June 2017	1 June 2017	31 May 2020
Lesley James, CBE	19 October 2009	19 October 2009	18 October 2018
Richard Mully	1 September 2013	16 July 2013	31 August 2019

(1) Appointed to the Board on 1 November 2016 and appointed Chief Executive on 1 December 2016.

(2) Appointed Chairman on 22 March 2011.

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 November 2017[1]
Lesley James, CBE	Chairman	4/4
Ian Bull[2]	Member	3/4
Kay Chaldecott	Member	4/4
Jenefer Greenwood, OBE[3]	Member	3/3
Richard Mully	Member	4/4
Bill Shannon	Member	4/4

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

(2) Unable to attend the meeting in February 2017 due to a prior business commitment.

(3) Appointed to the Committee on 1 June 2017.

Remuneration Committee attendees (by invitation)	
Mark Allan	Chief Executive
Simon Clarke	Non-executive director
Jane Saint	Group HR Director
Andrew Eames	General Counsel & Company Secretary (Interim) and secretary to the Committee (appointed 9 November 2017)
Representatives from Remuneration Committee adviser	Korn Ferry Hay Group appointed 1 December 2017, replacing New Bridge Street

Advice provided to the Committee

Korn Ferry Hay Group was appointed by the Committee with effect from 1 December 2017 following a tender process to provide independent advice on remuneration matters. Representatives from Korn Ferry Hay Group attend Committee meetings and provide advice to the Committee Chairman outside of meetings as necessary.

Fees are charged on a cost incurred basis and the fees charged by the previous adviser New Bridge Street in the year ended 30 November 2017 totalled £118,783.

Korn Ferry Hay Group is a founder 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. Korn Ferry Hay Group has no other connection with the Company, and the Committee is satisfied that the advice provided is objective and independent.

The Committee also receives input from the Chief Executive and the Group HR Director on the remuneration arrangements of the other executive directors and of the Company Secretary, and advice from 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 four occasions in the financial year ended 30 November 2017 to consider the following matters:

- to consider investor feedback on the Company's remuneration policy and last year's Directors' remuneration report;
- to review market trends and the governance environment in respect of remuneration arrangements;
- to review the ongoing operation of the directors' remuneration policy;
- to determine the pay arrangements for Steve Burke following his passing;
- to review the executive directors' base salaries and the fee payable to the Chairman;
- to set corporate and personal objectives for the 2016/17 annual bonus arrangements for executive directors and undertake an assessment of performance against targets for 2015/16;
- to assess and approve the outturn of PSP awards granted in 2014 and the recruitment-related awards made to Mark Allan;
- to approve share awards granted in 2017 together with associated performance criteria; and
- to prepare this report on directors' remuneration.

Statement of shareholder voting at the AGM

The table below details the results of the shareholder vote to approve last year's Directors' remuneration report and the Company's remuneration policy at the 2017 AGM.

Resolution	AGM	Votes for	% of vote for	Votes against	% of vote against	Total votes cast	Votes withheld(1)
Approval of Directors' Remuneration Report	2017	135,483,900	94.84%	7,377,481	5.16%	142,861,381	33,143,122
Approval of remuneration policy	2017	165,005,074	96.25%	6,435,537	3.75%	171,440,611	4,563,893

(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.

Dilution limits

In line with the rules of the PSP and Employee Share Option Plan, and the current SAYE Plan, 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% (5% for discretionary schemes) of the issued ordinary share capital of the Company in any rolling 10-year period.

The total number of shares which could be allotted under the Company's share schemes compared to the dilution limits as at 30 November 2017 was as follows:

Type of scheme	Limit	**Actual**
All schemes	10%	**3.95%**
Executive schemes only	5%	**3.84%**

As at 30 November 2017, the Company's Employee Share Trust (the Trust) held 519,906 shares (2016: 269,334 shares) in the Company to enable it to satisfy the vesting and exercise of awards. In accordance with the Trust deed, the Trust has waived the right to receive dividends paid on these shares with the exception of a hundredth of a penny per share.

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

Lesley James
Chairman of the Remuneration Committee

5 February 2018

The directors present their report for the year ended 30 November 2017.

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 61 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 68 to 82 and is incorporated into this report by reference.

Annual General Meeting
The AGM will be held on Wednesday, 28 March 2018 in the Evolution Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham B31 2TS, commencing at 12.00 noon. 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 180 to 185.

Dividend
An interim dividend of 2.02 pence per ordinary share (2017: 1.94 pence) was paid on 5 September 2017.

The directors recommend a final dividend of 4.26 pence per ordinary share in respect of the year ended 30 November 2017 (2016: 4.06 pence), making a total dividend for the year of 6.28 pence per share (2016: 6.00 pence), payable on 4 April 2018 to shareholders on the register on 9 March 2018.

Other than as referred to under the heading 'Share capital' below, during the year there were no arrangements under which a shareholder had 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 30 November 2017, there were 222,376,988 ordinary shares in issue and fully paid. Further details relating to share capital, including movements during the year, are set out in note 18 to the Group financial statements.

Share allotments
During the year, and in accordance with the authority granted by shareholders at the 2017 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 2017 AGM, shareholders renewed the Company's authority to make market purchases of up to 22,187,698 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 2018 AGM and a resolution to renew it will be proposed.

Employee Share Trust (Trust)
As at 30 November 2017, the Trust held 519,906 shares (2016: 269,334 shares), representing 0.23% (2016: 0.12%) 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 18 to the Group 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 2018 AGM are set out in the notice of meeting on pages 180 to 185.

Restrictions on the transfer of shares
As at 30 November 2017 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 30 November 2017, the information overleaf had been received in accordance with DTR 5 from holders of notifiable interests in the Company's issued share capital.

The information provided 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 a notifiable threshold is crossed.

Shareholder	Date of notification	Nature of holding	Total voting rights	% of total voting rights
Simon Clarke and connected parties	28 September 2017	Direct interest	15,175,196	6.82%
J.D. Leavesley and connected parties[1]	10 August 2017	Direct interest	13,317,130	5.99%
Aviva plc	29 September 2017	Direct interest	14,024,013	6.31%
		Indirect interest	2,210,461	0.99%
		Aviva total	16,234,474	7.30%
Royal London Asset Management Ltd	21 November 2017	Direct interest	15,579,630	7.01%
TR Property Investment Trust plc	12 July 2012	Direct interest	6,802,638	3.40%

(1) Further to the announcement on 22 December 2017 and with effect from that date, the Company no longer intends to present the shareholdings of J.D. Leavesley and connected parties in aggregate. The Shareholdings of each member of the Leavesley family will be treated and presented individually.

There were no changes to the interests in the voting rights notified to the Company in accordance with DTR 5 between 30 November 2017 and 5 February 2018.

Directors

The Board

The following served as directors during the year ended 30 November 2017:

- Mark Allan
- Ian Bull
- Steve Burke (passed away on 13 March 2017)
- Kay Chaldecott
- Simon Clarke
- Jenefer Greenwood (appointed on 1 June 2017)
- Rob Hudson
- Lesley James
- Richard Mully
- Bill Shannon

The biographical details of all the directors serving at 30 November 2017, including details of their relevant experience and other significant commitments, are shown on pages 66 and 67.

The Directors' remuneration report, which includes details of directors' service agreements and their interests and their connected persons interests in the Company's shares, is set out on pages 86 to 109. Copies of the service agreements 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
- all directors must retire at each AGM and shall, subject to his or her terms of appointment, be eligible for election or re-election.

At the 2018 AGM Jenefer Greenwood, who was appointed by the directors in June 2017, and Jamie Hopkins who as announced, will join the Board on 1 March 2018, will retire and offer themselves for election; Richard Mully and Kay Chaldecott will not be standing for re-election; all other directors will offer themselves for re-election.

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;
- a registered medical practitioner who is treating the director gives a written opinion to the Company stating that he or she has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- 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 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 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 110.

Conflicts of interest

With the exception of service agreements 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 30 November 2017 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 passed at a general meeting of the Company. The Company's current Articles are available on its website www.stmodwen.co.uk.

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 plan.

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 17 to the Group financial statements.

Employee involvement

St. Modwen is committed to regular communication and consultation with its employees and encourages employee understanding of and 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.

See Our commitment to our people – page 19.

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 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 overleaf. 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.

For information on our energy initiatives, please see our CSR report and www.stmodwen.co.uk/corporate-social-responsibility.

GHG	2017 intensity ratio CO$_2$ emissions (tonnes)	tCO$_2$ emissions/ full-time employees[(1)]	tCO$_2$ emissions/ £m property portfolio[(2)]	2016 intensity ratio CO$_2$ emissions (tonnes)	tCO$_2$ emissions/ full-time employees[(1)]	tCO$_2$ emissions/ £m property portfolio[(2)]
Scope 1:						
Total purchased gas	**107**			129		
Petrol and diesel	**781**			955		
Total Scope 1	**888**	**2.1**	**0.5**	1,084	3.1	0.5
Scope 2:						
Total purchased electricity	**658**			788		
Total Scope 2	**658**	**1.5**	**0.4**	788	2.3	0.4
Total Scope 1 & 2	**1,546**	**3.6**	**0.9**	1,872	5.4	0.9

(1) Equivalent CO$_2$ emissions per full-time employee.

(2) Equivalent CO$_2$ per £m of property portfolio held by the Company.

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.

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 balance sheet date, valuation projections and the ability of the Group to meet covenants on existing borrowing facilities. The directors are satisfied that the forecasts and projections are based on realistic assumptions and that the sensitivities applied in reviewing downside scenarios are appropriate.

As described in the financial review on pages 46 to 49, having recently refinanced all of our bank debt facilities, the only medium-term refinancing actions relating to our Group facilities are to replace some, but not all, of the liquidity provided by our Bonds ahead of their 2019 maturities. 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.

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 plans established specifically to recruit or retain a director	100
(5) & (6)	Waiver of emoluments by a director	N/A
(7) & (8)	Non-pre-emptive issues of equity for cash	161
(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	110
(14)	Agreements with controlling shareholders	N/A

Important events since 30 November 2017
Important events affecting the Group are set out in note 23 to the Group financial statements. There were no other particulars of any other important events affecting the company as required by Schedule 7 7 (1)(a) of the Large and Medium-sized Companies and Group's (Accounts and Reports) Regulations 2008.

Auditor
Resolutions to re-appoint KPMG LLP as auditor of the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the 2018 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 financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under the 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), including FRS 101 *Reduced Disclosure Framework*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of their profit or loss for that period.

In preparing each of the Group and 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, relevant, reliable and prudent;
- for the Group financial statements state whether they have been prepared in accordance with IFRSs, as adopted by the EU;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for preparing a strategic report, corporate governance statement, directors' remuneration report and directors' report that complies with applicable law and regulations.

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 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic 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.

Each of the directors in office as at the date of this report considers the annual report and financial statements, 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.

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 110 to 114, was approved by the Board and signed on its behalf by

Andrew Eames
General Counsel & Company Secretary (Interim)

5 February 2018

St. Modwen Properties PLC

Company No: 00349201

KPMG

1. Our opinion is unmodified

We have audited the financial statements of St. Modwen Properties PLC (the Company) for the year ended 30 November 2017 which comprise the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cash flow statement, Company balance sheet, Company statement of changes in equity, and the related notes, including the Group accounting policies on pages 126 to 132 and the Company accounting policies on page 170.

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 30 November 2017 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 as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the directors on 23 February 2017 therefore the year ended 30 November 2017 is our first year acting as auditors. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality Group financial statements as a whole	£18.0m 1.0% of total assets
Coverage	99% of Group total assets
Risks of material misstatement:	
Group recurring risks	Valuation of investment properties
	Valuation of inventories
	New Covent Garden Market liability
Parent Company key audit matter	Recoverability of Parent Company investments in subsidiaries and joint ventures

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Valuation of investment properties (£1,168.5m) *Refer to page 78 (Audit Committee report), page 127 (accounting policy) and pages 148 to 149 (financial disclosures).*	**Subjective valuation** Valuation of investment properties held at fair value is a key area of judgement in the financial statements. It is considered a risk due to its magnitude and the subjective nature of the valuations, particularly the estimates made in relation to market comparable yield rates and estimated rental value (ERV).	Our procedures, assisted by our own property valuation specialist (for procedures 1, 2, 3 and 4), included: **1. Understanding of valuation approach:** Meeting with the Group's external valuers to understand the assumptions and methodologies used in valuing the investment properties and the market evidence used by the external valuers to support their assumptions. We also obtained an understanding of directors' involvement in the valuation process to assess whether appropriate oversight has occurred. **2. Assessing valuers' credentials:** Critically assessed the independence, professional qualifications, competence and experience of the external valuers used by the Group. **3. Methodology choice:** Critically assessed the methodology used by the valuers by considering whether their valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards. **4. Benchmarking assumptions:** Challenged the key assumptions upon which the valuations were based for a sample of properties, including those relating to ERV and yield rates by making a comparison to our own assumption ranges derived from market data. **5. Input assessment:** Agreed observable inputs used in the valuations, such as rental income, occupancy rates, lease incentives, break clauses and lease lengths back to lease agreements for a sample of properties. **6. Disclosure assessment:** Critically assessed the adequacy of the Group's disclosures in relation to the judgement in relation to valuing properties. **Our results** We found the valuation of investment properties to be acceptable.

	The risk	Our response
Valuation of inventories (£352.7m) *Refer to page 79 (Audit Committee report), page 127 (accounting policy) and page 154 (financial disclosures).*	**Subjective valuation** Inventories comprise properties which have been previously developed and are ready for sale, properties which are under construction with a view to sell and land which has been acquired for future development with a view to subsequent sale. In order to assess the net realisable value of inventory, appraisals are prepared for each site, which includes forecast revenue and costs and provides an indication of the recoverability of inventory. The risk within valuation of inventory is that site appraisals include a number of judgements that could be subject to error resulting in the net realisable value not being accurately measured.	Our procedures: 1. **Control design:** Evaluated the design of the entity level controls around Board review of the development appraisals. 2. **Our sector expertise:** Discussed a sample of development sites with management to obtain an understanding of the status of the site focusing on matters relevant to the site valuation, being the status of the development and whether the appraisal reflects any additional unexpected costs. We selected a risk-based sample using criteria including quantum of work in progress, low profit margin and length of development project. 3. **Test of details:** For each sample development site we challenged whether expected revenues in site appraisals reflect the revenue seen on similar assets in the inventory portfolio and tested the key cost assumptions within the appraisal to supporting evidence. 4. **Historical comparisons:** Where a site has been appraised over a period of time, we sought to understand the changes to assumptions over time for the sample of sites and considered whether those changes were consistent with our market expectations. 5. **Test of detail:** We compared the value carried in the balance sheet with the sales price achieved for a selection of property sales after the balance sheet date and for sales throughout the year as a review of the past accuracy of the Group's estimates. 6. **Assessing transparency:** Critically assessed the adequacy of the Group's disclosures in relation to judgement and estimation in relation to inventory. **Our results** We found the valuation of inventories to be acceptable.
New Covent Garden Market liability (£78.9m, representing the Group's share of the liability, included within the Group's investment in VSM (NCGM) Limited of £14.0m and the Group's share of VSM (NCGM) Limited's result for the year of £(13.8)m). *Refer to page 79 (Audit Committee report), pages 130 to 131 (accounting policy) and page 153 (financial disclosures).*	**Forecast-based valuation** There is a risk arising from the accounting estimate in relation to the total costs expected to be incurred in the delivery of the replacement New Covent Garden Market due to the judgements involved in assessing the appropriateness of the measurement of the obligation, including the assumptions on quantum and timing of costs made by the external expert and the discount rate used by management to come to the liability to be recorded in the financial statements.	Our procedures included: 1. **Understanding of valuation approach:** We undertook a call with the external quantity surveyor expert, Prosurv Consult, to understand and assess the reasonableness of the assumptions, such as cost inflation and cash flow timings, and the methodologies used by the expert in coming to the gross construction cost liability. We also assessed the reasonableness of the discount rate applied to the expert's gross cost cash flows. 2. **Assessing expert's credentials:** Critically assessed the independence, professional qualifications, competence and experience of the external expert used by the Group. 3. **Sensitivity analysis:** Assessed the sensitivity of the calculation of the liability to the discount rate by performing sensitivity analysis on the rate applied to the expert's gross cost cash flows. We re-performed the discounting calculation to confirm it had been calculated correctly. 4. **Disclosure assessment:** Critically assessed the adequacy of the Group's disclosures in relation to New Covent Garden Market liability. **Our results** We found the liability recognised in respect of the New Covent Garden Market development to be acceptable.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of Parent Company investments in subsidiaries and joint ventures (£773.5m) *Refer to page 170 (accounting policy) and page 172 (financial disclosures).*	**Low risk/high value (Parent Company key audit matter)** Investments in subsidiaries and joint ventures represents 43% of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	Our procedures included: **Tests of detail:** We re-performed the equity method calculations used to determine the carrying value of the investments in subsidiary and joint ventures and assessed the recoverable amount of investments. **Assessing subsidiary audits:** Assessing the work performed on the subsidiary audits for a sample of subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. **Our results** We found the resulting estimate of the recoverable amount of investment in subsidiaries to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £18.0m, determined with reference to a benchmark of Group total assets of £1,721.6m of which it represents 1.0%.

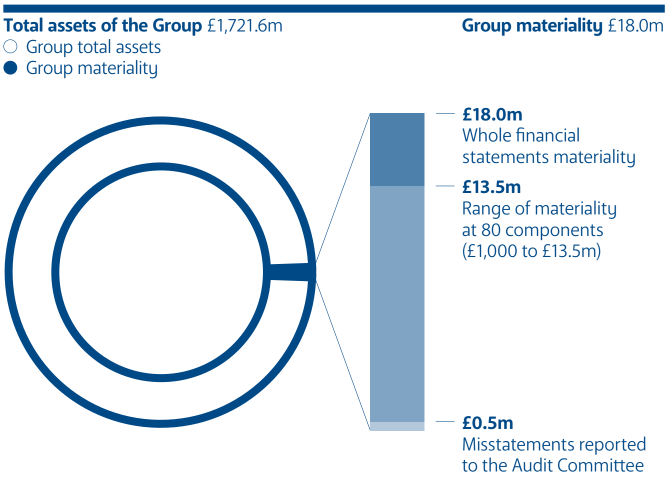
We applied a lower materiality, set at £3.0m, to the specific Group income statement items which may be of specific interest to users regarding the Group income statement and that could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group. Materiality for these items are determined with reference to trading profit (as defined by the Group in note 2a), which comprises net rental and other income, development profits, gains on disposal of investment properties, administrative expenses and net finance costs before amortisation and valuation movements.

Materiality for the Parent Company financial statements as a whole was set at £13.5m, determined with reference to a benchmark of Company total assets of which it represents 0.8%.

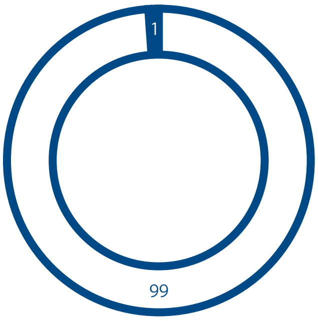
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 155 reporting components, we subjected 78 to full scope audits for Group purposes, including 65 full scope audits for statutory purposes. The components within the scope of our work accounted for the percentages illustrated opposite. The Group audit team performed the work on all components.

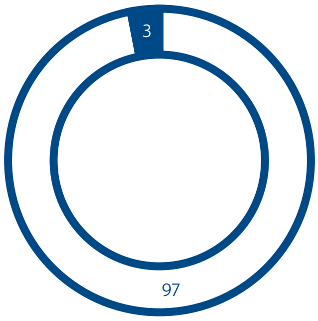
The remaining 1% of Group revenue, 3% of Group profit before tax and 1% of Group total assets is represented by 77 reporting components, none of which individually represented more than 1% of any of Group revenue, Group profit before tax or Group total assets.



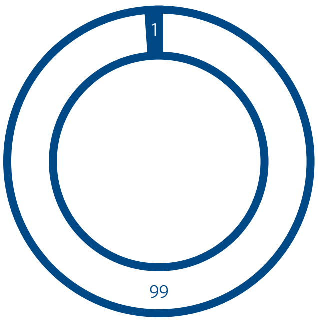
Group total assets
○ Full scope for Group audit purposes
● Out of audit scope



Group profit before tax
○ Full scope for Group audit purposes
● Out of audit scope



Group revenue
○ Full scope for Group audit purposes
● Out of audit scope



4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in the Group accounting policies on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 113 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement 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 and liquidity;
- the principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered 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.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

KPMG

5. We have nothing to report on the other information in the Annual Report continued

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the corporate governance statement does not properly disclose a departure from the 11 provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 114, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in the specific areas of anti-bribery and corruption. We identified these areas through discussion with the directors and other management (as required by auditing standards), from our sector experience, and from inspection of the Group's regulatory, licensing and legal correspondence. In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being anti-bribery and corruption, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards).

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

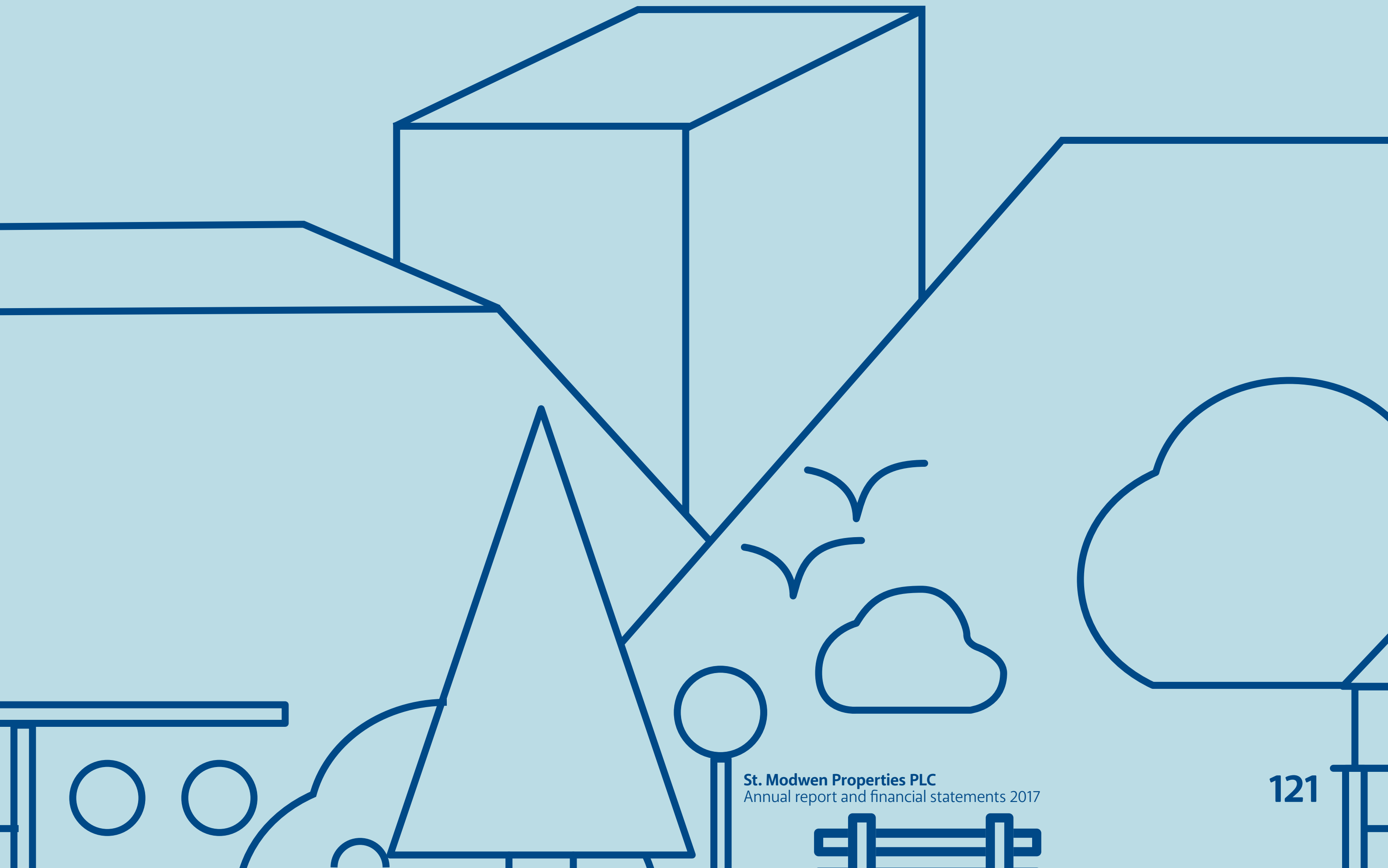
8. The purpose of our audit work and to whom we owe our responsibilities

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.

Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

5 February 2018

FINANCIAL DISCIPLINE/ SAFEGUARDING OUR FUTURE



GROUP INCOME STATEMENT
for the year ended 30 November 2017

	Notes	2017 £m	2016 £m
Revenue	1	**318.6**	287.7
Net rental income	1	**48.8**	40.5
Development profits	1	**58.9**	51.7
Gains on disposals of investments/investment properties	1	**6.7**	9.5
Investment property revaluation gains	9	**16.2**	30.3
Other net income	1	**2.0**	4.2
Losses of joint ventures and associates (post-tax)	11	**(8.5)**	(28.2)
Administrative expenses	4	**(35.9)**	(33.0)
Profit before interest and tax		**88.2**	75.0
Finance costs	5	**(30.0)**	(23.0)
Finance income	5	**12.1**	14.9
Profit before tax		**70.3**	66.9
Taxation	6	**(10.2)**	(13.3)
Profit for the year		**60.1**	53.6
Attributable to:			
Owners of the Company		**59.6**	53.4
Non-controlling interests		**0.5**	0.2
Profit for the year		**60.1**	53.6

	Notes	2017 Pence	2016 Pence
Basic earnings per share	7	**26.9**	24.1
Diluted earnings per share	7	**26.7**	19.8

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2017

	Notes	2017 £m	2016 £m
Profit for the year		**60.1**	53.6
Items that will not be reclassified to profit and loss:			
Pension fund actuarial losses	19	**(0.1)**	(0.1)
Total comprehensive income for the year		**60.0**	53.5
Attributable to:			
Owners of the Company		**59.5**	53.3
Non-controlling interests		**0.5**	0.2
Total comprehensive income for the year		**60.0**	53.5

GROUP BALANCE SHEET
as at 30 November 2017

	Notes	2017 £m	2016 (restated) £m
Non-current assets			
Investment properties	9	**1,168.5**	1,144.7
Operating property, plant and equipment	10	**5.1**	4.2
Investments in joint ventures and associates	11	**119.6**	184.8
Trade and other receivables	12	**2.3**	8.2
		1,295.5	1,341.9
Current assets			
Inventories	13	**352.7**	229.7
Trade and other receivables	12	**72.1**	104.1
Derivative financial instruments	17	**0.8**	1.6
Cash and cash equivalents		**0.5**	4.2
		426.1	339.6
Current liabilities			
Trade and other payables	14	**(176.0)**	(150.5)
Derivative financial instruments	17	**(4.8)**	(8.8)
Borrowings and finance lease obligations	15	**(0.6)**	(0.4)
Current tax liabilities	6	**(6.2)**	(7.1)
		(187.6)	(166.8)
Non-current liabilities			
Trade and other payables	14	**(20.1)**	(3.6)
Borrowings and finance lease obligations	15	**(491.3)**	(527.0)
Deferred tax	6	**(16.6)**	(22.0)
		(528.0)	(552.6)
Net assets		**1,006.0**	962.1
Capital and reserves			
Share capital	18	**22.2**	22.2
Share premium account		**102.8**	102.8
Retained earnings		**825.7**	779.7
Share incentive reserve		**5.1**	4.9
Own shares		**(1.7)**	(0.6)
Other reserves		**46.2**	46.2
Equity attributable to owners of the Company		**1,000.3**	955.2
Non-controlling interest		**5.7**	6.9
Total equity		**1,006.0**	962.1

These financial statements were approved by the Board and authorised for issue on 5 February 2018.

Mark Allan
Chief Executive

Rob Hudson
Chief Financial Officer

Company Number: 00349201

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2017

	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 November 2015	22.2	102.8	739.3	5.2	(1.0)	46.2	914.7	6.8	921.5
Profit for the year attributable to shareholders	–	–	53.4	–	–	–	53.4	0.2	53.6
Pension fund actuarial losses (note 19)	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
Total comprehensive income for the year	–	–	53.3	–	–	–	53.3	0.2	53.5
Share-based payments	–	–	–	1.6	–	–	1.6	–	1.6
Deferred tax on share-based payments	–	–	–	(0.8)	–	–	(0.8)	–	(0.8)
Settlement of share-based payments	–	–	(0.1)	(1.1)	0.4	–	(0.8)	–	(0.8)
Dividends paid (note 8)	–	–	(12.8)	–	–	–	(12.8)	(0.1)	(12.9)
Equity at 30 November 2016	**22.2**	**102.8**	**779.7**	**4.9**	**(0.6)**	**46.2**	**955.2**	**6.9**	**962.1**
Profit for the year attributable to shareholders	**–**	**–**	**59.6**	**–**	**–**	**–**	**59.6**	**0.5**	**60.1**
Pension fund actuarial losses (note 19)	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Total comprehensive income for the year	**–**	**–**	**59.5**	**–**	**–**	**–**	**59.5**	**0.5**	**60.0**
Share-based payments	**–**	**–**	**–**	**1.8**	**–**	**–**	**1.8**	**–**	**1.8**
Deferred tax on share-based payments	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**	**–**	**0.3**
Settlement of share-based payments	**–**	**–**	**–**	**(1.9)**	**(1.1)**	**–**	**(3.0)**	**–**	**(3.0)**
Dividends paid (note 8)	**–**	**–**	**(13.5)**	**–**	**–**	**–**	**(13.5)**	**(1.7)**	**(15.2)**
Equity at 30 November 2017	**22.2**	**102.8**	**825.7**	**5.1**	**(1.7)**	**46.2**	**1,000.3**	**5.7**	**1,006.0**

Own shares represent the cost of 519,906 (2016: 269,334) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30 November 2017 was £2,031,793 (2016: £754,135).

The other reserves comprise a capital redemption reserve of £0.3m (2016: £0.3m) and the balance of net proceeds in excess of the nominal value of shares arising from an equity placing in 2013 of £45.9m (2016: £45.9m).

GROUP CASH FLOW STATEMENT
for the year ended 30 November 2017

	Notes	2017 £m	2016 £m
Operating activities			
Profit before interest and tax		**88.2**	75.0
Gains on disposal of investments/investment properties		**(6.7)**	(9.5)
Share of losses of joint ventures and associates (post-tax)	11	**8.5**	28.2
Investment property revaluation gains	9	**(16.2)**	(30.3)
Depreciation	10	**1.1**	0.7
Impairment losses on inventories	13	**2.0**	0.3
Increase in inventories		**(97.7)**	(31.2)
Decrease/(increase) in trade and other receivables		**36.1**	(14.3)
Increase in trade and other payables		**17.4**	4.3
Share options and share awards		**(1.2)**	–
Tax paid	6	**(16.2)**	(10.7)
Net cash inflow from operating activities		**15.3**	12.5
Investing activities			
Proceeds from investment property disposals		**60.1**	64.3
Investment property additions		**(61.6)**	(90.0)
Interest received		**12.3**	5.4
Capital injection into joint ventures and associates		**(1.4)**	–
Property, plant and equipment additions	10	**(2.0)**	(0.6)
Dividends received from joint ventures and associates	11	**58.1**	14.3
Net cash inflow/(outflow) from investing activities		**65.5**	(6.6)
Financing activities			
Dividends paid	8	**(13.5)**	(12.8)
Dividends paid to non-controlling interests		**(1.7)**	(0.1)
Interest paid		**(26.1)**	(20.7)
(Repayments of obligations)/amounts advanced under finance lease arrangements		**(3.3)**	0.6
Net borrowings drawn		**209.2**	160.5
Repayment of borrowings		**(249.1)**	(134.0)
Net cash outflow from financing activities		**(84.5)**	(6.5)
Decrease in cash and cash equivalents		**(3.7)**	(0.6)
Cash and cash equivalents at start of year		**4.2**	4.8
Cash and cash equivalents at end of year		**0.5**	4.2

GROUP ACCOUNTING POLICIES
for the year ended 30 November 2017

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 (EU IFRSs) as they apply to the Group for the year ended 30 November 2017, 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, the convertible bond and the defined benefit section of the Group's pension scheme.

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 30 November 2017 on a going concern basis. Further detail is contained in the viability statement included in the strategic report on page 61.

In the current year the Group has adopted:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 1 *Disclosure Initiative*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IFRSs *Annual Improvements to IFRSs 2012 – 2014 Cycle*

The adoption of the above amendments has had no material impact to the Group's financial statements.

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 EU 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 investor's 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 D to the Company 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 the value of individual investments. The Group 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 Group 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 Group income statement as a bargain purchase.

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

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

Properties

Investment properties

Investment properties, being freehold and leasehold properties held to earn rental income, for capital appreciation and/or for undetermined future use, 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 Group 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 Group income statement.

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

Investment properties are not depreciated.

Inventories

Inventories principally comprise properties previously developed and held for sale, properties under construction with a view to sale 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 Group 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 Group 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 Group income statement on a straight-line basis over the lease term.

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

The tax currently payable is based on the taxable result for the year. The taxable result differs from the result as reported in the Group 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 on an undiscounted basis, 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 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 Group income statement.

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 where such exposure is considered more likely than not to occur.

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 1 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 Group 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 Group 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 Group statement of comprehensive income in the year in which they occur. The defined benefit pension asset or liability in the Group 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 IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

Contributions to defined contribution schemes are recognised in the Group 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 are recognised when declared and approved and 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.

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
Share-based payments to employees are equity-settled and are measured at the fair value of the equity instruments at the grant date, using an appropriate option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments 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 Group 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 Group 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.

Critical judgements in applying the Group's accounting policies
In the application of the Group's accounting policies outlined above, the directors are required to make judgements relating to the carrying amounts of assets and liabilities that are not readily apparent from other sources. The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of investment properties
The Group adopts the valuation performed by its independent valuers as the fair value of its investment properties, following review by management. 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 and the appropriateness of remediation expenditure and costs to complete.

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 right to secure the interest in the surplus land at New Covent Garden Market together with the associated obligation to procure the new market for the Covent Garden Market Authority (further details of which are set out below).

New Covent Garden Market accounting treatment
The contractual arrangement between VSM (NCGM) Limited (the Group's 50:50 joint venture with Vinci in respect of New Covent Garden Market) and the Covent Garden Market Authority (CGMA) involves VSM (NCGM) Limited committing to procure a new market for the CGMA and in return receiving an option to acquire the surplus land on the site. In substance the arrangement represents a barter of development and construction services for the interest in the land.

In determining the most appropriate accounting policy for the arrangement, consideration was given as to whether to account for the transaction as the acquisition of an interest in the surplus land for non-cash consideration or to account for the development as a construction contract under IAS 11 *Construction Contracts*, with the consideration taking the form of the non-cash interest in the surplus land. It was concluded that the former more faithfully and fairly represented the substance of the arrangement, reflecting that the key strategic rationale for entering into the transaction was to secure the interest in the surplus land and then to unlock its significant value, rather than to secure construction activity in building a new market.

Judgement was also applied in determining the appropriate classification for the interest in the surplus land, which legally takes the form of an option. Given the intention to take physical delivery of the land and that, at the point of initial recognition, it had not been determined whether to hold the surplus land for capital appreciation or to sell it on to a third party, the surplus land interest was judged to meet the definition of an investment property under IAS 40 *Investment Properties*, and hence has been accounted for in this way (rather than as a financial asset or as inventory).

Subsequent to initial recognition of the interest in the land as investment property and the recognition of the liability to procure the new market facilities, judgement was also applied in determining whether there should be any ongoing interaction between the two balances – for example, whether any subsequent adjustment to the estimate of the liability should be accounted for as an adjustment to the original investment property purchase price (which ultimately would give rise to an investment property revaluation gain or loss) or as a separate provision remeasurement gain or loss in the income statement. As, going forward, the two balances operate entirely independently of each other, it was determined that they should also be accounted for separately in accordance with the requirements of their respective applicable accounting standards.

Consequently, remeasurements of both the investment property valuation and provision liability are recognised, separately, in VSM (NCGM) Limited's income statement in accordance with the requirements of IAS 40 *Investment Property* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* respectively. Remeasurements of both the investment property valuation and provision liability are reflected together as component parts of the 'profits/losses of joint ventures and associates (post-tax)' line within the Group income statement.

Key sources of estimation uncertainty

In the application of the Group's accounting policies outlined above, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and so actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Cost to establish a market in Nine Elms

The Group engages an external expert to estimate the costs to complete the market in Nine Elms, based on experience of construction to date, recent tendering activity and wider trends in relevant build costs, including inflation. In determining the appropriate liability to recognise, the reasonably possible range of outcomes estimated by the external expert is reviewed, together with an assessment of the likelihood of sensitivities, risks and opportunities inherent in this complex, long-term project materialising.

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. The estimates and judgements for both revenue and costs were based on information available at, and pertaining to, the balance sheet date, with reference to recent experience on similar properties and site-specific knowledge. Any subsequent adverse changes in market conditions may result in additional provisions being required, although it would require a fall in average house prices in excess of 10% before any additional net realisable value provisions would be required on residential development land.

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.

The tax currently payable is based on the taxable result for the year. The taxable result differs from the result as reported in the Group 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. In particular, as a property group, the effective tax rate for the year reflects the benefit of certain investment gains not being taxable because of indexation, capital allowances, land remediation and other reliefs on certain property expenditure, the utilisation of capital tax losses brought forward and the property ownership structure of the Group. The effect of these adjustments have to be estimated at the balance sheet date, based on historical corporation tax computations and the expected outcome from the preparation of the tax computations for the current year, in consultation with the Group's tax advisors.

Following the sale of the student accommodation at Swansea University Bay Campus post-year end as disclosed in note 23 and excluding certain companies in the process of being liquidated, all of the Group's subsidiaries, joint ventures and associates are subject to full UK corporation tax.

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):

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IFRS 17 *Insurance Contracts*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 7 *Disclosure Initiative*
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Amendments to IAS 40 *Transfers of Investment Property*
- Amendments to IFRSs *Annual Improvements to IFRSs 2014 – 2016 Cycle*
- Amendments to IFRSs *Annual Improvements to IFRSs 2015 – 2017 Cycle*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*

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 30 November 2019. The Group has commenced, but not yet completed its evaluation of the effect of the adoption and it is currently believed that the main impact of this will be on the Group's bad debt provision, which may increase as a result of recognising impairments on an expected loss basis. Any such increase is not expected to be material to the Group.

IFRS 15 specifies how and when the Group will recognise revenue as well as requiring the Group to provide users of financial statements with more informative, relevant disclosures in respect of revenue. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The Group has commenced, but not yet completed, its evaluation of the effect of the adoption of implementing IFRS 15, which will be effective for the Group's year ending 30 November 2019. The main impact is expected to be on certain contracts for the construction of assets, currently recognised under IAS 11 *Construction Contracts*, but this impact is not yet quantifiable. There is also expected to be an impact on an element of revenue recognition within the housebuilding business, but this is not expected to be material.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is for 12 months or fewer 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 *Leases*. This standard is not effective until the Group's year ending 30 November 2020 and as a result, the Group has not yet completed its evaluation of the effect of the adoption. However, the Group's leases currently classified as operating leases are not material.

Prior year restatement

During the year ended 30 November 2017, the presentation of lease incentive assets arising from rent-free periods, stepped rent agreements and cash tenant incentives has been reviewed and compared with industry peers. These assets were previously reported as a separate receivable on the balance sheet and deducted from the external property valuation in arriving at the reported investment properties balance. In order to better reflect the property portfolio balance reported in note 2 and to align the presentation with that adopted by many industry peers, these assets of £13.5m have been reclassified from trade and other receivables to investment properties in the year ended 30 November 2017.

As a result of this change in accounting policy, the Group balance sheet as at 30 November 2016 has been retrospectively restated in these financial statements by reclassifying £11.7m from trade and other receivables to investment properties. This restatement has had no impact on the income statement, total assets, net assets or any of the numbers or metrics disclosed in note 2.

1. Segmental information

a. Reportable segments

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:

- 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

b. Segment revenues and results

	2017			2016		
	Portfolio £m	**Housebuilding £m**	**Total £m**	Portfolio £m	Housebuilding £m	Total £m
Rental income	**61.0**	**–**	**61.0**	53.1	–	53.1
Development	**57.8**	**195.3**	**253.1**	77.8	150.0	227.8
Other income	**4.5**	**–**	**4.5**	6.8	–	6.8
Revenue	**123.3**	**195.3**	**318.6**	137.7	150.0	287.7

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

In addition to the revenue stated above, the Group recognised service charge income of £10.7m (2016: £9.4m), for which there was an equivalent expense and interest income of £8.1m (2016: £5.4m).

	2017			2016		
	Portfolio £m	**Housebuilding(1) £m**	**Total £m**	Portfolio £m	Housebuilding(1) £m	Total £m
Net rental income	**48.8**	**–**	**48.8**	40.5	–	40.5
Development profits	**20.3**	**38.6**	**58.9**	20.1	31.6	51.7
Gains on disposal of investments/investment properties	**6.7**	**–**	**6.7**	9.5	–	9.5
Investment property revaluation gains	**16.2**	**–**	**16.2**	30.3	–	30.3
Other net income	**2.0**	**–**	**2.0**	4.2	–	4.2
Losses of joint ventures and associates(2)	**(7.4)**	**–**	**(7.4)**	(18.4)	–	(18.4)
Administrative expenses	**(28.7)**	**(7.2)**	**(35.9)**	(28.5)	(4.5)	(33.0)
Allocation of administrative expenses	**3.9**	**(3.9)**	**–**	5.2	(5.2)	–
Cash finance costs(3)	**(22.9)**	**–**	**(22.9)**	(19.2)	–	(19.2)
Cash finance income(4)	**8.1**	**–**	**8.1**	5.4	–	5.4
Attributable profit	**47.0**	**27.5**	**74.5**	49.1	21.9	71.0
Other losses of joint ventures and associates(2)			**(1.1)**			(9.8)
Non-cash finance costs(3)			**(7.1)**			(3.8)
Non-cash finance income(4)			**4.0**			9.5
Profit before tax			**70.3**			66.9

(1) In the strategic report, operating profit from the housebuilding segment of £31.4m (2016: £27.1m) is stated before the allocation of administrative expenses of £3.9m (2016: £5.2m). This comprises £23.3m (2016: £15.3m) from St. Modwen Homes and £8.1m (2016: £11.8m) from the Persimmon joint venture.

(2) Stated before non-cash finance costs and income (being amortisation and movements in the fair value of derivative financial instruments) and tax of £1.1m (2016: £9.8m). These amounts are reclassified to other losses of joint ventures and associates.

(3) Cash finance costs represent interest payable on borrowings and finance lease obligations. Non-cash finance costs represent non-cash items, being amortisation, movements in the fair value of financial instruments and interest on pension scheme liabilities, as set out in note 5.

(4) Cash finance income represents interest receivable. Non-cash finance income represents non-cash items, being movements in the fair value of financial instruments and interest on pension scheme assets, as set out in note 5.

Other net income of £2.0m (2016: £4.2m) comprises revenue of £4.5m (2016: £6.8m) less associated costs of £2.5m (2016: £2.6m).

Cost of sales in respect of rental income comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and total £12.2m (2016: £12.6m), of which £0.7m (2016: £0.3m) is in respect of properties that did not generate any rental income.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 30 November 2017
continued

1. Segmental information continued

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

	2017 £m	2016 £m
Revenue	**28.0**	27.5
Cost of sales	**(23.4)**	(21.5)
Gross profit	**4.6**	6.0

Amounts recoverable on contracts as disclosed in note 12 comprise £1.0m (2016: £12.1m) of contract revenue recognised and £8.8m (2016: £3.2m) of retentions.

Contracts in progress at 30 November 2017 include the aggregate amount of costs incurred of £1.7m (2016: £17.2m), recognised profits less recognised losses to date of £1.0m (2016: £8.6m) and advances received of £3.4m (2016: £25.6m).

c. Segment assets and liabilities

	2017			2016		
	Portfolio £m	**Housebuilding £m**	**Total £m**	Portfolio £m	Housebuilding £m	Total £m
Investment property	**1,168.5**	**–**	**1,168.5**	1,144.7	–	1,144.7
Inventories	**161.1**	**191.6**	**352.7**	103.5	126.2	229.7
Investments in joint ventures and associates	**119.6**	**–**	**119.6**	184.8	–	184.8
Attributable assets	**1,449.2**	**191.6**	**1,640.8**	1,433.0	126.2	1,559.2
Operating property, plant and equipment			**5.1**			4.2
Trade and other receivables			**74.4**			112.3
Cash and cash equivalents			**0.5**			4.2
Trade and other payables			**(196.1)**			(154.1)
Derivative financial instruments			**(4.0)**			(7.2)
Borrowings and finance lease obligations			**(491.9)**			(527.4)
Tax payable			**(6.2)**			(7.1)
Deferred tax			**(16.6)**			(22.0)
Net assets			**1,006.0**			962.1

Investment and commercial property assets as defined in our banking facility agreement at 30 November 2017 were £958.2m (2016: £873.1m).

2. Non-statutory information

The purpose of this note is to explain, analyse and reconcile a number of non-statutory financial performance and financial position metrics, which are used extensively by the Group to monitor its performance. These metrics reflect the way in which the Group is run, that the Group is in the real estate sector, and in particular that the Group reviews and reports performance of its joint ventures and associates in the same way as it would if they were subsidiaries. This means that proportionally consolidated measures (often referred to as see-through in the strategic report) are particularly relevant whilst also having the benefit of removing the taxation effects on equity accounted entities from the statutory profit before tax figure. A number of these measures are explained below:

Profit before all tax (see note 2a): This proportionally consolidated measure adjusts profit before tax to remove taxation on joint venture and associate profits from the profit before tax figure and as such, Group profit before tax of £70.3m (2016: £66.9m) can be reconciled to profit before all tax of £67.0m (2016: £60.8m) by adjusting profit before tax for the tax credit relating to joint ventures and associates of £3.3m (2016: £6.1m).

Trading profit (see note 2a): Trading profit is derived similarly to profit before all tax, but is stated before the principal non-cash income statement items included in this measure, being revaluation gains and losses, changes in the estimate of the obligation to establish the new Covent Garden flower market and non-cash financing charges. For a property group with a low depreciation charge and no intangible amortisation charge, this therefore represents a more useful measure than the EBITDA alternative performance measure used by many other companies. A trading cash flow measure is also discussed in note 2f, which represents cash flows before the non-trading items of finance leases, net borrowings and dividends.

Property profits (see note 2a): This measure represents proportionally consolidated development profits plus proportionally consolidated gains on disposals of investment properties and therefore, like profit before all tax, ostensibly represents the proportionally consolidated amounts in respect of these two income statement lines, after an adjustment for net realisable value provisions.

Total accounting return (see note 2e): The Group's shareholders measure their returns in terms of both the Group's growth and the dividend return and total accounting return combines these two items. Whilst this is often measured by Total Shareholder Return which combines share price growth and dividend return, in the real estate sector, it is also insightful to consider net asset growth, which therefore directly reflects the most recent valuation of assets.

The Group's definition of total accounting return was revised in the year so that it now represents the movement in net asset value per share for the year plus dividends paid per share during the year, expressed as a percentage of net asset value per share at the start of the year. Previously, this measure was defined using EPRA net asset value rather than net asset value. This change reflects that the Group's strategy includes the repositioning and recycling of the Group's portfolio towards sectors with strong structural growth, whereas the EPRA model assumes that properties are retained.

In particular, the disposal of a property for its carrying value in the financial statements and the resulting payment of its recognised deferred tax liability does not result in a change in net assets, but does result in a decrease in EPRA net assets because the deferred tax that crystallises on disposal is no longer adjusted for in arriving at EPRA net assets. Note 2e sets out a total accounting return of 6.0% (2016: 5.6%) using the revised definition. Under the previous definition, total accounting return would have been 3.6% (2016: 4.5%).

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:

	2017			2016		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Gross rental income	**61.0**	**6.6**	**67.6**	53.1	7.7	60.8
Property outgoings	**(12.2)**	**(1.6)**	**(13.8)**	(12.6)	(2.3)	(14.9)
Net rental income	**48.8**	**5.0**	**53.8**	40.5	5.4	45.9
Development profits[(1)(2)]	**53.7**	**0.9**	**54.6**	47.5	–	47.5
Gains on disposal of investments/investment properties	**6.7**	**0.7**	**7.4**	9.5	0.5	10.0
Other net income	**2.0**	**–**	**2.0**	4.2	–	4.2
Administrative expenses[(2)]	**(28.7)**	**(0.3)**	**(29.0)**	(28.5)	(0.8)	(29.3)
Cash finance costs[(3)]	**(22.9)**	**(9.7)**	**(32.6)**	(19.2)	(9.2)	(28.4)
Cash finance income[(4)]	**8.1**	**0.3**	**8.4**	5.4	0.8	6.2
Trading profit/(loss)	**67.7**	**(3.1)**	**64.6**	59.4	(3.3)	56.1
Investment property revaluation gains/(losses)[(1)]	**14.2**	**20.4**	**34.6**	30.0	(25.9)	4.1
Change in estimated cost to establish a market in Nine Elms	**–**	**(24.6)**	**(24.6)**	–	–	–
Non-cash finance costs[(3)]	**(7.1)**	**(5.3)**	**(12.4)**	(3.8)	(5.8)	(9.6)
Non-cash finance income[(4)]	**4.0**	**0.8**	**4.8**	9.5	0.7	10.2
Profit/(loss) before all tax	**78.8**	**(11.8)**	**67.0**	95.1	(34.3)	60.8
Taxation	**(10.2)**	**3.3**	**(6.9)**	(13.3)	6.1	(7.2)
Profit/(loss) for the year	**68.6**	**(8.5)**	**60.1**	81.8	(28.2)	53.6
Effective tax rate	**12.9%**	**28.0%**	**10.3%**	14.0%	17.8%	11.8%

(1) Stated before the deduction of net realisable valuation provisions within the Group of £2.0m (2016: £0.3m). These are reclassified to investment property revaluation gains.

(2) Stated after the deduction of overheads directly attributable to the housebuilding business within the Group of £7.2m (2016: £4.5m). These are reclassified from administrative expenses. Of the £53.7m (2016: £47.5m) of development profits within the Group, £31.4m (2016: £27.1m) is attributable to the housebuilding segment, as set out in note 1.

(3) Cash finance costs represent interest payable on borrowings and finance lease obligations. Non-cash finance costs represent non-cash items, being amortisation, movements in the fair value of financial instruments and interest on pension scheme liabilities, as set out in note 5.

(4) Cash finance income represents interest receivable. Non-cash finance income represents non-cash items, being movements in the fair value of financial instruments and interest on pension scheme assets, as set out in note 5.

2. Non-statutory information continued

b. Property valuations

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

	2017			2016		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Property revaluation gains/(losses)	**16.2**	**20.4**	**36.6**	30.3	(25.9)	4.4
Net realisable value provisions	**(2.0)**	**–**	**(2.0)**	(0.3)	–	(0.3)
Property valuation gains/(losses)	**14.2**	**20.4**	**34.6**	30.0	(25.9)	4.1

c. Balance sheet

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

	2017			2016		
	Group £m	Joint ventures and associate £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Property portfolio	**1,516.0**	**148.0**	**1,664.0**	1,370.5	381.8	1,752.3
Other assets	**85.5**	**82.0**	**167.5**	122.0	40.5	162.5
Gross assets	**1,601.5**	**230.0**	**1,831.5**	1,492.5	422.3	1,914.8
Net borrowings	**(433.8)**	**45.6**	**(388.2)**	(470.0)	(47.0)	(517.0)
Finance leases	**(57.0)**	**(0.9)**	**(57.9)**	(56.8)	(0.9)	(57.7)
Other liabilities	**(224.3)**	**(155.1)**	**(379.4)**	(188.4)	(189.6)	(378.0)
Gross liabilities	**(715.1)**	**(110.4)**	**(825.5)**	(715.2)	(237.5)	(952.7)
Net assets	**886.4**	**119.6**	**1,006.0**	777.3	184.8	962.1
Non-controlling interests	**(5.7)**	**–**	**(5.7)**	(6.9)	–	(6.9)
Equity attributable to owners of the Company	**880.7**	**119.6**	**1,000.3**	770.4	184.8	955.2

d. Property portfolio

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

	2017			2016 (restated)		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment properties	**1,168.5**	**139.7**	**1,308.2**	1,144.7	376.3	1,521.0
Less assets held under finance leases not subject to revaluation	**(5.2)**	**(0.9)**	**(6.1)**	(3.9)	(0.9)	(4.8)
Inventories	**352.7**	**9.2**	**361.9**	229.7	6.4	236.1
Property portfolio	**1,516.0**	**148.0**	**1,664.0**	1,370.5	381.8	1,752.3

As at 30 November 2017 the Group had assets of £354.8m (2016: £328.3m) included within the Group property portfolio (excluding joint ventures and associates) which were wholly owned, unencumbered and able to be pledged as security for the Group's debt facilities.

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

	2017			2016		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Industrial and logistics	**244.2**	**61.6**	**305.8**	224.3	59.2	283.5
Retail	**328.7**	**14.1**	**342.8**	327.9	14.3	342.2
Residential and other	**187.9**	**7.0**	**194.9**	151.6	9.4	161.0
Income producing property	**760.8**	**82.7**	**843.5**	703.8	82.9	786.7
Residential assets	**504.1**	**57.1**	**561.2**	460.2	281.8	742.0
Commercial assets	**251.1**	**8.2**	**259.3**	206.5	17.1	223.6
Property portfolio	**1,516.0**	**148.0**	**1,664.0**	1,370.5	381.8	1,752.3

e. Total accounting return

Total accounting return is calculated as set out below:

	2017 Pence per share	2016 Pence per share
Net asset value per share at end of year (note 3)	**450.9**	431.0
Less net asset value per share at start of year (note 3)	**(431.0)**	(413.5)
Increase in net asset value per share	**19.9**	17.5
Dividend paid per share (note 8)	**6.1**	5.8
Total accounting return per share	**26.0**	23.3
Total accounting return	**6.0%**	5.6%

2. Non-statutory information continued

f. Trading cash flow

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

	2017					
	Operating activities £m	**Investing activities £m**	**Financing activities £m**	**Total £m**	**Joint ventures and associates £m**	**Total £m**
Net rent and other income	**50.8**	**–**	**–**	**50.8**	**5.0**	**55.8**
Property disposals	**260.8**	**60.1**	**–**	**320.9**	**258.8**	**579.7**
Property acquisitions	**(50.8)**	**(17.5)**	**–**	**(68.3)**	**–**	**(68.3)**
Property expenditure	**(246.8)**	**(44.1)**	**–**	**(290.9)**	**(15.5)**	**(306.4)**
Working capital and other movements	**53.5**	**(3.4)**	**–**	**50.1**	**(80.1)**	**(30.0)**
Overheads and interest	**(36.0)**	**12.3**	**(26.1)**	**(49.8)**	**(9.7)**	**(59.5)**
Taxation	**(16.2)**	**–**	**–**	**(16.2)**	**(7.8)**	**(24.0)**
Trading cash flow	**15.3**	**7.4**	**(26.1)**	**(3.4)**	**150.7**	**147.3**
Finance leases	**–**	**–**	**(3.3)**	**(3.3)**	**–**	**(3.3)**
Net borrowings	**–**	**–**	**(39.9)**	**(39.9)**	**(21.7)**	**(61.6)**
Net dividends	**–**	**58.1**	**(15.2)**	**42.9**	**(58.1)**	**(15.2)**
Movement in cash and cash equivalents	**15.3**	**65.5**	**(84.5)**	**(3.7)**	**70.9**	**67.2**

	2016					
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m	Joint ventures and associates £m	Total £m
Net rent and other income	44.7	–	–	44.7	5.4	50.1
Property disposals	244.9	64.3	–	309.2	25.1	334.3
Property acquisitions	–	(38.5)	–	(38.5)	–	(38.5)
Property expenditure	(208.8)	(52.1)	–	(260.9)	(10.1)	(271.0)
Working capital and other movements	(25.3)	–	–	(25.3)	3.8	(21.5)
Overheads and interest	(32.3)	5.4	(20.7)	(47.6)	(9.2)	(56.8)
Taxation	(10.7)	–	–	(10.7)	(1.0)	(11.7)
Trading cash flow	12.5	(20.9)	(20.7)	(29.1)	14.0	(15.1)
Finance leases	–	–	0.6	0.6	(0.3)	0.3
Net borrowings	–	–	26.5	26.5	(2.8)	23.7
Net dividends	–	14.3	(12.9)	1.4	(14.3)	(12.9)
Movement in cash and cash equivalents	12.5	(6.6)	(6.5)	(0.6)	(3.4)	(4.0)

Cash generated (before new investment, tax and dividends) of £542.7m (2016: £306.4m) is derived from the tables above by adjusting trading cash flow to exclude property acquisitions, property expenditure and taxation and to include finance leases.

g. Movement in net debt

The movement in net debt is set out below:

	2017 £m	2016 £m
Movement in cash and cash equivalents	**(3.7)**	(0.6)
Borrowings drawn	**(209.2)**	(160.5)
Repayment of borrowings	**249.1**	134.0
Decrease/(increase) in net borrowings	**36.2**	(27.1)
Fair value movement on convertible bond	**(4.2)**	7.7
Finance leases	**(0.2)**	(1.7)
Decrease/(increase) in net debt	**31.8**	(21.1)

h. Net borrowing and net debt

Net borrowing and net debt are calculated as set out below:

	2017			2016		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Cash and cash equivalents	**0.5**	**74.6**	**75.1**	4.2	3.7	7.9
Bank overdraft	**–**	**(4.5)**	**(4.5)**	–	(1.6)	(1.6)
Borrowings due after more than one year	**(434.9)**	**(24.5)**	**(459.4)**	(470.6)	(49.1)	(519.7)
Adjustment to restate convertible bond at book value	**0.6**	**–**	**0.6**	(3.6)	–	(3.6)
Net borrowings	**(433.8)**	**45.6**	**(388.2)**	(470.0)	(47.0)	(517.0)
Reversal of adjustment to restate convertible bond at book value	**(0.6)**	**–**	**(0.6)**	3.6	–	3.6
Finance lease liabilities due within one year	**(0.6)**	**–**	**(0.6)**	(0.4)	–	(0.4)
Finance lease liabilities due after more than one year	**(56.4)**	**(0.9)**	**(57.3)**	(56.4)	(0.9)	(57.3)
Net debt	**(491.4)**	**44.7**	**(446.7)**	(523.2)	(47.9)	(571.1)

2. Non-statutory information continued

i. Gearing and loan-to-value

The Group's capacity to borrow is primarily linked to the value of the property portfolio excluding assets held under finance leases. Accordingly both adjusted gearing and see-through loan-to-value are calculated using the comparable measure of net borrowings and see-through net borrowings respectively. Reflecting that residential assets are less attractive for security purposes, we also disclose see-through loan-to-value (excluding residential) using the comparable measure of see-through net borrowings. These terms are defined as follows:

Net borrowings: total borrowings (at amortised cost and excluding finance leases and fair value movements on the Group's convertible bond) less cash and cash equivalents.

See-through net borrowings: total borrowings (at amortised cost excluding finance leases and fair value movements on the Group's convertible bond) less cash and cash equivalents (including the Group's share of its joint ventures and associates). This includes the development account beneficially owned by one of our joint ventures VSM (NGCM) Limited, held for the purpose of funding the establishment of a market at Nine Elms, which would otherwise need to be funded by injecting cash into the joint venture in the future.

Adjusted gearing: the ratio of net borrowings to total equity.

See-through loan-to-value: see-through net borrowings expressed as a percentage of the Group's property portfolio excluding valued assets held under finance leases, calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

See-through loan-to-value (excluding residential): see-through net borrowings expressed as a percentage of the Group's property portfolio excluding valued assets held under finance leases and residential land and developments, calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

	2017			2016		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2d)	**1,516.0**	**148.0**	**1,664.0**	1,370.5	381.8	1,752.3
Less valued assets held under finance leases	**(59.0)**	**–**	**(59.0)**	(57.8)	–	(57.8)
Net property portfolio	**1,457.0**	**148.0**	**1,605.0**	1,312.7	381.8	1,694.5
Less residential assets (note 2d)	**(504.1)**	**(57.1)**	**(561.2)**	(460.2)	(281.8)	(742.0)
Net property portfolio (excluding residential)	**952.9**	**90.9**	**1,043.8**	852.5	100.0	952.5
Total equity	**1,006.0**	**N/A**	**1,006.0**	962.1	N/A	962.1
Net debt (note 2h)	**491.4**	**(44.7)**	**446.7**	523.2	47.9	571.1
Net borrowings (note 2h)	**433.8**	**(45.6)**	**388.2**	470.0	47.0	517.0
Gearing	**48.8%**		**44.4%**	54.4%		59.4%
Adjusted gearing	**43.1%**		**38.6%**	48.9%		53.7%
Loan-to-value	**29.8%**		**24.2%**	35.8%		30.5%
Loan-to-value (excluding residential)	**N/A**		**37.2%**	N/A		54.3%

3. EPRA performance measures

This note sets out two performance measures of the European Public Real Estate Association (EPRA), calculated in accordance with their Best Practices Recommendations (BPR). These measures are intended to provide comparability and are explained in detail below:

EPRA earnings (see note 3a): For investors of real estate companies, a key measure of ongoing operational performance and the extent to which dividend payments are underpinned by earnings is the level of income arising from operational activities. EPRA earnings exclude unrealised valuation movements and profits on disposal to provide an indicator of the leasing and property management performance of a business.

Adjusted EPRA earnings (see note 3a): Whilst EPRA earnings provides a comparable measure for investors, it is not a relevant measure for housebuilders as it excludes all profits from such activity. On the basis that these profits are realised in cash and represent a core ongoing activity for the Group, a company specific adjustment is made to EPRA earnings in respect of this profit. Furthermore, the amortisation of loan arrangement fees represents a non-cash interest charge on an ongoing basis and therefore a further company specific adjustment is made for this. After adjusting these two items for tax, EPRA earnings can be reconciled to adjusted EPRA earnings, which provides a relevant cash-based profit measure that underpins the dividend policy of the Group.

EPRA net asset value (see note 3b): The objective of EPRA net asset value is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of derivative financial instruments and deferred taxes on property valuation surpluses are therefore excluded, which facilitates a more objective comparison with peer companies.

a. Adjusted EPRA earnings

Adjusted EPRA earnings is calculated as set out below:

	2017			2016		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Profit for the year	**68.6**	**(8.5)**	**60.1**	81.8	(28.2)	53.6
Less non-controlling interests	**(0.5)**	**–**	**(0.5)**	(0.2)	–	(0.2)
Profit for the year	**68.1**	**(8.5)**	**59.6**	81.6	(28.2)	53.4
Investment property revaluation (gains)/losses	**(16.2)**	**(20.4)**	**(36.6)**	(30.3)	25.9	(4.4)
Gains on disposal of investments/investment properties	**(6.7)**	**(0.7)**	**(7.4)**	(9.5)	(0.5)	(10.0)
Change in estimated cost to establish a market in Nine Elms(1)	**–**	**24.6**	**24.6**	–	–	–
Development profits(2)	**(51.7)**	**(0.9)**	**(52.6)**	(47.2)	–	(47.2)
Fee income(3)	**3.8**	**–**	**3.8**	2.1	–	2.1
Amortisation of discount on deferred payment arrangements(4)	**0.3**	**4.9**	**5.2**	0.4	5.2	5.6
Taxation in respect of profits or losses on disposal	**13.7**	**14.2**	**27.9**	9.0	–	9.0
Movement in fair value of financial instruments	**1.1**	**(0.8)**	**0.3**	(7.2)	(0.4)	(7.6)
Deferred tax in respect of EPRA adjustments	**(5.0)**	**(18.0)**	**(23.0)**	3.6	(6.0)	(2.4)
Non-controlling interests in respect of the above	**0.4**	**–**	**0.4**	0.1	–	0.1
EPRA earnings	**7.8**	**(5.6)**	**2.2**	2.6	(4.0)	(1.4)
Residential development profits	**31.4**	**–**	**31.4**	27.1	–	27.1
Amortisation of loan arrangement fees	**1.8**	**0.4**	**2.2**	1.2	0.3	1.5
Taxation in respect of company specific adjustments	**(6.3)**	**(0.1)**	**(6.4)**	(5.6)	(0.1)	(5.7)
Adjusted EPRA earnings	**34.7**	**(5.3)**	**29.4**	25.3	(3.8)	21.5

(1) The change in estimated cost to establish a market in Nine Elms represents a loss on property development and therefore forms part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.

(2) Development profits exclude overheads directly attributable to the residential housebuilding business as these form part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.

(3) Fee income is included within development profits, but does not meet the definition of profits or losses on sale of trading properties and is therefore not adjusted in arriving at EPRA earnings.

(4) The unwinding of discounts on deferred payment arrangements are linked to the disposal of either investment properties or inventory and are therefore adjusted in arriving at EPRA earnings.

3. EPRA performance measures continued

Whilst the BPR defines EPRA earnings with reference to adjustments to the reported profit for the year, it can also be presented in the form of an income statement, comprising those items in the income statement not adjusted for in the reconciliation above:

	2017			2016		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Net rental income	48.8	5.0	53.8	40.5	5.4	45.9
Fee income	3.8	–	3.8	2.1	–	2.1
Other net income	2.0	–	2.0	4.2	–	4.2
Administrative expenses	(28.7)	(0.3)	(29.0)	(28.5)	(0.8)	(29.3)
Finance costs(1)	(25.5)	(10.1)	(35.6)	(21.3)	(9.8)	(31.1)
Finance income(2)	9.0	0.3	9.3	6.4	1.1	7.5
Taxation in respect of EPRA earnings measures	(1.5)	(0.5)	(2.0)	(0.7)	0.1	(0.6)
Non-controlling interests in respect of the above	(0.1)	–	(0.1)	(0.1)	–	(0.1)
EPRA earnings	7.8	(5.6)	2.2	2.6	(4.0)	(1.4)
Housebuilding development profit	31.4	–	31.4	27.1	–	27.1
Amortisation of loan arrangement fees	1.8	0.4	2.2	1.2	0.3	1.5
Taxation in respect of company specific adjustments	(6.3)	(0.1)	(6.4)	(5.6)	(0.1)	(5.7)
Adjusted EPRA earnings	34.7	(5.3)	29.4	25.3	(3.8)	21.5

(1) Finance costs for the purposes of EPRA earnings exclude movements in the fair value of financial instruments and amortisation of discount on deferred payment arrangements, as set out in note 5.

(2) Finance income for the purposes of EPRA earnings excludes movements in the fair value of financial instruments, as set out in note 5.

	2017			2016		
	£m	Pence per share(1)	Percentage movement	£m	Pence per share(1)	Percentage movement
Earnings	59.6	26.9	11.6%	53.4	24.1	N/A
EPRA earnings	2.2	1.0	(266.7)%	(1.4)	(0.6)	N/A
Adjusted EPRA earnings	29.4	13.3	37.1%	21.5	9.7	N/A

(1) The number of shares in issue used to calculate the earnings per share is 221,697,244 (2016: 221,368,096), as disclosed in note 7, excluding those shares held by The St. Modwen Properties PLC Employee Share Trust.

b. EPRA net asset value

EPRA net asset value is calculated as set out below:

	2017			2016		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Total equity	886.4	119.6	1,006.0	777.3	184.8	962.1
Less non-controlling interests	(5.7)	–	(5.7)	(6.9)	–	(6.9)
Net asset value	880.7	119.6	1,000.3	770.4	184.8	955.2
Adjustments of inventories to fair value	16.2	0.2	16.4	13.6	–	13.6
EPRA triple net asset value	896.9	119.8	1,016.7	784.0	184.8	968.8
Deferred tax on capital allowances and revaluations	18.8	4.2	23.0	24.5	23.4	47.9
Mark-to-market of derivative financial instruments	5.0	0.7	5.7	2.4	1.4	3.8
EPRA net asset value	920.7	124.7	1,045.4	810.9	209.6	1,020.5

	2017			2016		
	£m	Pence per share[(1)]	Percentage movement	£m	Pence per share[(1)]	Percentage movement
Net asset value	**1,000.3**	**450.9**	**4.6%**	955.2	431.0	4.2%
EPRA triple net asset value	**1,016.7**	**458.3**	**4.8%**	968.8	437.2	4.4%
EPRA net asset value	**1,045.4**	**471.2**	**2.3%**	1,020.5	460.5	3.2%

(1) The number of shares in issue used to calculate the net asset values per share is 221,857,082 (2016: 221,607,654), as disclosed in note 18, excluding those shares held by The St. Modwen Properties PLC Employee Share Trust.

4. Other income statement disclosures

a. Administrative expenses

Administrative expenses have been arrived at after charging:

	2017 £m	2016 £m
Depreciation	**1.1**	0.7
Operating lease costs	**1.3**	1.5

b. Auditor's remuneration

The table below sets out the fees payable to the Company's auditor and their associates for the following services:

	2017			2016		
	Audit and audit-related services £'000	Other services £'000	Total £'000	Audit and audit-related services £'000	Other services £'000	Total £'000
The audit of the Company's annual report and financial statements	**125**	**–**	**125**	130	–	130
The audit of the Company's subsidiaries and joint ventures	**175**	**–**	**175**	250	–	250
Total audit fees	**300**	**–**	**300**	380	–	380
Audit-related assurance services	**50**	**–**	**50**	67	–	67
Other assurance services	**–**	**–**	**–**	25	–	25
Property consulting	**–**	**–**	**–**	–	20	20
Other	**–**	**–**	**–**	–	2	2
Total non-audit fees	**50**	**–**	**50**	92	22	114
Total fees	**350**	**–**	**350**	472	22	494

The Group continues to monitor the provision of audit and other services by the auditor. Fees charged for other services in 2017 were 0% (2016: 5%) 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, as long as such services are permissible under the Audit Regulations.

Fees in 2017 are payable to KPMG LLP and fees in 2016 were payable to Deloitte LLP.

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:

	2017 Number	2016 Number
Property and administration	**379**	301
Leisure and other activities	**53**	44
Total employees	**432**	345

4. Other income statement disclosures continued

The total payroll costs of these employees were:

	2017 £m	2016 £m
Wages and salaries	**29.1**	20.1
Social security costs	**3.5**	2.8
Pension costs	**0.9**	0.8
Total payroll costs	**33.5**	23.7

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 price equal to the market price at the date of grant. Employees must ordinarily remain in service for a period of three years from the date of grant before exercising their ESOS awards. The option 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.

	2017			2016		
		Weighted average price			Weighted average price	
	Number of options	All options £	Excluding PSP £	Number of options	All options £	Excluding PSP £
Outstanding at start of year	**7,686,602**	**2.27**	**2.83**	6,090,088	2.33	2.89
Granted	**1,870,261**	**2.78**	**3.52**	3,045,446	1.70	2.68
Forfeited	**(687,501)**	**1.43**	**3.25**	(637,445)	2.42	3.64
Exercised	**(1,702,149)**	**1.68**	**2.11**	(811,487)	0.67	1.68
Outstanding at end of year	**7,167,213**	**2.63**	**3.15**	7,686,602	2.27	2.83
Exercisable at year end	**2,051,181**	**2.73**	**2.73**	2,537,505	2.18	2.18

Share options are priced using a Black-Scholes valuation model. The aggregate of the fair values calculated and the assumptions used for share options granted during the year are as follows:

	Aggregate of fair values £m	Risk-free interest rate %	Expected volatility %	Dividend yield %	Share price[1] £
30 November 2017	**1.9**	**0.3-0.5**	**28.6-33.1**	**1.1**	**3.37-3.57**
30 November 2016	3.2	0.1-0.3	22.3-32.9	1.1	2.69-3.23

(1) Based on the closing share price on the date of grant.

The charge to the Group income statement during the year in respect of share-based payments was £1.8m (2016: £1.6m).

The fair value of the share incentive reserve in respect of share options outstanding at the year end was £5.1m (2016: £4.9m) and included £1.9m (2016: £2.2m) in respect of options that had vested at the year end.

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

The weighted average share price at the date of exercise was £3.69 (2016: £2.76). The share options outstanding under the ESOS at the year end had a range of exercise prices between £1.56 and £4.74 (2016: £1.78 and £4.75) with all PSP options exercisable at £nil (2016: £nil). Outstanding options had a weighted average maximum remaining contractual life of 6.1 years (2016: 5.8 years).

5. Finance costs and finance income

	2017 £m	2016 £m
Interest payable on borrowings	**20.8**	18.1
Interest payable on finance lease obligations	**2.1**	1.1
Amortisation of loan arrangement fees	**1.8**	1.2
Amortisation of discount on deferred payment arrangements	**0.3**	0.4
Movement in fair value of convertible bond	**4.2**	–
Movement in fair value of derivative financial instruments	**–**	1.3
Interest on pension scheme liabilities	**0.8**	0.9
Total finance costs	**30.0**	23.0

	2017 £m	2016 £m
Interest receivable	**8.1**	5.4
Movement in fair value of convertible bond	**–**	7.7
Movement in fair value of derivative financial instruments	**3.1**	0.8
Interest income on pension scheme assets	**0.9**	1.0
Total finance income	**12.1**	14.9

6. Taxation

a. Tax on profit on ordinary activities

The tax charge in the Group income statement is as follows:

	2017 £m	2016 £m
Current tax		
Current year tax	**12.7**	11.9
Adjustments in respect of previous years	**2.6**	(5.2)
Total current tax	**15.3**	6.7
Deferred tax		
Impact of current year revaluations and indexation	**(2.6)**	2.9
Net use of tax losses	**–**	0.5
Other temporary differences	**1.2**	1.1
Change in rate for provision of deferred tax	**(2.4)**	–
Adjustments in respect of previous years	**(1.3)**	2.1
Total deferred tax	**(5.1)**	6.6
Total tax charge in the Group income statement	**10.2**	13.3

Following the sale of the student accommodation at Swansea University Bay Campus post-year end as disclosed in note 23 and excluding certain companies in the process of being liquidated, all of the Group's subsidiaries, joint ventures and associates are subject to full UK corporation tax.

6. Taxation continued

b. Reconciliation of effective tax rate

	2017 £m	2016 £m
Profit before tax	**70.3**	66.9
Less losses of joint ventures and associates (post-tax)	**8.5**	28.2
Pre-tax profit attributable to the Group	**78.8**	95.1
Corporation tax at 19.33% (2016: 20.00%)	**15.2**	19.0
Effect of non-deductible expenses and non-chargeable income	**0.1**	0.5
Impact of indexation on investment property	**(4.0)**	(3.1)
Change in rate used for provision of deferred tax	**(2.4)**	–
Current year charge	**8.9**	16.4
Adjustments in respect of previous years	**1.3**	(3.1)
Tax charge for the year	**10.2**	13.3
Effective rate of tax	**12.9%**	14.0%

The post-tax results of joint ventures and associates are stated after a tax credit of £3.3m (2016: a credit of £6.1m). The effective tax rate for the Group including joint ventures and associates is a charge of 10.3% (2016: 11.8%).

Legislation substantively enacted at 30 November 2017 included provisions which reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. Current tax has therefore been provided 19.33% and deferred tax at rates from 17% to 19%. The £2.4m credit due to the change in rate used for the provision of deferred tax is predominantly due to reflecting the deferred tax arising on the majority of the investment property portfolio at the long-term rate of 17% rather than the previously used rate of 19%.

c. Balance sheet

	2017		2016	
	Current tax £m	**Deferred tax £m**	Current tax £m	Deferred tax £m
Balance at start of the year	**7.1**	**22.0**	11.1	15.4
Charged to the Group income statement	**15.3**	**(5.1)**	6.7	6.6
Recognised within the Group statement of changes in equity	**–**	**(0.3)**	–	–
Net payment	**(16.2)**	**–**	(10.7)	–
Balance at end of the year	**6.2**	**16.6**	7.1	22.0

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

	2017			2016		
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Property revaluations	**–**	**13.8**	**13.8**	–	19.4	19.4
Capital allowances	**–**	**5.0**	**5.0**	–	5.1	5.1
Appropriations to trading stock	**–**	**0.3**	**0.3**	–	0.3	0.3
Other temporary differences	**(2.5)**	**–**	**(2.5)**	(2.8)	–	(2.8)
Total deferred tax	**(2.5)**	**19.1**	**16.6**	(2.8)	24.8	22.0

At the balance sheet date, the Group has unused tax losses in relation to 2017 and prior years of £0.5m (2016: £0.8m), of which £nil (2016: £nil) has been recognised as a deferred tax asset. A deferred tax asset of £0.5m (2016: £0.8m) 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. These unrecognised losses arise predominantly from pre-acquisition activity or within connected parties, for which group relief is not available.

7. Earnings per share

	2017 Number of shares	2016 Number of shares
Weighted number of shares in issue	**221,697,244**	221,368,096
Weighted number of diluted shares relating to the convertible bond	–	18,888,595
Weighted number of diluted shares relating to share options	**1,832,311**	1,923,809
Weighted number of shares for the purposes of diluted earnings per share	**223,529,555**	242,180,500

	2017 £m	2016 £m
Earnings for the purposes of basic earnings per share, being profit for the year attributable to owners of the Company	**59.6**	53.4
Effect of dilutive potential ordinary shares:		
Interest on convertible bond (net of tax)	–	2.3
Movement in fair value of the convertible bond	–	(7.7)
Earnings for the purposes of diluted earnings per share	**59.6**	48.0

	2017 Pence	2016 Pence
Basic earnings per share	**26.9**	24.1
Diluted earnings per share	**26.7**	19.8

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

Note 3 sets out details of EPRA and adjusted EPRA earnings per share.

8. Dividends

Dividends paid during the year were in respect of the final dividend for 2016 and interim dividend for 2017. The proposed final dividend of 4.26 pence per share is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements.

	2017		2016	
	Pence per share	£m	Pence per share	£m
Paid				
Final dividend in respect of previous year	**4.06**	**9.0**	3.85	8.5
Interim dividend in respect of current year	**2.02**	**4.5**	1.94	4.3
Total paid	**6.08**	**13.5**	5.79	12.8
Proposed				
Current year final dividend	**4.26**	**9.5**	4.06	9.0

The St. Modwen Properties PLC Employee Share Trust waives its entitlement to dividends with the exception of 0.01 pence per share.

9. Investment property

a. Fair value reconciliation

	Freehold investment properties £m	Leasehold investment properties £m	Total £m
At 30 November 2015 (restated)	971.7	121.2	1,092.9
Property acquisitions	38.5	–	38.5
Additions	50.7	0.8	51.5
Net transfers to inventories (note 13)	(13.3)	–	(13.3)
Disposals	(51.3)	(3.7)	(55.0)
Movement in lease incentives	0.3	(0.5)	(0.2)
Gain on revaluation	24.0	6.3	30.3
At 30 November 2016 (restated)	**1,020.6**	**124.1**	**1,144.7**
Property acquisitions	**24.8**	**–**	**24.8**
Additions	**42.7**	**2.8**	**45.5**
Net transfers to inventories (note 13)	**(3.0)**	**–**	**(3.0)**
Disposals	**(58.1)**	**(2.8)**	**(60.9)**
Movement in lease incentives	**1.5**	**(0.3)**	**1.2**
Gain on revaluation	**16.2**	**–**	**16.2**
At 30 November 2017	**1,044.7**	**123.8**	**1,168.5**

Investment properties were valued at 30 November 2017 and 30 November 2016 by 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 30 November 2017 was £927.8m (2016 (restated): £891.3m).

As at 30 November 2017, £790.2m (2016: £800.5m) of investment property was pledged as security for the Group's loan facilities. This security has subsequently been released as part of the Group's refinancing to move to unsecured facilities in December 2017, as disclosed in note 23.

Included within investment properties are £64.2m (2016: £61.7m) of assets held under finance leases.

b. Fair value measurement disclosures

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 investment properties measured subsequent to initial recognition at fair value:

		2017 £m	2016 (restated) £m
Income producing properties	Level 3	**722.5**	701.4
Residential assets	Level 3	**301.5**	319.1
Commercial assets	Level 3	**139.3**	120.3
Assets held under finance leases[1]	N/A	**5.2**	3.9
Investment property		**1,168.5**	1,144.7

(1) £5.2m (2016: £3.9m) of the Group's assets held under finance leases are not subject to valuation. 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

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 (ERV). The resulting valuations are cross checked against the resulting initial yields and, for certain assets, the land value underpin if the assets were to be redeveloped.

Equivalent yields and ERV are considered to be unobservable inputs and details of the aggregate ERV and weighted average equivalent yields used for each category of income producing properties is provided in the following table:

	Fair value at 30 November 2017 £m	Aggregate ERV High yielding properties £m	Aggregate ERV Investment portfolio £m	Weighted average equivalent yield High yielding properties %	Weighted average equivalent yield Investment portfolio %
Industrial and logistics	**243.5**	**14.8**	**5.9**	**8.5**	**6.9**
Retail	**326.0**	**9.8**	**16.7**	**9.6**	**6.8**
Residential and other	**153.0**	**0.2**	**8.2**	**7.5**	**5.1**
Total income producing properties	**722.5**				

	Fair value at 30 November 2016 £m	Aggregate ERV High yielding properties £m	Aggregate ERV Investment portfolio £m	Weighted average equivalent yield High yielding properties %	Weighted average equivalent yield Investment portfolio %
Industrial and logistics	223.7	18.6	6.0	8.7	6.9
Retail	327.9	9.6	17.0	9.0	6.6
Residential and other	149.8	0.8	8.8	9.8	5.4
Total income producing properties	701.4				

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 aggregate ERVs and weighted average equivalent yields provided above are disclosed for those assets held by the Group excluding 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.

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 inter-relationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

Residential assets

Residential assets are 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 in the following table:

	Fair value £m	Sales price per sq ft £	Build costs per sq ft £	Profit margin %
At 30 November 2017	**301.5**	**148-345**	**85-120**	**20.0**
At 30 November 2016	319.1	144-310	83-110	20.0

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 inter-relationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

Commercial assets

Commercial assets are valued on a land value per acre basis 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 in the following table:

	Fair value £m	Land value per acre £'000
At 30 November 2017	**139.3**	**75-600**
At 30 November 2016	120.3	75-500

All other things being equal, a higher value per acre would lead to an increase in the valuation of an asset and vice versa.

10. Operating property, plant and equipment

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30 November 2015	4.5	6.0	10.5
Additions	–	0.6	0.6
Disposals	–	(0.1)	(0.1)
At 30 November 2016	**4.5**	**6.5**	**11.0**
Additions	**0.3**	**1.7**	**2.0**
Disposals	**–**	**(0.1)**	**(0.1)**
At 30 November 2017	**4.8**	**8.1**	**12.9**
Depreciation			
At 30 November 2015	1.1	5.2	6.3
Charge for the year	–	0.7	0.7
Disposals	–	(0.2)	(0.2)
At 30 November 2016	**1.1**	**5.7**	**6.8**
Charge for the year	**0.4**	**0.7**	**1.1**
Disposals	**–**	**(0.1)**	**(0.1)**
At 30 November 2017	**1.5**	**6.3**	**7.8**
Net book value			
At 30 November 2015	3.4	0.8	4.2
At 30 November 2016	3.4	0.8	4.2
At 30 November 2017	**3.3**	**1.8**	**5.1**

All operating properties are freehold operating properties.

11. Joint ventures and associates

The Group has the following four material joint venture companies, for which information is provided separately in this note:

Name	Status	Interest	Activity
Key Property Investments Limited	Joint venture	50%	Property investment and development
VSM Estates Uxbridge (Group) Limited	Joint venture	50%	Property investment
VSM Estates (Holdings) Limited	Joint venture	50%	Property investment
VSM (NCGM) Limited	Joint venture	50%	Property investment and development

The remainder of the Group's joint ventures and associates are listed in note D to the Company financial statements and included in aggregate below.

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

	2017					
	Key Property Investments Limited £m	**VSM Estates Uxbridge (Group) Limited £m**	**VSM Estates (Holdings) Limited £m**	**VSM (NCGM) Limited £m**	**Other joint ventures and associates £m**	**Total £m**
Net rental income	**4.9**	**(0.1)**	**–**	**–**	**0.2**	**5.0**
Development profits	**0.9**	**–**	**–**	**–**	**–**	**0.9**
Gains/(losses) on disposal of investments/investment properties	**0.1**	**–**	**(0.2)**	**0.8**	**–**	**0.7**
Investment property revaluation gains/(losses)	**9.5**	**(2.3)**	**(1.5)**	**14.5**	**0.2**	**20.4**
Change in estimated cost to establish a market in Nine Elms	**–**	**–**	**–**	**(24.6)**	**–**	**(24.6)**
Administrative expenses	**(0.1)**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.3)**
Profit/(loss) before interest and tax	**15.3**	**(2.4)**	**(1.8)**	**(9.4)**	**0.4**	**2.1**
Finance cost	**(2.0)**	**(2.2)**	**(1.9)**	**(8.8)**	**(0.1)**	**(15.0)**
Finance income	**0.8**	**0.1**	**–**	**0.2**	**–**	**1.1**
Profit/(loss) before tax	**14.1**	**(4.5)**	**(3.7)**	**(18.0)**	**0.3**	**(11.8)**
Taxation	**(0.9)**	**0.5**	**(0.5)**	**4.2**	**–**	**3.3**
Profit/(loss) for the year	**13.2**	**(4.0)**	**(4.2)**	**(13.8)**	**0.3**	**(8.5)**

	2016					
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	VSM Estates (Holdings) Limited £m	VSM (NCGM) Limited £m	Other joint ventures and associates £m	Total £m
Net rental income	5.5	(0.1)	–	–	–	5.4
Development profits	–	–	–	–	–	–
Gains/(losses) on disposal of investments/investment properties	0.8	–	(0.2)	–	(0.1)	0.5
Investment property revaluation gains/(losses)	1.2	(1.8)	(1.1)	(24.3)	0.1	(25.9)
Administrative expenses	(0.3)	–	(0.1)	(0.1)	(0.3)	(0.8)
Profit/(loss) before interest and tax	7.2	(1.9)	(1.4)	(24.4)	(0.3)	(20.8)
Finance cost	(2.2)	(3.4)	(1.9)	(7.3)	(0.2)	(15.0)
Finance income	0.4	0.4	0.7	–	–	1.5
Profit/(loss) before tax	5.4	(4.9)	(2.6)	(31.7)	(0.5)	(34.3)
Taxation	(0.6)	0.9	(0.5)	6.3	–	6.1
Profit/(loss) for the year	4.8	(4.0)	(3.1)	(25.4)	(0.5)	(28.2)

Included in other joint ventures and associates above are results from associated companies of £0.1m (2016: £0.1m).

11. Joint ventures and associates continued

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

	2017					
	Key Property Investments Limited £m	**VSM Estates Uxbridge (Group) Limited £m**	**VSM Estates (Holdings) Limited £m**	**VSM (NCGM) Limited £m**	**Other joint ventures and associates £m**	**Total £m**
Property portfolio	**90.1**	**29.8**	**9.8**	**8.5**	**9.8**	**148.0**
Other assets	**5.7**	**–**	**34.8**	**36.7**	**4.8**	**82.0**
Gross assets	**95.8**	**29.8**	**44.6**	**45.2**	**14.6**	**230.0**
Net borrowings	**(26.5)**	**3.1**	**9.1**	**58.4**	**1.5**	**45.6**
Finance leases	**(0.9)**	**–**	**–**	**–**	**–**	**(0.9)**
Other liabilities	**(8.9)**	**(25.5)**	**(23.1)**	**(89.6)**	**(8.0)**	**(155.1)**
Gross liabilities	**(36.3)**	**(22.4)**	**(14.0)**	**(31.2)**	**(6.5)**	**(110.4)**
Net assets	**59.5**	**7.4**	**30.6**	**14.0**	**8.1**	**119.6**
Equity at 30 November 2016	**56.3**	**11.4**	**34.8**	**75.3**	**7.0**	**184.8**
Profit/(loss) for the year	**13.2**	**(4.0)**	**(4.2)**	**(13.8)**	**0.3**	**(8.5)**
Injection of capital	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Dividends paid	**(10.0)**	**–**	**–**	**(47.5)**	**(0.6)**	**(58.1)**
Equity at 30 November 2017	**59.5**	**7.4**	**30.6**	**14.0**	**8.1**	**119.6**

	2016					
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	VSM Estates (Holdings) Limited £m	VSM (NCGM) Limited £m	Other joint ventures and associates £m	Total £m
Property portfolio	99.8	47.6	29.6	197.5	7.3	381.8
Other assets	3.4	4.5	28.3	0.5	3.8	40.5
Gross assets	103.2	52.1	57.9	198.0	11.1	422.3
Net borrowings	(37.3)	(12.6)	1.1	0.6	1.2	(47.0)
Finance leases	(0.9)	–	–	–	–	(0.9)
Other liabilities	(8.7)	(28.1)	(24.2)	(123.3)	(5.3)	(189.6)
Gross liabilities	(46.9)	(40.7)	(23.1)	(122.7)	(4.1)	(237.5)
Net assets	56.3	11.4	34.8	75.3	7.0	184.8
Equity at 30 November 2015	65.8	15.4	37.9	100.7	7.5	227.3
Profit/(loss) for the year	4.8	(4.0)	(3.1)	(25.4)	(0.5)	(28.2)
Dividends paid	(14.3)	–	–	–	–	(14.3)
Equity at 30 November 2016	56.3	11.4	34.8	75.3	7.0	184.8

Included in other joint ventures and associates above are net assets in relation to associated companies of £3.4m (2016: £3.3m). These net assets comprise total assets of £4.0m (2016: £3.9m) and total liabilities of £0.6m (2016: £0.6m).

The following disclosures are required by IFRS 12 *Disclosure of Interests in Other Entities* in respect of the gross financial information for the Group's material joint ventures:

	2017			
	Key Property Investments Limited £m	**VSM Estates Uxbridge (Group) Limited £m**	**VSM Estates (Holdings) Limited £m**	**VSM (NCGM) Limited £m**
Revenue	**18.1**	**–**	**–**	**–**
Profit/(loss) for the year and total comprehensive income/(expense)	**26.7**	**(7.9)**	**(5.6)**	**(27.5)**
Non-current assets	**176.9**	**59.6**	**13.1**	**17.0**
Current assets	**18.9**	**6.3**	**58.5**	**190.2**
Current liabilities	**(26.0)**	**(48.0)**	**(29.7)**	**(11.9)**
Non-current liabilities	**(50.8)**	**(3.0)**	**(1.1)**	**(167.4)**
Net assets	**119.0**	**14.9**	**40.8**	**27.9**

	2016			
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	VSM Estates (Holdings) Limited £m	VSM (NCGM) Limited £m
Revenue	14.9	–	–	–
Profit/(loss) for the year and total comprehensive income/(expense)	8.8	(7.2)	(4.2)	(50.9)
Non-current assets	194.0	95.3	101.6	395.0
Current assets	13.6	10.1	2.2	2.1
Current liabilities	(24.6)	(60.4)	(57.5)	(246.7)
Non-current liabilities	(71.5)	(22.5)	–	–
Net assets	111.5	22.5	46.3	150.4

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.

New Covent Garden Market
The first parcel of land at Nine Elms, London, was released to VSM (NCGM) Limited during the year ended 30 November 2017 and was subsequently sold. The remaining liability to establish New Covent Garden Market continues to have a significant impact on the results and net assets of the Group's joint ventures.

Following the disposal during the year of the first parcel of land, the Group has undertaken a full review of the remaining works required to establish the market. The complicated nature of working on a site with a live market and an anticipated extended duration of the project have resulted in an increase in expected construction costs. Accordingly, VSM (NCGM) Limited increased its liability for the estimate of this forecast cost, with the Group's share of this increase being £24.6m.

Investment property within VSM (NCGM) Limited was valued at 30 November 2017 and 30 November 2016 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 property being valued.

The liability of VSM (NCGM) Limited to establish a new market facility for CGMA has been calculated by:

- the Board of VSM (NCGM) Limited, 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 the build of 2.5%; and
- discounting the forecast cash flows to today's value using a discount rate of 5%, considered by the Board of VSM (NCGM) Limited to appropriately reflect the risks and rewards of the procurement.

12. Trade and other receivables

	2017 £m	2016 (restated) £m
Non-current		
Amounts due from joint ventures and associates	–	6.0
Other receivables	**2.3**	2.2
Non-current receivables	**2.3**	8.2
Current		
Trade receivables	**8.5**	8.2
Prepayments and accrued income	**6.6**	8.1
Amounts due from joint ventures and associates	**26.5**	62.2
Amounts recoverable on contracts	**9.8**	15.3
Other receivables	**20.7**	10.3
Current receivables	**72.1**	104.1

13. Inventories

	2017 £m	2016 £m
Income producing property	**38.3**	2.4
Residential assets	**202.6**	141.1
Commercial assets	**111.8**	86.2
Inventories	**352.7**	229.7

The movement in inventories during the two years ended 30 November 2017 is as follows:

	£m
At 30 November 2015	183.7
Acquisitions and additions	208.8
Net transfers from investment property (note 9)	13.3
Disposals (transferred to development cost of sales)	(176.1)
At 30 November 2016	**229.7**
Acquisitions	**67.4**
Additions	**246.8**
Net transfers from investment property (note 9)	**3.0**
Disposals (transferred to development cost of sales)	**(194.2)**
At 30 November 2017	**352.7**

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 £2.0m (2016: £0.3m).

As at 30 November 2017, £14.2m (2016: £19.7m) of inventory was pledged as security for the Group's loan facilities. This security has subsequently been released as part of the Group's refinancing to move to unsecured facilities in December 2017, as disclosed in note 23.

14. Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	**44.2**	41.1
Amounts due to joint ventures and associates	**31.9**	17.8
Other payables and accrued expenses	**79.5**	82.9
Other payables on deferred terms	**20.4**	8.7
Current payables	**176.0**	150.5
Non-current		
Amounts due to joint ventures and associates	**8.5**	–
Other payables on deferred terms	**11.6**	3.6
Non-current payables	**20.1**	3.6

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 Group balance sheet, or the commencement of development. Net cash outflows on the settlement of the deferred consideration will therefore be limited.

15. Borrowings and finance lease obligations

	2017 £m	2016 £m
Current		
Finance lease liabilities due in less than one year	**0.6**	0.4
Current borrowings and finance lease obligations	**0.6**	0.4
Non-current		
Amounts repayable between one and two years	**194.4**	–
Amounts repayable between two and five years	**240.5**	470.6
Non-current borrowings	**434.9**	470.6
Finance leases liabilities due after more than one year	**56.4**	56.4
Non-current borrowings and finance lease obligations	**491.3**	527.0

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

Note 23 gives details of the Group's refinancing exercise, completed and announced post-year end in December 2017.

15. Borrowings and finance lease obligations continued

a. Borrowings

Maturity profile of committed borrowing facilities

The Group's debt is provided by floating rate bilateral revolving credit facilities of £488.0m (providing the flexibility to draw and repay loans as required) together with an £80.0m retail bond and a £100.0m convertible bond. The maturity profile of the Group's committed borrowing facilities is set out below:

	2017			2016		
	Drawn[1] £m	**Undrawn £m**	**Total £m**	Drawn[1] £m	Undrawn £m	Total £m
Secured floating rate borrowings:						
One to two years	**13.8**	**111.2**	**125.0**	–	–	–
Two to three years	**–**	**–**	**–**	23.2	101.8	125.0
Three to four years	**240.5**	**122.5**	**363.0**	–	–	–
Four to five years	**–**	**–**	**–**	271.0	92.0	363.0
Total secured floating rate borrowings	**254.3**	**233.7**	**488.0**	294.2	193.8	488.0
Unsecured fixed rate borrowings:						
One to two years	**180.6**	**–**	**180.6**	–	–	–
Two to three years	**–**	**–**	**–**	176.4	–	176.4
Total committed borrowing facilities	**434.9**	**233.7**	**668.6**	470.6	193.8	664.4

(1) In addition to the principal amounts included above, £1.6m (2016: £1.6m) 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:

	2017		2016	
	£m	**Applicable interest rate**	£m	Applicable interest rate
Floating rate bank debt	**75.3**	**Margin + 3-month LIBOR**	139.2	Margin + 3-month LIBOR
Fixed rate bank debt	**179.0**	**Margin + 2.22% weighted average swap rate**	155.0	Margin + 2.10% weighted average swap rate
Retail bond (matures in 2019)	**80.0**	**6.25% fixed rate**	80.0	6.25% fixed rate
Convertible bond (matures in 2019)	**100.6**	**2.875% fixed rate**	96.4	2.875% fixed rate – swapped to 1.43% + 6-month LIBOR until 6 March 2017.
Total borrowings	**434.9**		470.6	

Convertible bond

On 6 March 2014 St. Modwen Properties Securities (Jersey) Limited (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 bond is 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 bond can be converted at any time from 16 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 bond. Under the terms of the convertible bond, the exchange price is adjusted on the occurrence 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. The exchange price has been modified during the year ended 30 November 2017 due to the payment of dividends and now stands at £5.21 per ordinary share, a conversion rate of approximately 19,177 ordinary shares for every £100,000 nominal.

The convertible bond 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 bond has been traded or cancelled. If not previously converted, redeemed or purchased and cancelled, the convertible bond will be redeemed at par on 6 March 2019.

A total of £100.0m nominal value of the convertible bond was issued and remains outstanding at 30 November 2017. The convertible bond is designated as at fair value through profit and loss and so is presented on the balance sheet at fair value with all gains and losses taken to the Group income statement. At 30 November 2017 the fair value of the convertible bond was £100.6m (2016: £96.4m) with the change in fair value charged to the Group income statement. The convertible bond is listed on the Official List of the Channel Islands Security Exchange.

b. Financial instruments classified at fair value through profit or loss

The Group's derivative financial instruments, which are classified as fair value through profit or loss, consist of sterling denominated interest swaps. The change in fair value of all derivative financial instruments charged or credited to the Group income statement is disclosed in note 4. Further detail of the instruments held by the Group are detailed below:

Sterling denominated interest swaps from fixed rate to floating rate

Following the issue of the convertible bond disclosed above, 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 bond 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. This swap has now terminated and no fixed to floating rate swaps are held at 30 November 2017.

Sterling denominated interest swaps from floating rate to fixed rate

These swaps hedge the Group's floating rate bank debt as at 30 November 2017. The fixed rates for these swaps range from 0.49% to 5.16% (2016: 0.49% 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 2.4 years (2016: 3.6 years).

	2017				2016			
	Earliest termination £m	**%(1)**	**Latest termination £m**	**%(1)**	Earliest termination £m	%(1)	Latest termination £m	%(1)
Less than one year	**10.0**	**5.16**	**10.0**	**5.16**	11.0	4.87	1.0	2.01
One to two years	**75.0**	**2.98**	**75.0**	**2.98**	–	–	10.0	5.16
Two to three years	**10.0**	**1.60**	**10.0**	**1.60**	50.0	3.00	50.0	3.00
Three to four years	**84.0**	**1.26**	**84.0**	**1.26**	10.0	1.60	10.0	1.60
Four to five years	**–**	**–**	**–**	**–**	84.0	1.26	84.0	1.26
Total floating rate to fixed rate swaps	**179.0**	**2.22**	**179.0**	**2.22**	155.0	2.10	155.0	2.10

(1) Weighted average interest rate.

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

The Group does not have any forward starting swaps as at 30 November 2017, but has previously held such swaps to provide continuity of hedging beyond the term of the interest rate swaps and to increase interest rate certainty through to bank facility renewal dates. At 30 November 2016, the Group had £25.0m of swaps commencing in less than one year and terminating in two to three years. The fixed rates for these swaps ranged from 2.90% to 2.97%, with a weighted average interest rate of 2.96%.

c. Obligations under finance leases

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

	2017			2016		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**2.9**	**2.3**	**0.6**	2.7	2.3	0.4
Between one and five years	**11.6**	**9.1**	**2.5**	13.6	11.2	2.4
More than five years	**113.2**	**59.3**	**53.9**	163.7	109.7	54.0
Total obligations under finance leases	**127.7**	**70.7**	**57.0**	180.0	123.2	56.8

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2016: 6.0%) has been used to derive the fair value of the principal amount outstanding. All lease obligations are denominated in sterling.

16. 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:

	2017 £m	2016 £m
In one year or less	**1.1**	1.5
Between one and five years	**1.9**	2.1
In five years or more	**–**	0.1
Total minimum lease rentals payable	**3.0**	3.7

Operating leases where the Group is the lessor

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

	2017 £m	2016 £m
In one year or less	**48.6**	43.6
Between one and five years	**144.1**	126.4
In five years or more	**736.6**	743.4
Total minimum lease rentals receivable	**929.3**	913.4

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.8m (2016: £0.7m) were recognised during the year.

17. Financial instruments

a. Categories and classes of financial assets and liabilities

	2017 £m	2016 £m
Loans and receivables:(1)		
Cash and cash equivalents	**0.5**	4.2
Trade and other receivables	**55.3**	86.7
Fair value through profit and loss:(2)		
Derivative financial instruments	**0.8**	1.6
Total financial assets	**56.6**	92.5

	2017 £m	2016 £m
Amortised cost:(1)		
Bank loans and overdrafts	**254.3**	294.2
Retail bond	**80.0**	80.0
Trade and other payables	**107.6**	96.0
Other payables on deferred terms	**32.0**	12.3
Finance lease liabilities (head rents)	**57.0**	56.8
Fair value through profit and loss:(2)		
Convertible bond	**100.6**	96.4
Derivative financial instruments	**4.8**	8.8
Total financial liabilities	**636.3**	644.5

(1) The directors consider that the carrying amounts recorded in the financial statements approximate their fair value.

(2) Fair values are 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 12, for current and non-current amounts, after deduction of £2.7m (2016 (restated): £2.2m) of non-financial assets.

Trade and other payables above comprise trade payables, amounts due from joint ventures and other payables and accrued expenses as disclosed in note 14, for current and non-current amounts, after deduction of £48.0m (2016: £45.8m) of non-financial liabilities.

Derivative financial instruments and the convertible bond 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 or conversion options in favour of the issuing party are included in the external valuations. The following table sets out the net assets and liabilities in respect of financial instruments held at fair value through profit and loss:

		2017 £m	2016 £m
Derivative financial instrument assets	Level 2	**0.8**	1.6
Derivative financial instrument liabilities	Level 2	**(4.8)**	(8.8)
Convertible bond liability	Level 2	**(100.6)**	(96.4)
Net financial liability held at fair value through profit and loss		**(104.6)**	(103.6)

b. Risk management objectives

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 15), 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 the Group's income or the Group's net worth arising from movements in interest rates or other market prices. Interest rate risk is the Group's principal market risk and the Group is exposed to interest rate risk as some of its borrowings are at variable interest rates. The Group uses a combination of variable rate borrowings and interest rate swaps to manage the risk.

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

	2017 £m	2016 £m
Interest on borrowings	**(2.1)**	(2.3)
Effect of interest rate swaps	**1.4**	0.4
Net impact on profit of a 1% increase in interest rates	**(0.7)**	(1.9)

	2017 £m	2016 £m
Interest on borrowings	**2.1**	2.3
Effect of interest rate swaps	**(1.4)**	(0.4)
Net impact on profit of a 1% decrease in interest rates	**0.7**	1.9

17. Financial instruments continued

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 strong (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 £8.1m (2016: £7.2m) 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 £0.8m (2016: £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:

	2017 £m	2016 £m
At start of year	**0.6**	0.4
Impairment losses recognised	**0.5**	0.4
Amounts written off as uncollectable	**(0.2)**	(0.1)
Impairment losses reversed	**(0.1)**	(0.1)
At end of year	**0.8**	0.6

Trade and other receivables include £2.3m (2016: £1.5m) which are past due as at 30 November 2017 for which no provision has been made because the amounts are considered recoverable. The following table provides an ageing analysis of these balances:

	2017 £m	2016 £m
1-30 days	**0.6**	0.5
31-60 days	**0.6**	0.2
60 days +	**1.1**	0.8
Total trade and other receivables past due but not impaired	**2.3**	1.5

Liquidity risk

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

The maturity profile for the cash flows of the Group's non-derivative financial liabilities, on an undiscounted basis is as follows:

	2017					
	Less than one month £m	**One to three months £m**	**Three months to one year £m**	**One to five years £m**	**More than five years £m**	**Total £m**
Bank loans and overdrafts and bonds	**0.1**	**4.0**	**12.1**	**471.7**	**–**	**487.9**
Trade and other payables	**62.9**	**1.0**	**55.6**	**20.1**	**–**	**139.6**
Finance leases – minimum lease payments (note 15)	**0.7**	**–**	**2.2**	**11.6**	**113.2**	**127.7**
Other payables on deferred terms	**–**	**–**	**20.4**	**11.6**	**–**	**32.0**
Total cash flows	**63.7**	**5.0**	**90.3**	**515.0**	**113.2**	**787.2**

	2016					
	Less than one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m	Total £m
Bank loans and overdrafts and bonds	0.6	3.5	12.0	533.3	–	549.4
Trade and other payables	60.3	3.6	32.1	–	–	96.0
Finance leases – minimum lease payments (note 15)	0.7	–	2.0	13.6	163.7	180.0
Other payables on deferred terms	–	–	8.7	3.6	–	12.3
Total cash flows	61.6	7.1	54.8	550.5	163.7	837.7

The Group's approach to cash flow, financing and bank covenants is discussed further in the financial review section of the strategic report.

18. Share capital

	2017		2016	
	Ordinary 10p shares Number	**Equity share capital £m**	Ordinary 10p shares Number	Equity share capital £m
At start of year	**221,876,988**	**22.2**	221,876,988	22.2
Issue of shares	**500,000**	**–**	–	–
At end of year	**222,376,988**	**22.2**	221,876,988	22.2

The Company has a single class of share capital which is divided into ordinary shares of 10 pence each, all ranking pari passu. Each share carries the right to one vote at general meetings of the Company. The holders of ordinary shares are entitled to receive dividends when declared.

During the year ended 30 November 2017, 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. No shares were issued during the year ended 30 November 2016. See note 4d for details of outstanding options to acquire ordinary shares.

Excluding 519,906 (2016: 269,334) of own shares held by The St. Modwen Properties PLC Employee Share Trust, shares in issue at 30 November 2017 are 221,857,082 (2016: 221,607,654).

19. 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 1 September 2009, future accrual. The Group income statement includes the following charges:

	2017 £m	2016 £m
Defined benefit section	**0.2**	0.3
Defined contribution section	**0.9**	0.8

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

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

	% per annum
Investment rate of return (pre-retirement):	**5.6**
Investment rate of return (post-retirement):	**3.8**
Increase in pensions	**2.7**

The formal actuarial valuation of the scheme as of 5 April 2017 has not been completed at the date of signing these financial statements.

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 contribution for the year ended 30 November 2018 is expected to be £nil, consistent with the current year contributions of £nil. From 1 January 2015 the administrative expenses have been met by St. Modwen Properties PLC.

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30 November 2017 on an IAS basis by a qualified independent actuary. The valuation was performed using the Projected Unit Credit Method under IAS 19. The major assumptions used by the actuary were:

	2017 %	2016 %
Rate of increase in deferred pensions	**2.30**	2.40
Rate of increase in pensions in payment (pre 6 April 1997 benefits)	**2.55**	2.55
Rate of increase in pensions in payment (post 5 April 1997 benefits)	**3.20**	3.30
Discount rate	**2.60**	2.80
Inflation assumption	**2.30**	2.40

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 31 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 85% of the S2PxA tables with CMI 2016 core model (previously the VITA Tables with CMI_2013 'core' projections) and a long-term improvement of 1.25% per annum (previously 1% per annum 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 30 November 2017: 23.4 (male) and 25.2 (female).
- Average future life expectancy (in years) at age 65 for a non-pensioner aged 40 at 30 November 2017: 25.2 (male) and 27.1 (female).

Analysis of the fair value of assets

	2017 £m	2016 £m
Equities:		
UK equity	–	3.5
Overseas equity	5.6	2.5
Debt securities:		
UK corporate bonds	1.0	6.9
Overseas corporate bonds	5.6	1.9
UK Government bonds	–	0.3
UK index-linked gilts	9.0	10.0
Derivatives	0.1	–
Investment fund	5.3	–
Property	4.8	4.7
Infrastructure	–	0.3
Cash	0.6	1.3
Fair value of assets	**32.0**	31.4
Actuarial value of liabilities	(28.8)	(29.4)
Unrecognised surplus	(3.2)	(2.0)
Recognised 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 the unrecognised surplus of £3.2m) recorded in the Group statement of comprehensive income is a loss of £4.4m (2016: £3.4m).

Analysis of the amounts recognised in the Group income statement

	2017 £m	2016 £m
Recognised within administrative expenses		
Current service cost and total operating charge	(0.3)	(0.4)
Recognised within finance costs and finance income		
Interest income on scheme assets	0.9	1.0
Interest on pension scheme liabilities	(0.8)	(0.9)
Total net interest	**0.1**	0.1
Total recognised in the Group income statement	**(0.2)**	(0.3)

The actual return on pension scheme assets was a gain of £2.5m (2016: £3.5m).

Analysis of the amount recognised in the Group statement of comprehensive income

	2017 £m	2016 £m
The returns on scheme assets (excluding amounts included in net interest)	1.6	2.5
Experience gains and losses arising on fair value of scheme liabilities	0.5	0.4
Actuarial gains and losses arising from changes in demographic assumptions	(0.5)	–
Actuarial gains and losses arising from changes in financial assumptions	(0.5)	(3.3)
Change in unrecognised surplus	(1.2)	0.3
Remeasurement of the net defined benefit asset	**(0.1)**	(0.1)

19. Pensions continued

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

	2017 £m	2016 £m
At start of year	**29.4**	27.5
Interest cost	**0.8**	0.9
Experience gains and losses arising on fair value of scheme liabilities	**(0.5)**	(0.4)
Actuarial gains and losses arising from changes in demographic assumptions	**0.5**	–
Actuarial gains and losses arising from changes in financial assumptions	**0.5**	3.3
Benefits paid	**(1.9)**	(1.9)
At end of year	**28.8**	29.4

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

	2017 £m	2016 £m
At start of year	**31.4**	29.8
Interest income	**0.9**	1.0
Return on assets excluding amounts included in net interest	**1.6**	2.5
Benefits paid	**(1.9)**	(1.9)
At end of year	**32.0**	31.4

Information about the defined benefit obligation

	2017		2016	
	Liability split %	Duration years	Liability split %	Duration years
Active members	–	–	–	–
Deferred members	**27**	**19**	36	19
Pensioners	**73**	**12**	64	11
Total	**100**	**14**	100	14

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).

Sensitivity analysis
Change in assumptions compared with 30 November 2017 actuarial assumptions:

- A 0.5% decrease in the discount rate would increase the actuarial value of liabilities by £2.1m to £30.9m.
- A one-year increase in life expectancy would increase the actuarial value of liabilities by £1.4m to £30.2m.
- A 0.5% increase in the inflation rate would increase the actuarial value of liabilities by £1.4m to £30.2m.
- A 0.5% increase in the rate of increase in deferred pensions would increase the actuarial value of liabilities by £0.2m to £29.0m.
- A 0.5% increase in the rate of increase in pensions in payments would increase the actuarial value of liabilities by £1.2m to £30.0m.

20. Capital commitments

At 30 November 2017 the Group had contracted capital expenditure of £38.8m (2016: £21.6m). In addition the Group's share of the contracted capital expenditure of its joint venture undertakings was £9.0m (2016: £8.9m). All capital commitments relate to investment properties.

21. Contingent liabilities

The Group has a joint and several unlimited liability with VINCI PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited. 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 guarantee in respect of the obligations of VSM (NCGM) Limited relating to the redevelopment of New Covent Garden Market, London. This is a guarantee in the ordinary course of business and would require the guarantors to comply with the terms of the development agreement and to indemnify Covent Garden Market Authority against any breach of those terms.

The Group, together with Salhia Real Estate K.S.C., has provided a parent company guarantee in respect of the £70.0m bank facility provided to Key Property Investments Limited. The guarantee provided by the Group is capped at 50% of the total commitment under the agreement from time to time, limiting the Group guarantee to £35.0m as at 30 November 2017.

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 30 November 2017:

Name of subsidiary	Company registration number
Blackpole Trading Estate (1978) Limited	00581658
Broomford Vange Limited	05697168
Coed Darcy Estates Management Limited	07848407
Festival Waters Limited	04354481
Glan Llyn Management Limited	07848409
Holaw (462) Limited	03666441
Shaw Park Developments Limited	04625000
St. Modwen (SAC1) Limited	08296927
St. Modwen Developments (Connah's Quay) Limited	05726352
St. Modwen Developments (Eccles) Limited	05867740
St. Modwen Developments (Hillington) Limited	04150262
St. Modwen Developments (Holderness) Limited	05726995
St. Modwen Developments (Hull) Limited	05593517
St. Modwen Developments (Kirkby 2) Limited	09746395
St. Modwen Developments (Longbridge) Limited	02885028
St. Modwen Developments (Weston) Limited	05411348
St. Modwen Hungerford Limited	06160323
St. Modwen Securities Limited	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

The following table sets out the income and expenditure with joint ventures and associates during the year, together with the balances outstanding at the year end:

	2017				2016			
	Management fee income/ (expense) £m	**Interest income/ (expense) £m**	**Funding repaid/ (provided) £m**	**Balance receivable/ (payable) £m**	Management fee income/ (expense) £m	Interest income/ (expense) £m	Funding repaid/ (provided) £m	Balance receivable/ (payable) £m
Barton Business Park Limited	**–**	**–**	**(0.1)**	**(3.7)**	–	–	–	(3.8)
Baglan Bay Company Limited	**–**	**–**	**(0.1)**	**0.1**	–	–	–	–
Coed Darcy Limited	**–**	**–**	**0.2**	**(0.2)**	–	–	–	–
Key Property Investments Limited	**0.3**	**–**	**(0.8)**	**2.1**	0.7	–	1.0	1.0
Meaford Energy Limited	**–**	**–**	**–**	**0.5**	–	–	(0.2)	0.5
Meaford Land Limited	**–**	**–**	**–**	**0.1**	–	–	(0.1)	0.1
Skypark Development Partnership LLP(1)	**–**	**0.6**	**(2.7)**	**4.8**	–	0.1	0.5	1.5
VSM (NCGM) Limited	**–**	**3.8**	**49.3**	**(21.1)**	–	2.2	(17.6)	24.4
VSM Estates (Ashchurch) Limited	**–**	**–**	**0.2**	**–**	–	–	–	0.2
VSM Estates (Holdings) Limited	**–**	**1.8**	**11.4**	**(9.6)**	–	0.4	–	–
VSM Estates Uxbridge (Group) Limited(2)	**–**	**1.7**	**15.3**	**11.3**	–	2.5	(0.2)	24.9
Wrexham Land Limited	**–**	**–**	**–**	**0.1**	–	–	–	0.1
Wrexham Power Limited	**–**	**–**	**(0.2)**	**1.7**	–	–	(0.3)	1.5
Total	**0.3**	**7.9**	**72.5**	**(13.9)**	0.7	5.2	(16.9)	50.4

(1) Included within the balance due to the Group at the year end was £1.5m (2016: £1.5m) of loan notes.

(2) Included within the balance due to the Group at the year end was £nil (2016: £6.0m) of loan notes.

Pension

The Group occupies offices owned by the St. Modwen Pension Scheme with an annual rental payable of £0.1m (2016: £0.1m). The balance due to the Group at year end was £0.1m (2016: £0.1m).

Non-wholly owned subsidiaries

The Company provides administrative and management services and provides a central purchase ledger system to subsidiary companies. In addition, the Company also operates a central treasury function which lends to and borrows from subsidiary undertakings as appropriate. The following table sets out the income and expenditure during the year, together with the balances outstanding at the year end, with subsidiaries in which the Company has a less than 90% interest:

	2017		2016	
	Interest income/ (expense) £m	**Balance receivable/ (payable) £m**	Interest income/ (expense) £m	Balance receivable/ (payable) £m
Norton & Proffitt Developments Limited	**0.2**	**11.8**	–	5.7
Stoke-on-Trent Regeneration (Investments) Limited	**–**	**(0.6)**	–	(0.6)
Stoke-on-Trent Regeneration Limited	**(0.2)**	**(9.1)**	0.4	(21.0)
Uttoxter Estates Limited	**–**	**(0.4)**	–	1.9
Widnes Regeneration Limited	**–**	**(1.5)**	–	(1.5)
Total	**–**	**0.2**	0.4	(15.5)

All amounts due to the Group are unsecured, will be settled in cash and are stated before provisions for doubtful debts of £nil (2016: £nil). No guarantees have been given or received from related parties.

Key management personnel

The directors are considered to be the Group's key management personnel and their remuneration is disclosed in the directors' remuneration report.

23. Subsequent events

Completion of refinancing

The Group completed its refinancing in December 2017, replacing £488.0m of bilateral secured debt facilities with a £475.0m unsecured revolving credit facility with an initial maturity of five years which can be extended to a maximum of seven years, subject to lender consent. In line with our strategic plans, the refinancing provides a reduced cost of debt and improved operational flexibility.

The transition to unsecured debt financing provides the Group with the option to extend further its debt maturity profile and diversify its sources of unsecured finance ahead of the maturity of the Group's £100.0m convertible bond and £80.0m retail bond in 2019. In doing so, the Group settled its balance sheet liability for out of the money interest rate swaps for a cash outlay of £5.1m and entered into an interest rate cap. This hedging activity will result in initial annual savings of c. £2.5m. A non-cash expense of an £3.4m will be recognised in the first half of the Group's 2018 financial year in respect of capitalised arrangement fees relating to the previous facilities. These actions increased the Group's weighted average facility life 2.7 years at 30 November 2017 to 4.1 years (or to 5.5 years if the two one-year extensions are applied).

Sale of Swansea student accommodation

In February 2018, the Group completed the sale of its 45-year leasehold interest in its purpose-built student accommodation at Swansea University Bay Campus for a total cash consideration of £87.3m to UPP Group Limited, a specialist provider of on-campus student accommodation infrastructure and support services. The assets that have been sold comprise the Group's interests in the completed student accommodation buildings, including ancillary commercial leases. The sale is by way of a disposal of the entire issued share capital of St. Modwen Properties VIII S.à.r.l. and St. Modwen (SAC 2) Limited and certain freehold interests.

The planned disposal follows a competitive sales process and was broadly in line with book value. The gross consideration for the 45-year leasehold asset is £139.3m, representing a yield of 5.7%, with a cash consideration of £87.3m reflecting the transfer of the associated finance lease liability. The disposal will result in the reduction of c. £5.8m of net rental income compared to 2017, offset by the reduction of £2.1m of interest payable on finance lease obligations.

COMPANY BALANCE SHEET
as at 30 November 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Investment properties	B	**–**	0.3
Operating plant and equipment	C	**1.5**	0.5
Investments in subsidiaries and joint ventures	D	**773.5**	735.7
Trade and other receivables	E	**475.0**	6.0
Deferred tax	F	**2.7**	2.8
		1,252.7	745.3
Current assets			
Trade and other receivables	E	**530.4**	967.2
Derivative financial instruments		**0.8**	0.8
Tax receivables		**13.7**	4.5
Cash and cash equivalents		**0.3**	4.0
		545.2	976.5
Current liabilities			
Trade and other payables	G	**(411.0)**	(350.0)
Derivative financial instruments		**(5.8)**	(8.8)
		(416.8)	(358.8)
Non-current liabilities			
Trade and other payables	G	**(107.5)**	(94.4)
Borrowings	H	**(273.3)**	(313.4)
		(380.8)	(407.8)
Net assets		**1,000.3**	955.2
Capital and reserves			
Called up share capital		**22.2**	22.2
Share premium account		**102.8**	102.8
Retained earnings		**336.1**	350.1
Fair value reserve		**489.6**	429.6
Share incentive reserve		**5.1**	4.9
Own shares		**(1.7)**	(0.6)
Other reserves		**46.2**	46.2
Total equity		**1,000.3**	955.2

These financial statements were approved by the Board and authorised for issue on 5 February 2018.

Mark Allan
Chief Executive

Rob Hudson
Chief Financial Officer

Company Number: 00349201

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2017

	Share capital £m	Share premium account £m	Retained earnings £m	Fair value reserve £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Total equity £m
Equity at 30 November 2015	22.2	102.8	24.9	767.3	5.2	(1.0)	46.2	967.6
Profit for the year	–	–	0.5	–	–	–	–	0.5
Pension fund actuarial losses (note 19)	–	–	(0.1)	–	–	–	–	(0.1)
Total comprehensive income for the year	–	–	0.4	–	–	–	–	0.4
Share-based payments	–	–	–	–	1.6	–	–	1.6
Deferred tax on share-based payments	–	–	–	–	(0.8)	–	–	(0.8)
Settlement of share-based payments	–	–	(0.1)	–	(1.1)	0.4	–	(0.8)
Transfer of unrealised losses to fair value reserve	–	–	337.7	(337.7)	–	–	–	–
Dividends paid (note 8)	–	–	(12.8)	–	–	–	–	(12.8)
Equity at 30 November 2016	**22.2**	**102.8**	**350.1**	**429.6**	**4.9**	**(0.6)**	**46.2**	**955.2**
Profit for the year	**–**	**–**	**59.6**	**–**	**–**	**–**	**–**	**59.6**
Pension fund actuarial losses (note 19)	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**
Total comprehensive income for the year	**–**	**–**	**59.5**	**–**	**–**	**–**	**–**	**59.5**
Share-based payments	**–**	**–**	**–**	**–**	**1.8**	**–**	**–**	**1.8**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**
Settlement of share-based payments	**–**	**–**	**–**	**–**	**(1.9)**	**(1.1)**	**–**	**(3.0)**
Transfer of unrealised gains to fair value reserve	**–**	**–**	**(60.0)**	**60.0**	**–**	**–**	**–**	**–**
Dividends paid (note 8)	**–**	**–**	**(13.5)**	**–**	**–**	**–**	**–**	**(13.5)**
Equity at 30 November 2017	**22.2**	**102.8**	**336.1**	**489.6**	**5.1**	**(1.7)**	**46.2**	**1,000.3**

Own shares represent the cost of 519,906 (2016: 269,334) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30 November 2017 was £2,031,793 (2016: £754,135). In addition the Trust has £0.1m (2016: £0.1m) of cash and an intercompany receivable of £17.4m (2016: £14.9m), that can only be used for the benefit of employees.

The other reserves comprise a capital redemption reserve of £0.3m (2016: £0.3m) and the balance of net proceeds in excess of the nominal value of shares arising from an equity placing in 2013 of £45.9m (2016: £45.9m).

Unrealised gains and losses arising from the revaluations of investments in subsidiaries and joint ventures and investment properties are recognised with profit for the year and subsequently transferred to the fair value reserve.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements*. Accordingly, the Company's financial statements have been prepared in accordance with FRS 101 *Reduced Disclosure Framework* as issued by the Financial Reporting Council, 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 Company's pension scheme.

The Company has taken advantage of the disclosure exemptions included within paragraph 8 of FRS 101. The main impact of these disclosure exemptions is that these separate financial statements do not include a cash flow statement, financial instruments and related party disclosures and comparative information for plant and equipment and investment properties.

Certain disclosures required for the Company are included within the Group financial statements and are therefore not repeated within these separate financial statements. Specifically, the following information relevant to the Company is found in the respective notes to the Group financial statements:

- Share-based payments (note 4d)
- Dividends (note 8)
- Share capital (note 18)
- Pensions (note 19)
- Contingent liabilities (note 21)
- Related party transactions (note 22)

The Company's functional and presentational currency is pounds sterling and its principal accounting policies are as set out for the Group on pages 126 to 132, except for the additional policy below:

Investments in subsidiaries and joint ventures

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

A. Income statement disclosures

a. Result for the financial year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement or statement of comprehensive income in these financial statements. The Company's profit for the year ended 30 November 2017 was £59.6m (2016: £0.5m).

b. Auditor's remuneration

The table below sets out the fees payable to the Company's auditor and their associates for the following services:

	2017			2016		
	Audit and audit-related services £'000	**Other services £'000**	**Total £'000**	Audit and audit-related services £'000	Other services £'000	Total £'000
The audit of the Company's annual report and financial statements	**125**	**–**	**125**	130	–	130
Total audit fees	**125**	**–**	**125**	130	–	130
Audit-related assurance services	**50**	**–**	**50**	50	–	50
Other assurance services	**–**	**–**	**–**	25	–	25
Other	**–**	**–**	**–**	–	2	2
Total non-audit fees	**50**	**–**	**50**	75	2	77
Total fees	**175**	**–**	**175**	205	2	207

Fees in 2017 are payable to KPMG LLP and fees in 2016 were payable to Deloitte LLP.

B. Investment property

The fair value of long leasehold investment property at 30 November 2017 was £nil (2016: £0.3m) as the Company disposed of its property during the year.

Investment properties were valued at 30 November 2016 by 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 30 November 2017 was £nil (2016: £0.7m).

C. Operating plant and equipment

	£m
Cost	
At 30 November 2016	4.2
Additions	1.7
Disposals	(0.1)
At 30 November 2017	**5.8**
Depreciation	
At 30 November 2016	3.7
Charge for the year	0.6
Disposals	–
At 30 November 2017	**4.3**
Net book value	
At 30 November 2016	0.5
At 30 November 2017	**1.5**

D. Investments in subsidiaries and joint ventures

	Cost of investment			Investment valuation		
	Subsidiaries £m	Joint ventures £m	Total £m	Subsidiaries £m	Joint ventures £m	Total £m
At 30 November 2016	315.8	25.3	341.1	550.9	184.8	735.7
Changes to cost	(20.9)	(1.3)	(22.2)	(20.9)	(1.3)	(22.2)
Revaluation of investments	–	–	–	132.0	(72.0)	60.0
At 30 November 2017	**294.9**	**24.0**	**318.9**	**662.0**	**111.5**	**773.5**

The following is a list of all subsidiary undertakings, joint ventures and associates owned by the Company or Group at 30 November 2017. Unless otherwise stated, all are incorporated in England and Wales with registered office at Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ. The share capital of each of the companies, where applicable, comprises of ordinary shares.

Name	Company registration number	Proportion of entity owned directly by the Company	Proportion of entity owned by a subsidiary of the Company	Ultimate percentage holding	Activity
Wholly owned subsidiaries					
Blackpole Trading Estate (1978) Limited	00581658	100.0%	0.0%	100.0%	Property investment
Boltro Properties Limited	02616865	0.0%	100.0%	100.0%	Ceased trading
Boughton Enterprises Limited	05068420	0.0%	100.0%	100.0%	Dormant
Boughton Holdings	04112012	0.0%	100.0%	100.0%	Dormant
Branston Properties Limited	02893827	0.0%	100.0%	100.0%	Property investment
Broomford Vange Limited	05697168	0.0%	100.0%	100.0%	Ceased trading
Chaucer Estates Limited	00456386	100.0%	0.0%	100.0%	Property investment/ development
Chertsey Road Property Limited	06899060	0.0%	100.0%	100.0%	Dormant
Coed Darcy Estates Management Limited	07848407	0.0%	100.0%	100.0%	Property management
Festival Waters Limited	04354481	100.0%	0.0%	100.0%	Property investment
Glan Llyn Management Limited	07848409	100.0%	0.0%	100.0%	Property management
Great Yarmouth Regeneration Limited	05594264	100.0%	0.0%	100.0%	Dormant
Heenan Group Pensions Limited	00548316	100.0%	0.0%	100.0%	Dormant
Holaw (462) Limited	03666441	0.0%	100.0%	100.0%	Ceased trading
Killingholme Energy Limited	08320277	0.0%	100.0%	100.0%	Property development
Killingholme Land Limited	08320297	0.0%	100.0%	100.0%	Property development
Lawnmark Limited	04089229	0.0%	100.0%	100.0%	Dormant
Leisure Living Limited	02106984	100.0%	0.0%	100.0%	Ceased trading
Newcastle Regeneration Partnership Limited	02741086	0.0%	100.0%	100.0%	Dormant
Petre Court Management (Number 1) Limited	06160268	100.0%	0.0%	100.0%	Dormant
Redman Heenan Properties Limited	00073265	100.0%	0.0%	100.0%	Property investment/ development
Sandpiper Quay (Management Company No.2) Limited	02485456	0.0%	100.0%	100.0%	Dormant
Shaw Park Developments Limited	04625000	0.0%	100.0%	100.0%	Ceased trading
Sowcrest Limited	02948648	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Meon Vale) Limited	05294589	0.0%	100.0%	100.0%	Dormant
St. Modwen Securities Limited	00460301	100.0%	0.0%	100.0%	Property investment
St. Modwen (SAC1) Limited	08296927	100.0%	0.0%	100.0%	Property development
St. Modwen (SAC2) Limited	08296934	100.0%	0.0%	100.0%	Property management
St. Modwen (Shelf 1) Limited	02741186	0.0%	100.0%	100.0%	Dormant
St. Modwen Corporate Services Limited	06163437	100.0%	0.0%	100.0%	Property management

Name	Company registration number	Proportion of entity owned directly by the Company	Proportion of entity owned by a subsidiary of the Company	Ultimate percentage holding	Activity
St. Modwen Development (Coed Darcy) Limited	06163563	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Bedford) Limited	05411282	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Belle Vale) Limited	04145782	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Blackburn) Limited	05732825	100.0%	0.0%	100.0%	Property investment
St. Modwen Developments (Bognor Regis) Limited	06160250	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Brighton West Pier) Limited	04069008	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Chorley) Limited	05727011	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Clay Cross) Limited(1)	123891	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Colne) Limited	05726325	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Connah's Quay) Limited	05726352	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Cranfield) Limited	06163509	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Daresbury) Limited	06163550	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Eccles) Limited	05867740	100.0%	0.0%	100.0%	Property investment
St. Modwen Developments (Edmonton) Limited	02405853	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Facility Services) Limited	08996358	0.0%	100.0%	100.0%	Dormant
St. Modwen Developments (Hatfield) Limited	04354480	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Hillington) Limited	04150262	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Holderness) Limited	05726995	100.0%	0.0%	100.0%	Property development
St. Modwen Developments (Hull) Limited	05593517	100.0%	0.0%	100.0%	Property development
St. Modwen Developments (Kirkby 2) Limited	09746395	0.0%	100.0%	100.0%	Property investment/ development
St. Modwen Developments (Llanwern) Limited(1)	123892	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Longbridge) Limited	02885028	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Longbridge East Works) Limited(1)	123893	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Queens Market) Limited	05289380	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Quinton) Limited	01479159	0.0%	100.0%	100.0%	Dormant
St. Modwen Developments (Silverstone) Limited	05594232	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Skelmersdale) Limited	06163591	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (St Helens) Limited	05726666	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Telford) Limited	05411357	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Weston) Limited	05411348	100.0%	0.0%	100.0%	Property investment
St. Modwen Developments (Wythenshawe 2) Limited	05851760	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Wythenshawe) Limited	05594279	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments Limited	00892832	100.0%	0.0%	100.0%	Property investment/ development
St. Modwen Holdings Limited	01991339	100.0%	0.0%	100.0%	Dormant
St. Modwen Homes Limited	09095920	100.0%	0.0%	100.0%	Property development
St. Modwen Hungerford Limited	06160323	0.0%	100.0%	100.0%	Ceased trading
St. Modwen Investments Limited	00528657	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Neath Canal Limited	06160309	0.0%	100.0%	100.0%	Dormant
St. Modwen Pensions Limited	00878604	100.0%	0.0%	100.0%	Dormant
St. Modwen Properties IV S.à.r.l.(2)	B154061	0.0%	100.0%	100.0%	Ceased trading
St. Modwen Properties IX S.à.r.l.(2)	B154099	0.0%	100.0%	100.0%	Ceased trading

D. Investments in subsidiaries and joint ventures continued

Name	Company registration number	Proportion of entity owned directly by the Company	Proportion of entity owned by a subsidiary of the Company	Ultimate percentage holding	Activity
St. Modwen Properties S.à.r.l.[2]	B153339	100.0%	0.0%	100.0%	Holding company
St. Modwen Properties Securities (Jersey) Limited[1]	114977	100.0%	0.0%	100.0%	Financing company
St. Modwen Properties VI S.à.r.l.[2]	B154133	0.0%	100.0%	100.0%	Ceased trading
St. Modwen Properties VII S.à.r.l.[2]	B154093	0.0%	100.0%	100.0%	Ceased trading
St. Modwen Properties VIII S.à.r.l.[2]	B154097	0.0%	100.0%	100.0%	Property investment
St. Modwen Properties X S.à.r.l.[2]	B154153	0.0%	100.0%	100.0%	Ceased trading
St. Modwen Residential Living Limited	09266033	100.0%	0.0%	100.0%	Property investment
St. Modwen Services Limited	02885024	100.0%	0.0%	100.0%	Dormant
St. Modwen Ventures Limited	01486151	100.0%	0.0%	100.0%	Property investment
Statedale Limited	03656832	0.0%	100.0%	100.0%	Dormant
Trentham Gardens Limited	00533242	0.0%	100.0%	100.0%	Dormant
Trentham Leisure Limited	03246990	100.0%	0.0%	100.0%	Property investment/ operation
Tukdev 11 Limited	02885000	0.0%	100.0%	100.0%	Dormant
Walton Securities Limited	02314059	100.0%	0.0%	100.0%	Dormant
Woking Developments Limited	05411325	100.0%	0.0%	100.0%	Dormant
Woodingdean Estate Management Company Limited	09293061	0.0%	100.0%	100.0%	Dormant
Non-wholly owned subsidiaries, with non-controlling interest					
Castle Hill Dudley Limited	05411315	81.0%	0.0%	81.0%	Property development
Stoke on Trent Regeneration (Investments) Limited	04289476	0.0%	100.0%	81.0%	Property investment
Stoke-on-Trent Regeneration Limited	02265579	81.0%	0.0%	81.0%	Property investment/ development
Uttoxeter Estates Limited	02725709	81.0%	0.0%	81.0%	Property investment
Widnes Regeneration Limited	03643210	81.0%	0.0%	81.0%	Property investment
Norton & Proffitt Developments Limited	03717397	0.0%	75.0%	75.0%	Property investment
The Company of Proprietors of the Neath Canal Navigation	ZC000173	0.0%	64.4%	64.4%	Property operation
Littlecombe Community Interest Company	05896419	0.0%	51.0%	51.0%	Property management
Joint ventures					
Barton Business Park Limited	03807742	0.0%	50.0%	50.0%	Property investment
Bay Campus Developments LLP[3]	OC389022	0.0%	50.0%	50.0%	Property development
Key Property Investments Limited	03372175	50.0%	0.0%	50.0%	Property investment/ development
Meaford Energy Limited	08575649	0.0%	50.0%	50.0%	Property development
Meaford Land Limited	08575760	0.0%	50.0%	50.0%	Property development
Skypark Development Partnership LLP	OC343583	0.0%	50.0%	50.0%	Property development
Spray Street Quarter LLP[4]	OC404205	0.0%	50.0%	50.0%	Property development
VSM (NCGM) Limited	08333203	50.0%	0.0%	50.0%	Property investment/ development
VSM Estates (Ashchurch) Limited	09494284	50.0%	0.0%	50.0%	Property development
VSM Estates (Holdings) Limited	05867718	50.0%	0.0%	50.0%	Property investment
VSM Estates Uxbridge (Group) Limited	08083799	50.0%	0.0%	50.0%	Property investment
Wrexham Land Limited	06748467	0.0%	50.0%	50.0%	Property development
Wrexham Power Limited	06762265	0.0%	50.0%	50.0%	Property development

Name	Company registration number	Proportion of entity owned directly by the Company	Proportion of entity owned by a subsidiary of the Company	Ultimate percentage holding	Activity
Associates					
Coed Darcy Limited(5)	00577934	0.0%	49.0%	49.0%	Property investment
Saxon Business Centre (Management) Limited	02470756	0.0%	40.0%	40.0%	Dormant
Snipe Centre (Management) Limited	02485535	0.0%	33.3%	33.3%	Dormant
Baglan Bay Company Limited(5)	06383208	0.0%	25.0%	25.0%	Property development
Swan Business Park (Management) Limited	02424524	25.0%	0.0%	25.0%	Dormant

(1) The registered office of this company is 47 Esplanade, St Helier, Jersey, JE1 0BD, United Kingdom.

(2) The registered office of these companies is 121, avenue de la Faïencerie, L-1511. Luxembourg.

(3) The registered office of this company is Finance Department, Swansea University, Singleton Park, Swansea, Wales, SA2 8PP, United Kingdom.

(4) The registered office of this limited liability partnership is Bruce Kenrick House, 2 Killick Street, London, England, N1 9FL, United Kingdom.

(5) The registered office of these companies is Dumfries House, Dumfries Place, Cardiff, South Glamorgan, Wales, CF10 3ZF, United Kingdom.

Following the sale of the student accommodation at Swansea University Bay Campus post-year end as disclosed in note 23 to the Group financial statements and excluding certain companies in the process of being liquidated, all of the Group's subsidiaries, joint ventures and associates are subject to full UK corporation tax.

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

E. Trade and other receivables

	2017 £m	2016 £m
Non-current		
Amounts due from subsidiaries	**475.0**	–
Amounts due from joint ventures	**–**	6.0
Non-current receivables	**475.0**	6.0
Current		
Trade receivables	**0.1**	0.6
Prepayments and accrued income	**4.2**	5.6
Amounts due from subsidiaries	**505.6**	900.8
Amounts due from joint ventures	**20.4**	59.8
Other receivables	**0.1**	0.4
Current receivables	**530.4**	967.2

F. Deferred taxation

	2017 £m	2016 £m
Balance at start of the year	**2.8**	2.7
(Credited)/charged to the Company income statement	**(0.4)**	0.1
Recognised within the Company statement of changes in equity	**0.3**	–
Balance at end of the year	**2.7**	2.8

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

	2017			2016		
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Other temporary differences	**(2.7)**	**–**	**(2.7)**	(2.8)	–	(2.8)
Total deferred tax	**(2.7)**	**–**	**(2.7)**	(2.8)	–	(2.8)

G. Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	**(2.6)**	1.4
Amounts due to subsidiaries	**374.3**	320.3
Amounts due to joint ventures	**31.7**	17.7
Other payables and accrued expenses	**7.6**	10.6
Current payables	**411.0**	350.0
Non-current		
Amounts due to subsidiaries	**97.0**	94.4
Amounts due to joint ventures	**8.5**	–
Other payables and accrued expenses	**2.0**	–
Non-current payables	**107.5**	94.4

H. Borrowings

	2017 £m	2016 £m
Non-current		
Amounts repayable between one and two years	**115.8**	–
Amounts repayable between two and five years	**157.5**	313.4
Non-current borrowings	**273.3**	313.4

Where borrowings are secured, the individual bank facility has a fixed charge over a discrete portfolio of certain of the Company's subsidiaries' property assets. All borrowings are secured, other than the retail bond as disclosed in note 15.

I. Operating leases
Operating lease commitments where the Company is the lessee
The Company 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:

	2017 £m	2016 £m
In one year or less	**1.1**	1.5
Between one and five years	**1.9**	2.1
In five years or more	**–**	0.1
Total minimum lease rentals payable	**3.0**	3.7

FIVE YEAR RECORD

	2013 £m	2014 £m	2015 £m	2016 £m	**2017 £m**
Rental income[1]	36.3	37.1	38.7	45.9	**53.8**
Property profits[1][2]	37.7	51.3	67.4	62.0	**62.0**
Revaluation surplus[1][3]	39.1	93.5	201.7	4.1	**34.6**
Profit before all tax[4]	77.2	135.4	258.4	60.8	**67.0**
Earnings per share (pence)	30.9	53.8	97.9	24.1	**26.9**
Dividends paid per share (pence)	3.75	4.13	5.04	5.79	**6.08**
Dividend cover (times)	8.2	13.0	19.4	4.2	**4.4**
Shareholders' equity net assets per share (pence)	278.8	325.1	413.5	431.0	**450.9**
Increase on prior year	11.2%	16.6%	27.2%	4.2%	**4.6%**
Net assets employed					
Investment properties	750.2	862.3	1,092.9	1,144.7	**1,168.5**
Investments	120.1	127.2	227.3	184.8	**119.6**
Inventories	199.7	201.0	183.7	229.7	**352.7**
Other net liabilities	(118.5)	(106.5)	(80.3)	(73.9)	**(143.4)**
Net debt	(334.9)	(360.0)	(502.1)	(523.2)	**(491.4)**
Non-controlling interests	(4.5)	(5.9)	(6.8)	(6.9)	**(5.7)**
Net assets attributable to owners of the Company	612.1	718.1	914.7	955.2	**1,000.3**
Financed by					
Share capital	22.0	22.1	22.2	22.2	**22.2**
Reserves	590.4	697.8	893.5	933.6	**979.8**
Own shares	(0.3)	(1.8)	(1.0)	(0.6)	**(1.7)**
Equity attributable to owners of the Company	612.1	718.1	914.7	955.2	**1,000.3**

(1) Including share of joint ventures and associates.

(2) Stated before net realisable value provisions.

(3) Including net realisable value provisions and, where applicable, fair value adjustments to property assets arising from a bargain purchase.

(4) Stated before taxation of joint ventures and associates.

The figures above are all presented under EU IFRSs as restated, where applicable.

GLOSSARY OF TERMS

Adjusted EPRA earnings – EPRA earnings adjusted to include development profits from the housebuilding operating segment, the amortisation of loan arrangement fees (including the Group's share of its joint ventures and associates) and tax associated with both of these company specific adjustments.

Adjusted EPRA earnings per share – Adjusted EPRA earnings divided by the weighted number of shares in issue during the period (excluding shares held by The St. Modwen Properties PLC Employee Share Trust).

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 earnings – the Group profit for the year, excluding investment property revaluation gains/losses, gains/losses on disposal of investment properties and inventories and associated items, and movements in the fair value of financial instruments. Each of these adjustments is made for both the Group and the Group's share of its joint ventures and associates and is net of current and deferred tax charges/credits.

EPRA net asset value (EPRA NAV) – net asset value, adjusted to include the fair value of inventories and exclude deferred tax on capital allowances and revaluations, and the 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).

EPRA triple net asset value (EPRA NNNAV) – the Group balance sheet net assets, adjusted to include the fair value of inventories.

Equivalent yield – the weighted average income return (after adding notional purchaser's costs) a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent is received annually in arrears.

Equivalent yield shift – the movement in the equivalent yield of a property asset during the period.

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.

EU IFRSs – International Financial Reporting Standards as adopted by the European Union.

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.

High yielding portfolio – income generating assets with high yields that provide the Group with opportunity for further development and value creation in the longer term.

IFRSs – International Financial Reporting Standards.

Interest – net finance costs (excluding the mark-to-market of derivative financial instruments, amortisation of loan arrangement fees and other non-cash items) for the Group (including its share of joint ventures and associates).

Investment portfolio – income generating assets held for further optimisation through active asset management.

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).

Like-for-like – adjusts a reported measure to exclude the impact of property acquisitions and disposals.

Loan-to-value (LTV) – the level of the Group's net borrowings expressed as a percentage of the Group's property portfolio excluding valued assets held under finance leases (representing amounts that could be used as security of that debt).

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) – equity attributable to owners of the Company.

Net asset value (NAV) per share – 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).

Net borrowings – total borrowings (at amortised cost and excluding finance leases and fair value movements on the Group's convertible bond) less cash and cash equivalents.

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 (NIY) – the yield that would be received by a purchaser, based on the current annualised rental income, net of non-recoverable outgoings (as determined by the external valuers), 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).

Operating costs – administrative expenses plus net finance costs (excluding the mark-to-market of derivative financial instruments, amortisation of loan arrangement fees and other non-cash items) for the Group (including its share of joint ventures and associates).

Other income – other rental type income generated from the operating assets of the Group (including its share of joint ventures and associates).

Passing rent – the annualised rental income of a property net of outstanding rent-free lease incentives.

Persimmon joint venture – a series of commercial contracts with Persimmon to develop residential units on agreed sites within St. Modwen's land bank.

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 assets, but excluding assets held under finance leases not subject to revaluation.

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

RICS – Royal Institution of Chartered Surveyors.

See-through – calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

See-through loan-to-value (excluding residential) – see-through net borrowings expressed as a percentage of the see-through property portfolio excluding assets held under finance leases and residential land and developments.

Total accounting return (TAR) – the increase in net asset value per share for the period, plus dividends paid per share during the period, expressed as a percentage of net asset value per share at the start of the period.

Total development costs – the expected development costs of a project, including the value of land at the start of the project and any associated land capital expenditure.

Total shareholder return (TSR) – the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock.

Trading profit – the total of net rental income, other net income and property profits for the Group (including its share of joint venture and associates) less operating costs.

Vacancy – the ERV attributable to vacant space expressed as a percentage of total ERV (including the Group's share of joint ventures and associates).

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 financial instrument costs at the period end, divided by total Group borrowings at the period end.

Yield on cost – the expected headline ERV on completion of a property under development expressed as a percentage of the estimated total development cost.

Notice is hereby given that the seventy seventh 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, 28 March 2018 at 12.00 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 14 inclusive will be proposed as ordinary resolutions and resolutions 15 to 18 will be proposed as special resolutions.

Ordinary business
Annual Report and financial statements

1. To receive the Company's Annual Report and financial statements for the financial year ended 30 November 2017.

Directors' remuneration report

2. To approve the Directors' remuneration report (excluding the part containing the directors' remuneration policy) as set out on pages 86 to 109 of the Annual Report and financial statements for the financial year ended 30 November 2017.

Dividend

3. To declare a final dividend for the financial year ended 30 November 2017 of 4.26 pence per ordinary share, payable on 4 April 2018 to those shareholders on the register of members at the close of business on 9 March 2018.

Election and re-election of directors

4. To elect Jenefer Greenwood as a director.
5. To elect Jamie Hopkins as a director.
6. To re-elect Mark Allan as a director.
7. To re-elect Ian Bull as a director.
8. To re-elect Simon Clarke as a director.
9. To re-elect Rob Hudson as a director.
10. To re-elect Lesley James as a director.
11. To re-elect Bill Shannon as a director.

Appointment and remuneration of auditor

12. To re-appoint KPMG LLP as the Company's auditor until the conclusion of the next general meeting of the Company at which accounts are laid.
13. To authorise the Audit Committee to determine the remuneration of the Company's auditor on behalf of the Board.

Special business
Authority to allot shares

14. To generally and unconditionally authorise the directors in accordance with section 551 of the Companies Act 2006 (the 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 £7,412,566; and

    (b) allot equity securities (within the meaning of section 560(1) of the Act) up to a further aggregate nominal amount of £7,412,566 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 consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any country or territory or any other matter.

    Unless previously renewed, revoked or varied, the authorities conferred by this resolution 14 shall apply in substitution for all existing authorities under section 551 of the Act until the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, 27 June 2019, but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would or might require shares to be allotted or rights to be granted after the authority expires and the directors may allot shares or grant such rights under such an offer or agreement as if the authority had not expired.

Disapplication of pre-emption rights
Special resolution

15. That, subject to the passing of resolution 14, the directors be generally empowered pursuant to section 570 of the Companies Act 2006 (the Act) to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 14 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

    (a) any such allotment and/or sale in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, 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 consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any country or territory or any other matter; and

    (b) any such allotment and/or sale, other than pursuant to paragraph (a) of this resolution 15, having, in the case of ordinary shares, an aggregate nominal amount or, in the case of other equity securities, giving the right to subscribe or convert into ordinary shares having an aggregate nominal amount, not exceeding £1,111,884.

Unless previously renewed, revoked or varied, the powers conferred by this resolution 15 shall apply in substitution for all existing powers under sections 570 and 573 of the Act until the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, 27 June 2019, but, in each case, 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 or equity securities held as treasury shares to be sold for cash after the power expires and the directors may allot equity securities and/or sell equity securities held as treasury shares for cash under such an offer or agreement as if the power had not expired.

Special resolution

16. That, subject and in addition to the passing of resolution 15, the directors be generally empowered pursuant to section 570 of the Companies Act 2006 (the Act) to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 14 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be:

    (a) limited to any such allotment and/or sale of equity securities having, in the case of ordinary shares, an aggregate nominal amount or, in the case of other equity securities, giving the right to subscribe or convert into ordinary shares having an aggregate nominal amount, not exceeding £1,111,884; and

    (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

    Unless previously renewed, revoked or varied, the powers conferred by this resolution 16 shall apply in substitution for all existing powers under sections 570 and 573 of the Act until the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, 27 June 2019, but, in each case, 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 or equity securities held as treasury shares to be sold for cash after the power expires and the directors may allot equity securities and/or sell equity securities held as treasury shares for cash under such an offer or agreement as if the power had not expired.

Purchase of own ordinary shares by the Company

Special resolution

17. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the Act) to make market purchases (as defined in section 693 of the Act) of ordinary shares of 10 pence 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 22,237,698;

    (b) the minimum price which may be paid for an Ordinary Share is 10 pence (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 next AGM of the Company after the date on which this resolution is passed or, if earlier, 27 June 2019, 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.

Notice of meetings other than AGMs

Special resolution

18. To authorise the Company to call a general meeting other than an AGM on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next AGM of the Company after the date on which this resolution is passed.

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

Andrew Eames
General Counsel and
Company Secretary (Interim)

15 February 2018

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 30 November 2017. Copies will be available at the AGM.

Resolutions 2 – Directors' remuneration

Resolution 2 is an ordinary resolution to approve the Directors' Remuneration Report, other than the part containing the directors' remuneration policy. In accordance with the Companies Act 2006 this vote is advisory only and the directors' entitlement to receive remuneration is not conditional on it. The resolution and vote provide a means for shareholders to give feedback to the Board on directors' remuneration. A resolution to approve the directors' remuneration policy (set out in full in the Annual Report and Financial Statements for the year ended 30 November 2016 which is available at www.stmodwen.co.uk) was approved by shareholders at the 2017 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 30 November 2017 of 4.26 pence per ordinary share. If approved, this will be paid on 4 April 2018 to shareholders on the register of members at the close of business on 9 March 2018.

Resolutions 4 to 11 – Election and re-election of directors

Resolutions 4 to 11 are ordinary resolutions which deal with the election and re-election of the directors. In accordance with the Company's articles of association and the UK Corporate Governance Code, all directors must retire at each AGM and shall, subject to his or her terms of appointment, be eligible for election or re-election.

Following her appointment to the Board on 1 June 2017, Jenefer Greenwood will retire and offer herself for election.

On 29 January 2018, the Board approved the appointment of Jamie Hopkins as a non-executive director of the Company, effective from 1 March 2018. Accordingly Mr. Hopkins will retire and offer himself for election.

As announced, both Richard Mully and Kay Chaldecott will not be standing for re-election at the AGM. All other directors will retire and offer themselves for re-election.

Biographical details of all directors are set out on pages 66 and 67. The performance of and contribution made by individual directors has been reviewed by the Chairman during the course of the year and the Chairman has confirmed that the performance of each director continues to be effective, that they continue to demonstrate commitment to their respective roles, and that their respective skills complement one another to enhance the overall operation of the Board. The Board therefore recommends the reappointment of all directors standing for re-election. Further supporting information regarding the non-executive directors can be found opposite.

Jenefer Greenwood, OBE (resolution 4)
Jenefer was appointed to the Board in June 2017 and is a member of the Audit, Nomination and Remuneration Committees. She has over 30 years' experience and knowledge of the real estate sector starting with Hillier Parker and subsequently working for Grosvenor Ltd until 2012 when she retired as director of sales and lettings.

Jenefer has strengthened further the existing expertise of the board in relation to real estate and will make a meaningful contribution with an extensive understanding of remuneration matters.

Jamie Hopkins (resolution 5)
Following a comprehensive search process for a new non-executive director, the Board was pleased to approve the appointment of Jamie Hopkins as a non-executive director with effect from 1 March 2018 for an initial term of three years. Chief Executive of Workspace plc since 2012 and prior to that as a non-executive director, he is experienced in real estate, asset management services and acquisitions in both public and private companies, as well as having strong operational skills including in financing and reporting. Jamie will complement the Board's skillsets and expertise and bring current commercial experience to the role.

Ian Bull (resolution 7)
Ian was appointed to the Board in September 2014 and is Chairman of the Audit Committee. He is currently Chief Financial Officer of Parkdean Resorts UK Ltd. His career in finance spans over 25 years, including board level finance roles at Ladbrokes plc and Greene King plc. Ian brings to the Board a wealth of corporate and financial knowledge, together with a sound understanding of accounting and regulatory matters.

During the past year, Ian has led the Audit Committee through its first year with PwC, the Company's internal auditor and KPMG, the external auditor. As Committee Chair he also ensured that the Audit Committee considered a number of significant matters in relation to financial reporting, including the valuation of the Group's property portfolio.

Simon Clarke (resolution 8)
Simon was appointed to the Board in October 2004 following the death of his father, Sir Stanley Clarke, the founder and former Chairman of St. Modwen. He is currently Chairman of Dunstall Holdings Ltd, Trustee of Racing Welfare and Chairman of Racing Homes.

Whilst not considered to be independent for the purposes of the UK Corporate Governance Code, as the longest serving director Simon brings continuity and extensive knowledge of the business to the Board as well as strong commercial and management experience.

Lesley James, CBE (resolution 10)
Lesley was appointed to the Board in October 2009 and is currently Chairman of the Remuneration Committee. She has considerable board experience across public, private, voluntary and education sectors and, as HR Director at Tesco plc for 14 years, has extensive knowledge of executive remuneration.

During the past year, Lesley led the Remuneration Committee's discussions in respect of the implementation of the share-based incentive plans which were approved by shareholders at the 2017 AGM and has engaged with the Group's major investors in the year.

Bill Shannon (resolution 11)
Bill was appointed to the Board in November 2010 and became non-executive Chairman in March 2011. He chairs the Nomination Committee and is currently Deputy Chairman and Senior Independent Director of LSL Property Services plc and a non-executive director of Johnson Service Group plc.

Bill has proven ability in leading large public and private companies as Chairman and has significant management and board level experience across retail, leisure, financial services and property sectors. He continues to oversee succession planning for Board appointments and supports the Remuneration Committee in its activities.

Resolutions 12 and 13 – Auditor appointment and remuneration
At last year's AGM shareholders appointed KPMG as auditor of the Company to hold office until the conclusion of the 2018 AGM. KPMG has expressed a willingness to continue in office and the Audit Committee recommends their re-appointment. Therefore resolutions 12 and 13 are ordinary resolutions to re-appoint KPMG 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 14 – Authority to allot shares
The authority conferred on the directors at last year's AGM to allot shares in the Company expires at the conclusion of the 2018 AGM. Resolution 14 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 14 will, if resolution 14 is passed, authorise the directors to allot shares up to a maximum aggregate nominal amount of £7,412,566, which represents one-third of the Company's issued ordinary share capital as at 8 February 2018 (being the latest practicable date prior to the publication of the notice of AGM). Paragraph (b) of resolution 14 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 £7,412,566.

The authorities sought in paragraphs (a) and (b) of resolution 14 are in substitution for all existing authorities granted in the Company's articles of association or otherwise, and are without prejudice to previous allotments or agreements or offers to allot made under such existing authorities. The authorities will each expire at the earlier of the conclusion of the next AGM of the Company or 27 June 2019.

The directors have no present intention of exercising these authorities other than to fulfil the Company's obligations under its share incentive plans 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.

Resolutions 15 and 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. At last year's AGM a special resolution was passed, under section 570 of the Companies Act 2006, empowering the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. It is proposed that this authority be renewed in line with institutional shareholder guidelines.

Under resolution 15, it is proposed that the directors be authorised to issue shares for cash and/or sell shares from treasury (if any are so held) without offering them first to existing shareholders in proportion to their current holdings:

(a) in respect of a rights issue, open offer or other offer that generally provides existing shareholders with the opportunity to subscribe for new shares pro rata to their existing holdings. This part of the authority is designed to give the directors flexibility to exclude certain shareholders from such an offer where the directors consider it necessary or desirable to do so in order to avoid legal, regulatory or practical problems that would otherwise arise; or

(b) up to an aggregate nominal amount of £1,111,884 (up to 11,118,840 new ordinary shares of 10p each). This amount represents approximately 5% of the Company's issued ordinary share capital as at 8 February 2018 (being the latest practicable date prior to the publication of the notice of AGM). This part of the authority is designed to provide the Board with flexibility to raise further equity funding and to pursue acquisition opportunities as and when they may arise.

The authority proposed under resolution 16 is in addition to the authority granted by resolution 15. Under resolution 16, it is proposed that the directors be authorised to disapply statutory pre-emption rights in respect of an additional 5% of the Company's issued ordinary share capital as at 8 February 2018 (being the latest practicable date prior to the publication of the notice of AGM). This further authority may only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or that has taken place in the preceding six-month period and is disclosed in the announcement of the issue as contemplated by the Pre-Emption Group's March 2015 Statement of Principles.

Excluding any shares issued in connection with an acquisition or specified capital investment as described above, the directors do not intend to issue more than 7.5% of the Company's issued ordinary share capital on a non-pre-emptive basis in any rolling three-year period without prior consultation with shareholders.

The authorities sought in resolutions 15 and 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 or 27 June 2019.

The directors have no present intention of exercising these authorities other than to fulfil the Company's obligations under its share incentive plans approved by shareholders, but consider it prudent to obtain the flexibility that these authorities provide.

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 purchases of its own ordinary shares through the market as permitted by the Companies Act 2006 and in line with 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 22,237,698 of its ordinary shares, which represents 10% of the Company's issued ordinary share capital as at 8 February 2018 (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 27 June 2019.

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 8 February 2018 (being the latest practicable date prior to the publication of the notice of AGM), the Company had options outstanding over 7,127,233 ordinary shares, representing 3.21% 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 8 February 2018 would represent 4.01% of the issued share capital.

Resolution 18 – Notice period of general meetings
The Company must give at least 21 clear days' notice of any general meeting, but is permitted to call meetings other than the AGM on at least 14 clear days' notice if annual shareholder approval is obtained beforehand. The Company must also offer, for any meeting held on less than 21 clear days' notice, a facility to vote by electronic means that is accessible to all shareholders.

Resolution 18 is a special resolution to renew the 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. This authority will be effective until the Company's next AGM.

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.

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 6.30pm on Monday, 26 March 2018 (or, in the event of any adjournment, at 6.30pm 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, 26 March 2018. 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 form which may be used to appointment a proxy 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 (UK time), Monday to Friday, excluding public holidays in England and Wales. Alternatively, photocopy the proxy form which has been sent to you. All forms must be signed and should be returned together in the same envelope.

The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. Please note that the vote withheld option on the proxy form is provided to enable you to abstain on any particular resolution; it is not a vote in law and will not be counted in the calculation of votes for or against the resolution. If you sign the proxy form and return it without any specific directions your proxy will vote or abstain from voting at his or her discretion. If you wish to appoint a proxy other than the Chairman of the meeting, please insert the name of your chosen proxy holder in the space provided on the proxy form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

In the case of joint holders, the vote of the senior joint holder who tenders a vote, whether in person or by proxy, in respect of the holding will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names appear in the Company's register of members in respect of the joint holding. In the case of a corporate shareholder, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer or attorney. In the case of an individual, the proxy form must be signed by the appointing shareholder. Any alterations made to the proxy form should be initialled.

4. Appointment of proxies electronically

Shareholders who would prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk using their personal Voting ID, Task ID and Shareholder Reference Number (which are printed on the proxy form). Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk. Full details and instructions on these electronic proxy facilities are given on the respective websites. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 12.00 noon on Monday, 26 March 2018.

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. 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. 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 a 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 8 February 2018 (being the latest practicable date prior to the publication of the notice of AGM), the Company's issued share capital consisted of 222,376,988 shares carrying one vote each. Therefore the total voting rights in the Company as at 8 February 2018 was 222,376,988.

13. Documents available for inspection
The following documents are available for inspection at the registered office of the Company during normal business hours and will be at the place of the AGM for at least 15 minutes prior to and during the AGM:

(a) copies of the directors' service agreements with the Company;

(b) copies of the non-executive directors' letters of appointment;

(c) a copy of the Company's articles of association; and

(d) a copy of the Company's indemnity for directors;

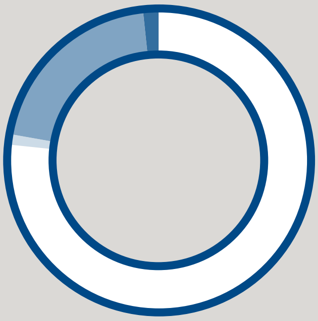
14. Communication with the Company
You may not use any electronic address provided in this notice of AGM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

INFORMATION FOR SHAREHOLDERS

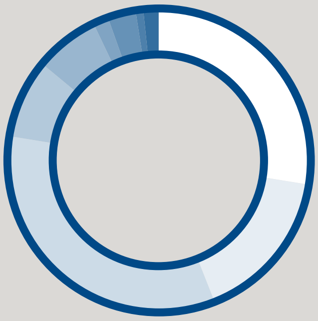
Shareholder analysis
Holdings of ordinary shares as at 30 November 2017:

	Shareholders		Shares	
	Number	%	Number	%
By shareholder				
Individuals	2,827	76.92	10,300,848	4.63
Directors and connected persons	36	0.98	24,595,084	11.06
Insurance companies, nominees and pension funds	753	20.49	187,289,897	84.22
Other limited companies and corporate bodies	59	1.61	191,159	0.09
	3,675	**100.00**	**222,376,988**	**100.00**
By shareholding				
Up to 500	1,011	27.51	248,071	0.11
501 to 1,000	605	16.46	465,399	0.21
1,001 to 5,000	1,242	33.80	2,948,652	1.32
5,001 to 10,000	301	8.19	2,199,308	0.99
10,001 to 50,000	257	6.99	5,643,139	2.54
50,001 to 100,000	65	1.77	4,666,044	2.10
100,001 to 500,000	106	2.89	26,195,361	11.78
500,001 to 1,000,000	36	0.98	26,434,778	11.89
1,000,001 and above	52	1.41	153,576,236	69.06
	3,675	**100.00**	**222,376,988**	**100.00**

Shareholder percentage by shareholder
- Individuals
- Directors and connected persons
- Insurance Companies, Nominees and Pension Funds
- Other Limited Companies and Corporate Bodies



Shareholders percentage by shareholding
- Up to 500
- 501 to 1,000
- 1,001 to 5,000
- 5,001 to 10,000
- 10,001 to 50,000
- 50,001 to 100,000
- 100,001 to 500,000
- 500,001 to 1,000,000
- 1,000,001 and above



Financial calendar

Ordinary shares quoted ex-dividend	8 March 2018
2016/17 final dividend record date	9 March 2018
AGM	28 March 2018
2016/17 final dividend payment date	4 April 2018
Announcement of 2018 half year results	July 2018
Announcement of 2018 final results	February 2019

Website
Information about St. Modwen, including this and prior years' Annual 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[1] (+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 notification confirming details of the dividend payment will be sent to your registered address. Please contact Equiniti on 0371 384 2198[1] 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.

(1) Lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

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 unexpectedly 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/consumers/report-scam-unauthorised-firm, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Annual General Meeting
The AGM will be held on Wednesday, 28 March 2018 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 180 to 185.

CONTACTS

St. Modwen Properties PLC
Company No. 349201

Head Office
Park Point
17 High Street
Longbridge
Birmingham
B31 2UQ
0121 222 9400

South East
180 Great Portland Street
London
W1W 5QZ
020 7788 3700

Midlands
Park Point
17 High Street
Longbridge
Birmingham
B31 2UQ
0121 647 1000

North West
Chepstow House
Trident Business Park
Daten Avenue
Risley
Warrington
WA3 6BX
01925 825950

West and Wales
Green Court
Kings Weston Lane
Avonmouth
Bristol
BS11 8AZ
0117 316 7780

St. Modwen Homes
Two Devon Way
Longbridge
Birmingham
B31 2TS
0121 647 1000

The Trentham Estate
Stone Road
Trentham
Stoke-on-Trent
ST4 8JG
01782 645222

Yorkshire and North East
2 Landmark Court
Revie Road
Leeds
LS11 8JT
0113 272 7070

Disclaimer
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The Annual Report and Financial Statements contains certain forward looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward looking statements. Any forward looking statements made by or on behalf of the Company are made in good faith based on the information available at the time the statement is made; no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. The Company does not undertake to update forward looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this Annual Report and Financial Statements should be construed as a profit forecast.

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