

Final Results

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St. Modwen Properties PLC
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ST. MODWEN PROPERTIES PLC
("St. Modwen" or "the Company")
Annual Results for the Year Ended 30th November 2014

**ST. MODWEN REPORTS RECORD PROFITS OF £138.1M
AND NET ASSET VALUE GROWTH OF 17%**

Financial highlights

- 68% increase in profit before all tax to £138.1m (2013: £82.2m)
- Shareholders' NAV per share up 17% to 324.9p (2013: 278.8p), and EPRA NAV per share up 16% to 344.2p (2013: 297.7p)
- Earnings per share up 57% to 52.7p (2013: 33.5p)
- Property profits up 45% to £57.7m (2013: £39.8m)
- Debt portfolio fully refinanced with earliest maturity now 2018 and successful launch of £100m convertible bond
- Total dividend for the year increased by 15% to 4.6p per share (2013: 4.0p per share)

Operational highlights

- Overall valuation increase of £90m (2013: £42m), comprising gains of £32m (2013: £28m) as a result of planning and asset management initiatives and £58m market-driven valuation gain (2013: £14m)
- Significant milestones completed across all major projects:
 - *New Covent Garden Market* - a resolution to grant planning was received in November 2014, unconditional status is targeted in the first half of 2015
 - *Longbridge, Birmingham* - excellent progress has been made across the scheme with construction of the Marks & Spencer 150,000 sq ft new flagship store now well underway and on schedule to complete in time for Christmas 2015 trading
 - *Bay Campus, Swansea University* - signed a Development Agreement with the University for an additional 545 student apartments and new student facilities. Forward sold 50% of the apartments to M&G Investments for the M&G Secured Property Income Fund for £20m
- Housebuilding activities delivered a 167% increase in residential profits to £24m (2013: £9m)

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

"This has been an exceptional year for St. Modwen and we have achieved significant progress across all of our major projects as well as increasing our active pipeline of commercial development opportunities to over 3m sq ft of space. The residential part of the business continues to perform well with good sales rates achieved throughout the year and we anticipate a sustained performance into 2015.

"Across the UK, we continued to grow the business, capitalising on the upturn in the regional property market and we look forward to continuing this level of success throughout the coming year."

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A presentation for analysts and investors will be held at 9.30am today at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. If you would like to attend, please contact Kirsty Allan at FTI +44 (0)20 3727 1015 or kirsty.allan@fticonsulting.com

A live webcast of the presentation will be available at www.stmodwen.co.uk and presentation slides will also be available to download.

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

Participants:

Tel: +44(0)20 3059 8125

Passcode:

St. Modwen

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

This 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.

CHAIRMAN'S STATEMENT

I am very proud to be reporting on a record year for St. Modwen with the business achieving 17% growth in net asset value to 324.9p per share (2013: 278.8p per share) and profit before all tax of £138.1m (2013: £82.2m).

This outstanding set of results has been helped by strong valuation gains across our portfolio attributable to our planning and asset management initiatives, combined with positive movements in the UK residential and commercial marketplaces which reflect the overall upturn in the economy.

Sitting alongside our robust business strategy, at the heart of our success and inherent to St. Modwen, is a set of core values. They reflect our strengths and our approach to all facets of regeneration. In a year of record profits, these values have never been more relevant. We have set them out below, together with examples from our business activities highlighting our individual approach.

We think long-term

Over the last few years we have continued to focus on our regional portfolio, placing strong emphasis on asset managing our income producing properties and preparing sites for delivery for when the market conditions are appropriate. This long-term approach has positioned us well, enabling us to respond quickly to the increase in demand across the regional market as it continues to recover and benefit from the meaningful contribution the regions have made to this year's record results.

Our long-term approach to regeneration is exemplified by the £1bn regeneration of Longbridge, Birmingham, one of our major projects. Having started on site in 2007, we continued to deliver this important scheme throughout the recession, creating hundreds of new homes, the new 250,000 sq ft Bournville College and a 150,000 sq ft Technology Park. We have since launched the new £100m Town Centre and in October 2014 we started on site with the second phase retail anchor, a 150,000 sq ft Marks & Spencer store, drawn to our Longbridge development because of its vibrancy, connectivity and growing population. We look forward to welcoming more national high street brands to the Town Centre during 2015.

We are innovative

We are continuously looking at new and inventive ways to develop our brownfield land portfolio in order to generate the best value for the business, our shareholders and partners and local communities.

We have also applied this innovative approach to strengthen further our financial base, pursuing and securing alternative forms of funding to reduce reliance on bank finance whilst decreasing our gearing levels. In the last three years, we have issued a retail bond in October 2012 which raised £80m, completed a £49m equity placing in March 2013 and, in February 2014, successfully launched a £100m convertible bond. Also in 2014, we completely restructured our bank finance such that all of our corporate and joint venture facilities now extend until at least 2018.

We do what we say

No one can deny we are a straight talking company and it is this direct approach that has cemented some important partnerships for the business and resulted in the success that we are reporting on today. Colleagues, customers, suppliers, shareholders and major stakeholders rely on us to deliver on the promises and commitments we make to bring about long-term sustainable regeneration.

We acquired the 2,500 acre portfolio of BP sites in 2009 at the height of the recession and are now delivering on our plans by transforming swathes of former industrial land across South Wales into an innovative mix of housing, education and energy-related projects. These include a 30 acre Solar Park at Baglan Bay which we launched in March 2014, the £450m Bay Campus for Swansea University and the 1,060 acre residential-led regeneration at Coed Darcy in Neath.

DIVIDEND

In recent years, we have increased our dividends in line with the growth in net asset value and to reflect the Company's results. For the year ended 30th November 2014, the Board has decided to recommend a 15% increase in the total dividend for the year to 4.60p per share (2013: 4.00p per share) giving a final dividend for the year of 3.137p per share (2013: 2.67p per share). The final dividend will be paid on 2nd April 2015 to shareholders on the register at 6th March 2015.

PEOPLE

The dedication and energy of our staff personifies our values and they have made a significant contribution to the delivery of this year's excellent set of results. Therefore, I would like to thank everyone at St. Modwen for their ongoing commitment, hard work and determination throughout the last 12 months.

BOARD CHANGES

We continue to refresh the composition of the Board to ensure that it is best placed to operate effectively. In the year, John Salmon, Audit Committee Chairman announced his intention to retire from the Board at the conclusion of the 2015 AGM after more than nine years' service. On behalf of the Board, I would like to take this opportunity to thank John for his significant commitment and valued contribution to St. Modwen and to wish him well for the future.

John will be succeeded as Audit Committee Chairman by Ian Bull, who joined the Board as a non-executive director in September 2014. Ian is Chief Financial Officer and a main board director at Ladbrokes plc, a position he has held since 2011. His strong financial and commercial pedigree will complement the existing experience of the Board and I am delighted that he will be continuing John's excellent work as Audit Committee Chairman.

We announced in December 2014 that Michael Dunn, Group Finance Director, would be leaving the Company. The search for his successor, which will consider both internal and external candidates, is already well advanced. Mike has played an important part in the Company's success since his appointment in 2010 and on behalf of the Board, I would like to thank him for his valuable contribution and wish him well for the future.

PROSPECTS

We are a national business with a UK-wide portfolio of commercial and residential development opportunities. We have clear visibility on the progression of plans for our major projects and anticipate further growth in commercial development activity across the UK, leading us to extend our active pipeline of opportunities throughout 2015 and beyond.

Our residential business continues to go from strength to strength, both in terms of its size and the reputation of the brand, and we anticipate sustained levels of performance in the coming year.

We remain well positioned to benefit from the growth potential in the UK economy and the property market as a whole and we look forward to further success in 2015 when we will continue to add value to our portfolio to ensure good long-term returns for our shareholders.

Bill Shannon
Chairman
2nd February 2015

CHIEF EXECUTIVE'S REVIEW

The combination of our extensive experience, robust business model and consistent strategy has come together this year to generate exceptional growth for the business. This has resulted in record results with an increase in profit before all tax of 68% to £138.1m (2013: £82.2m) and a 17% increase in net asset value per share to 324.9p (2013: 278.8p).

This successful year has seen many high points, the most recent being the receipt of a resolution to grant planning permission in November 2014 for the redevelopment of the New Covent Garden Market sites at Nine Elms in London. We are targeting to achieve unconditional status in the first half of 2015; this will be a hugely significant milestone for the project and the business as a whole and will have a substantial and positive impact on the valuation of our portfolio.

Our other major projects, the £1bn regeneration of Longbridge, Birmingham and the £450m Bay Campus for Swansea University, have made excellent progress during the period. The first completed building at Bay Campus was handed over to the University on time and within budget in December 2014, whilst the 150,000 sq ft Marks & Spencer store at Longbridge is now under construction and scheduled to complete in time for Christmas 2015 trading. In line with the growing prominence of Longbridge as a business location, we moved our Head Office there in October 2014. The development, a flagship project for the Company, exemplifies every facet of our regeneration skills and is a natural base from which St. Modwen can continue its growth.

Both Longbridge and the Bay Campus contribute to our active pipeline of commercial development activity across the UK which now amounts to over 3m sq ft, and we are well positioned to capitalise on the continued upturn in the market. This pipeline and the increase in our construction activity not only underlines the recovery of the regional property market but also demonstrates our ability to think long-term and to manage our 5,900 acre land bank effectively throughout economic cycles.

Our residential business has performed well in the period delivering an overall profit increase of 167% to £24m (2013: £9m) with good sales rates being achieved across the country. With the Persimmon joint venture now firmly established, we are focusing our attention on our housebuilding brand, St. Modwen Homes, which completed 258 new homes over the period and has nine active sites. Meanwhile, the Persimmon joint venture completed 562 new homes in the period from eight sites.

We continue to look at new and innovative ways to use our land in order to maximise its value and to ensure that it is developed to best complement its surroundings. Against the backdrop of a diminishing energy supply across the UK, we are pursuing a number of energy-related opportunities, including the delivery of gas-fired Combined Cycle Gas Turbine power stations on two sites. Both are at differing stages of the planning process but we anticipate further progress for at least one of these opportunities during 2015.

STRATEGY OVERVIEW

Our strategy remains fundamentally unchanged. We continue to add value to our £1.3bn land bank through planning and asset management initiatives that are carried out by our regional teams of skilled property professionals. At the same time, we prepare sites for redevelopment through remediation and securing planning permissions and dispose of those assets to which we can no longer add value in order to release capital for reinvestment.

This strategy, supported by our long-term approach to development and our proven business model, has enabled us to create value throughout the cycle and to take immediate advantage of the market recovery as reflected by record profits in the period.

We will remain true to this long-term strategy and adopt a pragmatic approach as residential and commercial markets continue to improve. As the economy gets stronger, we will ensure that our business grows by increasing our active pipeline of development opportunities, creating a firm base for the continuing delivery of shareholder value.

MARKET OVERVIEW

We are one of the few property companies in the UK to have stood firm in having a regional development bias whilst also progressing projects in and around London. With the economic recovery now gathering momentum, we are already well positioned to capitalise on the upturn, particularly in the regions.

Currently, we have an active pipeline of over 3m sq ft of commercial development across the UK, and we continue to increase our construction levels across our commercial portfolio as companies look to expand or move into new premises. We are mindful of the increasing cost of construction materials and continue to work closely with our supply chain to sustain build quality. We are also undertaking some speculative development and have been successful in acquiring new opportunities in competitive situations, which we will start to build out in 2015.

As tenant demand improves across the UK, this has had a positive impact on rent roll across our commercial portfolio and we are witnessing a steadily increasing stream of enquiries. There is good take up across our Town Centre regeneration projects, notably at Wembley Central where we will soon conclude works to the final phase of this £90m mixed-use development in London. At our Technology Retail Park in Rugby we are already 100% pre-let on the 70,000 sq ft out-of-town retail scheme and, in addition to securing planning permission for Marks & Spencer in June 2014, we are now in detailed discussions with a number of national retailers seeking to take space in Longbridge Town Centre in 2015.

In terms of the residential market, demand has been sustained but there are concerns over interest rate rises, changes to the mortgage market and the usual uncertainty in the lead-up to the 2015 UK general election. However, there remains a structural lack of housing supply across the country and, as a result, demand for our land from national housebuilders continues to increase. Similarly, good sales rates have been maintained throughout the year both for the Persimmon joint venture and St. Modwen Homes sites and we anticipate a sustained performance into 2015.

BUSINESS OUTLOOK

We will continue to build on the success of 2014 over the next 12 months and now look to take full advantage of the market recovery. We will focus our efforts on delivering our commercial sites in the regions, growing our active commercial development pipeline of over 3m sq ft, and progressing our key projects, including the redevelopment of the New Covent Garden Market sites.

We expect the current favourable residential market conditions in the regions to be sustained throughout the year, and through the planning process we will bring new sites forward for sale or development, as well as focusing on delivery within St. Modwen Homes and the Persimmon joint venture.

With a record year now firmly under our belts, we are in a very good position to grow the business further in 2015 and deliver another year of success for our shareholders.

COMMERCIAL LAND AND DEVELOPMENT

STRATEGY

Alongside a growing and active pipeline of commercial development opportunities, we continue to prime and add long-term value to our land bank through careful remediation and by successfully progressing sites through the planning process. In doing so, we ensure that a continual stream of opportunities is being progressed at any point in the cycle by our highly skilled, regionally-based development teams, each supported by our centralised construction management team.

Our regional office framework has stood us in good stead in recent years, keeping us abreast of local requirements and enabling us to respond quickly to any emerging development opportunities. Similarly, our on the ground expertise enables us to select the right moment at which to dispose of those assets to which we can no longer add value or to acquire new opportunities to add to our portfolio for future development.

On the back of an improving regional property market, we have heightened our focus on commercial land and development and we are now embarking on a number of either pre-let or speculative schemes in selected areas where our teams have identified growing demand. As a result of this and the increase in pre-let and design and build opportunities coming through, we have grown our active commercial development pipeline to over 3m sq ft (74% pre-let or pre-sold) which represents a total committed capital expenditure of £286m. At present, this pipeline of development reflects a gross development value of £458m.

MARKET COMMENTARY

Confidence is growing in the UK's commercial property market, but availability of product remains an issue. Many occupiers recognise that with our 'oven ready' land we can react quickly to their needs. In addition, we are progressing a number of pre-let or speculatively built schemes in localised areas of the Midlands, the South West, London and the South East, where we have identified potential occupational and investor demand. We will seek to increase production levels across the country as the economy continues to improve.

Within this context, the industrial market is experiencing good growth across the UK as businesses seek to expand and commit to new premises. Vacancy levels across our retained industrial portfolio are reducing and an increasing number of enquiries for design and build projects are being converted into live schemes.

Much of what we do in the retail sector is already meeting an evolving shopper demand and retailer requirements. We focus on remodelling historic shopping centres such as Farnborough, Wembley Central and Wythenshawe, or we regenerate former industrial sites such as Longbridge which we have transformed into a new retail destination.

All such schemes in our portfolio are designed with the belief that a Town Centre should service its community and provide an integrated, open and accessible environment with good transport links, parking provision and retail complemented by employment space, food stores and leisure. As a result, we continue to consistently secure a good level of take up from new retailers and are experiencing strong footfall across all of our secondary retail schemes.

Our ability to offer affordable rents combined with the appeal of our regeneration schemes as places where surrounding communities and, consequently, footfall grow, means that we are able to maintain high occupancy rates and fill voids swiftly.

PERFORMANCE - COMMERCIAL LAND

At the heart of our business lies our skill in cleaning up brownfield sites and preparing them for market by securing planning permissions and either developing them for immediate sale or retaining them as a long-term income producing asset for the business.

We have secured a number of commercial-led brownfield land opportunities over the last 12 months either as direct acquisitions or through a competitive tendering process. Highlights include:

- *Spray Street, Woolwich* - in December 2014, together with development partners Notting Hill Housing Group, we were awarded preferred developer status by the Royal Borough of Greenwich to redevelop the Spray Street quarter in Woolwich. A former market area, the site will be transformed into a 753,000 sq ft mixed-use housing-led scheme of 612 homes, including retail and an art-house cinema.
- *London Road Industrial Estate, Newbury* - following our selection by West Berkshire Council in April 2014 as Development Partner for the regeneration of this 25 acre industrial estate, we are working up our plans with the Council to create a new mixed-use development comprising waterside, residential and commercial phases.

We have continued to be successful in securing planning approvals across our commercial land bank which has promoted a series of site starts across the UK.

Major projects

- *New Covent Garden Market, London* - in November 2014, the London Borough of Wandsworth resolved to grant planning permission for the regeneration of the New Covent Garden Market sites in Nine Elms, London. To be delivered under the VINCI St. Modwen joint venture, this transformational project will see the development of over 500,000 sq ft of modern market facilities, 3,000 homes, 135,000 sq ft of new office space and over 100,000 sq ft of retail, leisure and new community facilities. We are targeting to achieve unconditional status in the first half of 2015, with preparatory works starting on site shortly afterwards.
- *Longbridge, Birmingham* - in the second half of the year, we secured planning permission and started construction of the 150,000 sq ft Marks & Spencer store which will anchor the second phase of the new Longbridge Town Centre. During the year, we also completed the 30,000 sq ft specialist construction centre for Bournville College and secured planning permission and a land sale for a £35m Extra Care retirement village which will comprise 260 apartments.

- *Bay Campus, Swansea University* - we are actively building circa 1 million sq ft of student accommodation and academic facilities at this £450m new campus development and handed over the Institute of Structural Materials building, the first to be completed, to the University at the end of 2014. Earlier in the year, we signed a Development Agreement with Swansea University for an additional 545 student apartments for occupation during the first quarter of 2016 and major new student facilities as part of this scheme. We have since completed the forward sale of 50% of the income from this latest phase of student accommodation to M&G Investments for the M&G Secured Property Income Fund, for £20m.

Across our broader portfolio, we have also made good progress in converting planning applications to approval and delivery.

Commercial planning highlights

- *Branston, Burton upon Trent* - planning permission has been granted for a regeneration scheme comprising 660 homes, over 770,000 sq ft of commercial space and over 140 acres of new woodland and open green space.
- *DPD (UK)* - planning consent has been granted for a 60,000 sq ft distribution centre for express delivery service DPD (UK) at the £210m Skypark scheme, adjacent to Exeter Airport. Providing further endorsement of our well located portfolio of sites across the UK, DPD (UK) has also selected Etruria Valley, Stoke-on-Trent and Stonebridge, Liverpool as the locations for two further facilities, comprising 60,000 sq ft and 69,000 sq ft, respectively, for which planning applications have been submitted.

Development highlights

- *Great Homer Street, Liverpool* - works have started on site at this £150m regeneration scheme which, in addition to a 100,000 sq ft Sainsbury's supermarket, will bring 80,000 sq ft of retail, 900 car parking spaces, a petrol filling station and new homes. Sainsbury's will begin development of its store in summer 2015, with opening expected to take place in summer 2016.
- *Wembley Central, London* - the final phase of this £90m mixed-use Town Centre redevelopment will complete in early 2015. It now comprises 120,000 sq ft of new retail and leisure space let to a range of national retailers including TK Maxx, Tesco, Sports Direct, Iceland, Argos and The Gym. The scheme also comprises an 86-bedroom Travelodge Hotel, 273 apartments, a new public square and an enhanced tube and train station.
- *Screwfix, Stoke-on-Trent* - construction work has commenced on a 310,000 sq ft extension for Screwfix, almost doubling the size of its existing distribution facility at Trentham Lakes to 630,000 sq ft. Developed in partnership with M&G Real Estate, the freeholders, the extension is scheduled to complete by summer 2015.

OUTLOOK

We anticipate that the commercial property market will continue to improve throughout 2015 allowing us to further increase our active pipeline of delivery across the UK of over 3m sq ft. The industrial market will lead the way and we will continue to grow our industrial portfolio. We will work closely with retailers and evolve our schemes to suit their demands, with rental levels and the regional focus of our portfolio providing us with a competitive advantage as we continue to secure new leases at favourable rents and create new retail environments.

RESIDENTIAL

STRATEGY

We have continued to focus on our proven strategy of buying land at low cost and then maximising its value over time through remediation and planning. We will always favour development on brownfield land, with value being realised through three routes to market:

- *Residential land sales* - the development and sale of 'oven ready', predominantly brownfield, sites with viable implementable planning permissions in place.
- *St. Modwen Homes* - in-house development under our own brand, using our extensive housebuilding expertise to capture additional development profits.
- *Persimmon joint venture* - maximising value through development with the backing of one of the UK's leading national housebuilders.

MARKET COMMENTARY

As the year has progressed, the residential marketplace has continued to improve with sustainable house price growth across the country. There remains a significant undersupply of housing across the UK and, along with a slowly improving economy, job market and expected population growth, this imbalance supports a positive house price inflation environment which should be at more practicable levels in London and the South East.

In response to the undersupply, demand for our residential land from national housebuilders is increasing, and St. Modwen Homes and the Persimmon joint venture continue to achieve sales rates of over 0.6 completions per week, which is above the national average.

The Private Rental Sector market is experiencing significant growth which, in many cases, is driven by the lack of affordable housing, particularly in London. We continue to explore a number of opportunities across our UK portfolio that lend themselves to this specific sub-sector.

PERFORMANCE - RESIDENTIAL LAND

In the period, we have increased our land bank to 28,790 plots (2013: 27,023) of which 83% have either planning permission or

allocations within local plans. We have experienced growing demand for our land across the country as housebuilders respond to the lack of housing supply across the UK and to date have sold or committed for sale 52 acres of land, for total proceeds of £95m.

Planning consents achieved

- *New Covent Garden Market* - resolution to grant planning received for 3,000 new homes as part of this major regeneration scheme. Making up the largest redevelopment site in Nine Elms, London, this project also includes the delivery of over 500,000 sq ft of modern market facilities, 235,000 sq ft of commercial space and new community facilities including shops, cafes, restaurants and a new linear park.
- *Uttoxeter, Staffordshire* - for 700 new homes, employment space, a new school, sports and recreational facilities, a local retail centre and the provision of open green space.
- *Hilton, South Derbyshire* - for 485 new homes, a new primary school and employment opportunities as part of a mixed-use development at this former MoD site which currently comprises industrial and open storage space.

Applications submitted

- *Meon Vale, Long Marston, Warwickshire* - for an additional 550 homes and a one-form entry primary school at this 478 acre, former MoD site which is being regenerated into a £150m mixed-use leisure-led scheme. Here, 284 homes are already under construction through the Persimmon joint venture and the £5m Meon Vale Leisure Centre opened to the public in August 2014. At the same time we opened the central facilities including a shop, community centre, public open space, children's play area, one mile Greenway extension into Stratford-upon-Avon and a 30-pitch caravan and camping site. The scheme also benefits from 800,000 sq ft of retained employment space which is 100% occupied.
- *Hendrefoilan, Swansea* - for 300 high quality homes on this 52 acre former Swansea University student accommodation site.
- *Wigan, Greater Manchester* - for 325 new homes, extensive public open space, and the opening up of the culverted water course to encourage wildlife on this disused industrial site.

Residential land bank at 30 th November	2014		2013	
	Acres	Units	Acres	Units
With planning recognition allocated within the local plan or similar	92	1,789	238	3,669
Resolution to grant	397	5,395	105	1,470
Outline permission	891	14,680	892	14,191
Detailed permission	144	2,022	190	2,579
	1,524	23,886	1,425	21,909
Planning application submitted	167	2,042	57	625
Other land	261	2,862	411	4,489
Total residential land	1,952	28,790	1,893	27,023

PERFORMANCE - RESIDENTIAL DEVELOPMENT

St. Modwen Homes

Our housebuilding business, St. Modwen Homes, now comprises a team of over 50 professionals looking after 13 sites at various stages of planning and development across the country which will deliver 1,686 new homes. We continue to focus on providing quality over quantity delivering between 300 to 350 units per year.

Future opportunities for this part of the business in 2015 comprise a range of schemes representing a total of 700 homes across the country including development at Branston Leas, Burton upon Trent, at Uttoxeter, Staffordshire and at Trentham Lakes in Stoke-on-Trent.

Persimmon joint venture

Our joint venture with Persimmon is now firmly established with all eight sites (2,364 plots) under the original agreement now either under construction or being marketed for sale.

Residential development as at 30 th November 2014	St. Modwen Homes	Persimmon joint venture	Total
	Active and completed	Active and completed	
Number of sites	14	8	22
Units	2,124	2,364	4,488
Units completed	557	902	1,459
Land revenue received (£m)	12	57	69
Future land revenue (estimate £m)	66	46	112
Potential St. Modwen share of	54	40	94

future development profits (£m)			
Total	120	86	206

Residential development sales and profit

Reacting to the uptick in the residential marketplace, sales rates for the year have been good. We achieved 820 house sale completions in the year (2013: 365), comprising 258 for St. Modwen Homes (2013: 126) and 562 for the Persimmon joint venture (2013: 239).

As the market has continued to improve across the UK over the last 12 months, residential development and sales have mirrored this trend, resulting in an overall profit increase of 167% to £24m (2013: £9m), providing a firm platform from which to sustain this area of the business.

OUTLOOK

We expect a good level of activity in the residential market next year, particularly in the regions, as demand from housebuyers continues and housebuilders also seek attractive land to replenish their stocks. We anticipate profits, delivery and sales volumes to be maintained for St. Modwen Homes next year and the Persimmon joint venture to continue to perform well.

INCOME PRODUCING PROPERTIES

STRATEGY

Whilst our primary business is regeneration, we seek to ensure that a large proportion of our assets generate a stream of income prior to development in order that the revenue generated from these assets covers the running costs of the business.

These income producing assets now make up 43% of our property portfolio and we extract value from them through our proven asset management initiatives undertaken by our regional teams of experts across the country. Typically, we offer affordable rents on relatively short tenancies to ensure that voids remain at their lowest possible levels as we work towards redevelopment.

We will also seek to retain newly built assets for income and then sell them on at a later stage once we feel no further value can be added. The capital raised from disposal is then reinvested in the business.

Across our income producing portfolio, we manage a broad range of assets on behalf of over 1,700 occupiers, operating within a variety of sectors. This diversity helps to mitigate against specific sector challenges and possible administrations.

Portfolio yield analysis						
	Equivalent		Net initial		Value £m	
	Nov 2014	Nov 2013	Nov 2014	Nov 2013	Nov 2014	Nov 2013
Retail	8.9%	9.2%	7.1%	7.7%	230	201
Office	9.2%	9.7%	7.3%	7.0%	61	59
Industrial	8.8%	9.2%	7.7%	8.0%	248	254
Portfolio	8.9%	9.2%	7.4%	7.8%	539	514

PERFORMANCE

Reflecting the continued improvement in the economy, at the year-end our income producing portfolio was valued at £539m (2013: £514m). Tenant administrations have had little or no impact on our portfolio, the most high profile during the period being Phones4U which occupied just three stores in our Town Centre schemes, all of which have since been re-let. Occupancy levels have increased slightly to 89% (2013: 88%) and we have secured £5.3m in new lettings (2013: £9.0m). This contributes 11% to our annualised gross rent roll which has increased from last year to £45.4m (2013: £44.7m).

Income

- *Trident Business Park, Warrington* - a total of 31,050 sq ft industrial and office units have been let in the last 12 months and income has increased by 34% to £435,500 across this office and industrial park.
- *Eastleigh Works, Southampton* - Arlington Fleet Services Ltd, the principal occupier of this 47 acre site, has contracted to expand its occupation from 380,000 sq ft to 430,000 sq ft at the end of 2016 and has extended its lease to the end of 2019, delivering £1.1m annual rental income. All the floor space on the site is now fully let after Alstom Transport vacated and left a virtually empty site.
- *Edmonton Green Shopping Centre, Enfield* - a total of 20,500 sq ft of retail units and market stalls were let in 2014, including 5,000 sq ft to PoundWorld, 2,500 sq ft to Explore Learning and 1,500 sq ft to Turkish Bank IS, generating £310,500 annual rental income. In addition, a number of significant rent reviews and lease renewals were concluded which in aggregate delivered an increase in rent of £52,450 per annum. The Centre now produces a total rental income of £4.7m per annum.

Acquisitions

We have been monitoring the market carefully for the right opportunities to add to our existing portfolio of retained assets. Our most recent purchase was of Billingham Shopping Centre in Stockton-on-Tees, which we acquired in November 2014 for £14.3m and which provides an immediate gross rent roll of £1.9m that we intend to grow on the back of our proven asset management expertise.

Disposals

We have taken advantage of a rising market and have disposed of a range of assets to which we can no longer add value, generating receipts of £44m. These include the sale of The Planets Shopping Centre in Woking for £8m and the £7m sale of Hednesford Town Centre, construction of the latter having been completed in 2012.

OUTLOOK

Throughout 2015, we will continue to selectively add to our portfolio of income producing properties with the right opportunities. We foresee occupier confidence growing in 2015, particularly in the industrial sector, which should lead to further positive impact on rental revenue across our income producing portfolio.

FINANCIAL REVIEW

INCOME STATEMENT

Our business is focused on creating long-term significant added value and generating strong returns through our own capabilities. We take a pragmatic approach to development and expand our 5,900 acre land bank in a manner which is capital efficient. This means making long-term investments to which we can add to and realise value through remediation, management of the planning process, asset management and development.

Our income producing assets form the largest part by value of our portfolio, representing 43% and with a gross rent roll of £45.4m comprising mostly core rental income. These assets underpin the business, providing a steady stream of income prior to development and a solid base from which the business can continue to grow.

Developable acres	Nov 2014	Nov 2013
Retail	342	337
Industrial and commercial	2,935	2,997
Residential	1,954	1,893
Use not yet specified	642	716
Total	5,873	5,943

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

Even taking into account asset sales we are once again pleased to report an increase in the Group's share of net rental income to £37.1m (2013: £36.3m). This has been achieved as a result of our robust asset management capabilities and an increase in new lettings as a result of the improving regional property market.

Net rental income for St. Modwen of £2.0m per annum from student accommodation at the Bay Campus, Swansea University, will be coming on line in 2015.

We have sold a number of income producing assets in the period but still anticipate our net rental income growing throughout the course of 2015 as we bring new assets onto our books.

Occupancy levels have increased slightly to 89% (2013: 88%) and our average lease length has remained steady at 5 years (2013: 5 years). We prefer to maintain voids at a relatively high level whilst we prepare our income producing assets for development. Consequently, our void levels are consistent with our expectations.

Property profits

The Group's share of property profits from development has increased by 45% to £57.7m (2013: £39.8m). This includes notable contributions from the Bay Campus development at Swansea University and a marked increase in commercial development. Asset sales of both income producing properties and residential land which were achieved at well above book value have also impacted positively on property profits.

Residential housing sales have also made a strong contribution to property profits achieving £24m in the period (2013: £9m) which demonstrates the rapid growth of St. Modwen Homes and reflects the well-established nature of the Persimmon joint venture.

Overheads

Reflecting the upturn in the economy and its positive impact on the property market, we have recruited more staff to service our growing pipeline of over 3m sq ft of commercial development opportunities. Similarly, the St. Modwen Homes sites are fast gaining momentum across the country and the team has now grown to over 50 staff. Our recruitment drive, coupled with the bonuses paid for successful business delivery, means that administrative expenses for 2014 (including the Group's share of joint ventures and associates) have increased to £23.2m (2013: £20.2m).

Finance costs and income

Finance costs have reduced this year, despite average debt levels being similar to 2013, as a result of us undertaking a significant refinancing process, including the successful issue of a £100m convertible bond and comprehensive refinancing of our bank facilities. This has reduced the weighted average cost of debt significantly from 5.6% at the start of the year to 4.8% at the end of the year, whilst net interest charges have reduced to £23.5m (2013: £25.5m).

Trading profit

We have therefore experienced a 55% increase in our overall trading profit in the period to £51.7m (2013: £33.3m) which is an exceptionally strong result driven by the activities we undertake ourselves.

During 2015, we will continue to focus on generating value across our land bank and ensure that our rental and recurring income underpins the running costs of the business.

PROPERTY VALUATION

Property portfolio - valuation movements in the year (£m)

	2014			2013		
	Market value movements	Value added by St. Modwen	Total	Market value movements	Value added by St. Modwen	Total
Residential	28	21	49	21	22	43
Commercial land	2	5	7	(4)	-	(4)
Income producing:						
- Retail	9	4	13	(1)	4	3
- Office	2	-	2	(1)	-	(1)
- Industrial	17	2	19	(1)	2	1
Total	58	32	90	14	28	42

Basis of property valuation

All our investment properties are independently valued every six months by our external valuers. The external valuers base their valuations upon an open market transaction between a willing buyer and a willing seller at the Balance Sheet date. Therefore, no value is taken for any future expectations of value increases but discounts are applied to reflect future uncertainties. Where appropriate we will also independently assess our work in progress for any impairment issues. In accordance with accounting standards, valuation movements are put through the Income Statement as gains or losses.

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

As detailed in the Audit Committee Report, we have an ongoing process of competitively tendering our key advisory roles. During the year we ran such an exercise for the external valuers and Jones Lang LaSalle LLP were replaced with DTZ Ltd (DTZ). Both valuers are global real estate professional services businesses whose specialisations include property valuation.

Property portfolio

Our property portfolio is worth £1.3bn (2013: £1.2bn). During the period we have continued its active management, spending £276m on acquisitions and capital expenditure and realising £301m from asset disposals. As the UK economy becomes more active we expect to continue activity at these levels.

Movements in the year

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

Consistent with market movements, valuations of our income producing portfolio have increased by around 7% on average during the year.

Market-driven valuation movements

Market-driven valuation movements of our income producing portfolio represent a 5% increase across the year. In addition to benefiting from this improvement in value, we have also been able to sell assets into a strong market that has helped underpin both profits for the year and our cash positions. It is anticipated that valuations for this type of asset will continue to improve.

Our residential portfolio has experienced a substantial increase in value of £28m (2013: £21m), most notably in the South East (although residential land has increased in value across England and Wales). Together with the improvement in commercial land values, this has resulted in an overall market-driven increase in the value of our property portfolio of £58m (2013: £14m).

Valuation improvements as a result of St. Modwen actions

One of our core skills is our asset management capability which continues to deliver strong returns as we successfully add value to

our existing portfolio by managing it through the planning process. Based on independent valuations from DTZ, we have generated revaluation gains of £32m in the year (2013: £28m).

Considering the increased activity across our portfolio, we expect to continue to generate significant value improvements in 2015, in addition to the significant uplift expected when the redevelopment of New Covent Garden Market becomes unconditional.

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), our convertible bond and the retail bond. The valuations are based on the financial market's forward prediction curves for interest rates. Yield curves flattened considerably towards the end of the year causing a charge against our profits. At the end of the financial reporting period, and together with other finance charges, this gave rise to a charge of £3.8m (2013: £6.9m credit).

Nevertheless, profit before all tax has increased substantially by 68% to a record level of £138.1m (2013: £82.2m).

TAXATION AND PROFITS AFTER TAX

Our record profitability increased our tax charge (including joint venture tax and deferred tax included in negative goodwill) for the year to £16.0m (2013: £8.3m). Despite this, we have achieved a very strong result for the year with profits after tax increasing by 65% to £122.1m (2013: £73.9m). The resultant earnings per share of 52.7p (2013: 33.5p) is up 57% year on year.

BALANCE SHEET

Funding levels

Taking advantage of an increasingly active investment market, we have completed a significant number of acquisitions and disposals during the year. Overall our balance sheet debt at £334m (2013: £341m) has fallen and as the value of our property portfolio has increased, our gearing and loan-to-value ratios have continued to fall. On Balance Sheet gearing has decreased to 45% (2013: 54%) while see-through loan-to-value, taking into account our share of joint ventures, has reduced to 30% (2013: 33%).

As the economic environment improves further, we will remain acquisitive and continue to invest in site development in order to generate future returns. We therefore expect absolute levels of debt to rise during 2015. We also expect the value of our property portfolio to rise as we invest. In particular, when the New Covent Garden Market project achieves unconditional status there will be asset recognition without any accompanying debt. Overall we expect our debt ratios to remain broadly in the same range.

New Covent Garden Market

The assets and liabilities of this contract will only be recognised on our Balance Sheet once the contract becomes fully unconditional. Having received a resolution to grant planning permission in November 2014 we are targeting to achieve unconditional status in the first half of 2015.

Once the contract becomes unconditional we will recognise the value of the extra 20 acres of land as an asset and the cost of developing and building the new market facility as a liability. The surplus less likely overage payable to the public sector will generate valuation profits for the year and there will be an uplift after tax obligations to our net asset value. The contract is in joint venture with VINCI PLC and so will appear in the joint venture line of our Balance Sheet.

Net assets

At the year end the shareholders' equity value of net assets was £717.9m or 324.9p per share, which represents a 17% increase over the year (2013: 278.8p per share). In addition to this, increased dividends of £9.1m (4.13p per share) were paid during 2014 (2013: £8.2m or 3.75p 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 16% to 344.2p from 297.7p 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.

CORPORATE FACILITIES

In the first half of the year we successfully launched an offering of £100m of unsecured guaranteed convertible bonds. The five year bond was placed at a coupon of 2.875% and a conversion premium of 35%, representing a conversion price at a 90% premium to the 2013 shareholders' equity net asset value per share. The net proceeds of the offering were used to repay existing debt.

Over the course of the last 12 months we have also undertaken a comprehensive refinancing of our banking portfolio:

- A new seven year £50m revolving credit facility with Santander has replaced the previous £30m facility that was due to expire in January 2016.
- New four year £99m revolving credit facilities with Barclays on improved terms replaces the previous £84m Barclays facility that was due to expire in September 2015.
- A new five year £125m revolving credit facility with the Royal Bank of Scotland on improved terms replaces the previous £95m facility that was due to expire in November 2015.

- A new five year £100m revolving credit facility with HSBC on improved terms replaces the previous £75m facility that was due to expire in January 2016.

Our two remaining joint venture facilities have also been refinanced:

- A new five year £85m revolving credit facility for our KPI joint venture on improved terms has replaced the previous £135m facility that was due to expire in 2017.
- A new five year £30m facility for our VSM Uxbridge joint venture on improved terms.

The above actions have extended the weighted average facility maturity to 4.6 years (2013: 2.5 years), with all corporate and joint venture facilities now extending until at least 2018.

We have sufficient headroom within our corporate facilities to enable us to meet future development and funding needs. At the date of reporting we have £554m of facilities against year-end drawn debt of £334m.

Hedging and cost of debt

We aim to have predictable costs attached to our borrowing and therefore hedge the majority of our interest rate risk. As anticipated, at the year-end we were 63% hedged against our corporate debt which is a significant fall compared to the previous year (2013: 86%). 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 £737m).
- Gearing must not exceed 175% (actual 45%).
- Interest cover ratio (that excludes non-cash items such as revaluation movements) must be greater than 1.25x (actual 3.2x).

Retail bond:

- See-through loan-to-value ratio must not exceed 75% (actual 30%).
- Interest cover ratio must be greater than 1.5x (actual 4.2x).

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

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.

OUTLOOK

Achieving record profits is testament to our skill in generating strong returns through our market leading expertise and foresight in regeneration and development.

During the year, we have taken advantage of an improving marketplace and have focused on growing our income across the UK through active asset management initiatives and disposals of those properties to which we can no longer add value. We will continue to do so in 2015 whilst growing our pipeline of development opportunities as enquiries continue to increase and the market gathers pace.

We also look forward to making further progress on New Covent Garden Market which is not yet accounted for within our financial results. All of these factors and our ability to harness the growth in the marketplace whilst also maintaining a prudent financial structure provide us with an excellent base from which to grow the business further.

Signed on behalf of the Board on 2nd February 2015

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

PRINCIPAL RISKS AND UNCERTAINTIES

Strategic objective: Secure excellent returns...

Risk and potential impact	Mitigation	Commentary	Movement in the year
Market/economic changes such as higher interest rates,	ÿ Regional spread and portfolio diversity mitigates sector or location-specific risks.	We choose to operate only in the UK, which is subject to relatively low risk and low returns from a	Risk exposure increased

Risk and potential impact	Mitigation	Commentary	Movement in the year
reduced demand for land/new properties, reduced availability of credit and declining investment yields restrict business development and cause valuation falls. Significant upcoming political events which delay and/or impact investment decisions and reduce returns.	<ul style="list-style-type: none"> Ÿ Active portfolio management achieves a better than market utilisation of assets. Ÿ Hedging policy reduces interest rate risk. Ÿ Investment and financing strategy is determined against a backdrop of potential outcomes of political events. 	<p>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 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. The 2015 UK general election has the potential to impact the appeal and performance of investment in the UK in general and real estate in particular, both through the related uncertainty and resultant implementation of policies and regulation.</p> <p>Over the course of the last year, the continuing economic problems within the Eurozone mean that the overall market position continues to represent a risk.</p>	
Changes to local and national planning processes adversely impacts our strategy by limiting our ability to secure viable permissions and/or by removing our competitive advantage.	<ul style="list-style-type: none"> Ÿ Use of high-quality professional advisers. Ÿ Active involvement in public consultation. Ÿ Constant monitoring of all aspects of the planning process by experienced in-house experts. Ÿ Lobbying to/contact with both central and local government. 	<p>Our daily exposure to all aspects of the planning process, and internal procedures for sharing best practice, ensure we remain abreast of most developments. Furthermore, we continue our efforts to influence public policy debate. Although the imminent general election means that future rules are uncertain, our expertise should enable us to prosper relative to our competitors, irrespective of the planning environment.</p>	No significant change in risk exposure
Inadequate due diligence on major new schemes, programme management, construction delivery and/or procurement leads to unforeseen exposures, quality issues and/or cost overruns causing customer dissatisfaction and/or financial loss.	<ul style="list-style-type: none"> Ÿ Acquisitions, development and ultimate disposals are reviewed and financially appraised in detail, with clearly defined authority limits. Ÿ Strong internal construction management team. Ÿ Clearly defined formal tender process that evaluates qualitative and quantitative factors in bid assessment. Ÿ Use and close supervision of a preferred supply chain of high-quality trusted suppliers and professionals. Ÿ Contractual liability clearly defined. 	<p>Our programme for the year has been completed on time and within budget. Our contractor selection and management processes are rigorous; we continue to favour financially stable and robust contractors and are mindful of contractors' cash flows becoming stretched in a rising market.</p>	No significant change in risk exposure
Financial collapse of, or dispute with, a key joint venture partner leads to financial loss.	<ul style="list-style-type: none"> Ÿ Monthly review of performance to identify if senior management intervention is required. Ÿ Flexible but legally secure contracts with partners. Ÿ Fewer but financially strong partners. 	<p>Our key partners are Persimmon PLC, VINCI plc and Salhia Real Estate K.S.C. of Kuwait. These are financially strong partners with good prospects and considerable financial resources. We maintain detailed and ongoing dialogue and have exited from any arrangements with financially weaker partners, so the overall risk continues to reduce year-on-year.</p>	Risk exposure reduced

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

Risk and potential impact	Mitigation	Commentary	Movement in the year
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Risk and potential impact	Mitigation	Commentary	Movement in the year
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.	ÿ Use of high-quality external advisers.	We are willing to accept a degree of environmental risk, enabling higher returns to be made. The inherent risks are passed on or minimised where possible but cannot be eliminated, although the residual risks have been acceptably low in recent years.	No significant change in risk exposure
	ÿ Highly qualified, experienced staff and proven track record as the UK's leading regeneration specialist.		
	ÿ Risk assessments conducted as part of due diligence process, with contamination remediated following acquisition and cost plans allowing for unforeseen remediation costs.		
	ÿ Full warranties from professional consultants and remediation contractors.		
	ÿ Defined business processes to proactively manage issues.		
	ÿ Annual independent audit of environmental risk.		
ÿ Reputation managed by a core team of skilled PR professionals.			

Failure to recruit, develop and retain staff with the necessary skills resulting in significant disruption/loss of intellectual property.	ÿ Succession planning monitored at Board level and below.	Our succession planning was put into action during the year with the promotion of Stephen Prosser as Midlands Regional Director and the appointments of Richard Bannister, Steven Knowles, Richard Powell and Andy Taylor to the Property Board. Staff turnover remains low and the proportion of management with more than three years' service is now at 84%. As competition to attract the best people increases, we continue to adapt our recruitment strategy to source the skills that will support the Company's long-term business objectives.	No significant change in risk exposure
	ÿ Targeted recruitment with competitive, performance-driven remuneration packages to secure highly-skilled and motivated employees.		
	ÿ Leadership and management development plans in place.		
	ÿ Exit interviews undertaken.		
	ÿ Key information is documented to safeguard knowledge.		

Strategic objective: While protecting our assets

Risk and potential impact	Mitigation	Commentary	Movement in the year
Availability of funding reduces, causing a lack of liquidity that impacts borrowing capacity and reduces the saleability of assets. Unforeseen significant changes to cash flow requirements (e.g. operating cost increases, pension fund shortfall) which limit the ability of the business to meet its ongoing commitments.	ÿ Recurring income from rents provides funding for a large percentage of overhead and interest costs.	Our geared financial structure means that there are inevitable risks attached to the availability of funding and the management of fluctuations in our cash flows. Our prudent approach to forward commitments, speculative development and asset disposals has enabled us to optimise operational cash flows and offset the impact of fluctuating market conditions. Over the last year we successfully launched a £100m convertible bond and have refinanced the debt portfolio, extending the weighted average life to 4.6 years (2013: 2.5 years) and reducing the weighted average cost of debt to 4.8% (2013: 5.6%).	Risk exposure reduced
	ÿ Strong relationships with key banks; all corporate debt refinanced until at least 2018.		
	ÿ Finance successfully raised through alternative, unsecured means (retail bond, equity placing and convertible bond).		
	ÿ Financial headroom maintained to provide flexibility and scenario modelling tools employed to evaluate the likelihood of a breach of financing covenant limits.		
ÿ Regular and detailed cash flow forecasting enables monitoring of performance and management of future cash flows.			
Failure to anticipate market changes	ÿ Regional offices in touch with their local market.	The excellent reputation and financial capacity of the Company	No significant

Risk and potential impact	Mitigation	Commentary	Movement in the year
through poor market intelligence leads to the selection of inappropriate and, ultimately, unprofitable schemes.	<p>ÿ Dedicated central resource supporting regional teams.</p> <p>ÿ Flexible and innovative approach to acquisitions and schemes in order to adapt to market changes.</p> <p>ÿ Acquisitions, development and ultimate disposals are reviewed and financially appraised in detail, with clearly defined authority limits.</p>	has enabled us to continue to win schemes and grow the property portfolio in an improving but still challenging market and economy. In this environment, with a reduced number of active competitors, we expect to be able to continue to source attractive acquisitions.	change in risk exposure
Failure to identify a pipeline of future residential sites or reduced availability of mortgage finance adversely impacts the performance of our residential business .	<p>ÿ Team of professionals with residential experience and expertise.</p> <p>ÿ Extensive land bank with a continuing stream of planning applications.</p> <p>ÿ Flexible approach to mortgage financing (e.g. shared equity schemes).</p> <p>ÿ Use of joint venture partners with residential expertise (e.g. Persimmon).</p>	Whilst the planning environment remains challenging and subject to inevitable delays, our scale and expertise enables us to navigate the process with considerable success. Demand for new homes remains strong, supported by the NPPF's housing supply requirements and the availability of mortgage finance (due at least in part to the Government's Help to Buy scheme). Furthermore, the geographic spread of our business means we are not overly exposed to any one region.	No significant change in risk exposure
Safety, health and environment (SHE) culture leads to a major incident (e.g. serious injury to, or death of, an employee, client, contractor or member of the public) or non-compliance with legislation, resulting in financial penalties and/or reputational damage.	<p>ÿ Use of high-quality external SHE advisers.</p> <p>ÿ Annual cycle of SHE audits.</p> <p>ÿ SHE Steering Group chaired by the Group Construction Director.</p> <p>ÿ Regular Board reporting.</p> <p>ÿ Programme of employee training specific to roles and responsibilities.</p> <p>ÿ Defined business processes to proactively manage issues.</p>	Health and safety continues to be a high priority. The assessment of environmental costs (and the subsequent optimising of remediation solutions) is an integral part of our acquisition and post-acquisition processes. We seek to minimise or pass on any such environmental risks, and believe that the residual risk remains acceptably low. In other social and ethical areas, our operations are underpinned by a simple but rigorous set of operating commitments.	No significant change in risk exposure
Inadequate security or business continuity and disaster recovery planning for operations and IT, leading to significant business disruption, financial/intellectual property loss and/or reputational damage in the event of an accident, act of terrorism or cyber-crime.	<p>ÿ Asset risk assessments (e.g. security, environmental, health and safety).</p> <p>ÿ Documented disaster recovery and crisis management plans in place across the business.</p> <p>ÿ Dedicated IT team monitors security and performance of all information systems.</p> <p>ÿ Comprehensive insurance arrangements.</p>	Whilst our exposure to the loss of intellectual property is relatively low, we are mindful of the increasing threat to corporate security from cyber-crime. As the profile of cyber security continues to grow, our risk management approach has adapted to further increase preventative security and enhance the robustness of existing procedures.	Risk exposure increased

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the directors in office as at the date of the Annual Report, whose names and functions are set out on page 53 of the Annual Report, confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Directors' Report and the Strategic 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; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by

Tanya Stote
Company Secretary

2nd February 2015

GROUP INCOME STATEMENT

for the year ended 30th November 2014

	Notes	2014 £m	2013 £m
Revenue	1	282.1	161.1
Net rental income	1	31.2	29.0
Development profits	1	47.7	24.7
Gains on disposal of investments/investment properties		9.2	3.6
Investment property revaluation gains	7	75.8	32.6
Negative goodwill	14	2.1	-
Other net income	1	3.6	2.9
Profits of joint ventures and associates (post-tax)	9	13.6	21.8
Administrative expenses		(22.9)	(19.9)
Profit before interest and tax		160.3	94.7
Finance cost	3	(27.9)	(23.6)
Finance income	3	5.3	9.4
Profit before tax		137.7	80.5
Tax charge	4	(15.6)	(6.6)
Profit for the year		122.1	73.9
Attributable to:			
Equity attributable to owners of the Company		116.2	72.1
Non-controlling interests		5.9	1.8
		122.1	73.9

	Notes	2014 pence	2013 pence
Basic earnings per share	5	52.7	33.5
Diluted earnings per share	5	51.6	32.9

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

GROUP BALANCE SHEET

as at 30th November 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Investment property	7	903.3	813.3
Operating property, plant and equipment	8	7.0	6.6
Investments in joint ventures and associates	9	88.9	95.3
Trade and other receivables	10	14.5	17.6
		1,013.7	932.8
Current assets			
Inventories	11	201.0	205.9
Trade and other receivables	10	82.1	59.7
Cash and cash equivalents		6.5	7.4
		289.6	273.0
Current liabilities			
Trade and other payables	12	(172.4)	(170.2)
Borrowings	13	-	(62.5)
Tax payables	4	(9.3)	(3.4)
		(181.7)	(236.1)
Non-current liabilities			
Trade and other payables	12	(28.5)	(46.2)
Borrowings	13	(340.6)	(285.6)
Deferred tax	4	(16.8)	(10.9)
		(385.1)	(342.7)
Net assets		736.5	627.0
Capital and reserves			

Share capital	22.1	22.0
Share premium account	102.8	102.8
Retained earnings	543.7	441.4
Share incentive reserve	4.8	2.1
Own shares	(1.8)	(0.3)
Other reserves	46.2	46.2
Equity attributable to owners of the Company	717.8	614.2
Non-controlling interests	18.7	12.8
Total equity	736.5	627.0

These Financial Statements were approved by the Board and authorised for issue on 2nd February 2015.

Bill Oliver
Chief Executive

Michael Dunn
Group Finance Director

Company Number: 349201

GROUP CASH FLOW STATEMENT

for the year ended 30th November 2014

	Notes	2014 £m	2013 £m
Operating activities			
Profit before interest and tax		160.3	94.7
Gains on disposals of investments/investment properties		(9.2)	(3.6)
Share of profits of joint ventures and associates (post-tax)	9	(13.6)	(21.8)
Investment property revaluation gains	7	(75.8)	(32.6)
Negative goodwill	14	(2.1)	-
Depreciation	8	0.5	0.5
Impairment losses on inventories	11	0.1	1.7
Decrease/(increase) in inventories		16.3	(22.3)
Increase in trade and other receivables		(6.8)	(9.0)
(Decrease)/increase in trade and other payables		(9.9)	21.8
Pensions		(0.1)	-
Share options and share awards		(3.4)	(0.1)
Tax paid	4(c)	(5.1)	(4.1)
Net cash inflow from operating activities		51.2	25.2
Investing activities			
Investment property disposals		59.2	54.0
Investment property additions		(87.5)	(74.5)
Acquisition of subsidiary undertaking	14	(0.8)	-
Property, plant and equipment additions		(1.0)	(0.4)
Dividends received from joint ventures		20.0	1.7
Net cash outflow from investing activities		(10.1)	(19.2)
Financing activities			
Dividends paid	6	(9.1)	(8.2)
Dividends paid to non-controlling interests		-	(0.1)
Interest paid		(25.4)	(20.3)
Receipt of funds from equity placing		-	47.9
New borrowings drawn		115.0	51.0
Repayment of borrowings		(122.5)	(77.8)
Net cash outflow from financing activities		(42.0)	(7.5)
Decrease in cash and cash equivalents		(0.9)	(1.5)
Cash and cash equivalents at start of year		7.4	8.9
Cash and cash equivalents at end of year		6.5	7.4

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th November 2014

	Notes	2014 £m	2013 £m
Profit for the year		122.1	73.9
Pension fund:			

- Actuarial losses	-	(0.1)
- Deferred tax thereon	-	-
Total comprehensive income for the year	122.1	73.8
Attributable to:		
- Owners of the Company	116.2	72.0
- Non-controlling interests	5.9	1.8
Total comprehensive income for the year	122.1	73.8

GROUP STATEMENT OF CHANGES IN EQUITY

for the two years ended 30th November 2014

	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 30 th 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 payments	-	-	-	(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
Profit for the year attributable to shareholders	-	-	116.2	-	-	-	116.2	5.9	122.1
Pension fund actuarial losses	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	116.2	-	-	-	116.2	5.9	122.1
Equity issue	0.1	-	-	-	(0.1)	-	-	-	-
Share-based payments	-	-	(6.2)	2.7	-	-	(3.5)	-	(3.5)
Share transfers	-	-	1.4	-	(1.4)	-	-	-	-
Dividends paid	-	-	(9.1)	-	-	-	(9.1)	-	(9.1)
At 30th November 2014	22.1	102.8	543.7	4.8	(1.8)	46.2	717.8	18.7	736.5

Own shares represent the cost of 460,427 (2013: 72,582) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30th November 2014 was £1,763,435 (2013: £259,553).

ACCOUNTING POLICIES

for the year ended 30th November 2014

BASIS OF PREPARATION

The financial information contained within this announcement has been prepared on the basis of the accounting policies applied in the year ended 30th November 2014 which are set out below. It does not constitute the Group's statutory accounts for the years ended 30th November 2013 or 30th November 2014 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts; its report was unqualified, did not draw attention to any matters by way of emphasis without qualifying its report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as they apply to the Group for the year ended 30th November 2014, applied in accordance with the provisions of the Companies Act 2006.

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

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

BASIS OF CONSOLIDATION

The Group's Financial Statements consolidate the Financial Statements of St. Modwen Properties PLC and the entities it controls. Control comprises the power to govern the financial and operating policies of the investee and is achieved through direct or indirect ownership of

voting rights or by contractual agreement. A list of the principal entities controlled is given in note (F) to the Company's Financial Statements.

VSM Estates (Holdings) Ltd is 50% owned by St. Modwen Properties PLC. However, under the funding agreement, the Group obtains the majority of the benefits of the entity and also retains the majority of the residual risks. 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 negative goodwill.

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; and

- Plant, machinery and equipment - over two to five years.

LEASES

The Group as lessee

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

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

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 will not be taxable or deductible.

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

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

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

Income tax is charged or credited directly to equity 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 both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1st September 2009, to future accrual.

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

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

DIVIDENDS

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

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, 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.

Convertible bonds

Convertible bonds are assessed on issue as to whether they should be classified as a financial liability, as equity or as a compound financial instrument with both debt and equity components. This assessment is based on the terms of the bond and in accordance with IAS32 Financial Instruments: Presentation.

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 2014. 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 and its treatment is often an integral part of transactions. The outcome of tax treatments are recognised by the Group to the extent the outcome is reasonably certain. Where tax treatments have been challenged by HMRC, or management believe that there is a risk of such challenge, provision is made for the best estimate of potential exposure based on the information available at the Balance Sheet date. Management's assessment of the level of provision required is, where applicable, supported by the Group's tax advisors. If HMRC were to be successful in challenging tax treatments to a greater extent than has been provided at the Balance Sheet date then additional provisions may be required.

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

The following standards, amendments and interpretations have been adopted in the current year:

- IFRS13 Fair Value Measurement: This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The adoption of this standard has had no material impact on the measurement of fair value for the Group's assets and liabilities and no retrospective changes were required as a result of adopting this standard.
- IAS19 (revised 2011) Employee Benefits: No material impact on the Group's Financial Statements.

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

Impact of standards and interpretations in issue but not yet effective

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

IAS1	Disclosure Initiative
IAS19 (revised 2013)	Defined Benefit Plans: Employee Contributions
IAS27 (revised 2011)	Separate Financial Statements
IAS27 (amended 2012)	Investment Entities
IAS28 (revised 2011)	Investments in Associates and Joint Ventures
IAS36 (amended 2013)	Recoverable Amount Disclosures for Non-financial Assets
IAS39 (amended 2013)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC21	Levies
IFRS9	Financial Instruments
IFRS10	Consolidated Financial Statements
IFRS10 (amended 2012)	Investment Entities
IFRS11	Accounting for Acquisitions of Interests in Joint Operations
IFRS12 (amended 2012)	Investment Entities
IFRS14	Regulatory Deferral Accounts
IFRS15	Revenue from Contracts with Customers

In addition, Improvements to IFRSs (issued May 2012, December 2013 and September 2014) 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.

The directors are still assessing the impact that the adoption of these standards, amendments and interpretations will have on the Financial Statements of the Group in future periods. Adoption of the majority of these standards, amendments and interpretations are expected to have little or no impact on the reported results of the Group, although amended disclosures may be required. IFRS15 may have

an impact on revenue recognition and related disclosures. It is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review of the revenue streams to which is expected to apply has been completed.

1. SEGMENTAL INFORMATION

IFRS8 - Operating Segments, requires the identification of the Group's operating segments, defined as being discrete components of the Group's operations whose results are regularly reviewed by the Chief Operating Decision Maker (being the Chief Executive) to allocate resources to those segments and to assess their performance. The Group divides its business into the following segments:

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

	2014			2013		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Revenue						
Rental income	39.2	-	39.2	37.1	-	37.1
Development	119.8	116.7	236.5	72.1	46.0	118.1
Other income	6.4	-	6.4	5.9	-	5.9
Total revenue	165.4	116.7	282.1	115.1	46.0	161.1

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

The Group's total revenue for 2014 was £292.1m (2013: £169.0m) and in addition to the amounts above included service charge income of £7.8m (2013: £6.5m), for which there was an equivalent expense and interest income of £2.2m (2013: £1.4m). In the year ended 30th November 2014 both development revenue and cost of sales include £6.7m (2013: £20.8m) in relation to amounts settled by the Ministry of Defence in respect of RAF Northolt under Project MoDEL.

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

	2014 £m	2013 £m
Revenue	103.2	41.9
Cost of sales	(83.0)	(27.3)
Gross profit	20.2	14.6

Amounts recoverable on contracts as disclosed in note 9 comprise £5.3m (2013: £10.2m) of contract revenue recognised and £0.7m (2013: £0.8m) of retentions.

There were no amounts due to customers (2013: £nil) included in trade and other payables in respect of contracts in progress at the Balance Sheet date.

	2014			2013		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Profit before tax						
Net rental income	31.2	-	31.2	29.0	-	29.0
Development profits	23.3	24.4	47.7	15.9	8.8	24.7
Gains on disposal of investments/ investment properties	9.2	-	9.2	3.6	-	3.6
Investment property revaluation gains	75.8	-	75.8	32.6	-	32.6
Negative goodwill attributed to property assets ⁽¹⁾	2.6	-	2.6	-	-	-
Other net income	3.6	-	3.6	2.9	-	2.9
Administrative expenses	(17.9)	(5.0)	(22.9)	(15.9)	(4.0)	(19.9)
Profits of joint ventures and associates ⁽²⁾	12.1	-	12.1	21.4	-	21.4
Finance costs ⁽³⁾	(17.2)	(2.4)	(19.6)	(18.1)	(2.3)	(20.4)
Finance income ⁽⁴⁾	2.2	-	2.2	1.4	-	1.4
Attributable profit	124.9	17.0	141.9	72.8	2.5	75.3
Negative goodwill attributable to tax ⁽¹⁾			(0.5)			-
Other profits of joint ventures and associates ⁽²⁾			1.5			0.4
Other finance costs ⁽³⁾			(8.3)			(3.2)
Other finance income ⁽⁴⁾			3.1			8.0
Profit before tax			137.7			80.5

(1) Negative goodwill has been split between amounts relating to property revaluations arising as a result of fair value adjustments of £2.6m (2013: £nil) and deferred tax thereon of £0.5m (2013: £nil).

- (2) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees, other non-cash items and tax of £1.5m (2013: £0.4m). These amounts are reclassified to other profits of joint ventures and associates.
- (3) Stated before mark-to-market of derivatives, amortisation of loan arrangement fees and other non-cash items of £8.3m (2013: £3.2m). These amounts are reclassified to other finance costs.
- (4) Stated before mark-to-market of derivatives and other non-cash items of £3.1m (2013: £8.0m). These items are reclassified to other finance income.

Cost of sales in respect of rental income comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and total £8.0m (2013: £8.1m), of which £0.3m (2013: £0.1m) is in respect of properties that did not generate any rental income.

	2014			2013		
	Portfolio £m	Residential development £m	Total £m	Portfolio £m	Residential development £m	Total £m
Net assets						
Investment property	903.3	-	903.3	813.3	-	813.3
Inventories	90.0	111.0	201.0	83.9	122.0	205.9
Investments in joint ventures and associates	88.9	-	88.9	95.3	-	95.3
Attributable assets	1,082.2	111.0	1,193.2	992.5	122.0	1,114.5
Operating property, plant and equipment			7.0			6.6
Trade and other receivables			96.6			77.3
Cash and cash equivalents			6.5			7.4
Trade and other payables			(200.9)			(216.4)
Borrowings			(340.6)			(348.1)
Tax payables			(9.3)			(3.4)
Deferred tax			(16.0)			(10.9)
Net assets			736.5			627.0

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:

	Notes	2014			2013		
		Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Net rental income		31.2	5.9	37.1	29.0	7.3	36.3
Development profit	(1)	47.8	-	47.8	26.4	0.5	26.9
Gains on disposal of investments/ investment properties		9.2	0.7	9.9	3.6	9.3	12.9
Other income		3.6	-	3.6	2.9	-	2.9
Administrative expenses		(22.9)	(0.3)	(23.2)	(19.9)	(0.3)	(20.2)
Finance costs	(2)	(19.6)	(6.1)	(25.7)	(20.4)	(6.5)	(26.9)
Finance income	(3)	2.2	-	2.2	1.4	-	1.4
Trading profit		51.5	0.2	51.7	23.0	10.3	33.3
Investment property revaluation gains	(1)	78.3	11.9	90.2	30.9	11.1	42.0
Other finance costs	(2)	(8.3)	(0.1)	(8.4)	(3.2)	-	(3.2)
Other finance income	(3)	3.1	1.5	4.6	8.0	2.1	10.1
Profit before all tax		124.6	13.5	138.1	58.7	23.5	82.2
Taxation	(4)	(16.1)	0.1	(16.0)	(6.6)	(1.7)	(8.3)
Profit for the year		108.5	13.6	122.1	52.1	21.8	73.9

- (1) Stated before the deduction of net realisable value provisions of: Group £0.1m (2013: £1.7m); joint ventures and associates £nil (2013: £nil). These items are reclassified to investment property revaluations, together with negative goodwill arising on acquisitions as a result of fair value adjustments to property assets of £2.6m (2013: £nil).
- (2) Stated before mark-to-market of derivatives, amortisation loan arrangement fees and other non-cash items of: Group £8.3m (2013: £3.2m); joint ventures and associates £0.1m (2013: £nil). These amounts are reclassified to other finance costs.
- (3) Stated before mark-to-market of derivatives and other non-cash items of: Group £3.1m (2013: £8.0m); joint ventures and associates £1.5m (2013: £2.1m). These items are reclassified to other finance income.
- (4) Stated after inclusion of negative goodwill arising as a result of deferred tax on property revaluations included as part of fair value adjustments of: Group £0.5m (2013: £nil); joint ventures and associates £nil (2013: £nil).

b. Property valuations

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

	2014			2013		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Investment property revaluation gains	75.8	11.9	87.7	32.6	11.1	43.7
Negative goodwill attributable to property assets	2.6	-	2.6	-	-	-

Net realisable value provisions	(0.1)	-	(0.1)	(1.7)	-	(1.7)
Property valuation gains	78.3	11.9	90.2	30.9	11.1	42.0
Added value	31.3	0.5	31.8	21.0	7.1	28.1
Market movements	47.0	11.4	58.4	9.9	4.0	13.9
Property valuation gains	78.3	11.9	90.2	30.9	11.1	42.0

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.

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:

	2014			2013		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Investment properties	903.3	148.0	1,051.3	813.3	137.6	950.9
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)	5.5	1.1	6.6	5.6	1.3	6.9
Inventories	201.0	5.4	206.4	205.9	3.6	209.5
Less 'barter' properties ⁽¹⁾	(0.7)	-	(0.7)	(20.4)	-	(20.4)
Property portfolio	1,105.2	153.3	1,258.5	1,000.5	141.3	1,141.8

(1) 2014: Represents deductions for non-property assets within inventory. Through to 2013 this included 'barter' properties, including RAF Northolt as part of the Project MoDEL arrangements between VSM Estates Ltd and the Ministry of Defence.

As at 30th November 2014 the Group had assets of £461.7m (2013: £228.6m) included within the Group property portfolio (excluding joint ventures and associates) which were wholly owned, unencumbered and able to be pledged as security for the Group's debt facilities.

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

	2014 £m	2013 £m
Retail	230.3	201.0
Offices	61.0	59.4
Industrial	248.1	253.2
Income producing	539.4	513.6
Residential land	573.2	481.8
Commercial land	145.9	146.4
Property portfolio	1,258.5	1,141.8

d. Movement in net debt

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

	2014 £m	2013 £m
Movement in cash and cash equivalents	(0.9)	(1.5)
Borrowings drawn	(124.5)	(51.0)
Repayment of borrowings	132.0	77.8
Receipt of funds from equity placing	-	(47.9)
Decrease/(increase) in equivalent net debt	6.6	(22.6)
Receipt of funds from equity placing	-	47.9
Decrease in net debt	6.6	25.3

e. Trading cash flow

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

	2014			Total £m
	Operating activities £m	Investing activities £m	Financing activities £m	
Net rent and other income	34.8	-	-	34.8
Property disposals	241.4	59.2	-	300.6
Property acquisitions	(5.6)	(37.6)	-	(43.2)
Capital expenditure	(181.0)	(51.7)	-	(232.7)
Working capital and other movements	(7.4)	-	-	(7.4)
Overheads and interest	(25.9)	-	(25.4)	(51.3)
Taxation	(5.1)	-	-	(5.1)
Trading cash flow	51.2	(30.1)	(25.4)	(4.3)
Net borrowings	-	-	(7.5)	(7.5)

Net dividends	-	20.0	(9.1)	10.9
Movement in cash and cash equivalents	51.2	(10.1)	(42.0)	(0.9)

	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)

f. Group Balance Sheet

VSM Estates (Holdings) Ltd 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.

	2014			2013		
	Group £m	VSM £m	Total £m	Group £m	VSM £m	Total £m
Investment property	834.1	69.2	903.3	744.6	68.7	813.3
Other non-current assets	101.9	8.5	110.4	108.9	10.6	119.5
Inventory	201.0	-	201.0	199.7	6.2	205.9
Cash and cash equivalents	3.2	3.3	6.5	3.2	4.2	7.4
Other current assets	37.5	44.6	82.1	34.7	25.0	59.7
Total assets	1,177.7	125.6	1,303.3	1,091.1	114.7	1,205.8
Current liabilities	(130.2)	(51.5)	(181.7)	(142.0)	(31.6)	(173.6)
Borrowings	(340.6)	-	(340.6)	(338.1)	(10.0)	(348.1)
Other non-current liabilities	(23.4)	(21.1)	(44.5)	(19.3)	(37.8)	(57.1)
Total liabilities	(494.2)	(72.6)	(566.8)	(499.4)	(79.4)	(578.8)
Net assets	683.5	53.0	736.5	591.7	35.3	627.0
Equity attributable to owners of the Company	678.1	39.7	717.8	587.7	26.5	614.2
Non-controlling interests	5.4	13.3	18.7	4.0	8.8	12.8
Total equity	683.5	53.0	736.5	591.7	35.3	627.0

g. Net assets per share

Net assets per share are calculated as set out below:

	2014 £m	2013 £m
Total equity	736.5	627.0
Less: Non-controlling interest	(18.7)	(12.8)
Equity attributable to owners of the Company	717.8	614.2
Fair value of inventories	11.5	8.5
Diluted EPRA triple net assets	729.3	622.7
Deferred tax on capital allowances and revaluations	23.5	20.5
Mark-to-market of derivative financial instruments	7.5	12.7
Diluted EPRA net assets	760.3	655.9
Shares in issue ⁽¹⁾ (number)	220,916,561	220,304,406
Total equity attributable to owners of the Company net assets per share (pence)	324.9	278.8
Percentage increase	17%	11%
Diluted EPRA triple net assets per share (pence)	330.1	282.6
Percentage increase	17%	12%
Diluted EPRA net assets per share (pence)	344.2	297.7
Percentage increase	16%	10%

(1) Shares in issue exclude 460,427 shares held by The St. Modwen Properties PLC Employee Share Trust (2013: 72,582 shares)

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

	2014			2013		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	1,105.2	153.3	1,258.5	1,000.5	141.3	1,141.8
Total equity	736.5	N/A	736.5	627.0	N/A	627.0
Net debt	334.1	45.3	379.4	340.7	33.0	373.7
Gearing	45%		52%	54%		60%
LTV	30%		30%	34%		33%

3. FINANCE COST AND FINANCE INCOME

	2014 £m	2013 £m
Interest payable on borrowings	(19.4)	(20.2)
Amortisation of loan arrangement fees	(2.6)	(1.2)
Convertible bond issue costs	(2.4)	-
Amortisation of discount on deferred payment arrangements	(2.1)	(0.9)
Head rents treated as finance leases	(0.2)	(0.2)
Interest on pension scheme liabilities	(1.2)	(1.1)
Total finance cost	(27.9)	(23.6)

All finance costs derive from financial liabilities measured at amortised cost. Included within amortisation of loan arrangement fees is £1.4m (2013: £nil) in relation to the early termination and renewal of bank facilities.

	2014 £m	2013 £m
Interest receivable	2.2	1.4
Credit in respect of discount on deferred receivables	-	0.1
Movement in fair value of derivative financial instruments	1.9	6.7
Expected return on pension scheme assets	1.2	1.2
Total finance income	5.3	9.4

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

4. TAXATION

a. Tax on profit on ordinary activities

	2014 £m	2013 £m
Tax charge/(credit) in the Income Statement:		
Corporation tax		
Current year tax	12.3	4.3
Adjustments in respect of previous years	(1.3)	(0.1)
	11.0	4.2
Deferred tax		
Temporary differences	1.0	2.7
Impact of current year revaluations and indexation	6.0	3.0
Net use/(recognition) of tax losses	1.3	(1.2)
Change in rate for provision of deferred tax	-	(1.0)
Adjustments in respect of previous years	(3.7)	(1.1)
	4.6	2.4
Total tax charge in the Income Statement	15.6	6.6
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

	2014 £m	2013 £m
Profit before tax	137.7	80.5
Less: joint ventures and associates	(13.6)	(21.8)
Pre-tax profit attributable to the Group	124.1	58.7
Corporation tax at 21.7% (2013: 23.3%)	26.9	13.7
Permanent differences	0.2	0.1
Short-term timing differences	0.6	5.8
Impact of current year revaluations and indexation	(6.3)	(3.0)
Difference between chargeable gains and accounting profit	(0.8)	(6.8)
Change in rate used for provision of deferred tax	-	(0.4)
Deferred tax asset not recognised	-	(1.6)
Current year charge	20.6	7.8
Adjustments in respect of previous years	(5.0)	(1.2)
Tax charge for the year	15.6	6.6
Effective rate of tax	13%	11%

The post-tax results of joint ventures and associates are stated after a tax credit of £0.2m (2013: £1.7m charge). The effective tax rate for the Group including joint ventures and associates is a charge of 11.5% (2013: 10.1%).

The Finance Act 2013 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 21.7% and deferred tax at 20%.

c. Balance Sheet

	2014		2013	
	Corporation tax £m	Deferred tax £m	Corporation tax £m	Deferred tax £m
Balance at start of the year	3.4	10.9	3.3	8.5
Charge to the Income Statement	11.0	4.6	4.2	2.4
Acquired with subsidiary	-	0.5	-	-
Net payment	(5.1)	-	(4.1)	-
Balance at end of the year	9.3	16.0	3.4	10.9

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

	2014			2013		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Property revaluations	-	14.3	14.3	-	11.8	11.8
Capital allowances	-	3.9	3.9	-	3.5	3.5
Appropriations to trading stock	-	0.5	0.5	-	0.7	0.7
Unutilised tax losses	-	-	-	(1.6)	-	(1.6)
Other temporary differences	(2.7)	-	(2.7)	(3.5)	-	(3.5)
Total deferred tax	(2.7)	18.7	16.0	(5.1)	16.0	10.9

At the Balance Sheet date, the Group has unused tax losses in relation to 2014 and prior years of £1.3m (2013: £3.2m), of which £nil (2013: £1.6m) has been recognised as a deferred tax asset. A deferred tax asset of £1.3m (2013: £1.6m) has not been recognised in respect of current and prior year tax losses as it is not considered sufficiently certain that there will be appropriate taxable profits available in the short-term against which these can be utilised.

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

5. EARNINGS PER SHARE

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

	2014 Number of shares	2013 Number of shares
Weighted number of shares in issue	220,617,339	215,236,438
Weighted number of dilutive shares	4,602,679	4,074,926
	225,220,018	219,311,364

	2014 £m	2013 £m
Profit attributable to equity shareholders (basic and diluted)	116.2	72.1
	2014 pence	2013 pence
Basic earnings per share	52.7	33.5
Diluted earnings per share	51.6	32.9

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

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

6. DIVIDENDS

Dividends paid during the year were in respect of the final dividend for 2013 and interim dividend for 2014. 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.

	2014		2013	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	2.67	5.9	2.42	5.3
Interim dividend in respect of current year	1.46	3.2	1.33	2.9
Total	4.13	9.1	3.75	8.2
Proposed				
Current year final dividend	3.14	6.9	2.67	5.9

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

7. INVESTMENT PROPERTY

	Freehold investment properties £m	Leasehold investment properties £m	Total £m
Fair value			
At 30 th 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 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 30 th November 2013	615.5	197.8	813.3
Additions - new properties ⁽¹⁾	28.3	-	28.3
Other additions	47.2	4.8	52.0
Net transfers to inventories (note 11)	(6.8)	-	(6.8)
Disposals	(31.6)	(27.7)	(59.3)
Gain on revaluation	48.6	27.2	75.8
At 30th November 2014	701.2	202.1	903.3

(1) Additions - new properties include £8.5m (2013: £nil) acquired through business combinations.

Investment properties were valued at 30th November 2014 by DTZ Debenham Tie Leung Ltd, Chartered Surveyors (2013: Jones Lang LaSalle LLP), in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Both DTZ Debenham Tie Leung Ltd and Jones Lang LaSalle LLP are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

The historical cost of investment properties at 30th November 2014 was £723.9m (2013: £699.3m).

As at 30th November 2014, £450.0m (2013: £633.2m) of investment property was pledged as security for the Group's loan facilities.

Included within leasehold investment properties are £3.9m (2013: £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			

Balance Sheets								
Non-current assets	95.6	55.4	6.5	157.5	80.7	60.0	6.4	147.1
Current assets	6.3	5.8	6.0	18.1	10.2	2.9	4.1	17.2
Current liabilities	(7.2)	(21.5)	(4.1)	(32.8)	(8.9)	(16.0)	(2.4)	(27.3)
Non-current liabilities	(33.4)	(19.1)	(1.4)	(53.9)	(15.2)	(25.1)	(1.4)	(41.7)
Net assets	61.3	20.6	7.0	88.9	66.8	21.8	6.7	95.3
Equity at start of year	66.8	21.8	6.7	95.3	49.2	19.1	6.9	75.2
Profit/(loss) for the year	14.5	(1.2)	0.3	13.6	18.8	2.7	0.3	21.8
Dividends paid	(20.0)	-	-	(20.0)	(1.2)	-	(0.5)	(1.7)
Equity at end of year	61.3	20.6	7.0	88.9	66.8	21.8	6.7	95.3

Included in other joint ventures and associates above are net assets of £nil (2013: £nil) in relation VSM (NCGM) Ltd. These net assets comprise total current assets (inventory) of £2.6m (2013: £1.1m) offset by total liabilities (amounts due to shareholders) of £2.6m (2013: £1.1m). The results and net assets of VSM (NCGM) Ltd are expected to be disclosed separately in future years.

Also included in other joint ventures and associates above are net assets of £2.9m (2013: £2.8m) in relation to associated companies. These net assets comprise total assets of £3.5m (2013: £3.6m) and total liabilities of £0.6m (2013: £0.8m).

Joint venture companies and associates comprise:

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

In the Strategic Report a series of commercial contracts with Persimmon is referred to as the 'Persimmon joint venture'. This is not a statutory entity and the results from these commercial contracts are not included in the figures disclosed in this note. Revenue and profit from the Persimmon joint venture are recognised in Group development profit on legal completion of housing unit sales to third-party customers.

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

10. TRADE AND OTHER RECEIVABLES

	2014 £m	2013 £m
Non-current		
Other debtors	8.5	11.6
Amounts due from joint ventures	6.0	6.0
	14.5	17.6
Current		
Trade receivables	4.7	2.2
Prepayments and accrued income	5.5	4.9
Other debtors	39.0	29.3
Amounts recoverable on contracts	6.0	11.0
Amounts due from joint ventures	25.0	12.3
Derivative financial instruments	1.9	-
	82.1	59.7

11. INVENTORIES

	2014 £m	2013 £m
Properties held for sale	5.8	9.7
Properties under construction	176.7	177.3

Land under option	18.5	18.9
	201.0	205.9

The movement in inventories during the two years ended 30th November 2014 is as follows:

	£m
At 30 th 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 30 th November 2013	205.9
Additions	177.1
Net transfers from investment property (note 7)	6.8
Disposals (transferred to development cost of sales) (note 1)	(188.8)
At 30th November 2014	201.0

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 £0.1m (2013: £1.7m).

As at 30th November 2014 £16.8m (2013: £43.3m) of inventory was pledged as security for the Group's loan facilities.

12. TRADE AND OTHER PAYABLES

	2014 £m	2013 £m
Current		
Trade payables	24.4	21.1
Amounts due to joint ventures	29.0	25.0
Other payables and accrued expenses	89.5	92.8
Other payables on deferred terms	20.8	18.5
Derivative financial instruments	8.7	12.8
	172.4	170.2
Non-current		
Other payables on deferred terms	24.6	42.3
Finance lease liabilities (head rents)	3.9	3.9
	28.5	46.2

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

	2014 £m	2013 £m
Current		
Bank overdrafts	-	-
Bank loans	-	62.5
	-	62.5
Non-current		
Amounts repayable between one and two years	50.0	64.0
Amounts repayable between two and five years	253.1	138.0
Amounts repayable after more than five years	37.5	83.6
	340.6	285.6
Total	340.6	348.1

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

Maturity profile of committed borrowing facilities

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

	2014			2013		
	Drawn £m	Undrawn £m	Total £m	Drawn £m	Undrawn £m	Total £m
Secured floating rate borrowings						
Less than one year ⁽¹⁾	-	-	-	62.5	42.5	105.0

One to two years	50.0	25.0	75.0	74.0	20.0	94.0
Two to three years	-	-	-	128.0	67.0	195.0
Three to four years	64.0	35.0	99.0	-	-	-
Four to five years	9.1	115.9	125.0	-	-	-
More than five years	37.5	12.5	50.0	3.6	1.0	4.6
	160.6	188.4	349.0	268.1	130.5	398.6
Unsecured fixed rate borrowings						
Four to five years	180.0	-	180.0	-	-	-
More than five years	-	-	-	80.0	-	80.0
	340.6	188.4	529.0	348.1	130.5	478.6

(1) In addition to the principal amounts included above, £1.4m (2013: £0.8m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

In January 2015 the £75m debt facility maturing in one to two years was increased to £100m and extended for a further five year term to January 2020. There were no substantial changes to the terms of the loan.

Interest rate profile

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

	2014		2013	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	30.6	Margin + 3 month LIBOR	68.1	Margin + 3 month LIBOR
Fixed rate bank debt	130.0	Margin + 2.93% weighted average swap rate	200.0	Margin + 3.34% weighted average swap rate
Retail bonds - maturity 2019	80.0	6.25% fixed rate	80.0	6.25% fixed rate
Convertible bonds - maturity 2019	100.0	2.875% fixed rate - swapped to 1.43% + 6 month LIBOR until 6 th March 2017	-	-
At 30th November	340.6		348.1	

The average margin on the Group's bank debt is 1.9% (2013: 2.0%).

Derivative financial instruments

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

a) Sterling denominated interest swaps from floating rate to fixed rate applicable as at 30th November 2014

These swaps hedge the Group's floating rate bank debt as at 30th November 2014. The fixed rates for these swaps range from 2.01% to 5.16% (2013: 2.01% to 5.16%) and details of their maturity profile are given below. Certain of the interest rate swaps are extendable at the bank's option; the tables below therefore show the dates of normal termination and extended termination. The weighted average maturity of the interest rate swaps below to the earliest termination date is 2.5 years (2013: 2.4 years).

	2014				2013			
	Earliest termination		Latest termination		Earliest termination		Latest termination	
	£m	% ⁽¹⁾	£m	% ⁽¹⁾	£m	% ⁽¹⁾	£m	% ⁽¹⁾
Less than one year	10.0	3.81%	20.0	4.48%	20.0	3.83%	10.0	2.79%
One to two years	40.0	2.54%	40.0	2.54%	70.0	3.28%	70.0	3.28%
Two to three years	20.0	2.01%	20.0	2.01%	60.0	2.99%	60.0	2.99%
Three to four years	10.0	5.16%	-	-	20.0	2.01%	20.0	2.01%
Four to five years	50.0	3.00%	50.0	3.00%	30.0	4.72%	40.0	4.76%
	130.0	2.93%	130.0	2.93%	200.0	3.34%	200.0	3.34%

(1) Weighted average interest rate.

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

These swaps provide continuity of hedging beyond the term of the interest rate swaps applicable as at 30th November 2014 and increase interest rate certainty through to bank facility renewal dates. The fixed rates for these swaps range from 2.72% to 2.97% (2013: N/A) and details of their maturity profile are given below. These hedges when taken together with existing hedges with an earliest termination date beyond 30th November 2017 comprise £110m of hedging at a weighted average interest rate of 2.95% extending to a weighted average life of 4.7 years (2013: £50m at 3.58% for 4.1 years).

	2014		2013	
	£m	% ⁽¹⁾	£m	% ⁽¹⁾
Period from 2016-2021	20.0	2.90%	-	-
Period from 2017-2019	40.0	2.90%	-	-
	60.0	2.90%	-	-

(1) Weighted average interest rate.

c) Convertible bonds

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

constitute direct, unsubordinated and unsecured obligations of the Company.

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

The initial exchange price was £5.29 per ordinary share, a conversion rate of approximately 18,889 ordinary shares for every £100,000 nominal value of the Convertible Bonds. Under the terms of the Convertible Bonds, the exchange price is adjusted on the happening of certain events, including the payment of dividends by the Company in excess of a yield of 1.00% of the average share price in the 90 days preceding the ex-dividend date. No changes to the exchange price have been made up to 30th November 2014.

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

A total of £100.0m nominal value of the Convertible Bonds were issued and remained outstanding at 30th November 2014. The Convertible Bonds are designated as at fair value through profit or loss and so are presented on the Balance Sheet at fair value with all gains and losses taken to the Income Statement through the movement in fair value of derivative financial instruments line. At 30th November 2014 the fair value of the Convertible Bonds was £99.1m with the change in fair value charged to the Income Statement. The Convertible Bonds are listed on the Official List of the Channel Islands Security Exchange.

Following the issue of the Convertible Bonds the Group was in an over-hedged position with an excess of debt at fixed rate. In order to reduce the level of fixed rate borrowings an interest rate derivative was entered into to swap the interest rate in the Convertible Bonds from a fixed rate of 2.875% to a floating rate of 6 month LIBOR plus 1.43% through to its third anniversary in March 2017.

The change in fair value of all of the above instruments is charged/credited to the Income Statement is disclosed in note 3.

14. ACQUISITION OF SUBSIDIARY UNDERTAKING

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

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

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

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

As required by IFRS3 (2008) Business Combinations, this acquisition has resulted in the assets and liabilities of Branston being remeasured to fair value at the acquisition date. Fair values are reported as provisional for 12 months to allow the incorporation of any subsequent amendments and the negative goodwill arising has been credited to the Income Statement.

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

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

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Satisfied by:

- Cash payable on acquisition	0.8
- Deferred proceeds payable on shareholder approval	0.1
- Deferred proceeds payable on 22 nd May 2015	0.1

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

15. RELATED PARTY TRANSACTIONS

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

Key Property Investments Ltd (KPI)

During the year the Group provided management and construction services to KPI for which it received fees totalling £0.4m (2013: £0.5m). The balance due to the Group at year end was £2.5m (2013: £1.8m). No interest is charged on this balance.

VSM Estates Uxbridge (Group) Ltd (VSM Uxbridge)

VSM Uxbridge is funded by loan notes and short-term funding provided by the Group and VINCI PLC together with bank debt. The balance due to the Group at the year end was £21.8m (2013: £13.7m), of which £6.0m (2013: £6.0m) is loan notes. All amounts are interest bearing and interest charged in the year ended 30th November 2014 was £2.2m (2013: £1.4m).

Barton Business Park Ltd (Barton)

The balance due to Barton at the year end was £3.8m (2013: £3.8m). No interest is charged on this balance.

Skypark Development Partnership LLP (Skypark)

During the year the Group provided funding of £nil to Skypark (2013: £0.6m). The balance due to the Group from Skypark at the year end was £1.1m (2013: £1.1m), of which £1.1m (2013: £1.1m) relates to loan notes issued to the Group. Interest of £0.1m (2013: £nil) was charged in the year.

Wrexham Power Ltd (Wrexham Power)

During the year the Group provided funding to Wrexham Power of £0.7m (2013: £nil). The balance due to the Group at the year end was £0.9m (2013: £0.2m). No interest is charged on this balance.

Wrexham Land Ltd (Wrexham Land)

During the year the Group provided funding to Wrexham Land of £nil (2013: £nil). The balance due to the Group at the year end was £0.1m (2013: £0.1m). No interest is charged on this balance.

Killingholme Land Ltd (Killingholme Land)

During the year the Group provided funding to Killingholme Land of £0.1m (2013: £nil). The balance due to the Group at the year end was £0.1m (2013: £nil). No interest is charged on this balance.

VSM (NCGM) Ltd (VSM (NCGM))

During the year the Group provided funding to VSM (NCGM) of £1.5m (2013: £1.4m). The balance due to the Group at the year end was £2.9m (2013: £1.4m). No interest is charged on this balance.

St. Modwen Pension Scheme Ltd

The Group occupies offices owned by the St. Modwen Pension Scheme Ltd with an annual rental payable of £0.1m (2013: £0.1m). The balance due to the Group at year end was £nil (2013: £0.1m).

Non-wholly owned subsidiaries

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

	Management fees		Interest		Balance	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Norton & Proffitt Developments Ltd	-	-	-	-	0.3	(0.2)
Stoke-on-Trent Regeneration (Investments) Ltd	-	-	-	-	(0.5)	(0.8)
Stoke-on-Trent Regeneration Ltd	-	-	(0.1)	(0.1)	(10.1)	(3.5)
Uttoxeter Estates Ltd	-	-	-	-	0.1	(0.2)
VSM Estates (Holdings) Ltd	-	-	0.7	0.6	(3.3)	(17.3)
Widnes Regeneration Ltd	-	-	-	-	2.0	2.3
	-	-	0.6	0.5	(11.5)	(19.7)

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 (2013: £nil). No guarantees have been given or received from related parties.

On 27th November 2014, the Group acquired the remaining minority interest in Trentham Leisure Ltd for £0.1m. No changes were required by IFRS3 (2008) Business Combinations as a result of this acquisition.

Transactions in which directors have an interest

Branston Properties Ltd (Branston)

In 2010 the Group entered into an option to acquire the entire issued share capital of Branston, of which Simon Clarke is a shareholder, at market value. The price paid for the option was £0.1m and exercise of this was contingent on certain planning milestones being achieved. Following achievement of the requisite planning milestones the option was exercised by the Group on 22nd May 2014 and 87.5% of the issued share capital of Branston was acquired as discussed further in note 14.

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.

This information is provided by RNS
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