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ST. MODWEN PROPERTIES PLC

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

Results for the year ended 30 November 2020

St. Modwen delivers strong operational performance and plans for accelerated growth

Sarwjit Sambhi, Chief Executive Officer of St. Modwen, commented:

"St. Modwen delivered strong operational results in 2020 under extraordinary circumstances. Thank you to all our colleagues for their outstanding efforts and for overcoming the challenges posed by the pandemic. Our strategy is focused on two sectors, logistics and housebuilding, where structural demand is growing, acknowledging that the economic outlook is uncertain. These sectors make up 78% of our portfolio today and will represent over 90% within three years. In both, momentum is strong, and we have an attractive pipeline to accelerate growth. Supported by our solid balance sheet, we expect delivery of our growth strategy to increase adjusted EPRA EPS to c. 28 pence and improve our total accounting return to c. 9-10% in the medium term."

Financial highlights

Non-statutory measures[1]	2020	2019	Statutory measures	2020	2019
EPRA NTA per share (pence)[2]	**437.7**	490.8	NAV per share (pence)	**427.7**	484.2
Total accounting return (%)	**(11.4)**	4.6	Dividend per share (pence)	**5.0**	3.6
Adjusted EPRA earnings (£m)	**22.1**	38.7	(Loss)/profit for the year (£m)	**(120.8)**	49.5
Adjusted EPRA EPS (pence)	**9.9**	17.4	Basic EPS (pence)	**(54.7)**	22.8
See-through loan-to-value (%)	**20.2**	19.6	Group net debt (£m)	**296.1**	314.1

- NAV per share down 11.7% to 427.7 pence (2019: 484.2 pence), after 1.1% growth in second half of year.
- Total accounting return of (11.4)% (2019: 4.6%), driven by reduction in NAV during first half of year.
- Adjusted EPRA EPS of 9.9 pence (2019: 17.4 pence), due to temporary Covid-19 disruption of income.
- Total dividend of 5.0 pence (2019: 3.6 pence), in line with the existing dividend policy.
- Loss for the year of £120.8m (2019: £49.5m profit), following profit of £13.7m in second half of year.
- See-through LTV stable at 20.2% (2019: 19.6%), reflecting non-core disposals and tight cost control.

Operational highlights

Strong operational performance despite Covid-19 disruption and clear focus on two sectors with long-term growth trends, logistics and housebuilding, with high-quality, scalable platforms and substantial pipelines in both, which paves the way for significant growth in earnings and total return.

- St. Modwen Logistics – 49% of total portfolio (2019: 39%)
  - Continued to grow highly resilient, modern, income-producing portfolio focused on urban and big box warehouses, with 97.9% of rent collected and 6.1% like-for-like rental growth.
  - Completed 1.2m sq ft of new warehouse development during 2020 (2019: 0.9m sq ft), with 81% of associated £7.6m ERV let or under offer, up from 58% of 2019 completions this time last year.
  - On track to deliver 1.5m sq ft of new developments in 2021, with 27% of committed pipeline pre-let or under offer (Feb 2020: 18% of 2020 pipeline), expecting to generate attractive 7.5% yield on cost.
  - Significant upside in 19m sq ft long-term pipeline, focused on key logistics corridors and conurbations, providing visibility to grow portfolio to over £1bn by 2023 through profitable development.

- St. Modwen Homes – 27% of total portfolio (2019: 26%)
  - Sold 948 units (2019: 1,060) at £259,000 ASP with 12.4% operating margin (2019: 14.8%), highlighting relative resilience of affordable, high-quality product despite c. 9-10 weeks of lost production in spring.
  - Net promotor score of 74 (2019: 76) and HBF customer satisfaction rating of 96% (2019: 92%), the second highest for all large UK housebuilders, creating differentiated platform for future growth.
  - On track to grow completions by up to 25% in 2021 with margin expected to recover to c. 14.5%, supported by strong order book covering 47% of targeted private sales (Feb 2020: 34%).
  - 5,900-plot pipeline provides visibility to grow volumes to c. 1,500 units by 2023, with clear pathway identified to grow margins to c. 16-17% by 2023 and further potential growth beyond that.

- Strategic Land & Regeneration – 24% of total portfolio (2019: 35%)
  - Sold £125m of non-core assets and surplus land during 2020 and a further £7m since November, which once all completed further reduce the share of SL&R to 22% of total portfolio.
  - Intention to sell c. £180-200m of assets by 2023, reducing SL&R to less than 10% of overall portfolio, and focus land capability solely on sourcing land for logistics and residential development.
  - Solid operational performance, with 91.6% of rent collected despite impact of lockdowns on residual retail assets, and valuations broadly stable in second half following marked reduction in first half.
  - Secured new capital-light strategic land opportunity which, subject to planning, could deliver c. 1,100 new homes and deliver IRR of c. 20%.

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A webcast for analysts and investors will be held at 9.00am today and presentation slides will be available to download via www.stmodwen.co.uk. Details for the live dial-in facility and webcast are as follows:

Participants (UK):	**Tel: +44 (0)330 336 9125**
Password:	**8911218**
Webcast link:	https://webcasting.brrmedia.co.uk/broadcast/5fc77555eced111881c95edc

(1) Reconciliations between all the statutory and non-statutory measures and the explanations as to why the non-statutory measures give valuable further insight into the Group's performance are given in notes 2 and 3 to the Group financial statements.

(2) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior year comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the Group financial statements.

This announcement contains certain forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements 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 announcement should be construed as a profit forecast.

The person responsible for arranging the release of this information on behalf of the Company is Sarwjit Sambhi, Chief Executive Officer.

CHAIR'S STATEMENT

2020 has been an extraordinary year, during which our focus has been on our responsibility towards all our stakeholders. We temporarily paused activity on our sites in March to protect the health of our people and customers, before restarting work safely in May, in line with Government guidance. During this time, we paid our employees who were furloughed their full entitled salary, and we decided not to use the Government's Coronavirus Job Retention Scheme. While having to adapt quickly to new ways of working, we have focused on maintaining employee engagement and supporting the wellbeing of our people, to maintain our positive, supportive culture and values, recognising our people are key to our success. We also worked closely with our customers to support those impacted by any site closures and continued to pay our supply chain promptly.

As the crisis unfolded, we took several measures to reduce costs and preserve liquidity, including a temporary reduction in Board pay and fees, a reduction in all discretionary spend and bonuses, a brief tapered reduction in pay for our higher earners and some selective redundancies. The Board also decided to cancel the proposed payment of the £11m 2019 final dividend. We recognise the impact of these decisions and appreciate the support of our people and shareholders during this time. Due to the hard work of all our teams, both on our sites and at home, operational momentum recovered strongly in the second half of 2020 and we are therefore pleased to announce a dividend of 5.0 pence per share for 2020, based on our existing dividend policy.

In November, Sarwjit Sambhi joined St. Modwen as Chief Executive Officer. Sarwjit was most recently CEO of Centrica Consumer and member of the Board at Centrica plc, the FTSE 250 energy group. The Board is confident that his breadth of experience and proven leadership capability in a large and complex organisation well positions him to deliver St Modwen's stated strategy. The Board would like to thank Rob Hudson for his strong leadership as Interim Chief Executive between April, when Mark Allan stepped down as Chief Executive, and November. Last week, Dame Alison Nimmo DBE joined the Board as non-executive director, bringing more than 30 years of real estate experience, having most recently served as CEO of The Crown Estate from 2012 to 2019.

Notwithstanding the continued uncertainties and the significant impact of the Covid-19 crisis on our financial results for 2020, St. Modwen is entering 2021 in robust shape. Our strategy remains focused on two areas where structural growth trends remain positive; logistics and housebuilding. In both sectors we have high-quality platforms and substantial pipelines to grow. To link the execution of our strategy with our ESG efforts, we launched our Responsible Business ambitions in early 2020. These set out our medium and long-term ambitions on, amongst others, net zero carbon, biodiversity, diversity and inclusion, and education and future skills. All these are aimed at bringing to life our purpose: Changing places. Creating better futures. The Board is confident that the continued delivery on this strategy will create significant value for all stakeholders over time.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Following a positive start to 2020, the growing momentum in our business was interrupted at the end of March by the Covid-19 pandemic. We paused nearly all activities on our sites, before restarting activity safely in May. Since then, we have rebuilt momentum and this is reflected in our operational results. The logistics space we completed during the year is 81% let or under offer, our order book in housebuilding is up 33%, and we sold £154m of assets, including £93m of surplus residential land. We have continued to build on this momentum in the first months of 2021 and while economic uncertainty remains, structural growth in our two key sectors of housebuilding and logistics is positive, leaving St. Modwen well positioned for future growth.

Our financial results for 2020 were significantly affected by the Covid-19 crisis, despite a marked improvement in the second half. Adjusted EPRA earnings were £22.1m (2019: £38.7m), reflecting £9.7m lower St. Modwen Homes profits due to the c. 9-10 weeks of lost production during the lockdown in spring and an £8.9m reduction in rental income due to non-core disposals and the impact of Covid-19. As such, adjusted EPRA EPS was 9.9 pence (2019: 17.4 pence), resulting in a total dividend for 2020 of 5.0 pence per share (2019: 3.6 pence). Our NAV per share fell 11.7% to 427.7 pence (2019: 484.2 pence) after a 1.1% increase in the second half, despite the 0.8% NAV reduction from the £9.7m NPV neutral non-cash financial charge announced in December. The reduction in value of our two residential sites in Wales drove 50% of this fall in NAV, as the value of our logistics portfolio increased 3.5%. EPRA NTA per share reduced 10.8% to 437.7 pence (2019: 490.8 pence), following 1.6% growth in the second half. We recorded a £13.7m profit in the second half but reflecting the fall in property values in the first half, our loss for 2020 was £120.8m (2019: £49.5m profit), resulting in basic EPS of (54.7) pence (2019: 22.8 pence). Our total accounting return was (11.4)% (2019: 4.6%). Group net debt fell by £18.0m to £296.1m and with £277.0m see-through net borrowings (2019: £290.6m), see-through LTV was stable at 20.2% (2019: 19.6%).

Key financial performance metrics	**Year to Nov 2020**	Half year to May 2020	Year to Nov 2019	Change y-o-y %
NAV per share (pence)	**427.7**	423.1	484.2	-11.7
EPRA NTA per share (pence)[1]	**437.7**	430.8	490.8	-10.8
Dividend per share (pence)	**5.0**	1.1	3.6	+38.9
Total accounting return (%)	**(11.4)**	(12.6)	4.6	-16.0ppt
(Loss)/profit for the period (£m)	**(120.8)**	(134.5)	49.5	-344.0
Adjusted EPRA earnings (£m)	**22.1**	4.7	38.7	-42.9
Basic earnings per share (pence)	**(54.7)**	(60.5)	22.8	-339.9
Adjusted EPRA earnings per share (pence)	**9.9**	2.1	17.4	-43.1
See-through net borrowings[2] (£m)	**277.0**	395.4	290.6	-4.7
See-through loan-to-value[2] (%)	**20.2**	28.1	19.6	+0.6ppt

(1) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior year comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the Group financial statements.

(2) Including the Group's share of net borrowings (being net debt at amortised cost less lease liabilities) and property held in joint ventures and associates.

Our strategy

Our focus on logistics and housebuilding means that St. Modwen has a unique opportunity to grow in two sectors which are supported by long-term structural growth trends. Our substantial existing pipeline, high-quality product, development expertise, and strong capital base provide us with two scalable platforms in these attractive markets. Delivering on this opportunity is not only expected to materially improve our recurring income and return on capital but will also allow us to create value for our customers and wider stakeholders.

The growth in online retail has accelerated dramatically as a result of Covid-19, creating further growth in demand for modern logistics and urban warehouse space. In St. Modwen Logistics, we have a resilient, modern income-producing portfolio and sizeable pipeline, focused on key logistics corridors and conurbations. This provides us with an attractive opportunity to build scale and further grow recurring income through short-cycle, profitable development. In St. Modwen Homes, we combine exceptional product design and quality with an affordable price range, and our keen focus on customer service means we are one of the highest ranked housebuilders in the UK in terms of HBF rating and net promotor score. This provides us with a platform to build scale in a highly fragmented sector, where demand is underpinned by an existing shortage of housing, population growth and supportive government policy. Our focus is to accelerate growth in both sectors.

Underpinning this growth opportunity is our land bank, built up through our strategic land and regeneration capability. It is this capability that enables the long-term value creation in our logistics and housebuilding businesses, from land assembly down to delivery, and it defines our purpose: Changing places. Creating better futures. However, our portfolio also includes several assets which do not support these two businesses, or which, due to their size or other characteristics, are too long dated or do not meet our return requirements. As such, we intend to sell c. £180-200m, or close to 60%, of our remaining Strategic Land & Regeneration portfolio in the next three years and focus our future activities on land repositioning to support growth in logistics and housebuilding via projects with shorter delivery timeframes, clear return hurdles and lower capital employed.

Our track-record in capital recycling is strong, having sold more than £1bn of assets over the last 3.5 years, including £154m during 2020. Our modest 20% LTV and continued disposals therefore allow us to accelerate growth in our two key sectors, whilst retaining our strong financial base. By 2023, we will aim to deliver c. 1,500 homes p.a. and have a logistics portfolio of over £1bn, which means these segments are expected to make up over 90% of our overall portfolio by then, compared to 76% at the end of 2020. Assuming market conditions in our sectors remain as is, we expect delivery of our growth strategy in these two key sectors to result in an increase in adjusted EPRA EPS to c. 28 pence and a total accounting return of c. 9–10% in the medium term.

St. Modwen Logistics

Our logistics business now makes up 49% of our overall portfolio (2019: 39%). Of this, we continue to grow our income-producing portfolio, 54% of which consists of urban warehouse assets of units sub 100,000 sq ft, with a further 25% focused on big box warehouses of c. 100,000–300,000 sq ft, typically located close to key logistics corridors. Our high-quality warehouse assets have almost all been developed by St. Modwen, and c. 80% are virtually new, as they have been constructed in the last four years. The final element of our income portfolio includes our higher yielding other assets, with a variety of logistics and industrial use. With 97.9% of the rent due in 2020 received and only 0.2% waived, the income from our logistics portfolio has proven to be highly resilient.

We plan to develop 1.5m sq ft of urban and big box warehouses in 2021 and, subject to continued customer demand, up to c. 2m sq ft p.a. thereafter. Leasing momentum is strong, with 81% of the 1.2m sq ft we completed in 2020 either let or under offer, compared to 58% of the 0.9m sq ft 2019 completions this time last year, and 27% of our committed pipeline is pre-let or under offer. We aim to grow our £666m logistics portfolio to over £1bn in the next three years, further improving the resilience of our returns, and with a total pipeline of 19m sq ft and an estimated ERV of £130m we have significant further growth potential beyond that. With a yield on cost of c. 7–8%, this presents a valuable long-term opportunity, while the short-cycle nature of these development schemes means we can respond quickly to any changes in demand.

St. Modwen Homes

Our housebuilding business has grown from zero to delivering around 1,000 units p.a. in the last eight years, presenting an attractive platform for future growth. Our £277,000 private ASP is affordable, yet our design, product quality and customer service are clear differentiating factors compared with the rest of the market; our 96% HBF customer satisfaction score is the second highest of any large housebuilder, and our 74 Net Promoter Score remains very high. The resilience this creates is reflected in the fact that, despite the pandemic and the resulting two months of lost production, sales were down only 11% to 948 units, pricing remained firm and margins were down a relatively modest 2.4ppt to 12.4% (2019: 14.8%). We aim to grow volumes by up to 25% in 2021, with margins expected to recover to c. 14.5%, and our order book covers 47% of our target private sales.

Our 5,900-plot land bank, focused on affordable locations in the regions, provides a visible pipeline to grow volumes to c. 1,500 units p.a. by 2023, assuming current market conditions persist, with an opportunity to grow further beyond that depending on land acquisitions. We aim to grow our operating margin to c. 16–17% by 2023, driven by clearly identified operational improvements and an improvement in embedded gross margin, with further potential growth beyond that. Housebuilding makes up 27% of our assets, but as we grow volumes, we expect our 6.2-year pipeline to converge with the 4 to 5 year industry average. Combined with the improvement in margins we expect this increase in asset turnover will significantly improve our housebuilding ROCE.

Strategic Land & Regeneration

St. Modwen has a strong track-record in land repositioning, in particular site assembly, planning, remediation and preparing sites for development. This expertise and capability creates a real competitive advantage for us, evidenced by the fact that almost our entire pipeline in the logistics and housebuilding businesses originates from these activities. Moreover, regenerating land for new opportunities for employment and new residential communities is at the heart of our core purpose: Changing places. Creating better futures.

Going forward, we will focus our strategic land and regeneration capability on repositioning land for logistics and residential development via capital-light development opportunities, deliverable in a short timescale from our initial land acquisition, similar to our recent projects at Wantage and Copthorne. In addition to a higher IRR, these projects also deliver a demonstrably higher development margin for our logistics and housebuilding businesses relative to sourcing land in the open market. Moreover, the capital requirement for such projects is much lower than the large, multi-decade regeneration projects we have undertaken in the past, where high capital employed has weighed on returns, so this will not only improve the return on capital our strategic land capability delivers but also enhance the returns for our logistics and housebuilding businesses. We have already reduced the SL&R portfolio from £1.2bn to £332m since 2017 and have set out a clear plan for the residual assets. This includes the sale of c. £180–200m of assets by 2023, of which £33m is already contracted, with a small amount of assets planned for disposal post 2023. Around £40m of land is earmarked for St. Modwen Homes and we are reviewing how to accelerate the monetisation of our remaining c. £60m of regeneration investments, principally in Longbridge. We will continue to invest in new land opportunities, but the capital-light nature of these new investments means we expect SL&R to constitute less than 10% of our portfolio in three years compared to 24% at the end of 2020, which will significantly enhance our overall return on capital.

People

Since joining St. Modwen, I have met many of our talented colleagues in the different parts of our business. The expertise, dedication, and true sense of purpose I encountered confirmed my initial view that St. Modwen is a unique business. Our people are key in delivering the attractive growth opportunity we have, and we will continue to invest in the development of our teams. 2020 has been an extraordinary year, so I would like to thank all colleagues for their hard work and dedication, which has driven such strong operational performance. To recognise our teams' efforts, we decided to pay our employees an extra £500 for the Christmas holiday season.

Responsible Business

In early 2020, we launched our six Responsible Business ambitions, based around net carbon reduction, with the aim to become operationally net zero carbon by 2025 and fully net zero carbon by 2040; biodiversity and sustainable environments; diversity and inclusion; education and future skills; health and wellbeing; and responsible operating practices and partnerships. We have started to embed this in how we execute on our

strategy. We reduced our operational carbon footprint by 30% vs 2019 and developed plans for our roadmap towards our longer-term goals. In logistics, we have created an Energy Code for our new projects and delivered our first BREEAM Excellent building, while we aim for c. 60% of our 2021 projects to be BREEAM Very Good or Excellent, rising to c. 80% in 2022. In housebuilding, we reduced waste by 15% and are on track to meet our 2025 ambition to reduce waste by a third. 21% of our homes were built using modern methods of construction, which will grow to 30% in 2021, and we will prepare for the Future Homes Standard. Recognising the social challenges the Covid-19 crisis brings, we donated £150,000 to local causes in the heart of the communities that we serve, working with local organisations, from foodbanks to volunteering groups, to make a meaningful difference.

Outlook

We have a clear strategic focus on two key sectors which are supported by structural growth trends. In logistics, these have even intensified in the wake of Covid-19, as the pre-existing trend of growth in online retail has accelerated by several years. Combined with a focus on international supply chain resilience and the timeliness of delivery, this continues to drive customer demand for big box and urban warehouse space. Meanwhile in housebuilding, although the economic outlook is uncertain, continued population growth, on top of an existing shortage of housing, means there is long-term demand for more high-quality, affordable homes, hence why Government policy remains firmly supportive in accelerating the delivery of new housing.

This supportive backdrop provides added resilience to our growing income-producing logistics portfolio and expanding housebuilding business, and it underpins the potential to increase scale in both platforms, further supported by leveraging our regeneration capabilities. Our focus is on accelerating the delivery of our profitable pipeline, although despite the clear positive developments around Covid-19 vaccines, we are mindful of the near-term economic challenges. We therefore remain disciplined in terms of financial risk, with a target LTV of less than 30% and continued focus on capital recycling. Moreover, the short-cycle nature of our developments provides flexibility to adjust our activity quickly in case of any unexpected changes in demand.

We entered 2021 in a strong financial position, with a low 20% LTV and no near-term Group debt maturities. 76% of our portfolio is focused on logistics and housebuilding, up from 65% a year ago, and we aim to grow this to over 90% by 2023. Operationally, our key areas of focus are to enhance customer understanding across our business, further develop our logistics capability, maintain a high level of colleague engagement, and to look after our people's safety and wellbeing. As we continue to recycle capital out of low-returning assets, grow our logistics portfolio and build on our high-quality housebuilding platform, we expect this to result in an increase in adjusted EPRA EPS to c. 28 pence and a total accounting return of c. 9–10% in the medium term. Assuming no material disruption in trading conditions, we expect adjusted EPRA EPS for 2021 to be close to 2019 levels.

PORTFOLIO AND OPERATIONAL REVIEW

Portfolio overview

The largest part of our £1.37bn portfolio consists of £666m income-producing logistics assets and pipeline (49%). Our logistics income portfolio has almost doubled in three years and can be divided in the following categories:

- Urban warehouse (54%): assets of less than 100,000 sq ft, 70% of which built since 2017, located near key conurbations, and let to a wide variety of customers, including last mile delivery, logistics, food/drink imports, freight, trading and light manufacturing businesses.
- Big box warehouse (25%): assets of c. 100,000–300,000 sq ft, all built since 2017, located near key logistics corridors and let to online retail, logistics, or manufacturing customers.
- Other (21%): this comprises higher yielding assets with a variety of industrial and logistics uses, such as automotive storage, light industrial or smaller business space, or assets earmarked for future development.

We will continue to grow our modern, urban and big box warehouse exposure through further development, while, over time, we will selectively monetise those assets where we have maximised value.

Our housebuilding business constitutes a further 27% of our portfolio. This includes the majority of our residential land bank, almost all of which originated from our strategic land and regeneration activities.

The final 24% of our portfolio comprises our £332m Strategic Land & Regeneration portfolio. £143m of this is residential land, of which £26m is contracted to be sold, and a further £125m consists of non-core commercial assets. This includes £86m of retail, of which two-thirds is our retail/leisure asset, Trentham Gardens. Although this trades well, with 96% occupancy, uplifts on rent renewal and strong footfall, it is not a market where we have scale and therefore any competitive advantage. The remaining retail principally comprises three town centre assets in Billingham, Farnborough and Wythenshawe. Of our £39m other non-core commercial assets, £7m was sold since the year-end, while the rest principally comprises offices at Longbridge and around a dozen small assets. The final element of our SL&R portfolio comprises £63m of regeneration investments, of which around two-thirds is development land at Longbridge and the rest are small investments in Swansea and NCGM.

Around £40m of the £332m SL&R assets is land earmarked for development by St. Modwen Homes. We aim to sell a further c. £180-200m of assets by 2023, of which £33m is already contracted. This includes all non-core retail and other commercial assets plus a large part of our residual c. £80m surplus residential land, leaving a small amount of land for disposal post 2023, principally at our two large sites in Wales. We will explore strategic options for our remaining regeneration investments, including partnerships or forward-sale developments.

Portfolio repositioning during 2020

We have made further progress in repositioning our portfolio during 2020, with £154m of disposals agreed and £89m of investments in logistics capex and land for near-term development. We sold 21 small non-core retail and other commercial assets in separate transactions for a combined consideration of £32m and completed or exchanged contracts for the disposal of £93m surplus residential land to third-party housebuilders. We also sold £29m of logistics assets, including three older, other assets for a combined £19m and ten small units and land plots. Overall, disposals for the year were 1.9% below their November 2019 book value, but the £117m disposals we agreed in the second half of 2020 were on average in line with their May 2020 book value.

	Amount[1] £m	EPRA net initial yield[2] %
Acquisitions during 2020[3]		
Logistics land	4	–
Residential land	4	–
Total	**8**	–
Disposals		
Logistics	29	6.1
Non-core retail & other	32	6.5
Residential land	93	–
Total	**154**	**6.3**
Disposals post period end[3]		
Non-core other	7	–
Total	**7**	**–**

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

(2) Based on income producing assets excluding land.

(3) Excluding land transfers to St. Modwen Homes and completed home sales; including exchanged disposals which will complete after Nov 2020.

Portfolio valuation

The valuation of our growing logistics business (49% of total portfolio, up from 40% a year ago) proved resilient, with a 3.5% increase for the year, including a 4.6% increase in the second half. ERVs increased 2.8% on a like-for-like basis, while yields compressed 20bps, partly reflecting a number of successful lease regears, which significantly extended our WAULT. As such, our logistics portfolio generated a 6.8% total property return, compared to 7.0% for the MSCI UK Industrial benchmark. The small difference reflects our lower income return, due to the temporary impact of recent development completions which were still in lease-up stage, as our 3.5% capital return was ahead of the 2.2% MSCI benchmark. Looking forward, we expect valuations to remain supported by continued strong investment and occupational demand.

By contrast, our Strategic Land & Regeneration portfolio saw a 29.7% fall in value during 2020, which resulted in a 10.5% valuation reduction for our overall portfolio. Around 95% of this valuation decline in SL&R occurred in the first half of the year, with values in the second half down a modest 2.4%.

The principal drivers for this were our two large residential sites in South Wales, which saw a 56.6% valuation reduction, almost all of which occurred in the first half of the year. As we set out in detail at the time, the principal drivers for this were an increase in the development risk premium reflecting the size and nature of both sites, which at c. 4,000 plots each are considerably larger than any of our other sites, new legislation around surface water drainage in Wales, Section 106 changes and remediation cost. These sites made up £57m of our SL&R portfolio at the end of November, including £11m at Coed Darcy and £46m at Llanwern. Of the latter, 30% is already contracted to be sold and with four different housebuilders on site or about to start building, activity and demand on this site is positive. Our residual residential land saw a 21.4% reduction in value, principally during the first half of 2020, as values in the second half of the year were broadly stable, at -1.1%.

Our non-core retail assets were 21.7% down in value during the year, reflecting pressure on ERVs and softening yields in the first half due to the challenging retail trading conditions, as values in the second half were broadly stable, at -2.3%. Our regeneration assets were down 6.5%, following an 8.5% increase in the second half of the year. Our small amount of non-core other assets was down 26.0%, but c. 20% of these assets have since been sold. Following over £700m of net divestments since mid-2017 and with 10% of the year-end portfolio contracted to be sold, our residual £300m of SL&R assets represent only 22% of our portfolio. The sale of £91m of SL&R assets in the second half of 2020 in line with their May book value gives us confidence for further disposals.

	Portfolio value	Valuation movement	EPRA net initial yield[1]	EPRA topped up net initial yield[1]	Equivalent yield[1]	LFL equivalent yield shift[1]	LFL ERV growth[1]
	£m	%	%	%	%	bps	%
Urban warehouse	304	3.0	3.5	5.1	6.1	(10)	0.3
Big box warehouse	138	6.6	0.5	2.1	4.8	(10)	0.7
Other	119	8.6	4.0	5.9	7.6	(50)	8.0
Current developments/land	105	(3.7)	–	–	–	–	–
St. Modwen Logistics	**666**	**3.5**	**2.9**	**4.5**	**6.1**	**(20)**	**2.8**
St. Modwen Homes	**373**	**–**	**–**	**–**	**–**	**–**	**–**
Residential land	143	(40.7)	–	–	–	–	–
Regeneration	63	(6.5)	–	–	–	–	–
Non-core retail	86	(21.7)	9.4	9.5	10.1	80	(6.4)
Non-core other	40	(26.0)	6.5	6.6	7.5	30	(4.2)
Strat. Land & Regeneration	**332**	**(29.7)**	**8.9**	**9.1**	**9.0**	**70**	**(5.9)**
Total portfolio	**1,371**	**(10.5)**	**3.9**	**5.3**	**6.7**	**–**	**0.1**

(1) On completed investment assets only, excluding current developments and land.

Leasing and like-for-like income

We continue to build scale and resilience as our exposure to modern logistics assets with longer leases continues to grow. Logistics now makes up 73% (2019: 66%) of our £54.7m ERV (2019: £51.9m) and this will increase to close to 100% in the next three years. Like-for-like logistics income was up 6.1% during the year. We agreed 2.3m sq ft of new leases and lease renewals, on average 11% above previous passing rent and in line with ERV,

and a number of significant lease regears. Alongside the delivery of new developments, this meant that the WAULT to first break of our logistics portfolio increased to 6.4 years (2019: 4.6 years). While 20.7% of our logistics portfolio was available to let at the end of 2020, our continued leasing success means this has now reduced to 13.9%. Since the year-end, availability in our big box portfolio has reduced from 44.4% to 9.0%, with only one unit which was completed three months ago available to let. This resulted in a further increase in WAULT from 6.4 to 7.4 years and of our remaining available space, 14% is currently under offer.

Like-for-like income in SL&R was significantly affected by the temporary closure of Trentham Gardens and the challenges in retail due to Covid-19. The combined effect of this makes up c. 85% of the overall fall in like-for-like SL&R income below, with half of the remainder relating to an asset which has been sold since the year-end.

	Passing rent £m	Topped-up rent £m	ERV[1] £m	EPRA LFL rent growth[2] %	EPRA vacancy[3] %	WAULT (break) years	WAULT (expiry) years
Urban warehouse	11.9	17.1	21.1	12.6	16.0	5.0	7.9
Big box warehouse	1.8	4.3	7.7	(13.2)	44.4	10.5	11.6
Other	6.3	8.6	10.8	5.1	13.3	6.9	7.8
Current developments/land	0.4	0.4	0.2	0.3	–	5.0	10.0
St. Modwen Logistics	**20.4**	**30.4**	**39.8**	**6.1**	**20.7**	**6.4**	**8.4**
St. Modwen Homes	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Residential land	1.8	1.8	0.7	18.5	33.1	–	–
Regeneration	0.7	0.8	0.5	(16.8)	5.7	3.1	17.2
Non-core retail[1]	9.9	10.1	10.4	(38.7)	11.3	5.2	6.3
Non-core other	3.1	3.1	3.3	(28.0)	11.6	5.2	7.2
Strategic Land & Regeneration	**15.5**	**15.8**	**14.9**	**(29.5)**	**12.1**	**5.0**	**7.1**
Total portfolio	**35.9**	**46.1**	**54.7**	**(10.5)**	**18.4**	**6.0**	**8.0**

(1) Excluding turnover rent at Trentham Gardens.

(2) Including impact of credit loss provision and temporary closure of Trentham as a result of Covid-19, £0.2m one-off and £0.6m impact from vacating space ahead of future redevelopment; 1.1% excluding these items.

(3) Adjusting for lettings since year-end pro-forma St. Modwen Logistics vacancy has reduced to 13.9%, as big box warehouse reduced to 9.0%.

Rent collection

The quality and resilience of our modern logistics portfolio is reflected in our rent collection. We received 97.9% of all logistics rent due in 2020 and waived a limited 0.2%, leaving just 1.9% of rent outstanding. We received 91.6% of the rent due in SL&R and waived 2.4%, leaving 6.0% of rent outstanding. As a result, our overall rent collection for 2020 is 95.4%, with 3.5% of rent still outstanding. Rent collection for December 2020 currently stands at 91.6% for logistics and 75.8% for our SL&R portfolio, resulting in an overall collection rate of 86.7%; exactly in line with the same time in previous quarters.

Logistics development completions

We completed 1.2m sq ft of developments during 2020 (2019: 0.9m sq ft), in line with the revised target we announced post the delay caused by Covid-19 in Spring. Of the associated £7.6m ERV, 73% is let and a further 8% is under offer. This marks an improvement in leasing compared to this time last year, when 58% of our 2019 completions were let or under offer. With total development costs of £104m, our 2020 completions will deliver a 7.3% yield on cost once fully let and generate an average profit on cost of c. 35%. Our 2019 completions are currently 86% let, with a further 4% under offer. On average, our development lettings have been slightly above our expected ERVs, although we have seen a small increase in incentives on some deals.

Key completions during 2020 included a 321,000 sq ft big box unit in Tamworth, which we let to a global ecommerce logistics provider on a 15-year fixed lease shortly after the year-end; 227,000 sq ft across six units in Stoke, of which four are let to customers including an international mobile technology business and German energy company E.ON; a 106,000 sq ft unit in Chippenham; a 100,000 sq ft big box unit at Gatwick, which is let to Gatwick Airport on a 15-year fixed lease; 96,000 sq ft across three units in Worcester, all of which are let at terms of 10 years; and 80,000 sq ft across two units at Lincoln, let to DHL and a national logistics provider.

Logistics pipeline

We aim to deliver 1.5m sq ft of new space in 2021, up 25% compared to 2020, and subject to continued customer demand we intend to grow this further to up to c. 2m sq ft p.a. thereafter. With total development costs of £155m and an ERV of £11.5m, our 1.6m sq ft committed pipeline is expected to deliver a 7.5% yield on cost once fully let. Big box logistics makes up 27% of this 1.6m sq ft, while the rest are urban warehouse units, with an average size of c. 50,000 sq ft. Of the associated £11.5m ERV, 19% is pre-let at an average term of 13 years and a further 8% is under offer, compared to 18% of our 2020 pipeline at the start of last year. This reflects the positive leasing momentum but also the impact of our first two built-to-suit developments, which make up one-fifth of our committed pipeline. We intend to further grow this in the coming years, to continue to de-risk our development exposure. More than 60% of our current pipeline is BREEAM Very Good or Excellent and we expect this to grow meaningfully beyond 2021, as we aim to increase the amount of BREEAM Excellent projects.

Committed pipeline	Size 000 sq ft	Units	Expected completion	Pre-let [1] %	Total dev cost £m	Current book value £m	Future capex £m	ERV £m	Yield on cost %
Big box logistics									
Exeter	196	1	H2 2022	100					
Gloucester	116	1	H2 2021	100					
Newport	101	1	H1 2021	–					
Urban warehouse									
Stoke	224	3	H2 2021	–					
Gloucester	189	4	H2 2021	–					
Tamworth	161	3	H2 2021	–					
Basingstoke	138	3	H2 2021	–					
Wellingborough	139	2	H2 2021	–					
Lincoln	124	4	H2 2021	–					
Worcester	73	2	H2 2021	–					
Gatwick	65	1	H1 2021	–					
Newport	30	1	H1 2021	–					
Total	**1,555**	**26**		**19**	**155**	**27**	**128**	**11.5**	**7.5**

(1) Based on ERV.

Our total pipeline stands at 19m sq ft, of which 40% has planning consent. In addition to our 1.6m sq ft committed pipeline, we have a further 6.0m sq ft of consented space which could deliver an ERV of £38.8m over the next 1-5 years. With future capex of £425-475m and total development costs including land we already own of £475-525m, this reflects a c. 9% yield on incremental capex and a c. 7-8% yield on cost. As such, this offers significant embedded income growth and potential development profit. In addition, we control a number of large sites along key transport corridors via development agreements. These are held at virtually nil cost on our balance sheet but, subject to planning, could deliver a further 12m sq ft of space in the next 5-10 years, with a similar investment and returns profile as our near-term pipeline.

Total pipeline	Committed	Consented	Controlled	Total
Size (m sq ft)	1.6	6.0	c. 12	c. 19
Potential ERV (£m)	11.5	38.8	c. 80	c. 130
Future capex (£m)	128	425–475		
Total dev. cost (£m)	155	475–525		
Current book value (£m)	27	50	7	84
Yield on cost (%)	7.5	c. 7–8		
Yield on capex (%)	8.4	c. 9		
Potential delivery	0–18 mths	1–5 yrs	5–10 yrs	0–10 yrs

Housebuilding completions

Demand for high-quality, affordable homes remains solid and pricing remains firm. Although sales outlets were closed from late March until early May, our sales rate for 2020 was close to 2019, at 0.77 private homes per outlet per week (2019: 0.81), and our sales rate for the second half was 0.92 (2019: 0.78). We lost c. 9–10 weeks of production due to the pause in build activity during the first lockdown and, initially, reduced site operating efficiency after restarting work, which meant we completed 948 new homes in 2020 (2019: 1,060). The temporary reduction in SDLT has supported demand, although our surveys suggest that only for a small minority of our customers was this a deciding factor in their purchase. Our private ASP increased to £277,000 due to changes in mix and location, as on a like-for-like basis the private ASP increased by 2.2%. We continue to work safely, in line with Government guidance, and have been operating at nearly 100% efficiency since the summer. Meanwhile, our accident frequency rate of 0.08 is one-fifth of the industry average.

Housebuilding performance	**2020**	2019	Change %
Total units sold	**948**	1,060	-10.6
Private units sold	**800**	920	-13.0
Affordable units sold	**148**	140	+5.7
Private sales rate	**0.77**	0.81	-4.9
Private ASP (£'000)	**277**	273	+1.5
Affordable ASP (£'000)	**154**	135	+14.1
Gross margin (%)	**16.9**	19.0	-2.1ppt
Operating margin (%)	**12.4**	14.8	-2.4ppt

Housebuilding margins

Currently all our homes are built on sites originating from our strategic land and regeneration activities. This means that any historical increases in land value from house price inflation or planning gains on these sites has been recognised via revaluation gains, before transferring them to our housebuilding business at market value. We estimate this reduces our gross margin by c. 300bps relative to peers who hold their land at historical cost.

Our gross margin for the year reduced to 16.9% (2019: 19.0%), partly driven by an increase in site running cost as a result of the delay in production due to Covid-19. Due to reduced overhead efficiency because of lockdown, our operating margin reduced to 12.4% (2019: 14.8%). Assuming current trading conditions persist, we expect our operating margin will recover to c. 14.5% in 2021. We have a target to grow our operating margin to c. 16–17% by 2023, driven by identified operational efficiencies, for example on overhead, design and purchasing, plus an improvement in gross margins due to changes in site mix, with further growth from the latter beyond that.

Housebuilding pipeline

Our St. Modwen Homes pipeline comprises 5,900 plots (2019: 6,200 plots), which equates to a land bank of 6.2 years, excluding a proportion of strategic land held by SL&R. Assuming housing market conditions remain as is, this provides us with visibility to grow volumes by up to 25% in 2021 and to c. 1,500 units by 2023. The embedded gross margin for 2021 is c. 19.5%, but we expect this to improve to c. 20.5% in the coming years, as we trade out of a number of lower-margin sites. In addition, we are currently seeing opportunities to acquire oven-ready land at prices accretive to our embedded margin and ROCE, so we expect to selectively add to our pipeline in 2021, with targeted gross margins of at least 22%. As we grow volumes, we expect our overall land bank to converge with the industry average of c. 4 to 5 years, which will drive a marked increase in asset turnover and further enhance our ROCE.

We are currently active on 24 sales outlets and expect this to grow to 27 by the end of 2021. Ahead of the changes to Help to Buy this year, we diversified our customer mix over the past year through part-exchange, shared-ownership and investors, so Help to Buy made up 47% of our 2020 sales (2019: 54%). Around 80% of our targeted private sales for 2021 are below the Help to Buy caps and, reflecting strong demand, our private order book currently stands at 454 units (Feb 2020: 365 units), or £126m, of which 41% is completed or exchanged.

Strategic land and regeneration pipeline

Focussing our strategic land and regeneration capability on opportunities for future residential or logistics use, we secured a capital-light development agreement for the delivery of 1,100 new homes in Cheltenham, which subject to planning could potentially see a start on site in 2024. This project is expected to deliver an IRR of c. 20% plus an enhanced housebuilding margin. This adds to the c. 10,400 plots of residential land that we controlled via development agreements at the end of 2020 (2019: 11,300 plots) and provides an important long-term opportunity for St. Modwen Homes.

At Longbridge, residential development continues apace, and we are reviewing options on bringing forward the next phases of commercial and residential development through potential partnerships. Our 50/50 JV with Vinci continues to progress the relocation of the existing market facilities at New Covent Garden Market, ahead of the release of 10 acres of land for residential development in the medium term. We continue to monetise surplus residential land via disposals to other delivery partners and agreed to sell 2,244 plots in 2020. As such, the number of residential plots with planning we hold on our balance sheet outside of St. Modwen Homes reduced to 6,600 (2019: 8,200 plots) with a value of £142m, of which a further 1,100 plots are contracted to be sold.

FINANCIAL REVIEW

Overview

Our financial performance for 2020 has, unsurprisingly, been impacted markedly by the Covid-19 pandemic, principally during the first half of the year. Adjusted EPRA earnings reduced to £22.1m (2019: £38.7m), driven by an £11.2m decrease in gross housebuilding profit and an £8.9m decrease in net rental income due to last year's non-core disposals, and a reduction in SL&R income as a result of the pandemic, partly offset by £4.3m lower operating and administrative expenses. As a result, adjusted EPRA EPS was 9.9 pence (2019: 17.4 pence).

Net profit in the second half of the year was £13.7m, but the revaluation deficit on our residential land and residual retail assets in the first half of 2020 meant we recorded a net loss for the year of £120.8m (2019: £49.5m net profit). As a result, basic EPS was (54.7) pence (2019: 22.8 pence). Despite 1.1% growth in the second half, NAV per share reduced 11.7% during the year to 427.7 pence (Nov 2019: 484.2 pence), whilst EPRA NTA per share reduced 10.8% to 437.7 pence (Nov 2019: 490.8 pence)[(1)]. Our successful non-core disposals meant that, despite further investment in our logistics pipeline, Group net debt fell to £296.1m (2019: 314.1m) and see-through net borrowings fell to £277.0m (2019: £290.6m), leaving see-through LTV stable at 20.2% (2019: 19.6%).

At the onset of the crisis in March we decided to not pay our 5.1 pence per share final 2019 dividend, but as performance recovered post-lockdown, we reinstated our dividend policy to pay out c. 50% of adjusted EPRA EPS at our interim results in July. Including this interim dividend paid, our total accounting return for 2020 was (11.4)% (2019: 4.6%). We will pay a final dividend of 3.9 pence per share, bringing the total dividend for the year to 5.0 pence (2019: 3.6 pence). The final dividend will be paid on 8 April 2021 to shareholders on the register as at 12 March 2021.

(1) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior year comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the Group financial statements.

Presentation of financial information

Due to the number of significant joint venture arrangements, the statutory financial statement disclosures do not always provide a straightforward way of understanding our business. Reconciliations between all the statutory and non-statutory measures and the explanations as to why the non-statutory measures give valuable further insight into the Group's performance are given in notes 2 and 3 to the Group financial statements. The Group has four material joint ventures; three of which are in partnership with VINCI, comprising the NCGM operation and joint ventures at Uxbridge and Mill Hill (the latter through The Inglis Consortium), both of which are engaged in the remediation and subsequent sale of land, and one is in partnership with Salhia, Key Property Investments (KPI), which owns a portfolio of principally income-producing industrial assets.

We use adjusted EPRA earnings and adjusted EPRA EPS as key performance measures, which exclude non-cash valuation gains and losses. As our residential developments are built to sell, residential profits are cash-based and therefore included in this metric, but as our commercial developments are predominantly built to hold, commercial development profits are largely non-cash. As such, these are excluded from adjusted EPRA earnings, other than development fee income. Following the release of new best practice recommendations by EPRA, we have replaced the reporting of EPRA net asset value (EPRA NAV) with EPRA net tangible assets (EPRA NTA) within these results. EPRA measures are reconciled in note 3 to the Group financial statements.

Our financial reporting is aligned to our three operational business units, St. Modwen Logistics, St. Modwen Homes, and Strategic Land & Regeneration, with items which are not directly allocated to specific business activities, such as borrowings and interest costs, held centrally and presented separately.

	2020					2019
	St. Modwen Logistics £m	**St. Modwen Homes £m**	**Strategic Land & Regeneration £m**	**Unallocated £m**	**Total £m[1]**	Total £m[1]
Gross rental income	**25.6**	**–**	**17.3**	**–**	**42.9**	48.6
Property outgoings	**(5.4)**	**–**	**(7.2)**	**–**	**(12.6)**	(11.6)
Other net income	**0.3**	**–**	**0.6**	**–**	**0.9**	3.1
Net rental and other income	**20.5**	**–**	**10.7**	**–**	**31.2**	40.1
Housebuilding development profit	**–**	**41.5**	**2.8**	**–**	**44.3**	55.5
Development fee income	**0.1**	**–**	**1.8**	**–**	**1.9**	4.4
Business unit direct operating expenses	**(2.7)**	**(11.1)**	**(5.3)**	**–**	**(19.1)**	(21.7)
Central administrative expenses	**–**	**–**	**–**	**(20.7)**	**(20.7)**	(22.4)
Net interest costs	**–**	**–**	**–**	**(10.4)**	**(10.4)**	(9.3)
Taxation on adjusted EPRA earnings				**(5.0)**	**(5.0)**	(7.8)
Non-controlling interests on adjusted EPRA earnings	**–**	**–**	**–**	**(0.1)**	**(0.1)**	(0.1)
Adjusted EPRA earnings	**17.9**	**30.4**	**10.0**	**(36.2)**	**22.1**	38.7
Property revaluation gains/(losses)	**22.6**	**–**	**(138.9)**	**–**	**(116.3)**	39.4
Property development gains/(losses)	**0.4**	**(3.4)**	**(11.2)**	**(3.3)**	**(17.5)**	(15.0)
Property disposal losses	**(2.7)**	**–**	**(5.1)**	**–**	**(7.8)**	(5.0)
Impairment of intangibles	**–**	**–**	**–**	**(3.6)**	**(3.6)**	–
Change in discounted market liability	**–**	**–**	**(8.8)**	**–**	**(8.8)**	–
Net other finance costs	**–**	**–**	**(12.7)**	**(3.0)**	**(15.7)**	(7.0)
Tax on other earnings	**–**	**–**	**–**	**26.7**	**26.7**	(1.7)
Less non-controlling interests on other earnings	**–**	**–**	**–**	**(0.7)**	**(0.7)**	1.3
Profit/(loss) attributable to owners of the Company	**38.2**	**27.0**	**(166.7)**	**(20.1)**	**(121.6)**	50.7
Basic earnings per share (pence)					**(54.7)**	22.8

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

Net rental and other income

The Group's share of gross rental income decreased to £42.9m (2019: £48.6m). Gross rental income in St. Modwen Logistics increased to £25.6m (2019: £22.2m) due to new development lettings, whilst gross rental income in Strategic Land & Regeneration reduced to £17.3m (2019: £26.4m), principally due to a £6.3m reduction in income from non-core disposals, a £1.0m fall in rental income at Trentham as a result of the impact of Covid-19, and a £1.6m reduction in income from assets vacated for redevelopment. Overall net rental and other income was down £8.9m to £31.2m, with the difference compared with the £5.7m reduction in gross rent primarily reflecting an increase in provisions against trade receivables of £1.2m and a reduction in other income at Trentham Gardens as a result of Covid-19. We expect net rental income in 2021 to grow meaningfully and come out broadly in line with the 2019 level of £40.1m, driven principally by further growth in logistics income.

Housebuilding profit

Gross profit from housebuilding activities decreased to £44.3m (2019: £55.5m). Within this, St. Modwen Homes' gross profit fell to £41.5m (2019: £51.4m) due to the reduction in sales as a result of the pause in build activity in spring due to Covid-19. Net operating profit for the year reduced to £30.4m (2019: £40.1m), although operating profit for the second half recovered to 92% of the prior year. Assuming housing market conditions remain as is, we expect operating profit to grow meaningfully in 2021 due to the expected growth in volumes and margin. The Persimmon JV, which forms part of our Strategic Land & Regeneration business, delivered £2.8m of profit (2019: £4.1m). This JV is expected to draw to a close in 2021, with minimal profit to come from here.

Business unit direct operating expenses and central administrative expenses

Business unit operating expenses are costs which are directly linked to the operating activities of our three business units. During 2020, these decreased to £19.1m (2019: £21.7m), whilst central administrative expenses decreased to £20.7m (2019: £22.4m), both reflecting our efforts to control our cost base. As we plan to grow activity in Logistics and Homes and general operational performance has normalised, we expect that for 2021 business unit operating and administrative expenses combined will be slightly above the 2019 level of £44.1m.

Interest and other finance costs

Net interest costs for the year increased to £10.4m (2019: £9.3m) on a see-through basis, partly due to an increase in borrowings due to net investment during the first half but also due to our decision to temporarily draw all our available facilities at the start of the Covid-19 crisis in March. We capitalised £3.0m of interest costs on commercial developments during the year (2019: £3.3m). Although we plan to be a net investor during 2021, we expect average gross borrowings and hence net interest cost to be slightly lower than in 2020.

Net other finance costs increased to £15.7m (2019: £7.0m). As we announced in our trading update in December, a change in discount rate of our share of the NCGM JV's development obligations resulted in a non-cash financial

charge of £9.7m but this charge is NPV neutral, as it is fully offset by a similar reduction in non-cash financing cost in the next few years. Discount unwinds during the year resulted in a charge of £3.0m (2019: £2.5m), principally related to NCGM, but this will therefore reduce significantly in future years. The final elements of other finance costs are a £1.3m charge for the amortisation of arrangement fees in relation to our loan facilities (2019: £1.8m) and a £1.7m cost related to the mark-to-market valuation of our derivatives, driven by the movement in swap rates (2019: £2.7m).

Investment property revaluation, development and disposal gains/losses

All our investment properties are independently valued every six months by our external valuers, Cushman & Wakefield, who base their valuations upon open market transactions between a willing buyer and a willing seller at the balance sheet date. In accordance with accounting standards, valuation movements are reflected as gains or losses in the income statement. We also independently assess our work in progress for any impairment issues.

During 2020, we saw a net revaluation loss of £116.3m, compared to a £39.4m gain in 2019. Logistics saw a £22.6m revaluation gain, including the valuation gains on its retained developments, but this was offset by a £138.9m loss in SL&R, principally reflecting the write-downs on residential land and retail assets during the first half of the year. We recorded a £17.5m development loss, principally reflecting Covid-19 related costs for site-based staff who were temporarily furloughed during lockdown, a small element of historical utility cost write-offs and provisions made in the first half of 2020 for a small number of legal claims relating to disputes over potential obligations on previously developed sites which are individually not material. We recognised a £7.8m loss on disposals (2019: £5.0m), which principally reflects the selling cost of non-core disposals plus the write-off of some costs incurred on potential future projects, which is treated as a disposal for accounting purposes.

Taxation and profit

Our net loss for the year was £120.8m (2019: £49.5m profit), while our total tax credit (including joint venture tax) for the year was £21.7m (2019: £9.5m tax charge). The 15.2% effective tax rate is lower than the standard rate of corporation tax of 19%, predominantly due to the increase in the rate used to recognise deferred tax from 17% to 19%. This gave rise to a tax charge of £3.7m, without which our effective tax rate would have been 17.8%. As signalled previously, the effective tax rate is expected to remain slightly below the standard rate of tax.

Return on capital

Our total accounting return for the year was (11.4)% (2019: 4.6%). The return on capital employed for St. Modwen Homes was at 7.7% (2019: 11.4%) slightly ahead of St. Modwen Logistics at 6.2% (2019: 12.4%) but given the higher cyclicality of housebuilding, its cost of capital is higher as well. Assuming market conditions remain as is, we expect both to improve in the coming years but reflecting the difference in risk profile, we expect housebuilding ROCE to grow more than logistics, as returns for the latter increasingly shift to long-term, secure income. The (46.2%) return for Strategic Land & Regeneration (2019: 2.9%) reflects the valuation movements of our residential land in principally Wales and non-core retail assets in the first half of the year. We do not expect these significant movements to recur and, as set out earlier, we will continue to reduce the capital employed in this part of the business via further disposals.

	2020					2019
	St. Modwen Logistics £m	**St. Modwen Homes £m**	**Strategic Land & Regeneration £m**	**Unallocated £m**	**Total[1] £m**	Total[1] £m
Property portfolio	**666.5**	**373.0**	**331.7**	**–**	**1,371.2**	1,484.6
Other assets	**11.8**	**30.2**	**53.1**	**97.9**	**193.0**	206.6
Gross assets	**678.3**	**403.2**	**384.8**	**97.9**	**1,564.2**	1,691.2
Net borrowings	**–**	**–**	**–**	**(277.0)**	**(277.0)**	(290.6)
Lease liabilities	**–**	**–**	**–**	**(8.2)**	**(8.2)**	(9.2)
Other liabilities	**(19.6)**	**(56.1)**	**(138.7)**	**(110.5)**	**(324.9)**	(311.0)
Gross liabilities	**(19.6)**	**(56.1)**	**(138.7)**	**(395.7)**	**(610.1)**	(610.8)
Net assets	**658.7**	**347.1**	**246.1**	**(297.8)**	**954.1**	1,080.4
Non-controlling interests	**–**	**–**	**–**	**(3.7)**	**(3.7)**	(4.7)
Equity attributable to owners of the Company	**658.7**	**347.1**	**246.1**	**(301.5)**	**950.4**	1,075.7
Business unit ROCE[2]	**6.2**	**7.7**	**(46.2)**			
NAV per share (pence)[1]					**427.7**	484.2
EPRA NTA per share (pence)[1] [3]					**437.7**	490.8

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

(2) Business unit returns on capital employed are calculated as the business unit profit before interest and tax for the rolling 12-month period divided by the average business unit net assets, after adding back any business unit specific net borrowings, for the 12-month period.

(3) In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior year comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the Group financial statements.

Net asset value

The reduction in property values reduced the net asset value attributable to shareholders of the Group for 2020 by £125.3m to £950.4m (2019: £1,075.7m). Despite a 1.1% increase in the second half, net asset value per share therefore decreased 11.7% over the year to 427.7 pence (2019: 484.2 pence). EPRA NTA per share decreased by 10.8% during the year to 437.7 pence (2019: 490.8 pence)[1] following a 1.6% increase in the second half, despite the aforementioned £9.7m NPV neutral non-cash financial charge reducing growth in the second half by 0.8ppt.

Net borrowings and loan-to-value

Group net debt reduced to £296.1m (2019: 314.1m) as investments in growing our logistics business were offset by non-core disposals. Net borrowings on a see-through basis, including our share of joint ventures, decreased by £13.6m to £277.0m (2019: £290.6m). This excludes £34.5m (representing our 50% share) of cash held in a development account for the NCGM project delivery, which was held in a deposit account until 1 December 2020 and therefore did not qualify as cash in our net borrowings calculation at the year end.

Despite the reduction in property values, our see-through LTV was stable at 20.2% (2019: 19.6%), or 17.7% including the £34.5m of cash which was held on deposit until 1 December. This remains comfortably within our target to keep our LTV below 30%. We expect see-through net borrowings to increase during 2021, as we reinvest the proceeds from non-core sales into growing our high-quality logistics portfolio.

	2020[1]	2019[1]
Group net debt (£m)	**296.1**	314.1
Gross borrowings[1,2] (£m)	**321.0**	357.8
Net borrowings[1,2] (£m)	**277.0**	290.6
Loan-to-value[1,3] (%)	**20.2**	19.6
Loan-to-value (including cash held on short-term deposit)[1,3] (%)	**17.7**	17.1

(1) Proportionally consolidated, including the Group's share of joint ventures and associates.

(2) Borrowings are stated at amortised cost and exclude lease liabilities.

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

Financing

Aside from the KPI JV facility (£15m our share, none of which is drawn) which matures in December 2021, we have no debt maturing until December 2023 and our average debt maturity stands at 3.9 years (2019: 4.9 years). During the year we were granted access to up to £175m of funding under the Government's Covid Corporate Financing Facility but we did not utilise this. Since the year end we have increased our main Group revolving credit facility from £475m to £500m at terms consistent with the existing facility.

	2020	2019
Available facilities (£m)	**565.0**	565.0
Average duration of facilities (years)	**3.9**	4.9
Weighted average interest rate[1] (%)	**3.4**	3.5
Percentage of gross borrowings fixed or hedged (%)	**60.7**	65.7

(1) The weighted average interest rate is calculated using current interest rates, commitment fees and hedging profile applied to the see-through gross borrowings at 30 November 2020, thereby assuming constant net borrowing levels.

Hedging and cost of debt

Our weighted average interest rate reduced to 3.3% (2019: 3.5%) due to a reduction in market interest rates. We aim to have predictable costs attached to our borrowings, so our policy is to hedge a significant portion of our interest rate risk. The proportion of borrowings which are fixed or hedged at the end the year was 60.7% (2019: 65.7%) and we continue to manage our interest rate risk via interest rate swaps.

Corporate funding covenants

Covenant compliance continues at all levels and across all metrics and we continue to operate with considerable headroom against all measures. Our portfolio could withstand an over 50% fall in values before our tightest loan-to-value covenant would be breached. During the year we agreed a temporary amendment of the interest cover covenants on our Group debt facilities, which had no impact on our interest cost but created additional headroom in the event of a severe reduction in income as a result of Covid-19. Further detail is provided in the going concern statement within the accounting policies note to the Group financial statements.

Sarwjit Sambhi
Chief Executive Officer

Rob Hudson
Chief Finance and Operations Officer

8 February 2021

GROUP INCOME STATEMENT

for the year ended 30 November 2020

	Notes	**2020 Total £m**	Underlying £m	2019 Exceptional[1] £m	Total £m
Revenue	1	**342.1**	429.9	–	429.9
Costs	1	**(291.8)**	(331.1)	(22.5)	(353.6)
Investment property disposal losses		**(3.9)**	(5.2)	–	(5.2)
Investment property revaluation (losses)/gains		**(104.1)**	47.5	–	47.5
Net loss of joint ventures and associates (post-tax)	11	**(25.7)**	(2.6)	–	(2.6)
Administrative expenses	1	**(43.2)**	(43.8)	–	(43.8)
(Loss)/profit before interest and tax		**(126.6)**	94.7	(22.5)	72.2
Finance costs	6	**(14.8)**	(15.8)	–	(15.8)
Finance income	6	**2.0**	2.5	–	2.5
(Loss)/profit before tax		**(139.4)**	81.4	(22.5)	58.9
Taxation		**18.6**	(13.4)	4.0	(9.4)
(Loss)/profit for the year		**(120.8)**	68.0	(18.5)	49.5
Attributable to:					
Owners of the Company		**(121.6)**	68.0	(17.3)	50.7
Non-controlling interests		**0.8**	–	(1.2)	(1.2)
(Loss)/profit for the year		**(120.8)**	68.0	(18.5)	49.5

(1) Refer to note 5 for details of the exceptional item in the year ended 30 November 2019.

	Notes	**2020 Pence**	2019 Pence
Basic earnings per share	8	**(54.7)**	22.8
Diluted earnings per share	8	**(54.7)**	22.6

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 November 2020

	2020 £m	2019 £m
(Loss)/profit for the year	**(120.8)**	49.5
Items that will not be reclassified to profit and loss:		
Pension fund actuarial gains	**0.1**	0.1
Total comprehensive (expense)/income for the year	**(120.7)**	49.6
Attributable to:		
Owners of the Company	**(121.5)**	50.8
Non-controlling interests	**0.8**	(1.2)
Total comprehensive (expense)/income for the year	**(120.7)**	49.6

GROUP BALANCE SHEET

as at 30 November 2020

	Notes	**2020 £m**	2019 £m
Non-current assets			
Investment properties	10	**852.8**	958.1
Property, plant and equipment and intangibles		**23.9**	26.7
Investments in joint ventures and associates	11	**60.9**	86.0
Trade and other receivables	12	**15.7**	11.3
Derivative financial instruments		**–**	0.2
		953.3	1,082.3
Current assets			
Inventories	13	**393.9**	416.5
Assets held for sale		**42.4**	15.8
Trade and other receivables	12	**75.6**	88.5
Current tax assets	7	**3.4**	–
Cash and cash equivalents		**32.2**	48.2
		547.5	569.0
Current liabilities			
Trade and other payables	14	**(152.4)**	(140.4)
Derivative financial instruments		**(0.1)**	–
Borrowings and lease liabilities	15	**(1.2)**	(1.4)
Provisions	16	**(35.9)**	(24.5)
		(189.6)	(166.3)
Non-current liabilities			
Trade and other payables	14	**(14.2)**	(14.8)
Derivative financial instruments		**(4.7)**	(3.3)
Borrowings and lease liabilities	15	**(327.1)**	(360.9)
Deferred tax	7	**(11.1)**	(25.6)
		(357.1)	(404.6)
Net assets		**954.1**	1,080.4
Capital and reserves			
Share capital	17	**22.3**	22.2
Share premium account		**102.8**	102.8
Retained earnings		**777.1**	901.4
Share incentive reserve		**2.7**	3.9
Own shares		**(0.7)**	(0.8)
Other reserves		**46.2**	46.2
Equity attributable to owners of the Company		**950.4**	1,075.7
Non-controlling interests		**3.7**	4.7
Total equity		**954.1**	1,080.4

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 November 2020

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 1 December 2018	22.2	102.8	869.5	4.7	(1.3)	46.2	1,044.1	5.9	1,050.0
Profit for the year	–	–	50.7	–	–	–	50.7	(1.2)	49.5
Pension fund actuarial gains	–	–	0.1	–	–	–	0.1	–	0.1
Total comprehensive income for the year	–	–	50.8	–	–	–	50.8	(1.2)	49.6
Share-based payments expense	–	–	–	1.4	–	–	1.4	–	1.4
Settlement of share-based payments	–	–	(2.0)	(2.2)	0.5	–	(3.7)	–	(3.7)
Dividends paid (note 9)	–	–	(16.9)	–	–	–	(16.9)	–	(16.9)
Equity at 30 November 2019	**22.2**	**102.8**	**901.4**	**3.9**	**(0.8)**	**46.2**	**1,075.7**	**4.7**	**1,080.4**
Loss for the year	**–**	**–**	**(121.6)**	**–**	**–**	**–**	**(121.6)**	**0.8**	**(120.8)**
Pension fund actuarial gains	**–**	**–**	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total comprehensive expense for the year	**–**	**–**	**(121.5)**	**–**	**–**	**–**	**(121.5)**	**0.8**	**(120.7)**
Equity issue (note 17)	**0.1**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**–**
Deferred tax on share-based payments	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Settlement of share-based payments	**–**	**–**	**(0.4)**	**(1.0)**	**0.2**	**–**	**(1.2)**	**–**	**(1.2)**
Dividends paid (note 9)	**–**	**–**	**(2.4)**	**–**	**–**	**–**	**(2.4)**	**(1.8)**	**(4.2)**
Equity at 30 November 2020	**22.3**	**102.8**	**777.1**	**2.7**	**(0.7)**	**46.2**	**950.4**	**3.7**	**954.1**

Own shares represent the cost of 390,529 (2019: 210,434) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30 November 2020 was £1.4m (2019: £1.0m).

The other reserves comprise a capital redemption reserve of £0.3m (2019: £0.3m) and the balance of net proceeds in excess of the nominal value of shares arising from a cash box equity placing in 2013 of £45.9m (2019: £45.9m).

GROUP CASH FLOW STATEMENT

for the year ended 30 November 2020

	Notes	**2020 £m**	2019 £m
Operating activities			
(Loss)/profit before interest and tax		**(126.6)**	72.2
Net loss of joint ventures and associates (post-tax)	11	**25.7**	2.6
Investment property disposal losses	1	**3.9**	5.2
Investment property revaluation losses/(gains)	10	**104.1**	(47.5)
Depreciation, amortisation and impairment of intangibles		**6.6**	3.7
Increase in net realisable value provisions	13	**5.8**	3.9
Decrease in inventories		**33.6**	2.9
(Increase)/decrease in trade and other receivables		**(10.2)**	12.5
Increase in trade and other payables		**12.9**	0.6
Increase in provisions		**11.4**	24.5
Pensions		**0.2**	0.2
Settlement less expense of share-based payments		**(1.2)**	(2.3)
Tax received/(paid)	7	**0.7**	(4.4)
Net cash inflow from operating activities		**66.9**	74.1
Investing activities			
Proceeds from investment property disposals		**85.5**	67.3
Investment property additions		**(115.1)**	(139.3)
Interest received		**1.4**	1.4
Cash and cash equivalents acquired in a business combination		**1.5**	–
Capital injection into joint ventures and associates		**(1.0)**	(0.3)
Property, plant and equipment and intangibles additions		**(3.8)**	(7.0)
Dividends received from joint ventures and associates	11	**2.3**	0.8
Net cash outflow from investing activities		**(29.2)**	(77.1)
Financing activities			
Dividends paid	9	**(2.4)**	(16.9)
Dividends paid to non-controlling interests		**(1.8)**	–
Interest paid		**(14.4)**	(12.4)
Repayment of principal portion of lease liabilities		**(1.0)**	(1.1)
Refinancing outflows		**(1.1)**	(1.3)
Borrowings drawn		**196.0**	144.0
Repayment of borrowings		**(229.0)**	(100.0)
Net cash (outflow)/inflow from financing activities		**(53.7)**	12.3
(Decrease)/increase in cash and cash equivalents		**(16.0)**	9.3
Cash and cash equivalents at start of year		**48.2**	38.9
Cash and cash equivalents at end of year		**32.2**	48.2

GROUP ACCOUNTING POLICIES

for the year ended 30 November 2020

Basis of preparation

The Group's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union for the year ended 30 November 2020.

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 financial information contained within this announcement has been prepared on the basis of the accounting policies applied in the Group's financial statements for the year ended 30 November 2020, which are not reproduced in this announcement, except as set out below. The financial information contained within this announcement does not constitute the Group's statutory accounts for the years ended 30 November 2019 or 30 November 2020, but is derived from those accounts.

Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered and made available on the Company's website www.stmodwen.co.uk following the Company's annual general meeting. The auditor has reported on these accounts; its report was unqualified, did not include any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The Group has adopted the below interpretations, amendments and clarifications in the year ended 30 November 2020, which have had no material impact on the Group financial statements.

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IAS 1 and IAS 28 *Definition of Material*
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Amendments to IFRS 3 *Definition of a Business*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IFRS 16 *Covid-19-Related Rent Concessions*
- Amendments to IFRSs *Annual Improvements to IFRSs 2015 – 2017 Cycle*
- Amendments to *References to the Conceptual Framework in IFRS Standards*

Going concern

The directors are required to assess the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing of the Group financial statements. Given the significant impact of the Covid-19 crisis on the economy and the activities of the Group, as detailed within the narrative above, a thorough review of the going concern assumption has been undertaken in preparing the Group financial statements. The Group's going concern assessment considers the Group's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities (details of which are outlined in the financial review) and the ability to continue to operate the Group's facilities within its financial covenants. The principal financial covenants are:

- loan-to value (see-through net debt to be less than 60% of the Group's see-through property portfolio); and
- interest cover (see-through profit before interest and tax, excluding unrealised property gains and losses, to be no less than 175% of see-through cash net interest payable).

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors have considered the potential range of future financial performance and several steps have been taken to ensure that the Group maintains a strong balance sheet and liquidity position. This includes securing access to funding under the Government's Covid Corporate Financing Facility (CCFF) should that be required in the event of a severe deterioration in market conditions, although this has not been utilised, and agreeing an amendment of the interest cover covenants on our Group debt facilities. The interest cover covenant amendments include:

- waiving the test for the rolling 12 months ending 30 November 2020 and 28 February 2021;
- reducing the look-back period for the following three quarterly covenant tests to three, six and nine months respectively; and
- amending the definition of see-through profit before interest and tax for the periods ending on or before 30 November 2021 to also exclude both the one-off costs associated with Covid-19 (as detailed in note 2) and the realised gains and losses arising from the disposal of specified non-core assets.

The detailed review of the going concern assumption included an assessment of future funding requirements based on cash flow forecasts, valuation projections and the ability of the Group to meet its amended covenants on existing borrowing facilities, all over a period extending for at least 12 months from the date of signing the Group financial statements. The Group has no debt maturities during this period. The directors were satisfied that the forecasts and projections were based on realistic assumptions and that the sensitivities applied to current trading expectations to determine the severe but plausible downside scenario were appropriate and considered the potential impacts of Covid-19.

The cash flow forecasts prepared include an expectation that trading continues in line with the current performance and that the investment property, land and housing markets remain as is at the levels experienced at the end of 2020. Comparisons of current trading performance and the property market compared with before Covid-19 are detailed within the narrative above.

The severe but plausible downside scenario modelled adopted the following key assumptions which took into consideration the possibility of further lockdowns:

- a fall in house prices up to 20% over the forecast period;
- a reduction in the house sales rate by nearly half;
- a fall in the value of residential land of 40% over the forecast period;
- a reduction in the collection of gross rental income of nearly one-third;
- no further asset disposals;
- a reduction in capital expenditure;
- a reduction in housebuilding construction costs;
- no dividend payments; and
- reductions in discretionary spend, bonuses and other administrative expenses.

The review shows that the Group maintains significant borrowing headroom and continues to meet all of its covenants under the severe but plausible downside scenario adopted, albeit with limited headroom for the interest cover test as expected. Therefore, the directors are satisfied that the Group will have sufficient ongoing facilities available throughout the forecast period used to assess the going concern assumption.

Based on their assessment, the directors believe the Group has adequate available resources to fund its operations for the foreseeable future, and not less than 12 months from the date of signing of these Group financial statements, and so determine that it remains appropriate for the Group financial statements to be prepared on a going concern basis.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 30 November 2020

1. Detailed income statement

This note sets out the detail of the income statement by category of revenue under IFRS 15 *Revenue from Contracts with Customers* and to assist in reconciling the non-statutory disclosures in notes 2 and 3.

			2020		
	Revenue £m	Costs £m	Statutory profit/(loss) £m	Reallocation of joint ventures and associates £m	Total £m
Rental income	38.9	(11.4)	27.5	2.8	30.3
Other activities	2.9	(2.0)	0.9	–	0.9
Net rental and other income	41.8	(13.4)	28.4	2.8	31.2
Housebuilding developments	233.1	(192.7)	40.4	–	40.4
Housebuilding construction contracts	19.8	(16.5)	3.3	–	3.3
Other housebuilding activities	20.9	(20.3)	0.6	–	0.6
Housebuilding development profits	273.8	(229.5)	44.3	–	44.3
Non-housebuilding inventory and other developments[1]	0.1	(17.6)	(17.5)	–	(17.5)
Pre-sold property construction contracts	11.5	(11.5)	–	–	–
Property development losses	11.6	(29.1)	(17.5)	–	(17.5)
Inventory and other disposal losses	1.4	(3.1)	(1.7)	–	(1.7)
Investment property disposal losses	–	–	(3.9)	(2.2)	(6.1)
Property disposal losses	1.4	(3.1)	(5.6)	(2.2)	(7.8)
Net realisable value provisions	–	(5.1)	(5.1)	(3.2)	(8.3)
Investment property revaluation losses	–	–	(104.1)	(3.9)	(108.0)
Property revaluation losses	–	(5.1)	(109.2)	(7.1)	(116.3)
Development fee income	13.5	(11.6)	1.9	–	1.9
Total	342.1	(291.8)			
Housebuilding administrative expenses			(11.1)	–	(11.1)
Non-housebuilding administrative expenses			(28.5)	(0.2)	(28.7)
Amortisation and impairment of intangibles			(3.6)	–	(3.6)
Administrative expenses			(43.2)	(0.2)	(43.4)
Change in estimated cost to establish a market in Nine Elms			–	(8.8)	(8.8)
Net loss of joint ventures and associates (post-tax)			(25.7)	25.7	–
Loss before interest and tax			(126.6)	10.2	(116.4)
Interest costs			(11.9)	(1.5)	(13.4)
Other finance costs			(2.9)	(12.8)	(15.7)
Finance costs			(14.8)	(14.3)	(29.1)
Interest income			2.0	1.0	3.0
Finance income			2.0	1.0	3.0
Loss before tax			(139.4)	(3.1)	(142.5)
Taxation			18.6	3.1	21.7
Loss for the year			(120.8)	–	(120.8)

	2019				
	Revenue £m	Costs £m	Statutory profit/(loss) £m	Reallocation of joint ventures and associates £m	Total £m
Rental income	43.2	(10.3)	32.9	4.1	37.0
Other activities	5.6	(2.5)	3.1	–	3.1
Net rental and other income	48.8	(12.8)	36.0	4.1	40.1
Housebuilding developments	277.7	(223.4)	54.3	–	54.3
Housebuilding construction contracts	7.8	(6.9)	0.9	–	0.9
Other housebuilding activities	6.7	(6.4)	0.3	–	0.3
Housebuilding development profits	292.2	(236.7)	55.5	–	55.5
Non-housebuilding inventory and other developments[1]	38.2	(55.2)	(17.0)	1.5	(15.5)
Pre-sold property construction contracts	25.0	(24.5)	0.5	–	0.5
Property development (losses)/gains	63.2	(79.7)	(16.5)	1.5	(15.0)
Inventory and other disposal gains	8.4	(7.6)	0.8	–	0.8
Investment property disposal losses	–	–	(5.2)	(0.6)	(5.8)
Property disposal losses	8.4	(7.6)	(4.4)	(0.6)	(5.0)
Net realisable value provisions	–	(3.9)	(3.9)	–	(3.9)
Investment property revaluation gains/(losses)	–	–	47.5	(4.2)	43.3
Property valuation gains/(losses)	–	(3.9)	43.6	(4.2)	39.4
Development fee income	17.3	(12.9)	4.4	–	4.4
Total	429.9	(353.6)			
Housebuilding administrative expenses			(11.3)	–	(11.3)
Non-housebuilding administrative expenses			(32.5)	(0.3)	(32.8)
Administrative expenses			(43.8)	(0.3)	(44.1)
Net loss of joint ventures and associates (post-tax)			(2.6)	2.6	–
Profit before interest and tax			72.2	3.1	75.3
Interest costs			(11.0)	(1.9)	(12.9)
Other finance costs			(4.8)	(2.6)	(7.4)
Finance costs			(15.8)	(4.5)	(20.3)
Interest income			2.3	1.3	3.6
Other finance income			0.2	0.2	0.4
Finance income			2.5	1.5	4.0
Profit before tax			58.9	0.1	59.0
Taxation			(9.4)	(0.1)	(9.5)
Profit for the year			49.5	(0.0)	49.5

(1) Non-housebuilding inventory and other developments includes movements in provisions related to developments of £13.2m (2019: £24.5m, including £22.5m relating to the exceptional item) and a £3.5m (2019: £nil) charge for the costs of employees ordinarily undertaking development activities made redundant, placed on furlough or otherwise unable to undertake that activity due to Covid-19.

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

Housebuilding operating profit is derived from the detailed income statement as follows:

	2020 £m	2019 £m
Housebuilding development profits	**44.3**	55.5
Housebuilding administrative expenses	**(11.1)**	(11.3)
Housebuilding operating profit	**33.2**	44.2

The table below provides further detail of each of the revenue categories disclosed above, including a description of the revenue stream and the relevant accounting policy under which revenue is recognised for the category:

Revenue type	Disclosed revenue category	Accounting policy	Description
Rental	Rental income	Leases - the Group as lessor	Income from tenants at owned properties governed by lease agreements and recognised over the lease term
	Other rental activities	N/A	Income generated from investment properties outside of a fixed tenancy agreement and recognised when earned
Housebuilding	Housebuilding developments	Sale of property held in inventory	Sales of dwellings built by St. Modwen Homes to private and affordable customers and recognised on completion of the sale
	Housebuilding construction contracts	Construction contracts	Revenue recognised over time by St. Modwen Homes on 'golden brick' contracts with registered providers
	Other housebuilding activities	Sale of property held in inventory	Other revenue earned by St. Modwen Homes, including sales of part exchange properties or land
Development	Development fee income	Development fee income	Revenue recognised over time on master developer agreements where the land is not owned by the Group
	Non-housebuilding inventory and other developments	Sale of property held in inventory	Sales of non-housebuilding developments constructed as work in progress
	Pre-sold property construction contracts	Construction contracts	Revenue recognised over time on development work undertaken on a property previously owned by the Group
Disposals	Inventory and other disposals	Sale of property held in inventory	Sales of non-housebuilding work in progress on which no recent development activity has been undertaken

All revenue streams, except rental income, totalling £303.2m (2019: £386.7m) are recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Included within revenue recognised during the year ended 30 November 2020 was £0.5m (2019: £0.1m) of revenue that was included as a contract liability at 30 November 2019 and £0.2m (2019: £nil) of revenue that related to performance obligations satisfied in previous years.

Included within revenue for the year ended 30 November 2020 is variable consideration within development fee income of £0.8m (2019: £1.0m). This arises due to profit sharing arrangements with third-party land owners on the residual land value of developments not controlled by the Group. None of this revenue has been constrained on the basis that the Group considers it highly probable that there will not be a significant reversal in subsequent periods of the amounts recognised.

Revenue of £110.4m (2019: £105.1m) is expected to be recognised in future years in respect of contracts commenced at 30 November 2020 on which revenue is recognised over time. Given the long-term nature of a number of these contracts and the number of variables that impact upon the timing of the satisfaction of performance obligations, it is not possible to accurately determine the future periods in which this revenue will be recognised.

A total of £0.8m (2019: £0.1m) of costs incurred to obtain or fulfil a contract were capitalised at 30 November 2020. This includes £nil (2019: £0.1m) of costs to obtain contracts with customers and £0.8m (2019: £nil) of pre-contract costs.

Cost of sales in respect of rental income comprises direct operating expenses (including repairs and maintenance) related to the investment property portfolio and totals £11.4m (2019: £10.3m), of which £0.1m (2019: £0.3m) is in respect of properties that did not generate any rental income.

2. Non-statutory information

The purpose of this note is to explain, analyse and reconcile a number of non-statutory financial performance and financial position metrics, which are used extensively by the Group to monitor its performance. These metrics reflect the way in which the Group is run, that the Group is in the real estate sector, and in particular that the Group reviews and reports performance of its joint ventures and associates in the same way as it would if they were subsidiaries. This means that proportionally consolidated measures (often referred to as see-through in the strategic report) are particularly relevant, whilst also having the benefit of removing the taxation effects on equity accounted entities from the statutory profit before tax figure. A number of these measures are explained below, together with the EPRA-based measures that are discussed in note 3.

a. Income statement

The non-statutory measure of adjusted EPRA earnings, which includes the Group's share of joint ventures and associates, is calculated as set out below, with the reconciliation of the individual line items to the statutory Group income statement detailed in note 1:

	2020		
	Group £m	Joint ventures and associates £m	Total £m
Gross rental income	38.9	4.0	42.9
Property outgoings	(11.4)	(1.2)	(12.6)
Other net income	0.9	–	0.9
Net rental and other income	28.4	2.8	31.2
Housebuilding development profit	44.3	–	44.3
Development fee income	1.9	–	1.9
Business unit direct operating expenses	(19.1)	–	(19.1)
Central administrative expenses	(20.5)	(0.2)	(20.7)
Interest costs	(11.9)	(1.5)	(13.4)
Interest income	2.0	1.0	3.0
Taxation on adjusted EPRA earnings	(4.6)	(0.4)	(5.0)
Less non-controlling interests on adjusted EPRA earnings	(0.1)	–	(0.1)
Adjusted EPRA earnings	20.4	1.7	22.1
Property revaluation losses	(109.2)	(7.1)	(116.3)
Property development losses	(17.5)	–	(17.5)
Property disposal losses	(5.6)	(2.2)	(7.8)
Amortisation and impairment of intangibles	(3.6)	–	(3.6)
Change in estimated cost to establish a market in Nine Elms	–	(8.8)	(8.8)
Other finance costs	(2.9)	(12.8)	(15.7)
Taxation on other earnings	23.2	3.5	26.7
Less non-controlling interests on other earnings	(0.7)	–	(0.7)
Loss for the year attributable to owners of the Company	(95.9)	(25.7)	(121.6)

The loss for the year ended 30 November 2020 is stated after the deduction of a £2.6m charge for the impairment of intangible assets and a £3.5m charge for the costs of employees ordinarily undertaking development activities made redundant, placed on furlough or otherwise unable to undertake that activity due to Covid-19. Both of these items are excluded from the definition of profit before interest and tax for the purposes of interest cover as defined in our banking facility agreement.

	2019				
	Group £m	Joint ventures and associates £m	Total £m	Exceptional £m	Total £m
Gross rental income	43.2	5.4	48.6	–	48.6
Property outgoings	(10.3)	(1.3)	(11.6)	–	(11.6)
Other net income	3.1	–	3.1	–	3.1
Net rental and other income	36.0	4.1	40.1	–	40.1
Housebuilding development profit	55.5	–	55.5	–	55.5
Development fee income	4.4	–	4.4	–	4.4
Business unit direct operating expenses	(21.7)	–	(21.7)	–	(21.7)
Central administrative expenses	(22.1)	(0.3)	(22.4)	–	(22.4)
Interest costs	(11.0)	(1.9)	(12.9)	–	(12.9)
Interest income	2.3	1.3	3.6	–	3.6
Taxation on adjusted EPRA earnings	(7.4)	(0.4)	(7.8)	–	(7.8)
Less non-controlling interests on adjusted EPRA earnings	(0.1)	–	(0.1)	–	(0.1)
Adjusted EPRA earnings	35.9	2.8	38.7	–	38.7
Property revaluation gains/(losses)	43.6	(4.2)	39.4	–	39.4
Property development gains/(losses)	6.0	1.5	7.5	(22.5)	(15.0)
Property disposal losses	(4.4)	(0.6)	(5.0)	–	(5.0)
Other finance costs	(4.8)	(2.6)	(7.4)	–	(7.4)
Other finance income	0.2	0.2	0.4	–	0.4
Taxation on other earnings	(6.0)	0.3	(5.7)	4.0	(1.7)
Less non-controlling interests on other earnings	0.1	–	0.1	1.2	1.3
Profit/(loss) for the year attributable to owners of the Company	70.6	(2.6)	68.0	(17.3)	50.7

b. Balance sheet

The balance sheet, including the Group's share of joint ventures and associates, is derived from the Group balance sheet as detailed below:

	2020			2019		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Property portfolio	**1,289.1**	**82.1**	**1,371.2**	1,390.4	94.2	1,484.6
Other assets	**118.6**	**74.4**	**193.0**	126.7	79.9	206.6
Gross assets	**1,407.7**	**156.5**	**1,564.2**	1,517.1	174.1	1,691.2
Net borrowings	**(288.8)**	**11.8**	**(277.0)**	(305.8)	15.2	(290.6)
Lease liabilities	**(7.3)**	**(0.9)**	**(8.2)**	(8.3)	(0.9)	(9.2)
Other liabilities	**(218.4)**	**(106.5)**	**(324.9)**	(208.6)	(102.4)	(311.0)
Gross liabilities	**(514.5)**	**(95.6)**	**(610.1)**	(522.7)	(88.1)	(610.8)
Net assets	**893.2**	**60.9**	**954.1**	994.4	86.0	1,080.4
Non-controlling interests	**(3.7)**	**–**	**(3.7)**	(4.7)	–	(4.7)
Equity attributable to owners of the Company	**889.5**	**60.9**	**950.4**	989.7	86.0	1,075.7

c. Property portfolio

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

	2020			2019		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Investment properties	**852.8**	**71.2**	**924.0**	958.1	82.9	1,041.0
Assets held for sale	**42.4**	**–**	**42.4**	15.8	–	15.8
Inventories	**393.9**	**10.9**	**404.8**	416.5	11.3	427.8
Property portfolio	**1,289.1**	**82.1**	**1,371.2**	1,390.4	94.2	1,484.6

The following table provides an analysis of the categorisation of the Group's property portfolio:

	2020			2019		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Urban warehouse	**304.2**	**–**	**304.2**	257.0	–	257.0
Big box warehouse	**138.2**	**–**	**138.2**	38.8	–	38.8
Other	**86.9**	**31.5**	**118.4**	108.6	33.6	142.2
Current developments	**27.1**	**–**	**27.1**	63.5	–	63.5
Land	**73.6**	**5.0**	**78.6**	85.6	1.0	86.6
St. Modwen Logistics	**630.0**	**36.5**	**666.5**	553.5	34.6	588.1
St. Modwen Homes	**373.0**	**–**	**373.0**	384.2	–	384.2
Residential land	**118.5**	**24.1**	**142.6**	218.4	40.3	258.7
Retail-led regeneration	**–**	**–**	**–**	83.6	–	83.6
Other regeneration	**50.5**	**12.8**	**63.3**	86.7	8.9	95.6
Non-core retail	**80.4**	**6.0**	**86.4**	21.8	8.3	30.1
Non-core other	**36.7**	**2.7**	**39.4**	42.2	2.1	44.3
Strategic Land & Regeneration	**286.1**	**45.6**	**331.7**	452.7	59.6	512.3
Property portfolio	**1,289.1**	**82.1**	**1,371.2**	1,390.4	94.2	1,484.6

During the year ended 30 November 2020, the assets previously classified as retail-led regeneration were transferred to non-core retail to reflect the current intentions for those sites.

Investment and commercial property assets as defined in our banking facility agreement at 30 November 2020 was £672.9m (2019: £642.5m).

d. Total accounting return

The Group's shareholders measure their returns in terms of both the Group's growth and the dividend return and total accounting return combines these two items. Whilst this is often measured by Total Shareholder Return which combines share price growth and dividend return, in the real estate sector, it is also insightful to consider net asset growth, which therefore directly reflects the most recent valuation of assets. Total accounting return is calculated as set out below:

	2020 Total Pence per share	2019 Underlying Pence per share	2019 Exceptional Pence per share	2019 Total Pence per share
Net asset value per share at end of year (note 3)	**427.7**	492.0	(7.8)	484.2
Less net asset value per share at start of year (note 3)	**(484.2)**	(470.2)	–	(470.2)
(Decrease)/increase in net asset value per share	**(56.5)**	21.8	(7.8)	14.0
Dividend paid per share (note 9)	**1.1**	7.6	–	7.6
Total accounting return per share	**(55.4)**	29.4	(7.8)	21.6
Total accounting return	**(11.4)%**	6.3%	(1.7)%	4.6%

Total accounting return for the year ended 30 November 2019 has been presented on an underlying and total basis, with the impact on net asset value per share of the exceptional item of 7.8 pence per share disclosed in note 8.

e. Movements in net borrowings and net debt

The movements in net borrowings and net debt are set out below:

	2020 Group £m	**2020 Joint ventures and associates £m**	**2020 Total £m**	2019 Group £m	2019 Joint ventures and associates £m	2019 Total £m
Movement in cash and cash equivalents	**(16.0)**	**(7.2)**	**(23.2)**	9.3	(26.7)	(17.4)
Borrowings drawn	**(196.0)**	**–**	**(196.0)**	(144.0)	–	(144.0)
Repayment of borrowings	**229.0**	**3.8**	**232.8**	100.0	7.7	107.7
Decrease/(increase) in net borrowings	**17.0**	**(3.4)**	**13.6**	(34.7)	(19.0)	(53.7)
Fair value movement on convertible bond	**–**	–		0.2	–	0.2
Decrease/(increase) in lease liabilities	**1.0**	–	**1.0**	(5.3)	–	(5.3)
Decrease/(increase) in net debt	**18.0**	**(3.4)**	**14.6**	(39.8)	(19.0)	(58.8)

f. Net borrowings and net debt

Net borrowing and net debt are calculated as set out below:

	2020 Group £m	**2020 Joint ventures and associates £m**	**2020 Total £m**	2019 Group £m	2019 Joint ventures and associates £m	2019 Total £m
Cash and cash equivalents	**32.2**	**11.8**	**44.0**	48.2	19.0	67.2
Borrowings due after more than one year	**(321.0)**	**–**	**(321.0)**	(354.0)	(3.8)	(357.8)
Net borrowings	**(288.8)**	**11.8**	**(277.0)**	(305.8)	15.2	(290.6)
Lease liabilities due within one year	**(1.2)**	**–**	**(1.2)**	(1.4)	–	(1.4)
Lease liabilities due after more than one year	**(6.1)**	**(0.9)**	**(7.0)**	(6.9)	(0.9)	(7.8)
Net debt	**(296.1)**	**10.9**	**(285.2)**	(314.1)	14.3	(299.8)

g. Gearing and loan-to-value

The Group's capacity to borrow is primarily linked to the value of the property portfolio. Accordingly, both adjusted gearing and see-through loan-to-value are calculated using the comparable measure of net borrowings and see-through net borrowings respectively. These terms are defined as follows:

Net borrowings: Total borrowings (at amortised cost and excluding leases) less cash and cash equivalents.

See-through net borrowings: Total borrowings (at amortised cost and excluding leases) less cash and cash equivalents (including the Group's share of its joint ventures and associates). This includes the development account beneficially owned by one of our joint ventures VSM (NGCM) Limited, held for the purpose of funding the establishment of a market at Nine Elms, which would otherwise need to be funded by injecting cash into the joint venture in the future.

Adjusted gearing: The ratio of net borrowings to total equity.

See-through loan-to-value: See-through net borrowings expressed as a percentage of the Group's property portfolio, calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

	2020			2019		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2c)	**1,289.1**	**82.1**	**1,371.2**	1,390.4	94.2	1,484.6
Total equity	**954.1**	**N/A**	**954.1**	1,080.4	N/A	1,080.4
Net debt (note 2f)	**296.1**	**(10.9)**	**285.2**	314.1	(14.3)	299.8
Net borrowings (note 2f)	**288.8**	**(11.8)**	**277.0**	305.8	(15.2)	290.6
Gearing	**31.0%**		**29.9%**	29.1%		27.7%
Adjusted gearing	**30.3%**		**29.0%**	28.3%		26.9%
Loan-to-value	**22.4%**		**20.2%**	22.0%		19.6%

3. EPRA performance measures

This note sets out performance measures of the European Public Real Estate Association (EPRA), calculated in accordance with their Best Practices Recommendations (BPR). These measures are intended to provide comparability and are explained in detail below.

a. EPRA earnings measures

For investors of real estate companies, a key measure of ongoing operational performance and the extent to which dividend payments are underpinned by earnings is the level of income arising from operational activities. EPRA earnings exclude unrealised valuation movements and gains or losses on disposal to provide an indicator of the leasing and property management performance of a business.

However, whilst EPRA earnings provides a comparable measure for investors, it is not a relevant measure for housebuilders as it excludes all profits from such activity. On the basis that these profits are realised in cash and represent a core ongoing activity for the Group, a company specific adjustment is therefore made to EPRA earnings in respect of this profit. Furthermore, the amortisation of loan arrangement fees represents a non-cash interest charge on an ongoing basis and therefore a further company specific adjustment is made for this. After adjusting these two items for tax, EPRA earnings can be reconciled to adjusted EPRA earnings, which provides a relevant cash-based profit measure that underpins the dividend policy of the Group.

The EPRA earnings measures are calculated as set out below:

	2020		
	IFRS earnings £m	**EPRA earnings £m**	**Adjusted EPRA earnings £m**
Loss for the year attributable to owners of the Company	**(121.6)**	**(121.6)**	**(121.6)**
Property revaluation losses	**–**	**116.3**	**116.3**
Property disposal losses	**–**	**7.8**	**7.8**
Property development losses	**–**	**17.5**	**17.5**
Housebuilding operating profit[1]	**–**	**(33.2)**	**–**
Amortisation of discount on deferred payment arrangements[2]	**–**	**12.7**	**12.7**
Change in estimated cost to establish a market in Nine Elms[3]	**–**	**8.8**	**8.8**
Amortisation and impairment of intangibles	**–**	**3.6**	**3.6**
Movement in fair value of financial instruments	**–**	**1.7**	**1.7**
Amortisation of loan arrangement fees	**–**	**–**	**1.3**
Taxation in respect of adjustments	**–**	**(20.6)**	**(26.7)**
Non-controlling interests in respect of the above	**–**	**0.7**	**0.7**
Earnings for the year	**(121.6)**	**(6.3)**	**22.1**
Weighted average number of shares[4]	222,203,220	222,203,220	222,203,220
Earnings per share (pence)	**(54.7)**	**(2.8)**	**9.9**

	2019		
	IFRS earnings £m	EPRA earnings £m	Adjusted EPRA earnings £m
Profit for the year attributable to owners of the Company	50.7	50.7	50.7
Property revaluation gains	–	(39.4)	(39.4)
Property disposal losses	–	5.0	5.0
Property development losses	–	15.0	15.0
Housebuilding operating profit[1]	–	(44.2)	–
Amortisation of discount on deferred payment arrangements[2]	–	2.4	2.4
Movement in fair value of financial instruments	–	2.7	2.7
Amortisation of loan arrangement fees	–	–	1.9
Taxation in respect of adjustments	–	8.8	1.7
Non-controlling interests in respect of the above	–	(1.3)	(1.3)
Earnings for the year	50.7	(0.3)	38.7
Weighted average number of shares[4]	222,084,656	222,084,656	222,084,656
Earnings per share (pence)	22.8	(0.1)	17.4

(1) Housebuilding operating profit includes overheads directly attributable to the residential housebuilding business as these form part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.

(2) The amortisation of discounts on deferred payment arrangements are linked to the disposal of either investment properties or inventory and are therefore adjusted in arriving at EPRA earnings.

(3) The change in estimated cost to establish a market in Nine Elms represents property development gains and losses and therefore forms part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.

(4) The number of shares in issue used to calculate the earnings per share is disclosed in note 8 and excludes those shares held by The St. Modwen Properties PLC Employee Share Trust.

b. EPRA net asset value measures

In October 2019, EPRA released updated guidelines that revised the approach to the calculation of net asset value. The new guidelines introduce three new measures to replace those previously presented, which are described below. This new set of EPRA net asset value metrics are applicable for accounting periods commencing on or after 1 January 2020, however the Group has elected to early adopt these and to present comparatives in accordance with the new measures.

The objective of EPRA net disposal value (NDV) is to highlight the full extent of liabilities and resulting shareholder value if assets are sold and/or if liabilities are not held until maturity. Therefore, this measure includes an adjustment to increase the value of inventory from the lower of historical cost or net book value to fair value.

The objective of EPRA net reinstatement value (NRV) is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on derivative financial instruments and deferred taxes on property valuation surpluses, are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, investment property purchaser's costs are also included.

The objective of EPRA net tangible assets (NTA) is to highlight the fair value of net assets on an ongoing, long-term basis, but on the assumption that entities buy and sell assets, thereby crystallising only certain levels of deferred tax liability. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on derivative financial instruments, deferred taxes on those property valuation surpluses that are not expected to crystalise and intangibles are therefore excluded, but no adjustment to include purchaser's costs is made. The Group considers this to be the most relevant EPRA net asset value measure.

The EPRA net asset values are calculated as set out below:

	2020			
	IFRS net assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m	EPRA net tangible assets £m
Equity attributable to owners of the Company	**950.4**	**950.4**	**950.4**	**950.4**
Adjustment of inventories to fair value	**–**	**8.9**	**8.9**	**8.9**
Deferred tax on revaluations and capital allowances[1]	**–**	**–**	**16.6**	**22.9**
Mark-to-market of derivative financial instruments	**–**	**–**	**3.9**	**3.9**
Intangibles	**–**	**–**	**–**	**(3.7)**
Purchaser's costs[2]	**–**	**–**	**62.8**	**–**
Net asset value	**950.4**	**959.3**	**1,042.6**	**982.4**
Number of shares[3]	222,236,459	224,441,807	224,441,807	224,441,807
Net asset value per share (pence)	**427.7**	**427.4**	**464.5**	**437.7**

	2019			
	IFRS net assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m	EPRA net tangible assets £m
Equity attributable to owners of the Company	1,075.7	1,075.7	1,075.7	1,075.7
Adjustment of inventories to fair value	–	11.8	11.8	11.8
Deferred tax on revaluations and capital allowances[1]	–	–	30.1	14.5
Mark-to-market of derivative financial instruments	–	–	2.6	2.6
Intangibles	–	–	–	(4.9)
Purchaser's costs[2]	–	–	68.7	–
Net asset value	1,075.7	1,087.5	1,188.9	1,099.7
Number of shares[3]	222,166,554	224,078,242	224,078,242	224,078,242
Net asset value per share (pence)	484.2	485.3	530.6	490.8

(1) The Group has determined that only deferred tax on assets within the St. Modwen Logistics portfolio as disclosed in note 2c should be added back in calculating EPRA net tangible assets as it is only in this operating segment that the general intention is to hold assets for the long term.
Following the revaluation losses recognised within the Strategic Land & Regeneration operating segment in the year ended 30 November 2020, the deferred tax on revaluations and capital allowances is in a net asset position. Therefore, the deferred tax liabilities added back in calculating EPRA net tangible assets is greater than the net Group deferred tax liability added back in calculating EPRA net reinstatement value.

(2) The external valuation certificate does not separately disclose a gross valuation and therefore purchaser's costs have been estimated from the net valuation disclosed in the valuation certificate based on the standard assumption used for purchaser's costs of 6.5%.

(3) The number of shares in issue used to calculate the net asset values per share excludes those shares held by The St. Modwen Properties PLC Employee Share Trust and, for the three EPRA net asset measures, also includes the dilutive effect of share options as these measures are calculated on a diluted basis.

The Group has previously disclosed EPRA net asset value (NAV) and EPRA triple net asset value (NNNAV). EPRA NTA is similar to EPRA NAV as previously reported, but adds back a smaller amount of deferred tax and excludes intangibles and therefore is slightly lower, as detailed in the reconciliation below. For the Group, EPRA NDV is equivalent to EPRA NNNAV as previously reported and therefore no reconciliation is presented between EPRA NNNAV and EPRA NDV.

	2020 £m	2019 £m
EPRA net asset value	**979.8**	1,120.2
Difference in deferred tax on capital allowances and revaluations	**6.3**	(15.6)
Intangibles	**(3.7)**	(4.9)
EPRA net tangible assets	**982.4**	1,099.7

c. EPRA net initial yield measures

The objective of the EPRA net initial yield measures is to ensure consistency and comparability between entities of yield disclosures. EPRA net initial yield is defined as the annualised net rental income expressed as a percentage of the gross value of properties available for lease. EPRA topped-up net initial yield is defined as the annualised net rental income, adjusted in respect of the expiration of rent-free periods or other unexpired lease incentives, expressed as a percentage of the gross value of properties available for lease.

	2020		2019	
	EPRA net initial yield £m	**EPRA topped-up net initial yield £m**	EPRA net initial yield £m	EPRA topped-up net initial yield £m
Property portfolio	**1,371.2**	**1,371.2**	1,484.6	1,484.6
Properties not available for lease	**(676.5)**	**(676.5)**	(872.9)	(872.9)
Purchaser's costs[1]	**45.2**	**45.2**	39.8	39.8
Gross value of properties available for lease	**739.9**	**739.9**	651.5	651.5
Annualised passing rental income	**35.9**	**35.9**	38.4	38.4
Notional rent expiration of rent-free periods or other unexpired lease incentives	**–**	**10.2**	–	6.4
Property outgoings	**(7.0)**	**(7.0)**	(4.5)	(4.5)
Annualised net rental income	**28.9**	**39.1**	33.9	40.3
Net initial yield	**3.9%**	**5.3%**	5.2%	6.2%

(1) The external valuation certificate does not separately disclose a gross valuation and therefore purchaser's costs have been estimated from the net valuation disclosed in the valuation certificate based on the standard assumption used for purchaser's costs of 6.5%.

d. EPRA vacancy rate

The objective of EPRA vacancy rate is to provide a comparable and consistent measure of vacancy. It is defined as the estimated rental value (ERV) of vacant space expressed as a percentage of the ERV of the portfolio (including the Group's share of joint ventures and associates but excluding any properties under development).

	2020 £m	2019 £m
Estimated rental value of vacant space	**10.1**	**10.8**
Estimated rental value of the portfolio of completed properties	**54.7**	**51.9**
EPRA vacancy rate	**18.4%**	**20.8%**

e. EPRA like-for-like rental growth

The objective of EPRA like-for-like rental growth is to provide a measure of organic growth of the rental income achieved by an entity. It compares the net rental and other income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are presented.

	2020			
	Total portfolio carrying value £m	**Like-for-like portfolio value £m**	**Like-for-like net rental income £m**	**increase/(decrease) %**
Urban warehouse	**304.2**	**181.0**	**0.9**	**12.6**
Big box	**138.2**	**30.9**	**(0.2)**	**(13.2)**
Other	**118.4**	**126.3**	**0.3**	**5.1**
Current developments/land	**105.7**	**1.2**	**–**	**0.3**
St. Modwen Logistics	**666.5**	**339.4**	**1.0**	**6.1**
St. Modwen Homes	**373.0**	**–**	**–**	**–**
Residential land	**142.6**	**16.9**	**0.3**	**18.5**
Regeneration	**63.3**	**1.3**	**(0.1)**	**(16.8)**
Non-core retail	**86.4**	**85.2**	**(3.5)**	**(38.7)**
Non-core other	**39.4**	**42.4**	**(0.8)**	**(28.0)**
Strategic Land & Regeneration	**331.7**	**145.8**	**(4.1)**	**(29.5)**
Property portfolio	**1,371.2**	**485.2**	**(3.1)**	**(10.5)**

The like-for-like portfolio excludes any acquisitions, completed developments or disposals within the past two years. As all properties are held within the UK, no geographical split is presented.

4. Segmental information

a. Reportable segments

IFRS 8 *Operating Segments* requires the identification of the Group's operating segments, defined as being discrete components of the Group's operations whose results are regularly reviewed by the chief operating decision maker (being the Chief Executive Officer) to allocate resources to those segments and to assess their performance.

As discussed in the financial statements for the year ended 30 November 2019, following the restructure of the Group's operations to align to its three strategic objectives, the Group now divides its business into the following segments:

- St. Modwen Logistics;
- St. Modwen Homes; and
- Strategic Land & Regeneration.

As the chief operating decision maker receives proportionally consolidated reports, the information disclosed below reflects presentation of results as set out in note 2. Due to the way the Group manages its support functions and treasury and tax affairs, certain balances and transactions are not allocated to segments, including central administrative expenses, net borrowings, interest and tax. However, the direct operating expenses of each business unit are included within the respective segmental result. Segmental returns on capital are calculated on the same basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

b. Segment results

	St. Modwen Logistics £m	St. Modwen Homes £m	2020 Strategic Land & Re-generation £m	Unallocated £m	Total £m
Gross rental income	25.6	–	17.3	–	42.9
Property outgoings	(5.4)	–	(7.2)	–	(12.6)
Other net income	0.3	–	0.6	–	0.9
Net rental and other income	20.5	–	10.7	–	31.2
Housebuilding development profit	–	41.5	2.8	–	44.3
Development fee income	0.1	–	1.8	–	1.9
Business unit direct operating expenses	(2.7)	(11.1)	(5.3)	–	(19.1)
Business unit operating profit	17.9	30.4	10.0	–	58.3
Central administrative expenses	–	–	–	(20.7)	(20.7)
Interest costs	–	–	–	(13.4)	(13.4)
Interest income	–	–	–	3.0	3.0
Taxation on adjusted EPRA earnings	–	–	–	(5.0)	(5.0)
Less non-controlling interests on adjusted EPRA earnings	–	–	–	(0.1)	(0.1)
Adjusted EPRA earnings	17.9	30.4	10.0	(36.2)	22.1
Property valuation gains/(losses)	22.6	–	(138.9)	–	(116.3)
Property development gains/(losses)	0.4	(3.4)	(11.2)	(3.3)	(17.5)
Property disposal losses	(2.7)	–	(5.1)	–	(7.8)
Amortisation and impairment of intangibles	–	–	–	(3.6)	(3.6)
Change in estimated cost to establish a market in Nine Elms	–	–	(8.8)	–	(8.8)
Other finance costs	–	–	(12.7)	(3.0)	(15.7)
Taxation on other earnings	–	–	–	26.7	26.7
Less non-controlling interests on other earnings	–	–	–	(0.7)	(0.7)
Profit/(loss) for the year attributable to owners of the Company	38.2	27.0	(166.7)	(20.1)	(121.6)

	St. Modwen Logistics £m	St. Modwen Homes £m	2019 Strategic Land & Re-generation £m	Unallocated £m	Total £m
Gross rental income	22.2	–	26.4	–	48.6
Property outgoings	(4.6)	–	(7.0)	–	(11.6)
Other net income	1.1	–	2.0	–	3.1
Net rental and other income	18.7	–	21.4	–	40.1
Housebuilding development profit	–	51.4	4.1	–	55.5
Development fee income	1.1	–	3.3	–	4.4
Business unit direct operating expenses	(3.3)	(11.3)	(7.1)	–	(21.7)
Business unit operating profit	16.5	40.1	21.7	–	78.3
Central administrative expenses	–	–	–	(22.4)	(22.4)
Interest costs	–	–	–	(12.9)	(12.9)
Interest income	–	–	–	3.6	3.6
Taxation on adjusted EPRA earnings	–	–	–	(7.8)	(7.8)
Less non-controlling interests on adjusted EPRA earnings	–	–	–	(0.1)	(0.1)
Adjusted EPRA earnings	16.5	40.1	21.7	(39.6)	38.7
Property valuation gains/(losses)	45.8	–	(6.4)	–	39.4
Property development gains/(losses)	0.5	–	7.0	(22.5)	(15.0)
Property disposal gains/(losses)	0.2	–	(5.2)	–	(5.0)
Other finance costs	–	–	(2.5)	(4.9)	(7.4)
Other finance income	–	–	–	0.4	0.4
Taxation on other earnings	–	–	–	(1.7)	(1.7)
Less non-controlling interests on other earnings	–	–	–	1.3	1.3
Profit for the year attributable to owners of the Company	63.0	40.1	14.6	(67.0)	50.7

The following table sets out the calculation of operating margin for the St. Modwen Homes business unit:

	2020		2019	
	Volume Units	**Revenue £m**	Volume Units	Revenue £m
St. Modwen Homes developments	**819**	**225.3**	1,011	262.8
St. Modwen Homes construction contracts	**129**	**19.8**	49	7.8
Total St. Modwen Homes housebuilding[1]	**948**	**245.1**	1,060	270.6
St. Modwen Homes operating profit		**30.4**		40.1
St. Modwen Homes operating margin		**12.4%**		14.8%

(1) Excludes other activities in St. Modwen Homes that do not relate to housebuilding.

c. Segment assets and liabilities

	St. Modwen Logistics £m	St. Modwen Homes £m	2020 Strategic Land & Re-generation £m	Unallocated £m	Total £m
Investment properties	**653.8**	**–**	**270.2**	**–**	**924.0**
Inventories	**11.6**	**373.0**	**20.2**	**–**	**404.8**
Assets held for sale	**1.1**	**–**	**41.3**	**–**	**42.4**
Property portfolio	**666.5**	**373.0**	**331.7**	**–**	**1,371.2**
Property, plant and equipment and intangibles	**0.3**	**0.5**	**3.9**	**19.2**	**23.9**
Trade and other receivables	**11.5**	**29.7**	**49.2**	**74.7**	**165.1**
Current tax assets	**–**	**–**	**–**	**3.7**	**3.7**
Deferred tax assets	**–**	**–**	**–**	**0.3**	**0.3**
Other assets	**11.8**	**30.2**	**53.1**	**97.9**	**193.0**
Cash and cash equivalents	**–**	**–**	**–**	**44.0**	**44.0**
Borrowings	**–**	**–**	**–**	**(321.0)**	**(321.0)**
Net borrowings	**–**	**–**	**–**	**(277.0)**	**(277.0)**
Trade and other payables	**(19.6)**	**(55.1)**	**(53.2)**	**(70.2)**	**(198.1)**
Provisions and market liability	**–**	**(1.0)**	**(85.5)**	**(23.7)**	**(110.2)**
Lease liabilities	**–**	**–**	**–**	**(8.2)**	**(8.2)**
Derivative financial instrument liabilities	**–**	**–**	**–**	**(4.8)**	**(4.8)**
Current tax liabilities	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Deferred tax liabilities	**–**	**–**	**–**	**(11.6)**	**(11.6)**
Other liabilities	**(19.6)**	**(56.1)**	**(138.7)**	**(118.7)**	**(333.1)**
Net assets	**658.7**	**347.1**	**246.1**	**(297.8)**	**954.1**
Less non-controlling interests	**–**	**–**	**–**	**(3.7)**	**(3.7)**
Net assets attributable to owners of the Company	**658.7**	**347.1**	**246.1**	**(301.5)**	**950.4**

	St. Modwen Logistics £m	St. Modwen Homes £m	2019 Strategic Land & Re-generation £m	Unallocated £m	Total £m
Investment properties	572.6	–	468.4	–	1,041.0
Inventories	15.5	384.2	28.1	–	427.8
Assets held for sale	–	–	15.8	–	15.8
Property portfolio	588.1	384.2	512.3	–	1,484.6
Property, plant and equipment and intangibles	–	–	3.3	23.4	26.7
Trade and other receivables	6.3	23.8	72.2	77.4	179.7
Derivative financial instrument assets	–	–	–	0.2	0.2
Other assets	6.3	23.8	75.5	101.0	206.6
Cash and cash equivalents	–	–	–	67.2	67.2
Borrowings	–	–	–	(357.8)	(357.8)
Net borrowings	–	–	–	(290.6)	(290.6)
Trade and other payables	(21.7)	(53.6)	(49.7)	(68.2)	(193.2)
Market liability	–	–	(62.5)	(22.7)	(85.2)
Lease liabilities	–	–	–	(9.2)	(9.2)
Derivative financial instrument liabilities	–	–	–	(3.3)	(3.3)
Current tax liabilities	–	–	–	(0.5)	(0.5)
Deferred tax liabilities	–	–	–	(28.8)	(28.8)
Other liabilities	(21.7)	(53.6)	(112.2)	(132.7)	(320.2)
Net assets	572.7	354.4	475.6	(322.3)	1,080.4
Less non-controlling interests	–	–	–	(4.7)	(4.7)
Net assets attributable to owners of the Company	572.7	354.4	475.6	(327.0)	1,075.7

d. Segment returns

Segment returns on capital employed are calculated as the segmental profit before interest and tax for the year divided by the average segmental net assets, after adding back any segmental-specific net borrowings, for the year, as set out in the table below:

	2020			2019		
	St. Modwen Logistics £m	**St. Modwen Homes £m**	**Strategic Land & Re-generation £m**	St. Modwen Logistics £m	St. Modwen Homes £m	Strategic Land & Re-generation £m
Capital employed at start of year	**572.7**	**354.4**	**475.6**	444.7	351.1	519.4
Capital employed at end of year	**658.7**	**347.1**	**246.1**	572.7	354.4	475.6
Average capital employed	**615.7**	**350.8**	**360.9**	508.7	352.8	497.5
Profit/(loss) before interest and tax for the year	**38.2**	**27.0**	**(166.7)**	63.0	40.1	14.6
Return on capital employed	**6.2%**	**7.7%**	**(46.2)%**	12.4%	11.4%	2.9%

5. Other income statement disclosures

Exceptional item

The Group income statement for the year ended 30 November 2019 includes the expense of making a provision in relation to a claim against the Group for a building that the Group developed and subsequently sold a number of years ago and in which various problems are said to have arisen. This was reported as an exceptional item as, in the opinion of the directors, it met the requirements of the Group's accounting policy for exceptional items. The net impact of the exceptional item is set out below:

	2020 £m	2019 £m
Non-housebuilding inventory and other developments	**–**	22.5
Taxation	**–**	(4.0)
Less non-controlling interests	**–**	(1.2)
Net impact of exceptional item attributable to owners of the Company	**–**	17.3

6. Finance costs and finance income

	2020 £m	2019 £m
Interest costs		
Interest payable on borrowings	**10.8**	9.7
Interest payable on lease liabilities	**0.6**	0.5
Interest on pension scheme liabilities	**0.5**	0.8
Interest costs	**11.9**	11.0
Other finance costs		
Amortisation of loan arrangement fees	**1.2**	1.7
Movement in fair value of derivative financial instruments	**1.7**	3.1
Other finance costs	**2.9**	4.8
Total finance costs	**14.8**	15.8

Interest of £3.0m (2019: £3.3m) was capitalised into investment properties and inventories during the year ended 30 November 2020.

	2020 £m	2019 £m
Interest income		
Interest receivable	**1.4**	1.4
Interest income on pension scheme assets	**0.6**	0.9
Interest income	**2.0**	2.3
Other finance income		
Movement in fair value of convertible bond	**–**	0.2
Other finance income	**–**	0.2
Total finance income	**2.0**	2.5

7. Taxation

a. Tax on profit on ordinary activities

The tax (credit)/charge in the Group income statement is as follows:

	2020 £m	2019 £m
Current tax		
Current year tax	**–**	4.6
Adjustments in respect of previous years	**(4.1)**	(1.1)
Total current tax	**(4.1)**	3.5
Deferred tax		
Impact of current year revaluations, indexation and disposals	**(17.8)**	7.8
Net (recognition)/use of tax losses	**(2.4)**	0.1
Other temporary differences	**0.1**	(2.4)
Change in rate for provision of deferred tax	**3.3**	(0.1)
Adjustments in respect of previous years	**2.3**	0.5
Total deferred tax	**(14.5)**	5.9
Total tax (credit)/charge in the Group income statement	**(18.6)**	9.4

The tax charge relating to actuarial losses on pension schemes in the Group statement of comprehensive income is £nil (2019: £nil).

All of the Group's subsidiaries, joint ventures (other than those in liquidation processes) and associates are resident in the UK for tax purposes and therefore subject to full UK corporation tax.

b. Reconciliation of effective tax rate

	2020 £m	2019 £m
(Loss)/profit before tax	**(139.4)**	58.9
Net loss of joint ventures and associates (post-tax)	**25.7**	2.6
(Loss)/profit before tax attributable to the Group	**(113.7)**	61.5
Corporation tax at 19.00% (2019: 19.00%)	**(21.6)**	11.7
Effect of non-deductible expenses and non-chargeable income	**0.1**	(1.4)
Impact of indexation on investment property	**1.4**	(0.2)
Change in rate used for provision of deferred tax	**3.3**	(0.1)
Current year (credit)/charge	**(16.8)**	10.0
Adjustments in respect of previous years	**(1.8)**	(0.6)
Tax (credit)/charge for the year	**(18.6)**	9.4
Effective rate of tax	**16.4%**	15.3%

The post-tax results of joint ventures and associates are stated after a tax credit of £3.1m (2019: a charge of £0.1m). The effective tax rate for the Group including its share of joint ventures and associates is 15.2% (2019: 16.1%).

Legislation enacted during the year ended 30 November 2020 included provisions which reversed a proposed reduction in the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. Current tax and deferred tax have therefore been provided at 19%.

c. Balance sheet

	2020 Current tax £m	2020 Deferred tax £m	2019 Current tax £m	2019 Deferred tax £m
At start of the year	**–**	**25.6**	0.9	19.7
(Credited)/charged to the Group income statement	**(4.1)**	**(14.5)**	3.5	5.9
Recognised within the Group statement of changes in equity	**–**	**0.2**	–	–
Acquired in a business combination	**–**	**(0.2)**	–	–
Net receipt/(payment)	**0.7**	**–**	(4.4)	–
At end of the year	**(3.4)**	**11.1**	–	25.6

The Group is in a current tax asset position at 30 November 2020 as a result of repayments due in respect of the year ended 30 November 2019, predominantly on items that had been recognised as deferred tax credits within the financial statements for the year ended 30 November 2019, but that were included as deductions within the filed corporation tax computations filed during the year ended 30 November 2020.

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

	2020 Asset £m	2020 Liability £m	2020 Net £m	2019 Asset £m	2019 Liability £m	2019 Net £m
Property revaluations	**–**	**9.8**	**9.8**	–	25.3	25.3
Capital allowances	**–**	**4.1**	**4.1**	–	2.5	2.5
Appropriations to trading stock	**–**	**1.1**	**1.1**	–	2.2	2.2
Unutilised tax losses	**(2.5)**	**–**	**(2.5)**	(0.8)	–	(0.8)
Other temporary differences	**(1.4)**	**–**	**(1.4)**	(3.6)	–	(3.6)
Total deferred tax	**(3.9)**	**15.0**	**11.1**	(4.4)	30.0	25.6

At the balance sheet date, the Group has unused tax losses in relation to 2020 and prior years of £14.7m (2019: £4.6m). Deferred tax of £2.5m (2019: £0.8m) has been recognised in respect of these losses. A deferred tax asset of £0.3m (2019: £nil) has not been recognised in respect of these losses as it is not considered sufficiently certain that there will be taxable profits available in the short term against which these can be offset.

8. Earnings per share

	2020 Number of shares	2019 Number of shares
Weighted number of shares in issue[1]	**222,203,220**	222,084,656
Weighted number of dilutive shares relating to share options	**–**	2,515,371
Weighted number of shares for the purposes of diluted earnings per share	**222,203,220**	224,600,027

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

	2020 Total £m	2019 Underlying £m	2019 Exceptional £m	2019 Total £m
(Loss)/profit for the year attributable to owners of the Company	**(121.6)**	68.0	(17.3)	50.7
Earnings for the purposes of diluted earnings per share	**(121.6)**	68.0	(17.3)	50.7

	2020 Total Pence	2019 Underlying Pence	2019 Exceptional Pence	2019 Total Pence
Basic earnings per share	**(54.7)**	30.6	(7.8)	22.8
Diluted earnings per share	**(54.7)**	30.3	(7.7)	22.6

Note 3 sets out details of EPRA and adjusted EPRA earnings per share.

9. Dividends

Dividends paid during the year were in respect of the interim dividend for 2020. The proposed final dividend of 3.9 pence per share is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements.

In light of the unprecedented circumstances related to Covid-19, the directors determined that it was not appropriate to pay the proposed final dividend for 2019 of 5.1 pence per share (amounting to £11.3m).

	2020		2019	
	Pence per share	**£m**	Pence per share	£m
Paid				
Final dividend in respect of previous year	**–**	**–**	4.0	8.9
Interim dividend in respect of current year	**1.1**	**2.4**	3.6	8.0
Total paid	**1.1**	**2.4**	7.6	16.9
Proposed				
Current year final dividend	**3.9**	**8.7**	5.1	11.3

The St. Modwen Properties PLC Employee Share Trust waives its entitlement to dividends.

10. Investment properties

	2020	2019
	£m	£m
At start of year	**958.1**	939.3
Property acquisitions	**4.3**	24.3
Additions	**114.7**	117.9
Net transfers to inventories (note 13)	**(1.9)**	(87.4)
Net transfers to assets held for sale	**(42.4)**	(15.8)
Disposals	**(77.8)**	(69.3)
Movement in lease incentives	**1.9**	1.6
(Loss)/gain on revaluation	**(104.1)**	47.5
At end of year	**852.8**	**958.1**

Investment properties were valued at 30 November 2020 and 30 November 2019 by Cushman & Wakefield, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value. Cushman & Wakefield are professionally qualified independent external valuers and had appropriate recent experience in the relevant location and category of the properties being valued.

As at 30 November 2020, £15.3m (2019: £15.4m) of investment property was pledged as security for the Group's loan facilities.

11. Joint ventures and associates

a. Details of material joint ventures

The Group has the following four material joint venture companies, for which information is provided separately in this note:

Name	Status	Interest	Activity
Key Property Investments Limited	Joint venture	50%	Property investment and development
VSM Estates Uxbridge (Group) Limited	Joint venture	50%	Property investment and development
VSM Estates (Holdings) Limited	Joint venture	50%	Property development
VSM (NCGM) Limited	Joint venture	50%	Property investment and development

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

	2020					
	Key Property Investments Limited £m	**VSM Estates Uxbridge (Group) Limited £m**	**VSM Estates (Holdings) Limited £m**	**VSM (NCGM) Limited £m**	**Other joint ventures and associates £m**	**Total £m**
Net rental income	**2.5**	**–**	**–**	**0.3**	**–**	**2.8**
Property disposal losses	**(0.2)**	**–**	**(2.0)**	**–**	**–**	**(2.2)**
Property revaluation (losses)/gains	**(7.4)**	**(4.3)**	**–**	**5.6**	**(1.0)**	**(7.1)**
Change in estimated cost to establish a market in Nine Elms	**–**	**–**	**–**	**(8.8)**	**–**	**(8.8)**
Administrative expenses	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Loss before interest and tax	**(5.3)**	**(4.3)**	**(2.0)**	**(2.9)**	**(1.0)**	**(15.5)**
Finance costs	**(0.3)**	**(1.0)**	**–**	**(12.7)**	**(0.3)**	**(14.3)**
Finance income	**–**	**–**	**–**	**1.0**	**–**	**1.0**
Loss before tax	**(5.6)**	**(5.3)**	**(2.0)**	**(14.6)**	**(1.3)**	**(28.8)**
Taxation	**0.2**	**0.3**	**–**	**2.4**	**0.2**	**3.1**
Loss for the year	**(5.4)**	**(5.0)**	**(2.0)**	**(12.2)**	**(1.1)**	**(25.7)**

	2019					
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	VSM Estates (Holdings) Limited £m	VSM (NCGM) Limited £m	Other joint ventures and associates £m	Total £m
Net rental income	3.7	–	–	0.3	0.1	4.1
Development profits	–	–	1.4	–	0.1	1.5
Investment property disposal losses	(0.5)	–	(0.1)	–	–	(0.6)
Investment property revaluation (losses)/gains	(3.3)	(1.5)	–	1.0	(0.4)	(4.2)
Administrative expenses	(0.2)	–	–	(0.1)	–	(0.3)
(Loss)/profit before interest and tax	(0.3)	(1.5)	1.3	1.2	(0.2)	0.5
Finance costs	(0.7)	(1.1)	–	(2.4)	(0.3)	(4.5)
Finance income	0.2	–	0.1	1.2	–	1.5
(Loss)/profit before tax	(0.8)	(2.6)	1.4	–	(0.5)	(2.5)
Taxation	(0.5)	0.4	(0.3)	0.3	–	(0.1)
(Loss)/profit for the year	(1.3)	(2.2)	1.1	0.3	(0.5)	(2.6)

The Group's share of the balance sheet of its joint ventures and associates is:

	2020					
	Key Property Investments Limited £m	**VSM Estates Uxbridge (Group) Limited £m**	**VSM Estates (Holdings) Limited £m**	**VSM (NCGM) Limited £m**	**Other joint ventures and associates £m**	**Total £m**
Property portfolio	**47.8**	**12.2**	**–**	**12.8**	**9.3**	**82.1**
Other assets	**3.2**	**0.1**	**1.0**	**64.8**	**5.3**	**74.4**
Gross assets	**51.0**	**12.3**	**1.0**	**77.6**	**14.6**	**156.5**
Net borrowings	**0.5**	**2.0**	**3.7**	**4.7**	**0.9**	**11.8**
Leases	**(0.9)**	**–**	**–**	**–**	**–**	**(0.9)**
Other liabilities	**(7.0)**	**(14.5)**	**(0.5)**	**(74.7)**	**(9.8)**	**(106.5)**
Gross liabilities	**(7.4)**	**(12.5)**	**3.2**	**(70.0)**	**(8.9)**	**(95.6)**
Net assets/(liabilities)	**43.6**	**(0.2)**	**4.2**	**7.6**	**5.7**	**60.9**
Equity at 1 December 2019	**49.0**	**4.8**	**8.5**	**15.5**	**8.2**	**86.0**
Loss for the year	**(5.4)**	**(5.0)**	**(2.0)**	**(12.2)**	**(1.1)**	**(25.7)**
Increase in investment	**–**	**–**	**–**	**4.3**	**1.0**	**5.3**
Disposal of associate	**–**	**–**	**–**	**–**	**(2.4)**	**(2.4)**
Dividends paid	**–**	**–**	**(2.3)**	**–**	**–**	**(2.3)**
Equity at 30 November 2020	**43.6**	**(0.2)**	**4.2**	**7.6**	**5.7**	**60.9**

	2019					
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	VSM Estates (Holdings) Limited £m	VSM (NCGM) Limited £m	Other joint ventures and associates £m	Total £m
Property portfolio	55.9	18.6	–	8.9	10.8	94.2
Other assets	2.5	3.2	2.7	65.8	5.7	79.9
Gross assets	58.4	21.8	2.7	74.7	16.5	174.1
Net borrowings	(3.2)	0.2	9.8	7.0	1.4	15.2
Leases	(0.9)	–	–	–	–	(0.9)
Other liabilities	(5.3)	(17.2)	(4.0)	(66.2)	(9.7)	(102.4)
Gross liabilities	(9.4)	(17.0)	5.8	(59.2)	(8.3)	(88.1)
Net assets	49.0	4.8	8.5	15.5	8.2	86.0
Equity at 1 December 2018	50.3	7.0	8.2	15.2	8.4	89.1
(Loss)/profit for the year	(1.3)	(2.2)	1.1	0.3	(0.5)	(2.6)
Injection of capital	–	–	–	–	0.3	0.3
Dividends paid	–	–	(0.8)	–	–	(0.8)
Equity at 30 November 2019	49.0	4.8	8.5	15.5	8.2	86.0

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.

b. New Covent Garden Market

The contractual arrangement between VSM (NCGM) Limited (the Group's 50:50 joint venture with Vinci in respect of New Covent Garden Market) and the Covent Garden Market Authority (CGMA) involves VSM (NCGM) Limited committing to procure a new market in Nine Elms for the CGMA and in return receiving an option to acquire the surplus land on the site. In substance the arrangement represents a barter of development and construction services for the interest in the land and, as such, the transaction, first recognised during the year ended 30 November 2015, has been accounted for as the acquisition of an interest in the surplus land for non-cash consideration, reflecting that the key strategic rationale for entering into the transaction was to secure the interest in the surplus land and then to unlock its significant value, rather than to secure construction activity in building a new market.

Accordingly, the surplus land is recognised as an investment property in accordance with IAS 40 *Investment Property* and the commitment to establish the new market is recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Remeasurements of either the investment property or the provision are made in accordance with the requirements of those respective standards.

The first parcel of land at Nine Elms, London, was released to VSM (NCGM) Limited during the year ended 30 November 2017 and was subsequently sold. The remaining liability to establish a new market at Nine Elms continues to have a significant impact on the results and net assets of the joint venture.

The Group continues to regularly monitor the remaining works required to establish the market. The Board of VSM (NCGM) Limited, including representatives of VINCI and St. Modwen, engages an external quantity surveyor to assess the costs of procuring the market facility. During the year ended 30 November 2020, VSM (NCGM) Limited entered into an agreement with CGMA which resulted in the estimated costs of establishing the market increasing, with the Group's share of the discounted cost increase being £8.8m. This cost increase was partially offset by valuation increases on the investment property within VSM (NCGM) Limited and the ability to access cash held within a development account sooner than was previously the case. There were no significant changes to the timing or quantum of these estimates during the year ended 30 November 2019.

The liability of VSM (NCGM) Limited to establish a new market facility at Nine Elms for CGMA has been calculated by:
- estimating the costs of procuring the market facility at current rates;
- applying a current estimate of inflation for the period of the build of 2.0%; and
- discounting the forecast cash flows to today's value using a risk-free discount rate of 0.01%.

During the year ended 30 November 2020, the rate used to discount the liability has been reduced from 5.00% to a risk-free rate of 0.01%, which has resulted in the Group's share of a charge within finance costs of £9.7m being recognised. The directors consider that a risk-free rate better reflects the discounting requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

12. Trade and other receivables

	2020 £m	2019 £m
Non-current		
Deferred consideration on property disposals	**7.3**	4.0
Amounts due from joint ventures and associates	**7.2**	5.6
Other receivables	**1.2**	1.7
Non-current receivables	**15.7**	11.3
Current		
Trade receivables	**12.7**	15.7
Prepayments and accrued income	**12.0**	9.6
Deferred consideration on property disposals	**10.5**	11.0
Contract assets	**13.5**	19.6
Amounts due from joint ventures and associates	**20.1**	18.2
Other receivables	**6.8**	14.4
Current receivables	**75.6**	88.5

Included within trade receivables are £6.9m (2019: £5.3m) due on the disposal of inventories and £0.2m (2019: £1.7m) billed under construction and development contracts with customers.

Contract assets represent the total revenue recognised on the cumulative spend incurred on the development of land not under the control of the Group less the cumulative receipts in respect of such development. Where this development is for the construction of assets on property pre-sold by the Group, the construction expenditure and revenue receipts profile are not materially different. On larger infrastructure projects undertaken by the Group through a development agreement, there are often limited receipts in the early phases of development and more significant receipts as the project advances, resulting in contract assets being recognised that reduce over time. The reduction in contract assets during the year ended 30 November 2020 is due to the aggregate amounts billed across all contracts exceeding the contract revenue recognised during the year.

13. Inventories

The movement in inventories during the two years ended 30 November 2020 is as follows:

	2020 £m	2019 £m
At start of year	**416.5**	366.4
Acquisitions	**8.2**	11.8
Additions	**177.9**	214.3
Net transfers from investment property (note 10)	**1.9**	87.4
Disposals	**(204.8)**	(259.5)
Increase in net realisable value provisions	**(5.8)**	(3.9)
At end of year	**393.9**	416.5

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.

The value of inventories expensed during the year ended 30 November 2020 was £210.6m (2019: £263.4m).

14. Trade and other payables

	2020 £m	2019 £m
Current		
Trade payables	**60.7**	50.0
Accruals and deferred income	**52.5**	54.2
Deferred consideration on property acquisitions	**3.6**	6.3
Contract liabilities	**6.8**	4.6
Amounts due to joint ventures and associates	**19.7**	20.2
Other payables	**9.1**	5.1
Current payables	**152.4**	140.4
Non-current		
Accruals and deferred income	**3.6**	4.2
Deferred consideration on property acquisitions	**4.1**	4.1
Amounts due to joint ventures and associates	**6.5**	6.5
Non-current payables	**14.2**	14.8

Contract liabilities typically represent the cumulative revenue receipts in respect of the development of land not under the control of the Group less the total revenue recognised on such development expenditure. This development is generally for the construction of assets on property pre-sold by the Group and ordinarily the construction expenditure and revenue receipts profile are not materially different on these contracts. Liabilities can also arise where performance obligations have been satisfied, but invoices have not been received for works completed or amounts due. The increase in contract liabilities during the year is predominantly due to the cumulative amounts billed exceeding the cumulative revenue recognised on one contract, resulting in a liability for that contract.

15. Borrowings and lease liabilities

	2020 £m	2019 £m
Current		
Lease liabilities	**1.2**	1.4
Current borrowings and lease liabilities	**1.2**	1.4
Non-current		
Bank loans	**321.0**	354.0
Lease liabilities	**6.1**	6.9
Non-current borrowings and lease liabilities	**327.1**	360.9

16. Provisions and contingent liabilities

	Legal claims £m
At 1 December 2019	**24.5**
Created	**13.2**
Utilised	**(1.8)**
At 30 November 2020	**35.9**

A provision of £23.7m is held at 30 November 2020 in relation to a claim against the Group for a building that the Group developed and subsequently sold a number of years ago and in which various problems are said to have arisen. The claim has not yet been fully articulated and there remains limited information available at this stage. Therefore, there is significant estimation uncertainty over the amount and timing of any outflow of economic benefits and therefore in the carrying value of the provision. Further disclosure regarding this uncertainty is provided in the Group accounting policies note.

Based on the limited evidence available at the date of signing these financial statements, the range of reasonably possible outcomes of the carrying amount of the provision for this matter is between £19.1m and £27.8m. The Group contracted the design and development of the building to third parties and there is the potential of some or a significant proportion of any settlement being reimbursed by these third parties. In accordance with IAS 37, no reimbursement asset has been recognised at 30 November 2020 as reimbursement is not virtually certain.

The remaining £12.2m of provisions held at 30 November 2020 relate to a small number of legal claims relating to disputes over potential obligations on previously developed sites that are individually not material. These matters are expected to be resolved within the next financial year, although there remains some uncertainty over the amounts and timing of any outflow of economic benefits and therefore in the carrying value of the provision. Based on the limited evidence available at the date of signing these financial statements, the range of reasonably possible outcomes of the carrying amount of the provision for these matters is between £9.2m and £16.2m.

At 30 November 2020, the directors, having taken legal advice where necessary, consider that the possibility of an outflow in settlement of any unprovided legal claims is remote.

17. Share capital

	2020		2019	
	Ordinary 10p shares Number	**Equity share capital £m**	Ordinary 10p shares Number	Equity share capital £m
At start of year	**222,376,988**	**22.2**	222,376,988	22.2
Issue of shares	**250,000**	**0.1**	–	–
At end of year	**222,626,988**	**22.3**	222,376,988	22.2

The Company has a single class of share capital which is divided into ordinary shares of 10 pence each, all ranking pari passu. Each share carries the right to one vote at general meetings of the Company. The holders of ordinary shares are entitled to receive dividends when declared.

During the year ended 30 November 2020, the Group issued 250,000 ordinary shares of 10p each at par. The shares were allotted and issued to The St. Modwen Properties PLC Employee Share Trust to satisfy the exercise of awards made under the Company's share-based incentive arrangements. No shares were issued during the year ended 30 November 2019.

Excluding 390,529 (2019: 210,434) of own shares held by The St. Modwen Properties PLC Employee Share Trust, shares in issue at 30 November 2020 are 222,236,459 (2019: 222,166,554).

PRINCIPAL RISKS AND UNCERTAINTIES

for the year ended 30 November 2020

The Board has considered and reviewed the principal risks and emerging risks that could impact the achievement of the Group's strategic objectives. Covid-19 has had a profound impact on our risk profile throughout 2020. We have managed risks in relation to Covid-19 under the themes of macroeconomic; health & safety; finance; supply chain; and people. We have established effective responses to each of those themes, and the risks on which Covid-19 has had an effect. The Executive Committee continues to review the Group's risks and mitigation responses on a regular basis including the impact of Covid-19, and how these translate into the assessment of our Principal Risks. While not exhaustive, the principal risks and uncertainties facing the Group in 2021 are set out below, along with their potential impact and plans to mitigate them. The Group's approach to the management and mitigation of these risks will be included in the 2020 annual report.

1. Market cyclicality

Risk impact: Significant	**Risk likelihood:** Likely	**Risk trend:** Increasing

Principal risk

Market and political uncertainty leading to a reduction in demand or deferral of decisions by occupiers and customers impacting property values and margins and the ability to buy, develop, manage and sell assets at the appropriate time in the property cycle.

Progress in 2020 and plans for 2021

We continually model different scenarios, monitoring performance against targets. To manage the financial risks, we accelerated our disposals, agreed revised covenants with our lenders and secured access to the CCFF programme, although we did not use the latter.

We will continue to monitor internal and external performance indicators, review forecasts and commitments, and take mitigating actions in response to changes.

2. Catastrophic business event

Risk impact: Moderate	**Risk likelihood:** Likely	**Risk trend:** Increasing

Principal risk

An external event such as a critical emergency, including pandemic, disease, cybercrime or power shortage could severely disrupt global markets (including property and finance) and cause significant damage to our portfolio, housing demand, operations and people.

Progress in 2020 and plans for 2021

As the pandemic spread, we implemented home working protocols at pace and enhanced our technology, security and accessibility and, as lockdown eased, we implemented return to work protocols, enabling a safe restart from May onwards.

We have maintained increased key material holdings as required, to mitigate Brexit risks.

We will continue to monitor IT infrastructure and security, inventory levels, and current risk mitigations.

3. People and talent

Risk impact: Significant	**Risk likelihood:** Possible	**Risk trend:** No change

Principal risk

Inability to attract, retain, and develop the right people and skills required to achieve the business objectives in a culture and environment where employees can thrive.

Failure to identify, mitigate, react effectively to a major health and safety incident.

Progress in 2020 and plans for 2021

In response to Covid-19, we embedded robust health and wellbeing strategies and identified key resources critical to realising new opportunities. With the logistics and distribution markets resilient in 2020, we have increased resource to meet demand and further developed our sales structure in Homes to improve customer experience and customer efficiencies. Our new agile working policy gives us greater flexibility and gives us access to a wider talent pool in the future.

2021 will focus on talent management and succession planning, while monitoring and adapting to Covid-19 on social behaviours and employees' expectations.

4. Climate Change and Environment

Risk impact: Significant	**Risk likelihood:** Likely	**Risk trend:** Increasing

Principal risk

Failure to properly identify and mitigate both physical and transition risks from climate change, leading to a negative impact on our reputation, disruption in our operations and stranded assets.

Progress in 2020 and plans for 2021

Our Responsible Business Framework outlines the workstreams needed to meet the organisation's and government's carbon emission targets, and to support our communities in mitigating the risks associated with climate change.

Executive management oversees the Group's Responsible Business programme.

We will continue to operate environment management and climate risk mitigation controls, while building on our responsible business ambitions.

We will be undertaking a TCFD project during 2021 to review and develop our management processes for climate related risks and opportunities

5. Development

Risk impact: Moderate	**Risk likelihood:** Likely	**Risk trend:** Increasing

Principal risk

Development provides an opportunity for outperformance but usually brings with it elevated risks. This is reflected in our decision-making process around which schemes to develop, the timing of the development, and the execution of these projects.

Development strategy addresses several risks that could adversely impact underlying income and performance including letting exposure, WIP exposure, construction timing and costs, major contractor failure and adverse planning judgements.

Progress in 2020 and plans for 2021

Following the Spring 2020 lockdown Homes sales rates performed strongly and Logistics lettings have been ahead of the prior year.

The strength in the Logistics and Homes markets has enabled us to accelerate the development pipeline. The relatively short cycle development allows us to flex commitments up or down for unemployment risks.

The desire to progress Logistics pre-let and Build to Suit activity to reduce speculative development risk is an ongoing focus for 2021, as is innovating and adapting our product across both Logistics and Homes in line with emerging customer environmental, technological and social needs.

SL&R major projects have been reviewed and steps taken to accelerate and de-risk, while strengthening project execution processes.

6. Customers

Risk impact: Moderate	**Risk likelihood:** Possible	**Risk trend:** No change

Principal risk

Structural changes in customer expectations leading to a change in demand for space in both logistics and homes and the consequent impact of income.

The effectiveness of relationships with customers and occupiers and the understanding of customer and consumer expectations including changes in society, economy, technology, and environmental factors leading to a change in demand for homes and logistics space all has an impact on income and returns.

Our sales channels, whether for letting or sales of residential homes, present a risk if we fail to innovate and adapt to changing media for engaging with current and future homebuyers, occupiers, and other partners.

Progress in 2020 and plans for 2021

Throughout 2020 we have worked closely with our customers, and with those in 'at risk' sectors. Our rent recovery has been strong, with collection of 97% for the March quarter, 96% for the June quarter and 91% for the September quarter, illustrating that our customer engagement has been effective.

The logistics and distributions markets remain resilient and we expect this to continue throughout 2021. We have delivered 1.2m sq ft in 2020, with a 1.5m sq ft target in 2021.

Homes sales nationally have performed better than first anticipated following lockdown, with 948 units completed in 2020, and we will end the year with our best ever forward sold position.

With uncertainty expected to continue throughout 2021, we are well positioned to meet our growth targets and will continue working with our customers, innovating products in Logistics and Homes, in line with customers' emerging needs.

7. Political, Legal, Regulatory and Compliance

Risk impact: Significant	**Risk likelihood:** Likely	**Risk trend:** Increasing

Principal risk

The Group must anticipate significant political, legal, tax or other regulatory changes including planning changes at national or local level, and the role of the state in defining the markets and the regulations under which we operate.

Failure to effectively implement management practices and follow regulatory and compliance requirements including H&S, tax, and other operational regulations can have both a financial and a reputational impact.

Progress in 2020 and plans for 2021

We actively engage with relevant industry bodies and consultations for example proposed changes to the planning system. We have a strong H&S record with Covid-safe sites, enabling continued operation through 2020 and 2021.

Brexit response plans were regularly reviewed and updated. Government changes in stamp duty and Help to Buy continue to support demand in housing, though there is uncertainty as to future government support.

Our fraud risk assessment has been refreshed and training updated.

8. Portfolio and Capital Investment Strategy

Risk impact: Moderate	**Risk likelihood:** Unlikely	**Risk trend:** Increasing

Principal risk

Failure to effectively execute on our strategy of buying, developing, managing and selling assets at the appropriate time in the property cycle, including inappropriate sector selection and weighting; inability to deliver capital expenditure programme to agreed returns and scale to generate competitive advantage; and/or occupiers reluctant to take new space, impacts on our strategic objectives. Our financing strategy must support our portfolio strategy and there are inherent risks in relation to investment, access to capital, and covenant compliance, in meeting our investment and operational requirements.

Progress in 2020 and plans for 2021

We have a clear strategy in relation to our core markets, with defined structures, established across Homes, Logistics and SL&R.

Our current financing strategy addresses risks to both the Group's financing strategy overall (debt structures and investment structures e.g. capital light developments) along with the management of liquidity to provide capacity to meet both investment and operational requirements effectively and to withstand robust downside scenario plan modelling.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 30 November 2020

The directors are responsible for preparing the annual report and Group and Company financial statements in accordance with applicable law and regulations and this statement has been prepared in connection with the annual report and Group and Company financial statements, certain parts of which are not included within this announcement.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including FRS 101 *Reduced Disclosure Framework*. In addition, the Group financial statements are required under the UK Disclosure and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of their profit or loss for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are responsible for preparing a strategic report, corporate governance statement, directors' remuneration report and directors' report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website www.stmodwen.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors in office as at the date of this report confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Each of the directors in office as at the date of this report considers the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by

Andrew Eames
General Counsel & Company Secretary
8 February 2021

GLOSSARY OF TERMS

for the year ended 30 November 2020

Adjusted EPRA earnings – EPRA earnings adjusted to include housebuilding development profits, the amortisation of loan arrangement fees (including the Group's share of this item from its joint ventures and associates) and tax associated with both of these company-specific adjustments.

Adjusted EPRA earnings per share – adjusted EPRA earnings divided by the weighted number of shares in issue during the year (excluding shares held by The St. Modwen Properties PLC Employee Share Trust).

Adjusted gearing – the level of the Group's net borrowings (at amortised cost and excluding lease liabilities) expressed as a percentage of net assets.

Average sales price (ASP) – the weighted average sales price of St. Modwen Homes units sold.

Business unit returns on capital employed – the business unit profit before interest and tax for the year divided by the average business unit net assets, after adding back any business unit-specific net borrowings, for the year.

EPRA – the European Public Real Estate Association, a body that has put forward recommendations for best practice in financial reporting by real estate companies.

EPRA earnings – the Group profit for the year, excluding investment property revaluation gains/losses, gains/losses on disposal of investment properties and inventories and associated items, and movements in the fair value of financial instruments. Each of these adjustments is made for both the Group and the Group's share of its joint ventures and associates and is net of current and deferred tax charges/credits.

EPRA net initial yield – the yield that would be received by a purchaser, based on the current annualised rental income, net of non-recoverable outgoings (as determined by the external valuers), expressed as a percentage of the acquisition cost, being the market value plus assumed actual purchaser's costs at the reporting date.

EPRA net tangible assets (EPRA NTA) – net asset value, adjusted to include the fair value of inventories and exclude deferred tax on capital allowances and revaluations on the retained portfolio, intangibles and the mark-to-market of derivative financial instruments.

EPRA net tangible assets per share – EPRA net tangible assets divided by the number of ordinary shares in issue at the year end (excluding shares held by The St. Modwen Properties PLC Employee Share Trust).

EPRA topped-up net initial yield – EPRA net initial yield adjusted to include the expiration of rent-free periods or other unexpired lease incentives within annualised net rental income.

EPRA vacancy – the ERV attributable to vacant space expressed as a percentage of total ERV (including the Group's share of joint ventures and associates but excluding any properties under development).

Equivalent yield – the weighted average income return (after adding notional purchaser's costs) a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent is received annually in arrears.

Equivalent yield shift – the movement in the equivalent yield of a property asset during the year.

Estimated rental value (ERV) – the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of the property.

EU IFRSs – International Financial Reporting Standards as adopted by the European Union.

Gearing – the level of the Group's net debt expressed as a percentage of net assets.

Gross development value (GDV) – the sale value of property after construction.

IFRSs – International Financial Reporting Standards.

Interest – net finance costs (excluding the mark-to-market of derivative financial instruments, amortisation of loan arrangement fees and other non-cash items) for the Group (including its share of joint ventures and associates).

Land bank – 100% of the land and property owned and controlled by the Group together with joint ventures and associates (including land under option and development agreements).

Like-for-like – adjusts a reported measure to exclude the impact of property acquisitions, developments and disposals.

Loan-to-value (LTV) – the level of the Group's net borrowings expressed as a percentage of the Group's property portfolio.

Market value – an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation, as determined by the Group's external valuers. In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Net asset value (NAV) – equity attributable to owners of the Company.

Net asset value (NAV) per share – net asset value divided by the number of ordinary shares in issue at the year end (excluding shares held by The St. Modwen Properties PLC Employee Share Trust).

Net borrowings – total borrowings (at amortised cost and excluding lease liabilities and fair value movements on the Group's convertible bond) less cash and cash equivalents.

Net debt – total borrowings and lease liabilities including cumulative fair value movements in the Group's convertible bond less cash and cash equivalents.

Net rental income – the rental income receivable in the year less non-recoverable property costs for the Group (including its share of joint ventures and associates).

Other income – other rental-type income generated from the operating assets of the Group (including its share of joint ventures and associates).

Passing rent – the annualised rental income of a property net of outstanding rent-free lease incentives.

Persimmon joint venture (JV) – a series of commercial contracts with Persimmon to develop residential units on agreed sites within St. Modwen's land bank.

Property portfolio – investment properties, assets held for sale and inventories of the Group (including its share of joint ventures and associates) comprising income producing properties together with residential and commercial assets.

Return on capital employed (ROCE) – Business unit profit before interest and tax for the year divided by the average business unit net assets, after adding back any business unit specific net borrowings, for the year.

RICS – Royal Institution of Chartered Surveyors.

See-through – calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

Topped-up rent – passing rent adjusted to include the expiration of rent-free periods or other unexpired lease incentives.

Total accounting return (TAR) – the increase in net asset value per share for the year, plus dividends paid per share during the year, expressed as a percentage of net asset value per share at the start of the year.

Total development costs – the expected development costs of a project, including the value of land at the start of the project and any associated land capital expenditure.

Total shareholder return (TSR) – the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock.

Underlying – adjusts a reported measure for the impact of any exceptional items.

Weighted average interest rate – the Group's annualised loan interest and derivative financial instrument costs at the year end, divided by total Group borrowings at the year end.

Weighted average term of borrowings – each tranche of the Group's borrowings is multiplied by the remaining period to its maturity and the result is divided by total Group borrowings at the year end.

Weighted average unexpired lease term (WAULT) – the weighted average remaining lease term.

Yield on capex – the yield on cost, excluding the carrying value of land if the land is owned by the Group in the reporting year prior to commencement of the development.

Yield on cost – the expected headline ERV on completion of a property under development expressed as a percentage of the estimated total development cost.