Date of issue: 2nd February 2016

ST. MODWEN PROPERTIES PLC
(“St. Modwen” or “the Company”)
Annual Results for the Year Ended 30th November 2015

ST. MODWEN REPORTS 91% INCREASE IN PROFITS TO £258M AND NET ASSET VALUE GROWTH OF 27%

Financial highlights

- 91% increase in profit before all tax to £258.4m* (2014: £135.4m)
- Shareholders’ NAV per share up 27% to 413.5p (2014: 325.1p), and EPRA NAV per share up 30% to 446p (2014: 342p)
- Earnings per share up 82% to 97.9p (2014: 53.8p)
- Property profits up 31% to £67.4m (2014: £51.3m)
- Overall valuation increase of £201.7m (2014: £93.5m) comprising market-driven valuation gain of £35.7m (2014: £57.6m) and gains of £166m (2014: £35.9m) as a result of planning and asset management initiatives which includes a significant contribution from New Covent Garden Market of £127m
- Total dividend for the year increased by 25% to 5.75p per share (2014: 4.6p per share)

Operational highlights

- Significant milestones completed across all major projects:
  - *New Covent Garden Market* – unconditional status achieved during H1 and now reflected in the balance sheet. Interim flower market works are now underway, marking a significant step towards securing vacant possession of the 10-acre Nine Elms Square site
  - *Longbridge, Birmingham* – phase 2 of the Town Centre complete with Marks & Spencer’s 150,000 sq ft new flagship store now trading along with other national retailers
  - *Bay Campus, Swansea University* – new Campus opened in September 2015, welcoming 917 students. Phase 2 opened in January 2016 and Phase 3 to open in 2017
- Commercial property development pipeline continues to deliver strong flow of profits
- Continued growth in residential development profits

Well positioned for continued growth

- Supportive investor market anticipated in 2016 for disposal of mature assets
- Expect steady demand for our residential land with continued growth from St. Modwen Homes
- Continue to replenish 1.6m sq ft commercial development pipeline with new opportunities from existing land bank and through acquisitions
- Positive outlook for continued NAV growth over the next 12 months

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

Bill Oliver, Chief Executive of St. Modwen, commented*:*

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

"During the year, significant momentum has been created in the Company as a result of us continually restocking our pipeline of residential and commercial development with new opportunities sourced from our existing land bank as well as through new acquisitions.

"In 2016, a year which marks 30 years of St. Modwen's status as a publicly listed company, we anticipate the creation of further value for our shareholders as we continue to invest in and regenerate areas nationwide."

Enquiries:

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A presentation for analysts and investors will be held at 9.30am today at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. If you would like to attend please contact Ellie Sweeney at FTI on +44 (0)20 3727 1622 or stmodwen@fticonsulting.com. A live webcast of the presentation will be available at www.stmodwen.co.uk and presentation slides will also be available to download.

Alternatively, details for the live dial-in facility are as follows:

Participants:	Tel: +44(0)20 3059 8125
Passcode:	St. Modwen

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

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs by the end of February 2016.

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

In this way, we have maintained an active commercial development pipeline this year which now stands at 1.6m sq ft. As we complete our developments, we seek to restock the pipeline with new opportunities.

For example, Longbridge has been transformed from a disused car factory to a living, breathing new community and a key business destination for Birmingham. At its heart is a new Town Centre for which the second phase completed in November 2015 marked by the opening of the 150,000 sq ft Marks & Spencer and other national retailers.

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

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

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

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

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

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

We do what we say – *delivering for all our stakeholders***:**
As a trusted developer, we can be relied upon to speak plainly and knowledgeably to our current and prospective partners. In addition, when we know a decision is the right one, having undertaken the appropriate analysis, we will always follow through.
During 2015 we have taken advantage of strong investor interest by disposing of a number of mature assets to which we could no longer add material value. At the same time we acquired new assets from which we can extract good latent value.

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

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

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

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

Dividend

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

People

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

Board changes

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

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

Prospects

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

Whilst we are currently experiencing macro-economic uncertainty, we are not immune to the economic environment and anticipate a continued, if slow, overall improvement in the UK economy with sustained growth in the regions. Our extensive regional portfolio provides us with a good base from which we will continue to realise residential and commercial development opportunities, either from our existing land bank or through new acquisitions. In addition, our retained portfolio of assets and new ventures, including income producing residential, should ensure a continued stream of recurring income that continues to underpin the business running costs.

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

Bill Shannon
Chairman
1st February 2016

CHIEF EXECUTIVE'S REVIEW

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

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

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

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

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

* a series of commercial contracts with Persimmon

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

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

- As the second phase opened in November 2015, Longbridge Town Centre highlighted our skill in generating an increased stream of income from our development projects that helps to underpin the running costs of the business. Anchored by a 150,000 sq ft Marks & Spencer store, the largest in the Midlands, and additional retail already leased to a number of major national occupiers, the Town Centre will now generate £3.2m of annualised income.

- The Bay Campus developed for Swansea University is a prime example of our expertise in cleaning up brownfield sites to develop thriving new communities that contribute positively to the local and broader economy, whilst delivering substantial recurring income and shareholder value. We have retained ownership of the income from the student accommodation, the first phase of which opened its doors in September 2015 housing 917 new students and the second phase opened in January 2016. Demonstrating our long-term approach to development, the flexibility of our land bank and our ability to deliver continued growth, in December 2015 we signed a development agreement with Swansea University to develop Phase 3 which will be available to new students in September 2017 and will bring the total number of student rooms to 2,000.

Commercial development pipeline

	Number of schemes	sq ft	% pre-let/pre-sold	Development expenditure £m	GDV £m
Movement during the year					
Position at 30/11/14	32	2,045,000	62%	136	259
Sold/transferred to investment properties	(10)	(855,000)			
Schemes added to the pipeline	11	400,000			
Position at 30/11/15	33	1,590,000	51%	114	213
Analysis of position at 30/11/15					
Retail	10	305,000	50%	28	64
Industrial	23	1,285,000	52%	86	149
Total	**33**	**1,590,000**	**51%**	**114**	**213**

Strategy overview

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

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

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

Market overview

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

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

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

Active commercial marketplace

Our commercial marketplace, predominantly spanning retail and industrial space, has fared well with our major projects experiencing an exceptional year in terms of delivery and income generation. Overall, our programme of commercial development is now at 1. 6m sq ft and we will continue to add new opportunities to the pipeline as schemes complete.

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

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

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

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

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

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

Strong investment market

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

Strong residential market

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

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

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

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

Business outlook

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

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

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

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

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

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

PERFORMANCE - COMMERCIAL LAND AND DEVELOPMENT

Commercial land

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

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

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

Highlights:

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

Commercial planning and development milestones

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

Planning highlights:

- *Burton Gateway, Burton upon Trent* – planning consent has been secured for an additional 230,000 sq ft of distribution and industrial space at this key site for East Staffordshire, taking the total amount of planned employment space to 1m sq ft. Construction works began speculatively on the first warehouse of 87,000 sq ft in the second half of the year.

- *Centurion Park*, *Tamworth* – plans to build 200,000 sq ft of industrial accommodation have been granted permission by North Warwickshire Borough Council. Works to a 53,000 sq ft unit started speculatively in August 2015; this is now under offer to a tenant for occupation in June 2016. Once complete, works to another speculative unit, comprising 153,000 sq ft of space, will commence.
- *Nunnery Park, Worcester* – planning permission has been granted by Worcester City Council for a 20 acre mixed-use development which provides up to 160,000 sq ft of business and industrial units as well as a car showroom, public house and 'drive-thru' restaurant.

Commercial development highlights:

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

Outlook

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

RESIDENTIAL

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

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

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

<u>Performance - Residential land</u>

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

Highlights:

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

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

Highlights:

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

Planning consents achieved – highlights:

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

Applications submitted – highlights:

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

Performance – Residential development

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

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

St. Modwen Homes

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

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

- *Gregory's Bank, Worcestershire* - a scheme of 165 homes, all under development by St. Modwen Homes which has already completed 76 units.
- *Edison Place, Rugby* - part of a large regeneration scheme being carried out by St. Modwen and comprising a new college, retail park and associated facilities, along with a total of 600 new homes of which St. Modwen Homes is delivering 350 and to date has completed 132 units.
- *Littlecombe, Dursley* - part of the broader redevelopment of the former Lister Petter factory, this 92 acre scheme has planning for 40 acres of public, open green space, 150,000 sq ft of employment space and 450 homes of which St. Modwen Homes is delivering 258. To date, St. Modwen Homes has completed 88 homes.

The five sites to come on stream during 2016 include.

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

Persimmon joint venture

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

Income Producing Residential

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

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

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

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

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

Outlook

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

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

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

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

INCOME PRODUCING PORTFOLIO

Performance

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

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

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

Income highlights

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

Acquisitions

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

Highlights:

- *Kirkby Town Centre, Liverpool* - comprising 400,000 sq ft of retail and leisure space leased to 80 tenants and providing an immediate gross rental income of £3m, we acquired this site from Tesco, along with 80 acres of residential development land and the opportunity to develop up to

120,000 sq ft of new retail space, for £35.8m, reflecting a net initial yield of 9% on the main Shopping Centre.

- *Moorgate Point, Liverpool* - comprising 445,000 sq ft of industrial and office accommodation with 6.5 acres of development land, this new asset provides an immediate gross rental income of £1.3m. It was acquired from a private vendor for £10m.

Disposals

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

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

<u>Outlook</u>

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

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

FINANCIAL REVIEW

Overview

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

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

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

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

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

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

Presentation of financial information

As we use a number of joint venture arrangements, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. To enable a better understanding, we have also provided information (including the Group’s share of joint ventures and a full reconciliation between the numbers reported below and statutory numbers) in note 2 of the Group Financial Statements.

INCOME STATEMENT

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

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

Profit and loss

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

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

Rental and recurring income

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

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

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

Property profits

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

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

Overheads

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

Finance costs and income

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

Trading profit

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

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

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

PROPERTY VALUATION

Portfolio - shape

£m	Nov 2014	Additions	Reductions	Updated Portfolio	Valuation Movement Market	Valuation Movement St. Modwen Added	Nov 2015
Residential land (46%)							
- Residential portfolio	556	164	(187)	533	**2**	**17**	**552**
- NCGM	-	93	-	93	**-**	**127**	**220**
Commercial land (9%)	146	86	(77)	155	**-**	**(3)**	**152**
Income producing (45%)							
- Industrial	248	22	(14)	256	**15**	**5**	**276**
- Retail	220	102	-	322	**16**	**-**	**338**
- Residential	33	52	-	85	**1**	**20**	**106**
- Office	61	-	(15)	46	**2**	**-**	**48**
	1,264	**519**	**(293)**	**1,490**	**36**	**166**	**1,692**

Notes:

- Stated on a proportionally consolidated basis including share of joint ventures. See note 2c to the Group Financial Statements
- Additions include purchases, capital expenditure and inward reclassifications
- Reductions include disposals and outward reclassifications
- Income Producing Residential includes PRS and Bay Campus Student Accommodation

Basis of valuation

All of our investment properties are independently valued every six months by our external valuers Cushman and Wakefield (formerly DTZ) and Jones Lang LaSalle (for New Covent Garden Market only). Our valuers base their valuations upon an open market transaction between a willing buyer and a willing seller at the Balance Sheet date. Therefore, no value is taken for any future expected increases but discounts are applied to reflect any future uncertainties. In accordance with accounting standards, valuation movements are reflected as gains or losses in the Income Statement. Where appropriate, we will also independently assess our work in progress for any impairment issues.

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

Property portfolio

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

Movements in the year

Property valuation movements are made up of two main elements: those resulting from our own actions that we undertake specifically to add value to our assets (land renewal, planning gain, robust asset management), and those resulting from changes in the overall property market. Our valuers provide this split as part of their independent property valuations.

New Covent Garden Market

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

- documentation and agreement of a section 106 agreement together with entry into statutory roads and services agreements;
- expiry of the subsequent judicial review period;
- delivery of a Deed of Grant with the US Embassy to provide a road from the Embassy on surplus Covent Garden Market Authority (CGMA) land;
- formal issue of planning consent and confirmation of acceptability from CGMA and VINCI St. Modwen that this is acceptable; and

- independent certification that the market can be procured delivered within CGMA's affordability limit.

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

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

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

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

Other movements

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

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

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

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

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

PROFIT BEFORE ALL TAX

Our profit before all tax is stated before tax on joint venture income and after movements in the market value of our interest rate derivatives (hedges and swaps) and our convertible bond. The derivative valuations are based on the financial market's forward prediction curves for interest rates. As a result of the convertible bond trading above par at the end of the financial reporting period, and together with other finance charges, this caused a charge of £6.6m (2014: £3.8m charge).

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

TAXATION AND PROFITS AFTER TAX

Our record profitability increased our tax charge (including joint venture tax and deferred tax included in negative goodwill) for the year to £41.1m (2014: £15.4m). Despite this, we achieved a substantial result for the year with profits after tax up by 81% to £217.3m (2014: £120.0m). The resultant earnings per share of 97.9p (2014: 53.8p) is up 82% year on year.

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

BALANCE SHEET

Balance Sheet

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

Restatements

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

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

- the whole (rather than 50%) of the property interest in the student accommodation;

- to account for the amounts due to M&G as a finance lease liability;
- to eliminate the construction contract accounting recognised in respect of the proportion of the development work performed on these sites that was funded by M&G; and
- to revalue the site during the course of construction.

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

Funding levels

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

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

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

Gearing (%)

2011	2012	2013	2014	2015
80	72	54	50	54

Adjusted gearing* (%)

2011	2012	2013	2014	2015
79	71	54	47	48

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

See-through loan-to-value (%)

2011	2012	2013	2014	2015
39	41	33	31	30

New Covent Garden Market

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

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

Net assets

At the year-end the shareholders' equity value of net assets was £915m (2014: £718m) or 413.5p per share which represents a 27% increase over the year (2014: 325.1p per share). This growth is after payment of increased dividends of £11.1m (5.04p per share) in 2015 (2014: £9.1m or 4.13p per share). This represents a 25% increase in line with dividend payable for 2015 to 5.75p (2014: 4.6p) in line with NAV growth.

EPRA net asset value

In line with industry best practice we also report net assets per share using the EPRA (European Public Real Estate Association) methodology*. Our diluted EPRA net asset value rose 30% to 446p from 342p per share. A full reconciliation of our net assets is provided in note 2 to the Group Financial Statements.

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

CORPORATE FACILITIES

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

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

Hedging and cost of debt

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

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

Corporate funding covenants

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

Bank:

- Net assets must be greater than £250m (actual £922m);
- Gearing must not exceed 175% (actual 54%); and
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 4.1x).

Retail bond:

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

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

Pension scheme

Our defined pension scheme continues to be fully funded on an IAS19 basis. With the scheme being closed to new entrants and closed to future accrual we do not currently expect any significant material future increase in scheme contributions.

Outlook

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

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

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

Bill Oliver	**Rob Hudson**
Chief Executive	Group Finance Director

1st February 2016

Our principal risks

Strategic objective:
Secure excellent returns…

Risk and potential impact	Mitigation	Commentary	Movement in the year
Market/economic changes such as higher interest rates, reduced demand for land/new properties, reduced availability of credit and declining investment yields restrict business development and cause valuation falls. Significant upcoming **political events** which delay and/or impact investment decisions and reduce returns.	• Regional spread and portfolio diversity mitigates sector or location-specific risks. • Active portfolio management achieves a better than market utilisation of assets. • Hedging policy reduces interest rate risk. • Investment and financing strategy is determined against a backdrop of potential outcomes of political events.	We choose to operate only in the UK, which is subject to relatively low risk and low returns from a stable and mature, albeit cyclical, economy and property market. By involvement with all sectors of that economy and property market, we are as diversified as possible, without venturing overseas. Our land bank of 6,000 acres provides us with the flexibility to move with market demands and pursue those opportunities that generate the greatest value at any one time. The outcome of the UK referendum on EU membership has the potential to impact the appeal and performance of investment in the UK in general. Over the course of the last year, the continuing economic problems within the Eurozone and in China and the emerging markets mean that the overall market position continues to represent a risk.	Exposure increased
Changes to **local and national planning processes** adversely impact our strategy by limiting our ability to secure viable permissions and/or by removing our competitive advantage	• Use of high-quality professional advisors. • Active involvement in public consultation. • Constant monitoring of all aspects of the planning process by experienced in-house experts. • Contact with lobbying both central and local Government.	Our daily exposure to all aspects of the planning process, and internal procedures for sharing best practice, ensure we remain abreast of most developments. Furthermore, we continue our efforts to influence public policy debate. Although the ever changing nature of planning legislation means that future rules are uncertain, our expertise should enable us to prosper relative to our competitors, irrespective of the planning environment.	No significant change
Inadequate **due diligence** on major new schemes, **programme management, construction delivery and/or procurement** leads to unforeseen exposures, quality issues and/or cost overruns causing customer dissatisfaction and/or financial loss.	• Acquisitions, development and ultimate disposals are reviewed and financially appraised in detail, with clearly defined authority limits. • Strong internal construction management team. • Clearly defined formal tender process that evaluates qualitative and quantitative factors in bid assessment. • Use and close supervision of a preferred supply chain of high-quality trusted suppliers and professionals. • Contractual liability clearly defined.	Our programme for the year has been completed on time and within budget. Our contractor selection and management processes are rigorous and we continue to favour financially stable and robust contractors.	No significant change
Financial collapse of, or dispute with, a key **joint venture partner** leads to financial loss.	• Monthly review of performance to identify if senior management intervention is required. • Flexible but legally secure contracts with partners. • Fewer but financially strong partners.	Our key partners are Persimmon PLC, VINCI plc and Salhia Real Estate K.S.C. of Kuwait. These are financially strong partners with good prospects and considerable financial resources. We maintain detailed and ongoing dialogue with all our joint venture partners.	No significant change

Strategic objective:
...through a focus on long-term significant added value…

Risk and potential impact	Mitigation	Commentary	Movement in the year
Failure to manage long-term **environmental issues** relating to brownfield and contaminated sites and human health issues leads to a major environmental incident, resulting in financial	• Use of high-quality external advisors. • Highly qualified, experienced staff and proven track record as the UK's leading regeneration	We are willing to accept a degree of environmental risk, enabling higher returns to be made. The inherent risks are passed on or minimised where possible but cannot be eliminated, although the residual risks have been acceptably low in recent years.	No significant change

and/or reputational damage.	specialist. • Risk assessments conducted as part of due diligence process, with contamination remediated following acquisition and cost plans allowing for unforeseen remediation costs. • Full warranties from professional consultants and remediation contractors. • Defined business processes to proactively manage issues. • Annual independent audit of environmental risk. • Reputation managed by a core team of skilled PR professionals		
Failure to **recruit, develop and retain staff** with the necessary skills resulting in significant disruption/loss of intellectual property.	• Succession planning monitored at Board level and below. • Targeted recruitment with competitive, performance-driven remuneration packages to secure highly-skilled and motivated employees. • Leadership and management development plans in place. • Exit interviews undertaken. • Key information is documented to safeguard knowledge.	Staff turnover remains low and the proportion of management with more than three years' service is at 76%. As competition to attract the best people increases, we continue to adapt our recruitment strategy to source the skills that will support the Company's long-term business objectives.	No significant change

Strategic objective:
...while protecting our assets

Risk and potential impact	Mitigation	Commentary	Movement in the year
Availability of **funding** reduces, causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets. Unforeseen significant changes to **cash flow** requirements (e.g. operating cost increases, pension fund shortfall) which limit the ability of the business to meet its ongoing commitments.	• Recurring income from rents provides funding for a large percentage of overhead and interest costs. • Strong relationships with key banks; all corporate debt refinanced until at least 2018. • Finance successfully raised through alternative, unsecured means (retail bond, equity placing and convertible bond). • Financial headroom maintained to provide flexibility and scenario modelling tools employed to evaluate the likelihood of a breach of financing covenant limits. • Regular and detailed cash flow forecasting enables monitoring of performance and management of future cash flows.	Our geared financial structure means that there are inevitable risks attached to the availability of funding and the management of fluctuations in our cash flows. Our prudent approach to forward commitments, speculative development and asset disposals has enabled us to optimise operational cash flows and offset the impact of fluctuating market conditions. The success of our first retail bond (October 2012), a share placing (February 2013) and a convertible bond (February 2014) has further diversified our debt financing profile by providing access to unsecured funding.	No significant change
Failure to anticipate **market changes** through poor market intelligence leads to the selection of inappropriate and, ultimately, unprofitable schemes.	• Regional offices in touch with their local market. • Dedicated central resource supporting regional teams. • Flexible and innovative approach to acquisitions and schemes in order to adapt to market changes. • Acquisitions, development and ultimate disposals are reviewed and financially appraised in detail,	The excellent reputation and financial capacity of the Company has enabled us to continue to win schemes and grow the property portfolio in an improving but still challenging market and economy. In this environment, with a reduced number of active competitors, we expect to be able to continue to source attractive acquisitions.	No significant change

	with clearly defined authority limits.		
Failure to identify a pipeline of future residential sites or reduced availability of mortgage finance adversely impacts the performance of our **residential business**.	• Team of professionals with residential experience and expertise. • Extensive land bank with a continuing stream of planning applications. • Flexible approach to mortgage financing (e.g. shared equity schemes). • Use of joint venture partners with residential expertise (e.g. Persimmon).	Whilst the planning environment remains challenging and subject to inevitable delays, our scale and expertise enables us to navigate the process with considerable success. Demand for new homes remains strong, supported by the NPPF's housing supply requirements and the availability of mortgage finance (due at least in part to the Government's Help to Buy scheme). Furthermore, the geographic spread of our business means we are not overly exposed to any one region.	No significant change
Failure to **manage major projects** effectively (e.g. civil engineering and earth moving issues) leads to higher costs / reduced margins.	• Most of our big projects can be broken down into smaller, more manageable projects (e.g. Longbridge). • Significant in-house expertise. • Any speculative development is strictly controlled. • High level of pre-sale agreements.	We use our knowledge and expertise in remediation, planning, asset development and construction to manage all of our development activity, including our major projects. Our existing skill base enables us to oversee each stage of the development process, progressing activities to completion before subsequent stages are commenced. Major projects are also subject to detailed monitoring by executive management, and progress reported to the Board at each Board meeting.	No significant change
Safety, health and environment (SHE) culture leads to a major incident (e.g. serious injury to, or death of, an employee, client, contractor or member of the public) or non-compliance with legislation, resulting in financial penalties and/or reputational damage.	• Use of high-quality external SHE advisors. • Annual cycle of SHE audits. • SHE Steering Group chaired by the Group Construction Director. • Regular Board reporting. • Programme of employee training specific to roles and responsibilities. • Defined business processes to proactively manage issues.	Health and safety continues to be a high priority. The assessment of environmental costs (and the subsequent optimising of remediation solutions) is an integral part of our acquisition and post-acquisition processes. We seek to minimise or pass on any such environmental risks, and believe that the residual risk remains acceptably low. In other social and ethical areas, our operations are underpinned by a simple but rigorous set of operating commitments.	No significant change
Inadequate **security** or **business continuity** and **disaster recovery planning** for operations and IT, leading to significant business disruption, financial/intellectual property loss and/or reputational damage in the event of an accident, act of terrorism or cyber-crime.	• Asset risk assessments (e.g. security, environmental, health and safety). • Documented disaster recovery and crisis management plans in place across the business. • Dedicated IT team monitors security and performance of all information systems. • Comprehensive insurance arrangements.	Whilst our exposure to the loss of intellectual property is relatively low, we are mindful of the increasing threat to corporate security from cyber-crime. As the profile of cyber security continues to grow, our risk management approach has adapted to further increase preventative security and enhance the robustness of existing procedures.	Exposure increased

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the directors in office as at the date of the Annual Report, whose names and functions are set out on pages 48 and 49 of the Annual Report, confirm that to the best of their knowledge:

· the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

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

· the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by

Tanya Stote

Company Secretary

1st February 2016

Group Income Statement

for the year ended 30th November 2015

	Notes	**2015** **£m**	2014 restated £m
Revenue	1	**287.5**	266.5
Net rental income	1	**32.8**	31.2
Development profits	1	**51.7**	42.3
Gains on disposals of investments/investment properties		**11.7**	5.2
Investment property revaluation gains	7	**73.9**	63.9
Release of negative goodwill to income		**–**	2.1
Other net income	1	**4.2**	3.6
Profits of joint ventures and associates (post-tax)	9	**106.8**	27.1
Administrative expenses		**(26.1)**	(22.7)
Profit before interest and tax		**255.0**	152.7
Finance costs	3	**(25.2)**	(26.2)
Finance income	3	**5.4**	5.3
Profit before tax		**235.2**	131.8
Taxation	4	**(17.9)**	(11.8)
Profit for the year		**217.3**	120.0
Attributable to:			
Owners of the Company		**216.4**	118.6
Non-controlling interests		**0.9**	1.4
		217.3	120.0

		pence	pence
Basic earnings per share	5	**97.9**	53.8
Diluted earnings per share	5	**90.4**	49.9

Group Statement of Comprehensive Income

for the year ended 30th November 2015

	Notes	2015 £m	2014 restated £m
Profit for the year		**217.3**	120.0
Items that will not be reclassified to profit and loss:			
Pension fund actuarial losses		**(0.1)**	–
Deferred tax thereon		**–**	–
Total comprehensive income for the year		**217.2**	120.0
Attributable to:			
Owners of the Company		**216.3**	118.6
Non-controlling interests		**0.9**	1.4
Total comprehensive income for the year		**217.2**	120.0

Group Balance Sheet

as at 30th November 2015

	Notes	**30th November 2015 £m**	30th November 2014 restated £m	1st December 2013 restated £m
Non-current assets				
Investment properties	7	**1,081.0**	856.8	744.6
Operating property, plant and equipment	8	**4.2**	7.0	6.6
Investments in joint ventures and associates	9	**227.3**	127.2	120.1
Trade and other receivables	10	**6.1**	6.0	7.0
		1,318.6	997.0	878.3
Current assets				
Inventories	11	**183.7**	201.0	199.7
Trade and other receivables	10	**104.7**	63.9	52.1
Derivative financial instruments		**0.8**	1.9	–
Cash and cash equivalents		**4.8**	3.2	3.2
		294.0	270.0	255.0
Current liabilities				
Trade and other payables	12	**(146.6)**	(148.6)	(144.6)
Derivative financial instruments		**(8.0)**	(8.7)	(12.8)
Borrowings and finance lease obligations	13	**(0.4)**	(0.1)	(62.5)
Current tax	4	**(11.1)**	(7.3)	(3.6)
		(166.1)	(164.7)	(223.5)
Non-current liabilities				
Trade and other payables	12	**(3.1)**	(3.5)	(9.1)
Borrowings and finance lease obligations	13	**(506.5)**	(363.1)	(275.6)
Deferred tax	4	**(15.4)**	(11.7)	(8.5)
		(525.0)	(378.3)	(293.2)
Net assets		**921.5**	724.0	616.6
Capital and reserves				
Share capital		**22.2**	22.1	22.0
Share premium account		**102.8**	102.8	102.8
Retained earnings		**739.3**	544.0	439.3
Share incentive reserve		**5.2**	4.8	2.1
Own shares		**(1.0)**	(1.8)	(0.3)
Other reserves		**46.2**	46.2	46.2
Equity attributable to owners of the Company		**914.7**	718.1	612.1
Non-controlling interests		**6.8**	5.9	4.5
Total equity		**921.5**	724.0	616.6

These Financial Statements were approved by the Board and authorised for issue on 1st February 2016.

Bill Oliver	**Rob Hudson**
Chief Executive	Group Finance Director

Company Number: 349201

Group Statement of Changes in Equity

for the two years ended 30th November 2015

	Share Capital £m	Share premium account £m	Retained Earnings £m	Share incentive reserve £m	Own Shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total Equity £m
Equity at 30th November 2013 (as reported)	22.0	102.8	441.4	2.1	(0.3)	46.2	614.2	12.8	627.0
Prior year adjustment	–	–	(2.1)	–	–	–	(2.1)	(8.3)	(10.4)
Equity at 30th November 2013 (restated)	22.0	102.8	439.3	2.1	(0.3)	46.2	612.1	4.5	616.6
Profit for the year attributable to shareholders (restated)	–	–	118.6	–	–	–	118.6	1.4	120.0
Pension fund actuarial losses (note 18)	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year (restated)	–	–	118.6	–	–	–	118.6	1.4	120.0
Equity issue	0.1	–	–	–	(0.1)	–	–	–	–
Share-based payments	–	–	(6.2)	2.7	–	–	(3.5)	–	(3.5)
Share transfers	–	–	1.4	–	(1.4)	–	–	–	–
Dividends paid	–	–	(9.1)	–	–	–	(9.1)	–	(9.1)
Equity at 30th November 2014 (restated)	**22.1**	**102.8**	**544.0**	**4.8**	**(1.8)**	**46.2**	**718.1**	**5.9**	**724.0**
Profit for the year attributable to shareholders	–	–	216.4	–	–	–	216.4	0.9	217.3
Pension fund actuarial losses (note 18)	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
Total comprehensive income for the year	–	–	216.3	–	–	–	216.3	0.9	217.2
Equity issue	0.1	–	–	–	(0.1)	–	–	–	–
Share-based payments	–	–	(8.6)	0.4	–	–	(8.2)	–	(8.2)
Share transfers	–	–	(0.9)	–	0.9	–	–	–	–
Adjustment arising from change in non-controlling interest	–	–	(0.4)	–	–	–	(0.4)	–	(0.4)
Dividends paid	–	–	(11.1)	–	–	–	(11.1)	–	(11.1)
Equity at 30th November 2015	**22.2**	**102.8**	**739.3**	**5.2**	**(1.0)**	**46.2**	**914.7**	**6.8**	**921.5**

Own shares represent the cost of 690,274 (2014: 460,427) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30th November 2015 was £2,985,435 (2014: £1,763,435).

Group Cash Flow Statement

for the year ended 30th November 2015

	Notes	**2015 £m**	2014 restated £m
Operating activities			
Profit before interest and tax		**255.0**	152.7
Gains on disposal of investments/investment properties		**(11.7)**	(5.2)
Share of profits of joint ventures and associates (post-tax)	9	**(106.8)**	(27.1)
Investment property revaluation gains	7	**(73.9)**	(63.9)
Release of negative goodwill to income		**–**	(2.1)
Depreciation	8	**0.8**	0.5
Impairment losses on inventories	11	**1.4**	0.1
(Increase)/decrease in inventories		**(49.0)**	10.1
Increase in trade and other receivables		**(29.0)**	(0.2)
Decrease in trade and other payables		**(8.3)**	(0.3)
Pensions		**–**	(0.1)
Share options and share awards		**(7.8)**	(3.4)
Tax paid	4	**(9.4)**	(5.0)
Net cash (outflow)/inflow from operating activities		**(38.7)**	56.1
Investing activities			
Proceeds from investment property disposals		**84.4**	31.4
Investment property additions		**(160.5)**	(97.8)
Acquisition of subsidiary undertaking	19	**(0.2)**	(0.8)
Property, plant and equipment additions	8	**(0.6)**	(1.0)
Dividends received from joint ventures		**6.7**	20.0
Net cash outflow from investing activities		**(70.2)**	(48.2)
Financing activities			
Dividends paid	6	**(11.1)**	(9.1)
Interest paid		**(18.0)**	(23.9)
Amounts advanced under finance lease arrangements		**32.5**	22.6
New borrowings drawn		**190.9**	115.0
Repayment of borrowings		**(83.8)**	(112.5)
Net cash inflow/(outflow) from financing activities		**110.5**	(7.9)
Increase in cash and cash equivalents		**1.6**	–
Cash and cash equivalents at start of year		**3.2**	3.2
Cash and cash equivalents at end of year		**4.8**	3.2
Cash		**4.8**	3.2
Bank overdrafts		**–**	–
Cash and cash equivalents at end of year		**4.8**	3.2

Accounting policies

for the year ended 30th November 2015

Basis of preparation

The financial information contained within this announcement las been prepared on the basis of the accounting policies applied in the year ended 30th November 2015 which are set out below. It does not constitute the Group's statutory accounts for the years ended 30th November 2014 or 30th November 2015 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts: its report was unqualified, did not draw attention to any matters by way of emphasis without qualifying its report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as they apply to the Group for the year ended 30th November 2015, applied in accordance with the provisions of the Companies Act 2006.

The Financial Statements have been prepared on the historical cost basis except for the revaluation of certain properties, derivative financial instruments and the defined benefit section of the Group's pension scheme.

In the current year the Group has adopted:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 (amendment) 'Financial instruments: Presentation' (assets and liability offsetting)
- IAS 36 (amendment) 'Impairment of Assets'
- IAS 39 (amendment) 'Financial Instruments: Recognition and Measurement'
- Amendments to IFRS 10, IFRS 11, IFRS 12 (transition guidance)

The Group undertook an assessment of the treatment of its subsidiaries, joint ventures and interests in other entities prior to the adoption of IFRS 10, 11 and 12. Other than as detailed below in prior year restatements for IFRS 10, it was concluded that no changes in relation to the presentation of these interests was required.

IFRS 10 replaces those parts of IAS 27 that relate to consolidated financial statements and SIC 12 in its entirety. It outlines the requirements for the preparation of consolidated financial statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

The Company's functional currency (together with that of all of its subsidiaries) and the presentation currency for the Group is pounds sterling and its principal IFRS accounting policies are set out below.

Basis of consolidation

The Group's Financial Statements consolidate the Financial Statements of St. Modwen Properties PLC and the entities it controls. Control comprises exposure, or rights, to variable returns, the power to direct the relevant activities of the investee and the ability to use its power over the investee to affect the returns. This is achieved through direct or indirect ownership of voting rights or by contractual agreement. A list of the entities controlled is given in note (F) to the Company's Financial Statements.

All entities are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-Group transactions, balances, income and expense are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented separately within equity in the Group Balance Sheet.

Interests in joint arrangements

Arrangements under which the Group has contractually agreed to share control with another party or parties are assessed to determine whether they represent joint ventures or joint operations. Joint arrangements are classified as joint ventures where the parties have rights to the net assets of the arrangement. Should the parties have rights to assets and obligations for liabilities relating to the arrangement they would instead be classified as joint operations. Currently, all arrangements where the Group has contractually agreed to share control have been determined to be joint ventures.

The Group recognises its interests in joint ventures using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Income Statement reflects the Group's share of the joint venture's results after interest and tax.

Financial Statements of joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group.

The Group Statement of Comprehensive Income reflects the Group's share of any income and expense recognised by the joint venture entities outside the Income Statement.

Interests in associates

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint arrangements, are accounted for using the equity method of accounting, as described above.

Business combinations

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

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

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

The excess of the consideration transferred (adjusted to reflect the fair value of any pre-existing equity interest in the subsidiary) and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the acquired subsidiary and the measurement of all amounts has been reviewed, the difference is recognised directly in the Income Statement as a release of negative goodwill to income.

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

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

Properties

Investment properties

Investment properties, being freehold and leasehold properties held to earn rental income, for capital appreciation and/or for undetermined future use, together with land options where the land is for an undetermined future use, are carried at fair value following initial recognition at the present value of the consideration payable. To establish fair value, investment properties are independently valued on the basis of market value. Any surplus or deficit arising is recognised in the Income Statement for the year.

Once classified as an investment property, a property remains in this category until development with a view to sale commences, at which point the asset is transferred to inventories at current valuation.

Where an investment property is being redeveloped for continued use as an investment property, the property remains within investment property and any movement in valuation is recognised in the Income Statement.

Investment property disposals are recognised on completion. Profits and losses arising are recognised through the Income Statement and the profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset.

Investment properties are not depreciated.

Inventories

Inventories principally comprise properties held for sale, properties under construction and land under option with a view to future sale. All inventories are carried at the lower of cost and net realisable value.

Cost comprises land, direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition. When inventory includes a transfer from investment properties, cost is recorded as the book value at the date of transfer. Net realisable value represents the estimated selling price less any further costs expected to be incurred to completion and disposal. Inventory is transferred to investment properties only when the asset meets the definition of an investment property and there has been a change in use evidenced by commencement of an operating lease.

Due to the scale of the Group’s developments, the Group has to allocate site-wide development costs between properties on the site. Such site-wide costs are allocated to properties based on the forecast value of each individual unit as a proportion of the aggregate forecast value of the individual units on the site. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Operating property, plant and equipment
Operating property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all operating property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

- Leasehold operating properties – over the shorter of the lease term and 25 years; and
- Plant, machinery and equipment – over two to five years.

Leases

The Group as lessee
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Non-property assets held under finance leases are capitalised at the inception of the lease with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the Income Statement so as to achieve a constant rate of interest on the remaining balance of the liability. Non-property assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Interests in leasehold investment properties are accounted for as finance leases with the value of guaranteed minimum rents inherent within the carrying value of the property and the liability reflected within long-term liabilities. On payment of a guaranteed rent, initially the majority of such costs is charged to the Income Statement as interest payable, with the balance reducing the liability.

Rentals payable under operating leases are charged in the Income Statement on a straight-line basis over the lease term.

The Group as lessor
Rental income from operating leases, adjusted for the impact of any cash incentives given to the lessee and to reflect any rent-free incentive periods, is recognised in the Income Statement on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period of the lease.

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

The tax currently payable is based on the taxable result for the year. The taxable result differs from the result as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that will not be taxable or deductible.

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the Balance Sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Pensions

The Group operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1st September 2009, to future accrual.

The cost of providing benefits under the defined benefit section is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the Income Statement on the earlier of:

- the date on which the plan amendment or curtailment occurs; or
- when the Company recognises related restructuring costs or termination benefits.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised in the Income Statement as finance cost.

Actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised in full in the Statement of Comprehensive Income in the year in which they occur. The defined benefit pension asset or liability in the Balance Sheet comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled directly.

When a pension asset (net surplus) arises from the above calculation, it is limited to the present value of any economic benefits that will be available to the Company in accordance with the requirements of IFRIC14.

Contributions to defined contribution schemes are recognised in the Income Statement in the year in which they become payable.

Own shares

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

Dividends

Dividends declared and approved after the Balance Sheet date are not recognised as liabilities at the Balance Sheet date.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received (including the fair value of any residential properties received in part-exchange), excluding discounts, rebates, VAT and other sales taxes or duty. Where required, revenue is allocated between components in a multi-element transaction (e.g. where there is simultaneously a sale of land and a construction contract with the purchaser of the land) based on their respective fair values of the components.

The following criteria must also be met before revenue is recognised:

Sale of property
Revenue arising from the sale of property is recognised on legal completion of the sale.

Construction contracts
Revenue arising from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below). An appropriate proportion of revenue from construction contracts is recognised by reference to the stage of completion of contract activity.

Rental income
Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

Management and performance fees
Where the Group is solely providing development management services (without being responsible for the performance of the underlying construction), management fees receivable are recognised over time as the service is performed in the period to which they relate. Performance fees are recognised when the Group has substantially fulfilled its obligations in respect of the transaction and hence the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Group.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from joint ventures is recognised when the shareholders' rights to receive payment have been established.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the Balance Sheet date. The extent to which the contract is complete is determined by the total costs incurred to date as a percentage of the total anticipated costs of the entire contract. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Government grants

Government grants relating to property are treated as deferred income and released to profit or loss over the expected useful life of the assets concerned.

Share-based payments

The Group's equity-settled share-based payments are measured at fair value at the date of grant using an appropriate option pricing model. The fair value at the date of grant (or at date of reclassification from cash settled to equity settled) is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

Fair value hierarchy

Assets and liabilities that are measured subsequent to initial recognition at fair value, are required to be grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs.)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for any amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or expire.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value or recoverable amount. Provision is made when there is evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits with banks with initial maturity less than three months.

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

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

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

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

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

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

Convertible bonds
Convertible bonds are assessed on issue as to whether they should be classified as a financial liability, as equity or as a compound financial instrument with both debt and equity components. This assessment is based on the terms of the bond and in accordance with IAS 32 Financial Instruments: Presentation. The Group's convertible bonds have been designated as at fair value through profit and loss.

Use of estimates and judgements
To be able to prepare Financial Statements according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the Financial Statements. These estimates are based on the Group's systems of internal control, historical experience and the advice of external experts (including qualified professional valuers and actuaries) together with various other assumptions that management and the Board believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

The areas requiring the use of estimates and critical judgements that may significantly impact the Group's earnings and financial position are:

Going concern
The Financial Statements have been prepared on a going concern basis. This is discussed in the Strategic Report and as confirmed in the Directors' Report it is considered appropriate to prepare the Financial Statements for the year ended 30th November 2015 on a going concern basis.

Valuation of investment properties
Management has used the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is performed according to RICS rules, using appropriate levels of professional judgement for the prevailing market conditions. Professional judgement is applied in determining such things as an appropriate yield for a given property and estimated rental values.

Net realisable value of inventories
The Group has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value. Management's assessment of any resulting provision requirement is, where applicable, supported by independent information supplied by the external valuers. The estimates and judgements for both revenue and costs were based on information available at, and pertaining to, 30th November 2015. Any subsequent adverse changes in market conditions may result in additional provisions being required.

Estimation of remediation and other costs to complete for both development and investment properties
In making an assessment of these costs there is inherent uncertainty and the Group has developed systems of internal control to assess and review carrying values and the appropriateness of estimates made. Any changes to these estimates, some of

which involve costs which will be settled only gradually over a number of years and the application of discounting, may impact the carrying values of investment properties and/or inventories and/or the quantum of liabilities recognised.

Complex transactions

Certain property transactions entered into by the Group involve an element of complexity and the need to exercise judgement to determine the most appropriate accounting policy. Such transactions include the accounting for the acquisition of land at New Covent Garden Market together with the associated obligation to procure the new market for the Covent Garden Market Authority and the accounting for the first two phases of student accommodation at the Bay Campus development for Swansea University.

Calculation of the net present value of pension scheme liabilities

In calculating this liability it is necessary for actuarial assumptions to be made, including discount and mortality rates and the long-term rate of return upon scheme assets. The Group engages a qualified actuary to assist with determining the assumptions to be made and evaluating these liabilities.

Taxation

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

Standards and interpretations not yet effective

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

- Annual Improvements to IFRSs 2010 – 2012 cycle
- Annual Improvements to IFRSs 2011 – 2013 cycle
- IAS 16 (amended) 'Property, Plant and Equipment'
- IAS 19 (amended) 'Employee Benefits'
- IAS 27 (amended) 'Separate Financial Statements'
- IAS 38 (amended) 'Intangible Assets'
- IFRS 9 Financial Instruments
- IFRS 10 (amended) 'Consolidated Financial Statements'
- IFRS 11 (amended) 'Joint Arrangements'
- IFRS 14 'Regulatory Deferral Accounts'
- Annual Improvements to IFRSs 2012 – 2014 cycle
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'

The directors are still assessing the impact that the adoption of these standards, amendments and interpretations will have on the Financial Statements of the Group in future periods. Adoption of the majority of these standards, amendments and interpretations are expected to have little or no impact on the reported results of the Group, although amended disclosures may be required.

IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group's year ending 31 March 2019. The Group has not yet completed its evaluation of the effect of the adoption.

IFRS 15 may have an impact on revenue recognition and related disclosures .Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 – the standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group has not yet completed its evaluation of the effect of the adoption.

Prior year restatements

VSM Estates (Holdings) Ltd

VSM Estates (Holdings) Ltd is 50% owned by St Modwen Properties PLC, however under the funding agreement the Group obtains the majority of the benefits of the entity and also retains the majority of the residual risks. In prior years, this entity was consolidated in line with SIC 12 'Consolidation – Special Purpose Entities'. However the conditions for consolidation set out in IFRS 10 do not exist and accordingly, the entity is now required to be accounted for using the equity method.

Under the equity method, the interest is carried in the Balance Sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Income Statement reflects the Group's share of the results after interest and tax.

The adoption of IFRS 10 requires the restatement of the comparative financial information for the two years ended 30th November 2014.

IFRS 11 replaced IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non-monetary Contributions by Venturers'. It defines two types of joint arrangement (joint operations and joint ventures) and specifies the accounting for each arrangement. Joint operations must be accounted for by including the owner's share of the assets, liabilities, income and expenses on a line by line basis. Joint ventures are equity accounted in accordance with IAS 28 (revised).

VSM Estates (Holdings) Ltd is 50% owned by St. Modwen Properties PLC and is accounted for as a joint venture under IFRS 11.

Swansea University

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

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

The impact of all prior year restatements on previously reported financial statements for the year ended 30th November 2013 is as follows:

Income statement

	Year ended 30th November 2014 £m
Decrease in development profits	(5.4)
Decrease in gains on disposals of investments/investment properties	(4.0)
Decrease in investment property revaluation gains	(11.9)
Increase/(decrease)/increase in profits of joint ventures and associates (post tax)	13.5
Decrease in administrative expenses	0.2
Decrease in profit before interest and tax	(7.6)
Decrease in finance costs	1.7
Decrease in profit before tax	(5.9)
Decrease in tax charge	3.8
Decrease in profit for the year	(2.1)
Equity attributable to owners of the Company	2.4
Non-controlling interests	(4.5)
	(2.1)

Effect of:	
Lease accounting adjustments (Swansea)	2.4
IFRS 10 adjustments (VSM Estates)	(4.5)
	(2.1)

Basic and diluted earnings per share for the year ended 30th November 2014 each increased by 1.1p as a result of the prior year restatements above.

Assets, liabilities and equity

	As at 30th November 2014				As at 1st December 2013			
	Previously reported £m	IFRS 10 adjustments £m	Lease accounting adjustments £m	Total Restated £m	Previously reported £m	IFRS 10 adjustments £m	Lease accounting adjustments £m	Total Restated £m
Investment properties	903.3	(69.2)	22.7	856.8	813.3	(68.7)	–	744.6
Operating property, plant and equipment	7.0	–	–	7.0	6.6	–	–	6.6
Investments in joint ventures and associates	88.9	38.3	–	127.2	95.3	24.8	–	120.1
Non-current trade and other receivables	14.5	(8.5)	–	6.0	17.6	(10.6)	–	7.0
Inventories	201.0	–	–	201.0	205.9	(6.2)	–	199.7
Current trade and other receivables	80.2	(16.3)	–	63.9	59.7	(7.6)	–	52.1
Derivative financial instruments	1.9	–	–	1.9	–	–		–
Cash and cash equivalents	6.5	(3.3)	–	3.2	7.4	(4.2)	–	3.2
Current trade and other payables	(163.7)	18.2	(3.1)	(148.6)	(157.4)	14.9	(2.1)	(144.6)
Derivative financial instruments	(8.7)	–	–	(8.7)	(12.8)	-–	–	(12.8)
Current borrowings and finance lease obligations	–	–	(0.1)	(0.1)	(62.5)	–	–	(62.5)
Tax payables	(9.3)	2.6	(0.6)	(7.3)	(3.4)	(0.2)	–	(3.6)
Non-current trade and other payables	(28.5)	21.1	3.9	(3.5)	(46.2)	37.1	–	(9.1)
Non-current borrowings and finance lease obligations	(340.6)	–	(22.5)	(363.1)	(285.6)	10.0	–	(275.6)
Deferred tax	(16.0)	4.3	-	(11.7)	(10.9)	2.4	–	(8.5)
Total effect on net assets	736.5	(12.8)	0.3	724.0	627.0	(8.3)	(2.1)	616.6
Equity attributable to owners of the Company	717.8	–	0.3	718.1	614.2	–	(2.1)	612.1
Non-controlling interests	18.7	(12.8)	–	5.9	12.8	(8.3)	–	4.5
Total effect on equity	736.5	(12.8)	0.3	724.0	627.0	(8.3)	(2.1)	616.6

The impact on cash flows for the two years ended 30th November 2013 and 30th November 2014 from these adjustments is to change the movement on the cash and cash equivalents for those years as follows:

	Previously Reported £m	IFRS 10 Adjustments £m	Total restated £m
30th November 2013	(1.5)	(3.2)	(5.7)
30th November 2014	(0.9)	0.9	-

The impact on other, previously reported non-statutory financial information is shown in Note 2.

1. Segmental information

IFRS 8 – Operating Segments, requires the identification of the Group's operating segments, defined as being discrete components of the Group's operations whose results are regularly reviewed by the Chief Operating Decision Maker (being the Chief Executive) to allocate resources to those segments and to assess their performance. The Group divides its business into the following segments:

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

		2015			2014 restated	
Revenue	**Portfolio £m**	**Residential development £m**	**Total £m**	Portfolio £m	Residential development £m	Total £m
Rental Income	**41.2**	**–**	**41.2**	39.2	–	39.2
Development	**98.4**	**140.5**	**238.9**	104.2	116.7	220.9
Other Income	**7.4**	**–**	**7.4**	6.4	–	6.4
Total revenue	**147.0**	**140.5**	**287.5**	149.8	116.7	266.5

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

The Group's total revenue for 2015 was £300.8m (2014: £276.5m) and in addition to the amounts above included service charge income of £9.4m (2014: £7.8m), for which there was an equivalent expense and interest income of £3.9m (2014: £2.2m).

Profit before tax	2015 Portfolio £m	2015 Residential development £m	2015 Total £m	2014 restated Portfolio £m	2014 restated Residential development £m	2014 restated Total £m
Net rental income	**32.8**	**–**	**32.8**	31.2	–	31.2
Development profits	**22.6**	**29.1**	**51.7**	17.9	24.4	42.3
Gains on disposal of investments/investment properties	**11.7**	**–**	**11.7**	5.2	–	5.2
Investment property revaluation gains	**73.9**	**–**	**73.9**	63.9	–	63.9
Negative goodwill attributable to property assets(1)	**–**	**–**	**–**	2.6	–	2.6
Other net income	**4.2**	**–**	**4.2**	3.6	–	3.6
Profits of joint ventures and associates(2)	**125.6**	**–**	**125.6**	28.8	–	28.8
Administrative expenses	**(20.9)**	**(5.2)**	**(26.1)**	(17.7)	(5.0)	(22.7)
Finance costs(3)	**(15.1)**	**(2.0)**	**(17.1)**	(15.5)	(2.4)	(17.9)
Finance income(4)	**3.9**	**–**	**3.9**	2.2	–	2.2
Attributable profit	**238.7**	**21.9**	**260.6**	122.2	17.0	139.2
Negative goodwill attributable to tax(1)			**–**			(0.5)
Other losses of joint ventures and associates(2)			**(18.8)**			(1.7)
Other finance costs(3)			**(8.1)**			(8.3)
Other finance income(4)			**1.5**			3.1
Profit before tax			**235.2**			131.8

(1) Negative goodwill has been split between amounts relating to property revaluations arising as a result of fair value adjustments of £nil (2014: £2.6m) and deferred tax thereon of £nil (2014: £0.5m).

(2) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees, other non-cash items and tax of £18.8m (2014: £1.7m). These amounts are reclassified to other profits of joint ventures and associates.

(3) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees and other non-cash items of £8.1m (2014: £8.3m). These amounts are reclassified to other finance costs.

(4) Stated before mark-to-market of derivatives and other non-cash items of £1.5m (2014: £3.1m). These items are reclassified to other finance income.

Other net income of £4.2m (2014: £3.6m) comprises revenue of £7.4m (2014: £6.4m) less associated costs of £3.2m (2014: £2.8m).

Cost of sales in respect of rental income comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and total £8.4m (2014: £8.0m), of which £0.6m (2014: £0.3m) is in respect of properties that did not generate any rental income.

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

	2015 £m	2014 restated £m
Revenue	**87.7**	87.6
Cost of sales	**(75.2)**	(62.0)
Gross profit	**12.5**	25.6

Amounts recoverable on contracts as disclosed in note 11 comprise £23.5m (2014: £5.3m) of contract revenue recognised and £7.8m (2014: £0.7m) of retentions. Contracts in progress at 30th November 2015 include the aggregate amount of costs incurred of £134.3m (2014: £127.9m), recognised profits less recognised losses to date of £35.5m (2014: £44.2m) and advances received of £27.4m (2014: £85.3m).

There were no amounts due to customers (2014: £nil) included in trade and other payables in respect of contracts in progress at the Balance Sheet date.

Net assets	2015 Portfolio	2015 Residential development	2015 Total	2014 restated Portfolio	2014 restated Residential development	2014 restated Total

	£m	£m	£m	£m	£m	£m
Investment property	**1,081.0**	**–**	**1,081.0**	856.8	–	856.8
Inventories	**84.2**	**99.5**	**183.7**	90.0	111.0	201.0
Investments in joint ventures and associates	**227.3**	**–**	**227.3**	127.2	–	127.2
Attributable assets	**1,392.5**	**99.5**	**1,492.0**	1,074.0	111.0	1,185.0
Operating property plant and equipment			**4.2**			7.0
Trade and other receivables			**110.8**			69.9
Cash and cash equivalents			**4.8**			3.2
Trade and other payables			**(149.7)**			(152.1)
Derivative financial instruments			**(7.2)**			(6.8)
Borrowings and finance lease obligations			**(506.9)**			(363.2)
Tax payables			**(11.1)**			(7.3)
Deferred tax			**(15.4)**			(11.7)
Net assets			**921.5**			724.0

2. Non-statutory information

a. Trading profit and profit before all tax

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

			2015			2014 restated
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Net rental income	**32.8**	**5.9**	**38.7**	31.2	5.9	37.1
Development profit[1]	**53.1**	**–**	**53.1**	42.4	–	42.4
Gains on disposal of investments/ investment properties	**11.7**	**2.6**	**14.3**	5.2	3.7	8.9
Other income	**4.2**	**–**	**4.2**	3.6	–	3.6
Administrative expenses	**(26.1)**	**(0.4)**	**(26.5)**	(22.7)	(0.5)	(23.2)
Finance costs[2]	**(17.1)**	**(8.3)**	**(25.4)**	(17.9)	(7.4)	(25.3)
Finance income[3]	**3.9**	**1.0**	**4.9**	2.2	–	2.2
Trading profit	**62.5**	**0.8**	**63.3**	44.0	1.7	45.7
Investment property revaluation gains[1]	**72.5**	**129.2**	**201.7**	66.4	27.1	93.5
Other net finance costs[2]	**(8.1)**	**(0.6)**	**(8.7)**	(8.3)	(0.1)	(8.4)
Other finance income[3]	**1.5**	**0.6**	**2.1**	3.1	1.5	4.6
Profit before all tax	**128.4**	**130.0**	**258.4**	105.2	30.2	135.4
Taxation[4]	**(17.9)**	**(23.2)**	**(41.1)**	(12.3)	(3.1)	(15.4)
Profit for the year	**110.5**	**106.8**	**217.3**	92.9	27.1	120.0

(1) Stated before the deduction of net realisable value provisions of: Group £1.4m (2014: £ 0.1m); Joint ventures and associates £nil (2014: £nil). These items are reclassified to investment property revaluations together with negative goodwill arising on acquisitions as a result of fair value adjustments to property assets of £nil (2014: £2.6m).

(2) Stated before mark-to-market of derivatives, amortisation loan arrangement fees and other non-cash items of: Group £8.1m (2014: £8.3m) ; Joint ventures and associates £0.6m (2014: £0.1m). These items are reclassified to other finance costs.

(3) Stated before mark-to-market of derivatives and other non-cash items of: Group £1.5m (2014: £3.1m) ; Joint ventures and associates £0.6m (2014: £1.5m). These items are reclassified to other finance income.

(4) Stated after inclusion of negative goodwill arising as a result of deferred tax on property revaluations included as part of fair value adjustments of £nil (2014: £0.5m).

b. Property valuations

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

			2015			2014 restated
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Property revaluation gains	**73.9**	**129.2**	**203.1**	63.9	27.1	91.0
Release of negative goodwill to income	**–**	**–**	**–**	2.6	–	2.6
Net realisable value provisions	**(1.4)**	**–**	**(1.4)**	(0.1)	–	(0.1)
Property valuation gains	**72.5**	**129.2**	**201.7**	66.4	27.1	93.5
Added value	**37.7**	**128.3**	**166.0**	22.5	13.4	35.9
Market movements	**34.8**	**0.9**	**35.7**	43.9	13.7	57.6
Property valuation gains	**72.5**	**129.2**	**201.7**	66.4	27.1	93.5

The split of property valuation gains between added value and market movements is based on an analysis of total property valuation movements provided by the Group's external valuers.

c. Property portfolio

The property portfolio, including the Group's share of joint ventures and associates, is derived from the Balance Sheet as detailed below:

			2015			2014 restated
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment properties	**1,081.0**	**416.8**	**1,497.8**	903.3	148.0	1,051.3
Less assets held under finance leases not subject to revaluation	**(3.9)**	**(1.2)**	**(5.1)**	(3.9)	(1.2)	(5.1)
Add back lease incentives (recorded in receivables)	**11.9**	**1.4**	**13.3**	5.5	1.1	6.6
Inventories	**183.7**	**1.9**	**185.6**	201.0	5.4	206.4
Less non-property assets within inventory	**–**	**–**	**–**	(0.7)	–	(0.7)
Property portfolio as previously reported	**1,272.7**	**418.9**	**1,691.6**	1,105.2	153.3	1,258.5
Lease accounting additional investment properties	**–**	**–**	**–**	22.7	–	22.7
IFRS 10 investment properties adjustments	**–**	**–**	**–**	(69.2)	52.0	(17.2)
Property portfolio as restated	**1,272.7**	**418.9**	**1,691.6**	1,058.7	205.3	1,264.0

As at 30th November 2015 the Group had assets of £633.2m (2014: £461.7m) included within the Group property portfolio (excluding joint ventures and associates) which were wholly owned, unencumbered and able to be pledged as security for Group debt facilities.

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

	2015 £m	2014 restated £m
Industrial	**275.6**	248.1
Retail	**337.5**	220.0
Residential	**106.3**	33.0
Offices	**48.1**	61.0
Income producing	**767.5**	562.1
Residential land – New Covent Garden Market	**220.0**	2.6
Residential land – other	**552.3**	553.4
Total residential land	**772.3**	556.0
Commercial land	**151.8**	145.9
Property portfolio	**1,691.6**	1,264.0

d. Movement in net debt

Movement in net debt is set out below:

	2015 £m	2014 restated £m
Change in cash and cash equivalent	**1.6**	–
Borrowings drawn	**(195.0)**	(115.0)
Repayment of borrowings	**83.8**	112.5
Fair value movements on convertible bonds	**4.1**	–
Increase in net borrowings	**(105.5)**	(2.5)
Fair value movements on convertible bonds	**(4.1)**	–
Finance leases	**(32.5)**	(22.6)
Increase in net debt	**(142.1)**	(25.1)

e. Trading cash flow

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

	2015			
	Operating activities £m	**Investing activities £m**	**Financing activities £m**	**Total £m**
Net rent and other income	**37.0**	**–**	**–**	**37.0**
Property disposals	**180.5**	**84.4**	**–**	**264.9**
Property acquisitions	**–**	**(57.2)**	**–**	**(57.2)**
Capital expenditure	**(208.2)**	**(104.1)**	**–**	**(312.3)**
Working capital and other movements	**(5.5)**	**–**	**–**	**(5.5)**
Overheads and interest	**(33.1)**	**–**	**(18.0)**	**(51.1)**
Taxation	**(9.4)**	**–**	**–**	**(9.4)**
Trading cash flow	**(38.7)**	**(76.9)**	**(18.0)**	**(133.6)**
Net borrowings	**–**	**–**	**107.1**	**107.1**
Finance leases	**–**	**–**	**32.5**	**32.5**
Net dividends	**–**	**6.7**	**(11.1)**	**(4.4)**
Movement in cash and cash equivalents	**(38.7)**	**(70.2)**	**110.5**	**1.6**

	2014 restated			
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m
Net rent and other income	25.6	–	–	25.6
Property disposals	245.4	31.4	–	276.8
Property acquisitions	(5.6)	(47.9)	–	(53.5)
Capital expenditure	(181.0)	(51.7)	–	(232.7)
Working capital and other movements	2.6	–	–	2.6
Overheads and interest	(25.9)	–	(23.9)	(49.8)
Taxation	(5.0)	–	–	(5.0)
Trading cash flow	56.1	(68.2)	(23.9)	(36.0)
Net borrowings	–	–	6.4	6.4
Finance leases	–	–	18.7	18.7
Net dividends	–	20.0	(9.1)	10.9
Movement in cash and cash equivalents	56.1	(48.2)	(7.9)	–

f. Net assets per share

Net assets per share are calculated as set out below.

	2015 £m	2014 restated £m
Total equity	**921.5**	724.0
Less: Non-controlling interests	**(6.8)**	(5.9)
Equity attributable to owners of the Company	**914.7**	718.1
Adjustments of inventories to fair value	**11.9**	11.5
Diluted EPRA triple net assets	**926.6**	729.6
Deferred tax on capital allowances and revaluations	**50.0**	19.2
Mark-to-market of derivative financial instruments	**10.9**	7.5
Diluted EPRA net assets	**987.5**	756.3

Shares in issue(1) (number)	**221,186,714**	220,916,561

Equity attributable to owners of the Company, net assets per share (pence)	**413.5p**	325.1p
Percentage increase	**27%**	
Diluted EPRA triple net assets per share (pence)	**418.9p**	330.3p
Percentage increase	**27%**	
Diluted EPRA net assets per share (pence)	**446.4p**	342.3p
Percentage increase	**30%**	

(1) Shares in issue exclude 690,274 shares held by The St. Modwen Properties PLC Employee Share Trust (2014: 460,427)

g. Net borrowing and net debt

	2015 £m	2014 restated £m
Cash and cash equivalents	**4.8**	3.2
Borrowings due within one year	**–**	–
Borrowings due after more than one year	**(451.8)**	(340.6)
Less: Fair value movements on convertible bonds	**4.1**	–
Net borrowings	**(442.9)**	(337.4)
Fair value movements on convertible bonds	**(4.1)**	–
Finance lease liabilities due within one year	**(0.4)**	(0.1)
Finance lease liabilities due after more than one year	**(54.7)**	(22.5)
Net debt	**(502.1)**	(360.0)

h. Gearing and loan-to-value

The Group's capacity to borrow is primarily linked to the quantum of the property portfolio excluding assets held under finance leases. Accordingly both gearing and loan-to value are calculated using the comparable measure of net borrowings. This represents bank loans and outstanding bond liabilities at amortised cost.

The table overleaf shows the calculation of:

- gearing, being the ratio of net debt to total equity;
- adjusted gearing, being the ratio of net borrowings to total equity; and
- loan-to-value being the ratio of net borrowings to the property portfolio (representing amounts that could be used as security for that debt).

			2015
	Group £m	**Joint ventures and associates £m**	**Total £m**
Property portfolio (note 2c)	**1,272.7**	**418.9**	**1,691.6**
Less valued assets held under finance leases	**(53.1)**	**–**	**(53.1)**
Net property portfolio	**1,219.6**	**418.9**	**1,638.5**

Total equity	**921.5**	**N/A**	**921.5**
Net debt	**502.1**	**47.6**	**549.7**
Net borrowings (note 2g)	**442.9**	**46.4**	**489.3**
Gearing	**54%**		**60%**
Adjusted gearing	**48%**		**53%**
Loan-to-value	**36%**		**30%**

			2014 restated
	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c) – as previously reported	1,105.2	153.3	1,258.5
IFRS 10 adjustments	(69.2)	52.0	(17.2)
Lease accounting adjustments	22.7	–	22.7
Property portfolio as restated	1,058.7	205.3	1,264.0
Less valued assets held under finance leases	(20.0)	–	(20.0)
Net property portfolio as restated	1,038.7	205.3	1,244.0
Total equity as previously reported	736.5	–	736.5
IFRS 10 adjustments	(12.8)	–	(12.8)
Lease accounting adjustments	0.3	–	0.3
Total equity as restated	724.0	–	724.0
Net debt as previously reported(1)	334.1	45.3	379.4
IFRS 10 adjustments	3.3	(2.5)	0.8
Finance lease obligations (including accounting adjustments)	22.6	1.2	23.8
Net debt as restated	360.0	44.0	404.0
Net borrowings as previously reported	334.1	45.3	379.4
IFRS 10 adjustments	3.3	(2.5)	0.8
Net borrowings as restated	337.4	42.8	380.2
Gearing as previously reported	45%		52%
Gearing as restated	50%		56%
Adjusted gearing as previously reported	45%		52%
Adjusted gearing as restated	47%		53%
Loan-to-value as previously reported	30%		30%
Loan-to-value as restated	32%		31%

Bank covenant compliance is based on the ratio of gearing, being net debt to equity of 54% (2014 restated: 50%) against a covenant of 175%.

(1) Excludes £3.9m of finance leases that are included in £22.6m finance lease liabilities.

3. Finance costs and finance income

	2015 £m	2014 restated £m
Interest payable on borrowings	**16.5**	17.9
Amortisation of loan arrangement fees	**1.1**	2.6
Write off of convertible bond issue costs	**–**	2.4
Amortisation of discount on deferred payment arrangements	**1.1**	1.9
Head rents treated as finance leases	**0.6**	0.2
Movement in fair value of convertible bond	**4.1**	–
Movement in fair value of financial instruments	**0.8**	–
Interest on pension scheme liabilities	**1.0**	1.2
Total finance costs	**25.2**	26.2

All finance costs, other than in respect of the convertible bond which is carried at fair value, derive from financial liabilities measured at amortised cost. Included within amortisation of loan arrangement fees is £nil (2014: £1.4m) in relation to the early termination of bank facilities.

	2015 £m	2014 restated £m
Interest receivable	**3.9**	2.2
Movement in fair value of convertible bond	**–**	0.9
Movement in fair value of derivative financial instruments	**0.4**	1.0
Interest income on pension scheme assets	**1.1**	1.2
Total finance income	**5.4**	5.3

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

4. Taxation

a. Tax on loss on ordinary activities

	2015 £m	2014 restated £m
Tax charge/(credit) in the Income Statement:		
Corporation tax		
Current year tax	**13.9**	8.6
Adjustments in respect of previous years	**(0.8)**	(1.3)
	13.1	7.3
Deferred tax		
Temporary differences	**0.4**	1.0
Impact of current year revaluations and indexation	**4.3**	5.9
Net use of tax losses	**–**	1.3
Change in rate for provision of deferred tax	**(0.1)**	–
Adjustments in respect of previous years	**0.2**	(3.7)
	4.8	4.5
Total tax charge in the Income Statement	**17.9**	11.8
Tax relating to items in the Statement of Comprehensive Income:		
Deferred tax		
Actuarial losses on pension schemes	**–**	–
Tax credit in the Statement of Comprehensive Income	**–**	–

b. Reconciliation of effective tax rate

	2015 £m	2014 restated £m
Profit before tax	**235.2**	131.8
Less: joint ventures and associates	**(106.8)**	(27.1)
Pre-tax profit attributable to the Group	**128.4**	104.7
Corporation tax at 20.3% (2014: 21.7%)	**26.1**	22.6
Effect of non-deductable expenses	**0.3**	0.8
Impact of current year revaluations and indexation	**(6.3)**	(5.8)
Difference between chargeable gains and accounting profit	**0.2**	(0.8)
Change in rate used for provision of deferred tax	**(0.1)**	–
Losses – recognition of previously unrecognised deferred tax assets	**(1.7)**	–
Current year charge	**18.5**	16.8
Adjustments in respect of previous years	**(0.6)**	(5.0)
Tax charge for the year	**17.9**	11.8
Effective rate of tax	**14.0%**	11.3%

The post-tax results of joint ventures and associates are stated after a tax charge of £23.2m (2014: £3.2m charge). The effective tax rate for the Group including joint ventures and associates is a charge of 15.9% (2014: 11.4%).

The Finance Act (No.2) 2015 included provisions which reduced the main rate of corporation tax to 19% from 1st April 2017 and 18% from 1st April 2020. Current tax has therefore been provided 20.33% and deferred tax at rates from 18% to 20%.

c. Balance Sheet

	2015		2014 restated	
	Corporation tax £m	**Deferred tax £m**	Corporation tax £m	Deferred tax £m
Balance at start of the year	**7.3**	**11.7**	3.6	8.5
Charge to the Income Statement	**13.1**	**4.8**	7.3	4.5
Acquired with subsidiary	**–**	**–**	–	0.5
Net payment	**(9.4)**	**–**	(5.0)	–
Other	**0.1**	**(1.1)**	1.4	(1.8)
Balance at end of the year	**11.1**	**15.4**	7.3	11.7

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

	2015			2014 restated		
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Property revaluations	**–**	**16.4**	**16.4**	–	10.0	10.0
Capital allowances	**–**	**3.9**	**3.9**	–	3.9	3.9
Appropriations to trading stock	**–**	**0.5**	**0.5**	–	0.5	0.5
Unutilised tax losses	**(1.7)**	**–**	**(1.7)**	–	–	–
Other temporary differences	**(3.7)**	**–**	**(3.7)**	(2.7)	–	(2.7)
Total deferred tax	**(5.4)**	**20.8**	**15.4**	(2.7)	14.4	11.7

At the Balance Sheet date, the Group has unused tax losses in relation to 2015 and prior years of £2.9m (2014: £1.3m), of which £1.7m (2014: £nil) has been recognised as a deferred tax asset. A deferred tax asset of £1.2m (2014: £1.3m) has not been recognised in respect of current and prior year tax losses as it is not considered sufficiently certain that there will be taxable profits available in the short-term against which these can be offset.

d. Factors that may affect future tax charges

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

The effective rate of tax for the year of 14% reflects the benefit of certain investment gains not being taxable because of indexation , recognition of tax losses and the property ownership structure within the Group. As a result of proposed changes in the Group's property ownership structure the effective tax rate is expected to move towards, but remain below, the standard rate of tax as a result of indexation on property revaluations together with land remediation and other property reliefs.

5. Earnings per share

	2015 Number of shares	2014 restated Number of shares
Weighted number of shares in issue	**221,076,984**	220,617,339
Weighted number of diluted shares relating to the convertible bond	**18,867,925**	14,150,943
Weighted number of diluted shares relating to share options	**6,383,088**	4,602,679
	246,327,997	239,370,961

	2015 Earnings £m	2014 reststed Earnings £m
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	**216.4**	118.6
Effect of dilutive potential ordinary shares:		
Interest on convertible bond (net of tax)	**2.3**	1.7
Movement in fair value of the convertible bond	**4.1**	(0.9)
Earnings for the purposes of diluted earnings per share	**222.8**	119.4

	2015 pence	2014 restated pence
Basic earnings per share	**97.9**	53.8
Diluted earnings per share	**90.4**	49.9

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

In addition to the 1.1p increase resulting from prior year restatements for IFRS 10 and lease accounting, diluted EPS for the year ended 30th November 2014 has been updated for the potentially dilutive impact of the Group's convertible bond. This reduces dilutive EPS for the year ended 30th November 2014 by 2.8p to 49.9p.

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

6. Dividends

Dividends paid during the year were in respect of a final dividend for 2014 and an interim dividend for 2015. The proposed final dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these Financial Statements.

	2015		2014	
	p per share	**£m**	p per share	£m
Paid				
Final dividend in respect of previous year	**3.14**	**6.9**	2.67	5.9
Interim dividend in respect of current year	**1.90**	**4.2**	1.46	3.2
Total	**5.04**	**11.1**	4.13	9.1
Proposed				
Current year final dividend	**3.85**	**8.5**	3.14	6.9

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

7. Investment property

	Freehold investment properties £m	Restated leasehold investment properties £m	Total £m
Fair value			
At 30th November 2013 (restated)	615.5	129.1	744.6
Additions – new properties	28.3	–	28.3
Other additions	61.5	0.8	62.3
Net transfers to inventories (note 11)	(6.8)	–	(6.8)
Disposals	(31.6)	(3.9)	(35.5)
Gain on revaluation (restated)	57.0	6.9	63.9
At 30th November 2014 (restated)	723.9	132.9	856.8
Additions – new properties	57.2	–	57.2
Other additions	102.7	2.6	105.3
Net transfers from inventories (note 11)	51.6	13.3	64.9
Disposals	(55.4)	(21.7)	(77.1)
Gain on revaluation	67.8	6.1	73.9
At 30th November 2015	**947.8**	**133.2**	**1,081.0**

Investment properties were valued at 30th November and 30th November 2014 by DTZ Debenham Tie Leung Ltd (since the merger of the firms trading, and herein referred to, as Cushman & Wakefield), Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Cushman & Wakefield are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

The historical cost of investment properties at 30th November 2015 was £840.5m (2014: £723.9m).

As at 30th November 2015, £498.2m (2014: £450.0m) of investment property was pledged as security for the Group's loan facilities.

Included within investment properties are £57.0m (2014: £23.9m) of assets held under finance leases.

IFRS 13 'Fair Value Measurement' disclosures in respect of investment property are detailed below.

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

Investment property		**2015 £m**	2014 restated £m
– Income producing properties	Level 3	**656.6**	450.1
– Residential land	Level 3	**339.8**	296.5
– Commercial land	Level 3	**92.6**	110.3
Assets held under finance leases*	N/A	**3.9**	3.9
Lease incentives (recorded in receivables)	N/A	**(11.9)**	(4.0)
		1,081.0	856.8

*£3.9m of the Group's assets held under finance leases are not subject to revaluation. These assets represent head leases on certain investment property and are carried at the value recognised at inception less repayments of principal. This does not include lease arrangements at Swansea University which are subject to revaluation.

Income producing properties have been valued using the investment method which involves applying a yield to rental income streams. Inputs include equivalent yields, current rent and estimated rental value. The resulting valuations are cross checked against the resulting initial yields and, for certain assets, the land value underpin if the assets were to be redeveloped.

Equivalent yields and estimated rental value are considered to be unobservable inputs and details of the ranges used for each category of income producing properties is provided below.

All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of an asset, and an increase in the current or estimated future rental stream would have the effect of increasing the capital value, and vice versa. However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

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

Sales prices, build costs and profit margins are considered to be unobservable inputs and details of the ranges used are provided below.

All other factors being equal, a higher sales price would lead to an increase in the valuation of an asset, a higher profit margin would lead to a decrease in the valuation of an asset, and a decrease in the build costs would have the effect of increasing the capital value, and vice versa. However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

Commercial land is valued on a land value per acre less costs less costs to remediate and service the land. Land value per acre is considered to be an unobservable input and details of the ranges used are detailed below. All other things being equal, a higher value per acre would lead to an increase in the valuation of an asset and vice versa.

Information about fair value measurements using unobservable inputs (Level 3)

2015 **Income producing properties**	**Fair value at 30th November 2015** **£m**	**ERV per square foot** **Min** **£**	 **Max** **£**	**Equivalent yield** **Min** **%**	 **Max** **%**
Industrial	**202.5**	**0.67**	**10.50**	**6.4**	**12.0**
Retail	**310.0**	**5.00**	**52.00**	**5.6**	**12.0**
Residential	**106.3**	**12.60**	**37.50**	**4.1**	**6.7**
Offices	**37.8**	**7.50**	**28.00**	**7.3**	**14.4**
Total income producing properties	**656.6**				

2014 Income producing properties	Fair value at 30th November 2014 £m	ERV per square foot Min £	 Max £	Equivalent yield Min %	 Max %
Industrial	178.3	0.50	10.50	7.2	11.4
Retail	201.0	5.00	52.00	7.0	14.5
Residential	22.7	32.00	36.00	4.5	6.8
Offices	48.1	6.00	28.00	7.5	14.3
Total income producing properties	450.1				

As the Group holds property both directly and through joint ventures and associates the Strategic Report discusses yields applied to investment property on a weighted average see-through basis. This provides a composite position with respect to the Group’s exposure to asset types by sector. The equivalent yield ranges provided above are consistent with those for assets held by the Group together with its joint ventures and associates.

The Group’s portfolio has a wide spread of yields as it includes assets that are at various stages of the property lifecycle. Income producing assets are generally acquired at high yields where the Group has the opportunity to add significant value. As assets are enhanced and development activity is undertaken, improved and new assets are created and valued at lower yields.

2015	**Fair value at 30th November 2015** **£m**	**Sales price per sq ft**	**Land value per acre** **£000**	**Build costs per sq ft** **£**	**Profit margin** **%**
Residential land	**339.8**	**144–270**	**–**	**82–110**	**20.0**
Commercial land	**92.6**	**–**	**125-595**	**–**	**–**

2014	Fair value at 30th November 2014 £m	Sales price per sq ft	Land value per acre £000	Build costs per sq ft £	Profit margin %
Residential land	296.5	145–260	–	75-110	20.0
Commercial land	110.3	–	125-625	–	–

8. Operating property, plant and equipment

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30th November 2013	6.9	5.4	12.3
Additions	0.1	0.9	1.0
Disposals	–	(0.4)	(0.4)
At 30th November 2014	7.0	5.9	12.9
Additions	–	0.6	0.6
Disposals	(2.5)	(0.5)	(3.0)
At 30th November 2015	**4.5**	**6.0**	**10.5**
Depreciation			
At 30th November 2013	0.9	4.8	5.7
Charge for the year	0.1	0.4	0.5
Disposals	–	(0.3)	(0.3)
At 30th November 2014	1.0	4.9	5.9
Charge for the year	0.1	0.7	0.8
Disposals	–	(0.4)	(0.4)
At 30th November 2015	**1.1**	**5.2**	**6.3**
Net book value			
At 30th November 2013	6.0	0.6	6.6
At 30th November 2014	6.0	1.0	7.0
At 30th November 2015	**3.4**	**0.8**	**4.2**

Tenure of operating properties:

	2015 £m	2014 £m
Freehold	**3.4**	3.4
Leasehold	**–**	2.6
	3.4	6.0

9. Joint ventures and associates

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

	2015					
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	Total £m
Income Statements						
Revenue	**16.8**	**–**	**–**	**0.4**	**4.6**	**21.8**
Net rental income	**5.9**	**(0.2)**	**–**	**–**	**0.2**	**5.9**
Gains/(losses) on disposal of investments/ investment properties	**2.8**	**–**	**(0.9)**	**0.4**	**0.3**	**2.6**
Investment property revaluation gains/(losses)	**6.7**	**(3.9)**	**(1.3)**	**127.4**	**0.3**	**129.2**
Administrative expenses	**(0.1)**	**–**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.4)**
Profit/(loss) before interest and tax	**15.3**	**(4.1)**	**(2.3)**	**127.7**	**0.7**	**137.3**
Finance cost	**(2.3)**	**(3.3)**	**(1.6)**	**(1.5)**	**(0.2)**	**(8.9)**

Finance income	**0.5**	**0.4**	**0.7**	**–**	**–**	**1.6**
Profit/(loss) before tax	**13.5**	**(7.0)**	**(3.2)**	**126.2**	**0.5**	**130.0**
Taxation	**(2.3)**	**1.8**	**2.8**	**(25.5)**	**–**	**(23.2)**
Profit/(loss) for the year	**11.2**	**(5.2)**	**(0.4)**	**100.7**	**0.5**	**106.8**

	2014 restated					
	Key Property Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	Total £m
Income Statements						
Revenue	9.4	–	–	–	1.1	10.5
Net rental income	5.7	–	–	–	0.2	5.9
Gains on disposal of investments/ investment properties	0.7	–	3.0	–	–	3.7
Investment property revaluation gains	11.1	0.4	15.2	–	0.4	27.1
Administrative expenses	(0.2)	–	(0.2)	–	(0.1)	(0.5)
Profit before interest and tax	17.3	0.4	18.0	–	0.5	36.2
Finance cost	(3.1)	(3.0)	(1.2)	–	(0.2)	(7.5)
Finance income	0.7	0.8	–	–	–	1.5
Profit/(loss) before tax	14.9	(1.8)	16.8	–	0.3	30.2
Taxation	(0.4)	0.6	(3.3)	–	-	(3.1)
Profit/(loss) for the year	14.5	(1.2)	13.5	–	0.3	27.1

Included in other joint ventures and associates above are results from associated companies of £0.3m (2014: £nil).

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

	2015					
	Key Propert Investments Ltd £m	**VSM Estates Uxbridge (Group) Ltd £m**	**VSM Estates (Holdings) Ltd £m**	**VSM (NCGM) Ltd £m**	**Other joint ventures and associates £m**	**Total £m**
Balance Sheets						
Non-current assets	**104.8**	**52.0**	**41.6**	**220.0**	**3.0**	**421.4**
Current assets	**1.9**	**4.7**	**28.5**	**–**	**6.3**	**41.4**
Current liabilities	**(6.7)**	**(17.2)**	**(25.4)**	**(5.5)**	**(3.4)**	**(58.2)**
Non-current liabilities	**(34.2)**	**(24.1)**	**(6.8)**	**(113.8)**	**1.6**	**(177.3)**
Net assets	**65.8**	**15.4**	**37.9**	**100.7**	**7.5**	**227.3**
Equity at start of year	**61.3**	**20.6**	**38.3**	**–**	**7.0**	**127.2**
Profit/(loss) for the year	**11.2**	**(5.2)**	**(0.4)**	**100.7**	**0.5**	**106.8**
Dividends paid	**(6.7)**	**–**	**–**	**–**	**–**	**(6.7)**
Equity at end of year	**65.8**	**15.4**	**37.9**	**100.7**	**7.5**	**227.3**

	2014					
	Key Propert Investments Ltd £m	VSM Estates Uxbridge (Group) Ltd £m	VSM Estates (Holdings) Ltd £m	VSM (NCGM) Ltd £m	Other joint ventures and associates £m	Total £m
Balance Sheets						
Non-current assets	95.6	55.4	51.9	–	6.5	209.4

Current assets	6.3	5.8	21.1	2.6	3.4	39.2
Current liabilities	(7.2)	(21.5)	(15.6)	(2.6)	(1.5)	(48.4)
Non-current liabilities	(33.4)	(19.1)	(19.1)	–	(1.4)	(73.0)
Net assets	61.3	20.6	38.3	–	7.0	127.2
Equity at start of year	66.8	21.8	24.8	–	6.7	120.1
Profit/(loss) for the year	14.5	(1.2)	13.5	–	0.3	27.1
Dividends paid	(20.0)	–	–	–	–	(20.0)
Equity at end of year	61.3	20.6	38.3	–	7.0	127.2

Included in other joint ventures and associates above are net assets of £3.3m (2014: £2.9m) in relation to associated companies. These net assets comprise total assets of £3.9m (2014: £3.5m) and total liabilities of £0.6m (2014: £0.6m).

New Covent Garden Market (NCGM)

NCGM received unconditional status in the year and, as a result, the valuation increase of £127.4m has had a significant impact on the current year results.

NCGM was valued at 30th November 2015 by Jones Lang LaSalle LLP, Chartered Surveyors; in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Jones Lang LaSalle LLP are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

The liability of VSM (NCGM) Limited to procure 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 build; and
- Discounting the forecast cash flows to today's value using a discount rate of 5%.

The following information on unobservable inputs is detailed below for understanding and completeness.

	Range per square foot		Average per square foot	Profit margin on GDV
	£	£	£	%
Sales price	900	1,566	1,326	–
Build costs	–	–	433	–
Profit margin on GDV	–	–	–	20%

The material joint venture and associate companies comprise the following:

Name	**Status**	**Interest**	**Activity**
Barton Business Park Ltd	Joint venture	50%	Property development
Key Property Investments Ltd	Joint venture	50%	Property investment and development
Meaford Energy Ltd	Joint venture	50%	Property development
Meaford Land Ltd	Joint venture	50%	Property development
Skypark Development Partnership LLP	Joint venture	50%	Property development
VSM (NCGM) Ltd	Joint venture	50%	Property development
VSM Estates (Holdings) Ltd	Joint venture	75%	Property development
VSM Estates Uxbridge (Group) Ltd	Joint venture	50%	Property investment and development
Wrexham Land Ltd	Joint venture	50%	Property development
Wrexham Power Ltd	Joint venture	50%	Property development
Coed Darcy Ltd	Associate	49%	Property investment and development
Baglan Bay Company Ltd	Associate	25%	Property management

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.

10. Trade and other receivables

	2015 £m	2014 restated £m
Non-current		
Other debtors	**0.1**	–
Amounts due from joint ventures	**6.0**	6.0
	6.1	6.0
Current		
Trade receivables	**5.6**	4.7
Prepayments and accrued income	**8.6**	5.5
Other debtors	**22.2**	22.7
Amounts recoverable on contracts	**31.3**	6.0
Amounts due from joint ventures	**37.0**	25.0
	104.7	63.9

11. Inventories

	2015 £m	2014 restated £m
Properties held for sale	**5.3**	5.8
Properties under construction	**161.6**	176.7
Land under option	**16.8**	18.5
	183.7	201.0

The movement in inventories during the two years ended 30th November 2015 is as follows:

	£m
At 30th November2013 (restated)	199.7
Additions	173.1
Net transfers from investment property (note 7)	6.8
Disposals (transferred to development cost of sales) (note 1)	(178.6)
At 30th November 2014	201.0
Additions	234.8
Net transfers to investment property (note 7)	(64.9)
Disposals (transferred to development cost of sales) (note 1)	(187.2)
At 30th November 2015	**183.7**

The directors consider all inventories to be current in nature. The operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues including the strength of the property market.

Included within disposals of inventories are net realisable value provisions made during the year of £1.4m (2014: £0.1m).

As at 30th November 2015 £43.4m (2014: £16.8m) of inventory was pledged as security for the Group's loan facilities.

12. Trade and other payables

	2015 £m	2014 restated £m
Current		
Trade payables	**38.5**	24.4
Amounts due to joint ventures	**15.4**	29.0
Other payables and accrued expenses	**75.6**	74.4
Other payables on deferred terms	**17.1**	20.8
	146.6	148.6
Non-current		
Other payables on deferred terms	**3.1**	3.5
	3.1	3.5

The payment terms of the other payables on deferred terms are subject to contractual commitments. In the normal course of events the payments will be made in line with either the disposal of investment properties held on the Balance Sheet, or the commencement of development. Net cash outflows on the settlement of the deferred consideration will therefore be limited.

13. Borrowings and finance lease obligations

	2015 £m	2014 £m
Current		
Bank overdrafts	**–**	–
Bank loans	**–**	–
Finance lease liabilities due in less than one year	**(0.4)**	(0.1)
Current borrowings and finance lease obligations	**(0.4)**	(0.1)
Non-current		
Amounts repayable between one and two years	**–**	50.0
Amounts repayable between two and five years	**344.3**	253.1
Amounts repayable after more than five years	**107.5**	37.5
Non-current borrowings	**451.8**	340.6
Finance leases liabilities due after more than one year	**54.7**	22.5
Non-current borrowings and finance lease obligations	**506.5**	363.1

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

Borrowings

Maturity profile of committed borrowing facilities

The Group's debt is provided by floating rate bilateral revolving credit facilities (providing the flexibility to draw and repay loans as required) together with an £80m retail bond and £100m convertible bond. The maturity profile of the Group's committed borrowing facilities is set out below:

			2015			2014
	Drawn £m	**Undrawn £m**	**Total £m**	Drawn £m	Undrawn £m	Total £m
Secured floating rate borrowings:						
Less than one year[1]	**–**	**–**	**–**	–	–	–
One to two years	**–**	**–**	**–**	50.0	25.0	75.0
Two to three years	**89.0**	**10.0**	**99.0**	–	–	–
Three to four years	**71.2**	**53.8**	**125.0**	64.0	35.0	99.0
Four to five years	**70.0**	**30.0**	**100.0**	9.1	115.9	125.0
More than five years	**37.5**	**12.5**	**50.0**	37.5	12.5	50.0
	267.7	**106.3**	**374.0**	160.6	188.4	349.0
Unsecured fixed rate borrowings:						
Three to four years	**184.1**	**–**	**184.1**	–	–	–
Four to five years	**–**	**–**	**–**	180.0	–	180.0
	451.8	**106.3**	**558.1**	340.6	188.4	529.0

(1) In addition to the principal amounts included above, £1.8m (2014: £1.4m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

Interest rate profile

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

		2015		2014
	£m	**Applicable interest rate**	£m	Applicable interest rate
Floating rate bank debt	**137.7**	**Margin + 3 month LIBOR**	30.6	Margin + 3 month LIBOR
Fixed rate bank debt	**130.0**	**Margin + 2.76% weighted average swap rate**	130.0	Margin + 2.93% weighted average swap rate
Retail Bond – Maturity 2019	**80.0**	**6.25% fixed rate**	80.0	6.25% fixed rate
Convertible Bond – Maturity 2019	**104.1**	**2.875% fixed rate – swapped to 1.43% + 6 month LIBOR until 6th March 2017**	100.0	2.875% fixed rate – swapped to 1.43% + 6 month LIBOR until 6th March 2017
At 30th November	**451.8**		340.6	

The average margin on the Group's bank debt is 1.9% (2014: 1.9%).

Derivative financial instruments

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

a) Sterling denominated interest swaps from floating rate to fixed rate applicable as at 30th November 2015

These swaps hedge the Group's floating rate bank debt as at 30th November 2015. The fixed rates for these swaps range from 2.01% to 5.16% (2014: 2.01% to 5.16%) and details of their maturity profile are given below. Certain of the interest rate swaps are extendable at the bank's option; the tables below therefore show the dates of normal termination and extended termination. The weighted average maturity of the interest rate swaps below to the earliest termination date is 2.0 years (2014: 2.5 years).

	2015				2014			
	Earliest termination		**Latest termination**		Earliest termination		Latest termination	
	£m	**%(1)**	**£m**	**%(1)**	£m	%(1)	£m	%(1)
Less than one year	**50.0**	**3.06**	**40.0**	**2.54**	20.0	3.81	10.0	4.48
One to two years	**20.0**	**2.01**	**20.0**	**2.01**	40.0	2.54	40.0	2.54
Two to three years	**–**	**–**	**10.0**	**5.16**	20.0	2.01	20.0	2.01
Three to four years	**50.0**	**3.00**	**50.0**	**3.00**	–	–	10.0	5.16
Four to five years	**10.0**	**1.60**	**10.0**	**1.60**	50.0	3.00	50.0	3.00
	130.0	**2.76**	**130.0**	**2.76**	130.0	2.93	130.0	2.93

(1) Weighted average interest rate.

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

These swaps provide continuity of hedging beyond the term of the interest rate swaps applicable as at 30 November 2015 and increase interest rate certainty through to bank facility renewal dates. The fixed rates for these swaps range from 2.72% to 2.97% (2014: 2.72% to 2.97%) and details of their maturity profile are given below. These hedges when taken together with existing hedges with an earliest termination date beyond 30th November 2017 comprise £120m of hedging at a weighted average interest rate of 2.83% extending to a weighted average life of 3.6 years (2014: £110m at 2.95% for 4.7 years).

	2015		2014	
	£m	**%(1)**	£m	%(1)
Period from 2016 – 2021	**20.0**	**2.90**	20.0	2.90
Period from 2017 – 2019	**40.0**	**2.87**	40.0	2.87
	60.0	**2.88**	60.0	2.88

(1) Weighted average interest rate.

c) Convertible bond (the Convertible Bonds)

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

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

The initial exchange price was £5.29 per ordinary share, a conversion rate of approximately 18,889 ordinary shares for every £100,000 nominal of the Convertible Bonds. Under the terms of the Convertible Bonds, the exchange price is adjusted on the happening of certain events including the payment of dividends by the Company in excess of a yield of 1.00% of the average share price in the 90 days preceding the dividend ex date. No changes to the exchange price have been made up to 30th November 2015.

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

A total of £100.0m nominal of the Convertible Bonds were issued and remain outstanding at 30th November 2015. The Convertible Bonds are designated as at fair value through profit or loss and so are presented on the Balance Sheet at fair value with all gains and losses taken to the Income Statement through the movement in fair value of derivative financial instruments line. At 30th November 2015 the fair value of the Convertible Bonds was £104.1m with the change in fair value charged to the Income Statement. The Convertible Bonds are listed on the Official List of the Channel Islands Security Exchange.

Following the issue of the Convertible Bonds the Group was in an over-hedged position with an excess of debt at fixed rate. In order to reduce the level of fixed rate borrowings an interest rate derivative was entered into to swap the interest rate in the

Convertible Bonds from a fixed rate of 2.875% to a floating rate of 6 month LIBOR plus 1.43% through to its third anniversary in March 2017.

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

Obligations under finance leases
Finance lease liabilities payable in respect of certain leasehold investment properties are as follows:

			2015			2014
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**2.7**	**2.3**	**0.4**	1.1	1.0	0.1
Between one and five years	**13.6**	**11.4**	**2.2**	5.5	4.7	0.8
More than five years	**164.2**	**111.7**	**52.5**	101.3	79.6	21.7
	180.5	**125.4**	**55.1**	107.9	85.3	22.6

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2014: 6.0%) has been used to derive the fair value of the principal amount outstanding. All lease obligations are denominated in sterling.

14. Acquisition of a subsidiary undertaking

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

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

- £0.8m on completion;
- £0.1m payable on shareholder approval;
- £0.1m 12 months after completion which was paid on 22nd May 2015; and
- Contingent consideration payable based on the level of future development gains achieved in respect of the land and property held by Branston. Based on the provisional fair values detailed below, no contingent consideration has been recognised.

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

As required by IFRS 3 (2008) Business Combinations, this acquisition resulted in the assets and liabilities of Branston being remeasured to fair value at the acquisition date and the resulting negative goodwill arising of £2.1m credited to the Income Statement.

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

	Book value £m	Fair value adjustments £m	Total £m
Net assets acquired:			
– Investment property	5.9	2.6	8.5
– Trade and other payables	(4.9)	–	(4.9)
– Deferred tax	–	(0.5)	(0.5)
Total identifiable net assets	1.0	2.1	3.1
Negative goodwill			(2.1)
Total consideration			**1.0**

	£m
Satisfied by:	
– Cash payable on acquisition	0.8
– Deferred proceeds paid on shareholder approval	0.1
– Deferred proceeds paid on 22nd May 2015	0.1
Total consideration	**1.0**

If the acquisition had been completed on the first day of the financial year there would have been no incremental change to the Group's revenue or profit before tax.

On 3rd March 2015 the Group acquired the remaining share capital in Killingholme Land Ltd and Killingholme Energy Ltd for nil consideration.

15. Related party transactions

All related party transactions involving directors, and those involving a change in the level of the Group's interest in non-wholly owned subsidiaries, joint ventures and associates are specifically reviewed and approved by the Board. Monitoring and management of transactions between the Group and its non-wholly owned subsidiaries, joint ventures and associates is delegated to the executive directors. All related party transactions are clearly justified and beneficial to the Group, are undertaken on an arm's length basis on fully commercial terms and in the normal course of business. Related party transactions are detailed as follows:

Joint ventures and associates

Key Property Investments Ltd (KPI)

During the year the Group provided management and construction services to KPI for which it received fees totalling £0.4m (2014: £0.4m). The balance due to the Group at year end was £0.8m (2014: £2.5m). No interest is charged on this balance.

VSM Estates Uxbridge (Group) Ltd (VSM Uxbridge)

VSM Uxbridge is funded by loan notes and short-term funding provided by the Group and VINCI PLC together with bank debt. The balance due to the Group at the year-end was £22.3m (2014: £21.8m), of which £6.0m (2014: £6.0m) is loan notes. All amounts are interest bearing and interest charged in the year ended 30th November 2015 was £2.6m (2014: £2.2m).

VSM Estates (Holdings) Ltd (VSM Holdings)

VSM Holdings is funded by loan notes and short term funding provided by the Group and VINCI PLC. The balance due from the Group at the year-end was £0.5m (2014: £3.4m). All amounts are interest bearing and interest charged in the year ended 30th November 2015 was £1.1m (2014: £0.7m).

Barton Business Park Ltd (Barton)

The balance due to Barton at the year end was £3.8m (2014: £3.8m). No interest is charged on this balance.

Skypark Development Partnership LLP (Skypark)

During the year the Group provided funding of £0.6m to Skypark (2014: £nil). The balance due to the Group from Skypark at the year end was £1.7m (2014: £1.1m), of which £1.4m (2014: £1.1m) relates to loan notes issued to the Group. Interest of £0.1m (2014: £0.1m) was charged in the year.

Wrexham Power Ltd (Wrexham Power)

During the year the Group provided funding to Wrexham Power of £0.2m (2014: £0.7m). The balance due to the Group at the year end was £1.1m (2014: £0.9m). No interest is charged on this balance.

Wrexham Land Ltd (Wrexham Land)

During the year the Group provided funding to Wrexham Land of £nil (2014: £nil). The balance due to the Group at the year end was £0.1m (2014: £0.1m). No interest is charged on this balance.

VSM (NCGM) Ltd (VSM (NCGM))

During the year the Group provided funding to VSM (NCGM) of £1.7m (2014: £1.5m). The balance due to the Group at the year end was £4.6m (2014: £2.9m). No interest is charged on this balance.

Pension

St. Modwen Pension Scheme

The Group occupies offices owned by the pension scheme with an annual rental payable of £0.1m (2014: £0.1m). The balance due to the Group at year end was £nil (2014: £nil).

Non-wholly owned subsidiaries

The Company provides administrative and management services and provides a central purchase ledger system to subsidiary companies. In addition, the Company also operates a central treasury function which lends to and borrows from subsidiary undertakings as appropriate. Management fees and interest charged/(credited) during the year and net balances due (to)/from subsidiaries in which the Company has a less than 90% interest were as follows:

	Management fees		Interest		Balance	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Norton & Proffitt Developments Ltd	**–**	–	**–**	–	**0.3**	0.3
Stoke-on-Trent Regeneration (Investments) Ltd	**–**	–	**–**	–	**(0.6)**	(0.5)
Stoke-on-Trent Regeneration Ltd	**–**	–	**(0.2)**	(0.1)	**(21.7)**	(10.1)
VSM Estates (Ashchurch) Ltd	**–**	–	**–**	–	**0.2**	–
Widnes Regeneration Ltd	**–**	–	**–**	–	**2.0**	2.0
	–	–	**(0.2)**	(0.1)	**(19.8)**	(8.3)

All amounts due to the Group are unsecured and will be settled in cash. All amounts above are stated before provisions for doubtful debts of £nil (2014: £nil). No guarantees have been given or received from related parties.

Transactions in which directors have an interest

Branston Properties Ltd (Branston)

In 2010 the Group entered into an option to acquire the entire issued share capital of Branston, of which Simon Clarke was a shareholder, at market value. The price paid for the option was £0.1m and exercise of this was contingent on certain planning milestones being achieved. Following achievement of the requisite planning milestones the option was exercised by the Group on 22nd May 2014 and 87.5% of the issued share capital of Branston was acquired as discussed further in note 19.

Key management personnel

The directors are considered to be the Group's key management personnel and their remuneration is disclosed in the Group Financial Statements.