Final Results

Released : 04/02/2014

RNS Number : 1914Z
St. Modwen Properties PLC
04 February 2014

Date: 4th February 2014

ST. MODWEN PROPERTIES PLC

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

Annual Results for the Year Ended 30th November 2013

ST. MODWEN REPORTS STRONG GROWTH DELIVERING £82.2M PROFIT BEFORE ALL TAX AND NET ASSET VALUE INCREASES OF 11%

Financial Highlights

- 56% increase in profit before all tax to £82.2m (2012: £52.8m)
- Shareholders' NAV up 11% to 279p per share (2012: 251p per share), and EPRA NAV up 10% to 298p per share (2012: 272p per share)
- Realised property profits up 37% to £40m (2012: £29m)
- Successful completion of a £49m equity placing to support redevelopment of New Covent Garden Market
- 20% decrease in loan-to-value to 33% (2012: 41%)
- Final dividend for the year increased by 10% to 2.67p per share, providing a total dividend for 2013 of 4.00p per share (2012: 3.63p)

Operational Highlights

- Overall net valuation increase of £42m (Nov 2012: £28m), comprising gains of £28m (2012: £48m) as a result of planning gain asset management and £14m market driven valuation gain (2012: £20m loss)
- Elephant & Castle Shopping Centre sold for £80m
- Significant milestones completed across all major projects:
  - Longbridge - 150,000 sq ft pre-let secured to Marks & Spencer which will anchor the second phase of the new Town Centre
  - Swansea University, Bay Campus - first phase of works on schedule with student accommodation now underway
  - On track to deliver New Covent Garden Market - planning approval anticipated in 2015

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:

"The recovery has gathered momentum in 2013 and, against this improving backdrop, we achieved a number of important milestones across our business. This has been illustrated by another strong set of results.

"The improvement in the housing market is well documented, driven by strong demand from customers for our homes, and from housebuilders for our development-ready land. The recovery in the nationwide commercial property market also looks to be gathering momentum and we are optimistic for 2014. We will continue to create value from our portfolio of assets as we look to proactively manage those opportunities across the UK which have the ability to deliver attractive and consistent returns for shareholders. We look forward to another busy and successful year."

The Results Announcement contains certain forward looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward looking statements. Any forward looking statements made by or on behalf of the Company are made in good faith based on the information available at the time the statement is made; no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. The Company does not undertake to update forward looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this Results Announcement should be construed as a profit forecast.

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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 Kirsty Allan at FTI* +44 (0)20 7269 7177 or Kirsty.allan@fticonsulting.com**

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REF: STM1457

CHAIRMAN'S STATEMENT

It has been another very good year for the Company, with excellent growth resulting in a significant rise in profits across the Group. Profit before all tax increased by 56% to £82.2m (2012: £52.8m) with shareholders' equity net asset value per share growing 11% to 279p per share (2012: 251p per share), after paying dividends of 3.75p during the year (2012: 3.41p).

We have made good progress with all of our major schemes across the country over the last 12 months, each one illustrating a key facet of our business model and demonstrating its strength.

We completed a successful equity placing in February 2013, which raised gross proceeds of £49m. The funds will be used to maximise the potential of the development of the New Covent Garden Market land in the medium term without increasing our debt levels.

Works to the first phase of Swansea University's £450m Bay Campus project commenced in May 2013 and are well advanced. We are extremely proud to be working with the University on such a prestigious project, which forms part of our extensive regenerative work in South Wales.

In November, Key Property Investments (KPI), our 50/50 joint venture with Salhia Real Estate Co. K.S.C, disposed of the Elephant & Castle Shopping Centre for £80m. The sale, which was achieved well above book value, crystallised significant profits for our shareholders whilst freeing up our people and capital resources to focus on other significant regeneration and development projects in London and across the regions.

After a year of exceptional delivery at Longbridge, we were delighted to announce in December 2013 the pre-let of a 150,000 sq ft Marks & Spencer store on the second phase of the Town Centre. This project is a testament to how our transformational developments, serve as true catalysts for change and breathe new life into areas in need of regeneration across the UK.

The improvement in the residential market continued during the year, with profits and sales rates from our residential operations reflecting this upward trend.

DIVIDEND

In recent years, we have raised our dividends broadly in line with the increases in net asset value and to reflect the strong results. This is again the case for the year ended 30th November 2013 with your Board recommending a 10% increase in the final dividend for the year to 2.67p per share (2012: 2.42p), making a total distribution for the year of 4.00p (2012: 3.63p). The final dividend will be paid on 4th April 2014 to shareholders on the register at 7th March 2014.

We intend for this dividend policy to continue, subject to considering the impact of one-off events in the year, positive or negative, as they occur.

STRATEGY

Through our market-leading expertise, we add value through remediation, progressing assets through the planning process and proactive asset management and development. Specifically, our regional teams focus on opportunities where our skill in regeneration enables us to add significant long-term value and generate profits in both commercial and residential development.

As shown by this year's strong set of results, and our proven ability to deliver good returns across the cycle, our strategy is working. We expect this success to continue into 2014 as the property market steadily gathers momentum.

Our decision to allocate additional resource to the residential sector - securing predominantly residential-led planning permissions across our portfolio while continuing to grow our own housebuilding brand St. Modwen Homes and progressing our Persimmon joint venture - has proved successful as the regional marketplace is now showing meaningful signs of improvement. In addition, the improved market conditions in the London and South East property market are ongoing.

BOARD CHANGES

We have continued to strengthen the property expertise on the Board and were delighted to welcome Richard Mully as a non-executive director in September 2013. Richard brings with him a wealth of experience in real estate investment having spent almost 30 years in investment banking, capital markets and real estate private equity investing. Richard was appointed Senior Independent Director in December 2013.

PEOPLE

Despite the challenges of the last few years, St. Modwen is now strongly positioned to take advantage of the upturn that is making its way across the UK commercial and residential markets. This would not have been possible without the energy, skill and dedication of our people. Therefore, I would like to take this opportunity on behalf of the Board to say thank you to all employees for their hard work and determination in continuing to deliver strong performance and create long-term value for our shareholders.

PROSPECTS

Even at the height of the recession, we remained confident of the prospects for the Company. Whilst we still remain cautious about the overall economic outlook in the UK and Europe, we have a long track record of successful regeneration, strong asset management and creating value from our extensive land bank. This track record, combined with our robust business model and strategy to deliver strong returns, puts us in an excellent position to remain resilient against continued economic and market challenges whilst benefitting strongly from the improving residential and commercial markets.

With this increased optimism in the marketplace, we are expanding our development pipeline to capture value across the UK. This year we expect the regional residential marketplace to continue to recover gradually and London and the South East to remain robust. We will therefore maintain our focus on this sector throughout 2014 to capitalise on the strong returns that we believe are available. Similarly, we are witnessing a cautious recovery in commercial property and consequently, will also be focusing on progressing opportunities in this market during the year.

Challenges still exist but the Company is already busier than it was 12 months ago and there is a greater sense of optimism across our portfolio and momentum in the marketplace. With our strong financial base, we look forward to growing the business steadily throughout 2014 and beyond to generate further value for our shareholders.

Bill Shannon
Chairman
3rd February 2014.

CHIEF EXECUTIVE'S REVIEW

It has been a very busy and successful year defined by three key areas of activity:

- we have continued to unlock value across our 5,900 acre UK land bank through remediation and planning;
- we have sought to maximise prospects from our residential portfolio; and
- we have pursued opportunities arising from the London and South East market.

I am very pleased to say that our decision to focus on these three areas has culminated in an excellent set of results with a 56% increase in profit before all tax to £82.2m (2012: £52.8m).

The most significant transaction of the year was the sale of the Elephant & Castle Shopping Centre which demonstrated clearly how our exposure to the London and South East market has enabled us to capitalise on the growing investor interest in this area. Having acquired the asset, through our 50:50 KPI joint venture, for £29m in 2002, we added significant value to the property during our ownership, whilst also benefitting from the income it delivered, finally achieving an attractive sale price of £80m compared to £52.5m book value at the start of the period.

Our other major projects have progressed well in the period. In May 2013, we started on site with works to the first phase of the £450m Bay Campus for Swansea University and this is now well on schedule for completion in September 2015. Our Longbridge development in Birmingham remains a regional success story with the completion of the first phase of the Town Centre in the summer and the subsequent 150,000 sq ft pre-let to Marks & Spencer as the second phase anchor tenant, announced just after our year end. Furthermore, good progress has been made with the public consultation process for the New Covent Garden Market redevelopment at Nine Elms in London and we expect to submit a planning application during the first half of this.

Overall, our wide and diverse pipeline of commercial development opportunities located throughout the UK continues to gather momentum, reflecting the upturn in that market, and we have made excellent progress with our schemes across the country. Demonstrating our ability to extract maximum value from our land bank and explore a variety of new opportunities, we have recently completed a five megawatt Solar Park at our Baglan Bay site in South Wales. We expect to l continue to explore energy-related opportunities across the land bank during the course of 2014.

Across the country, we have been busy preparing our land for development through remediation and achieving predominantly residential-led planning permissions. Housebuilder appetite for our land is increasing and we are experiencing good housing sales rates across all of our residential schemes, whether delivered in joint venture with Persimmon or through our own housebuilding brand, St. Modwen Homes.

STRATEGY OVERVIEW

Supported by our long-term approach to development, our adherence to a robust and proven business model has delivered a track record of over 25 years of successful delivery of regeneration schemes.

During the recession, we continued to add value to our £1.1bn land bank of assets. We achieved this by creating maximum value from our income producing properties through asset management initiatives whilst preparing sites for redevelopment through remediation and securing planning permissions. In doing so, we laid down strong foundations for growth to take immediate advantage of any market recovery, whilst underpinning our business activities with a steady income stream. At the same time, we disposed of assets to which we could add no further value and reinvested the capital back into the business.

By taking this long-term view and relying on our own efforts to create value, we have remained resilient to challenging economic times and our efforts are already being rewarded as momentum in the residential market grows across the UK and as the regional commercial property market gradually starts to improve.

MARKET OVERVIEW

There is a tangible increase in activity in the residential marketplace, with the recovery that started in 2012 on the back of rising consumer and housebuilder sentiment, being further augmented by the success of Government schemes such as Help to Buy. Momentum continues to gather pace in London and the South East with confidence now spreading into the regions. This improved outlook has already had a positive impact on our joint venture with Persimmon which is now building and selling housesall eight schemes under the original agreement, to deliver over 2,300 homes. Furthermore, our own housebuilding brand, St. Modwen Homes, is performing very well in its second full year of operations; it has continued to expand during 2013 and is now operational on eight developments.

As the year has progressed, we have kept under close review the increased optimism in the commercial property market, driven predominantly by a strong increase in investor appetite. The recovery is now visibly starting to take hold but a wholesale improvement in commercial property is still being restricted by an improving but inconsistent level of tenant demand.

Against this backdrop, our comprehensive regeneration schemes serve as positive catalysts for change and are encouraging renewed tenant demand. Our regeneration of the Longbridge site in Birmingham is a good example. Here, we have successfully created the centrepiece to this important project by building and securing important retail tenants for the new Town Centre which opened in August. In doing so, we have boosted the community significantly by creating jobs and restoring confidence in the local economy which is a key component for the successful delivery of new commercial environments. We have recently submitted planning for the second phase of the Town Centre which includes a 150,000 sq ft full-offer store pre-let to Marks & Spencer, further testament to the attractive commercial environment that we continue to create here.

Next year, there is a General Election on the horizon. Whether this benefits development or not remains to be seen. Recent comments from politicians accusing developers and landowners of hoarding land are misleading. It does not make commercial sense to sit on land and do nothing with it, especially in areas where land values are not appreciating. St. Modwen is in the business of development and our UK land bank of over 5,900 acres is owned specifically with a view to developing it out to create homes and communities in which people can live and work. At any point in time we are either, actively building, remediating or pursuing planning permissions which allow us to transform this land into thriving communities or business destinations that will encourage growth right across the country.

Notwithstanding inconsistent tenant demand in the regions, it is clear that the UK property market is improving. We continue to be successful in securing planning permissions but it is taking much longer than it should do, which is having a knock-on effect on delivery.

BUSINESS OUTLOOK

Our major projects at Longbridge, Swansea University and New Covent Garden Market, are all at varying stages of development, with each having an active year to look forward to, which should add value to the Group.

The disposal of the Elephant & Castle Shopping Centre makes way for Project MoDEL* to become our fourth major project. This consists of the two former RAF sites at Uxbridge and Mill Hill which are now being developed into two new communities, together comprising over 3,500 homes. Given their London location and the residential-led nature of each development, we are already experiencing excellent returns and expect this only to improve in line with the buoyant London property market.

We expect to further capitalise on the improving residential marketplace which will remain a dominant force in our portfolio in terms of land and housing sales. We are already looking for new opportunities both from within our own land bank and more generally in the marketplace where we can identify opportunities at the right price to apply our proven skills to create value.

Having spent the last five years preparing our commercial land in readiness for this market to improve, we anticipate more opportunities to start coming through in 2014, enabling us to add to our pipeline of development projects.

*Project MoDEL originally saw six former London-based RAF sites freed up for disposal and development as the MoD relocated to an integrated site at RAF Northolt. VINCI St. Modwen (VSM) was appointed by the MoD in 2006 to secure planning consent to redevelop the six sites of which VSM disposed of four, retaining RAF Mill Hill and RAF Uxbridge. The latter was removed from the MoD arrangement and transferred to a separate joint venture with VINCI in 2012.

With a successful 2013 behind us, this year will be one of continued delivery, adding value to our portfolio of assets and a renewed focus on business areas where we can deliver realised development profits. We are not yet completely free of the overhang of the recession, and there is no room for complacency, but there is certainly a more positive outlook on the horizon and we are already well placed to capitalise on this opportunity.

COMMERCIAL LAND AND DEVELOPMENT

STRATEGY

Our long-term approach to regeneration helps us to weather economic cycles. Over the last five years we have focussed on priming our land bank for development through remediation and planning which has ultimately put us in a good position to benefit from current market improvements.

Through our network of regional offices, we remain in tune with local requirements and any new opportunities. This local knowledge has enabled us to stay opportunistically acquisitive over this period, securing land and commercial assets with latent value that can be realised at the right time.

Furthermore, our highly skilled in-house team of construction professionals oversees the delivery of all our projects and works closely with clients and partners to ensure the end product matches their needs. Responsible for our 'shop window' they are a valued and important part of the business that safeguards the Company's principles of delivering high quality, sustainable developments as a legacy for businesses and communities to enjoy for years to come.

Developable acres	Nov 2013	Nov 2012
Retail	337	342
Industrial and commercial	2,997	2,859
Residential	1,893	1,804
Use not yet specified	716	796
Total developable acreage	5,943	5,801

MARKET COMMENTARY

Our strategy to prime our land for development has borne fruit during 2013. Demand for design and build projects on our 'ready to go' employment sites has grown as businesses are feeling more confident to expand and seek new premises, and occupiers recognise we can deliver on their requirements quickly. In those areas where we are experiencing an increasing number of tangible enquiries coming through, such as London and the South East, the Midlands and the South West, we are submitting detailed planning applications for commercial-led developments on our existing land bank.

Our secondary shopping centres continue to experience good take-up of space from occupiers. Here, our ongoing regeneration activities and favourable lease terms are attracting new retailers who recognise the positive, long-term economic impact that our schemes are set to have as we transform any given area. A good example is our £80m regeneration of Farnborough Town Centre, where works are now complete on the first two phases including a 62,000 sq ft Sainsbury's, Travelodge, JD Wetherspoons, a gym and the creation of retail space for major brands including Starbucks and New Look. In May 2013, we started on site with the transformation of Kingsmead Shopping Centre which is being extensively rebuilt to accommodate a new seven-screen VUE Cinema and restaurants, which is due for completion in summer 2014.

COMMERCIAL LAND

Duringthe period, with a view to augmenting and adding value to our commercial development pipeline, we have continued to secure sites and prepare them for development through remediation and planning.

We have secured a significant number of commercial-led brownfield land opportunities over the last 12 months with highlights including:

- *Wellingborough* - formerly owned by Whitworth Bakery, we acquired this 3.5 acre site with a view to transforming it into a retail park comprising 35,000 sq ft of accommodation for which we will submit a planning application in February 2014.
- *Tamworth, Shropshire* - we have signed a development agreement to regenerate this 240 acre site into a high quality mixed-use scheme.
- *Derby Gateway, Chaddeston Triangle, Derby* - a 70 acre brownfield site, the largest in Derby, to comprise 700,000 sq ft of commercial accommodation which will be developed in partnership with Network Rail. A masterplan application is currently being prepared and will be submitted in spring 2014.
- *Clay Cross, Derbyshire* - a 204 acre site benefitting from outline planning consent to create a mixed-use scheme that includes up to 250,000 sq ft of employment space.

We have also made good progress in converting planning applications to approval and delivery. Highlights include:

- *Rugby, Warwickshire* - we have recently submitted a planning application to deliver a 100,000 sq ft retail park at this former Alstom industrial site which is being redeveloped into a mixed-use scheme that sits alongside the 150,000 sq ft Warwickshire College completed in 2010. Currently on site, Greene King is constructing a 'Hungry Horse' public house and St. Modwen Homes is developing a scheme of 175 homes.
- *Worcestershire Fire Station, Worcester* - we secured planning permission for a 20,000 sq ft facility on behalf of Hereford & Worcester Fire Authority as part of the second phase of development at our Great Western Business Park where the fully occupied phase one comprises 125,000 sq ft of office and industrial accommodation.
- *Branston, Burton upon Trent* - planning for 770,000 sq ft sq ft of industrial space has now been secured on part of this 175 acre site on which we expect to commence with site infrastructure in 2014.

Commercial development progress (major projects):

- *Bay Campus, Swansea University*- we continue to progress well with the delivery of the first phase of works at the £450m Bay Campus for Swansea University. Steelworks and superstructure are advancing and the construction of the student accommodation is now underway. We remain on track to welcome new students to the scheme in September 2015.

- *Longbridge* - we completed phase one of the Longbridge Town Centre in August 2013 which is anchored by an 80,000 sq ft Sainsburys and comprises 24 shops, Beefeater and Hungry Horse restaurants, a Premier Inn and the £2m Austin Park. Following the year end, we completed the pre-let of a 150,000 sq ft Marks & Spencer full-offer store that will anchor the second phase of the new Town Centre. A planning application for this second phase was submitted in December 2013 together with an application to build a 30,000 sq ft specialist Construction Centre for Bournville College.

  New Covent Garden Market - we have just completed the second tranche of public consultation and expect to submit a planning application for this major regeneration project during the first half of 2014. Under a 50/50 VINCI St. Modwen joint venture, our plans are to consolidate the current market, which covers a 57 acre site, into a more efficient 37 acre, 550,000 sq ft scheme. The 20 acres freed up by the new development will be redeveloped into a residential-led mixed-use regeneration scheme, providing circa 2,900 homes and 115,000 sq ft of commercial accommodation and community facilities. This is a significant project which is set to deliver excellent returns once planning consent is granted, which we expect in 2015.

Development progress (other key sites):

Skypark, Exeter - developed in joint venture with Devon County Council,momentum is building on the redevelopment of this 110 acre former airport complex into a major employment centre and business park for Exeter and East Devon. Having completed the 30,000 sq ft energy centre for EON in 2012, we are now nearing completion of a 24,100 sq ft purpose-built facility for the South Western Ambulance Service NHS Foundation Trust, having started on site in Spring 2013.

- *Quedgeley West, Gloucestershire* - there is currently over 125,000 sq ft of space under construction at this Business Park. This includes Gardiner Bros & Co (Leathers) Ltd which has agreed to purchase a 34,700 sq ft design and build unit which is in addition to its 30,000 sq ft headquarters also located at Quedgeley West. Engineering firm, Lister Petter, will be relocating from our nearby scheme in Littlecombe, Dursley to a 35,000 sq ft purpose built facility at the Business Park. Both occupiers will move into their new premises in spring 2014.
- *Dunelm Mill, Wheatley Hall Road* - we completed a 22,000 sq ft store for Dunelm Mill on this brownfield site. The site also now comprises a new Marston's public house and community sports facilities.

OUTLOOK

We anticipate the commercial property market will continue to improve at a steady rate throughout 2014. This will impact positively on our pipeline of delivery where we are gradually receiving an increased amount of enquiries. The retail market will remain challenging but the rental levels and location of our portfolio provides us with firm foundations as we continue to secure new leases at competitive rents and create new retail environments.

RESIDENTIAL

STRATEGY

Our land strategy continues to be to 'buy wholesale' and 'sell retail'. Essentially, we buy land, predominantly brownfield, at a low cost and maximise its value over time through intensive asset management, remediation and planning. We then realise that value through one of the following three routes to market:

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

MARKET COMMENTARY

Residential output has risen significantly over the last 12 months, with many housebuilders, including St. Modwen Homes and Persimmon, reporting a healthy increase in sales. Improving consumer sentiment, supportive Government schemes such as 'Help to Buy' and an increasingly stable economy have all contributed to a more positive outlook for the residential market as a whole. These aspects are playing a central role in boosting the regions while London and the South East continue to perform strongly.

RESIDENTIAL LAND

We remain successful in our ability to secure residential-led planning consents across our land bank, regardless of the continued challenges with the planning regime. As a result, over 21,900 plots in our portfolio have either planning permissions or allocations within local plans.

In line with our business model, we continue to top up our land bank with future residential-led opportunities to ensure that we are constantly in a position to create value. In the last 12 months we have increased our land bank to over 27,000 plots of which almost 22,000 have planning permission. Recent highlights include:

- *Clay Cross, Derbyshire* - a 204 acre brownfield site acquired in September 2013. It already benefits from outline planning consent for the creation of a high quality mixed-use regional regeneration scheme that includes up to 600 homes. It is designated as a key development area within the district of North East Derbyshire.
- *Eastwood, Nottinghamshire* - 17 acres acquired in November 2013. Currently comprising circa 280,000 sq ft of unoccupied buildings, this site will be redeveloped to create a new, residential-led, mixed-use community.

As the market continues to improve, competition from the major national housebuilders for land primed for residential development is intensifying. This translates into greater land values and sales achieved above book value. Throughout the year, we have experienced growing demand for our land across the country as housebuilders replenish their stocks to meet increasing demand. As a result, in the period, we have sold or committed for sale 57 acres of land, totalling £58m.

Significant residential land transactions

- *RAF Mill Hill* - the sale of seven acres to Galliford Try for £25.5m and contracts exchanged on circa three acres with Cala Homes for £13m.
- *Rugby* - the sale of 10 acres to Taylor Wimpey for £6.7m.
- *Taunton* - the sale of 4.7 acres to David Wilson Homes for £4.2m and of 6.1 acres to Taylor Wimpey for £5.5m.

Planning consents achieved

- *Branston, Burton upon Trent* - for 660 homes and new employment space on this 280 acre site, including manufacturing, storage and distribution units.
- *Pirelli, Burton upon Trent* - for 289 homes, a hotel, restaurants, public house, offices and commercial units on disused parts of the Pirelli Factory.
- *Edison Place, Rugby* - for 175 homes on part of this 50 acre site of which 32 acres are earmarked for residential development.
- *Hartshill, Stoke-on-Trent* - for 111 homes, along with a restaurant, public house and a parade of shops on this 11 acre site owned by Dyson Industries.

Applications submitted

- *Uttoxeter, Staffordshire* - for 700 homes, employment space, new school, sports and recreational facilities, a local retail centre and the provision of open green space.

- *Ellesmere Port, Cheshire* - for 350 homes, open public space, footpath and cycle links on this 29 acre site.
- *Wigan Enterprise Park, Manchester* - for 325 homes as part of the redevelopment of the oldest parts of this commercial site.

Future opportunities:

- *New Covent Garden Market* - over 2,900 apartments to be delivered as part of this major regeneration project situated in the Nine Elms area of London, for which we anticipate achieving a planning consent in 2015.
- *Faverdale Garden Village, Darlington* - a scheme of 600 homes plus open space and improvement of bus, cycle and walking links.
- *Hilton, South Derbyshire* - a new mixed-use development at this former MoD site which currently comprises a mix of industrial and open storage to provide 485 homes, a new Primary School and employment opportunities.

RESIDENTIAL DEVELOPMENT

Residential land bank at 30 November 2013	November 2013		November 2012	
	Acres	Units	Acres	Units
With planning recognition allocated within the local plan or similar	238	3,669	178	3,396
Resolution to grant	105	1,470	140	1,942
Outline permission	892	14,191	794	13,175
Detailed permission	190	2,579	169	2,337
	1,425	21,909	1,281	20,850
No planning recognition	468	5,114	523	5,694
Total Residential land	1,893	27,023	1,804	26,544

In line with the improving marketplace over the last 12 months, residential development and sales have gathered pace, resulting in an overall profit increased by 33% to £8m (2012 £6m) which provides an excellent platform from which to grow this area of the business further.

St. Modwen Homes

In its second full year of building, St. Modwen Homes has continued to grow from its base at Longbridge and it has opened a second office in Bristol to support the delivery of current and future St. Modwen Homes' sites across the South West and South Wales.

At present, St. Modwen Homes is on site with eight schemes at various stages of delivery across the country and totalling around 1,000 new homes. As we continue to build the brand, St. Modwen Homes will continue to focus on delivering around 200 to 300 units per year.

St. Modwen Homes benefits from our extensive land bank providing it with a competitive advantage in terms of being able to use our considerable expertise in planning and select sites that are best suited to the brand. In turn it can focus on providing a higher quality and bespoke product. Future opportunities currently include two schemes in South Wales comprising a total of 460 homes and an initial phase of a development in Branston, Burton upon Trent.

Persimmon Joint Venture

Our joint venture with Persimmon, established in 2010, continues to perform well and we are now building or selling on all eight sites that were planned under the agreement. This will see over 2,300 residential plots delivered by 2017. Scheme highlights include:

- *RAF Uxbridge, London* - delivery of the first 453 homes is progressing well as part of this 110 acre mixed-use scheme which has planning for 1,340 homes, 200,000 sq ft of commercial office and retail development, a new primary school, theatre, community facilities, hotel and a 40 acre public park.
- *Meon Vale, Long Marston, Warwickshire* - Persimmon started on site with 284 homes this year at this former MoD site which is being transformed into a mixed-use community.
- *Coed Darcy, South Wales* - Persimmon has experienced excellent sales rates for its scheme of 300 homes which forms part of a broader 1,063 acre regeneration project that is transforming this former BP oil refinery into a new sustainable community of 4,000 homes, with 440,000 sq ft of commercial accommodation.

Residential development as at 30th November 2013

	St. Modwen Homes	Persimmon joint venture	
	Active and completed	Active and completed	Total
No. of sites	8	8	16
Units	1,236	2,323	3,559
Units completed	299	340	639
Land revenue received £m	7	41	48
Future land revenue	26	62	88
SMP share of future development profits £m	29	45	74
TOTAL	55	107	162

Residential development sales

Albeit impacted by delayed site starts during the first six months of the year, due to continued challenges with the planning system, sales rates achieved for the entire year have been steady. In the financial year we have achieved 365 house sale completions (2012: 259) comprising 126 for St. Modwen Homes (2012: 158) and 239 for the Persimmon Joint Venture (2012: 101).

OUTLOOK

As demand from housebuyers continues to improve and housebuilders continue to seek attractive land to replenish their stocks, we expect greater levels of activity in the residential market but at a stable pace. Momentum is already starting to build in the regions and this is expected to continue throughout 2014 whilst activity in London and the South East will remain considerably more buoyant. With our sites now primed for residential development, we expect to take advantage of the increased appetite for residential land and are in a good position to exploit this throughout 2014. Mirroring this upturn, we expect St. Modwen Homes and the Persimmon joint venture to continue to grow during 2014 both in terms of profit delivery and sales volumes.

INCOME PRODUCING PROPERTIES

STRATEGY

Our income producing assets now make up 45% of our property portfolio. Regeneration and development is a long-term business producing significant future value and we extract the maximum value from our land bank in the short-term by working hard those assets that generate a steady income stream prior to development. Furthermore, we employ locally based asset management teams to manage these assets as efficiently as possible and typically offer affordable rents on relatively short tenancies, ensuring that voids remain at their lowest possible level as we work towards redevelopment.

Similarly, once a site is developed, we will retain it for income until we feel we can no longer add any further value, at which point we will dispose of the asset and reinvest the capital raised back into the business.

We currently manage a diverse base of over 1,700 occupiers that cover a wide variety of sectors with a broad range of requirements. The diversity of our tenant base mitigates our risk against any administrations and specific sector challenges.

Portfolio Yield Analysis						
	Equivalent		Net initial		Value £m	
	Nov 2013	Nov 2012	Nov 2013	Nov 2012	Nov 2013	Nov 2012
Retail	9.2%	9.0%	7.7%	7.6%	201	240
Office	9.7%	9.4%	7.0%	7.0%	59	61
Industrial	9.2%	9.2%	8.0%	7.9%	254	261
Portfolio	9.2%	9.2%	7.8%	7.7%	514	562

PERFORMANCE

At the year-end our income producing properties were valued at £521m (2012: £562m) and represent the largest tranche of our portfolio. Providing further evidence of the gradual recovery of the commercial property market and the strength of our tenant portfolio, we have experienced very few administrations during the year and occupancy levels remain steady at 88% (2012: 88%). We have managed the churn in our portfolio by securing £9.0m of new lettings, equivalent to 20% of our gross rent roll during the year (2012: £9.7m).

Highlights include:

Income

- *Heartlands Park, Washwood Heath* - this 55 acre business park is now approaching 100% occupancy following a letting in August 2013 to Network Rail on a five year lease for 38,000 sq ft of warehouse and office accommodation. This latest letting brings the rental income of the site to £1.6m per annum.
- *The Trentham Estate, Stoke-on-Trent* - attracted over 425,000 visitors in the period (2012: 403,954), in the period this 725 acre leisure destination generated £1.23m of operational income (2012: £1.0m), with the shopping village remaining 100% occupied.
- *Solar Park, Baglan Bay, South Wales* - we have now completed work to the Solar Park at Baglan Bay which comprises. Comprising 20,000 photovoltaic panels, once live in March 2014, it will generate 5 megawatts of electricity sufficient to supply over 1,200 homes and provide an annual income of around £600,000.

Disposals

We disposed of several assets during the year to which we could add no further value. All capital raised from the sale of these assets has been reinvested in the business and will be used to fund new opportunities.

The most significant disposal, completed at the end of the year, was of the Elephant & Castle Shopping Centre. We acquired the property in 2002 for £29m and since then, through our skilful asset management capabilities, have added significant value which is reflected in the £80m sale price versus a book value of £52.5m.

Acquisitions

Ensuring that our property portfolio remains topped up with opportunities that provide short term income and long-term development potential, we acquired the Waterdale Shopping Centre in Doncaster in October 2013 for £3.6m. Immediately securing rental income and increasing its value to £4.0m, we have already secured three new lettings to local retailers and discussions are underway with other interested occupiers. Currently, the centre produces a gross rent of over £900,000. During the course of 2014 we will work on the extensive refurbishment of the centre to provide a more modern, attractive space for both retailers and customers.

OUTLOOK

As occupier confidence grows and companies start to think about expansion and diversification, we expect this area of the business to continue to provide us with a significant and secure source of income that underpins our running costs.

Reflected in our market valuations, pressure on yields is easing and will continue to do so, but at a steady pace as this market slowly starts to improve. In line with the gradual improvement in the commercial property market, we will continue to grow our development pipeline not only from within our existing portfolio but as new opportunities with the potential to add value come through.

FINANCIAL REVIEW

INCOME STATEMENT

St. Modwen is a proactive company focussed on creating long-term value through our own efforts. We take a pragmatic approach, making investments to which we add and realise value through planning, asset management, remediation and development over time. Our continued success of delivery is a testament to this long-term view.

A core part of our business model is ensuring that a major proportion of our assets generate income prior to development. This consists of core rental income and other revenue deriving from our £514m portfolio of income producing properties, comprising more than 100 commercial properties and making up 45% of our total portfolio. These cash streams underpin the running costs of the business and provide firm foundations 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 joint venture arrangements, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. To enable a better understanding, we have also provided information including the Group's share of joint ventures and a full reconciliation is provided in Note 2 to the Group Financial Statements.

PROFITS

Rental and recurring income

This core part of our business continues to perform well. Even taking into account asset sales in the year I can once again report a marginal increase in the Group's share of net rental income to £36.3m (2012: £36.2m), achieved as a result of our successful asset management capabilities. The excess of new lettings and rent reviews over churn and administrations has increased to £3.8m (2012: £2.0m) and we anticipate our net rental income remaining steady throughout 2014 as we replace income sold during the course of 2013.

Occupancy levels remain stable at 88% (2012: 88%) and our average lease length has been held at 5.0 years (2012: 5.0 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. Therefore, our void levels remain in line with our expectations.

Property profits

We have achieved a 37% increase in realised property profits to £40m (2012: £29.0m) from development. This includes significant contributions from our development of the Bay Campus for Swansea University and the sale of the Elephant & Castle Shopping Centre by our KPI joint venture. Both these transactions highlight the value of the St. Modwen long-term business model. In particular, the Elephant & Castle transaction demonstrates our ability to add value to our retained assets. The joint venture acquired the asset for £29m in 2002, significantly increased the income generated by it and then sold the asset for £80m, representing a yield of 4.25%.

Residential housing sales have contributed over £8m. The residential contribution reflects how this area of the business has grown throughout the year and highlights the success we have achieved in setting up our St. Modwen Homes business and the development of our Persimmon joint venture.

Overheads

Our cost base is driven by the employment of skilled teams of professionals to manage existing and potential assets. Our UK-wide land bank allows us the flexibility to adapt to market demands and consequently pursue only those opportunities that generate the greatest value at any time. We have continued to expand our residential team and this, together with the bonuses paid for successful business delivery, means that administrative expenses for 2013 (including the Group's share of joint ventures and associates) has increased to £20.2m (2012: £18.6m).

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, after allowing for the equity placing, in net debt and higher average borrowing levels for the period. An increased proportion of the debt is fixed cost, either on our retail bond or our hedging arrangements. The full year of fixed cost on the retail bond has resulted in a slight increase in finance costs in the period.

Trading profit

Overall trading profit has therefore increased again this year by 31% to £33.3m (2012: £25.5m), an extremely positive result. We will continue to focus on generating value across our land bank and ensuring that our rental income and recurring other income underpins the running costs of the business. Supported by our firm financial footing, with key projects within our development pipeline (such as the Bay Campus, Swansea University and the Marks & Spencer development at Longbridge), along with our other major schemes, we expect to be in a good position to continue to take on an increase in workload as the economic environment improves.

PROPERTY VALUATION

Property portfolio

Our property portfolio is worth £1.1bn (2012: £1.1bn). During the period, we have continued to actively manage our portfolio, spending £177m on acquisitions and capital expenditure and realising £172m from asset disposals. As the UK economy becomes more active, we expect these numbers to remain significant.

Property Portfolio - valuation movements in the year						
	2013			2012		
	Market Value movements	Value added by St. Modwen	Total	Market value movements	Value added by St. Modwen	Total
Residential	21	22	43	8	36	44
Commercial land	(4)	(4)	(4)	(1)	-	(1)
Income Producing:						
- Retail	(1)	4	3	(8)	7	(1)
- Office	(1)	-	(1)	(6)	(1)	(7)
- Industrial	(1)	2	1	(13)	6	(7)
Total	14	28	42	(20)	48	28

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 LLP provides this valuation split for us.

Market-driven valuation movements

In line with market movements, yields over the last 12 months have been broadly steady with value reductions in the first half of the year offset by improvements in the second half valuations of our income producing portfolio. There has been a material increase in the value of our residential portfolio, notably in the South East (although residential land is increasing in value across England and Wales), of £21m (2012: £8m) which has resulted in an overall net market-driven increase in the value of our property portfolio of £14m (2012: £20m decrease).

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 again delivered some very good results. This success comes from managing commercial and residential land through planning, despite the difficulties of this process.

Based on independent valuations from Jones Lang LaSalle, we have been able to generate revaluation gains of £28m in the year (2012: £48m including a significant contribution from RAF Uxbridge). We expect to continue to generate significant value improvements given the increased activity across our portfolio, and our expertise in asset management.

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. 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 supplement our internal procedures with an independent assessment of 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.

PROFIT BEFORE ALL TAX

Our profit before all tax is stated before tax on joint venture income and after movements in the market value of our interest rate derivatives (hedges and swaps). The valuations are based on the financial market's forward prediction curves for interest rates. At the end of the financial reporting period and together with other finance charges, this caused a credit of £6.7m (2012: £0.6m debit).

Profit before all tax increased substantially by 56% to £82.2m (2012: £52.8m), an extremely positive result for the year.

TAXATION AND PROFITS AFTER TAX

A lower level of valuation gains attributable to our joint venture assets has led to a reduced tax change in the year of £8.3m (2012: £10.5m). After allowing for this, we have achieved a very strong result for the year with profits after tax of £73.9m, a 75% increase compared with 2012 (£42.3m).

BALANCE SHEET

In the first half of the year we successfully completed an equity placing, raising gross proceeds of £49m at a price of 245p per share which was closely aligned with the shareholders' equity net asset value per share of 251p at November 2012.

The funds from the placing will be used to exploit the potential of the development at the New Covent Garden Market (NCGM) sites in Nine Elms, London. The equity funds mean that we can enter discussions with potential partners for NCGM knowing that we have sufficient resources to deliver our other major projects.

The assets and liabilities of the NCGM contract will only be recognised on our balance sheet once detailed planning consent is achieved and the contract becomes fully unconditional. Our expectation remains that this will happen during our 2015 financial year.

Net assets
At the year end, the shareholders' equity value of net assets was £614m or 279p per share. This represents an 11% increase over the year (2012: 251p per share). In addition to this increase, dividends of £8.2m (3.75p per share) were paid during 2013 (2012: £6.8m or 3.41p per share).

EPRA net asset value
In line with industry best practice we also report net assets per share using the EPRA (European Public Real Estate Association) methodology*. Our diluted EPRA net asset value rose 10% to 298p from 272p 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.

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

CORPORATE FACILITIES
We have ample headroom within our corporate facilities allowing us to meet future development and funding needs. At the year end we had £479m of facilities against drawn debt of £341m.

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 86% hedged against our corporate debt (2012: 93%). We expect this proportion to reduce in future as our hedging slowly drops away. As any new financing is put in place we will ensure that our hedging positions are appropriate for our future development.

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

Bank:

- Net assets must be greater than £250m (actual £627m).
- Gearing must not exceed 175% (actual 54%).
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 2.9x).

Bond:

- See through loan to value ratio must not exceed 75% (actual 33%).
- Interest cover ratio must be greater than 1.5x (actual 3.1x).

Although the current 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 two joint venture facilities are VINCI St. Modwen (VSM) and Key Property Investments (KPI):

- VSM Uxbridge - our 50:50 joint venture with VINCI PLC has grown 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. Land receipts are rapidly reducing the debt which was at £40m at the year end (St. Modwen share £20m) (2012: £50m, St. Modwen share £25m). We expect this debt reduction to accelerate in 2014.

  We are also now working together with VINCI in joint venture on the New Covent Garden Market sites. We are in continual dialogue with our partners on the appropriate ownership structures for these joint ventures and as has happened previously, these ownership shares may change, moving debt on or off balance sheet.

- 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. During the year the joint venture sold the Elephant & Castle Shopping Centre in London for £80m. This disposal, together with other asset sales, significantly reduced the debt in the joint venture to £29m at the year end, with the St. Modwen share representing £14.5m (2012: £115m, St. Modwen share £57.5m).

  Since the year end dividends paid to shareholders have increased the debt levels. We are reviewing the financing arrangements for this joint venture to ensure that they are appropriately matched for our future requirements.

Funding levels

We have no corporate or joint venture facilities that require renewal before November 2014, when our £100m Lloyds facility matures. We have existing offers for the renewal and extension of this and other our debt facilities and continue to consider options to increase the diversity and longevity of our facilities and explore alternative sources of finance. We are well positioned to move forward with sufficient facilities of the right type to support further growth in the business.

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 second half of the year, the improving economy has meant that we have invested in our business and increased the value of our assets. Consequently, although there has been a slight increase in equivalent on balance sheet debt (£341m) (2012: £318m after adjusting for the equity placing) our gearing and loan to value ratios have continued to fall. This is particularly noticeable once the significant reduction in joint venture debt is considered with the see-through loan to value ratio falling to 33% (2012: 41%).

Given the improving economic environment we will continue to invest to generate future returns. Throughout the next year, on a see-through basis, we expect both the gearing and loan to value ratios to remain broadly consistent although changes in joint venture structures may affect the on Balance Sheet ratios.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group and the corresponding mitigating actions that are in place are set out on pages 46 to 49 of our Annual Report and Financial Statements.

Given the progress of the business and the increased optimism for the economy we consider that the overall position continues to improve.

OUTLOOK

Our ability to generate strong returns across the cycle, driven by the underlying quality of the business, is now very apparent. Throughout the year and against the backdrop of the changing economic environment, we have continued to maximise and grow our income and we continue to invest in the business whilst maintaining a prudent financial structure. We also look forward to securing planning permission for the New Covent Garden Market land which isnot yet accounted for within our financial results. These factors combined provide us with a sound financial platform from which we can continue to add value and drive the business forward.

Signed on behalf of the Board on 3rd February 2014.

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

Directors' Responsibility Statement

The financial information contained within this announcement has been prepared on the basis of the accounting policies applied in the year ended 30th November 2013 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 2013 or 2012, but is derived from those accounts.

Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts; its reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying its report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Annual Report and Financial Statements complies with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority and the UK Corporate Governance Code in respect of the requirements to produce annual financial statements. The Annual Report and Financial Statements is the responsibility of, and has been approved, by the directors. We confirm that to the best of our knowledge:

- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the Financial Statements 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; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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 2014. The full financial statements will be available to view on the National Storage Mechanism on the same date.

Signed on behalf of the Board on 3rd February 2014

BILL OLIVER	MICHAEL DUNN
Chief Executive	Group Finance Director

Group Income Statement

for the year ended 30th November 2013

	Notes	**2013 £m**	2012 £m
Revenue	1	**161.1**	219.1
Net rental income	1	**29.0**	28.3
Development profits	1	**24.7**	22.4
Gains on disposal of investments/investment properties		**3.6**	1.4
Investment property revaluation gains	7	**32.6**	6.4
Goodwill written off on corporate acquisition of investment properties		**-**	(1.3)
Other net income	1	**2.9**	2.8
Profits of joint ventures and associates (post-tax)	9	**21.8**	22.6
Administrative expenses		**(19.9)**	(18.1)
Profit before interest and tax		**94.7**	64.5
Finance cost	3	**(23.6)**	(22.3)
Finance income	3	**9.4**	5.2
Profit before tax		**80.5**	47.4
Tax charge	4	**(6.6)**	(5.1)
Profit for the year		**73.9**	42.3
Attributable to:			
Equity attributable to owners of the Company		**72.1**	42.7
Non-controlling interests		**1.8**	(0.4)
		73.9	42.3

	Notes	**2013 pence**	2012 pence
Basic earnings per share	5	**33.5**	21.3
Diluted earnings per share	5	**32.9**	21.2

All results are derived from continuing operations. A reconciliation of non-statutory measures used in the Strategic Report is included in note 2 to the Group Financial Statements.

Group Balance Sheet

as at 30th November 2013

	Notes	**2013 £m**	2012 £m

Non-current assets			
Investment property	7	**813.3**	770.4
Operating property, plant and equipment	8	**6.6**	6.8
Investments in joint ventures and associates	9	**95.3**	75.2
Trade and other receivables	10	**17.6**	21.6
		932.8	874.0
Current assets			
Inventories	11	**205.9**	175.2
Trade and other receivables	10	**59.7**	46.5
Cash and cash equivalents		**7.4**	8.9
		273.0	230.6
Current liabilities			
Trade and other payables	12	**(170.2)**	(155.6)
Borrowings	13	**(62.5)**	(3.3)
Tax payables	4	**(3.4)**	(3.3)
		(236.1)	(162.2)
Non-current liabilities			
Trade and other payables	12	**(46.2)**	(48.6)
Borrowings	13	**(285.6)**	(371.6)
Deferred tax	4	**(10.9)**	(8.5)
		(342.7)	(428.7)
Net assets		**627.0**	513.7
Capital and reserves			
Share capital		**22.0**	20.0
Share premium account		**102.8**	102.8
Retained earnings		**441.4**	377.6
Share incentive reserve		**2.1**	2.4
Own shares		**(0.3)**	(0.5)
Other reserves		**46.2**	0.3
Equity attributable to owners of the Company		**614.2**	502.6
Non-controlling interests		**12.8**	11.1
Total equity		**627.0**	513.7

These Financial Statements were approved by the Board of Directors on 3rd February 2014 and were signed on its behalf by Bill Oliver and Michael Dunn.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

Group Cash Flow Statement

for the year ended 30th November 2013

	Notes	2013 £m	2012 £m
Operating activities			
Profit before interest and tax		**94.7**	64.5
Gains on disposals of investments/investment properties		**(3.6)**	(1.4)
Share of profits of joint ventures and associates (post-tax)	9	**(21.8)**	(22.6)
Investment property revaluation gains	7	**(32.6)**	(6.4)
Goodwill written off on corporate acquisition of investment properties		**-**	1.3
Depreciation	8	**0.5**	0.5
Impairment losses on inventories	11	**1.7**	3.8
(Increase)/decrease in inventories		**(22.3)**	55.7
Increase in trade and other receivables		**(9.0)**	(4.0)
Increase/(decrease) in trade and other payables		**21.8**	(51.0)
Share options and share awards		**(0.1)**	0.3
Tax paid	4(c)	**(4.1)**	(2.2)
Net cash inflow from operating activities		**25.2**	38.5
Investing activities			
Investment property disposals		**54.0**	29.5

Investment property additions		**(74.5)**	(37.4)
Property, plant and equipment additions		**(0.4)**	(0.3)
Cash and cash equivalents acquired with subsidiary		**-**	0.4
Interest received		**-**	3.1
Dividends received		**1.7**	-
Net cash outflow from investing activities		**(19.2)**	(4.7)
Financing activities			
Dividends paid	6	**(8.2)**	(6.8)
Dividends paid to non-controlling interests		**(0.1)**	(0.1)
Interest paid		**(20.3)**	(20.6)
Receipt of funds from equity placing		**47.9**	-
New borrowings drawn		**51.0**	98.8
Repayment of borrowings		**(77.8)**	(101.4)
Net cash outflow from financing activities		**(7.5)**	(30.1)
(Decrease)/increase in cash and cash equivalents		**(1.5)**	3.7
Cash and cash equivalents at start of year		**8.9**	5.2
Cash and cash equivalents at end of year		**7.4**	8.9

Group Statement of Comprehensive Income

for the year ended 30th November 2013

	Notes	2013 £m	2012 £m
Profit for the year		**73.9**	42.3
Pension fund:			
- Actuarial losses		**(0.1)**	(0.1)
- Deferred tax thereon		**-**	-
Total comprehensive income for the year		**73.8**	42.2
Attributable to:			
- Owners of the Company		**72.0**	42.6
- Non-controlling interests		**1.8**	(0.4)
Total comprehensive income for the year		**73.8**	42.2

Group Statement of Changes in Equity

for the two years ended 30th November 2013

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interest £m	Total equity £m
At 30th November 2011	20.0	102.8	341.8	-	(0.5)	0.3	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	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total comprehensive income	-	-	42.6	-	-	-	42.6	(0.4)	42.2
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	377.6	2.4	(0.5)	0.3	502.6	11.1	513.7
Profit for the year attributable to shareholders	-	-	72.1	-	-	-	72.1	1.8	73.9
Pension fund actuarial losses	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total comprehensive									

income	-	-	72.0	-	-	-	72.0	1.8	73.8
Equity raise	2.0	-	-	-	-	45.9	47.9	-	47.9
Share-based payment charge	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Share transfers	-	-	-	-	0.2	-	0.2	-	0.2
Dividends paid	-	-	(8.2)	-	-	-	(8.2)	(0.1)	(8.3)
At 30th November 2013	**22.0**	**102.8**	**441.4**	**2.1**	**(0.3)**	**46.2**	**614.2**	**12.8**	**627.0**

On 1st March 2013 the Group completed a 'cash box' placing of 20,016,057 ordinary shares of 10p each at £2.45 per share. Net proceeds were £47.9m after share issue costs, of which the £2.0m nominal value of the shares was credited to share capital with the balance to other reserves.

Own shares represent the cost of 72,582 (2012: 215,754) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2013 was £259,553 (2012: £469,912).

Accounting Policies

for the year ended 30th November 2013

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 2013, 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.

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 two to five years

Leases

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

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

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

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

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

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, from 1st September 2009, to future accrual.

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

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

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

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

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

Own shares

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

The Group accounts for share-based payments as equity-settled. Equity-settled share-based payments are measured at fair value at the date of grant using an appropriate option pricing model. For those share options that had previously been accounted for as cash-settled, the fair value at the date of transition became the fair value at the date of grant for the equity-settled share-based options. The fair value at the date of grant is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

Financial instruments

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

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

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

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

Going concern The Financial Statements have been prepared on a going concern basis. This is discussed in the Strategic Report and adoption of the going concern assumption is confirmed in the Directors' report.

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

Net realisable value of inventories The Group has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value. Management's assessment of any resulting provision requirement is, where applicable, supported by independent information supplied by the external valuers. The estimates and judgements used were based on information available at, and pertaining to, 30th November 2013. Any subsequent adverse changes in market conditions may result in additional provisions being required.

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

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

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

Adoption of new and revised standards

Standards and interpretations adopted 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:

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

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

In addition, minor amendments to existing standards were made under Improvements to IFRSs (issued December 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):

IAS19 (revised 2013)	Defined Benefit Plans: Employee Contributions
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
IAS36 (amended 2013)	Recoverable Amount Disclosures for Non-financial Assets
IAS39 (amended 2013)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC20	Stripping Costs in the Production Phase of a Surface Mine
IFRIC21	Levies
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 and December 2013) are the latest tranches of the Improvements to IFRSs project and these have a number of minor amendments to existing IAS and IFRSs, which have not yet been adopted.

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.

Principal 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 & potential 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 valuation falls.	• Regional spread and portfolio diversity mitigates sector or location-specific risks. • Active portfolio management achieves a better than market utilisation of assets. • Hedging policy reduces interest rate risk.	We choose to operate only in the UK, which is subject to relatively low risk and low returns from a stable and mature, albeit cyclical, economy and property market. By involvement with all sectors of that economy and property market, we are as diversified as possible, without venturing overseas. Our land bank of over 5,900 acres provides us with the flexibility to move with market demands and pursue those opportunities that generate the greatest value at any one time. Over the course of the last year, the continuing (albeit improving) sovereign debt problems 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 and has been boosted by an increase in the availability of new mortgage finance which is due at least in part to the Government's Help to Buy scheme.
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	The excellent reputation and financial capacity of the Company has enabled us to continue to win schemes and grow the land bank to record levels, in what remains a challenging market and economy. In this environment, with a reduced number of active competitors, we expect to be able to continue attractive acquisitions.

	financially appraised) within clearly defined authority limits.	
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 PLC, VINCI PLC and Salhia Real Estate Company K.S.C. of Kuwait. These are financially strong partners with good prospects, and strong balance sheets. 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 a large percentage of overhead and interest costs. • Strong relationships with key banks. • Financial headroom maintained to provide flexibility. • Alternative sources of funding (e.g. retail bond in 2012, equity placing in 2013). • Weighted average expiry of facilities is 1.9 years at 30th November 2013.	Our prudent approach to forward commitments, speculative development and asset disposals has enabled us to optimise operational cash flows and offset the impact of fluctuating market conditions. Furthermore, we have once again recorded a trading profit in the year, demonstrating our ability to succeed in varying markets. The success of our first retail bond (October 2012) and an equity placing (March 2013) has further diversified our debt financing profile by providing access to unsecured 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 cash flow is closely monitored throughout the year and the year-end position is in line with the guidelines that we set at the start of the year.

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 are reviewed and financially appraised in detail, with clearly defined authority limits. • Contractual liability clearly defined.	Our programme for the year has been delivered successfully and we have conducted robust processes in selecting contractors for future projects.
Inadequate construction delivery and procurement leads to quality issues and cost overruns causing customer dissatisfaction 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; whilst the improving UK economy has reduced the risk overall, we continue to favour financially stable and robust contractors, and we are mindful of contractors' cash flows becoming stretched in a rising market.

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, with an increased proportion of planning applications going to appeal, our expertise should enable us to prosper

		relative to our competitors, irrespective 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 and/or reputational damage.	• Use of high quality external advisors. • Highly qualified and experienced 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. • Annual independent audit of environmental risk. • Reputation managed by a core team of skilled PR professionals.	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.

Human resources & 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 intellectual property.	• 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 and churn. We continue to adapt our recruitment strategy to source the skills that will support the Company's long-term business objectives.
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 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.
Inadequate Business Continuity Planning (BSP) for operations and IT, leading to significant business disruption, financial/IP loss and/or reputational damage in the event of an accident, act of terrorism or cyber crime.	• Documented BCP and crisis management plans covering IT and operations. • Dedicated IT team monitors performance of all information systems.	While the business does not internally rely on IT as a business process for its success, our reliance on these areas is increasing. Consequently, we are increasing our preventative security and the robustness of our reactive procedures in order to address this.

1. REVENUE AND GROSS PROFIT

	2013			
	Rental £m	**Development £m**	**Other £m**	**Total £m**
Revenue	**37.1**	**118.1**	**5.9**	**161.1**
Cost of sales	**(8.1)**	**(93.4)**	**(3.0)**	**(104.5)**
Gross profit	**29.0**	**24.7**	**2.9**	**56.6**

	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

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 2013 was £169.0m (2012: £229.3m) and in addition to the amounts above included service charge income of £6.5m (2012: £6.9m), for which there was an equivalent expense and interest income of £1.4m (2012: £3.3m). In the year ended 30th November 2013 both development revenue and cost of sales include £20.8m (2012: £60.9m) in relation to amounts settled by the Ministry of Defence in respect of RAF Northolt under Project MoDEL.

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 £0.1m (2012: £0.2m) 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:

	2013 £m	2012 £m
Revenue	**41.9**	77.7
Cost of sales	**(27.3)**	(63.2)
Gross profit	**14.6**	14.5

Amounts recoverable on contracts as disclosed in note 10 comprise £10.2m (2012: £7.2m) of contract revenue recognised and £0.8m (2012: £0.9m) of retentions.

There were no amounts due to customers (2012: £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:

		2013			2012		
	Notes	**Group £m**	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Net rental income		**29.0**	**7.3**	**36.3**	28.3	7.9	36.2
Development profit	(1)	**26.4**	**0.5**	**26.9**	26.2	1.2	27.4
Gains on disposal of investments/ investment properties		**3.6**	**9.3**	**12.9**	1.4	0.2	1.6
Other income		**2.9**	**-**	**2.9**	2.8	-	2.8
Administrative expenses		**(19.9)**	**(0.3)**	**(20.2)**	(18.1)	(0.5)	(18.6)
Finance costs	(2)	**(20.4)**	**(6.5)**	**(26.9)**	(18.8)	(6.2)	(25.0)
Finance income		**1.4**	**-**	**1.4**	1.1	-	1.1
Trading profit		**23.0**	**10.3**	**33.3**	22.9	2.6	25.5
Investment property revaluation gains	(1)	**30.9**	**11.1**	**42.0**	1.3	26.7	28.0
Other finance costs	(2)	**(3.2)**	**-**	**(3.2)**	(3.5)	(1.3)	(4.8)
Other finance income		**8.0**	**2.1**	**10.1**	4.1	-	4.1
Profit before all tax		**58.7**	**23.5**	**82.2**	24.8	28.0	52.8
Taxation		**(6.6)**	**(1.7)**	**(8.3)**	(5.1)	(5.4)	(10.5)
Profit for the year		**52.1**	**21.8**	**73.9**	19.7	22.6	42.3

(1) Stated before the deduction of net realisable value provisions of: Group £1.7m (2012: £3.8m); joint ventures and associates £nil (2012: £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 £3.2m (2012: £3.5m); joint ventures and associates £nil (2012: £1.3m). 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 £8.0m (2012: £4.1m); joint ventures and associates £2.1m (2012: £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:

		2013			2012		
	Notes	**Group £m**	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains		**32.6**	**11.1**	**43.7**	5.1	26.8	31.9
Net realisable value provisions		**(1.7)**	**-**	**(1.7)**	(3.8)	(0.1)	(3.9)
Property valuation gains		**30.9**	**11.1**	**42.0**	1.3	26.7	28.0
Added value		**21.0**	**7.1**	**28.1**	19.8	27.8	47.6
Market movements		**9.9**	**4.0**	**13.9**	(18.5)	(1.1)	(19.6)
Property valuation gains		**30.9**	**11.1**	**42.0**	1.3	26.7	28.0

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

2. NON-STATUTORY INFORMATION

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:

2013 2012

	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Investment properties	**813.3**	**137.6**	**950.9**	770.4	174.9	945.3
Less assets held under finance leases	**(3.9)**	**(1.2)**	**(5.1)**	(3.9)	(1.2)	(5.1)
Add back lease incentives (recorded in receivables)	**5.6**	**1.3**	**6.9**	4.5	1.6	6.1
Inventories	**205.9**	**3.6**	**209.5**	175.2	7.5	182.7
Less 'barter' properties and accrued inventory (1)	**(20.4)**	**-**	**(20.4)**	(30.8)	-	(30.8)
Property portfolio	**1,000.5**	**141.3**	**1,141.8**	915.4	182.8	1,098.2

(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, and accrued inventory.

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

	2013 £m	2012 £m
Retail	**201.0**	240.2
Offices	**59.4**	60.7
Industrial	**253.1**	260.6
Income producing	**513.6**	561.5
Residential land	**481.8**	397.4
Commercial land	**146.4**	139.3
Property portfolio	**1,141.8**	1,098.2

d. Movement in net debt

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

	2013 £m	2012 £m
Movement in cash and cash equivalents	**(1.5)**	3.7
Borrowings drawn	**(51.0)**	(98.8)
Repayment of borrowings	**77.8**	101.4
Receipt of funds from equity placing	**(47.9)**	-
Joint venture debt repaid between 30th November 2011 and acquisition as subsidiary undertakings on 31st May 2012	**-**	1.6
(Increase)/decrease in equivalent net debt	**(22.6)**	7.9
Receipt of funds from equity placing	**47.9**	-
Joint venture debt at 30th November 2011 now consolidated	**-**	(26.8)
Decrease/(increase) in net debt	**25.3**	(18.9)

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

2. NON-STATUTORY INFORMATION

e. Trading cash flow

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

	2013			
	Operating activities £m	**Investing activities £m**	**Financing activities £m**	**Total £m**
Net rent and other income	**31.9**	**-**	**-**	**31.9**
Property disposals	**118.1**	**54.0**	**-**	**172.1**
Property acquisitions	**(14.8)**	**(8.7)**	**-**	**(23.5)**
Capital expenditure	**(87.0)**	**(66.2)**	**-**	**(153.2)**
Working capital and other movements	**0.6**	**-**	**-**	**0.6**
Overheads and interest	**(19.5)**	**-**	**(20.3)**	**(39.8)**
Taxation	**(4.1)**	**-**	**-**	**(4.1)**
Trading cash flow	**25.2**	**(20.9)**	**(20.3)**	**(16.0)**
Receipt of funds from equity placing	**-**	**-**	**47.9**	**47.9**
Net borrowings	**-**	**-**	**(26.8)**	**(26.8)**
Net dividends	**-**	**1.7**	**(8.3)**	**(6.6)**
Movement in cash and cash equivalents	**25.2**	**(19.2)**	**(7.5)**	**(1.5)**

	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

2. NON-STATUTORY INFORMATION

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.

		2013			2012	
	Group £m	**VSM £m**	**Total £m**	Group £m	VSM £m	Total £m
Investment property	**744.6**	**68.7**	**813.3**	703.6	66.8	770.4
Other non-current assets	**108.9**	**10.6**	**119.5**	88.0	15.6	103.6
Inventory	**199.7**	**6.2**	**205.9**	148.3	26.9	175.2
Cash and cash equivalents	**3.2**	**4.2**	**7.4**	5.0	3.9	8.9
Other current assets	**34.7**	**25.0**	**59.7**	26.9	19.6	46.5
Total assets	**1,091.1**	**114.7**	**1,205.8**	971.8	132.8	1,104.6
Current liabilities	**(142.0)**	**(31.6)**	**(173.6)**	(125.0)	(33.9)	(158.9)
Borrowings	**(338.1)**	**(10.0)**	**(348.1)**	(344.5)	(30.4)	(374.9)
Other non-current liabilities	**(19.3)**	**(37.8)**	**(57.1)**	(12.4)	(44.7)	(57.1)
Total liabilities	**(499.4)**	**(79.4)**	**(578.8)**	(481.9)	(109.0)	(590.9)
Net assets	**591.7**	**35.3**	**627.0**	489.9	23.8	513.7
Equity attributable to owners of the Company	**587.7**	**26.5**	**614.2**	485.3	17.3	502.6
Non-controlling interests	**4.0**	**8.8**	**12.8**	4.6	6.5	11.1
Total equity	**591.7**	**35.3**	**627.0**	489.9	23.8	513.7

g. Net assets per share

Net assets per share are calculated as set out below:

	2013	2012
Total equity (£m)	**627.0**	513.7
Less: Non-controlling interest	**(12.8)**	(11.1)
Equity attributable to owners of the Company	**614.2**	502.6
Deferred tax on capital allowances and revaluations	**20.5**	18.7
Mark-to-market of interest rate swaps	**12.7**	19.1
Fair value of inventories	**8.5**	3.9
Diluted EPRA net assets	**655.9**	544.3
Shares in issue (number)	**220,376,988**	200,360,931
Total equity attributable to owners of the Company net assets per share (pence)	**278.7**	250.8
Percentage increase	**11%**	8%
Diluted EPRA net assets per share (pence)	**297.6**	271.7
Percentage increase	**10%**	9%

2. NON-STATUTORY INFORMATION

h. Gearing and loan to value

The following table shows the calculation of:

gearing, being the ratio of net debt to total equity; and

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

In addition 'equivalent' net debt and associated metrics are discussed in the Strategic Report. These figures assume that the equity placing was in place at 30th November 2012. Adjustments to derive these figures are also detailed below.

		2013			2012	
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	**1,000.5**	**141.3**	**1,141.8**	915.4	182.8	1,098.2
Total equity	**627.0**	**N/A**	**627.0**	513.7	N/A	513.7
Adjustment assuming equity placed as at 30th November 2012	**-**	**N/A**	**-**	47.9	N/A	47.9
Comparable equity	**627.0**	**N/A**	**627.0**	561.6	N/A	561.6
Net debt	**340.7**	**33.0**	**373.7**	366.0	82.5	448.5
Adjustment assuming equity placed as at 30th November 2012	**-**	**-**	**-**	(47.9)	-	(47.9)

Comparable debt	**340.7**	**33.0**	**373.7**	318.1	82.5	400.6
Gearing	**54%**		**60%**	71%		87%
LTV	**34%**		**33%**	40%		41%
Equivalent gearing	**54%**		**60%**	57%		71%
Equivalent LTV	**34%**		**33%**	35%		36%

3. FINANCE COST AND FINANCE INCOME

	2013 £m	2012 £m
Interest payable on borrowings	**(20.2)**	(18.6)
Amortisation of loan arrangement fees	**(1.2)**	(1.2)
Amortisation of discount on deferred payment arrangements	**(0.9)**	(1.1)
Head rents treated as finance leases	**(0.2)**	(0.2)
Interest on pension scheme liabilities	**(1.1)**	(1.2)
Total finance cost	**(23.6)**	(22.3)

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

	2013 £m	2012 £m
Interest receivable	**1.4**	1.1
Credit in respect of loan settlement fees	**-**	2.0
Credit in respect of discount on deferred receivables	**0.1**	0.2
Movement in fair value of interest rate derivatives	**6.7**	0.6
Expected return on pension scheme assets	**1.2**	1.3
Total finance income	**9.4**	5.2

4. TAXATION

a. Tax on profit on ordinary activities

	2013 £m	2012 £m
Tax charge/(credit) in the Income Statement:		
Corporation tax		
Current year tax	**4.3**	3.4
Adjustments in respect of previous years	**(0.1)**	1.9
	4.2	5.3
Deferred tax		
Reversal of temporary differences	**2.7**	(0.4)
Impact of current year revaluations and indexation	**3.0**	2.7
Net (recognition)/utilisation of tax losses	**(1.2)**	0.9
Change in rate for provision of deferred tax	**(1.0)**	(0.5)
Adjustments in respect of previous years	**(1.1)**	(2.9)
	2.4	(0.2)
Total tax charge in the Income Statement	**6.6**	5.1
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

	2013 £m	2012 £m
Profit before tax	**80.5**	47.4
Less: Joint ventures and associates	**(21.8)**	(22.6)
Pre-tax profit attributable to the Group	**58.7**	24.8
Corporation tax at 23.3% (2012: 24.7%)	**13.7**	6.1
Permanent differences	**0.1**	(0.7)
Short-term timing differences	**5.8**	(1.7)
Impact of current year revaluations and indexation	**(3.0)**	2.2
Difference between chargeable gains and accounting profit	**(6.8)**	0.7
Change in rate used for provision of deferred tax	**(0.4)**	(0.5)
Deferred tax asset recognised	**(1.6)**	-
Current year charge	**7.8**	6.1
Adjustments in respect of previous years	**(1.2)**	(1.0)
Tax charge for the year	**6.6**	5.1
Effective rate of tax	**11%**	21%

The post-tax results of joint ventures and associates are stated after a tax charge of £1.7m (2012: £5.4m). The effective tax rate for the Group including joint ventures and associates is a charge of 10.1% (2012: 19.9% charge).

The Finance Act 2013 was enacted on 17th July 2013 and included provisions which reduced the main rate of corporation tax to 21% from 1st April 2014 and 20% from 1st April 2015. Current tax has therefore been provided at 23.3% and deferred tax at 21% for amounts expected to reverse before 1st April 2015 and 20% for amounts expected to reverse thereafter.

4. TAXATION

c. Balance sheet

	2013		2012	
	Corporation tax £m	**Deferred tax £m**	Corporation tax £m	Deferred tax £m
Balance at start of the year	**3.3**	**8.5**	0.2	8.7
Charge/(credit) to the income statement	**4.2**	**2.4**	5.3	(0.2)
Net payment	**(4.1)**	**-**	(2.2)	-
Balance at end of the year	**3.4**	**10.9**	3.3	8.5

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

	2013			2012		
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Property revaluations	**-**	**11.8**	**11.8**	-	9.5	9.5
Capital allowances	**-**	**3.5**	**3.5**	-	3.6	3.6
Appropriations to trading stock	**-**	**0.7**	**0.7**	-	0.9	0.9
Unutilised tax losses	**(1.6)**	**-**	**(1.6)**	(0.1)	-	(0.1)
Other temporary differences	**(3.5)**	**-**	**(3.5)**	(5.4)	-	(5.4)
	(5.1)	**16.0**	**10.9**	(5.5)	14.0	8.5

At the Balance Sheet date, the Group has unused tax losses in relation to 2013 and prior years of £3.2m (2012: £1.8m), of which £1.6m (2012: £0.1m) has been recognised as a deferred tax asset. A deferred tax asset of £1.6m (2012: £1.7m) 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.

As a property group, tax planning is often an integral part of transactions. Where tax planning is entered into benefits are recognised by the Group to the extent the outcome is reasonably certain. Where tax planning has been challenged by HMRC, or management believe that there is a risk of such challenge, provision is made for the best estimate of potential exposure based on the information available at the balance sheet date.

5. EARNINGS PER SHARE

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

	2013 Number of shares	2012 Number of shares
Weighted number of shares in issue	215,236,438	200,145,177
Weighted number of dilutive shares	4,074,926	1,534,599
	219,311,364	201,679,776

	2013 £m	2012 £m
Profit attributable to equity shareholders (basic and diluted)	**72.1**	42.7

	2013 pence	2012 pence
Basic earnings per share	**33.5**	21.3
Diluted earnings per share	**32.9**	21.2

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 2012 and an interim dividend for 2013. 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.

	2013		2012	
	p per share	**£m**	p per share	£m
Paid				
Final dividend in respect of previous year	**2.42**	**5.3**	2.20	4.4
Interim dividend in respect of current year	**1.33**	**2.9**	1.21	2.4
Total	**3.75**	**8.2**	3.41	6.8
Proposed				

Current year final dividend	**2.67**	**5.9**	2.42	4.8

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 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 (note 11)	(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
Additions - new properties	9.4	-	9.4
Other additions	54.9	6.3	61.2
Net transfers (from)/to inventories (note 11)	(10.7)	0.6	(10.1)
Reclassification from operating properties (note 8)	0.1	-	0.1
Disposals	(35.0)	(15.3)	(50.3)
Gain on revaluation	21.1	11.5	32.6
At 30th November 2013	**615.5**	**197.8**	**813.3**

Investment properties were valued at 30th November 2013 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 £nil (2012: £31.6m) acquired through business combinations.

The historical cost of investment properties at 30th November 2013 was £699.3m (2012: £680.5m).

As at 30th November 2013, £633.2m (2012: £632.8m) of investment property was pledged as security for the Group's loan facilities.

Included within leasehold investment properties are £3.9m (2012: £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 2011	6.9	4.9	11.8
Additions	0.1	0.1	0.2
At 30th November 2012	7.0	5.0	12.0
Additions	-	0.4	0.4
Reclassified to investment property (note 7)	(0.1)	-	(0.1)
At 30th November 2013	**6.9**	**5.4**	**12.3**
Depreciation			
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
Charge for the year	0.1	0.4	0.5
At 30th November 2013	**0.9**	**4.8**	**5.7**
Net book value			
At 30th November 2011	6.2	0.9	7.1
At 30th November 2012	6.2	0.6	6.8
At 30th November 2013	**6.0**	**0.6**	**6.6**

Tenure of operating properties:

	2013 £m	2012 £m
Freehold	**3.4**	3.5
Leasehold	**2.6**	2.7
	6.0	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:

	2013	2012

	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	**13.8**	**-**	**1.4**	**15.2**	18.9	0.1	0.8	19.8
Net rental income	**7.1**	**(0.1)**	**0.3**	**7.3**	7.3	(0.1)	0.7	7.9
Development profits/(losses)	**0.2**	**-**	**0.3**	**0.5**	1.3	-	(0.2)	1.1
Gains on disposal of investments/ investment properties	**9.3**	**-**	**-**	**9.3**	0.2	-	-	0.2
Investment property revaluation gains/(losses)	**6.2**	**5.1**	**(0.2)**	**11.1**	(0.4)	27.2	-	26.8
Administrative expenses	**(0.2)**	**(0.1)**	**-**	**(0.3)**	(0.3)	(0.1)	(0.1)	(0.5)
Profit before interest and tax	**22.6**	**4.9**	**0.4**	**27.9**	8.1	27.0	0.4	35.5
Finance cost	**(4.1)**	**(2.3)**	**(0.1)**	**(6.5)**	(4.8)	(2.4)	(0.3)	(7.5)
Finance income	**1.9**	**0.2**	**-**	**2.1**	-	-	-	-
Profit before tax	**20.4**	**2.8**	**0.3**	**23.5**	3.3	24.6	0.1	28.0
Taxation	**(1.6)**	**(0.1)**	**-**	**(1.7)**	0.3	(5.5)	(0.2)	(5.4)
Profit/(loss) for the year	**18.8**	**2.7**	**0.3**	**21.8**	3.6	19.1	(0.1)	22.6

Included in other joint ventures and associates above are results from associated companies of £nil (2012: losses of £0.1m).

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

	2013				2012			
	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
Balance Sheets								
Non-current assets	**80.7**	**60.0**	**6.4**	**147.1**	116.8	58.9	3.8	179.5
Current assets	**10.2**	**2.9**	**4.1**	**17.2**	13.6	2.9	4.8	21.3
Current liabilities	**(8.9)**	**(16.0)**	**(2.4)**	**(27.3)**	(19.2)	(6.2)	(0.9)	(26.3)
Non-current liabilities	**(15.2)**	**(25.1)**	**(1.4)**	**(41.7)**	(62.0)	(36.5)	(0.8)	(99.3)
Net assets	**66.8**	**21.8**	**6.7**	**95.3**	49.2	19.1	6.9	75.2
Equity at start of year	**49.2**	**19.1**	**6.9**	**75.2**	45.6	-	4.7	50.3
Transfer from joint venture to subsidiary undertaking	**-**	**-**	**-**	**-**	-	-	2.3	2.3
Profit/(loss) for the year	**18.8**	**2.7**	**0.3**	**21.8**	3.6	19.1	(0.1)	22.6
Dividends paid	**(1.2)**	**-**	**(0.5)**	**(1.7)**	-	-	-	-
Equity at end of year	**66.8**	**21.8**	**6.7**	**95.3**	49.2	19.1	6.9	75.2

Included in other joint ventures and associates above are net assets of £2.8m (2012: £2.9m) in relation to associated companies. These net assets comprise total assets of £3.6m (2012: £3.6m) and total liabilities of £0.8m (2012: £0.7m).

Joint venture companies and associates comprise:

Name	**Status**	**Interest**	**Principal nature of business**
Key Property Investments Limited	Joint venture	50%	Property investment and development
VSM Estates Uxbridge (Group) Limited	Joint venture	50%	Property investment and development
VSM (NCGM) Limited	Joint venture	50%	Property development
Barton Business Park Limited	Joint venture	50%	Property development
Killingholme Energy Limited	Joint venture	50%	Property development
Killingholme Land Limited	Joint venture	50%	Property development
Meaford Energy Limited	Joint venture	50%	Property development
Meaford Land Limited	Joint venture	50%	Property development
SkyPark Development Partnership	Joint venture	50%	Property development
Wreham Land Limited	Joint venture	50%	Property development
Wrexham Power Limited	Joint venture	50%	Property development
Coed Darcy Limited	Associate	49%	Property investment and development
Baglan Bay Company Limited	Associate	25%	Property management

In the Strategic Report 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 shareholder agreements for joint ventures and associates contain change of control provisions, as is common for such arrangements.

10. TRADE AND OTHER RECEIVABLES

	2013 £m	2012 £m
Non-current		
Other debtors	**11.6**	15.6
Amounts due from joint ventures	**6.0**	6.0
	17.6	21.6
Current		
Trade receivables	**2.2**	4.9
Prepayments and accrued income	**4.9**	7.1
Other debtors	**29.3**	18.2
Amounts recoverable on contracts	**11.0**	8.1
Amounts due from joint ventures	**12.3**	8.2
	59.7	46.5

11. INVENTORIES

	2013 £m	2012 £m
£m		
Properties held for sale	**9.7**	9.6
Properties under construction	**177.3**	143.1
Land under option	**18.9**	22.5
	205.9	175.2

The movement in inventories during the two years ended 30th November 2013 is as follows:

	£m
At 30th November 2011	191.1
Additions	85.0
Net transfers from investment property (note 7)	50.8
Disposals (transferred to development cost of sales) (note 1)	(151.7)
At 30th November 2012	175.2
Additions	114.0
Net transfers from investment property (note 7)	10.1
Disposals (transferred to development cost of sales) (note 1)	(93.4)
At 30th November 2013	**205.9**

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

Included within disposals of inventories are net realisable value provisions made during the year of £1.7m (2012: £3.8m).

As at 30th November 2013 £38.3m (2012: £41.0m) of inventory was pledged as security for the Group's loan facilities.

12. TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Current		
Trade payables	**21.1**	20.4
Amounts due to joint ventures	**25.0**	13.1
Other payables and accrued expenses	**92.8**	74.8
Other payables on deferred terms	**18.5**	27.8
Derivative financial instruments	**12.8**	19.5
	170.2	155.6
Non-current		
Other payables on deferred terms	**42.3**	44.7
Finance lease liabilities (head rents)	**3.9**	3.9
	46.2	48.6

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

	2013 £m	2012 £m
Current		
Bank overdrafts	**-**	3.3
Bank loans	**62.5**	-
	62.5	3.3
Non-current		

Amounts repayable between one and two years	**64.0**	85.1
Amounts repayable between two and five years	**138.0**	201.6
Amounts repayable after more than five years	**83.6**	84.9
	285.6	371.6
Total	**348.1**	374.9

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:

	2013			2012		
	Drawn £m	**Undrawn £m**	**Total £m**	Drawn £m	Undrawn £m	Total £m
Secured floating rate borrowings:						
Less than one year1	**62.5**	**42.5**	**105.0**	3.3	1.7	5.0
One to two years	**74.0**	**20.0**	**94.0**	85.1	14.9	100.0
Two to three years	**128.0**	**67.0**	**195.0**	120.3	84.7	205.0
Three to four years	**-**	**-**	**-**	81.3	23.7	105.0
More than five years	**3.6**	**1.0**	**4.6**	4.9	0.1	5.0
	268.1	**130.5**	**398.6**	294.9	125.1	420.0
Unsecured fixed rate borrowings:						
More than five years	**80.0**	**-**	**80.0**	80.0	-	80.0
	348.1	**130.5**	**478.6**	374.9	125.1	500.0

1 In addition to the principal amounts included above, £0.8m (2012: £0.9m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

No undrawn committed facilities are ring fenced for VSM Estates (Holdings) Limited (2012: £0.6m).

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

	2013		2012	
	£m	**Applicable interest rate**	£m	Applicable interest rate
Floating rate bank debt	**68.1**	**Margin + 3 month LIBOR**	64.9	Margin + 3 month LIBOR
Fixed rate bank debt	**200.0**	**Margin + 3.34%**		
weighted average swap rate	**230.0**	**Margin + 3.34%**		
weighted average swap rate				
Fixed rate retail bond	**80.0**	**6.25% fixed rate**	80.0	6.25% fixed rate
At 30th November 2013	**348.1**		374.9	

The average margin on the Group's bank debt is 2.0% (2012: 2.1%).

13. BORROWINGS

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% (2012: 2.01% to 5.16%). 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 3.

	2013				2012			
	Earliest termination		**Latest termination**		Earliest termination		Latest termination	
	£m	**%***	**£m**	**%***	£m	%*	£m	%*
Less than one year	**20.0**	**3.83%**	**10.0**	**2.79%**	30.0	4.83%	10.0	4.65%
One to two years	**70.0**	**3.28%**	**70.0**	**3.28%**	60.0	3.60%	50.0	3.34%
Two to three years	**60.0**	**2.99%**	**60.0**	**2.99%**	50.0	2.91%	50.0	2.91%
Three to four years	**20.0**	**2.01%**	**20.0**	**2.01%**	60.0	2.99%	60.0	2.99%
Four to five years	**30.0**	**4.72%**	**40.0**	**4.76%**	20.0	2.01%	20.0	2.01%
More than five years	**-**		**-**		10.0	4.32%	40.0	4.76%
	200.0	**3.34%**	**200.0**	**3.34%**	230.0	3.34%	230.0	3.34%

* 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 2.4 years (2012: 2.8 years).

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) and Chertsey Road Property Limited, 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. The acquisitions provided 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.

As required by IFRS 3 (2008) Business Combinations, these deemed acquisitions of control resulted in the joint venture interests being remeasured to their fair values at the acquisition date and net goodwill arising. This was not deemed to be recoverable, and was written off to the Income Statement in the year ended 30th November 2012.

Fair values were reported as provisional in the Financial Statements for the year ended 30th November 2012. No subsequent amendments were made.

15. RELATED PARTY TRANSACTIONS

Transactions between the Group and its non-wholly owned subsidiaries, joint ventures and associates are all undertaken on an arm's 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 £0.5m (2012: £0.7m). The balance due to the Group at year end was £1.8m (2012: £4.3m). No interest is charged on this balance.

VSM Estates Uxbridge (Group) Limited (VSM Uxbridge)
In the prior 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 under Project MoDEL.

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 £13.7m (2012: £8.6m), of which £6.0m (2012: £6.0m) is loan notes on which interest is chargeable. Interest charged in the year ended 30th November 2013 was £1.4m (2012: £0.7m).

Barton Business Park Limited (Barton)
The balance due to Barton at the year end was £3.8m (2012: £3.8m). No interest is charged on this balance.

SkyPark Development Partnership LLP (Skypark)
During the year the Group provided funding of £0.6m to SkyPark (2012: £nil). The balance due to the Group from Skypark at the year end was £1.1m (2012: £0.5m), of which £1.1m (2012: £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 £nil (2012: £0.2m). The balance due to the Group at the year end was £0.2m (2012: £0.2m). No interest is charged on this balance.

Wrexham Land Limited, (Wrexham Land)
During the year the Group provided funding to Wrexham Land of £nil (2012: £0.1m). The balance due to the Group at the year end was £0.1m (2012: £0.1m). No interest is charged on this balance.

VSM (NCGM) Limited (VSM (NCGM))
In December 2012 the Group set up VSM (NCGM) as a new joint venture with VINCI PLC to jointly redevelop the 57 acre New Covent Garden Market site in partnership with the Covent Garden Market Authority.

During the year the Group provided funding to VSM (NCGM) of £1.4m (2012: £nil). The balance due to the Group at the year end was £1.4m (2012: £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 (2012: £0.4m) with an annual rental payable of £0.1m (2012: £0.1m). The balance due to the Group at year end was £0.1m (2012: £0.1m).

15. RELATED PARTY TRANSACTIONS

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 less than a 90% interest were as follows:

	Management fees		Interest		Balance	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Norton & Proffitt Developments Limited	**-**	-	**-**	-	**(0.2)**	(0.4)
Stoke-on-Trent Regeneration (Investments) Limited	**-**	-	**-**	-	**(0.8)**	0.8
Stoke-on-Trent Regeneration Limited	**-**	-	**(0.1)**	(0.1)	**(3.5)**	(3.7)
Trentham Leisure Limited	**-**	-	**1.4**	1.4	**19.5**	19.7
Uttoxeter Estates Limited	**-**	-	**-**	-	**(0.2)**	(0.4)
VSM Estates (Holdings) Limited	**-**	0.2	**0.6**	0.8	**(17.3)**	(7.3)
Widnes Regeneration Limited	**-**	-	**-**	-	**2.3**	2.4
	-	0.2	**1.9**	2.1	**(0.2)**	11.1

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 (2012: £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.

Key management personnel

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

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