Final Results

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ST. MODWEN PROPERTIES PLC

("St. Modwen" or "the Company")

Annual Results for the Year Ended 30th November 2012

ST. MODWEN DELIVERS STRONG RESULTS WITH NET ASSET VALUE INCREASES OF 8% AND £52.8M PROFIT BEFORE ALL TAX

Financial Highlights

- Shareholders' NAV up 8% to 251p per share (Nov 2011: 232p per share), and EPRA NAV up 9% to 272p per share (2011: 250p per share)
- Profit before all tax £52.8m (2011: £51.7m)
- Realised property profits up 22% to £29.0m (2011: £23.8m)
- Net rental income continues to grow to £36.2m (2011: £35.5m)
- 12% increase in net trading profit to £25.5m (2011: £22.8m)
- Gearing at year end of 71% (2011: 73%) and completion of a successful £80m retail bond issue providing substantial headroom in facilities
- Final dividend for the year increased by 10% to 2.42p per share, providing a total dividend for 2012 of 3.63p

Operational Highlights

- Valuation gains of £48m (2011: £33m) generated through active asset management and planning gains, offsetting £20m market driven valuation loss (2011: £1m profit)
- Continued positive outlook for residential land with London residential transactions driving valuation gains
- On track to deliver target of shareholder equity NAV of 300p per share by November 2015
- £2bn regeneration of New Covent Garden Market signed, providing a major opportunity in Central London and considerable potential to add further upside to targetted NAV
- Swansea University £150m development to commence on site in H1 2013

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 of such measures is provided in Note 2 to the Group financial statements.

Bill Oliver, Chief Executive of St. Modwen commented:

"This has been another successful year during which we have achieved some significant milestones across our portfolio and, in particular, on our major development projects. These achievements underline our growing presence in the London and the South East market while also proving that there are still opportunities in the regions for well-placed and well-priced product.

"We cannot ignore the current upsurge in investor appetite for development activity in London and the South East and the prospects arising across the UK from our residential portfolio. We will therefore focus our attention throughout the coming year on these specific areas in order to drive optimal returns, as well as advancing our larger schemes, including of course the New Covent Garden Market and Swansea University developments."

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A presentation for analysts and investors will be held at 9.30am today at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB. If you would like to attend, please contact Faye Walters at FTI +44 (0)20 7269 7134 or faye.walters@fticonsulting.com

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CHAIRMAN'S STATEMENT

It is with great pleasure that I am able to report another strong set of results, with increased profits across the Group.

Profit before all tax increased to £52.8m (2011: £51.7m) with shareholders' equity net asset value per share growing 8% to 251p per share (2011: 242p) after paying dividends of 3.42p per share during the year (2011: 3.10p).

I am extremely pleased to be announcing this positive set of results and two major projects. The first was our signing in January 2013 of the Development Agreement with the Covent Garden Market Authority (CGMA) to redevelop the 57 acre New Covent Garden Market site in Nine Elms, London. This £2 billion, landmark, multi-phased project underlines our growing presence in the London marketplace and is set to deliver attractive revenue streams and NAV growth over the coming years.

Secondly, we have just agreed terms with Swansea University for the provision of the £150m first phase of the New Science and Innovation Campus. Located on our 65 acre site, this major project comprises 700,000 sq ft of development including 430,000 sq ft of academic space, associated retail space and 899 student apartments. The University has already secured funding for the academic space and St. Modwen has secured the pre-sale of 50% of the student accommodation to a major institutional investor.

Both deals demonstrate key facets of our expertise: the former, a testament to our track record of regenerating complex and brownfield sites and the latter, a clear illustration of our ability to extract maximum value from our land bank. This expertise, the revenue generated by our income producing assets and the success of our growing residential business, is why we have again delivered a very strong set of results.

In October we raised £80m from a successful retail bond issue, enabling us to diversify our sources of funding, without increasing our gearing. With a duration of seven years, this bond provides us with a longer term facility, and diversifies our financial structure.

Dividends

As a result of a successful 2012, your Board is recommending a 10% increase in the final dividend for the year to 2.42p per share (2011: 2.20p), making a total distribution for the year of 3.63p (2011: 3.30p). This final dividend will be paid on 4th April 2013 to shareholders on the register at 8th March 2013.

Strategy

Our strategy of adding significant long-term value to the properties that we control is working and is delivering good quality returns, despite the challenging environment in which we are operating. Through our market-leading expertise, we add value through remediation, management of the planning process, asset management and development. In particular, our regional teams focus on opportunities where our regeneration expertise enables us to generate profits both in commercial and residential development.

Governance and the Board

The Board is committed to maintaining high standards of corporate governance. In the Corporate Governance section of our Annual Report, we describe the structures and measures in place which are designed to ensure the continued effectiveness of the Board and we report on our compliance in accordance with the UK Corporate Governance Code.

As we continue to grow and expand our portfolio of development schemes and manage our income-producing investment assets, we are placing increased emphasis on deepening further the property expertise on the Board. We believe this will be an invaluable resource to the Company in the next stages of its evolution

We were therefore delighted to welcome Kay Chaldecott to the Board as a non-executive director in October 2012. Kay spent 27 years at Capital Shopping Centres Group PLC and her knowledge and experience of the UK property industry is already bringing additional and relevant expertise to the Board.

As announced on 29 January 2013, Katherine Innes Ker, an independent non-executive director, and David Garman, the Senior Independent Director, will retire from the Board with effect from the conclusion of the Company's Annual General Meeting to be held on 27 March 2013. I would like to thank both Katherine and David for their contributions during their time on the Board and wish them well for the future. The search to identify a Senior Independent Director is underway and an announcement will be made in due course.

People

We are very fortunate to have a team of such dedicated and highly skilled individuals working throughout our Group. It is their hard work and dedication that has delivered these strong results for your Company and ensures St. Modwen continues to outperform. I would like to take this opportunity to thank our people for making St. Modwen such a success.

Prospects

Whilst I obviously cannot predict how the UK economy will develop in 2013 and what impact this may have on the property sector, our track record demonstrates the success of our strategy and the ability of our management team to deliver strong shareholder returns through the application of their specialist real estate skills.

Furthermore, with our presence in London and the South East now significantly increased by the New Covent Garden Market project, combined with the ongoing success of our residential business, we are in good shape to benefit from future growth in these markets. At the same time, across the UK, we can see attractive opportunities to generate further value from our assets and development pipeline and, in particular, look forward to starting on site with the Swansea University Campus in April of this year.

We have a very solid platform from which to grow our NAV further in 2013 and beyond. This, together with our robust business strategy, provides us with the confidence to face market challenges head on and deliver strong revenue streams and returns in the years ahead.

Bill Shannon
Chairman

CHIEF EXECUTIVE'S REVIEW

We are pleased that another very good set of results this year reinforces our position as the UK's leading regeneration specialist. Our strong and robust business strategy coupled with our teams of highly skilled employees have ensured that we remain well positioned to deliver profits and create value whilst withstanding market challenges.

We have made excellent progress with our major projects this year and increased our commitments in the London and the South East with the signing of the development agreement with the CGMA for redevelopment of the 57 acre New Covent Garden Market site. We have also agreed terms with Swansea University for the provision of the £150m first phase of the New Science and Innovation Campus. This development will be situated on our 65 acre Transit site, one of the holdings within the 2,500 acre portfolio acquired from BP and which has since been fully remediated. Both projects will further enhance our pipeline of development profits.

Furthermore, across the country, we continue to add value to our 5,800 acre land bank by successfully working our assets hard and securing planning permissions, predominantly for residential-led opportunities.

The retail bond issue in October 2012 raised £80m on seven year terms. It further enhances our financing structure and provides us with an alternative source of finance to bank funding. The successful result of the issue demonstrates the strength of the business as a whole and is a testament to our income producing portfolio which proved extremely attractive to investors throughout the transaction.

These activities and our performance throughout the year have culminated in a profit before all tax of £52.8 million (2011: £51.7 million).

Strategy overview

Our land bank of over £1.1 billion of assets provides us with flexibility to move with market demands and focus on those opportunities that will generate the most value at any one time.

We continue to implement our strategy of adding value to the land bank through remediation, planning gain, asset management, development and delivery. All of this activity is supported by our portfolio of income producing assets (each of which has development potential), that typically covers the running costs of the business while we invest in commercial and residential assets which we believe will deliver significant long-term returns.

This proven strategy and the flexible advantage that our highly diversified and low-cost land bank affords us, have both played a major role in our ongoing resilience to the difficult economic climate and we intend to build on this success over the coming years.

Market overview

London and the South East are recovering faster than other areas and, with a third of our portfolio and 50% of our residential assets located in this region (as at 30th November 2012), we are in a good position to benefit from the ongoing resilience of this market throughout 2013.

The market outlook in the regions is weaker but specific development opportunities can be found where land ownership, planning expertise and funding can be brought together, playing directly to our skills, such as in Swansea.

While London and the South East is the strongest marketplace, the regional recovery of the UK housebuilding market is improving. We are seeing improvement in housing sales, which is due in part to low interest rates, Government initiatives to encourage first time buyers and the movement by the banks to offer more flexible mortgage terms. However, there is still some way to go before a full recovery starts to set in.

The lack of available housing land has worked in our favour, as our 'oven ready' residential land bank enables us to carefully select where and when we start on site or sell land into the market.

On the back of this and our increasing London presence, our residential business has had a successful year. We have, therefore, made a number of new appointments to ensure that we are well resourced to build on the success achieved so far by St. Modwen Homes and our joint venture with Persimmon.

We continue to be successful in securing planning approvals for sites across the country but our frustrations with the UK planning system remain as the process still appears to be difficult. The National Planning Policy Framework is founded on a collective approach driven by engagement and co-operation. We are fortunate to be working with a number of exceptional 'can-do' authorities who welcome developers and encourage much needed growth and we are proud of the productive working relationships we have forged with officers, members and communities across many regions of the UK. These types of collaborations should underpin all developments under the new regime but sadly, we are also suffering from the opposite; the 'no-can-do' approach adopted by certain other Local Planning Authorities that frustrates growth, increases the housing shortage, alienates developers and leads to stagnation in the property market.

RESIDENTIAL

Our residential business continues to grow, with good sales rates, an increased number of developments coming on stream and increased demand for our land.

Strategy and Active Management

We acquire sites with potential for residential development and seek to add value to the land throughout the development process, crystallising that value via three clear routes to market:

1) Residential land sales
2) St. Modwen Homes
3) Persimmon joint venture.

Combined with our asset management capabilities, ability to progress land through the planning process and our remediation and development skills, these three routes highlight our practical approach to development and make us an attractive partner to land owners and the public sector.

Residential Land

Demonstrating the active residential land market during the year, 79% of our portfolio (circa 21,000 plots) has either planning permissions or allocations within local plans.

During 2012, we experienced good activity in residential land sales with 126 acres of land now committed for sale, achieving a Group share of £110m of value. All transactions were conducted at or above book value.

Throughout the year, we have added considerable value to our residential assets with significant gains achieved in London and the South East. Through our own efforts £36m has been added to the value of our residential portfolio, a 38% increase from 2011 (£26m). Key residential land transactions in the year have included:

- RAF Uxbridge **-** Under our VSM Uxbridge joint venture arrangement with VINCI, we accelerated the outright acquisition of RAF Uxbridge from the Ministry of Defence. This 110 acre site has a planning consent for 1,340 residential units and circa 200,000 sq ft of commercial office and retail development, as well as a new primary school, a 1,500 seat theatre and a 40 acre public park.

  Out of the total of 45 developable acres acquired, 23 acres were committed to Persimmon for the development of 453 homes under St. Modwen's and Persimmon's existing joint venture arrangements. Construction started towards the end of 2012 and the first house sales are expected in H2 2013.

- RAF Mill Hill **-** VSM Estates has a 57% share of this 100 acre site which is held in consortium with partners Annington Homes and the London Borough of Barnet Council. Two land sales, totalling 15 acres, completed earlier in the year for a total value of £35m. Further sales are targetted for 2013.
- Rugby, Warwickshire **-** we have exchanged contracts, subject to securing a detailed planning permission, for the sale of 9.5 acres to Taylor Wimpey for £6.4m.
- Langford Mead, Taunton **-** at the year end, the sale of 6.26 acres of land to Taylor Wimpey for £5.5m was in solicitors' hands. This deal has since exchanged contracts.
- South Ockenden, Essex **-** the sale of 4.2 acres of land to Persimmon* for a sum of £3.1m has now completed.

*Not linked to the St. Modwen/ Persimmon joint venture

Planning consents achieved

- Pye Green, Cannock **-** this 142 acre site will comprise 700 homes, a new primary school and 75 acres of public open space, play areas and allotments.
- Pirelli, Burton upon Trent - situated on disused parts of the Pirelli Factory site in Burton upon Trent and comprising 289 homes, a hotel, restaurants, public house, offices and commercial units.
- Vulcan Works, Newton-le-Willows- permission granted for an 18,000 sq ft food retail unit and the second

phase of 282 homes, of which Persimmon is building 208.

- Longbridge East - 229 residential units in the first phase and the opening up of the River Arrow.
- Cadley Hill, Swadlincote**-** a mixed use development delivering 215 homes and up to 95,000 sq ft of small office, light industrial, storage and distribution space.
- Gregory's Bank, Worcestershire- 170 residential units.
- Lowfield Lane, St. Helens - 152 residential units.
- Locking Parklands, Phase II, Weston-super-Mare- second residential phase comprising 150 homes.
- Dursley, Gloucestershire - 94 homes.

Applications submitted

- Branston, Burton upon Trent **-** to build 660 homes and new employment space, including manufacturing, storage and distribution units, on this 280 acre site.
- Melton Park, Hull - for 510 homes, a 100-bedroom care home, a sheltered housing complex of 20 apartments and a new retail park with facilities for community and leisure use.
- Eddison Place, Rugby - for 175 homes on this 50 acre site of which 32 acres are earmarked for residential development.

Future opportunities

- New Covent Garden Market - 2,800 apartments to be delivered as part of this £2bn regeneration project.
- Elephant & Castle - up to 1,000 apartments in addition to 350,000 sq ft of new retail space.
- Dyson Portfolio - planning applications being worked up for four sites: two in Swadlincote, Derbyshire: one earmarked for a residential development with community leisure facilities and the other proposed for a mixed use employment and residential scheme and two further sites in Sheffield, both identified for high end residential development.

Residential development

Residential land bank at 30 November 2012	**November 2012**		**November 2011**	
	Acres	**Units**	**Acres**	**Units**
With planning recognition allocated within the local plan or similar	178	3,396	227	4,410
Resolution to grant	140	1,942	14	246
Outline permission	794	13,175	870	14,349
Detailed permission	169	2,337	82	1,366
	1,281	**20,850**	**1,193**	**20,371**
No planning recognition	523	5,694	453	4,351
Total Residential land	**1,804**	**26,544**	**1,646**	**24,722**

St. Modwen Homes

Our own housebuilding brand, St. Modwen Homes differentiates itself from larger national housebuilders by adopting a local developer mentality, delivering a maximum of 250 units per annum and following a design-led approach which is reflected in both the built form and the external environment.

Our extensive residential land bank gives us a competitive advantage, firstly by allowing us to select the sites that are best suited to the St. Modwen Homes brand and, secondly, with land acquired pre-planning, we are able to focus on providing a higher quality and bespoke product.

In its first full year of building, this approach has proved very successful for St. Modwen Homes which has experienced excellent housing sales rates, well above the national average. We have now started work on the second phase of housing at Park View, Longbridge, with just one house remaining for sale in the first phase of 113 units and we are also on site with the second phase at Locking Parklands, Weston-super-Mare. Including these two projects, we are now active on four sites and are shortly to commence work on a further two, subject to planning:

- Under construction - Phases 1 and 2, Locking Parklands, Weston-super-Mare (250 units); Edison Place, Rugby (175 units); Phases 1 and 2, Park View, Longbridge (134 units); Dursley, Gloucestershire (94 units).
- Imminent site starts **-** Coalville, Leicester (190 units), Gregory's Bank, Worcestershire (155 units).

Persimmon Joint Venture

Our joint venture with Persimmon, established in 2010, is progressing extremely well. Under the agreement, we plan to develop over 2,000 residential plots on eight sites, over the course of a seven year period. During this time we expect to achieve a steady stream of land revenue and cash backed profits, as detailed in the table below.

Progress to date:

- Under construction - St. Andrew's Gate, RAF Uxbridge, London (453 units), Goodyear, Wolverhampton (314 Units), Glan Llyn, South Wales (307 units), Coed Darcy, South Wales (302 units), Longbridge East (229 units), Sunderland (212 units), Vulcan Works, Newton-le-Willows (211 units).
- Imminent site starts - Long Marston, Warwickshire (284 units).
- In planning - Trentham, Stoke-on-Trent (300 units), Victoria Ground, Stoke-on-Trent (113 units).

	St. Modwen Homes		Persimmon joint venture		
As at 30/11/12	**Active**	**Planned**	**Active**	**Planned**	**Total**
No. of sites	6	2	7	1	**16**
Units	651	345	2,028	284	**3,308**
Units completed	173	n/a	101	n/a	**274**
Cash received £m	20	0	12	0	**32**
Future land revenue	12	9	76	15	**112**
SMP share of future development profits £m	15	8	36	5	**64**
TOTAL	**27**	**17**	**112**	**20**	**176**

Residential Development Sales

For both St. Modwen Homes and the Persimmon joint venture, we have experienced strong sales rates across the UK. This is in part due to restricted supply and is also the result of our regional teams' awareness of local needs and our proven ability to select the right sites for development, at the right time and in the right place.

In the financial year we have achieved 259 house sale completions (St. Modwen Homes - 158 and Persimmon Joint Venture - 101).

Residential Outlook

On the back of an excellent first year, we expect another positive year in 2013 with an increase in the total number of active developments expected, notwithstanding the impact of the current planning regime which is still causing delays in actual site starts. We will continue to capitalise on our growing presence in London and the South East whilst adding value to our residential land bank across the UK, securing the best opportunities for the Group.

COMMERCIAL LAND AND DEVELOPMENT

Strategy

We continue to identify and secure opportunities for our development pipeline, ensuring our schemes are well positioned to deliver value over the long-term.

By taking a long-term view, we can acquire land at a minimal capital outlay and then maximise its potential by steadily adding value over time via remediation and planning gain. In line with our long proven business model, we will then, at an appropriate time, decide whether to dispose of certain schemes to crystallise any value uplift or take on the development ourselves. In each instance, we will benefit from the low entry costs we have secured.

Future uses for our land are increasingly residentially driven. Our growing residential business, combined with our strong track record in commercial development, equip us with the right mix of skills to identify which route to take and then exploit these opportunities to their fullest potential.

Developable acres	Nov 2012	Nov 2011
Retail	342	357
Industrial and Commercial	2,859	2,869
Residential	1,804	1,646
Not yet specified	796	890
Total Developable	**5,801**	**5,762**

Market Commentary

In general, the UK commercial property market remains difficult. Well financed investors are scarce with many others struggling to fund their purchases.

The occupier market remains challenging with many businesses not prepared to invest in new or larger premises and banks appearing unwilling to provide funding to them. The retail market is also difficult with many retailers putting a stop to new store openings and many downsizing their requirements. In addition, the market has said goodbye to some well-known high street names during and after the reporting period.

Despite the broader economic challenges, we are finding that our proven approach to development, combined with our extensive and active land bank, is standing us in good stead to face up to the current climate. Our funding structure is not dependent on development finance and our network of regional offices means that we remain sensitive to local requirements and any new opportunities coming through.

We continue to find good commercial development opportunities that are not reliant on speculative development. Where industrial and commercial occupiers have immediate requirements for new premises, we are able to react quickly and meet their demands with our development sites that already benefit from planning.

Furthermore, our regeneration projects continue to serve as a catalyst for change, impacting positively on the local economy and attracting a variety of occupiers, although we have to work slightly harder today to capture limited new demand.

The retail market is challenging but, in our experience, there is demand for well-placed and well-priced product. This is illustrated keenly by our retail developments at Longbridge, Hednesford in Cannock and Wembley Central in London where we are experiencing good retailer demand for our space. The overwhelming appetite for units in our secondary shopping centres such as the Elephant & Castle, Edmonton Green and Wythenshawe also demonstrates the appeal of our shorter lease terms which also enable us to progress our plans towards their redevelopment in due course.

Developments completed during the year

- Edmonton Green - works were completed on the £1.5m refurbishment of the North Square. These included the constitution of a new 22,000 sq ft store pre-let to Wilkinsons, as well as significant improvements to elevations and public realm.
- Hednesford, Cannock - the £50 million transformation of Hednesford Town Centre comprises two development phases known as 'Victoria Shopping Park' and 'Chase Gateway'. At the Shopping Park, we have now completed the sale of the 85,000 sq ft Tesco foodstore which opened for business, along with the associated retail, in time for Christmas trading. At Chase Gateway, Aldi has agreed to purchase a 15,650 sq ft store which will open in late spring 2013. Across the two phases we continue to attract a series of well-known retailers.
- Henley Business Park, Guildford- the demolition of the 225,000 sq ft former Vokes factory made way for the 12 acre third phase of this 25 acre Business Park where construction has completed on a 21,642 sq ft bespoke building for Kirk Petrophysics, a business doubling its space on the Park where it already occupies 23,629 sq ft. This latest phase of construction follows the sale of six units, totalling 78,128 sq ft on phases one and two, to Threadneedle Property Unit Trust.
- Teal Park, Lincoln - we have now handed over this 135,000 sq ft office and production facility to Siemens. The subsequent investment sale to a Middle Eastern purchaser, represented by 90 North Real Estate Partners LLP and the payment received from Siemens in respect of their fit-out has generated cash receipts of £18.5m for our KPI joint venture. In recognition of its sustainable design, the servicing facility has recently been awarded a 'BREEAM Outstanding' rating.

Future developments

- Great Homer Street - the Compulsory Purchase Order (CPO) for land in the area has now been confirmed by the Government, following a public inquiry in July. The scheme has planning consent for a 114,000 sq ft Sainsbury's supermarket, set to be Liverpool's largest foodstore, 80,000 sq ft of additional retail, 80,000 sq ft of industrial, 480 new homes and 40,000 sq ft of community facilities including a new library, market and community health centre. Following the CPO award, a reserved matters planning application will be made to approve the final detail of the new Sainsbury's store and other retail units.
- Wembley Central, London - interest for the retail space in this major town centre scheme is gaining momentum, with further lettings, totalling 53,000 sq ft, to Tesco Metro, Sports Direct, The Gym and an undisclosed national retailer. The national retailer will take 16,000 sq ft to anchor the final development phase for which construction has now started and which also comprises 26,000 sq ft of retail, an 86 bedroom hotel pre-let to Travelodge and 38 private apartments.
- Chaddesden, Triangle, Derby - we have been selected by Network Rail to form a joint venture for the redevelopment of this 70 acre brownfield site located next to Pride Park football stadium. With the freehold owned by Network Rail, the site has been identified by the City Council as a strategic mixed-use development site.
- Solar Park, Baglan Bay, South Wales- Detailed planning consent now secured for this £15m solar park on 30 acres of our Baglan Bay site. It will house over 21,000 photovoltaic panels which will generate five megawatts of power to provide enough electricity for over 1,200 homes per year. This will be sold into the Grid providing an additional income stream for the Group from previously non income producing surplus land at Baglan Bay.

Commercial Land and Development Outlook

Whilst this market is proving difficult, we have enough active developments to provide us with a stream of development profits to 2015 and beyond.

London and the South East is the most dominant market at the moment but there still exists opportunities for well-placed predominantly residential-led schemes in the regions. Opportunities are also emerging in the power and energy sector, particularly for cleaner fuels such as gas-fired power stations and renewable energy, including solar and this is a market we intend to pursue further.

INCOME PRODUCING PORTFOLIO

Strategy

Our income producing assets make up 51% of our portfolio. These assets are held in the short term to provide the Group with a steady income stream as we prepare these sites for future development. This approach ensures that we are not focussed solely on Estimated Rental Value (ERV) but instead on securing tangible revenues that cover our running costs and can be reinvested into the business.

Each of our regional teams is responsible for managing their own 'bank' of assets and are tasked with extracting maximum value via rent reviews, re-gearing of leases and ultimately ensuring that voids remain at their lowest possible levels.

As at 30 November 2012, the Group's income producing properties were occupied by over 1,700 tenants, ranging from multinational businesses to sole traders. The diversity of this portfolio helps us to avoid over-exposure to a single scheme, tenant or sector.

Portfolio Yield Analysis					
	Equivalent		**Net Initial**		**Value £m**
	Nov 2012	Nov 2011	Nov 2012	Nov 2011	
Retail	9.0%	8.4%	7.6%	7.4%	**240**
Office	9.4%	8.7%	7.0%	6.4%	**61**
Industrial	9.2%	9.1%	7.9%	7.7%	**261**
Portfolio	**9.2%**	**8.8%**	**7.7%**	**7.4%**	**562**

Existing portfolio

All of our properties are held with a long-term view for development and typically held at higher yields, with low affordable rents on relatively short leases. Whilst the commercial lettings market remains problematic within the context of the broader economic climate, we continue to experience good occupier demand across our portfolio with our short tenancies and affordable rents proving particularly attractive.

At the year end we owned over 100 income producing properties with a total value of £562m (2011: £549m). We have experienced some administrations during the year but have been able to fill any vacancies relatively quickly and our average lease length has, in fact, improved at 5.0 years (2011: 4.6 years). Occupancy levels, at 87% have been maintained (2011: 88%) and we have managed the churn in our portfolio achieving £9.7m of new lettings during the course of the year (2011: £7.1m), with a good performance from retail. Furthermore, in the recent round of retail administrations since the start of 2013, we have been fortunate that - to date - only one unit across our portfolio has been affected.

Highlights

- Edmonton Green - In addition to the new 22,000 sq ft Wilkinson's store which anchors the refurbished North Square, we let a 1,500 sq ft unit to JD Sports on a 10 year lease. The national retailer joins a host of established brands at the centre including Sports Direct, Asda, Argos, Home Bargains, Costa Coffee, Lidl, Poundland and Specsavers.
- Longbridge - Our largest individual lease for Shanghai Automotive at Longbridge in Birmingham has been extended to until at least 2024 at an annual rent of £1.5m per annum.

Since the year end we have progressed three asset disposals all of which achieved sales at or above book value at the year end:

- Hounslow - we have completed on the sale of this retail parade for £10.5m
- Phoenix Park - we have exchanged on the sale of this retail park for £8.3m
- Cauldwell House - we have completed the sale of this office block for £2.9m

As we dispose of assets we also add to our property portfolio, carefully selecting our acquisitions and ensuring that they will deliver long-term value. Acquisitions during the period included:

- Bridgwater, Somerset - a 12 acre site, comprising a total of 250,081 sq ft of industrial accommodation with ancillary office space and currently let to BFF Nonwovens. The site forms part of the wider urban extension area of north east Bridgwater where planning permission has already been granted for 2,000 houses, a Morrisons' distribution hub and further employment space.

Income Producing Property Outlook

The firm financial footing which these assets afford sets us apart from other development businesses through largely covering our operating costs and underpinning the strength of our portfolio as a whole.

Whilst there is market pressure on yields, this reduced in the second half of 2012 as compared to the first half of the year, and our portfolio contains some substantial development opportunities and we will continue to work hard to realise these as part of our overall business strategy.

Major Project Opportunities

The major projects within our portfolio continue to progress well:

New Covent Garden Market - VINCI St. Modwen has now signed the contract with the Covent Garden Market Authority to be the development partner for the New Covent Garden Market site in Central London. This landmark multi-phased project has a gross development value of around £2 bn and will entail the rationalisation and master planning of the entire 57 acre site situated next to Vauxhall Cross, Nine Elms.

The regeneration of the existing New Covent Garden Market site will see the development of 550,000 sq ft of modern facilities which will house the circa 200 businesses that make up the UK's largest fruit, vegetable and flower market. These new facilities will be funded through the release of 20 acres of surplus land which will then be developed to create a new high quality residential led mixed-use regeneration scheme, providing up to 2,800 new homes and 115,000 sq ft of commercial accommodation.

Swansea University, New Science and Innovation Campus - We have agreed terms for the provision of the £150m first phase of Swansea University's New Science and Innovation Campus. The entire Campus will be located on our 65 acre Transit site, formerly a BP oil storage depot which we have fully remediated since acquiring it in 2009. The first phase of the project comprises 700,000 sq ft of development, including 430,000 sq ft of academic space, 899 student apartments and associated retail space. The University has already secured over £80m of European and

Welsh Government funding for the academic space whilst St. Modwen has secured the investment sale of 50% of the student accommodation to a major institutional investor. We expect to start on site in April 2013, with a view to full student occupation by September 2015.

Elephant & Castle - We are close to concluding our legal agreement with the London Borough of Southwark (LBS) which is a key stepping stone in the redevelopment process. Additionally, we expect shortly to sign the Co-operation Agreement between St. Modwen, LBS and Lend Lease.

During 2012 we spoke to a number of potential investors about the Shopping Centre as part of an exercise to review our various options for the property. We have been very encouraged by the initial response from potential investors and continue to evaluate our options. In the meantime, we are continuing to pursue a planning application independently with the aim of delivering maximum value for shareholders. This application for a scheme which, on completion, will provide 350,000 sq ft of retail and leisure space and up to 1,000 new homes, will hopefully be submitted during the latter part of 2013.

Longbridge, Birmingham - We have submitted a planning application for 135,000 sq ft of retail space phase 2 of the £70m Town Centre. Construction is already well advanced on the first phase which includes an 80,000 sq ft food store pre-sold to Sainsbury's, a 75-bedroom Premier Inn, including a Beefeater Grill, 24 shops, a number of restaurants and circa 35,000 sq ft of offices. Of this total space, 75% is now either pre-sold, pre-let or under offer. We have also recently started on site with the construction of 229 homes at Longbridge East as part of our joint venture agreement with Persimmon. Additionally, the last unit now remains at the first phase of St. Modwen Homes' Parkview development and works have recently started on phase two which comprises another 19 homes.

Summary and Business Outlook
This has been another successful year during which we have achieved some significant milestones right across our portfolio and, in particular on our major development projects. These achievements underline our growing presence in the London and South East market and prove that there are still opportunities in the regions for well-placed and well-priced product.

Looking ahead to 2013, we will continue to unlock value within our land bank. The regions remain important, and this is where our long-term approach to development comes to the fore, as the time will come when these marketplaces will start to see a fuller recovery and we will be best placed to take advantage of this, whilst simultaneously helping to support these regional economies.

In the meantime, we cannot ignore the upsurge in investor appetite for development activity in London and the South East or the prospects arising from our residential portfolio and we will therefore focus our attention throughout the coming year on these areas in order to drive optimal returns, as well as driving forward on our largest schemes, including, the redevelopment of New Covent Garden Market and development of Swansea University's New Science and Innovation Campus.

FINANCIAL REVIEW

Income Statement

A core part of our business model is ensuring that a large proportion of our assets generate income prior to development. This income consists of core rental income and other revenue stemming from our £562m portfolio of income producing assets, comprising more than 100 commercial properties and making up 51% of our total portfolio. These cash streams typically cover the running costs of the business and provide a firm platform from which we can add value to our portfolio through planning and asset management activities with the aim of realising profits from our development activities.

As we use a number of our joint venture arrangements, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. To enable a better understanding, we have also provided information including the Group's share of joint ventures and a full reconciliation is provided in Note 2 to the accounts.

Profits

Rental & Recurring Income
This fundamental part of our business continues to support our resilience to challenging economic times and I am

again pleased to report an increase in the Group's share of net rental income to £36.2m (2011: £35.5m), an increase of 2% year-on-year. We have achieved this growth thanks to our successful asset management capabilities. We anticipate rents will remain steady throughout the course of 2013 as we complete the sale of some of our mature assets.

Occupancy levels are at 87% (2011: 88%), which is broadly constant with last year and our average lease length has improved at 5.0 years (2011: 4.6 years). Due to the nature of our business, where we retain assets for income prior to development, we tend to maintain voids at a reasonably high level as we require properties to be vacant whilst we prepare them for development. Our void levels remain in line with our expectations.

Property Profits

We have achieved a 22% increase in realised property profits to £29m (2011: £24m) from development, of which residential housing sales have contributed £6m. The residential contribution reflects how this area of the business has grown throughout the year and highlights the success we have achieved across two of our key St. Modwen Homes developments; at Park View in Longbridge, Birmingham and Locking Parklands at Weston-super-Mare. We have commenced construction on the second phase of housing at both schemes.

Overheads

Our cost base is driven by the employment of skilled teams of professionals to manage current and potential assets.

The advantage that our UK wide land bank gives us is flexibility to adapt to market demands and consequently pursue only those opportunities that generate the greatest value at any time. London and the South East, where over a third of our portfolio is located and the residential market, of which 50% of our portfolio by value is located in this region are both areas which we have identified as experiencing a more rapid recovery. Consequently, we have adjusted our cost base accordingly to support these growth areas, placing greater emphasis on the South and boosting our residential team via new appointments.

Administrative expenses for 2012 (including the Group's share of joint ventures and associates) are £18.6m (2011: £16.7m). The increase is driven by share-based payments and bonus provisions following a successful year.

Finance Costs and Income

As we have become more active on the development of our schemes throughout the year, this has been reflected in a slight increase in net debt and higher average borrowing levels for the year.

Trading Profit for the Year

Trading profit has therefore increased again this year by 12% to £25.5m (2011: £22.8m) which is an extremely positive result given the ongoing challenging economic climate.

Looking forward, we will continue to focus on generating value across our land bank and ensure that our rental income and recurring other income underpins the running costs of the business. Supported by our firm financial footing, with new projects within our development pipeline (such as Swansea University's New Science and Innovation Campus) coming on line during the course of 2013, along with other major schemes, we expect to be in a good position to take on an increase in workload.

Property Valuation Movements in the Year

Property valuation movements are made up of two main elements: those resulting from actions that we undertake specifically to add value to our assets, and those resulting from changes in the overall property market. Jones Lang LaSalle provides this valuation split for us.

Market Driven Valuation Movements

In line with market movements, outward yield shifts in the year have had a negative influence on the valuations of our income producing portfolio reducing its value by 5%. This reduction has been partially offset by a significant increase in the value of our residential portfolio, notably in the South East, to £8m (2011: £2m) which has resulted in an overall net market driven reduction in our property portfolio of £20m (2011: £1m increase).

Valuation Improvements as a Result of St. Modwen Actions

Our ability to add value to our existing portfolio by actively managing our asset base is a crucial part of our business model and this year, has delivered some excellent results which have substantially outweighed the market driven reduction.

This success comes from managing commercial and residential land through the planning process and enabling delivery, despite the challenges posed by the system. The most notable contribution stemmed from RAF Uxbridge where we accelerated the purchase of this 110 acre site from the Ministry of Defence. This was financed by a £60m, five year debt facility with additional equity provided equally by St. Modwen and VINCI. Of the 45 developable acres of land on this site, 23 were committed to Persimmon for the development of 453 homes under our existing joint venture arrangements.

We also continue to attract tenants across our portfolio, achieving £9.7m in new tenant income throughout the year, helping maintain and improve the value of our portfolio.

Based on independent valuations from Jones Lang LaSalle we have therefore been able to generate revaluation gains of £48m, an increase of 45% from 2011 (£33m).

Profit Before all Tax

Our profit before all tax is stated before tax on joint venture income and stated after movements in the market value of our interest rate derivatives (hedges and swaps). The valuations are based on the financial market's forward prediction curves for interest rates. At the end of the financial reporting period, these curves implied a substantially reduced expectation of future interest rate increases, meaning that their rate of unwind to the income statement was slow. As these hedges reach the end of their terms we expect this to be shown as credits to the income statement.

Set in the context of the above considerations, profit before all tax has increased by 2% to £52.8m (2011: £51.7m), an extremely positive result against the backdrop of continued difficult economic conditions.

Taxation and Profits

Valuation gains in our joint venture assets lead to an increased tax charge in the year of £10.5m (2011: £6.2m). Nevertheless this is a strong result with profits before tax of £47.4m and profits after tax of £42.3m, a comparable result with 2011 (Profit before Tax: £50.4m), Profit after Tax: £45.5m).

Balance Sheet

Two transactions in the first half of 2012 altered the shape of our balance sheet:

1 - We accelerated the purchase of RAF Uxbridge, via VSM Uxbridge, a new joint venture vehicle in partnership with VINCI. This is accounted for as a joint venture whereas the land and its associated purchase price liability were previously consolidated.

2 - From our previous joint venture partner, we have acquired full ownership of the Sowcrest and Holaw investments that own our Wembley properties and consequently, these assets and the remaining debt in both entities are now fully consolidated into St. Modwen's results.

<u>Net Assets</u>

At the year end, the shareholders' equity value of net assets was £503m or 251p per share. In spite of adverse market valuation movements, this represents an 8% increase over the year (2011: £464m or 232p per share). In addition to this increase, dividends of £6.8m or 3.41p per share were paid during 2012 (2011: £6.2m or 3.10p per share).

<u>EPRA Net Asset Value</u>

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 also rose 9% to 272p from 250p 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.

<u>Property Portfolio</u>

Our property portfolio is now worth £1.098bn (2011: £1.103bn). During the period we have continued to actively manage our property portfolio, spending £122m on acquisitions and capital expenditure and £129m realised from asset disposals.

Property Portfolio - valuation movements in the year		

	2012			2011		
	Value added by St. Modwen	Market Value movements	**Total**	Value added by St. Modwen	Market value movements	**Total**
Residential	36	8	**44**	26	2	**28**
Commercial land	-	(1)	**(1)**	1	(2)	**(1)**
Income Producing:						
- Retail	7	(8)	**(1)**	2	1	**3**
- Office	(1)	(6)	**(7)**	-	-	**-**
- Industrial	6	(13)	**(7)**	4	-	**4**
Total	**48**	**(20)**	28	**33**	**1**	**34**

Basis of Property Valuation

All our investment properties are independently valued every six months by Jones Lang LaSalle LLP, a global real estate professional services business, one of whose specialisations is property valuation. Jones Lang LaSalle based its valuations upon an open market transaction between a willing buyer and a willing seller at the balance sheet date. Therefore, no value is taken for any future expectations of value increases but discounts are applied to reflect future uncertainties. Where appropriate we will also independently assess our work in progress for any impairment issues. In accordance with accounting standards, valuation movements are put through the income statement as gains or losses. Valuations in all our asset classes have been substantiated by open market transactions during the course of the year. Yields on our income producing properties have moved out slightly in the market during the year, offset by our success in attracting tenants.

Trade Payables

As the VSM Estates joint venture with VINCI progresses and land is sold off for development, our trade payables amounts associated with this arrangement will reduce. As a result of the accelerated purchase of RAF Uxbridge, as referred to above, the deferred payment arrangements related to land owned by the joint venture have now reduced to around a third of our trade payables balance (2011: two thirds). Other trade payables relate to development activities in the normal course of our business.

Pension Scheme

Our defined benefit pension scheme continues to be fully funded on an IAS19 basis. The results of the triennial valuation from April 2011 are now complete and show a fully funded scheme. 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.

Funding

We keep a series of bilateral revolving credit facilities with clearing banks that have a large UK presence. We do this because, as a development business, it is important for us to retain a degree of flexibility within our funding structures. We also have appropriate funding arrangements in place for each of our joint ventures.

As our development activity has increased throughout 2012, our net debt has remained steady. The consolidation of the Sowcrest and Holaw debt brings this to £366m (2011 equivalent: £374m). In addition, we continue to progress selective asset disposals and have recently completed the sale of a parade of retail units in Hounslow for £10.5m.

Taking into account these transactions, equivalent gearing levels have reduced slightly compared to the end of 2011 (2012: 71%, 2011: 79%).

Corporate Facilities

Throughout 2012, we have extended and diversified our sources of funding with the successful outcome of the retail bond issue in the last quarter playing a major part in this. Throughout 2013 and beyond we will seek to continue to increase the range of our funding sources to ensure that we are delivering best value for the business and our shareholders.

Our current banking facilities have an average life of 3.4 years (2011: 3.5 years) and none are due to mature before November 2014.

Retail Bond
Our successful retail bond issue in October raised £80m, with a duration of seven years.

The issue has enabled us to diversify our sources of funding, without increasing our gearing and provides longer term debt as the cornerstone of our financing. The funds raised have been used to reduce our drawings under our existing bank revolving credit facilities, namely the cancellation of the Kennedy Wilson facility.

Headroom in Corporate Facilities
Following the retail bond issue and subsequent cancellation of the Kennedy Wilson facility, we have ample headroom within our corporate facilities allowing us to meet future development and funding needs. Excluding the VSM joint venture, we have £500m of facilities against net debt of £366m at the year end.

The VSM Estates facility is now extendable until March 2017 and has £30m of debt drawn against a remaining facility of £31m. Since the balance sheet date, VSM Estates has received a further £14m of land sale receipts. The joint venture and its associated debt are treated as on balance sheet for the purposes of the financial accounts. We have reduced this facility in order to reduce the costs of unnecessary undrawn facilities, but still provide sufficient funding to meet future obligations.

Hedging and Cost of Debt
We hedge the majority of our interest rate risk as we aim to have predictable costs attached to our borrowing. At the year end we were 93% hedged against our floating rate corporate debt (2011: 86%).

With the retail bond providing a fixed cost of debt, this is now effectively fully hedged. The proportion of fixed debt has matured but we expect this to reduce in the future as our hedging slowly drops away.

Corporate Funding Covenants
We are operating well within the covenants that apply to both our corporate banking facilities and now, more recently, to the retail bond. These are:
Bank:
- Net assets must be greater than £250m (actual £514m)
- Gearing must not exceed 175% (actual 71%)
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 2.1x)

Bond:
- See-through loan to value ratio must not exceed 75% (actual 41%)
- Interest cover ratio must be greater than 1.5x (actual 2.8x)

Although the current challenging economic environment still has an element of uncertainty, we have considered available market information, consulted with our advisers and applied our own knowledge and experience. Consequently, we believe that covenant levels are adequate for our possible negative scenarios.

Joint Venture Facilities
Our principal joint venture facilities are VSM Uxbridge and Key Property Investments (KPI):
- VSM Uxbridge - Our 50/50 joint venture with VINCI PLC has evolved out of Project MoDEL whereby we acquired and developed a portfolio of sites in north London which were formerly owned by the Ministry of Defence. The aforementioned acquisition of the Uxbridge land was financed with a new £60m facility which runs to at least 2017. We are also working together with VINCI in a separate joint venture for New Covent Garden Market.
- KPI - Our 50/50 joint venture with Salhia Real Estate Company K.S.C. holds significant retail and commercial assets with long-term development potential, including the Elephant and Castle Shopping Centre in London. During the period we refinanced our KPI joint venture with a new five year £135m debt facility that runs until 2017.

Consequently, we have no corporate or joint venture facilities that require renewal before November 2014.

Throughout the next year, we do not expect the absolute levels of debt to increase from our core business and on this basis both gearing and loan to value levels should fall. As we evaluate the various routes for our major projects, it might be appropriate for us to consider funding that is designed specifically for each opportunity.

In the longer term, we will continue to look at options to increase the diversity of our funding sources and explore alternative sources of finance.

Financial Outlook

Our ability to generate strong returns through our own efforts is now very apparent. Throughout the year and against the backdrop of a challenging economic environment, we have continued to work smartly; maximising and growing our income. At the same time we are diversifying our funding sources, increasing the longevity of our debt and, consequently, our gearing levels should continue to fall. These factors combined provide us with a sound financial platform from which we can drive the business forward.

Signed on behalf of the Board on 4th February 2013.

Bill Oliver **Michael Dunn**
Chief Executive **Group Finance Director**

Directors' Responsibility Statement

We confirm to the best of our knowledge:

- The financial information contained within this announcement has been prepared on the basis of the accounting policies applied in the year ended 30th November 2012 which are set out below. Whilst the information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS as adopted by the European Union. The financial information contained in this announcement does not constitute the company's statutory accounts for the years ended 30th November 2012 or 2011, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings in the consolidation taken as a whole.

- Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the company's annual general meeting. The auditors have reported on these accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

- The Chairman's Statement, Chief Executive's Review, Financial Review and the principal risks and uncertainties faced by the company within this announcement are extracted from the company's annual report which gives a fair review of the business and the position of the company and the undertakings included in the consolidation taken as a whole.

- The company expects to post full financial statements that comply with IFRS to shareholders, and on its website at www.stmodwen.co.uk, on or before 28th February 2013. The full financial statements will be available to view on National Storage Mechanism on the same date.

Signed on behalf of the Board on 4th February 2013

BILL OLIVER **MICHAEL DUNN**

Chief Executive Group Finance Director

Group Income Statement

for the year ended 30th November 2012

	Notes	2012 £m	2011 £m
Revenue	1	**219.1**	109.6
Net rental income	1	**28.3**	27.5
Development profits	1	**22.4**	20.4
Gains on disposal of investments/ investment properties		**1.4**	0.5
Investment property revaluation gains	7	**6.4**	36.2
Goodwill written off on corporate acquisition of investment properties		**(1.3)**	-
Other net income	1	**2.8**	3.2
Profits of joint ventures and associates (post tax)	9	**22.6**	2.9

Administrative expenses		**(18.1)**	(16.6)
Profit before interest and tax		**64.5**	74.1
Finance cost	3	**(22.3)**	(26.2)
Finance income	3	**5.2**	2.5
Profit before tax		**47.4**	50.4
Tax charge	4	**(5.1)**	(4.9)
Profit for the year		**42.3**	45.5
Attributable to:			
Equity attributable to owners of the Company		**42.7**	43.5
Non-controlling interests		**(0.4)**	2.0
		42.3	45.5

	Notes	2012 pence	2011 pence
Basic earnings per share	5	**21.3**	21.7
Diluted earnings per share	5	**21.2**	21.7

All results are derived from continuing operations. A reconciliation of non-statutory measures used in the Overview and Business Review is included in Note 2 to the Group Financial Statements.

Group Balance Sheet

as at 30th November 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Investment property	7	**770.4**	848.7
Operating property, plant and equipment	8	**6.8**	7.1
Investments in joint ventures and associates	9	**75.2**	50.3
Trade and other receivables	10	**21.6**	8.4
		874.0	914.5
Current assets			
Inventories	11	**175.2**	191.1
Trade and other receivables	10	**46.5**	51.2
Cash and cash equivalents		**8.9**	5.2
		230.6	247.5
Current liabilities			
Trade and other payables	12	**(155.6)**	(132.2)
Borrowings	13	**(3.3)**	-
Tax payables	4	**(3.3)**	(0.2)
		(162.2)	(132.4)
Non-current liabilities			
Trade and other payables	12	**(48.6)**	(192.6)
Borrowings	13	**(371.6)**	(352.3)
Deferred tax	4	**(8.5)**	(8.7)
		(428.7)	(553.6)
Net assets		**513.7**	476.0
Capital and reserves			
Share capital		**20.0**	20.0
Share premium account		**102.8**	102.8
Capital redemption reserve		**0.3**	0.3
Retained earnings		**377.6**	341.8
Share incentive reserve		**2.4**	-
Own shares		**(0.5)**	(0.5)
Equity attributable to owners of the Company		**502.6**	464.4
Non-controlling interests		**11.1**	11.6
Total equity		**513.7**	476.0

Group Cash Flow Statement

for the year ended 30th November 2012

	Notes	2012 £m	2011 £m
Operating activities			
Profit before interest and tax		**64.5**	74.1
Gains on disposals of investments/investment properties		**(1.4)**	(0.5)
Share of profits of joint ventures and associates (post-tax)	9	**(22.6)**	(2.9)
Investment property revaluation gains	7	**(6.4)**	(36.2)
Goodwill written off on corporate acquisition of investment properties		**1.3**	-
Depreciation	8	**0.5**	0.5
Impairment losses on inventories		**3.8**	2.6

Decrease/(increase) in inventories		**55.7**	(2.7)
Increase in trade and other receivables		**(4.0)**	(6.3)
Decrease in trade and other payables		**(51.0)**	(3.3)
Share options and share awards		**0.3**	0.1
Tax paid	4(c)	**(2.2)**	(6.0)
Net cash inflow from operating activities		**38.5**	19.4
Investing activities			
Investment property disposals		**29.5**	19.2
Investment property additions		**(37.4)**	(42.7)
Acquisition of Subsidiary undertaking		**-**	(4.4)
Property, plant and equipment additions		**(0.3)**	(0.3)
Cash and cash equivalents acquired with subsidiary		**0.4**	1.1
Interest received		**3.1**	0.8
Dividends received		**-**	2.0
Net cash outflow from investing activities		**(4.7)**	(24.3)
Financing activities			
Dividends paid		**(6.8)**	(6.2)
Dividends paid to non-controlling interests		**(0.1)**	-
Interest paid		**(20.6)**	(21.1)
New borrowings drawn		**98.8**	131.3
Repayment of borrowings		**(101.4)**	(105.2)
Net cash outflow from financing activities		**(30.1)**	(1.2)
Increase/(decrease) in cash and cash equivalents		**3.7**	(6.1)
Cash and cash equivalents at start of year		**5.2**	11.3
Cash and cash equivalents at end of year		**8.9**	5.2

Group Statement of Comprehensive Income

for the year ended 30th November 2012

	Notes	**2012 £m**	2011 £m
Profit for the year		**42.3**	45.5
Pension fund:			
- Actuarial losses		**(0.1)**	(0.2)
- Deferred tax thereon		**-**	-
Total comprehensive income for the year		**42.2**	45.3
Attributable to:			
- Owners of the Company		**42.6**	43.3
- Non-controlling interests		**(0.4)**	2.0
Total comprehensive income for the year		**42.2**	45.3

Group Statement of Changes in Equity

for the year ended 30th November 2012

	Share capital £m	**Share premium account £m**	**Capital redemption reserve £m**	**Retained Earnings £m**	**Share Incentive Reserve £m**	**Own shares £m**	**Equity attributable to owners of the Company £m**	**Non-controlling interest £m**	**Total Equity £m**
At 30th November 2010	20.0	102.8	0.3	304.7	-	(0.6)	427.2	9.6	436.8
Profit for the year attributable to shareholders	-	-	-	43.5	-	-	43.5	2.0	45.5
Pension fund actuarial losses (Note 18)	-	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Total comprehensive income	-	-	-	43.3	-	-	43.3	2.0	45.3
Net shares disposed of	-	-	-	-	-	0.1	0.1	-	0.1
Dividends paid	-	-	-	(6.2)	-	-	(6.2)	-	(6.2)
At 30th November 2011	**20.0**	**102.8**	**0.3**	**341.8**	**-**	**(0.5)**	**464.4**	**11.6**	**476.0**
Profit for the year attributable to shareholders	**-**	**-**	**-**	**42.7**	**-**	**-**	**42.7**	**(0.4)**	**42.3**
Pension fund actuarial losses (Note 18)	**-**	**-**	**-**	**(0.1)**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Total	**-**	**-**	**-**	**42.6**	**-**	**-**	**42.6**	**(0.4)**	**42.2**

comprehensive income									
Transfer share based payments provision to share incentive reserve	-	-	-	-	2.1	-	2.1	-	2.1
Share-based payment charge	-	-	-	-	0.3	-	0.3	-	0.3
Dividends paid	-	-	-	(6.8)	-	-	(6.8)	(0.1)	(6.9)
At 30th November 2012	**20.0**	**102.8**	**0.3**	**377.6**	**2.4**	**(0.5)**	**502.6**	**11.1**	**513.7**

Own shares represent the cost of 215,754 (2011: 215,754) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2012 was £469,912 (2011: £225,463).

Accounting Policies

for the year ended 30th November 2012

Basis of preparation

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as adopted by the EU as they apply to the Group for the year ended 30th November 2012, applied in accordance with the provisions of the Companies Act 2006.

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

The Group's functional currency is pounds sterling and its principal IFRSs accounting policies are set out below.

Basis of consolidation

The Group's Financial Statements consolidate the financial statements of St. Modwen Properties PLC and the entities it controls. Control comprises the power to govern the financial and operating policies of the investee and is achieved through direct or indirect ownership of voting rights or by contractual agreement. A list of the principal entities controlled is given in note (F) of the Company's Financial Statements.

VSM Estates (Holdings) Limited is 50% owned by St. Modwen Properties PLC. However, under the funding agreement, the Group obtains the majority of the benefits of the entity and also retains the majority of the residual risks. This entity is therefore consolidated in accordance with SIC 12 "Consolidation - Special Purpose Entities".

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

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

Interests in joint ventures

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

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

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

Interests in associates

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

Business combinations

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

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

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

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the acquired subsidiary and the measurement of all amounts has been reviewed, the difference is recognised directly in the Income Statement as a bargain purchase.

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

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

Properties

Investment properties

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

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

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

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

Investment properties are not depreciated.

Inventories

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

Cost comprises land, direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition. When inventory includes a transfer from investment properties, cost is recorded as the book value at the date of transfer. Net realisable value represents the estimated selling price less any further costs expected to be incurred to completion and disposal.

Operating property, plant and equipment

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

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

Leasehold operating properties - over the shorter of the lease term and 25 years

Plant, machinery and equipment - over 2 to 5 years

Leases

The Group as lessee

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

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

Freehold interests in leasehold investment properties are accounted for as finance leases with the present value of guaranteed minimum ground rents included within the carrying value of the property and within long-term liabilities. On payment of a guaranteed ground rent, virtually all of the cost is charged to the income statement as interest payable, and the balance reduces the liability.

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

The Group as lessor

Rental income from operating leases is recognised in the Income Statement on a straight-line basis over the lease term.

Income taxes

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

The tax currently payable is based on the taxable result for the year. The taxable result differs from the result as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

Pensions

The Group operates a pension scheme with defined benefit and defined contribution sections. The defined benefit section is closed to new members and to future accrual.

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

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the Income Statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the year in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

When a pension asset (net surplus) arises and the directors consider it is controlled by the Company such that future economic benefits will be available to the Company, it is carried forward in accordance with the requirements of IFRIC14.

Contributions to defined contribution schemes are recognised in the income statement in the year in which they become payable.

Own shares

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

Dividends

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

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of property

Revenue arising from the sale of property is recognised on legal completion of the sale. Where revenue is earned for development of property assets not owned, this is recognised when the Group has substantially fulfilled its obligations in respect of the transaction.

Construction contracts

Revenue arising from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Rental income

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

Interest income

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

Dividend income

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

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The extent to which the contract is complete is determined by the total costs incurred to date as a percentage of the total anticipated costs of the entire contract. Variations in contract work, claims and incentive payments are included only to the extent they have been agreed with the purchaser.

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

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

Government grants

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

Share-based payments

Prior to 1^{st} December 2011, when employee share options were exercised, the employee had the choice whether to have the liability settled by way of cash or the retention of shares. As it had been the Company's experience to satisfy the majority of its share options in cash, the Group accounted for its share-based payments as cash-settled. The cost of cash-settled transactions was measured at fair value using an appropriate option pricing model and amortised through the income statement over the vesting period. The liability was remeasured at each balance sheet date. Revisions to the fair value of the accrued liability after the end of the vesting period were recorded in the income statement of the year in which they occurred.

On 1^{st} December 2011, it was resolved that the settlement practice should be changed and that the Company would expect to satisfy its share options using shares. Accordingly, the Group has amended its accounting policy to account for its share-based payments as equity-settled. Equity-settled share-based payments are measured at fair value at the date of grant using an appropriate option pricing model. For those share options that had previously been accounted for as cash-settled, the fair value at the date of transition became the fair value at the date of grant for the equity-settled share-based options. The fair value at the date of grant is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

Financial instruments

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables

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

Interest bearing loans and borrowings

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

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

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

Derivative financial instruments and hedging

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

Equity instruments

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

Use of estimates and judgements

To be able to prepare accounts 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 accounts. These estimates are based on the Group's systems of internal control, historical experience and the advice of external experts (including qualified professional valuers and actuaries) together with various other assumptions that management and the Board of Directors believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

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

Going concern The Financial Statements have been prepared on a going concern basis. This is discussed in the Business Review and adoption of the going concern assumption is confirmed on page 83.

*Valuation of investment properties*Management has used the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is performed according to RICS rules, using appropriate levels of professional judgement for the prevailing market conditions.

Net realisable value of inventories The Group has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value. Management's assessment of any resulting provision requirement is, where applicable, supported by independent information supplied by the external valuers. The estimates and judgements used were based on information available at, and pertaining to, 30th November 2012. Any subsequent adverse changes in market conditions may result in additional provisions being required.

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

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

Adoption of New and Revised Standards

Standards and interpretations adopted not affecting the Financial Statements

The following standards, amendments and interpretations have been adopted in the current year but have had no impact on the amounts reported or the disclosures in the financial statements:

IAS24 (revised 2009) Related Party Disclosures

IFRIC14 (amended 2009) Prepayments of a Minimum Funding Requirement

IFRS1 (amended 2010) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

IFRS7 (amended 2010) Disclosures - Transfers of Financial Assets

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

Impact of standards and interpretations in issue but not yet effective

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

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

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

IAS19 (revised 2011) Employee Benefits

IAS27 (revised 2011) Separate Financial Statements

IAS27 (amended 2012) Investment Entities

IAS28 (revised 2011) Investments in Associates and Joint Ventures

IAS32 (amended 2011) Offsetting Financial Assets and Financial Liabilities

IFRIC20 Stripping Costs in the Production Phase of a Surface Mine

IFRS1 (amended 2012) Government Loans

IFRS7 (amended 2011) Disclosures - Offsetting Financial Assets and Financial Liabilities

IFRS9 Financial instruments

IFRS10 Consolidated Financial Statements

IFRS10 (amended 2012) Investment Entities

IFRS11 Joint Arrangements

IFRS12 Disclosure of Interest in Other Entities

IFRS12 (amended 2012) Investment Entities

IFRS13 Fair Value Measurement

In addition, Improvements to IFRSs (issued May 2012) is the 2011 tranche of the Improvements to IFRSs project and these have a number of minor amendments to existing IAS and IFRSs, which have not yet been adopted.

While the directors are still assessing the impact that the adoption of these standards, amendments and interpretations will have on the financial statements of the Group in future periods, they do not currently believe that adoption will have a material impact on the reported results of the Group although amended disclosures may be required.

Risks and uncertainties

How we manage our risks

Economic & Market Risk

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

Risk & Impact	Mitigation	Commentary
Market/economic changes such as higher interest rates, reduced demand for land and new properties (eg. Residential), reduced availability of credit and declining investment yields restrict business development and cause	• Regional spread and portfolio diversity mitigates sector or location-specific risks • Active portfolio management achieves a better than market utilisation of assets	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

valuation falls	• Hedging policy reduces interest rate risk	are as diversified as possible, without venturing overseas. Over the course of the last year, the worsening sovereign debt position within the Eurozone means that the overall market position continues to represent a high risk.
Failure to identify a pipeline of future residential sites reduces our supply of homes, or reduced availability of mortgage finance adversely impacts demand for homes in our residential business	• Team of professionals with residential experience and expertise • Extensive land bank with a continued stream of planning applications • Flexible approach to mortgage financing (e.g. shared equity schemes) • Use of JV partners with residential expertise (e.g. Persimmon)	The planning environment is becoming more difficult with an increased likelihood of delays in the planning process. However, our scale and expertise means that we are still being successful in this area, although individual schemes may suffer delay. Demand for new homes remains strong although one of the main factors restricting this demand is the lack of availability of new mortgage finance. Any progress in this area would be helpful.
Poor market intelligence (i.e. failure to anticipate market changes) leads to selection of inappropriate and, ultimately, unprofitable schemes	• Regional offices in touch with their local market • Dedicated central resource supporting regional teams • Flexible and innovative approach to acquisitions and schemes in order to adapt to market changes • Projects, acquisitions and disposals are reviewed (and financially appraised) within clearly defined authority limits	The excellent reputation and financial capacity of the Company have enabled us to continue to win schemes and grow the land bank to record levels, even in the current financially-constrained climate. In this environment, with a reduced number of active competitors, we expect to be able to continue attractive acquisitions.
Declining rental yields and/or loss of key tenants results in reduced profitability and cash flow	• Diverse and extensive rent roll (over 1,700 tenants) • Financial checks carried out on new tenants • Rents at affordable end of scale	Our diverse tenant base mitigates this risk but reduced UK economic growth prospects and declining business confidence mean that there is increased risk in this area.
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	Our key partners are Persimmon, VINCI PLC and Salhia PLC of Kuwait. These are financially strong partners with good prospects, even in the current economic environment. Where we have financially weaker partners, we are exiting from these arrangements, meaning that the overall risk has reduced year-on-year.

Financial Risk

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

Availability of funding reduces, causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets	• Recurring income from rents provides funding for ongoing overhead and interest costs • Strong relationships with key banks • Financial headroom maintained to provide flexibility • Alternative sources of funding (e.g. retail bond) • Weighted average expiry of bank facilities is 3.4 years for 2012 flexibility	Our prudent approach to forward commitments, speculative development and asset disposals has enabled us to optimise operational cash flows and to offset the impact of fluctuating market conditions. Furthermore, we have once again recorded a trading profit in the year, demonstrating our ability to succeed in varying markets. Despite the continuing sovereign debt issues continuing to restrict general bank funding, the successful launch of our first retail bond has diversified our debt financing profile by providing access to unsecured long term funding.
Unforeseen significant changes to cash flow requirements (e.g. operating cost increases, pension fund shortfall) limit the ability of the business to meet its ongoing commitments	• Regular and detailed cash flow forecasting enables monitoring of performance and management of future cash flows	Our year end cash position is in line with the guidelines that we set at the start of the year.
Failure to value properties fairly, leading to lower than anticipated profits/yields	• Independent valuation by external experts and validation by external auditors • Professionally conducted and conservative property valuation process	The valuation of our properties is undertaken externally every six months. Our methodologies are consistent and cautious, always allowing for future uncertainties and for housebuilder profit on our residential land.

Construction Risk

The management of developments is a complex process

Inadequate due diligence on major new schemes leads to unforeseen exposures, costs and liabilities, which prevent effective delivery and result in financial loss	• Use and close supervision of a preferred supply chain of high quality trusted suppliers and professionals • Projects, acquisitions and disposals	Our programme for the year has been delivered successfully and we have conducted robust processes in selecting contractors for future projects.

	are reviewed and financially appraised in detail, with clearly defined authority limits • Contractual liability clearly defined	
Inadequate construction delivery and procurement leads to quality issues and cost overruns causing reputational and/or financial damage	• Strong internal construction management team • Clearly defined formal tender process that evaluates qualitative and quantitative factors in bid assessment • Use and close supervision of a preferred supply chain of high quality trusted suppliers and professionals	During the year, all our developments have been completed on time and within budget. Our contractor selection processes are rigorous. However, given the economic environment and the consequentially increased risk of contractor insolvency, we have this year increasingly biased our contractor selection in favour of financially stable and robust contractors.

Regulatory & Compliance Risk
Our work is undertaken in a complex environment with consequent compliance risks

National planning policy framework changes adversely impact on our business strategy by limiting our ability to secure viable permissions and/or by removing our competitive advantage	• Use of high quality professional advisors • Active involvement in public consultation • Constant monitoring of all aspects of the planning process by experienced in-house experts • Contacts in place with central and local government	Our daily exposure to all aspects of the planning process, and internal procedures for spreading best practice ensure we remain abreast of most developments. Furthermore, we continue our efforts to influence public policy debate. Although the current fluctuations in proposed planning legislation mean that future rules are uncertain, our expertise should enable us to prosper relative to our competitors, whatever the planning environment.
Failure to manage long-term environmental issues relating to brownfield and contaminated sites leads to a major environmental incident, resulting in financial/reputational damage	• Use of high quality external advisors • Highly qualified internal staff • Risk assessments conducted as part of due diligence process • Full warranties from professional consultants and remediation contractors • Defined business processes to proactively manage issues	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.
HS&E culture leads to a major incident (e.g. serious injury to, or death of an employee, client, contractor or member of the public) or non-compliance with legislation, resulting in financial penalties and/or reputational damage	• Performance indicators are reviewed monthly at Board level • Use of high quality external HS&E advisors • 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 process. We seek to minimise or pass on any such environmental risks, and believe that the residual risk remains acceptably low. In other social and ethical areas, our operations are underpinned by a simple but rigorous set of operating commitments.

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

Lack of succession planning and/or over reliance on key people causes loss of/failure to attract good people and/or significant disruption/loss of IP	• Succession planning monitored at Board level and below • Targeted recruitment with competitive, performance-driven remuneration packages	We continue to offer attractive and competitive remuneration packages as is evidenced by the lack of vacancies. We continue to adapt our recruitment strategy to source the skills that will support the Company's long-term business objectives.

1. REVENUE AND GROSS PROFIT

	2012			
	Rental £m	Development £m	Other £m	Total £m
Revenue	39.3	174.1	5.7	219.1
Cost of sales	(11.0)	(151.7)	(2.9)	(165.6)
Gross profit	28.3	22.4	2.8	53.5

	2011			
	Rental £m	Development £m	Other £m	Total £m
Revenue	36.6	67.0	6.0	109.6
Cost of sales	(9.1)	(46.6)	(2.8)	(58.5)
Gross profit	27.5	20.4	3.2	51.1

The Group operates exclusively in the UK and all of its revenues derive from its portfolio of properties which the Group manages internally, and reports to the board, as one business. Therefore, the Financial Statements and related notes represent the results and financial position of the Group's sole business segment.

The Group's total revenue for 2012 was £229.3m (2011: £116.9m) and in addition to the amounts above included service charge income of £6.9m (2011: £6.3m), for which there was an equivalent expense and interest income of £3.3m (2011: £1.0m). In the year ended 30th November 2012 both development revenue and cost of sales include £60.9m in relation to amounts settled by the Ministry of Defence in respect of RAF Northolt under Project MoDEL. This amount was settled as a result of the transfer of RAF Uxbridge to VSM Estates Uxbridge (Group) Limited, a joint venture between St. Modwen Properties PLC and VINCI PLC (See Note 9).

Cost of sales in respect of rental income, as disclosed above, comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and include £0.2m (2011: £0.3m) 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:

	2012 £m	2011 £m
Revenue	77.7	52.7
Cost of sales	(63.2)	(39.0)
Gross profit	14.5	13.7

Amounts recoverable on contracts as disclosed in Note 11 comprise £7.2m (2011: £7.4m) of contract revenue recognised and £0.9m (2011: £1.5m) of retentions.

There were no amounts due to customers (2011: £nil) included in trade and other payables in respect of contracts in progress at the balance sheet date.

2. NON-STATUTORY INFORMATION

(a) Trading profit

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

		2012			2011		
	Notes	**Group £m**	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Net rental income		**28.3**	**7.9**	**36.2**	27.5	8.0	35.5
Development profit	(1)	**26.2**	**1.2**	**27.4**	23.0	0.3	23.3
Gains on disposal of investments/ investment properties		**1.4**	**0.2**	**1.6**	0.5	-	0.5
Other income		**2.8**	**-**	**2.8**	3.2	-	3.2
Administrative expenses		**(18.1)**	**(0.5)**	**(18.6)**	(16.6)	(0.1)	(16.7)
Finance costs	(2)	**(18.8)**	**(6.2)**	**(25.0)**	(19.5)	(4.2)	(23.7)
Finance income	(3)	**1.1**	**-**	**1.1**	0.7	-	0.7
Trading profit		**22.9**	**2.6**	**25.5**	18.8	4.0	22.8
Investment property revaluation gains	(1)	**1.3**	**26.7**	**28.0**	33.6	0.3	33.9
Other finance costs	(2)	**(3.5)**	**(1.3)**	**(4.8)**	(6.7)	(0.1)	(6.8)
Other finance income	(3)	**4.1**	**-**	**4.1**	1.8	-	1.8
Profit before all tax		**24.8**	**28.0**	**52.8**	47.5	4.2	51.7
Taxation		**(5.1)**	**(5.4)**	**(10.5)**	(4.9)	(1.3)	(6.2)
Profit for the year		**19.7**	**22.6**	**42.3**	42.6	2.9	45.5

(1) Stated before the deduction of net realisable value provisions of: Group £3.8m (2011: £2.6m); Joint ventures and associates £0.1m (2011: £0.1m). These items are reclassified to investment property revaluations, together with goodwill written off on the corporate acquisition of investment properties.

(2) Stated before mark-to-market of derivatives and other non-cash items of: Group £3.5m (2011: £6.7m); Joint ventures and associates £1.3m (2011: £0.1m). These amounts are reclassified to other finance costs.

(3) Stated before mark-to-market of derivatives, loan settlement fees and other non-cash items of: Group £4.1m (2011: £1.8m); Joint ventures and associates £nil (2011: £nil). These items are reclassified to other finance income.

(b) Property valuations

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

	2012			2011		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	**5.1**	**26.8**	**31.9**	36.2	0.4	36.6
Net realisable value provisions	**(3.8)**	**(0.1)**	**(3.9)**	(2.6)	(0.1)	(2.7)
Property valuation gains	**1.3**	**26.7**	**28.0**	33.6	0.3	33.9
Added value	**19.8**	**27.8**	**47.6**	33.4	(0.5)	32.9
Market movements	**(18.5)**	**(1.1)**	**(19.6)**	0.2	0.8	1.0
Property valuation gains	**1.3**	**26.7**	**28.0**	33.6	0.3	33.9

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

(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:

	2012			2011		
	Group	**Joint ventures and associates**	**Total**	Group	Joint ventures and associates	Total
	£m	**£m**	**£m**	£m	£m	£m
Investment properties	**770.4**	**174.9**	**945.3**	848.7	140.3	989.0
Less assets held under finance leases	**(3.9)**	**(1.2)**	**(5.1)**	(3.9)	(0.4)	(4.3)
Add back lease incentives (recorded in receivables)	**4.5**	**1.6**	**6.1**	3.1	1.2	4.3
Inventories	**175.2**	**7.5**	**182.7**	191.1	9.1	200.2
Less 'barter' properties(1)	**(30.8)**	**-**	**(30.8)**	(86.3)	(0.4)	(86.7)
Property portfolio	**915.4**	**182.8**	**1,098.2**	952.7	149.8	1,102.5

(1) Represents deductions for 'barter' properties, principally RAF Northolt as part of the Project MoDEL arrangements between VSM Estates Limited and the Ministry of Defence.

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

	2012 £m	2011 £m
Retail	**240.2**	209.3
Offices	**60.7**	70.2
Industrial	**260.6**	269.3
Income producing	**561.5**	548.8
Residential land	**397.4**	404.4
Commercial land	**139.3**	149.3
Property portfolio	**1,098.2**	1,102.5

(d) Movement in net debt

Movement in net debt as discussed in the Business Review is calculated as set out below:

	2012 £m	2011 £m
Movement in cash and cash equivalents	**3.7**	(6.1)
Borrowings drawn	**(98.8)**	(131.3)
Repayment of borrowings	**101.4**	105.2
Joint venture debt repaid between 30th November 2011 and acquisition as a subsidiary undertaking	**1.6**	-
Decrease/(increase) in like-for-like net debt	**7.9**	(32.2)
Joint venture debt at 30th November 2011 now consolidated	**(26.8)**	-
Increase in net debt	**(18.9)**	(32.2)

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

(e) Trading cash flow

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

	2012			
	Operating activities £m	**Investing activities £m**	**Financing activities £m**	**Total £m**
Net rent and other income	**31.1**	**-**	**-**	**31.1**
Property disposals	**97.5**	**29.5**	**1.6**	**128.6**
Property acquisitions	**(10.7)**	**(6.5)**	**-**	**(17.2)**
Capital expenditure	**(73.3)**	**(31.2)**	**-**	**(104.5)**
Working capital and other movements	**13.4**	**0.4**	**-**	**13.8**
Overheads and interest	**(17.3)**	**3.1**	**(20.6)**	**(34.8)**
Taxation	**(2.2)**	**-**	**-**	**(2.2)**
Trading cash flow	**38.5**	**(4.7)**	**(19.0)**	**14.8**
Net borrowings	**-**	**-**	**22.6**	**22.6**
Joint venture debt at 30th November 2011 now consolidated	**-**	**-**	**(26.8)**	**(26.8)**
Net dividends	**-**	**-**	**(6.9)**	**(6.9)**
Movement in cash and cash equivalents	**38.5**	**(4.7)**	**(30.1)**	**3.7**

	2011			
	Operating activities £m	Investing activities £m	Financing activities £m	Total £m
Net rent and other income	30.7	-	-	30.7
Property disposals	75.5	19.2	-	94.7
Property acquisitions	(0.2)	(6.5)	-	(6.7)
Capital expenditure	(48.8)	(40.9)	-	(89.7)

Working capital and other movements	(15.8)	1.1	-	(14.7)
Overheads and interest	(16.0)	0.8	(21.1)	(36.3)
Taxation	(6.0)	-	-	(6.0)
Trading cash flow	19.4	(26.3)	(21.1)	(28.0)
Net borrowings	-	-	26.1	26.1
Net dividends	-	2.0	(6.2)	(4.2)
Movement in cash and cash equivalents	19.4	(24.3)	(1.2)	(6.1)

(f) Group Balance Sheet

VSM Estates (Holdings) Limited and its subsidiary undertakings ("VSM") are party to a series of contracts with the Ministry of Defence known as Project MoDEL. The property assets of VSM are subject to purchase on deferred terms and, to increase disclosure of the impact of these arrangements, an additional split of the Group Balance Sheet showing the proportion attributable to VSM has been provided below.

During the year ended 30th November 2012 RAF Uxbridge was transferred from VSM and the Project MoDEL arrangements to VSM Estates Uxbridge (Group) Limited, a separate joint venture between St. Modwen Properties PLC and VINCI PLC. This transfer had a limited effect on the net assets of VSM but as a result of the Project MoDEL arrangements results in reductions to the investment property, inventories and liability components of the VSM balance sheet.

	2012			2011		
	Group £m	**VSM £m**	**Total £m**	Group £m	VSM £m	Total £m
Investment property	**703.6**	**66.8**	**770.4**	687.4	161.3	848.7
Other non-current assets	**88.0**	**15.6**	**103.6**	65.8	-	65.8
Inventory	**148.3**	**26.9**	**175.2**	108.7	82.4	191.1
Cash and cash equivalents	**5.0**	**3.9**	**8.9**	5.2	-	5.2
Other current assets	**26.9**	**19.6**	**46.5**	23.9	27.3	51.2
Total assets	**971.8**	**132.8**	**1,104.6**	891.0	271.0	1,162.0
Current liabilities	**(125.0)**	**(33.9)**	**(158.9)**	(121.6)	(10.8)	(132.4)
Borrowings	**(344.5)**	**(30.4)**	**(374.9)**	(307.7)	(44.6)	(352.3)
Other non-current liabilities	**(12.4)**	**(44.7)**	**(57.1)**	(11.0)	(190.3)	(201.3)
Total liabilities	**(481.9)**	**(109.0)**	**(590.9)**	(440.3)	(245.7)	(686.0)
Net assets	**489.9**	**23.8**	**513.7**	450.7	25.3	476.0
Equity attributable to owners of the Company	**485.3**	**17.3**	**502.6**	445.4	19.0	464.4
Non-controlling interests	**4.6**	**6.5**	**11.1**	5.3	6.3	11.6
Total equity	**489.9**	**23.8**	**513.7**	450.7	25.3	476.0

(g) Net assets per share

Net assets per share are calculated as set out below:

	2012	2011
Total equity (£m)	**513.7**	476.0
Less: Non-controlling interest	**(11.1)**	(11.6)
Equity attributable to owners of the Company	**502.6**	464.4
Deferred tax on capital allowances and revaluations	**18.7**	13.0
Mark-to-market of interest rate swaps	**19.1**	18.6
Fair value of inventories	**3.9**	4.1
Diluted EPRA net assets	**544.3**	500.1
Shares in issue (number)	**200,360,931**	200,360,931
Total equity net assets per share (pence)	**256.4**	237.6
Percentage increase	**8%**	
Total equity attributable to owners of the Company net assets per share (pence)	**250.8**	231.8
Percentage increase	**8%**	
Diluted EPRA net assets per share (pence)	**271.7**	249.6
Percentage increase	**9%**	

(h) Gearing and LTV

The following table shows the calculation of:

Gearing being the ratio of net debt to total equity; and

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

In addition "like-for-like" net debt and associated metrics are discussed in the Business Review. These figures assume that both Sowcrest Limited ('Sowcrest') and Holaw (462) Limited ('Holaw') were consolidated at 30th November 2011. Adjustments to derive these figures are also detailed below.

	2012			2011		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m

Property portfolio (Note 2c)	**915.4**	**182.8**	**1,098.2**	952.7	149.8	1,102.5
Adjustment assuming Sowcrest and Holaw consolidated	**-**	**-**	**-**	40.4	(20.2)	20.2
Comparable property portfolio	**915.4**	**182.8**	**1,098.2**	993.1	129.6	1,122.7
Total equity	**513.7**	**N/A**	**513.7**	476.0	N/A	476.0
Adjustment assuming Sowcrest and Holaw consolidated	**-**	**N/A**	**-**	(2.3)	N/A	(2.3)
Comparable equity	**513.7**	**N/A**	**513.7**	473.7	N/A	473.7
Net debt	**366.0**	**82.5**	**448.5**	347.1	84.5	431.6
Adjustment assuming Sowcrest and Holaw consolidated	**-**	**-**	**-**	26.8	(13.4)	13.4
Comparable debt	**366.0**	**82.5**	**448.5**	373.9	71.1	445.0
Gearing	**71%**		**87%**	73%		91%
LTV	**40%**		**41%**	36%		39%
Like-for-like Gearing	**71%**		**87%**	79%		94%
Like-for-like LTV	**40%**		**41%**	38%		40%

3. FINANCE COST AND FINANCE INCOME

	2012 £m	2011 £m
Interest payable on borrowings	(18.6)	(19.3)
Amortisation of loan arrangement fees	(1.2)	(1.3)
Amortisation of discount on deferred payment arrangements	(1.1)	(2.3)
Head rents treated as finance leases	(0.2)	(0.2)
Movement in fair value of interest rate derivatives	-	(1.8)
Interest on pension scheme liabilities	(1.2)	(1.3)
Total finance cost	(22.3)	(26.2)

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

	2012 £m	2011 £m
Interest receivable on cash deposits	1.1	0.7
Credit in respect of loan settlement fees	2.0	-
Credit in respect of discount on deferred receivables	0.2	0.3
Movement in fair value of interest rate derivatives	0.6	-
Expected return on pension scheme assets	1.3	1.5
Total finance income	5.2	2.5

4. TAXATION

(a) Tax on profit on ordinary activities

	2012 £m	2011 £m
Tax charge/(credit) in the income statement:		
Corporation tax		
Current year tax	3.4	0.2
Adjustments in respect of previous years	1.9	(3.3)
	5.3	(3.1)
Deferred tax		
Reversal of temporary differences	(0.4)	(0.2)
Impact of current year revaluations and indexation	2.7	2.9
Utilisation of tax losses	0.9	5.1
Change in rate for provision of deferred tax	(0.5)	-
Adjustments in respect of previous years	(2.9)	0.2
	(0.2)	8.0
Total tax charge in the Income Statement	5.1	4.9
Tax relating to items in the statement of comprehensive income:		
Deferred tax		
Actuarial losses on pension schemes	-	-
Tax credit in the statement of total recognised income and expense	-	-

(b) Reconciliation of effective tax rate

	2012 £m	2011 £m
Profit before tax	47.4	50.4
Less: Joint ventures and associates	(22.6)	(2.9)
Pre-tax profit attributable to the group	24.8	47.5
Corporation tax at 24.7% (2011: 26.7%)	6.1	12.7
Permanent differences	(0.7)	(0.8)
Short term timing differences	(1.7)	-
Impact of current year revaluations and indexation	2.2	(6.6)
Difference between chargeable gains and accounting profit	0.7	3.4
Change in rate used for provision of deferred tax	(0.5)	-
Utilisation of tax losses not previously recognised	-	(0.7)

Current year charge	6.1	8.0
Adjustments in respect of previous years	(1.0)	(3.1)
	5.1	4.9
Effective rate of tax	21%	10%

The post tax results of joint ventures and associates are stated after a tax charge of £5.4m (2011: £1.3m). The effective tax rate for the Group including joint ventures and associates is a charge of 19.9% (2011: 12.0% credit).

The Finance Act 2012 was enacted on 17th July 2012 and included provisions which reduced the main rate of corporation tax to 24% from 1st April 2012 and 23% from 1st April 2013. Current tax has therefore been provided at 24.67% and deferred tax at 23%. Further reductions to the main rate are proposed to reduce the rate to 21% by 1st April 2014. This has not been enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reductions of the main rate of corporation tax to 21% by 1st April 2014 are expected to be enacted substantively in Finance Act 2013. If the deferred tax assets and liabilities of the Group were all to reverse after 1st April 2014, the effect of the changes from 23% to 21% would be to reduce the net deferred tax liability by £0.7m.

(c) Balance Sheet

	2012		2011	
	Corporation tax £m	Deferred tax £m	Corporation tax £m	Deferred tax £m
Balance at start of the year	0.2	8.7	9.3	0.7
Charge/(credit) to the Income Statement	5.3	(0.2)	(3.1)	8.0
Net payment	(2.2)	-	(6.0)	-
Balance at end of the year	3.3	8.5	0.2	8.7

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

	2012			2011		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Property revaluations	-	9.5	9.5	-	7.3	7.3
Capital allowances	-	3.6	3.6	-	5.1	5.1
Appropriations to trading stock	-	0.9	0.9	-	0.5	0.5
Unutilised tax losses	(0.1)	-	(0.1)	-	-	-
Other temporary differences	(5.4)	-	(5.4)	(4.2)	-	(4.2)
	(5.5)	14.0	8.5	(4.2)	12.9	8.7

At the Balance Sheet date, the Group has unused tax losses in relation to 2012 and prior years of £1.8m (2011: £1.6m), of which £0.1m (2011: nil) has been recognised as a deferred tax asset. A deferred tax asset of £1.7m (2011: £1.6m) has not been recognised in respect of current and prior year tax losses as it is not considered sufficiently certain that there will be taxable profits available in the short term against which these can be offset.

(d) Factors that may affect future tax charges

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

The benefits of any tax planning are not recognised by the Group until the outcome is reasonably certain. Where tax matters are subject to review by HMRC, management has applied judgement to determine the level of provision, if any, required.

5. EARNINGS PER SHARE

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

	2012 Number of shares	2011 Number of shares
Weighted number of shares in issue	200,145,177	200,110,380
Weighted number of dilutive shares	1,534,599	520,113
	201,679,776	200,630,493

	2012 £m	2011 £m
Profit attributable to equity shareholders (basic and diluted)	42.7	43.5

	2012 pence	2011 pence
Basic earnings per share	21.3	21.7
Diluted earnings per share	21.2	21.7

Shares held by the Employee Benefit Trust are excluded from the above calculations.

As the Group is principally a development business EPRA Earnings per share on a basic and diluted basis are not provided. These calculations exclude development profits and would not provide a meaningful measure of the performance of the Group.

6. DIVIDENDS

Dividends paid during the year were in respect of the final dividend for 2011 and interim dividend for 2012. 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.

	2012		2011	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.20	4.4	2.00	4.0
Interim dividend in respect of current year	1.21	2.4	1.10	2.2
Total	3.41	6.8	3.10	6.2
Proposed				
Current year final dividend	2.42	4.8	2.20	4.4

The Employee Benefit Trust waives its entitlement to dividends.

7. INVESTMENT PROPERTY

	Freehold investment properties £m	Leasehold investment properties £m	Total £m
Fair value			
At 30th November 2010	507.3	320.7	828.0
Additions - new properties	8.1	-	8.1
Other additions	29.1	6.2	35.3
Net transfers to inventories	(7.4)	(12.0)	(19.4)
Reclassification of assets on transfer	2.7	(2.7)	-
Disposals	(2.8)	(36.7)	(39.5)
Gain on revaluation	23.7	12.5	36.2
At 30th November 2011	560.7	288.0	848.7
Additions - new properties	35.0	-	35.0
Other additions	31.8	11.5	43.3
Net transfers to inventories	(46.7)	(4.1)	(50.8)
Disposals	(16.2)	(96.0)	(112.2)
Gain/(loss) on revaluation	11.1	(4.7)	6.4
At 30th November 2012	575.7	194.7	770.4

Investment properties were valued at 30th November 2012 by Jones Lang LaSalle LLP, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Jones Lang LaSalle LLP are professionally qualified independent external valuers and have recent experience in the relevant location and category of the properties being valued.

Additions - new properties include £31.6m (2011: £3.5m) acquired through business combinations.

The historical cost of investment properties at 30th November 2012 was £680.5m (2011: £744.1m).

As at 30th November 2012, £632.8m (2011: £756.9m) of investment property was pledged as security for the Group's loan facilities.

Included within leasehold investment properties are £3.9m (2011: £3.9m) of assets held under finance leases.

8. OPERATING PROPERTY, PLANT AND EQUIPMENT

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30th November 2010	6.9	4.8	11.7
Additions	-	0.3	0.3
Disposals	-	(0.2)	(0.2)
At 30th November 2011	6.9	4.9	11.8
Additions	0.1	0.1	0.2
At 30th November 2012	7.0	5.0	12.0
Depreciation			
At 30th November 2010	0.6	3.7	4.3
Charge for the year	0.1	0.4	0.5
Disposals	-	(0.1)	(0.1)
At 30th November 2011	0.7	4.0	4.7
Charge for the year	0.1	0.4	0.5
At 30th November 2012	0.8	4.4	5.2
Net book value			
At 30th November 2010	6.3	1.1	7.4
At 30th November 2011	6.2	0.9	7.1
At 30th November 2012	6.2	0.6	6.8

Tenure of operating properties:

	2012 £m	2011 £m
Freehold	3.5	3.5
Leasehold	2.7	2.7
	6.2	6.2

9. JOINT VENTURES AND ASSOCIATES

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

	2012				2011			
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	Total £m	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	Other joint ventures and associates £m	Total £m
Income statements								
Revenue	18.9	0.1	0.8	19.8	12.1	-	7.3	19.4
Net rental income	7.3	(0.1)	0.7	7.9	7.3	-	0.7	8.0
Development profits/(losses)	1.3	-	(0.2)	1.1	0.2	-	-	0.2
Gains on disposal of investment properties	0.2	-	-	0.2	-	-	-	-
Investment property revaluation (losses)/gains	(0.4)	27.2	-	26.8	0.4	-	-	0.4
Administrative expenses	(0.3)	(0.1)	(0.1)	(0.5)	(0.1)	-	-	(0.1)

Profit before interest and tax	8.1	27.0	0.4	35.5	7.8	-	0.7	8.5
Finance cost	(4.8)	(2.4)	(0.3)	(7.5)	(3.4)	-	(0.9)	(4.3)
Profit/(loss) before tax	3.3	24.6	0.1	28.0	4.4	-	(0.2)	4.2
Taxation	0.3	(5.5)	(0.2)	(5.4)	(1.2)	-	(0.1)	(1.3)
Profit/(loss) for the year	3.6	19.1	(0.1)	22.6	3.2	-	(0.3)	2.9

Included in other joint ventures and associates above are losses from associated companies of £0.1m (2011: profits of £0.3m).

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

	2012				2011			
	Key Property Investments Limited	VSM Estates Uxbridge (Group) Limited	Other joint ventures and associates	Total	Key Property Investments Limited	VSM Estates Uxbridge (Group) Limited	Other joint ventures and associates	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance Sheets								
Non-current assets	116.8	58.9	3.8	179.5	120.4	-	23.7	144.1
Current assets	13.6	2.9	4.8	21.3	10.7	-	6.1	16.8
Current liabilities	(19.2)	(6.2)	(0.9)	(26.3)	(11.1)	-	(21.6)	(32.7)
Non-current liabilities	(62.0)	(36.5)	(0.8)	(99.3)	(74.4)	-	(3.5)	(77.9)
Net assets	49.2	19.1	6.9	75.2	45.6	-	4.7	50.3
Equity at start of year	45.6	-	4.7	50.3	44.4	-	5.0	49.4
Transfer from joint venture to subsidiary undertaking	-	-	2.3	2.3	-	-	-	-
Profit/(loss) for the year	3.6	19.1	(0.1)	22.6	3.2	-	(0.3)	2.9
Dividends paid	-	-	-	-	(2.0)	-	-	(2.0)
Equity at end of year	49.2	19.1	6.9	75.2	45.6	-	4.7	50.3

Included in other joint ventures and associates above are net assets of £2.9m (2011: £3.0m) in relation to associated companies. These net assets comprise total assets of £3.6m (2011: £4.0m) and total liabilities of £0.7m (2011: £1.0m).

Joint venture companies and associates comprise:

Name	Status	Interest	Activity
Key Property Investments Limited	Joint venture	50%	Property investment and development
VSM Estates Uxbridge (Group) Limited	Joint venture	50%	Property investment and development
Barton Business Park Limited	Joint venture	50%	Property development
Sky Park Developments LLP	Joint venture	50%	Property development
Wrexham Land	Joint venture	50%	Property development
Wrexham Power	Joint venture	50%	Property development
Coed Darcy Limited	Associate	49%	Property investment and development
Baglan Bay Company Limited	Associate	25%	Property management

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

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

On 31st May 2012 the Group increased its shareholding in Sowcrest Limited, Holaw (462) Limited and Chertsey Road Property Limited to 100%. Net goodwill of £1.3m arose on increasing the Group's stake in the entities, which are now accounted for as subsidiaries.

10. TRADE AND OTHER RECEIVABLES

	2012	2011
	£m	£m
Non-current		
Other debtors	15.6	8.4
Amounts due from joint ventures	6.0	-
	21.6	8.4
Current		
Trade receivables	4.9	8.1
Prepayments and accrued income	7.1	5.2
Other debtors	18.2	14.1
Amounts recoverable on contracts	8.1	8.9
Amounts due from joint ventures	8.2	14.9
	46.5	51.2

11. INVENTORIES

	2012	2011
	£m	£m
Properties held for sale	9.6	16.0
Properties under construction	143.1	152.8
Land under option	22.5	22.3
	175.2	191.1

The movement in inventories during the two years ended 30th November 2012 is as follows:

	£m
At 30th November 2010	171.6
Additions	46.7
Net transfers from investment property	19.4
Disposals (transferred to development cost of sales)	(46.6)
At 30th November 2011	191.1
Additions	85.0
Net transfers from investment property	50.8

Disposals (transferred to development cost of sales)	(151.7)
At 30th November 2012	175.2

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 £3.8m (2011: £2.6m) .

As at 30th November 2012 £41.0m (2011: £41.0m) of inventory was pledged as security for the Group's loan facilities.

12. TRADE AND OTHER PAYABLES

	2012 £m	2011 £m
Current		
Trade payables	20.4	19.3
Amounts due to joint ventures	13.1	4.5
Other payables and accrued expenses	74.8	79.7
Provision for share options	-	0.8
Other payables on deferred terms	27.8	7.8
Derivative financial instruments	19.5	20.1
	155.6	132.2
Non-current		
Other payables and accrued expenses	-	47.7
Provision for share options	-	1.0
Other payables on deferred terms	44.7	140.0
Finance lease liabilities (head rents)	3.9	3.9
	48.6	192.6

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

13. BORROWINGS

	2012 £m	2011 £m
Current		
Bank overdrafts	3.3	-
Non-current		
Amounts repayable between one and two years	85.1	-
Amounts repayable between two and five years	201.6	352.3
Amounts repayable after more than five years	84.9	-
	371.6	352.3
Total	374.9	352.3

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

Maturity profile of committed borrowing facilities

The Group's debt is provided by floating rate bilateral revolving credit facilities (providing the flexibility to draw and repay loans as required) and an unsecured 6.25% fixed rate retail bond. The maturity profile of the Group's committed borrowing facilities is set out below:

	2012			2011		
	Drawn £m	Undrawn £m	Total £m	Drawn £m	Undrawn £m	Total £m
Secured floating rate borrowings:						
Less than one year†	3.3	1.7	5.0	-	5.0	5.0
One to two years	85.1	14.9	100.0	-	-	-
Two to three years	120.3	84.7	205.0	165.1	33.3	198.4
Three to four years	81.3	23.7	105.0	105.9	68.1	174.0
Four to five years	-	-	-	81.3	23.7	105.0
More than five years	4.9	0.1	5.0	-	-	-
	294.9	125.1	420.0	352.3	130.1	482.4
Unsecured fixed rate borrowings:						
More than five years	80.0	-	80.0	-	-	-
	374.9	125.1	500.0	352.3	130.1	482.4

† In addition to the principal amounts included above, £0.9m (2011: £1.8m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

£0.6m (2011: £3.8m) of the undrawn committed facilities are ring fenced for VSM Estates (Holdings) Limited.

Interest rate profile

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

	2012		2011	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	64.9	Margin + 3 month LIBOR	92.3	Margin + 3 month LIBOR
Fixed rate bank debt	230.0	Margin + 3.34% weighted average swap rate	260.0	Margin + 3.29% weighted average swap rate
Fixed rate retail bond	80.0	6.25% Fixed rate	-	N/A
At 30th November 2012	374.9		352.3	

The average margin on the Group's bank debt is 2.1% (2011: 2.0%).

Interest rate swaps

The Group's derivative financial instruments, which are classified as fair value through profit or loss, consist of sterling denominated interest swaps from floating rate to fixed rate and range from 2.01% to 5.16% (2011: 2.01% to 5.42%). In addition the Group has a cap at 7.5% on a further £0.1m (2011: £0.1m) of floating rate debt. Details of the maturity profile of derivative financial instruments are given below and the change in fair value of these instruments as charged to the Income Statement is disclosed in Note 4.

	2012				2011			
	Earliest termination		Latest termination		Earliest termination		Latest termination	
	£m	%*	£m	%*	£m	%*	£m	%*
Less than one year	30.0	4.83%	10.0	4.65%	30.0	4.97%	10.0	5.42%
One to two years	60.0	3.60%	50.0	3.34%	30.0	4.66%	20.0	4.65%
Two to three years	50.0	2.91%	50.0	2.91%	70.0	3.63%	60.0	3.45%
Three to four years	60.0	2.99%	60.0	2.99%	50.0	2.91%	50.0	2.91%
Four to five years	20.0	2.01%	20.0	2.01%	60.0	2.99%	60.0	2.99%
More than five years	10.0	4.32%	40.0	4.76%	20.0	2.01%	60.0	3.81%
	230.0	3.34%	230.0	3.34%	260.0	3.29%	260.0	3.29%

* Weighted average interest rate.

Certain of the interest rate swaps are extendable at the bank's option; the tables above therefore show the dates of normal termination and extended termination. The weighted average maturity of interest rate swaps to the earliest termination date is 2.8 years (2011: 3.1 years).

Percentage of fair value of scheme liabilities	**1.9%**	7.3%	2.8%	(13.8%)	16.1%

14. ACQUISITION OF SUBSIDIARY

On 31st May 2012, the Company acquired the power to govern the financial and operating policies of its joint venture entities Sowcrest Limited ('Sowcrest'), Chertsey Road Property Limited ('Chertsey') and Statedale Limited together with its 100% subsidiary Holaw (462) Limited (together 'Holaw'). These linked transactions were facilitated by entering into a sale and purchase agreement to simultaneously acquire the remaining 50% equity interest in each company for nil consideration.

As required by IFRS 3 (2008) Business Combinations, these deemed acquisitions of control have resulted in the joint venture interests being remeasured to their fair values at the acquisition date and the net goodwill arising, which is not deemed to be recoverable, has been written off to the Income Statement. The acquisitions provide the Group with full control of Sowcrest and Holaw, enabling it to develop the second phase at Wembley Central as well as providing it with additional rental income from the investment property held by those entities.

Fair values are reported as provisional for 12 months to allow the incorporation of subsequent amendments.

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

	Sowcrest £m	Chertsey £m	Holaw £m	Total £m
Net assets acquired:				
Investment property	23.6	-	8.0	31.6
Work in progress	7.2	-	-	7.2
Trade and other receivables	0.2	-	0.4	0.6
Cash at bank	-	-	0.4	0.4
Trade and other payables	(16.9)	(0.2)	(1.1)	(18.2)
Bank borrowings	(20.2)	-	(5.0)	(25.2)
Total identifiable net assets	(6.1)	(0.2)	2.7	(3.6)
Net goodwill	2.5	0.1	(1.3)	1.3
Total consideration	(3.6)	(0.1)	1.4	(2.3)
Satisfied by:				
Fair value of joint venture interest previously owned	(3.6)	(0.1)	1.4	(2.3)

1. The goodwill is not considered to be recoverable and has been written off to the Income Statement.

If the acquisitions had been completed on the first day of the financial year, they would have increased group revenue by £1m and the Group's profit before tax by £0.2m.

15. RELATED PARTY TRANSACTIONS

Transactions between the Group and its non-wholly owned subsidiaries, joint ventures and associates are all undertaken on an arms length basis and are detailed as follows:

Key Property Investments Limited ('KPI')

During the year the Group provided management and construction services to KPI for which it received fees totalling £0.7m (2011: £0.2m). The balance due to the Group at year end was £4.3m (2011: £0.3m). No interest is charged on this balance.

VSM Estates Uxbridge (Group) Limited ('VSM Uxbridge')

During the year the Group set up VSM Uxbridge as a new joint venture with VINCI PLC to hold the former RAF Uxbridge site. VSM entities holding the former RAF Uxbridge sites were transferred to this joint venture together with the related liabilities to settle the deferred consideration due to the MoD.

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 £8.6m, of which £6m is loan notes on which interest is chargeable. Interest charged in the year ended 30th November 2012 was £0.7m.

Sowcrest Limited ('Sowcrest'), Holaw (462) Limited ('Holaw') and Chertsey Road Properties Limited ('CRP')

On 31st May 2012, the Group acquired the power to govern the financial and operating policies of these joint ventures, bringing Sowcrest, Holaw and CRP into the Group as subsidiaries from this date.

Barton Business Park Limited ('Barton')

During the year the Group repaid £nil to Barton (2011: repaid £0.1m). The balance due to Barton at the year end was £3.8m (2011: £3.8m). No interest is charged on this balance.

Skypark Developments LLP ('Skypark')

The balance due to the Group from Skypark at the year end was £0.5m (2011: £0.5m), of which £0.5m (2011: £0.5m) relates to loan notes issued to the Group. No interest is charged on this balance.

Wrexham Power Limited ('Wrexham Power')

During the year the Group provided funding to Wrexham Power of £0.2m (2011: £nil). The balance due to the Group at the year end was £0.2m (2011: £nil). No interest is charged on this balance.

St. Modwen Pension Scheme

The Group occupies offices owned by the pension scheme with a value of £0.4m (2011: £0.5m) with an annual rental payable of £0.1m (2011: £0.1m). The balance due to the Group at year end was £0.1m (2011: £0.1m).

Non-wholly owned subsidiaries

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

	Management fees		Interest		Balance	
	2012	2011	2012	2011	2012	2011
	£m	£m	£m	£m	£m	£m
Stoke-on-Trent Regeneration Limited	-	-	(0.1)	(0.1)	(3.7)	(4.0)
Stoke-on-Trent Regeneration (Investments) Limited	-	-	-	-	0.8	(0.4)
Uttoxeter Estates Limited	-	-	-	-	(0.4)	(0.5)
Widnes Regeneration Limited	-	-	-	-	2.4	2.4
Trentham Leisure Limited	-	-	1.4	1.7	19.7	20.4
Norton & Proffitt Developments Limited	-	-	-	-	(0.4)	(0.2)
VSM Estates (Holdings) Limited	0.2	0.3	0.8	-	(7.3)	(11.5)
	0.2	0.3	2.1	1.6	11.1	6.2

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 (2011: £nil). No guarantees have been given or received from related parties.

Transactions in which directors have an interest

Branston Properties Limited ('Branston')

In 2010 the Group entered into an option to acquire the entire issued share capital of Branston, a company in which the family of Simon Clarke has a financial interest, at market value. The price paid for the option was £0.1m and exercise of this is contingent on certain planning milestones being achieved.

Property acquisition - Lickey Road, Longbridge

During 2012, the daughter of David Garman (senior independent director) acquired a new-build residential unit at Lickey Road, Longbridge from the Group. The property was acquired on an arms length basis for £0.2m.

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