ST.MODWEN

Delivering with purpose

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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COMPANIES HOUSE

Company No. 349201

HIGHLIGHTS

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Cover: Delivering on purpose by establishing a new community at Glan Llyn in South Wales on the site of a former steelworks.

Non-statutory measures[1]

EPRA NAV per share[2]

504.2 pence +4.2%

Underlying total accounting return

6.3% +0.3ppt

Adjusted EPRA earnings

£38.7m +22.1%

Adjusted EPRA earnings per share

17.4 pence +21.7%

See-through loan-to-value

19.6% +2.7ppt

Statutory measures

NAV per share[2]

484.2 pence +3.0%

Total dividend per share

8.7 pence +22.5%

Profit for the year

£49.5m -18.2%

Basic earnings per share

22.8 pence -15.9%

Group net debt

£314.1m +14.5%

(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) Following the adoption of IFRS 9 *Financial Instruments* during the year ended 30 November 2019, the comparative values of EPRA NAV per share and NAV per share at 30 November 2018 have been reduced by 0.1 pence and 0.2 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model. The Group has also adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* during the year ended 30 November 2019, but there has been no impact on the reported measures as a result of the adoption of these standards. Further detail is given in the accounting policies note to the Group financial statements.

Who we are

St. Modwen is an expert developer with over 30 years of property and regeneration expertise, operating across three dedicated business units in the UK: St. Modwen Homes, Industrial & Logistics, and Strategic Land & Regeneration, all of which are aligned to structural growth trends. A constituent of the FTSE250, we are active across England and South Wales, with a portfolio totalling £1.48bn.

Key facts

Track record
30+ years

UK portfolio
£1.48bn

Total St. Modwen Homes sold in 2019
1,060 units

Total residential plots with planning recognition
14,400

Committed industrial and logistics development pipeline
1.5m sq ft

Long-term industrial and logistics pipeline
c.19m sq ft

People employed
600+

What we do

St. Modwen Homes
delivers new homes across the UK, is actively selling at 21 outlets and delivered over 1,000 new homes during 2019.

Industrial & Logistics
designs and builds high-quality spaces for logistics and industrial customers backed by a 19m sq ft pipeline.

Strategic Land & Regeneration
acts as master developer by promoting and releasing land primarily for residential and industrial and logistics uses, as well as delivering transformational regeneration projects.

Our values

We unlock potential

We build quality outcomes

We do the right thing

We're joined up

We do what we say

Operational highlights

Group

- Dedicated business units now fully aligned to strategic objectives following restructuring of internal organisational design and further portfolio rationalisation.
- Strong progression of people strategy, delivering an enhanced working environment and culture, and better internal systems to aid productivity and wellbeing.
- Development of Responsible Business approach to how we do business, covering social and environmental ambitions to support delivery of our purpose and alignment with stakeholders.

Industrial & Logistics

- Grown industrial and logistics exposure to 44% of total portfolio by value.
- 0.9m sq ft of space completed during the year, 97% of which will be retained.
- Leasing momentum continues with 58% of completed ERV already let or under offer.

For more on this topic
See pages 18 and 23

St. Modwen Homes

- 25% growth in sales volumes with 1,060 units sold.
- HBF customer satisfaction rating over 90%, equivalent to 5* status.
- Pipeline in place to grow volumes by up to 20% p.a. to 2021 and opportunity to grow further.

For more on this topic
See pages 19 and 24

Strategic Land & Regeneration

- Agreed £30m of residential land sales in-year and a further £25m since year-end.
- Sold £65m of non-core assets, including over half of residual non-core retail.
- Prepared next phases at major regeneration sites and progressed longer-term mixed-use opportunities.

For more on this topic
See pages 19 and 25

New industrial and logistics space delivered in 2019

0.9m sq ft

Percentage of space delivered in 2019 to be retained

97%

ERV of future pipeline with planning

c.£56m

Sales growth in St. Modwen Homes during 2019

25%

Increased 2019 margins in St. Modwen Homes to

14.8%

Current forward-sold private units as % of target FY sales

34%

Non-core retail as percentage of total portfolio

2%

Agreed residential land sales since year-end

£25m

Proceeds from the sale of 411 student beds in Swansea

£38m

CHANGING PLACES. CREATING BETTER FUTURES.

This is our core purpose and the reason we exist as a business.

We first set out our purpose in 2017, centred on delivering quality places to live and work that enhance communities and create opportunities for growth and shared returns. We are proud to transform, optimise and improve places and our purpose is to give new meaning to those communities we live in and serve, and to the environments we develop.

Bringing our purpose to life

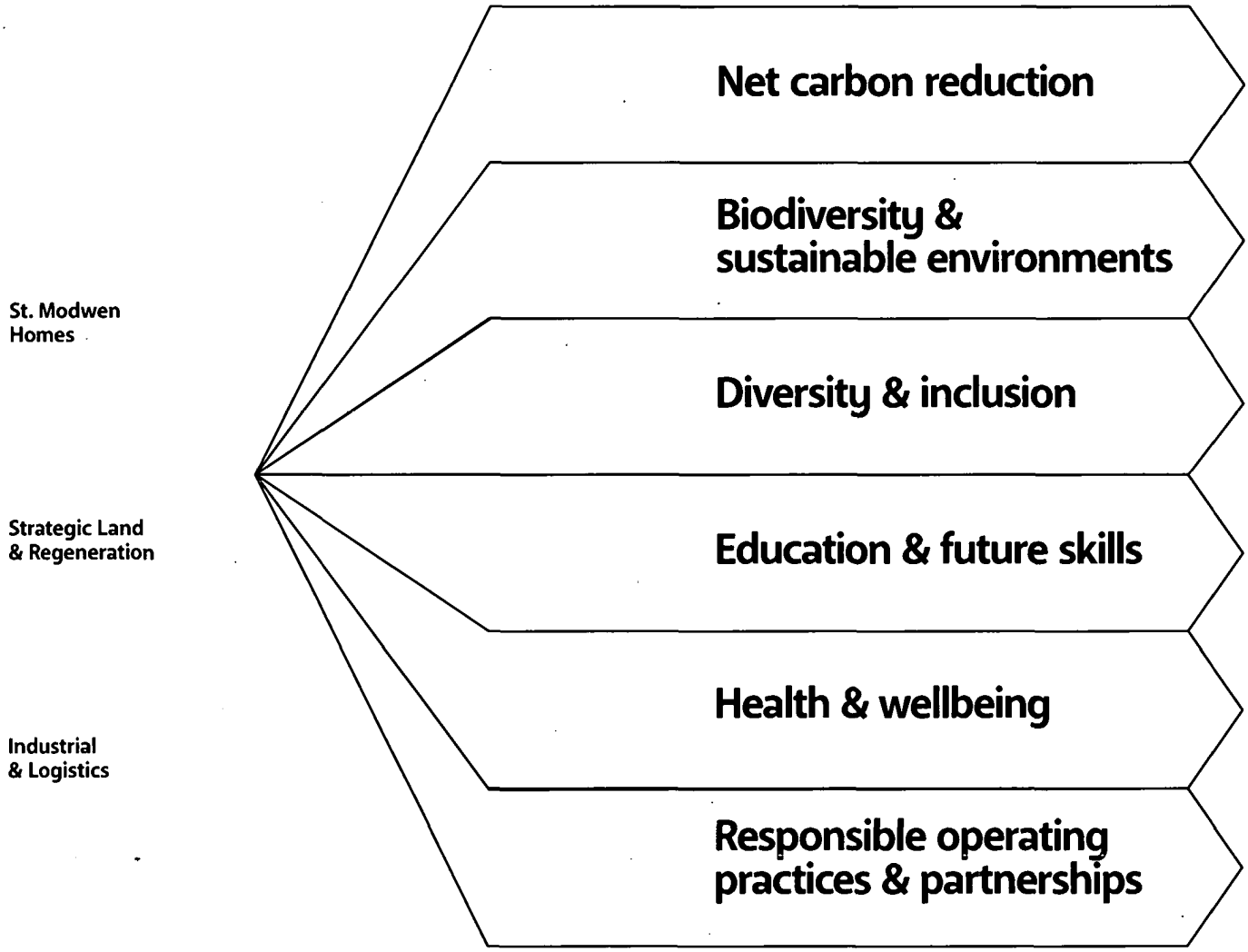
In recent years, we've focused on aligning the Company with our strategic objectives and creating the right culture and internal environment. This is clearly important because delivery of our financial and commercial objectives is vital to our purpose – we couldn't keep doing what we do if we didn't make money.

But the world is changing, and there is a new business climate where purpose and profit are inextricably linked. So to sustain success, particularly over the long term, we know that our financial performance must be delivered in tandem with having a meaningful, positive impact on society and the environment. This is what we mean by really living and delivering on our purpose.

We already have a proud history of delivering important social and environmental impacts in the communities we serve. Now it's time to bring this together to establish a clear, deliverable and truly responsible approach for the long term.

Launching Responsible Business

We have chosen to focus on six core areas where we can make a sustained difference to society and the environment.



Net carbon reduction

What it is
To help achieve the global goal to stop average temperatures rising more than 2 degrees, the UN wants everyone – from individuals to global corporations and governments – to decrease the amount of harmful carbon emitted to our planet.

Why it's important
The building and construction industry accounts for around 40% (UN) of the world's carbon emissions. Government, local authorities, partners and customers have expectations and targets which must be met or exceeded but a global step-change is needed.

How we can help
- Target ongoing carbon reduction at a business unit and Group level.
- Embrace design principles that deliver long-term, low-carbon and low-carbon-enabled buildings.
- Integrate carbon reduction into business policies.

Overarching ambition
Be operationally net zero carbon by 2025 and fully net zero carbon by 2040.

Biodiversity & sustainable environments

What it is
Population growth and social trends mean humans are impacting the natural environment around us in unprecedented ways. From the destruction of distant rainforests to dying out UK insect breeds or the way we all handle waste, change is high on the agenda.

Why it's important
Our Company changes the landscapes of both brown- and green-field sites so we are directly impacting nature and the land around us. We want to embrace and make a virtue of a progressive approach to our natural environment.

How we can help
- Boost biodiversity at our schemes.
- Make positive use of the community spaces we create to improve biodiversity.
- Only use materials from sustainably managed sources.
- Reduce waste by maximising product and material use throughout lifecycles.

Overarching ambition
Be ready by the end of 2020 to achieve a net biodiversity gain of at least 10% associated with all development activity. By 2025, cut St. Modwen Homes site waste by a third and increase recycling rate to 99%.

Diversity & inclusion

What it is
Diversity and inclusion is about recognising that everyone is individual and embracing this difference in the way we work and go about our lives.

Typical categories include age, disability, race, religion, gender and sexual orientation, but diversity is far deeper and wider, creating a richness in society.

Why it's important
We're creating a culture at St. Modwen that is inspiring and inclusive, where difference is valued, so we can perform at our best and realise our potential as well as to reflect our community.

We're committed to attracting and retaining the best, diverse talent and creating a safe and inclusive environment where our people can bring their whole selves to work.

How we can help
- Enhance diversity and ensure inclusion across all levels, and across the business.
- Offer fair, equal and unbiased recruitment, promotion and reward systems.
- Ensure a safe, inclusive and agile work environment where all talent can thrive.

Overarching ambition
To achieve the UK National Equality Standard by 2025.

Education & future skills

What it is
Access to good education is fundamental to a strong society so that everyone has the chance to reach their full potential. At the same time, strong skills training and development ensure that there is no shortage of the right people to occupy current and future employment needs.

Why it's important
We have the chance to work in partnership with education and skills providers to support the development of tomorrow's futures. As an employer we can offer our people training, share knowledge and support ongoing development. Collectively we can help ensure a successful, resilient society in a fast-changing marketplace.

How we can help
- As an employer, support skills development of our people and inspire continued learning.
- In the community, promote and invest in education and increase pathways into the workplace.
- Improve awareness of the industry and encourage skills and innovation.

Overarching ambition
Invest 1% of the Company's cash profits every year into education partnerships by 2025.

Make a positive impact on over 20,000 young people by 2025.

Health & wellbeing

What it is
Physical and mental health is something everyone strives towards in the pursuit of a good life. A healthy body and mind allows us to enjoy our surroundings, feel good about ourselves and achieve more.

Why it's important
We want to play our part in helping to support a healthier, happier and engaged workforce because it drives sustainable performance. We also have the potential to impact our customers and communities – through places and products – to boost their wellbeing and enrich their lives.

How we can help
- Support wellbeing programmes within our workplace.
- Address the wellbeing of communities in all development plans.
- Consider and plan for the wellbeing of contractors and partners.

Overarching ambition
Be bold in our pursuit of wellbeing to boost the happiness, health and satisfaction of our people.

Make a meaningful, positive impact on the health and wellbeing of the communities we operate in and the places we deliver.

Responsible operating practices & partnerships

What it is
Having the right operating practices ensures that our responsible approach to business is reflected in the way we carry out our business. It also means working with and influencing our supply chain and partners to ensure quality, mutually beneficial outcomes.

Why it's important
We are many times larger than ourselves through the activities we carry out and the supply chain we use. This gives us the chance to positively impact working practices, from payment terms and job creation through to education and our impact on the natural environment.

How we can help
- Safety first for ourselves, our partners and our customers.
- Establish and maintain a framework for supply chain alignment, ensuring we work with partners to collectively meet our responsible business goals.
- Build and maintain positive partnerships and effective stakeholder engagement and communications.
- Build and maintain a culture of respect in the workplace and on site.

Overarching ambition
We can only fulfil our approach to responsible business by working with our supply chain.

During 2020, launch a charter to our partners to inspire, set goals and underpin responsible ways of working.

Working closely with local stakeholders and supporting future skills development

Opening doors to students (left)
St. Modwen Homes opened its Trentham Manor site to Level 3 BTEC Construction and Built Environment learners from Stoke-on-Trent College. The students, aged between 16 and 18, were able to get real-life experience of building standards, legislation, policies and procedures at a modern construction site, with a particular focus on aspects of health, safety and welfare in construction, the built environment and sustainability.

Signing of Armed Forces Covenant (right)
As part of our commitment to education and future skills, we've signed the Armed Forces Covenant, providing members of the armed forces community with a recruitment pathway, training and opportunities to secure a fulfilling career in the housebuilding and property sectors. Our pledge to provide equal opportunities to those who serve in the Armed Forces, and their families, will enhance the diversity of talent entering the construction sector and go some way to addressing the growing skills gap.

Engaging students in an active consultation

100+

Longbridge Leisure Challenge
We joined forces with Ahead Partnership and Birmingham secondary school, Ark Kings Academy, to deliver the Longbridge Leisure Challenge – engaging over 100 students in an active consultation on a proposed scheme that forms part of the ongoing regeneration of the town. The initiative, funded by the Millennium Point Charitable Trust, and hosted by volunteers from across St. Modwen, provided students with a series of science, technology, engineering and mathematics (STEM) briefs based on real projects and encourages them into STEM careers.

Supporting communities and promoting good health and wellbeing

Delivering on our promise (right)
As part of our ongoing regeneration of Longbridge, we delivered power and water to a 700-year-old local church to support its future and create a more usable space for the community. Delivering on our promise to St. Michael and All Angels Church in Cofton Hackett, we carried out extensive excavation works to install and connect utilities, allowing the installation of a toilet and tea and coffee facilities.

Bonnington Café on Thessaly (left)
As part of our regeneration of New Covent Garden Market, we partnered with the Covent Garden Market Authority and Thrive Wandsworth to launch Bonnington Café on Thessaly. Serving delicious, inexpensive home-style cooked meals made by local cooks – using ingredients from neighbouring New Covent Garden Market – the café encouraged the community to spend time outside of the home with friends, family and neighbours.

Raised for LandAid

£26,000

Runners from across the property sector

250+

St. Modwen Charity Run

In September 2019, over 250 runners from across the property sector took to the streets of Longbridge and Cofton Hackett to take part in the Midlands' toughest 10K and 5K races. Raising over £26,000 for LandAid, the property industry charity, the St. Modwen Charity Run delivered vital funds to help end youth homelessness in the Midlands.

Supporting the protection of wildlife and looking after our environment

Creating a home for bats (left)
As part of our long-term regeneration and strong commitment to protecting and enhancing the biodiversity of our Coed Darcy project near Swansea, we created and continue to manage a purpose-built bat house. Three times the size of an average domestic home, the building has multiple spaces within it for different types of bats to visit and live, with evidence of brown long-eared bats (Plecotus auratus) as well as whiskered bats (Myotis mystacinus).

Acres of public green spaces created, including parks and wildlife areas, across our sites

80+

Maintaining and developing woodland at Kingsgrove (right)
Our 227-acre new community in Kingsgrove, Wantage, will see the development of up to 1,500 new homes, a state-of-the-art primary school and community facilities. Located in the rolling Oxfordshire countryside, Kingsgrove will consist of 100 acres of green space that is sensitive to its surroundings. Our design considers existing hedgerows, trees and woodlands and retains them as part of the development, where possible. In addition, we are creating 30 acres of new woodland, with 41,000 trees – just over half – having already been planted, as shown. New hedgerows and species-rich grassland are also being planted to create enhanced habitats and boost biodiversity.

Trees planted to date

41,000

NET ZERO CARBON

Our first net zero energy industrial and logistics unit
We reached practical completion on our largest-ever speculatively developed industrial and logistics unit at St. Modwen Park Tamworth. With over 321,000 sq ft of high-quality space, strategically located adjacent to the M42 in Staffordshire, the new unit boasts green credentials and health and wellbeing benefits including electric vehicle charging points and a fitness trail for employees. The BREEAM 'Excellent' rated unit uses its solar power system to achieve net zero energy at occupation, providing occupiers with an environmentally responsible choice.

We have a clear purpose and that determines how we do business

Danuta Gray
Chair

2019 has been a positive year for St. Modwen, with a continued increase in momentum in delivering our growth-focused strategy. During the year we restructured our internal organisation to fully align this to our three strategic objectives: build a high-quality industrial and logistics business, grow our residential and housebuilding business, and leverage our regeneration reputation – all of which is built around our core purpose, 'Changing places. Creating better futures.' In delivering on this purpose, we aim to create value for all our stakeholders, be it through bringing to life unloved, disused sites to create thriving new communities; delivering affordable, high-quality houses and a first-rate experience to customers looking for a new home; developing modern logistics and industrial space for businesses to grow and jobs to be created; or investing in our own people.

The positive momentum has been visible in each of our three business units, with a 25% increase in volumes in St. Modwen Homes; 85% growth in leasing and an over 60% step-up in development planned for 2020 in Industrial & Logistics; and £133m of disposals and good development progress in Strategic Land & Regeneration. We delivered a 21.7% increase in our adjusted EPRA EPS in 2019, driving a 22.5% increase in our dividend for the year to 8.7 pence per share. Our underlying total accounting return improved to 6.3%, which is stated before the impact of 1.7ppt due to the exceptional provision for a legacy project the Group developed and sold c. 15 years ago. This reduced our NAV by 1.6% but despite this, our NAV per share increased 3.0% during the year and our balance sheet remains strong, with a low 19.6% see-through LTV, even after further investments in growth.

Board changes

At the AGM in March I took over as Chair from Bill Shannon, who stepped down following eight years in the position. In September we announced the appointment of Sarah Whitney as non-executive director, who brings a wealth of experience in the real estate and corporate finance sectors to the Board, especially with respect to public private partnerships.

In November we announced that Mark Allan would be stepping down as Chief Executive during 2020 to take up the role of CEO at Land Securities plc. Mark will stay with the business until 30 April and gradually hand over responsibilities to our Chief Finance and Operations Officer, Rob Hudson, who will take on the role of interim Chief Executive until a new Chief Executive joins the business. A search process is well underway, focusing on external candidates, and we will provide an update on this as and when appropriate.

On behalf of the Board, I would like to wish Mark well in his new role and thank him for his substantial contribution to St. Modwen over the last three years. Under his leadership the business has seen a major transformation in culture, people agenda and purpose, which is reflected in our new Responsible Business ambitions, and it embarked on a successful growth strategy in three key sectors which are supported by long-term structural growth characteristics. While we remain alive to any future changes in the external environment, the Board is highly supportive of this strategy and therefore does not intend for this strategy to change. Our financial leverage is low, and we have a portfolio full of opportunity and a highly skilled team in place, so our focus is on delivering on the substantial growth potential we have in each of the three parts of our business.

People and culture

In my first year as Chair of St. Modwen, I have had the pleasure of meeting many talented people across all levels of our organisation. This confirmed to me that St. Modwen truly is a unique business, with an expertise rooted in its long, successful history but also an ambition to innovate and lead the way through the delivery of our purpose. How we do business is an important part of this and to create a clear link between our strategy and our ESG efforts, we will be launching our Responsible Business ambitions in early 2020. Our people are key to the success of our business, so it is important we maintain our positive, supportive culture and values. For us as a Board, this is paramount, and I would like to thank everyone for their valued contribution to our success.

Prospects

The external environment may be less unsettled than it was but having formally left the EU at the end of January, the UK still faces uncertainty as it looks to establish new trading relationships with our international partners. Nevertheless, the outlook for St. Modwen is positive. Through the repositioning of our business in the last few years, we have materially improved our portfolio quality, reduced our borrowings and aligned our organisational design. Our capital base is strong, our strategy is focused on growth in three sectors which are supported by positive long-term fundamentals and in each of these areas we have a substantial pipeline of opportunities in place. As such, we are confident that delivery against this strategy will continue to create value for all our stakeholders, thereby truly delivering on our purpose: 'Changing places. Creating better futures'. Building on our successful track-record and unique expertise, we therefore look to the future with confidence.

Danuta Gray
Chair

3 February 2020

UNDERSTANDING STAKEHOLDERS ARE KEY TO HELPING US DELIVER OUR AMBITIONS

1

Continually review and understand the universe of stakeholders that is important to our business

2

Agree how best to engage with our stakeholders and adopt appropriate two-way communication

3

Consider the impact on stakeholders as we go about our business and make decisions

Positive momentum across our business units

Mark Allan
Chief Executive

Key financial performance metrics

	2019	2018	Change %
NAV per share[1] (pence)	**484.2**	470.2	+3.0
EPRA NAV per share[1] (pence)	**504.2**	484.0	+4.2
Dividend per share (pence)	**8.7**	7.1	+22.5
Underlying total accounting return (%)	**6.3**	6.0	+0.3ppt
Profit for the year (£m)	**49.5**	60.5	-18.2
Adjusted EPRA earnings (£m)	**38.7**	31.7	+22.1
Basic earnings per share (pence)	**22.8**	27.1	-15.9
Adjusted EPRA earnings per share (pence)	**17.4**	14.3	+21.7
See-through net borrowings[2] (£m)	**290.6**	236.9	+22.7
See-through loan-to-value[2] (%)	**19.6**	16.9	+2.7ppt

(1) Following the adoption of IFRS 9 *Financial Instruments* during the year ended 30 November 2019, the comparative values of EPRA NAV per share and NAV per share at 30 November 2018 have been reduced by 0.1 pence and 0.2 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model.

(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.

Overview
2019 for St. Modwen has been a year of growing momentum in the strategy we set out in spring 2017. The first phase of this strategy was focused on repositioning our portfolio and strengthening our balance sheet, resulting in the sale of over £800m of assets by the end of 2018 and a reduction in LTV from 33.1% to 16.9%. Since the start of 2019 our focus has been on the next phase of our strategic plan – driving growth in each of our three focus areas: industrial and logistics; housebuilding; and strategic land and regeneration. Each of these sectors is underpinned by structural growth characteristics and in each area we have a deep pipeline of opportunities in our existing portfolio. Momentum has been positive in all three parts of our business, with 25% volume growth in St. Modwen Homes, terms agreed on 58% of the space we completed during the year in Industrial & Logistics, and the agreed sale of 663 plots of residential land in South Wales, with a further c. 900 in advanced legal discussions.

Our underlying results are in line with our expectations and show our strategy is starting to deliver an improvement in returns. However, as announced in December, an exceptional provision for a legacy project reduced our total accounting return by 1.7ppt, while valuation weakness in our small amount of non-core retail reduced this by a further 2.0ppt to 4.6% (2018: 6.0%). Still, NAV per share increased 3.0% to 484.2 pence (2018: 470.2 pence)[1] and EPRA NAV per share grew 4.2% to 504.2 pence (2018: 484.0 pence)[1]. Despite lower rental income due to our large amount of non-core disposals during 2018, growth in housebuilding profits and lower interest costs meant adjusted EPRA earnings increased 22.1% to £38.7m (2018: £31.7m). Adjusted EPRA EPS rose 21.7% to 17.4 pence (2018: 14.3 pence), leaving us well on track to broadly double this in the medium term and driving a 22.5% increase in dividend to 8.7 pence per share (2018: 7.1 pence). After £18.5m of exceptional costs, profit for the year was £49.5m (2018: £60.5m), with basic EPS of 22.8 pence (2018: 27.1 pence).

People and organisation
The positive momentum in our business is a clear reflection of the hard work and dedication of our people. In order to strengthen the alignment between individual roles and our strategic objectives, we changed our organisational design during 2019 from what had historically been a regional structure to a functional structure with three dedicated business units: Industrial & Logistics, St. Modwen Homes and Strategic Land & Regeneration. Our purpose 'Changing places. Creating better futures.' sits at the heart of everything we do in each part of our business. This new organisational design has further enhanced our culture of empowerment and accountability and with these results we have also aligned our financial reporting to this, with new segmental balance sheets, income statements and returns on capital for each business unit. Our people are pivotal in delivering on the opportunities our strategy offers, so we will continue to invest in every part of our workforce.

Bringing our purpose to life
Having substantially completed the repositioning of our portfolio and internal organisation, the next phase of our strategy provides a clear opportunity to really bring to life our core purpose: 'Changing places. Creating better futures.' To remain successful as a business in the long term, financial results must be delivered in tandem with a meaningful, positive impact on society and the environment. We have been working on many social and environmental initiatives across the business for years but there is an opportunity to bring our ESG efforts together and establish a sustainable approach for the long term. In early 2020 we will therefore be launching 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. All of these are aimed at truly bringing our purpose to life in every part of our business.

Industrial & Logistics
Our Industrial & Logistics business had a positive year in 2019, as we continued to reinvest the proceeds from our non-core disposals into our substantial development pipeline in this growth sector. As such, industrial and logistics assets now make up 44% of our portfolio, up from 19% when we launched our new strategy in mid-2017. We expect this to grow further in the coming years, as we accelerate the delivery of our attractive pipeline. Similar to last year, we completed 0.9m sq ft of developments during 2019, but we retained 97% of this space for our own portfolio (2018: 69%), improving the build-up of income. We have seen momentum in leasing build, so of the £5.5m ERV related to space we completed in 2019, 58% is let or under offer (early 2019: 54% of ERV completed in 2018), and we are seeing good interest in the remaining space.

We expect development completions to increase materially in 2020, to 1.5-1.7m sq ft, which allowing for some lease-up time, is expected to drive strong income growth for 2021 in particular. 1.5m sq ft of this is already committed, with a total development cost of £133m. We expect to retain 94% of this, which with an associated ERV of £9.5m is expected to deliver a yield on cost of 7.6% once fully let. Around 80% of this is focused on small to medium sized units of less than 150,000 sq ft, leaving us well positioned to benefit from the growing demand for last mile delivery space, as evidenced by our recent lettings to Ocado and DHL, and warehouse space near urban locations. Reflecting the growing leasing momentum, 18% of this is already pre-let (early 2019: 2%).

During the year we have expanded our pipeline, so our total pipeline now has the potential to deliver c. 19m sq ft of space in the long term, of which 45% has planning. We estimate the latter could deliver c. £56m of ERV, which with a c. 8% yield on cost and a c. 9% yield on incremental capex offers room for substantial development upside and income growth in future years.

St. Modwen Homes
Our housebuilding business St. Modwen Homes, which makes up 26% of our property assets, had another year of strong growth in 2019. We sold 1,060 units, marking an increase of 25% compared to the prior year (2018: 848 units); at the top end of our target to grow volumes by up to 25%. In line with our target, our operating margin increased to 14.8% (2018: 14.4%) and while the private average sales price reduced 3.2% compared to 2018 due to changes in sales mix and location, like-for-like sales prices increased 3.1%. Importantly, this growth was underpinned by an improvement in quality and customer experience, as we are on track to achieve 5* HBF housebuilder status and saw an increased net promoter score to 76, while our focus on the safety of our people resulted in a further reduction in our accident frequency rate, to less than one-tenth of the industry average.

Since the year end, demand for high-quality new homes in the regions, where most of our activity is focused, has remained strong so we have forward-sold 34% of our targeted private unit sales for the year (Feb 2019: 34.6%). We are currently sales-active on 21 outlets and will be opening a further six in the coming weeks (early 2019: 20). As such, we remain on track versus our medium-term growth ambitions yet having more than doubled our sales over the last three years, the annual rate of growth will naturally start to moderate as the business grows. We anticipate volumes to grow by up to 20% p.a. to 2021 and margins to improve by a broadly similar amount as last year during 2020. Beyond 2021, our existing 6,200-plot pipeline (excluding strategic land held by the Group), provides a solid base for further growth. We plan to selectively supplement this with the acquisition of a small number of oven-ready sites, to smooth the timing of larger strategic sites and grow volumes at a more normalised rate, and we remain on track to improve margins to c. 16-17% over time.

Strategic Land & Regeneration
Our Strategic Land & Regeneration business unit sits at the heart of our activities and combines the delivery of residential land for St. Modwen Homes or third-party housebuilders, often through substantial regeneration, and the delivery of major regeneration projects, which frequently have a large residential element.

Our focus for strategic residential land, which makes up 17% of our assets excluding land held by St. Modwen Homes, remains to monetise the value in our existing land bank and grow our activities through capital-light opportunities, to improve our return on capital. We agreed the sale of 896 plots to third-party housebuilders for £30m during the year (2018: £53m) but since the year end we agreed the disposal of 663 plots across our two sites in South Wales for £25m and we are in advanced legal discussions on the sale of a further c. 900 plots across both sites. Assuming these deals complete, the transfer of land would be phased but this would leave c. 40% of these two sites completed, under construction or controlled by housebuilders for near-term development.

Our focus in regeneration is to accelerate the delivery of projects in our existing portfolio, again to improve our return on capital. We have seen a clear pick-up in momentum at Longbridge, following our work on enhancing the vision for this major scheme and we anticipate starting on site with several public realm investments and mixed-use developments in 2020. At Swansea Bay Campus, we completed the latest phase of 411 student beds which we subsequently sold for £38m and at New Covent Garden Market, we continue the multi-year process of relocating the existing market facilities. Following the sale of our interests in Kirkby and Skelmersdale, we are working with both local councils on delivering the retail development-led regeneration local stakeholders look for, having released all our capital for reinvestment in our core sectors. We also continue to progress early stage discussions on other long-term, mixed-use urban opportunities in our portfolio, including Wythenshawe, Manchester.

Our Strategic Land & Regeneration business unit also covers the small amount of non-core assets we have left following our major portfolio repositioning during 2017-2018. We sold a further £65m of non-core assets in 2019, slightly ahead of our plans, including more than half of our residual non-core retail assets. A fall in retail values reduced our underlying total accounting return for the year by 2.0ppt to 6.3%, but after having already sold £177m of retail assets at a less than 1% discount to book value during 2018, non-core retail is now only 2% of our portfolio (early 2018: 16%) and other non-core commercial assets are down to 3% (early 2018: 17%). We continue to expect to sell these assets over the next two years.

Macro environment

While the business climate and current market trends impact our everyday and emerging nearer-term decision making, the longer-term macro environment is also considered carefully by our business. Awareness and consideration of such trends helps to define longer-term operational and investment decisions. The following macro factors are examples of our longer-term thinking.

Demographic changes
Our population is growing, yet the number of over 65s account for 80% of population growth in England and Wales over the next 20 years, according to the ONS, whilst the overall working age population looks set to remain virtually stagnant. There are regional differences too, meaning some parts of England and Wales are likely to experience negative growth in the working age population and others will be positive. This will have an impact on local economic growth and house price growth, which means over the long-term we need to consider where we should build and what type of product is most suitable.

Growing urbanisation
According to the ONS, most major cities in England look set to grow faster than the rest of the country. Unsurprisingly therefore, the National Infrastructure Commission suggests that major English cities should attract more infrastructure spending by Government. This matters because, over the long-term, this will likely drive economic growth, investment decisions in terms of location and wider institutional demand for assets.

Environmental challenges
Climate change is one of biggest challenges facing the planet and the UK was the first major country to target net zero emissions by 2050. Buildings through their construction and use are one of the largest contributors to carbon emissions globally, so the real estate sector has an important role to play. Through increasing environmental awareness amongst consumers and shifts in public policy, what may have appeared a distant factor is fast emerging as a long-term trend that needs more immediate action (see Responsible Business on pages 2 to 11).

Technological developments
While technological change is a constant, some shifts have the potential to greatly impact local areas. Consumer take-up of e-commerce, for instance, continues to grow to the detriment of physical shops, presenting a logistical challenge but also an opportunity to create modern, relevant space for businesses of the future. Meanwhile, driverless vehicles could affect location decisions and automation may impact future job types.

Looking forward

Since we launched our new strategy in spring 2017, we have achieved an enormous amount. We have sold £950m of assets, equivalent to more than half of our initial portfolio, reduced our net borrowings by half and accelerated our development activity. Meanwhile, over the last three years we have grown our adjusted EPRA EPS by 79%, our dividend by 45% and our NAV per share by 12%. These results are testimony to the hard work of all our people and it is this quality and breadth of our team which defines the strength of St. Modwen.

Our strategy is focused on three clear objectives – build a high-quality industrial and logistics business, grow our residential and housebuilding business, and leverage our regeneration reputation – and our organisational structure, with its three dedicated business units, is fully aligned to this. Importantly, each of these three areas is supported by long-term structural growth drivers: demographic growth, on top of an existing shortage of housing, means there is a need for more high-quality, affordable houses; the digitalisation of shopping and changes in the way people work continues to fuel demand for modern, well-located industrial and logistics space; and ongoing urbanisation will require the regeneration of inefficiently used land in urban locations.

Positively, the General Election in December reduced political uncertainty in the UK for the time being and the new Government appears supportive to stimulating growth across the regions. Nevertheless, uncertainties around the general economic outlook remain and even though the UK formally left the EU at the end of January, the shape of our future trading relationships with the rest of the world is unclear. As such, we remain mindful of the uncertainty this could cause in the near term and the potential effects in the long term. While we will therefore maintain a conservative level of borrowings and we have the flexibility to adjust our activity quickly in case of any unexpected changes in demand due to the short-cycle nature of our developments, the positive structural growth characteristics in our key sectors provide us with confidence to continue to invest.

With a low see-through LTV of 19.6% and a significant pipeline of opportunities in our existing portfolio, we remain well-placed to deliver a meaningful improvement in return on capital and earnings over time. 2020 is therefore set to be another year of growth and delivery against our three strategic objectives. The return on capital employed in our Industrial & Logistics business for 2019 was at 12.4% ahead of St. Modwen Homes at 11.4% and in particular Strategic Land & Regeneration at 2.9%, but as we continue to accelerate our development activity and reduce our exposure to land and non-core assets, improving the return on capital employed in the latter two segments underpins our ambition to deliver a sustainable, low double-digit total return over time. Moreover, we remain on track to broadly double our adjusted EPRA EPS from the 2018 level of 14.3 pence in the medium term and expect to make further progress on this level in 2020. As I will leave the Company on 30 April, I am therefore confident to be handing over the business in such a strong position.

Mark Allan
Chief Executive

3 February 2020

1

The right strategic response

Here we outline our strategic objectives and how they link to our three dedicated business units.

The strategy we defined in 2017 is intended to improve our return on capital, grow our income and enhance our operational flexibility through tightly managing financial leverage.

At the same time, we have chosen to focus on areas which benefit from structural growth and where we can draw on the expertise of our people, our depth of experience and the strengths of our property portfolio.

Build a high quality industrial and logistics business

We see long-term structural growth in the industrial and logistics sector, driven by the continued rise of e-commerce in response to consumer and technical changes. This drives strong occupier demand, particularly for modern, future-ready spaces in strategic locations. During 2019 we created St. Modwen Industrial & Logistics to bring together our expertise and provide a clear and progressive offer to customers.

Industrial & Logistics

What we do:
We deliver future-focused and attractive industrial and logistics spaces in appropriate and desirable environments.

Why we do it:
To support enterprise and enable businesses to thrive.

How we do it:
We build and own warehouse properties for a range of customers across the industrial and logistics sectors. We do this by using our strategic land or acquiring land from third parties while drawing up plans based on expected local demand. With planning permission in place, we prepare the land before construction takes place to either deliver speculative buildings or create bespoke ones for customers who in turn lease the property. We own the majority of these properties for the long term.

For more detail on performance, see the portfolio and operational review on page 45.

2

Grow our residential and housebuilding business

The market for new-build housing in the UK regions remains resilient and we continue to see good demand for the new homes built by our housebuilding business, St. Modwen Homes, first launched to develop on St. Modwen's residential land portfolio. Strength in the regions, where most of our activity is focused, is supported by better affordability compared to parts of the South East and London.

St. Modwen Homes

What we do:
We respond to our locations by creating and constructing a variety of new homes and tenures.

Why we do it:
To provide desirable and sustainable homes for people that enable integrated, long-term communities to flourish.

How we do it:
We design and build homes before selling them to customers. We use land from St. Modwen's portfolio or third parties. Driven by the needs of our customers, we work carefully to plan developments with the right number, size and type of units before gaining detailed permission to start a phased build programme. Simultaneously, we market the overall scheme and individual homes through a dedicated sales and marketing team.

For more detail on performance, see the portfolio and operational review on page 46.

3

Leverage our regeneration reputation

With an expansive UK land portfolio and expertise over 30 years, St. Modwen has the ability and desire to deliver impactful development projects. This helps to create places and experiences that deliver shared value, build a lasting legacy and contribute to better futures for all. In 2019, we created the Strategic Land & Regeneration business to progress our land portfolio and deliver existing and new schemes.

Strategic Land & Regeneration

What we do:
We breathe life into places by creating homes, jobs, shared spaces and community infrastructure.

Why we do it:
To enable people and our natural environment to prosper in places developed to encourage socially and environmentally sustainable living.

How we do it:
We play a wide-reaching role across St. Modwen by acting as master developer on a range of our land holdings to deliver residential-led schemes and through partnerships to regenerate sites. Sometimes our work involves cleaning up dirty, contaminated or redundant sites and putting in place appropriate infrastructure to unlock the viability of the site. By gaining local support for new schemes we are able to deliver opportunities for St. Modwen Homes and third-party housebuilders to buy the land and build homes on 'oven-ready' development land. We play a similar role when delivering urban regeneration schemes whereby we repurpose areas to create new, desirable places. We have also been focused on selling down our non-core properties to recycle capital back into our core business.

For more detail on performance, see the portfolio and operational review on page 47.

St. Modwen Homes: selling over a 1,000 homes in a year

St. Modwen Homes sold 1,060 new homes in 2019, the first time we crossed through the 1,000-home mark in a year. With sales activity on 21 sites across England and South Wales, we are continuing to see demand for high-quality homes delivered with a leading homebuyer experience and award-winning health and safety standards. In 2019, St. Modwen Homes secured a RoSPA Gold Award for its commitment to health and safety, while the Trentham Manor development in Stoke-on-Trent (main image) won Best High Volume New Housing Development at the LABC Building Excellence Awards.

Industrial & Logistics: major letting to Ocado in Bristol

We agreed a 17-year lease with Ocado Retail, the UK's largest dedicated online grocery retailer, on a 150,000 sq ft speculatively-built unit at St. Modwen Park Access 18 Avonmouth. Demonstrating the continued demand for high-quality, strategically-located distribution space in the South West, this major letting further validates our speculative build programme in the region and supports over 800 jobs in the local area.

Strategic Land & Regeneration: first market units complete at New Covent Garden Market
We reached a key milestone in our continued regeneration of New Covent Garden Market as the first phase of the new fruit & vegetable market (main image) was completed on schedule and handed over to the Covent Garden Market Authority. The two buildings form the first sections of the new western and central blocks of the market and can house 18 wholesale market businesses.

Strategic Land & Regeneration: infrastructure works creating further opportunities
Our Strategic Land & Regeneration team drove forward the delivery of infrastructure works on brownfield land at Glan Llyn, Newport in South Wales. Located on the site of the former Llanwern Steelworks, this major project includes the delivery of a new primary substation that will boost power capacity to the site and enable the next phases of development. To date, over 600 new homes and 200,000 sq ft of industrial and logistics space have been delivered at Glan Llyn.

OUR KEY PERFORMANCE INDICATORS

Group

Objectives
- Improve our financial returns over time.
- Manage our leverage while investing to deliver the planned growth in our portfolio.

Progress
- The business has continued to perform strongly, delivering adjusted EPRA earnings of £38.7m, up 22.1% on 2018.
- See-through LTV increased 2.7ppt to 19.6%, following the planned reinvestment of prior year disposal proceeds into the growth of the business. Borrowings increased over the year, as planned, but are still only about half of the level in May 2017, prior to our strategic review.
- We delivered 3.0% growth in NAV per share to 484.2 pence in 2019 and 4.2% growth in EPRA NAV per share to 504.2 pence. This resulted in a total accounting return of 4.6% (2018: 6.0%). On an underlying basis, the total accounting return increased to 6.3%.

Next steps
- Continue to execute on our strategy to improve returns over time and deliver increased operational flexibility.
- Principal risks – see pages 36 to 39.

Directors' remuneration:
- Adjusted EPRA earnings and total accounting return are measures upon which the directors are targeted for remuneration.
- From 2020, due to the progress made against our strategic objective of reducing our borrowings, see-through LTV will no longer be a measure upon which the directors are targeted for remuneration.

(1) Adjusted EPRA earnings was introduced as a reporting metric in 2017 with a prior year comparative. Prior to 2016 adjusted EPRA earnings is not available on a comparable basis.

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.

Industrial & Logistics

Objectives

- Continue to invest in and focus our commercial development activity on those sites with the greatest potential, in terms of expected demand and deliverability.
- Grow our committed pipeline to c. 2m sq ft in the next one to two years, subject to occupier demand.

Progress

- We completed 0.9m sq ft of new industrial and logistics development in 2019, of which we plan to retain 97%.
- We have a strong pipeline of development opportunities for 2020 and beyond, which now stands at 1.5m. This puts us well-placed to deliver 1.5m-1.7m sq ft in 2020.
- We continue to progress planning on our long-term development pipeline with the potential to deliver over 19m sq ft.
- 58% of the 2019 developments are now let or under offer, and we have made progress on prior year developments, with 96% of 2017 space and 73% of 2018 space also now let or under offer.

Next steps

- Subject to demand and market conditions, we will continue to accelerate our commercial development activity through delivery of the committed pipeline in 2020 and through progressing planning on our strategic sites in key locations.
- Continue to develop our relationship with key occupiers across the UK industrial and logistics market.
- Continue to monitor the level of speculative development undertaken, taking into account the progress of letting our existing speculative stock, market conditions and our overall approach to managing risk.

Industrial & Logistics metrics are available from 2017 onwards. This is in line with the launch of our strategy in mid-2017 from which point these metrics were reported.

St. Modwen Homes

Objectives

- Subject to continued supportive market conditions, we plan to grow our St. Modwen Homes sales volumes by up to 20% per annum to 2021.

Progress

- Our St. Modwen Homes sales volumes grew strongly again in 2019, with total volumes up to 1,060 units, 25% ahead of the 848 sold in 2018.
- Margins from St. Modwen Homes improved to 14.8% from 14.4% in 2018, resulting in an operating profit of £40.1m in the year (2018 £31.3m).

Next steps

- We will continue to make safety our first priority, as well as having a significant focus on quality to develop a foundation upon which financial performance can be improved even further.
- Subject to market demand, we will continue to grow our residential and housebuilding business, with a pipeline to grow volumes by up to 20% per annum to 2021 and to grow further, at a more normalised rate beyond that.

(1) St. Modwen Homes operating margin for 2015 is not available on a comparable basis, due to a change in the allocation of internal costs.

Strategic Land & Regeneration

Objectives

- We will continue to deliver brilliantly on our existing regeneration projects.
- We will leverage the expertise within our business to unlock the next generation of regeneration, focusing on transactions which are relatively capital-light.
- We will continue to rationalise our portfolio, through the disposal of our excess residential land to third parties and the remainder of our non-core portfolio.

Progress

- Proceeds from other third-party residential land sales totalled £30m, with the sale of 663 plots at two large sites in South Wales for £25m since the year-end and c. 900 plots across both sites in advanced legal discussions.
- We have continued to deliver on our existing regeneration programmes. At Swansea Bay Campus we completed the latest phase of 411 student beds which we sold for £38m, releasing capital for future phases of development at this successful scheme. At Longbridge, momentum has continued to pick up and we anticipate a further increase in development activity during 2020, whilst we have continued to actively progress other longer-term mixed-use opportunities in our pipeline.
- We sold £65m of non-core assets during the period, slightly ahead of the target we set at the start of the year, including the sale of just over half of our residual non-core retail assets for £34m. In addition, we sold a range of other non-core assets for £31m in total.

Next steps

- At Longbridge, we are on-site with the final phase of our Devon Way offices, and plan to start on site in 2020 with various public realm improvements as well as offices, apartments and a pop-up dining facility.
- At New Covent Garden Market, completion of the market relocation will release a further 10 acres of residential development land to our joint venture with VINCI.
- Subject to market demand, we will continue to monetise the value in our residential land bank through disposals to third party housebuilders.

Being the best employer

We know that our people are the cornerstone of everything we do.

Driven by a clear purpose, our focus is on creating the right working environment and a culture of accountability, empowerment and support.

Our ultimate aim is to be an Employer of Choice.

We have five core values which help to set how we do things, guide our behaviour and enable us to live our purpose and deliver our strategy. This is made possible by a well defined, relevant and deliverable people strategy.

The values that drive how we do things

While initially focused on our people, the five values were developed to be recognised by all of our stakeholders.

We unlock potential
We have a rich heritage of improving communities through regeneration, so we see the potential in every opportunity. We overcome challenges, learn and evolve to create something better.

We build quality outcomes
We always strive to deliver quality outcomes for which we will be accountable and of which we can be proud today and for the future.

We do the right thing
We always act with integrity, honesty and respect and put safety first (before anything else).

We're joined up
We collaborate, share expertise and work with people, ideas and opportunities to create better outcomes for the long term. We aspire to create a strong team culture.

We do what we say
We have a vision for the future, make lasting commitments and deliver on our promises.

A strategy to deliver the best employee experience

We want our employees to experience an inspiring place to work where you can contribute, be recognised and where you can be yourself and grow. In December 2017 we launched 13 people pledges which outlined tangible ways that we would deliver our strategy alongside the commitments we expect from our people in return. The pledges are well on the way to being delivered and in the past year selected highlights include:

- Launch of **Personal Best**, our performance development framework. This enables all our people to reach their potential and to be recognised for their achievements with clear objectives, personal development plans and a new transparent bonus scheme. It ensures that everyone understands, and is valued for, their contribution to the business.
- Launch of **Workday**, a cloud-based system for everyone in the business to enable a smarter, more efficient way to manage people, pay, performance and information.
- **The Mods**, our third annual people recognition awards, was bigger than ever and received the highest number of entries.
- Completion of the **Park Point refurbishment** in Longbridge, Birmingham, as part of the ongoing modernisation of our working environment.
- Non-executive director, Simon Clarke, became a member of the **People Matters Group**, our people representative body, to help further inform the Board and its decision making around people and the organisation.
- Our **Leadership Academy** entered its second year with the accredited leadership development programme and people management programme, meaning that over 150 managers benefited across the Company.
- As part of our Diversity & Inclusion plan, we proudly became a member of **Women into Construction** to increase gender diversity and signed the **Armed Forces Covenant** to broaden the pool of talent and boost skills in the property and construction industry.
- We also rolled out professional **diversity & inclusion awareness training** to all managers, with the remainder of the business set to experience the externally-run workshop during 2020.
- **Health and safety** remains our absolute priority and we are proud to have achieved RoSPA Gold for St. Modwen Homes and Silver for the Group (see health and safety on page 28).

Creating and understanding the right culture

We understand culture to be what we see and experience at St. Modwen. In assessing our culture, we consider various measures including views gained from the employee engagement surveys, focus groups, interviews, recruitment data, working groups and ongoing feedback.

In the past year, common themes from our people are a pride in the business and quality of outcomes, a belief in what we do and a desire for removing levels of bureaucracy around decision making together with more empowerment, collaboration and training. There is a recognition of a significant step-change in the working environment in terms of increased communication and involvement.

We plan to undertake our next employee engagement survey in 2020 which will incorporate questions required for Investors in People as part of our assessment of the requirements to attain the Gold standard, one of our people pledges.

Key activities that support development of our desired culture:

- **Our purpose:** 'Changing Places. Creating Better Futures', is the reason we exist as a business.
- **Our values:** how we live our purpose, the way we operate and our behaviours.
- **Competencies:** we have developed competencies for people aligned to the values which outline skills, experience and attitudes. Leadership and core competencies are being used to support recruitment, performance and development activities.
- **Strategic objectives:** our long-term focus areas that inform our business plans and performance targets.
- **People strategy:** this outlines how we will achieve our aim to be an Employer of Choice.

We embed our culture into the employee lifecycle:

- Recruitment
- Induction
- Performance development
- Learning and development
- Talent and succession
- Reward and recognition
- Leaving St. Modwen

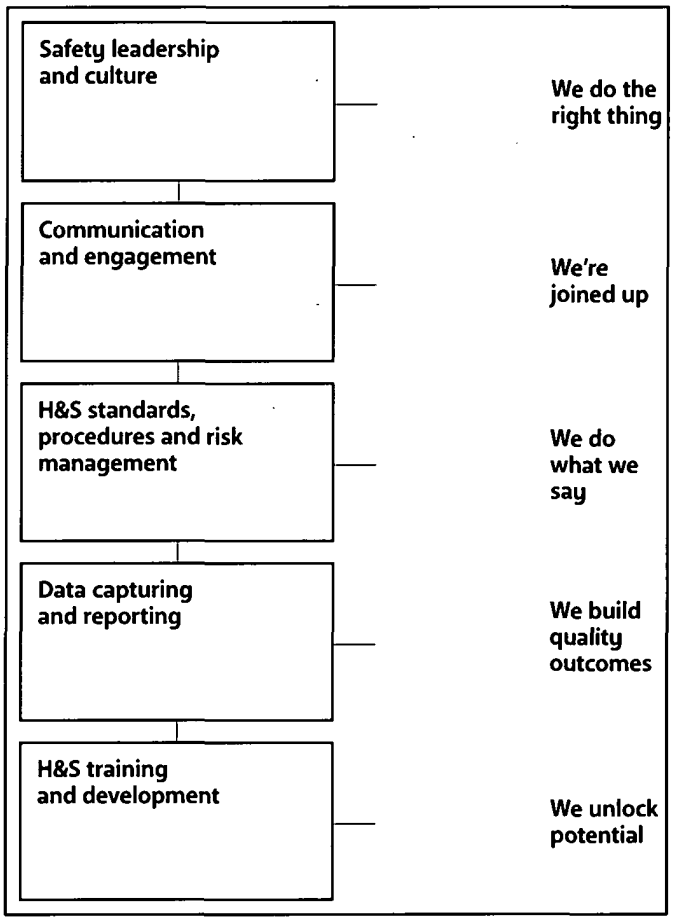
Our operating model is also key to the employee experience, with business units aligned to strategic objectives, underpinned by clear structures and roles that enable career progression.

A healthier and safer place to work and live

Health and safety is our highest priority as we go about our everyday activities and work to ensure the wellbeing of our employees, customers, partners and the public at large.

In 2018, we developed a five-year health and safety strategy which promotes continual improvement and embedding of management systems. The strategy also helps to grow our safety culture through a safety leadership programme across the Group. There are five key elements to the strategy, each of which are linked to our values.

Within each element are well defined activities to focus on each year which help to ensure our strategy is manageable and achievable and, importantly, progress will be visible annually.



2019 achievements

- RoSPA Gold and NHBC Safemark accreditation for St. Modwen Homes.
- RoSPA Silver for the Group.
- 0.08 Accident Frequency Rate (AFR) for the Group – against the target of 0.40.
- Five RIDDOR reportable accidents across all Group activities with 6,185,730 hours worked – none were life-changing.
- Average Considerate Constructors score of 40/50 across the Group.
- Implementation of new online reporting system for accidents and incidents, risk assessment and compliance management.
- Further development of H&S management systems with the aim of ISO 45001 certification in 2020.
- Continuation of behavioural safety training for our site management teams and contractor workforce.
- St. Modwen Homes undertook a national 'safety stand-down' event where 1,200 members of the workforce came together to discuss the top five hazards and how to protect themselves.
- Training and appointment of around 50 mental health first aiders across the Group to offer support and a network to support colleagues.
- Full review of health and wellbeing across the Group undertaken to ensure the correct standards are in place internally and externally.

Focus in 2020

- Leaders and managers actively promote safety through tours and meetings.
- Targeted engagement and consultation with our supply chain.
- Develop health and wellbeing programmes in collaboration with the wider business.
- Make information relevant and accessible to all employees.
- Develop safety leaders across the Group.

In delivering on our purpose we aim to create value for all our stakeholders, be it delivering high-quality homes for our customers; our investment in creating new, flourishing communities; working effectively with our supply chain and partners; or the investment in our people.

More than that, we actively consider our stakeholders in the decisions made by our Board and in the everyday delivery of our business.

While not exhaustive, these are examples of key stakeholder groups, how we consider them and examples of direct influence on Board decision making.

People

In order to be successful, together with our clear purpose and strategy, we need engaged people, with the right skills and motivation. To remain engaged, the Board ensures the organisation adopts a positive, supportive culture, driven by strong values, which can be felt on any encounter with any member of St. Modwen (see people, values and culture on pages 26 to 27).

Examples of engagement in 2018/19
Simon Clarke is the designated Employee Engagement Non-Executive Director and he attends the Company's People Matters Group. Rob Hudson, Chief Finance Officer, chairs the diversity and inclusion group, which brings further Company-wide people perspectives to the Board.

Influence on decision making
Employee engagement helps the Board to make decisions relating to people development, the work environment and the attraction of talent. A significant example is the assessment of, and agreement to, the organisational design changes launched by the Company in April 2019. The Board has also agreed on an employee engagement plan for 2020, building on a joint town hall event hosted by Chair, Danuta Gray and Chief Executive, Mark Allan which took place during 2019.

Customers

Consideration of our customers and the experience they have with St. Modwen is paramount to our ongoing success. This not only means customers of St. Modwen Homes but more widely the Board will be focusing on the universe of business customers, including those who occupy our industrial and logistics properties or homeowners within one of our master-developed residential sites.

Examples of engagement in 2018/19
Through reports by the Executive Committee, the Board tracks the National New Homes Customer Satisfaction Survey, the industry-wide measure alongside the performance of St. Modwen Homes. It also tracks the Net Promoter Score of St. Modwen Homes, another measure to assess how likely customers would be to recommend the business. Information on industrial and logistics occupier markets is provided through six-monthly updates as well as details of engagement with customers.

Influence on decision making
Customer satisfaction data and real-life accounts of experience helps to influence the Board. During 2019, this led to better understanding and support for the work by St. Modwen Homes to reconsider its customer journey and the trial of, and investment in, a new homebuyer hub.

Communities

We are committed to the care and stewardship of the communities and environments we regenerate and build. Our business units are embedded in their markets and local areas, and we work hard to build and maintain positive relationships with communities. Our role further benefits society by acting as a catalyst for economic growth and inward investment in the areas where we operate.

Examples of engagement in 2018/19
The Board reviews all major property investments and divestments and is updated by the Executive Directors on wider projects and initiatives. This always involves assessments on the positive (as well as any mitigation of the negative) impact on the communities in which St. Modwen operates.

Influence on decision making
During 2019, members of the Board visited different regeneration and residential sites to better understand local perspectives and how the Company is engaging more widely or more thoroughly with the community than is required to ensure meaningful and sustainable projects are delivered.

Policymakers

Understanding near-term or emerging changes in laws, regulation and guidance – at a local as well as a national or European level – is important for the Board. The Company stays abreast of any changes in the landscape but has chosen not to take proactive action to influence these stakeholders. Members of the wider business will of course have local and regional relationships which are held directly by them and support our activities.

Examples of engagement in 2018/19
Through the sharing of professional reports and analysis, the Board considers the potential impact of policy changes and oversees any shifts to St. Modwen's response.

Influence on decision making
The Board considered the role of Help to Buy and how St. Modwen Homes can adapt to a time when this initiative is removed.

Partners

From joint venture partners to aligned local authorities, working well with these stakeholders is critical to project success. Especially important when delivering a long-term scheme, the Company takes pride in forging effective relationships that deliver shared outcomes.

Examples of engagement in 2018/19
On a site visit in April 2019 to the Trentham Estate, the Board met with David Sidaway, City Director at Stoke-on-Trent City Council. Through discussions and seeing first hand the nearby area, this helped the Board to understand the characteristics of a strong relationship with the council and helped to further cement the partnership.

Influence on decision making
Visits such as that to Stoke help the Board to understand the complexities and the merits of effective partner relations.

Supply chain

St. Modwen is only able to deliver well with the support of an effective supply chain. Such relationships help to underpin central operations as well as business unit delivery.

Examples of engagement in 2018/19
Mark Allan, Chief Executive, provides updates to the Board throughout the year on supply chain engagement. One example was an industrial and logistics agent event which saw the Company re-launch its offer to the market with this important group of sector-focused agents. Another example is the overview Mark Allan gave of the planned Responsible Business approach and ambitions where working well with the supply chain is key.

Influence on decision making
It was the Board's understanding of the supply chain which led to its agreement to the Responsible Business approach which will improve our impact on communities and the environment (see Responsible Business on page 2).

Regulators

The Company engages with regulators as required but also proactively considers likely forthcoming and longer-term requirements that may influence the company.

Examples of engagement in 2018/19
The Board receives details of changes to the regulatory backdrop and draws on expertise as required to inform its views. One example was the recently updated UK Corporate Governance Code.

Influence on decision making
In anticipation of future compliance with the UK Corporate Governance Code, the Board took steps to ensure that the Company is compliant ahead of time. This included early consideration of activities and responsibilities around stakeholder engagement and culture.

Investment community

The Board strongly considers its shareholders in the pursuit of the Company's development. This includes smaller as well as larger investors.

Examples of engagement in 2018/19
As part of the investor relations programme, the Chief Executive and Chief Finance and Operations Officer undertook roadshows comprising face-to-face meetings and conference calls with institutional investors, analysts and the media. The Company also hosted a dedicated Capital Markets Day for the investor and analyst community. Following the announcement regarding the resignation of the Chief Executive, the Chair spoke with several of the Company's major shareholders.

Influence on decision making
The feedback of investors and analysts following the half-year results directly impacted the way the Company chose to present its strategy and influenced the decision to launch the Responsible Business ambitions.

Section 172 – compliance statement

Under the Companies (Miscellaneous Reporting) Regulations 2018 and the UK Corporate Governance Code 2018 (2018 Code), large companies are now required to include a statement as part of their strategic report describing how the directors have acted to promote the success of the Company with regards to the following matters:

- the likely consequences of any decision in the long term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

While St. Modwen is not required to provide this statement until the publication of the FY2020 annual report, the Board is committed to the highest level of compliance with reporting regulations and is keen to demonstrate how the Board and management consider stakeholders and their concerns in decision making.

It is hoped that this section of the report has provided a useful insight in how the Board has engaged with our key stakeholders and how this engagement has impacted the Board's decision making.

Furthermore during the year, the Board received reports on a range of topics to enhance their understanding of our key stakeholders and to support their discussions on various matters impacting our stakeholders. For more information of the Board's activities during 2019 see page 58.

We have a well-defined system of internal controls, supported by a robust risk management framework, which enables the Group to identify and understand the risks encountered in the course of our business. Our transparent governance structure ensures we can effectively review existing and emerging risks, as well as the factors that mitigate them. We monitor these, alongside our key risk indicators, with the aim of remaining within our risk appetite.

The continuous review and improvement of our risk management practices is embedded within the Group's risk management framework. This places a strategic focus on risk at Board level, through to our business units and functional areas. Set out below are the key achievements in 2019, and priorities for further improvement in 2020.

Our achievements in 2019

- Embedded a risk review process at the Risk Assurance and Compliance Committee (RACC), including deep dive reviews into key risk areas.
- Embedded risk registers throughout our business units and functional areas following our reorganisation.
- Promoted a positive risk management culture through the introduction of risk champions and additional risk management tools.

Our priorities for 2020

- Improve the alignment of our strategy and risk management processes.
- Enhance the process to identify, assess and monitor emerging risks.
- Continue to monitor and manage the risks associated with changing market conditions.
- Further embed our risk management culture and processes within our business units.
- Continue to work with PwC (internal auditor) and ensure that assurance mapping of controls align to risks.

Our approach to risk management

Our aim is to align our strategic objectives and our risk management practices. The Board oversees the Group's risk management framework and our systems of internal control, and has overall responsibility for risk management across the Group. The Board regularly reviews and updates both our governance and risk management frameworks, along with setting our appetite for risk and defining our key risks and risk mitigation activities to ensure we meet the Group's strategic goals. Our risk management process aligns with the Group's operating model and each business unit and function is responsible for the ongoing identification, assessment and management of their risks.

This includes:

- identifying, measuring and recording risks within risk registers;
- reporting key risks to the Board, considering the likelihood of their occurrence and potential impact on the Group;
- undertaking a formal bi-annual review of all risk registers across the business to ensure Group risks and business unit and function-level risks are aligned;
- reviewing key risks at RACC meetings three times a year, at business unit boards annually, and at business unit senior management team meetings every quarter, to ensure appropriate forums are in place to continually assess risk and any impacts on performance; and
- discussing key risk indicators at business unit boards and Executive Committee meetings to monitor our risk management performance against key metrics.

Risk management framework

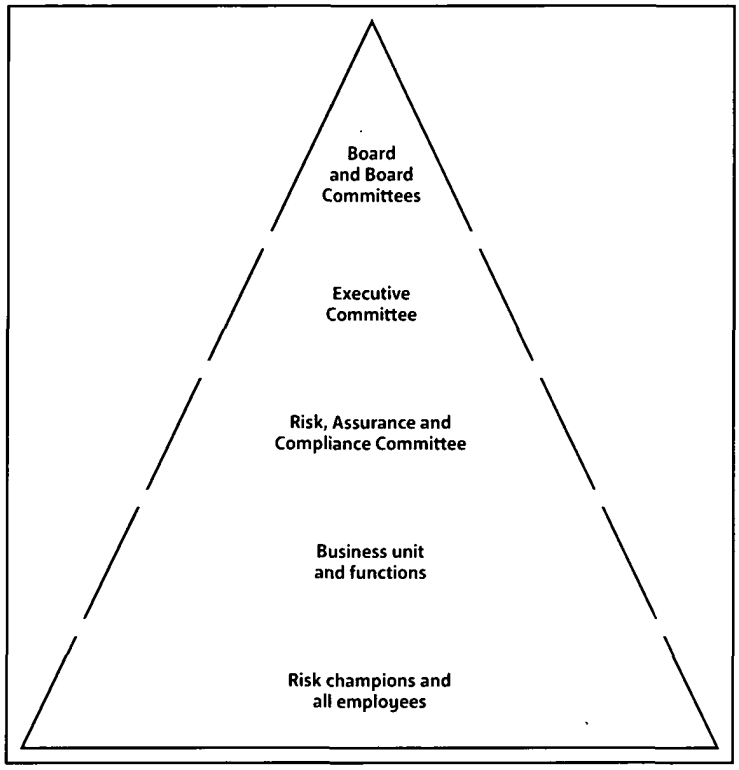
The Board has established a clear risk management framework that defines responsibilities for risk management across the Group. The framework provides an effective process for the identification, assessment and monitoring, and reporting of risk, while also aligning our strategic top-down approach to risk assessment with the bottom-up operational assessment of risk by the business, as set out below:

Board
Sets strategic objectives and the Group's risk appetite to optimise the performance and management of Group strategy, while continuing to assess emerging risk.

Executive Committee
Implements, monitors and evaluates progress towards our strategic goals and reports to the Board. Ensures risk management strategies are in place to manage risk in line with the Board's expectations.

Business units and functions
Ensure that risk is assessed and managed effectively in their areas, through engagement with the business, and by establishing processes to identify, manage and escalate changing or emerging risks.

Risk champions
Provide effective communication on risk developments to the business and report on risk assessments to business units and functions. Additionally, raise awareness and communicate risks to the wider business.



Audit Committee
Oversees the management of the Group's risk management and internal controls systems. Further information on the work of the Audit Committee can be found on pages 63 to 69.

Group Health and Safety Committee
Oversees the Group's management of H&S matters, including the management and mitigation of H&S risks. Further information on the work of the Group H&S Committee can be found on page 73.

Risk Assurance Compliance Committee
Enhances the review of risks and risk mitigation and reports to the Executive Committee on strategic risks, the Group's risk profile and the effective management of risks.

All employees
Responsible for identifying risks in performing their daily duties and acting to limit the likelihood and impact of these risks in line with expectations.

The probability and impact of risks are reviewed throughout the year, with risk registers maintained and action plans followed up appropriately to completion. As part of the overarching Board strategy, emerging risk continues to be reviewed to support strategic decision making and horizon scanning.

Risk appetite

The Board sets the risk appetite for the Group, taking into consideration the expectations of its shareholders, regulators and other stakeholders. The clear articulation of our risk appetite provides for an effective mechanism to inform investment decisions, facilitate the discussions of risk, set parameters within which objectives must be delivered, and support the awareness of risk by our people and delivery partners alike. Whilst our appetite for risk will vary over time, and during the property cycle, the Board has considered the nature and extent of risk that it is willing to take from a Group perspective as follows:

'The Group has a moderate to high risk appetite in pursuit of the positive growth fundamentals in housebuilding, industrial and logistics, and strategic land and regeneration. This is balanced against controlled financial gearing and disciplined asset management. The Group has a low appetite for risks to our brand and reputation and risks to our stakeholders including our customers, business partners and suppliers, employees, regulators, investors and the wider communities and environments in which we operate. Our responsibilities to these stakeholders include compliance with all relevant laws; accurate and timely reporting of financial and other regulatory information; safeguarding the health and safety of employees, suppliers and users of our assets; safeguarding the environment; operating ethically and making a positive contribution to the communities in which we operate.'

Internal control

The Group has a strong internal control environment driven by a combination of efficient systems, skilled employees, and management oversight. This is supported by clear policies and a culture of enterprise-wide risk management, including risk champions who engage with our people to ensure that they understand their roles and responsibilities in relation to identifying and managing risk.

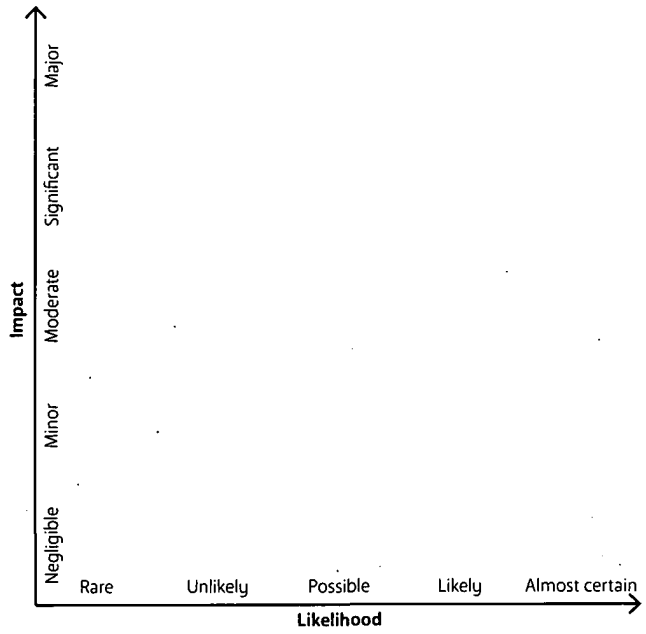
The Board approves the Group's financial plans and its operating and capital expenditure on an annual basis. Performance against budgets is reported and monitored monthly at business unit level and is regularly reviewed by the Board. Performance is measured against key performance indicators and key risk indicators, which are set at the beginning of each year. Performance is also reported externally to shareholders through the publication of half-year and full-year results.

As the Group's internal auditors, PwC are responsible for delivering the internal audit plan, which focuses on the systems of internal control we use to manage the key risks faced by the Group in the pursuit of its strategic objectives.

The Board, assisted by the Audit Committee and PwC, has reviewed the effectiveness of the Group's internal control and risk management systems during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties
The Board has considered and reviewed the principal risks and emerging risks that could impact the achievement of the Group's strategic objectives. The Group's principal risks, as shown on the risk heat map below, which impact each of the Group's strategic objectives have been assessed against the Group's risk appetite. While not exhaustive, the principal risks and uncertainties facing the Group in 2020 are set out on pages 37 to 39, along with their potential impact and plans to mitigate them.



❶ Inherent risk rating (without consideration of mitigating controls)
① Residual risk rating (after consideration of mitigating controls)

	Principal Risk
1	Changes in economic and market conditions
2	Social and technological change
3	Product and service delivery
4	Customer and supply chain management
5	Management of health and safety
6	Environmental management
7	Financial
8	Management of the portfolio and future pipeline
9	People

Changes to our principal risks
The key changes to our principal risks relate to political risks and Brexit. The potential impact of political uncertainty and change is considered under 'financial' and 'changes in economic and market condition risks', whereas Government policy is considered under 'management of the portfolio and future pipeline' and 'social and technological change' risks.

Brexit
The risks and opportunities arising from Brexit differ across the Group's business units. While the lack of consumer confidence might impact housing sales, potentially longer supply chain delivery times in a period of uncertainty may increase the need for storage space. The impact of Brexit and the knock-on effect of a potential recession may, however, delay certain long-term regeneration projects.

Further risks related to Brexit that may affect our ability to meet our objectives include the risk of labour and material shortages, subcontractor defaults and possibly disruption to existing trade arrangements and supply chains.

Throughout 2019, we undertook a number of actions with respect to our supply chain to mitigate the risks in relation to Brexit, which we continue to review and update accordingly. In its consideration of Brexit, the Board has also considered downside scenarios including the likely impact on revenues, valuation of land and the Group's portfolio, cash flow and borrowings. The Board is satisfied that the Group continues to take the necessary actions to mitigate the risks associated with Brexit as currently assessed, noting that these are ever-changing.

Progress in 2019 and 2020 outlook
The Group has made considerable progress in repositioning its portfolio towards sectors with better long-term growth prospects. It has also accelerated the delivery of the development pipeline, despite the uncertainties presented by Brexit negotiations and the potential impact on the UK economy. We also continue to monitor social and technological trends to make sure our products meet customer demand. All developments are subject to robust financial appraisals and we seek out and work with trusted contractors, subcontractors and other third parties in partnership in ensuring best value and sustainability of supply to ensure we deliver in line with our plans and customer expectations.

Emerging risks
The Group has identified the following emerging risks, whose impacts are also considered in relation to our current principle risks and uncertainties. The Board monitor emerging risks, and as these develop the implications for our business are re-assessed.

Urbanisation: Urbanisation and the changing use of real estate has and will continue to result in densely populated areas. Demand for new space in urban areas is expected to grow faster and space is already scarcer.

Demographics: The group of people who are 65 and older (by 2041) is expected to grow by 52%, which means that of the 6.7m people the English population is expected to grow by, almost 80% will be over 65 years. Many retirees want to 'right size' and live in retirement housing in later life, but there is a chronic under-supply of high-quality, affordable or desirable accommodation in the right locations.

Environment and climate change: One of the biggest challenges facing global business is climate change and there is an increasing awareness amongst consumers of environmental issues and an expectation that businesses will address these issues.

Policy frameworks: Direct impact on operational sites along proposed major infrastructure development such as HS2 and the indirect impact on labour availability in the area and land values.

Social trends in housing needs: The use of real estate is seeing a significant shift, driven by a need for greater flexibility and efficiency, especially in increasingly densely populated and hence more expensive urban areas.

❶ Changes in economic and market conditions

Residual risk: High

Risk trend: Increasing

Risk probability: Likely

Risk impact:
- Portfolio valuation
- Customer and investor demand for our product

Risk monitoring undertaken:
- Sales/cancellation rates
- House price trends
- Property valuation trends
- Speculative development exposure
- Occupier take-up

Principal risk:
Economic factors including Government influence, supply and demand for products, employment, international trade and inflation rates may impact values and business operations; in particular our ability to construct, import material, and access skilled resources, ultimately impacting our ability to achieve the business model.

Mitigating controls:
- Focus on sectors with structural growth drivers
- Annual review of strategy and business plan
- Scenario planning to stress-test plans and forecasts
- Monitoring of Brexit and macro level indicators
- Monitoring of property markets indicators
- Regular performance reviews

Risk owner:
Business unit managing directors.

❷ Social and technological change

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Portfolio valuation
- Customer demand
- Development costs
- Development pipeline
- Future growth potential

Risk monitoring undertaken:
- In-house expertise alongside leading external analysis assess current and emerging risks, ensuring St. Modwen can adapt to trends

Principal risk:
The continued pace of both social and technological change affects demand for, and location of, both homes and industrial and logistics space and impacts delivery of the business plan.

Mitigating controls:
- Focus on sectors with structural growth drivers
- Investment in new customer-focused roles
- Monitoring of market trends and customer demand
- Active engagement with occupiers
- Increased investment in digital technology

Risk owner:
Business unit managing directors.

❸ Product and service delivery

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Financial loss
- Reputational damage
- Increased WIP exposure
- Development delay
- Delayed housing sales

Risk monitoring undertaken:
- Monitoring of execution on existing projects
- Monitoring housebuilding customer satisfaction

Principal risk:
Failing to successfully invest in, develop and deliver, innovative, market-leading products and services, impacting future growth.

Mitigating controls:
- Use of pool of specialists and high-quality partners
- In-house development and asset management capability
- Investment in new customer focused roles
- Development appraisals, detailed budgets, monitoring of actuals and actioning of variances
- Regular performance reviews
- Brexit contingency planning, including accelerated procurement of key risk items

Risk owner:
Business unit managing directors.

4

Customer and supply chain management

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Customer satisfaction
- Customer demand
- Quality of delivery
- Timeliness of delivery
- Cost of delivery

Risk monitoring undertaken:
- Key performance indicators at business unit level to monitor customer and supply chain management risk
- Robust due diligence processes ensure we take a cautious approach to working with contractors

Principal risk:
Inadequate assessment and planning with our partners leading to poor relationships and products and an inability to meet customer demands.

Mitigating controls:
- Partnering and working collaboratively with supply chain
- Robust tendering programme
- Use of pool of specialists and high-quality partners
- Monitoring contractor/subcontractor performance
- Customer management
- Brexit contingency planning, including accelerated procurement of key risk items

Risk owner:
Business unit managing directors.

5

Management of health and safety

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Injury or death
- Financial loss
- Reputational damage
- Development delay

Risk monitoring undertaken:
- Accident Frequency Rate
- RIDDOR reportable incidents

Principal risk:
Insufficient processes and controls in place increasing employee exposure to hazards potentially resulting in harm and damage to our brand and a reduction in customer interest in our products.

Mitigating controls:
- Regularly reviewed health and safety policy and procedures in place
- Defined business processes in place to proactively manage issues arising
- Group Health and Safety Committee
- Regular reporting of performance against indicators to the Executive Committee and the Board
- Dedicated in-house health and safety resource
- Staff training
- Annual cycle of audits

Risk owner:
Business unit managing directors.

6

Environmental management

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Development delay
- Reputational damage
- Financial loss
- Unforeseen environmental issue

Risk monitoring undertaken:
- Annual environmental audit of the portfolio

Principal risk:
Increase in pollution and exposure to harmful substances through mismanagement of environmental risks during our construction and development activities has a detrimental impact on our brand and reputation.

Mitigating controls:
- Environmental risk assessments
- Environmental management and contamination remediation plans post site acquisition
- Annual independent environment audits
- Warranties for professional and remediation contractors

Risk owner:
Business unit managing directors.

7 Financial

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Liquidity
- Availability of funding
- Indebtedness
- Covenant compliance

Risk monitoring undertaken:
- Loan-to-value
- Financial headroom
- Covenant metrics

Principal risk:
Inability to access funding or control financial leverage leading to a shortage of capital to deliver on our objectives.

Mitigating controls:
- Capital recycling to control borrowings
- Regular engagement with financial institutions
- Focus on growing recurring income
- Regular and detailed cash flow forecasts
- Scenario planning to stress-test plans and forecasts

Risk owner:
Chief Finance and Operations Officer and business unit managing directors.

8 Management of the portfolio and future pipeline

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Portfolio valuation
- Rental income
- Development delivery

Risk monitoring undertaken:
- Speculative development exposure
- Leasing and sales

Principal risk:
Inadequate or inappropriately located land bank and portfolio leading to failure to attract customers for our product.

Mitigating controls:
- Focus on sectors with structural growth drivers
- Disposal of non-core assets
- Ongoing review and assessment of market conditions and geographic locations
- Monitoring of leasing and sales indicators

Risk owner:
Business unit managing directors.

9 People

Residual risk: Medium

Risk trend: No change

Risk probability: Possible

Risk impact:
- Lack of skills
- Cost and business disruption
- Growth potential

Risk monitoring undertaken:
- Overall employee satisfaction
- Voluntary employee turnover

Principal risk:
Inability to attract and retain talent to deliver on our strategy.

Mitigating controls:
- Investment in our workforce to become an Employer of Choice through training and development, promotion of talent and competitive compensation
- Make our purpose and values core in everything we do
- Invest in graduate trainee and work experience

Risk owner:
Business unit managing directors.

VIABILITY STATEMENT

Assessment of prospects
In accordance with provision C2.2 of the UK Corporate Governance Code 2016 and taking into account the Group's current position and its principal risks for a period longer than the 12 months required by the going concern statement, a business plan and downside case was prepared to assess the prospects of the Group, which was reviewed and considered by the Audit Committee and the Board. In strongly delivering against our strategy, we have substantially de-risked the business through realigning our portfolio away from retail and other non-core assets and towards the industrial and logistics sector where we see stronger growth prospects, whilst materially reducing our debt. Our business plan has been prepared in the context of the Group's evolving strategy, outlined on pages 18 to 21 and its principal income streams, which are:

- rental income from industrial and logistics income-producing properties, which have an average lease length of 4.7 years;
- residential development, for which we have plans reaching out to 2022; and
- major regeneration projects, which combine elements of the above two income streams.

Our strategic shift over the past three years sees us well placed for future growth, with secure income from our income-producing portfolio benefiting from strong sectoral growth in the industrial and logistics market, in particular with the growth of online retail. This is accompanied and strengthened by a regional residential market where the fundamentals of insufficient supply combined with robust demand look set to persist, despite the uncertainties associated with the UK's exit from the European Union.

Asset sales over the past three years have not only enabled us to reduce our net debt by over £200m, but also to divest out of the more difficult physical retail market and London residential development land. We have also extensively refinanced over this period with our earliest facility maturity being in December 2023, almost four years away.

We prepare a five-year business plan for the Board, but as in the prior year we have used a three-year period for our viability statement. Years four and five are, by their nature, more uncertain and therefore the subject of more high-level assumptions than the near term and as such we exclude them from detailed analysis on our future viability. The three-year period reflects the length of the development cycle and that our development income streams are more forecastable and certain over the shorter term. This period allows for relative certainty in the modelling of future capital expenditure, asset recycling and development programmes planned whilst also reflecting the cash flows generated by the projects currently under development.

Assessment of viability
Reporting on the Company's viability requires the directors to consider those principal risks that could impair the solvency and liquidity of the Company. To determine those risks, the directors robustly assessed the Group-wide principal risks. Through this assessment, the directors identified low probability, high loss scenarios with the potential magnitude to severely impact the Group's solvency and/or liquidity.

To assess the Group's viability, we have performed scenario analysis based on the impact of a hard Brexit and considered through which of the principal risks detailed on pages 36 to 39 this would manifest itself, impacting on the Group's viability assessment. In this scenario, we assume monetary policy would be supportive and interest rates to remain lower for longer, similar to the response following the financial crisis and the EU referendum. We would expect economic growth to fall and imported inflation to pick up on account of a fall in sterling, although we would expect this to be positive for exports. We have made the following assumptions:

Risk	Scenario	Cash mitigation/further analysis
1. Changes in economic and market conditions	A 15% fall in house prices and a resulting 30% fall in residential land values, noting that the Group's experience during the global financial crisis was a fall in the portfolio of 24% whilst the fall in UK house prices was c. 19%, and that our housebuilding volumes continue to benefit from Help to Buy. We assume a gradual recovery in prices after this back to pre-Brexit levels by late 2023, with margins beyond 2020 helped by the consequent lower base, similar to the post 2009 recovery for housebuilders.	At current operating margins in our housebuilding business, a 15% fall in house prices erodes our housebuilding profits, although the falls in all residential land would support future margins. We would look to renegotiate land prices under development agreements and reduce overheads rather than expanding for growth. Given the relatively short build period of c. six months, we can reduce our activity quickly. Completions fell by c. 40% in the previous downturn and we would reduce activity accordingly, principally on our lowest margin sites.
	A similar 20% fall in industrial and logistics values, less severe than our 24% fall in the previous downturn, predicated on there being much less leverage in the wider property sector and interest rates being substantially lower, leading us to conclude that the sector is unlikely to see the same amount of forced selling. Moreover, we have little exposure to central London, where Brexit risks would likely be highest, and unlike offices and retail, structural growth drivers in industrial and logistics remain positive. Again, we assume a gradual recovery beyond 2020.	At current debt levels, our portfolio could withstand an almost 40% fall across the whole portfolio before our covenants were breached. We assume new development lettings would stall for nine months as businesses take stock and assess future space requirements, delaying the recovery in rental income and leaving rental income broadly stable. We would pause any new starts during this nine-month period and, subject to demand, restart activity at a lower level in late 2020, although our pipeline is expected to remain profitable due to the substantial margin between our c. 7.5% yield on cost and industrial and logistics valuation yields. We would also act to reduce forecast overheads.
7. Financial	Increased funding requirement in the event of an economic downturn.	With £244m of headroom against Group facilities we have enough financial flexibility to absorb an economic shock at a magnitude similar to that experienced in the global financial crisis of 2008-9.

This year we have also considered a further scenario which applies the relevant elements of the Bank of England's stress test. This is designed to be severe and broad enough to test the resilience of the banking sector to severe economic scenarios and provides a basis for us to assess the viability of the Group under such circumstances. This scenario's assumptions include a fall in house prices of up to 25%, a fall in commercial property values of 33% and interest rates rising to 4%.

In the above scenarios, our 2020 and 2021 forecast adjusted EPRA earnings (to which our dividend policy is linked) would of course be impacted and the Board would therefore consider the dividend in the light of the prevailing economic environment and outlook, whilst noting that our low debt balance provides us with the headroom to support our normal range of dividend options.

The scenarios used are hypothetical and necessarily extremely severe so as to create outcomes that could threaten the viability of the Group, however, multiple control measures are in place to mitigate any such occurrences from taking place. Based on the results from this analysis and having considered the established controls for the risks and the available mitigating actions, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment. Our current banking facilities extend out to 2023 and beyond, which provides further support to our viability assessment. This longer-term assessment process supports the directors' statements on both viability, as set out above, and going concern, set out on page 103.

NON-FINANCIAL INFORMATION STATEMENT

We have complied with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This builds on the existing reporting we already perform under a number of frameworks.

Reporting requirement	Policies and standards which govern our approach	Risk management and additional information
Environmental matters	• Environmental statement • Waste management policy • Control of spills and pollution procedures	• Responsible business on pages 2 to 11 • Health and safety on page 28
Employees	• Health and safety policy • First aid management procedure • Safe system of work procedure • Starter, mover, leaver process • Family policies, including enhanced maternity, paternity and adoption leave policies • Diversity and inclusion policy • Bullying and harassment policy	• Health and safety on page 28 • People, values and culture on page 26 and 27
Human rights	• Human rights policy statement • Anti-slavery and trafficking statement • Privacy and data protection policy • Information handling policy • Information and data protection policy • Data retention policy • Employer, worker and contractor privacy notice	• People, values and culture on page 26 and 27
Social matters	• Charitable giving guidelines • Responsible Business ambitions	• Responsible business on pages 2 to 11
Anti-bribery and corruption	• Anti-bribery and corruption policy • Fraud prevention policy • Anti-money laundering guidelines • Group 'Speak Up' policy • Risk management policy	• Risk management on page 34 • Audit Committee report on page 63
Description of the business model		• Our strategy and business model on pages 18 to 21
Non-financial key performance indicators		• Health and safety on page 28 • People, values and culture on page 26 and 27

PORTFOLIO AND OPERATIONAL REVIEW

Portfolio overview

Investments and disposals
At the start of 2019 we signalled that, having sold over £800m of assets over the preceding 18 months, disposals would slow, and our focus was shifting to growth. Accordingly, during 2019 we invested £134m in developments (excluding housebuilding) and £36m in land for near-term development starts, mostly via existing development agreements, the largest of which being at Gatwick. Further optimising our portfolio, we sold over half of our non-core retail for £36m and 17 other non-core assets for £29m. We also sold the latest phase of student housing at Swansea for £38m and £30m of residential land. On average our disposals were 5.9% below book value, which was solely driven by non-core retail, as our other disposals were on average slightly ahead of book value.

Looking forward, we aim to sell the remaining £74m non-core assets over the next two years and while we will consider other selective disposals where we believe forward returns are below our requirements, overall, we expect disposals to be relatively modest. We remain open to new opportunities in each of our three sectors but given the opportunities in our existing pipeline we will remain selective when it comes to acquisitions. We continue to aim to grow the share of income producing assets in our portfolio to c. 60-65% over time (2019: 42%) by reducing our exposure to land and retaining our industrial and logistics developments.

	Amount[1] £m	EPRA net initial yield[2] %
Acquisitions during 2019		
Industrial and logistics land	20	N/A
Residential land	16	N/A
Total	**36**	**N/A**
Disposals during 2019[3]		
Industrial and logistics	6	7.1
Non-core retail	36	6.8
Non-core other	29	5.8
Residential land	30	N/A
Swansea Student Accommodation	38	4.6
Total	**139**	**5.9**
Disposals post year end[3]		
Residential land	25	N/A
Total	**164**	**N/A**

(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.

Portfolio valuation
Our portfolio value rose to £1.48bn during 2019, representing an increase of 4.1% adjusted for investments and disposals. Our industrial and logistics assets make up 44% of this (2018: 33%), including the industrial assets which are part of our Longbridge regeneration site, and we expect this share to continue to grow over the coming years. The rest of our regeneration assets and strategic land make up 25%, while St. Modwen Homes work in progress and land comprises a further 26%. Non-core retail assets now make up only 2% of our portfolio, down from 16% two years ago, and other non-core commercial assets are 3%, down from 17%.

Our Industrial & Logistics assets saw an 8.3% increase in value during 2019, with developments up 21.3% and existing assets up 1.3%. ERVs increased 2.6% on a like-for-like basis and yields were on average broadly stable, as expected. The small amount of £30m non-core retail assets that we have left saw a 31% fall in value, vindicating the sale of £177m of non-core retail assets during 2018 at a less than 1% discount to the 2017 book value. Our other Strategic Land & Regeneration assets were up 2.6%, driven by upside from planning improvements at some of our residential sites.

Looking forward, we remain of the view that capital value growth in industrial and logistics will be chiefly reliant on rental value growth and developments. We expect upside in residential land values to remain limited, with upside from house price inflation largely offset by build cost inflation. We expect retail property values to continue to soften, but representing 2% of our assets, non-core retail is only a minor part of our current portfolio.

	Portfolio value £m	Valuation movement %	EPRA net initial yield[1] %	Equivalent yield[1] %	LFL equivalent yield shift bps	LFL ERV growth[1] %
Industrial & Logistics	**588**	**8.3**	**4.5**	**6.6**	**–**	**2.6**
St. Modwen Homes	**384**	**–**				
Residential land	259	5.5				
Retail-led regeneration	84	(1.9)	8.2	9.1	100	(5.7)
Other regeneration	96	(2.0)	5.9	7.1	(10)	4.8
Non-core retail	30	(31.1)	10.5	12.6	260	(17.3)
Non-core other	44	6.0	6.1	6.9	(40)	4.0
Strategic Land & Regeneration	**513**	**(0.2)**	**7.9**	**8.9**	**70**	**(6.4)**
Total portfolio	**1,485**	**4.1**	**5.5**	**7.2**	**20**	**(1.2)**

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

Operational performance
At the end of 2019 the annualised passing rent on our portfolio amounted to £38.4m, excluding £3.0m of contracted rent which is currently subject to rent-frees. This marked a slight reduction vs the £39.4m at the end of 2018, principally as new development lettings were offset by the loss of rental income associated with disposals. Like-for-like rental income was down 2.0% as 1.2% growth in Industrial & Logistics was offset by a reduction in income on some future development assets in Strategic Land & Regeneration. Industrial and logistics now makes up 57% of our overall passing rent, up from 46% a year ago.

Our overall vacancy increased to 20.8% during the year, up from 18.9% at the end of 2018. However, excluding the impact of disposals and developments, our like-for-like occupancy improved 1.1ppt during the year. Around half of the vacancy at the end of November comprised newly developed industrial and logistics space, of which around one-third is currently under offer, and we expect the remaining space to be largely let during the current year. Around one-fifth of our vacant space is deliberately held back for future development.

We signed 1.9m sq ft of new leases and lease renewals during the year, generating £11.1m of annualised rental income. On average, re-lettings and renewals were agreed 4% above previous passing rent and in line with ERV. The average lease term to first break of our portfolio increased from 4.1 years to 4.7 years.

	Passing rent[1] £m	ERV %	Vacancy %
Industrial & Logistics	**22.0**	**34.0**	**25.1**
St. Modwen Homes	**–**	**–**	**–**
Residential land	1.3	1.2	26.0
Retail-led regeneration	6.7	7.4	9.2
Other regeneration	3.3	3.7	3.4
Non-core retail	3.9	4.2	20.8
Non-core other	1.2	1.4	19.4
Strategic Land & Regeneration	**16.4**	**17.9**	**12.7**
Total portfolio	**38.4**	**51.9**	**20.8**

(1) Excluding £1.0m of annualised turnover rent at Trentham Gardens.

Industrial & Logistics

Development completions
We invested £86m in industrial and logistics capex during 2019. We completed 0.9m sq ft of space, of which we will retain 97%. With an associated ERV of £5.5m and total development cost of £70m, these projects are set to deliver a yield on cost of 7.9% once fully let. Momentum in leasing has continued to build, so we have already let 47% of this ERV, with a further 11% under offer – up from this time last year, when 38% of our 2018 completions were let and 17% was under offer. Key completions during the year included a 151,000 sq ft unit in Avonmouth which we let to Ocado on a 17-year fixed contract; 173,000 sq ft across three units at Gloucester, the first of which we let to a UK engineering firm; 103,000 sq ft at the third phase of our successful scheme in Burton; and 95,000 sq ft across two units in Lincoln which we let to DHL and an international food manufacturer.

In total, we signed £5.3m of development lettings during the year, up from £2.8m last year. Our 2018 completions are 73% let or under offer, as two smaller developments we started prior to our strategic review in mid-2017 still have space available, although the amount of rent associated with this is modest. We are seeing good customer interest in our recent and current projects and are in active discussions on virtually all of the remaining space from our 2019 pipeline, so we expect this to be substantially let over the next six months.

Current developments
We expect development completions to increase from 0.9m sq ft in 2019 to 1.5-1.7m sq ft in 2020. Our committed pipeline stands at 1.5m sq ft, with a total development cost of £133m. We intend to retain 94% of this with an associated ERV of £9.5m, representing an expected yield on cost of 7.6% once fully let. This is slightly below the yield on cost on last year's development completions, partly reflecting the first phase of development at Gatwick, as valuation yields around London are lower than in the rest of the UK. During 2019, we pre-let the first 100,000 sq ft phase at this site to Gatwick Airport on a 15-year fixed term. In total, 18% of our committed pipeline is pre-let, up from 2% at the start of 2019, reflecting the growing leasing momentum in the business.

Around 80% of the space in our committed pipeline comprises units below 150,000 sq ft, with an average unit size of 40,000 sq ft. This leaves us well-positioned to meet the growing demand for last mile delivery space, as evidenced by our recent lettings to DHL and Ocado, and modern warehouses near urban locations and good availability of labour. While availability in the overall logistics market has increased over the last two years, this has been driven by the delivery of speculative mega-box units over 400,000 sq ft, as availability at the smaller 100,000-200,000 sq ft end of the market has remained stable. We continue to avoid speculative development of mega-box space, as we continue to see better long-term prospects at the small to medium end of the market.

Future pipeline
During 2019 we secured two new development opportunities, which, subject to planning, could cater for c.2.2m sq ft of space in the long term. Our total pipeline therefore now stands at c. 19m sq ft, of which c. 45% has planning. In addition to our 1.5m sq ft committed pipeline, we have a further 7.3m sq ft of consented space in our future pipeline, which could deliver c. £47m of ERV. With future capex of £500-550m and total development cost including land we already own of £570-620m, this could deliver a c. 9% yield on incremental capex and c. 8% yield on cost. However, having backed ourselves to establish our Industrial & Logistics business unit's market presence through speculative development over the last two years, we aim to further grow our pre-let activity in the coming years, which means we will be pragmatic about the trade-off between risk and return. We aim to grow our development activity to up to c. 2m sq ft p.a. in the near future, which, given the substantial premium of development yields over marginal financing costs and valuation yields, is expected to drive meaningful growth in earnings and development upside.

Project	Size 000 sq ft	Units	Expected completion	Let/pre-sold[1] %	Total dev cost £m	Current book value £m	Future capex £m	ERV £m	Yield on cost %
Avonmouth	65	2	H2 2020	–					
Burton Gateway	217	4	H2 2020	–					
Bury	79	8	H1 2020	–					
Chippenham	106	1	H2 2020	–					
Doncaster	74	2	H1 2020	–					
Tamworth	321	1	H1 2020	–					
Stoke Central	43	1	H1 2020	–					
Lincoln	80	2	H2 2020	33					
Gatwick	100	1	H2 2020	100					
Stoke South	102	2	H2 2020	–					
Stoke South	81	3	H2 2020	–					
Worcester	96	3	H1 2020	–					
Industrial & Logistics – to be retained	**1,364**	**30**		**18**	**126**	**61**	**80**	**9.5**	**7.6**
Bury	43	4	H1 2020	100					
Stoke Central	43	1	H1 2020	100					
Industrial & Logistics – to be sold	**86**	**5**		**100**	**7**	**3**	**5**		
Longbridge – 3 Devon Way	21	1	H1 2020	100					
Other – to be retained	**21**	**1**		**100**	**5**	**5**	**1**		
Total	**1,471**	**36**		**21**	**138**	**69**	**86**		

(1) Based on ERV for projects to be retained and total development cost for projects to be sold.

St. Modwen Homes

Development completions
We have continued to see good demand for our high-quality new homes, in particular in the regions, where the bulk of our activity is focused, and we sold 1,060 homes during the year. This represents a 25% increase versus last year (2018: 848 units); at the high end of our target to grow volumes by up to 25%. The safety of our people and the quality and overall experience we deliver to our customers remain paramount in growing our business, so we are pleased our HBF home builder status is on track for a 5* rating, our net promoter score increased from 63 to 76 and our accident frequency rate reduced further, to less than one-tenth of the industry average.

Our private average sales price reduced 3.2% to £273,000 (2018: £282,000), as a 3.1% increase in like-for-like sales prices was offset by changes in the mix of units and sites. Our operating margin increased to 14.8% (2018: 14.4%), in line with our target to grow margins by c. 0.5ppt. We are currently sales active on 21 outlets with a further six opening in the coming weeks (early 2019: 20) and our private sales rate was stable at 0.8 (2018: 0.8).

Operational performance metrics	2019	2018	Change %
Total units sold	**1,060**	848	25.0
Private units sold	**920**	709	29.8
Affordable units sold	**140**	139	0.7
Private sales rate	**0.8**	0.8	–
Private ASP (£k)	**273**	282	(3.2)
Affordable ASP (£k)	**135**	118	14.4
Operating margin (%)	**14.8**	14.4	0.4ppt

Current developments
Since the end of the year, trading activity has remained strong hence we forward-sold 34.0% of our targeted private unit sales for the year (Feb 2019: 34.6%). Having more than doubled our sales volumes over the last three years, the annual rate of volume growth is naturally bound to moderate over the coming years as the business grows, although we remain on track versus our medium-term growth ambitions. We plan to add 11 sales outlets this year and aim to grow volumes by up to 20%, whilst we expect margins to improve by a broadly similar amount as in 2019. We continue to evolve our product and have recently opened our first dual-selling site where we will offer an alternative range of new homes, alongside our existing product. We have also started our first inner-city apartment scheme, around half a mile from Birmingham New Street station, which will provide 170 apartments by 2020-21. We also recently partnered with a shared-ownership and registered provider, which alongside part-exchange will further expand our offering to customers and diversify our sales from Help to Buy.

Future pipeline
Excluding strategic land held by the Group, St. Modwen Homes' existing land bank comprises c. 6,200 plots. This provides us with visibility to grow volumes by up to 20% p.a. by 2021, in line with the medium-term target we set in 2017. Beyond that, our current pipeline allows us to maintain a volume of c. 1,300-1,400 units p.a. so we plan to selectively supplement the strategic land coming through from the Group with the acquisition of a small number of 'oven-ready' sites over the coming years, to smooth the timing of larger strategic sites and continue to grow volumes at a more normalised rate, depending on the opportunities we see.

As our land bank has been transferred from the Group to St. Modwen Homes at market value, upside from house price inflation and planning gains has historically been captured through revaluation gains elsewhere in the Group, which continues to reduce our margin by an estimated c. 2-3ppt relative to housebuilders who hold their land at historic cost. Nonetheless, we maintain our target to improve margins to c. 16-17% in the coming years due to an optimisation of site coverage, scale efficiencies and a range of other, smaller initiatives.

Strategic Land & Regeneration

Development completions
At Swansea Bay Campus we completed the latest phase of 411 student beds in early 2019 and subsequently sold these for £38m in November, crystallising a healthy development return. In Uxbridge, we completed and handed over the 207-unit PRS scheme we had forward sold for £75m in early 2018.

We agreed the sale of 896 plots of residential land to third-party housebuilders during the year for £30m. While this was less than in the prior year (2018: £53m), since the year end we agreed to sell more than 663 plots at our two largest sites in South Wales, Coed Darcy and Llanwern, for £25m and we are in advanced legal discussions on the sale of a further c. 900 plots across both sites. We agreed significant planning improvements on both sites during the year, which paved the way for these disposals and thereby an acceleration in buildout of both sites. Assuming both deals complete, the transfer of land would be phased over the coming years, but combined with the next phase for St. Modwen Homes, this would leave c. 40% of the plots at our two large South Wales sites completed, under construction or controlled by various housebuilders for near term development.

Current developments
At Longbridge, we are on site with the final 21,100 sq ft phase of our Devon Way office cluster, which is pre-let on a 15-year fixed term, and St. Modwen Homes and a third-party housebuilder are currently on site to deliver 355 new homes. At New Covent Garden Market, the relocation of the market facilities through our 50/50 JV with VINCI is ongoing, ahead of the release of 10 acres of residential development to the JV in the medium term.

Following the sale of our shopping centre in Kirkby to Knowlesley Borough Council in November, we have started the development of a 95,000 sq ft extension to the existing centre, and following the sale of our interests in Skelmersdale, we are about to start works to deliver a new 51,500 sq ft retail scheme for West Lancashire Borough Council. Acting as development manager, we will therefore deliver the regeneration local stakeholders are looking for, having released our capital for reinvestment in our core sectors.

Future pipeline
Our focus remains on monetising the value in our existing land bank, both through accelerating development and disposals, to improve our return on capital. Following a period of relatively subdued activity, we have seen a marked pick-up in momentum at Longbridge in 2019, where we have been working on enhancing the vision to fit our placemaking ambitions for this flagship scheme. In 2020, we plan to start on site with various public realm improvements, a pop-up style street-food dining facility, a 44-unit apartment scheme and a 48,000 sq ft office designed around flexible working, where we are already seeing strong interest. This should further support momentum as we bring forward the future opportunities at this scheme, which is currently c. 45% developed.

At Wythenshawe, Manchester, we have continued to progress our positive early-stage discussions with the council about a large-scale mixed-use redevelopment of our existing 1960's retail centre and we continue to explore other long-term, mixed-use urban opportunities in our existing portfolio. Following a large amount of development at Bay Campus in recent years, we continue our discussions with the university about the next medium-term steps at this successful scheme.

The Group's owned residential land bank at the end of November comprised c. 17,500 plots (2018: 18,400), of which 6,200 plots were held by St. Modwen Homes and 11,300 by our Strategic Land & Regeneration business. Of the latter, c. 3,100 plots comprise strategic land which is still subject to planning, while the remaining c. 8,200 plots are sites that we will continue to invest in to prepare for disposal to third-party housebuilders. These include the 663 plots in South Wales we agreed to sell since the year end and the further c. 900 plots we are in advanced legal discussions on. In addition, we control land via development agreements which could cater for a further c. 11,300 homes in the long term (2018: 11,800), around 40% of which is still subject to planning.

Delivering improved earnings and returns

Rob Hudson
Chief Finance and Operations Officer

Our underlying financial performance for the year shows our strategy is starting to deliver the improvement in earnings and returns we expect it to bring over time. Despite a £13.6m reduction in net rental income due to our non-core asset disposals over the last two years, adjusted EPRA earnings increased 22.1% to £38.7m (2018: £31.7m), driven by new lettings, growth in housebuilding profits and a reduction in interest costs. As a result, adjusted EPRA EPS grew 21.7% to 17.4 pence (2018: 14.3 pence), leaving us well on track to deliver on our target to broadly double adjusted EPRA EPS in the medium term from the 2018 level. As indicated at the start of the year, net borrowings increased due to the reinvestment of part of last year's disposal proceeds into our pipeline, but our see-through loan-to-value remains low at 19.6% (2018: 16.9%).

Underlying net profit for the year increased by 12.4% to £68.0m (2018: £60.5m). However, as per our announcement in early December, an exceptional provision for a potential claim related to a historical development project reduced statutory net profit to £49.5m, which reduced underlying basic EPS of 30.6 pence per share (2018: 27.1 pence) to 22.8 pence and NAV by 1.6%. While we sold the majority of our retail assets at less than 1% below book value in 2018, valuation weakness in our residual non-core retail, over half of which we have now sold as well, resulted in a further 1.9% reduction of NAV. Notwithstanding this combined 3.5ppt drag, NAV per share increased 3.0% to 484.2 pence per share (2018: 470.2 pence)[1] and EPRA NAV per share increased 4.2% to 504.2 pence (2018: 484.0 pence)[1]. Combined with dividends paid during the year, our underlying total accounting return for 2019 was 6.3% (2018: 6.0%), or 4.6% including the exceptional provision.

Our dividend policy is aligned to cash profitability and we intend to pay a dividend equivalent to c. 50% of adjusted EPRA EPS per year, with the aim of providing a sustainable, progressive dividend for our shareholders. Reflecting this, we will pay a final dividend of 5.1 pence per share, to be paid on 3 April 2020 to shareholders on the register as at 6 March 2020. This brings the total dividend for the year to 8.7 pence, marking an increase of 22.5% versus last year (2018: 7.1 pence).

(1) Following the adoption of IFRS 9 *Financial Instruments* during the year ended 30 November 2019, the comparative values of NAV per share and EPRA NAV per share at 30 November 2018 have been reduced by 0.2 pence and 0.1 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model.

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.

During the year, the Group adopted three new accounting standards, being IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. The 2018 results have been restated for IFRS 9 and IFRS 15, but they have not been restated for IFRS 16 as it has been applied from 1 December 2018 using the modified retrospective approach outlined in the standard.

	2019					2018
	Industrial & Logistics £m	St. Modwen Homes £m	Strategic Land & Regeneration £m	Unallocated £m	Total[1] £m	Total[1] £m
Gross rental income	22.2	–	26.4	–	**48.6**	59.7
Property outgoings	(4.6)	–	(7.0)	–	**(11.6)**	(12.9)
Other net income	1.1	–	2.0	–	**3.1**	2.2
Net rental and other income	**18.7**	**–**	**21.4**	**–**	**40.1**	49.0
Housebuilding profits	–	51.4	4.1	–	**55.5**	44.7
Development fee income	1.1	–	3.3	–	**4.4**	3.4
Business unit direct operating expenses	(3.3)	(11.3)	(7.1)	–	**(21.7)**	(20.6)
Central administrative expenses	–	–	–	(22.4)	**(22.4)**	(22.7)
Net interest costs	–	–	–	(9.3)	**(9.3)**	(14.6)
Taxation on adjusted EPRA earnings	–	–	–	(7.8)	**(7.8)**	(7.2)
Non-controlling interests on adjusted EPRA earnings	–	–	–	(0.1)	**(0.1)**	(0.3)
Adjusted EPRA earnings	**16.5**	**40.1**	**21.7**	**(39.6)**	**38.7**	31.7
Property revaluation and development gains	46.3	–	0.6	(22.5)[2]	**24.4**	48.4
Property disposal gains/(losses)	0.2	–	(5.2)	–	**(5.0)**	(7.1)
Change in discounted market liability	–	–	–	–	**–**	4.7
Net other finance costs	–	–	(2.5)	(4.5)	**(7.0)**	(12.7)
Tax on other earnings	–	–	–	(1.7)	**(1.7)**	(4.8)
Less non-controlling interests on other earnings	–	–	–	1.3	**1.3**	–
Profit attributable to the owners of the Company	63.0	40.1	14.6	(67.0)	**50.7**	60.2
Basic earnings per share (pence)					**22.8**	27.1

(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.

(2) Exceptional provision for a potential claim related to a legacy development project.

These restatements have had limited impact on the Group financial statements and there is no change to the summarised income statement presented above. Further detail is provided in the accounting policies note to the Group financial statements.

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.

With these results, we have updated our segmental reporting to reflect the changes in our organisational structure during the year. As such, our financial reporting is now aligned to our three operational business units, Industrial & 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. To allow operating costs to be allocated appropriately, we have split administrative expenses into business unit direct operating expenses and central administrative expenses. These changes have no impact on our net profit or adjusted EPRA earnings but provide better clarity on the returns in each part of our business.

Net rental and other income

As expected, the Group's share of net rental and other income decreased to £40.1m (2018: £49.0m) due to the large amount of non-core disposals over the past two years. Industrial & Logistics net rental and other income increased to £18.7m (2018: £14.4m), due to £5.3m income from retained developments and £0.2m like-for-like income growth. Net rental and other income in Strategic Land & Regeneration reduced to £21.4m (2018: £34.6m), chiefly reflecting an £11.7m loss of rental income on non-core assets we sold. With asset disposals in 2019 weighted towards the end of the year and further non-core disposals to come, we expect Strategic Land & Regeneration net rental income to continue to reduce in 2020, but this to be offset by further growth in net rental income in Industrial & Logistics. As the effect of non-core sales subsides, we expect overall net rental income to grow more meaningfully in 2021 onwards.

Housebuilding profits

Gross profit from housebuilding activities increased 24.2% to £55.5m (2018: £44.7m). The majority of this comprises St. Modwen Homes where gross profit increased 22.1% to £51.4m (2018: £42.1m), while net operating profit increased 28.1% to £40.1m (2018: £31.3m). The Persimmon JV, which forms part of our Strategic Land & Regeneration business, delivered £4.1m of profit (2018: £2.6m) This JV is still anticipated to largely draw to a close by the end of 2020, but we expect the reduction in profit from this to be more than offset by continued growth in St. Modwen Homes profits.

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 the year, these increased to £21.7m (2018: £20.6m), partly as a result of the growth in sales and build activity in St. Modwen Homes. We expect direct operating expenses to continue to grow, chiefly driven by the continued growth in St. Modwen Homes. Central administrative expenses for the year decreased slightly to £22.4m (2018: £22.7m) and are expected to grow broadly in line with inflation in 2020.

Interest and other finance costs
Net interest costs for the year fell to £9.3m (2018: £14.6m) on a see-through basis, principally due to a reduction in debt due to our disposals during 2018 and a reduction in average borrowing costs. We capitalised £3.3m of interest costs on commercial developments during the year (2018: £2.3m). We expect to be a net investor in 2020 due to the investments in our pipeline, although the impact of this on net interest cost is anticipated to be largely offset by a reduction in our average cost of borrowing during 2019.

Net other finance costs were down significantly to £7.0m (2018: £12.7m), largely reflecting £7.3m one-off expenses in the prior year related to our refinancing activity. Net other finance costs for 2019 includes a £2.5m charge for discount unwinds, principally on our share of the long-term commitment to deliver the NCGM project, and a £1.8m charge for the amortisation of arrangement fees in relation to our loan facilities. Combined, these costs have averaged c. £7m p.a. in recent years and are expected to recur at broadly similar levels. The final element of our other finance costs relates to the mark-to-market valuation of our derivatives, which is driven by the movement in swap rates and resulted in a £2.7m expense in the year.

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 2019 our portfolio saw an underlying net revaluation and development gain of £46.9m, largely in line with the £48.4m gain in 2018. At £46.3m, virtually all of this was driven by Industrial & Logistics, as write-downs on non-core retail assets broadly offset other gains in Strategic Land & Regeneration. We recorded a £5.0m loss on disposals, compared to a £7.1m loss last year, which solely reflected a loss on the sale of non-core retail assets.

Exceptional item
We recognised an exceptional item of £22.5m to provide for a potential claim against the Company for a legacy project the Group developed and sold approximately 15 years ago, which adjusted for tax and non-controlling interests reduced our statutory net profit attributable to owners of the Company for the year by £17.3m, or 7.8 pence per share. To date, no detailed claim has been made by any of the parties involved and as such there is no certainty around the potential amount and timing of any future cash outflow. We anticipate we will be able to recover a meaningful part of any potential claim but as IFRS places a lower threshold on the recognition of potential future obligations than the recognition of potential future reimbursements, we cannot recognise any anticipated recoveries at this stage and therefore only recognised the provision element in our results. Following a thorough review of our historical projects we are confident that any alleged problem would be a one-off issue which is therefore not expected to have any impact on our strategy or medium-term return expectations.

Taxation and profit
Our underlying net profit before exceptional items for the year was £68.0m. Taking into account the above exceptional provision, our statutory net profit after tax of £49.5m (2018: £60.5m), while our total tax charge (including joint venture tax) for the year was £9.5m (2018: £12.0m).

As a property group, tax and its treatment is often an integral part of transactions. The outcome of tax treatments is recognised by the Group to the extent that the outcome is reasonably certain. Overall, the effective tax rate for the year of 16.1% was broadly stable (2018: 16.6%). As signalled previously, the effective tax rate is expected to remain at broadly similar levels, slightly below the standard rate of tax.

Return on capital
Including dividends of 7.6 pence per share paid during the year, our underlying total accounting return amounted to 6.3%, or 4.6% including the exceptional provision (2018: 6.0%). Our new segmental reporting below for the first time provides insight into how our three business units contribute to our overall Group returns. The return on capital employed for Industrial & Logistics is highest at 12.4%, driven by its large amount of development activity, ahead of St. Modwen Homes at 11.4% and Strategic Land & Regeneration at 2.9%.

We expect the difference in ROCE per business unit to narrow in the years ahead, as St. Modwen Homes reduces its land bank from c. 6 years to a level more in line with industry standards by growing its volumes, and Strategic Land & Regeneration monetises its surplus residential land, where the lack of income means returns are modest, and accelerates the delivery of its existing regeneration projects. We therefore remain on track towards our ambition to generate a low double-digit total accounting return over time, assuming markets remain stable.

Net asset value
The aforementioned exceptional provision reduced the net asset value attributable to shareholders of the Group for 2019 by £17.3m to £1,075.7m (2018: £1,044.1m)[1]. Notwithstanding the 7.8 pence per share, or 1.6%, reduction in net asset value related to this provision, net asset value per share increased 3.0% over the year to 484.2 pence (2018: 470.2 pence)[1]. EPRA NAV per share increased by 4.2% to 504.2 pence (2018: 484.0 pence)[1].

Net borrowings and loan-to-value
Following a £151.3m reduction during 2018 net borrowings increased by £53.7m to £290.6m (2018: £236.9m) during 2019 as we, as planned, reinvested part of last year's disposal proceeds. This excludes £37.5m (representing our 50% share) held in a development account for the NCGM project delivery which continues to be held in a one-year deposit account and therefore does not qualify as cash in our net borrowings calculation.

As a result, our see-through LTV increased to 19.6% (2018: 16.9%), or 17.1% including the £37.5m held on one-year deposit. As such, our overall LTV remains comfortably below our target to keep our overall LTV in the mid to high-20's percent. Whilst we remain conservative in our approach to financial leverage, we expect see-through net borrowings to grow during 2020 as we continue to reinvest part of the proceeds from our non-core disposals into our pipeline.

	2019					2018
	Industrial & Logistics £m	St. Modwen Homes £m	Strategic Land & Regeneration £m	Unallocated £m	Total[1] £m	Total[1][2] £m
Property portfolio	588.1	384.2	512.3	–	**1,484.6**	1,403.3
Other assets	6.3	23.8	75.5	101.0	**206.6**	198.3
Gross assets	**594.4**	**408.0**	**587.8**	**101.0**	**1,691.2**	**1,601.6**
Net borrowings	–	–	–	(290.6)	**(290.6)**	(236.9)
Lease liabilities	–	–	–	(9.2)	**(9.2)**	(3.9)
Other liabilities	(21.7)	(53.6)	(112.2)	(123.5)	**(311.0)**	(310.8)
Gross liabilities	**(21.7)**	**(53.6)**	**(112.2)**	**(423.3)**	**(610.8)**	**(551.6)**
Net assets	**572.7**	**354.4**	**475.6**	**(322.3)**	**1,080.4**	**1,050.0**
Non-controlling interests	–	–	–	(4.7)	**(4.7)**	(5.9)
Equity attributable to owners of the Company	**572.7**	**354.4**	**475.6**	**(327.0)**	**1,075.7**	**1,044.1**
Business unit ROCE[3]	**12.4%**	**11.4%**	**2.9%**			
NAV per share[1] (pence)					**484.2**	470.2
EPRA NAV per share[1] (pence)					**504.2**	484.0

(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) Following the adoption of IFRS 9 *Financial Instruments* during year ended 30 November 2019, the comparative values of NAV per share and EPRA NAV per share at 30 November 2018 have been reduced by 0.2 pence and 0.1 pence respectively to reflect the retrospective restatement required for recognising provisions against trade and other receivables using an expected credit loss rather than an incurred loss model. This restatement reduced other assets, gross assets, net assets and equity attributable to owners of the Company at 30 November 2018 by £0.3m.

(3) Business unit returns on capital employed are calculated as 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.

	2019[1]	2018[1]
Gross borrowings[2] (£m)	**357.8**	321.5
Net borrowings[2] (£m)	**290.6**	236.9
Loan-to-value[3] (%)	**19.6**	16.9

(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

During 2019, we drew down the £75m facility from the Homes England Home Building Fund we signed shortly before the end of 2018 and repaid our £100m convertible bond upon its maturity in March. We extended the maturity of £400m of our £475m unsecured revolving credit facility by one year to December 2024 and extended the maturity of our small £30m KPI JV facility (£15m our share) to January 2021. Aside from this, we have no debt maturing until December 2023 and our average debt maturity increased to 4.9 years (2018: 4.5 years).

	2019	2018
Available facilities (£m)	**565.0**	680.0
Average duration of facilities (years)	**4.9**	4.5
Weighted average interest rate[1] (%)	**3.5**	3.8
Percentage of gross borrowings fixed or hedged (%)	**65.7**	66.9

(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 2019, thereby assuming constant net borrowing levels for 2019.

Hedging and cost of debt

Our weighted average interest rate reduced slightly to 3.5% (2018: 3.8%) due to the drawdown of relatively cheaper borrowings. 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 is 65.7% (2018: 66.9%) and we continue to manage our interest rate risk via a combination of caps and hedges.

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 almost 40% fall in values before our tightest covenant would be breached.

Rob Hudson
Chief Finance and Operations Officer

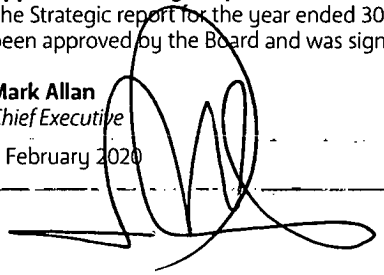
3 February 2020

Approval of Strategic report

The Strategic report for the year ended 30 November 2019 has been approved by the Board and was signed on its behalf by:

Mark Allan
Chief Executive

3 February 2020



Changing places. Creating better futures. Our purpose is why we exist and it is supported by our governance

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Aligning our purpose, values, culture and strategy

Danuta Gray
Chair

Dear shareholders
Good governance is essential to our success as a business. During the year, the Board has worked with management to review our compliance with both the 2016 UK Corporate Governance Code (2016 Code), under which we are required to report for this year's annual report, and the 2018 UK Corporate Governance Code (2018 Code). We have overseen a number of initiatives across the Group which complement and support the work already being undertaken in ensuring that the Company is compliant with the 2018 Code. A statement of our compliance with the 2016 Code can be found on page 62.

Board workforce engagement plan
We value and invest in our workforce and are keen to ensure that our colleagues' voices are heard in the boardroom and that their views are considered as part of the Board's decision making. Over the past year, the Board has approved a number of initiatives to improve employee engagement, including updates to the Group's people strategy. We have appointed Simon Clarke as a non-executive director responsible for employee engagement. Simon attends meetings of the People Matters Group and provides feedback to the Board on its work and the views of our employees. Further information on employee engagement can be found on pages 26 to 33.

Culture and purpose
The Board has worked with management in defining St. Modwen's culture and purpose. As a Board, we are responsible for leading and promoting that culture 'from the top' and launched the Group's Responsible Business ambitions at an all-employee event in December 2019. This event provided us with an opportunity to bring the Group's purpose to life, to further build employee engagement and to demonstrate our commitment to promoting the Group's culture.

External Board evaluation
This year, we conducted an external evaluation of the Board and its committees. The results of the Board evaluation were presented to the Board in November 2019 and areas of focus for 2020 were identified for action. Further information on the Board evaluation can be found on page 60.

Board changes and diversity
As announced on 4 February 2020, Mark Allan will leave the business on 30 April 2020. Mark has played an important role in the success of the Company and in developing our strategy, which will continue to underpin our ambitions for growth in the years to come. I would like to express my thanks to Mark for his hard work over the past three years and wish him every success for the future.

On 1 February 2020, Rob Hudson assumed the role of Chief Finance and Operations Officer and will take on the role of interim Chief Executive until a new Chief Executive is appointed. Rob's remit will include overseeing strategic and business planning, developing and ensuring the effective execution of a cohesive transformation strategy, and leading the Group's Responsible Business ambitions.

As a Board, we remain committed to leading by example and ensuring that our membership is diverse and inclusive. I am pleased to report that we have met the Hampton-Alexander target of 33% female representation on the Board. During the year, the Board has worked with a specialist diversity and inclusion (D&I) consultancy to review the D&I of our workforce, to identify and agree the actions required to improve the diversity of the Group and to refresh the Board diversity policy.

Stakeholder engagement
The views of our shareholders and other stakeholders are important to us. We have maintained regular dialogue with key stakeholders throughout the year and will further develop our stakeholder engagement programme during 2020 to ensure that their views continue to be considered in the Board's decision making. Further information on the Board's engagement with, and consideration of, stakeholders can be found on pages 61 and 62 of this governance report and in the strategic report on pages 30 to 33.

I look forward to meeting shareholders at the AGM on 27 March 2020.

Danuta Gray
Chair

3 February 2020

Our decision making framework

The Board is supported by several Board committees, the Executive Committee and a variety of sub-committees which focus on specific strategic objectives or business operations. Our governance framework determines how decisions are made, where responsibilities fall and who is accountable for what and to whom. It also ensures that there is a smooth upwards flow of information. There is a clear division of responsibility between the Chair, who is accountable for the leadership of the Board, and the Chief Executive, who manages and leads our business strategy and our operations on a day-to-day basis.

The Board discharges its responsibilities through an annual programme of Board and committee meetings which are supplemented by visits to sites in our property portfolio. This included a visit to Trentham Gardens in April 2019. During the year, the Board held eight formal meetings, one of which was a strategy day in July. The Chair meets the non-executive directors periodically without the executive directors being present and maintains regular contact with the Chief Executive throughout the year.

Board meeting agendas are prepared collaboratively with input from the Chair, Chief Executive, Chief Finance and Operations Officer, and the General Counsel and Company Secretary. Each agenda is carefully planned to ensure sufficient time is given to strategic matters and regular operational and financial reports, as well as key issues and matters of current interest or concern.

Directors who are unable to attend a meeting provide their views on the business of the meeting to the Chair of the Board or Committee in advance of that meeting. Members of the Executive Committee and certain external advisers are invited to attend meetings in relation to specific agenda items. Meetings are typically arranged well in advance to minimise any clashes with the non-executive directors' other commitments. Board papers are provided to directors in a timely manner via a secure online portal.

The General Counsel and Company Secretary supports the Chair and the Chief Executive in fulfilling their duties and is available to all directors for advice, support and assistance. He is responsible for keeping the Board regularly updated on governance matters. He attends Board and committee meetings, maintains a record of the matters discussed and approved, and facilitates the effective flow of information between the Board, its committees, non-executive directors and the Executive Committee of which he is a member.

The Board

Responsible for the overall strategic direction and long-term success of the Company including:

- overseeing the Group's activities;
- establishing the Group's purpose, values and strategy, ensuring that they are aligned with the Group's culture;
- monitoring the execution of strategy;
- reviewing performance;
- considering the acquisition and disposal of large assets, ensuring that only acceptable risks are taken; and
- ensuring that the appropriate people and resources are in place to deliver long-term value to shareholders and benefits to the wider community.

In undertaking their responsibilities, the directors comply with their duties under section 172 of the Companies Act 2006. Certain key matters requiring Board approval are set out in a formal schedule which the Board reviews periodically.

Board committees

The Board discharges some of its responsibilities in relation to audit, risk, Board composition, succession planning, remuneration and health and safety to its principal Board committees.

Full details of the responsibilities of the committees and their activities during the year can be found in the respective committee reports.

Executive Committee

The Executive Committee is supported by several committees in the performance of its duties and in discharging its governance responsibilities. Information on the authority, membership and responsibilities of each of the committees, including how they operate, is set out in their respective terms of reference.

Business unit boards

The following three business unit boards were established to support each strategic objective:

- Industrial & Logistics – build a high quality industrial and logistics business
- St. Modwen Homes – grow our residential and housebuilding business
- Strategic Land & Regeneration – leverage our regeneration reputation

See our strategy and business model on pages 18 to 19 for further information.

Chair

- Leads the Board effectively and sets appropriate agendas
- Maintains a culture of openness and constructive challenge between the non-executive directors and executive directors
- Ensures an appropriate balance is maintained between the interests of shareholders and other stakeholders

Senior Independent Director

- Acts as a sounding board for the Chair
- Acts as a trusted intermediary for the other directors if required
- Provides an additional channel of communication for shareholders

Non-executive directors

- Work with and challenge the executive directors in the execution of St. Modwen's strategy
- Offer an independent, external perspective and bring wide and varied commercial experience

Chief Executive

- Leads the business and is responsible for day-to-day management
- Leads senior management via the Executive Committee

Chief Finance and Operations Officer

- Develops and implements financial strategy and policies
- Responsible for the preparation and integrity of financial reporting

Nomination Committee

- Leads the Board appointment process and reviews its composition ensuring a good balance of skills, experience and diversity
- Reviews executive succession plans

See the Nomination Committee report on pages 70 to 72 for more information

Audit Committee

- Oversees financial and narrative reporting
- Assesses internal control and risk management systems
- Reviews external audit processes and effectiveness of auditors
- Reviews property portfolio valuations

See the Audit Committee report on pages 63 to 69 for more information

Remuneration Committee

- Develops the remuneration policy
- Sets the remuneration of the executive directors, Chair and Executive Committee
- Approves long-term performance objectives and awards
- Reviews workforce remuneration and related policies

See the Remuneration Committee report on pages 74 to 77 for more information

Group Health and Safety Committee

- Oversees the effectiveness of the Group H&S strategy
- Reviews key H&S risks
- Supports management in maintaining a robust H&S culture
- Reviews the impact of any changes in H&S regulation

See the Group Health & Safety Committee report on page 73 for more information

Executive Committee

Assists the Chief Executive in discharging his duties which include recommending objectives and strategy, monitoring operations and financial performance, oversight of business unit boards, assessment and control of risk, prioritisation and allocation of people, identifying and executing new business opportunities, reviewing investments/ divestments and approving Group policies

Risk, Assurance and Compliance Committee

- Oversees the development and implementation of risk management
- Reviews key Group strategic risks
- Assesses mitigation strategies, considering the Company's appetite for risk

See pages 34 to 39 for information on how we manage risk

People Matters Group

- Oversees the development and implementation of people initiatives and activities
- Enhances strategic people objectives
- Reviews progress against the people plan

See pages 26 to 31 for information on how we engage with our employees

Health & Safety Committee

- Develops Group H&S strategy
- Identifies and monitors key H&S risks
- Co-ordinates effective communication of H&S matters across the Group
- Reviews reports on significant incidents and monitors incident trends

See pages 28 and 29 for information on our health and safety strategy

Investment Committee

Reviews and considers for recommendation to the Board for approval any significant transactions above an agreed financial value

Environmental and Social Impact Committee

- Develops Group environmental and social impact strategy and objectives and reviews performance
- Develops and approves policies and monitors compliance
- Identifies material environmental and social impact risk areas

See pages 2 to 11 for further information on our Responsible Business ambitions

Danuta Gray
Independent non-executive Chair

Appointed: October 2018 as non-executive director and Chair Designate, March 2019 as non-executive Chair.

Key strengths: Extensive operational and Board experience in both executive and non-executive roles in FTSE 100 and FTSE 250 companies across the global telecommunications and IT, consumer and financial services sectors.

Experience: Over 26 years' experience in the telecommunications industry; including as Chief Executive of Telefónica O2 in Ireland from 2001 to 2010 and Chair from 2010 to 2012. A former non-executive director of PageGroup plc, Paddy Power Betfair plc, Aer Lingus Group plc, Irish Life permanent plc and Old Mutual plc. Has also served on several remuneration committees. Prior to Telefónica O2, held various senior positions within BT Group from 1984 to 2001.

External appointments: Non-executive director of Direct Line Insurance Group plc, Senior Independent Director of Aldermore Group plc and a non-executive Board member of the Ministry of Defence.

Ⓝ Ⓡ

Mark Allan
Chief Executive

Appointed: November 2016 as Chief Executive Designate, December 2016 as Chief Executive.

Key strengths: Extensive knowledge and experience of the property sector combined with strong operational leadership and financial and strategic management skills.

Experience: Joined St. Modwen from The Unite Group plc where he had been Chief Executive since 2006. He moved to Unite in 1999 from KPMG and held a number of financial and commercial roles in the business, including Chief Financial Officer from 2003 to 2006. A qualified Chartered Accountant and a member of the Royal Institution of Chartered Surveyors.

External appointments: None.

Ⓗ

Rob Hudson
Chief Finance and Operations Officer

Appointed: September 2015 as Chief Financial Officer, February 2020 as Chief Finance and Operations Officer.

Key strengths: Strong financial management, commercial and operational experience in financial services, information services and commercial property sectors.

Experience: Over 20 years' experience in finance, formerly the Group Financial Controller at British Land plc from 2011 to 2015. Joined PricewaterhouseCoopers on graduating then moved to Experian plc in 2000 where he held a number of senior financial roles, including Global Finance Director of its Decision Analytics business and UK Finance Director. A qualified Chartered Accountant.

External appointments: None.

Jenefer Greenwood, OBE
Independent non-executive director

Appointed: June 2017

Key strengths: Extensive knowledge of the retail and regeneration sectors of the real estate industry combined with significant board-level experience.

Experience: Over 30 years' experience in the real estate sector with companies such as Hillier Parker (now CBRE) and Grosvenor Ltd, where she was Director of Sales and Lettings, Great Britain and Ireland, before retiring in 2012. Currently serves on the board of Assura plc and LiveWest Homes. Formerly served on the board of The Crown Estate and has chaired the National Skills Academy for Retail. Awarded an OBE in 2014 for services to the UK Real Estate Industry and for voluntary services to young people. A Fellow of the Royal Institution of Chartered Surveyors.

External appointments: Non-executive director for both Assura plc and LiveWest Homes, member of the supervisory board of INTERNOS Global Investors Ltd and trustee of the Ernest Cook Trust.

Ⓐ Ⓝ Ⓡ

Jamie Hopkins
Independent non-executive director

Appointed: March 2018

Key strengths: Strong commercial, strategic and operational management skills and significant knowledge and experience of asset management services and the real estate sector.

Experience: Chief Executive Officer of Workspace Group plc from 2012 until May 2019. Formerly served as Chief Executive and then a non-executive director of Mapeley plc from 2002 until 2010 and a director of Chester Properties from 2009 to 2012. Also acted as investment director of Delancey Estates and Savills between 1990 to 2002. A member of the Royal Institution of Chartered Surveyors.

External appointments: Non-executive director of Allsop LLP and Restore plc.

Ⓐ Ⓝ Ⓡ Ⓗ

Sarah Whitney
Independent non-executive director

Appointed: September 2019

Key Strengths: Extensive real estate experience with a particular focus on public private partnerships, combined with strong investment and corporate finance experience.

Experience: Over 30 years' experience in the real estate and corporate finance sectors, including senior roles at CBRE and Cushman & Wakefield (DTZ Holdings plc). Sarah was formerly a partner at PwC and held investment banking roles at Kleinwort Benson and Barings. A Fellow of the Institute of Chartered Accountants.

External appointments: A non-executive director of JPMorgan Global Growth & Income plc, a member of the Supervisory Board of BBGI SICAV SA and Treasurer of University College London.

Ⓐ Ⓝ Ⓡ

Ian Bull
Senior Independent Director

Appointed: September 2014 as non-executive director, March 2018 as Senior Independent Director.

Key strengths: Strong financial management and operational experience in major commercial businesses across a range of sectors.

Experience: Chief Financial Officer of Parkdean Resorts Group from March 2016 to June 2018. Previously Chief Financial Officer at Ladbrokes plc (2011 to 2016) and Group Finance Director of Greene King plc (2006 to 2011). Over 20 years' financial experience with companies such as Whitbread plc, Buena Vista Home Entertainment (Walt Disney Company) and BT Group. Former non-executive director of Paypoint Ltd. A Fellow of the Chartered Institute of Management Accountants.

External appointments: Non-executive director of Domino's Pizza Group plc and Dunelm Group plc.

Ⓐ Ⓝ Ⓡ

Simon Clarke, DL
Non-executive director (non-independent)

Appointed: October 2004

Key strengths: Strong commercial and management experience in both agriculture and property, and extensive knowledge of the Company's history.

Experience: The son of Sir Stanley Clarke, the founder and former Chairman of St. Modwen, he represents the interests of the Clarke family, one of the Company's largest shareholders, on the Board. Former Deputy Chairman of Northern Racing plc, former director and Vice-Chairman of The Racecourse Association Ltd and former Trustee of Racing Welfare. Deputy Lieutenant for Staffordshire and an Honorary Doctor of Staffordshire University.

External appointments: Chairman of Dunstall Holdings Ltd and Chairman of the Development Board of Staffordshire University.

Andrew Eames
General Counsel and Company Secretary

Appointed: November 2017

Experience: A lawyer with over 16 years of legal, commercial and governance experience across a number of different sectors. Joined St. Modwen from Mothercare Plc where he was Group General Counsel and Company Secretary (Interim), having previously held various positions at Nomura International Plc including Co-Head of Corporate Legal and Company Secretary.

Key responsibilities: Leads the legal, company secretarial, compliance, risk and insurance functions and is responsible for legal, compliance and governance activity across the Group. Provides advice and support to the Board and its committees and oversees the Group's relationship with its external law firms.

Changes to the Board

- **Bill Shannon** stood down from the Board with effect from the conclusion of the AGM on 29 March 2019
- **Sarah Whitney** joined the Board on 16 September 2019
- **Mark Allan** will stand down from the Board on 30 April 2020

Ⓐ Member of the Audit Committee

Ⓝ Member of the Nomination Committee

Ⓡ Member of the Remuneration Committee

Ⓗ Member of the Group Health & Safety Committee

◯ Denotes Committee Chairman

Board activities for the year ended 30 November 2019

The Board's agenda and activities are planned well in advance of meetings to ensure appropriate time is dedicated to key matters. It is further updated throughout the year to enable the Board to consider current developments, opportunities and risks, in order to support the delivery of the Group's strategy.

Principal activities during the year	
Performance and operational	• Discussed and approved the organisational design proposal. • Reviewed the Group's strategic plans. • Received a performance and strategy update on the Industrials & Logistics business unit. • Discussed the Responsible Business strategy. • Received an update on IT including cyber security measures. • Undertook a site visit to Trentham Gardens.
Financial and regulatory	• Considered full and half-year reporting. • Discussed the risk statement and considered principal and emerging risks. • Approved dividends. • Reviewed and approved the 2020 budget.
People and culture	• Considered proposed culture metrics. Further information on the Group's culture can be found on pages 26 and 27. • Received regular updates on the progress of the Group's organisational design. • Simon Clarke, the designated non-executive appointed to facilitate the Board's engagement with the workforce, provided the Board with a report on his attendance at the first People Matters Group meeting. Further information on the People Matters Group can be found on pages 26 to 33.
Governance matters	• Discussed the results of the external Board evaluation. Further information on the Board evaluation can be found on page 60. • Received regular progress updates on the activities and initiatives the business has undertaken to comply with the 2018 Code. • Reviewed the Schedule of Matters Reserved for the Board and the terms of reference for each of the Board committees.

The regular matters considered at each Board meeting include a report from the Chief Executive which contains an overview of business performance for each business unit, updates on health and safety matters, a people update and progress updates on major projects and transactions. The report also includes a dashboard to provide the Board with visibility of progress against key strategic objectives. In addition, the Board reviews the finance report and receives updates on financial and regulatory reporting and governance matters.

Attendance at Board meetings

Director	Role	Director since	Meetings attended in year out of maximum possible	% attended in year
Danuta Gray	Chair	Oct 2018	8/8	100%
Mark Allan	Chief Executive	Nov 2016	8/8	100%
Ian Bull	Senior Independent Director	Sep 2014	8/8	100%
Simon Clarke[1]	Non-executive director	Oct 2004	7/8	87.5%
Jenefer Greenwood, OBE	Non-executive director	June 2017	8/8	100%
Jamie Hopkins	Non-executive director	Mar 2018	8/8	100%
Rob Hudson	Chief Finance and Operations Officer	Sep 2015	8/8	100%
Bill Shannon[2]	Previous Chair	Nov 2010	2/2	100%
Sarah Whitney[3]	Non-executive director	Sep 2019	4/4	100%

(1) Unable to attend the June 2019 Board Meeting due to illness.

(2) Bill Shannon stood down from the Board with effect from the conclusion of the AGM on 29 March 2019.

(3) Sarah Whitney was appointed to the Board meeting as a non-executive director on 16 September 2019.

Ensuring we achieve our ambitions

Board composition, skills and diversity
The Board comprises eight directors, of which six are non-executive directors (including the Chair) and two are executive directors. Further information on each of the directors is set out on pages 56 and 57.

Director development and training
The Company is committed to ensuring that directors' skills and knowledge are continually refreshed. The training needs of each director are discussed with them as part of their annual performance review. During the year, in addition to information on changes to governance and regulatory matters, the directors received updates on areas including the Group's strategic plan, culture, IT strategy, cyber security and the Group's Responsible Business strategy. To provide deeper insight into the business, the directors undertake site visits and members of senior management attend Board meetings to present on their areas of business and/or expertise. In April 2019, the Board visited the Trentham Estate in Stoke-on-Trent.

Director independence and re-election to the Board
The Board considers that Danuta Gray was independent on her appointment to the Board and that she remains so. All non-executive directors, with the exception of Simon Clarke, are considered to be independent.

Simon Clarke represents the interests of the Clarke family, a major shareholder of the Company, and has held the position of non-executive director since his appointment to the Board in 2004. For the purposes of the UK Corporate Governance Code, Simon is not considered to be independent.

The Board considers that each of the non-executive directors has the appropriate skills, experience, knowledge and time to enable them to perform their duties and, in accordance with the UK Corporate Governance Code, all directors will seek election or re-election at the 2020 AGM.

External appointments
On appointment, directors are advised of the time commitment required of them. Any additional external directorships are agreed in advance with the Chair. There have been no changes to the Chair's other directorships since her appointment to the Board. Further information on the external appointments of the directors can be found on pages 56 and 57.

Conflicts of interest
The Board operates a policy to identify and, where appropriate, manage any conflicts of interest affecting the directors. This enables the Board to consider and, if thought appropriate, to authorise a director's actual or potential conflict of interest, taking into consideration what is in the best interests of the Company and whether the director's ability to act in accordance with his or her wider duties is affected. The Company Secretary maintains a register of directors' conflicts of interest, which includes details of any conditions applied on any authorisation given by the Board. The register is reviewed annually and as and when any changes to authorisations need to be considered.

Summary of Sarah Whitney's induction

Induction of new directors
The Chair, assisted by the Company Secretary, is responsible for the induction of all new directors. On joining the Board, a new director receives a comprehensive induction pack which includes background information on the Company. A summary of Sarah Whitney's induction is detailed below.

Board members
- Chair – provided an overview of the Board and its annual programme of meetings, a briefing on shareholder priorities and the roles of the Board committees.
- Chief Executive – discussed the structure of the Group, the Group's strategy, business plan and performance.
- Committee chairs – discussed their committees and any matters of significance.
- Chief Finance and Operations Officer – provided a summary of the Group's financial performance and future plans.

Senior executives
- Senior executives of Group functions – meetings with the General Counsel and Company Secretary, Managing Director – Strategy and Corporate Development and the Group HR Director.

Meetings with business unit directors and site visits
- Managing directors of the Strategic Land & Regeneration, Industrial & Logistics and St. Modwen Homes business units.
- Site visits to a selection of sites from each of the three business units.

Key advisors
- Meetings with external and internal auditors, brokers, valuers and remuneration advisors.

Performance evaluation

2018 Board evaluation
Progress made against the actions identified by the 2018 internal Board performance evaluation is detailed below:

Focus areas	Action taken
To introduce horizon planning when developing major strategic planning	The Managing Director – Strategy and Corporate Development undertook a review of megatrends to 2040 and their likely impact on the Group's long-term strategy. The results of the review were presented to the Board at its strategy day in July 2019 and taken into consideration in the Group's strategy planning.
To enhance the clarity of the three-year development pipeline for our strategic growth areas	The Managing Director – Strategy and Corporate Development prepared and presented a strategic business plan in September 2019, which included consideration of the current and future development pipeline, reviewing the current status and availability of land within the Group, as well as future acquisition requirements and the timing thereof. The pipeline is further monitored through monthly business unit board meetings.
To more closely monitor the corporate culture of the business	The Group HR Director led a review of the Group's culture including how the desired culture is supported and developed across the Group. The results of the review were discussed at the Board meeting in October 2019 and next steps were agreed, these included the need to focus on embedding and measuring culture for both internal and external stakeholders in order to bring the Group's purpose to life and to further develop stakeholder engagement.

2019 Board evaluation
The 2019 Board evaluation was externally facilitated by Elaine Sullivan of Manchester Square Partners LLP. Neither Elaine Sullivan nor Manchester Square Partners LLP has any other connections with the Company.

Process
The 2019 Board evaluation was conducted from July to October 2019. Manchester Square Partners had access to the Board and committee papers for the prior 12 months and observed a Board meeting. Individual interviews were conducted with all eight Board directors, the General Counsel and Company Secretary, and the Group HR Director. The Senior Independent Director met the directors without the Chair present to obtain feedback in relation to her performance, which was then discussed separately with the Chair.

The initial summary observations were discussed with the Chair prior to the final report being discussed at a Board meeting in November 2019. An action plan, based on the final evaluation report and the discussions with the Board, was developed and circulated to the Board. A summary of that action plan is set out below.

Focus areas for 2020

Area of focus	Specific actions
Monitor pace and senior management progress	• Board engagement and reporting for new business units
Evolution and embedding of risk management	• Continual review of Board level risk topics and emerging risks
Board agendas	• Refreshed agendas to include further engagement with external partners, updates on broad market developments, talent management, culture and customer insight

Relations with shareholders and other stakeholders

Interests in voting rights
Information provided to the Company pursuant to the FCA's Disclosure and Transparency Rules (DTR 5) is published on a Regulatory Information Service and on the Company's website. As at 30 November 2019, the information in the table below had been received in accordance with DTR 5 from holders of notifiable interests in the Company's issued share capital.

The information provided was correct at the date of notification; however, the date the notification was received may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. Notification of any change is not required until a notifiable threshold is crossed.

Shareholder	Date of notification	Nature of holding	Total voting rights	% of total voting rights
Royal London Asset Management Ltd	17/06/19	Direct interest	17,835,903	8.02%
The late Lady Clarke and connected parties (including Simon Clarke)	28/09/17	Direct interest	15,175,196	6.82%
Aviva plc	25/06/18	Direct interest	13,494,710	6.07%
		Indirect interest	863,094	0.39%
		Total	14,357,804	6.46%
J O Hambro Capital Management Limited	12/09/19	Indirect interest	11,128,104	5.00%

Changes to the interests in the voting rights which have been notified to the Company in accordance with DTR 5 between 30 November 2019 and 3 February 2020 are set out below:

Shareholder	Date of notification	Nature of holding	Total voting rights	% of total voting rights
BlackRock, Inc	23/01/20	Indirect	10,418,802	4.68%
		Financial instruments	798,919	0.35%
		Total	11,217,721	5.04%

Dialogue with investors
The Board has a comprehensive investor relations programme which is divided between institutional shareholders, private shareholders and debt investors. Feedback from the programme is provided to the Board to ensure that the Board understands the views of the Company's shareholders and takes their views into account in its decision making. The Chair and Senior Independent Director are available to meet with institutional shareholders and investor representatives to discuss matters relating to strategy and governance. Private shareholders are encouraged to provide feedback and may communicate with the Board through the General Counsel and Company Secretary.

Programme of events
As part of the investor relations programme, the Chief Executive and Chief Finance and Operations Officer undertake roadshows comprising of both face-to-face meetings and conference calls with institutional investors, analysts and the media. During the year, the programme included:

2018	
December	• Trading update • Investor lunch
2019	
February	• Full-year results • Analyst and investor presentation • Investor meetings (London, Edinburgh, Amsterdam and Brussels) • Investor and analyst feedback gathered • Publication of annual report
March	• AGM
May	• Capital Markets Day presentation
July	• Half-year results • Analyst and investor presentation • Investor meetings (London and US) • Investor and analyst feedback gathered
September	• Attendance at JP Morgan Small/Mid Cap Conference • Investor meetings (Edinburgh)

In addition to the investor relations programme set out above, the Board has engaged with shareholders on the directors' remuneration policy, which is being put to shareholders for approval at the 2020 AGM.

Information on trading updates, half-year and full-year results and presentations from Capital Markets Days are available on the Company's website at www.stmodwen.co.uk.

Stakeholders
In addition to engagement with shareholders, the Company has continued to maintain regular dialogue with other key stakeholders throughout the year. As a Board, we actively engage with our stakeholders and take their views into account in our decision making.

The Board has worked with management to encourage workforce engagement and to ensure that the Group's people strategy is aligned with its desired culture. A deep-dive was undertaken at the October 2019 Board meeting when the Board considered the key activities supporting the development of the Group's culture. During the year, the Board agreed an employee engagement plan for 2020 and appointed Simon Clarke as the 'designated non-executive director' to facilitate the Board's engagement with employees. Simon provides updates to the Board from his attendance at the People Matters Group, ensuring that the views of employees are regularly taken into consideration in the Board's decision making.

The Board is active in engaging with employees and was involved in a town hall event for employees and the launch of the Group's Responsible Business ambitions in December 2019.

Further information on the Board's engagement with the Group's stakeholders is set out in the strategic report on pages 30 to 33.

Statement of compliance

This corporate governance report, together with the Audit Committee report, the Nomination Committee report, the directors' remuneration report and the sections entitled 'principal risks and uncertainties' provide a description of how St. Modwen has applied the main principles of both the 2016 UK Corporate Governance Code (the 2016 Code) and the 2018 UK Corporate Governance Code (the 2018 Code). While we are not required to report under the 2018 Code until we publish our 2020 annual report in February 2021. We have set out below an explanation of our compliance with both the 2016 Code and the 2018 Code.

The UK Corporate Governance Code is published by the Financial Reporting Council and is available on its website at www.frc.org.uk.

The UK Corporate Governance Code
Both the 2016 Code and the 2018 Code consist of principles and provisions, rather than a set of rigid rules. The Listing Rules require that we report to shareholders on how we have applied the principles. The principles are the core of the Code and the way in which they are applied should be a central question for a board as it determines how to operate.

It is the Board's view that, throughout the financial year ended 30 November 2019, the Company has complied with and applied all of the principles of both the 2016 Code and the 2018 Code with the exception of the following provisions of the 2018 Code:

Provision 36
Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.

Explanation: Shareholders will be asked to approve the revised remuneration policy at the annual general meeting on 27 March 2020. Under the revised remuneration policy, following cessation of employment, executive directors will be required to continue to hold until the normal release date: (i) shares which have been compulsorily purchased, and remain subject to the holding period, under the requirement to invest a portion of their bonus from 2020 onwards; and (ii) shares delivered under the PSP which are subject to a post vesting holding period. The Remuneration Committee will again review the approach to post-cessation holdings during the course of 2020.

Provision 38
Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.

Explanation: Under current arrangements, incumbent executive directors receive an employer pension contribution of 15% versus a 5% pension contribution for the majority of the workforce. Under the revised remuneration policy, any new executive directors will receive a pension contribution in line with the majority of the workforce. The pension contributions for Rob Hudson will be aligned to that of the majority of the workforce by the end of 2022, with reductions commencing in December 2020. At the time of writing, a review of workforce pension provision was being undertaken, the output of which will inform the pension contributions for new executive directors.

With the exception of disclosures required by Rule 7.2.6 which are set out in the director's report, the corporate governance report contains the information required by Rule 7.2 of the Disclosure and Transparency Rules of the Financial Conduct Authority.

In this Report, we explain the Committee's activities and its key areas of focus during the year

Ian Bull
Chairman of the Audit Committee

Attendance and composition of the Committee
All members of the Committee are non-executive directors and considered independent under the UK Corporate Governance Code.

Committee member[1]	Member since	Meetings attended during the year	Skill area
Ian Bull (Chair)	Sep 2014	4/4	Financial
Jenefer Greenwood, OBE	Jun 2017	4/4	Operational
Jamie Hopkins	Mar 2018	4/4	Operational
Sarah Whitney[2]	Sep 2019	0/1	Financial/ operational

(1) For full biographies of the Committee members please see the Board biographies on pages 56 to 57.

(2) Joined the Committee (and the Board) with effect from 16 September 2019. Unable to attend the meeting in October due to a prior commitment.

During the year, the following individuals also attended certain Committee meetings:

- members of the Board, for example, the Chair, the Chief Executive and the Chief Finance and Operations Officer;
- the Group Financial Controller;
- representatives from KPMG (for external audit matters) and PwC (for internal audit matters);
- representatives from Cushman & Wakefield for discussion on external valuations; and
- representatives from RSM for risk matters.

The Committee as a whole has competence relevant to the sector in which the Group operates, specifically:

- Ian Bull (Chair) – A Fellow of the Chartered Institute of Management Accountants, Ian is considered by the Board to have recent and relevant financial experience through his experience as Chief Financial Officer and Group Finance Director in UK-listed and private companies for over a decade.
- Jenefer Greenwood, OBE – A Fellow of the Royal Institution of Chartered Surveyors, Jenefer has extensive knowledge of the retail and regeneration sectors of the real estate industry, along with significant board-level experience with a number of UK-listed companies.
- Jamie Hopkins – A Member of the Royal Institution of Chartered Surveyors, Jamie has strong commercial, strategic and operational management skills and significant experience of asset management services and the real estate sector through his former roles at Workspace Group plc and Mapeley plc.
- Sarah Whitney – A fellow of the Institute of Chartered Accountants in England and Wales, and a former partner at PwC, Sarah has over 30 years' experience in the corporate finance and retail estate markets.

The secretary of the Committee is the Company Secretary, Andrew Eames.

Principal duties delegated to the Audit Committee:
- Financial reporting – monitoring the integrity of the financial statements, obtaining assurance that appropriate financial systems and financial controls are in place, the implementation of new accounting standards and reviewing and challenging the completeness and clarity of financial disclosures.
- Internal controls and processes of risk management – reviewing the effectiveness of the Group's systems of risk management and internal control and linkage to strategy.
- External audit – overseeing the relationship with the external auditor, assessing its independence and objectivity and its effectiveness including scrutiny and challenges made.
- Internal audit – supervising and assessing the effectiveness of the internal audit function, agreeing the internal audit plan, its linkage to strategy and the Group's key strategic risks, and monitoring the responsiveness of management to the audit's findings and recommendations.

The Committee's role and responsibilities are set out in its terms of reference, which are available on the Company's website at www.stmodwen.co.uk

Dear shareholders
I am pleased to present the Audit Committee's report for the financial year ended 30 November 2019. The report is intended to provide insight into the Committee's activities during the year.

Principal activities during the year

January	• 2018 final results • Key accounting judgements including year-end external property valuations • Going concern review and long-term viability statement including Brexit scenario planning and risk management • Audit Committee effectiveness review
May	• Review of 2018 audit process • Progress update of internal audit reviews • Approval of external audit fee • GDPR and protecting information update • Review of whistleblowing arrangements • Initial response to Government and regulatory body audit reviews
June	• 2019 half-year results • External property valuations • Going concern
October	• Proposal for segmental reporting • Review of risk management plans and progression of activities • Material litigation report • Review of Audit Committee report • Approval of internal audit plan for 2020 • Reviewed effectiveness of the internal and external auditors

In addition to the principal activities set out above, the Committee considers other matters regularly throughout the year including:

- key accounting policies and judgements;
- risk management;
- tax compliance; and
- internal audit updates.

Both the external auditors (KPMG) and the internal auditors (PwC) have continued to improve their understanding of the business and develop working relationships with key members of management. The internal auditor will build on this further in 2020 with a briefing pack to be shared with auditees prior to undertaking a review. Similarly to last year, an assessment of the effectiveness of the internal and external audit processes has been completed and the results are summarised on pages 68 and 69 of this report.

The Audit Committee, management and KPMG are committed to ensuring that audit quality is delivered and improved year on year. The Committee considered several areas in this regard, including KPMG's action plan to address general and specific matters raised by the FRC's Audit Quality Review. In terms of challenge:

- the Committee and management have continued to observe an in-depth audit and deep questioning;
- consistent with prior years, KPMG specialists on property valuations, tax and pensions have continued to enhance the core audit team;
- KPMG has applied additional specialist resource to certain key judgement areas;
- as a firm-wide initiative, KPMG has continued to increase the robustness and documentation of its audit procedures; and
- KPMG explained the areas where management have been challenged and the outcomes of those challenges.

The Committee believe that the level of audit quality has been improved year on year.

I was pleased to welcome Sarah Whitney to the Committee following her appointment to the Board in September. I would like to thank my fellow Committee members for their continued support and commitment to ensuring effective governance through the Committee's activities. I would also like to thank the executive team for their continued positive engagement on the matters within the Committee's remit and their contributions to Committee meetings.

Finally, I wanted to take the opportunity to briefly reflect on the future of audit. During the year the Committee has closely followed the developments and debate on audit reform in the UK. We also received a report prepared by the finance team on the recommendations from the Kingman, CMA and BEIS Select Committee reviews and, more recently, on the Brydon review. The Committee further considered the potential impact these changes may have on the way the Committee operates and our possible future relationship with the new regulator. We will continue to monitor developments in this area with interest and will act in due course to ensure that we remain compliant and fulfil all relevant governance and reporting obligations as they become clearer.

I hope that this report provides a useful overview of the Committee's activities during the year and I will be available to answer questions about the Committee at the AGM on 27 March 2020.

Ian Bull
Chair of the Audit Committee

3 February 2020

How the Committee operates
The Committee met four times during the year as scheduled; this included meetings with the external valuers to review and discuss their valuation reports for the half-year and year-end results. The Committee also held an additional ad-hoc meeting in November to discuss the treatment and provision for a potential historic liability in the trading update published in December 2019. Meetings of the Committee generally take place prior to a Board meeting to maximise the efficiency of interaction with the Board. Following Committee meetings, significant items are reported to the Board, on the key matters discussed by the Committee and on matters of relevance to the Board in the conduct of its work.

As part of their induction (see page 59 for further information), members of the Committee receive an appropriate induction to ensure that they have an understanding of the principles of, and recent developments in, financial reporting, key aspects of the Company's accounting policies and judgements, and internal control and risk management arrangements, as well as the role of the internal and external auditors.

During the year members of the Committee undertook additional independent training, for example attending briefings and seminars sponsored or led by external providers on topics such as Brexit, financial reporting developments and wider social matters e.g. climate change. Key individuals across the business attend Committee meetings during the year to present on key items including risk, protecting information, tax compliance, property valuations and financial reporting.

Several times each year, usually prior to a Committee meeting, the Committee members meet with both the external audit engagement partner and the internal audit engagement partner without management present. The Committee Chairman meets separately with each of the Chief Finance and Operations Officer, internal audit engagement partner, the external audit engagement partner and the non-executive director Committee members, typically ahead of Committee meetings, to better understand any issues and concerns that they might have.

The Committee has direct access to the internal and external audit engagement partners and the external valuers outside of formal Committee meetings. While permitted to do so, no member of the Committee, nor the Committee collectively, sought outside professional advice beyond that which was provided directly to the Committee during the financial year.

Committee performance evaluation
Progress against the 2018 evaluation
The 2018 evaluation of the Committee's performance identified two key areas of focus:

- Committee succession planning and the need to improve the mix of skills of Committee members. As a result, Sarah Whitney, was appointed during the year. As a Chartered Accountant and former PwC partner, she brings significant experience in the finance, investment and real estate sectors; and
- Improving the oversight of whistleblowing procedures. The Company Secretary led a review of the Group's whistleblowing procedures during the year and launched an action plan to improve awareness of and reporting to the speak up hotline. Regular reports on progress were provided to the Committee.

Areas of focus identified by the 2019 evaluation
The 2019 evaluation of the Committee's performance supported the view that overall the Committee was performing well. The assessment also allowed for more qualitative commentary to be provided and where these comments were made the following areas of focus were identified:

- a review of risk plans be included in the forward Audit Committee agenda;
- to increase the frequency at which management's view of contingent liabilities are considered; and
- a review of the assurance mapping exercise to be undertaken in 2020 with associated recommendations.

The Committee has considered proposed actions to address the points raised above and agreed next steps.

Committee goals and objectives
In assessing the remit and role of the Committee, consideration was given to how it could best use its time to support the strategy of the business, discharge its responsibilities and comply with current and future audit and governance requirements. To focus the Committee's time and energy effectively, the Committee discussed and agreed to adopt several goals and objectives for 2020 and beyond, which would enable the Committee to prioritise those areas and activities that will help achieve its goals. The Committee is making good progress against its objectives in particular timely consideration of accounting and governance changes and the alignment of the finance and IT teams to support delivery of the strategic goals.

Activities of the Committee during the year
Reporting
The Committee undertook its primary responsibility in relation to the Group's financial reporting, to review the integrity of the half-year and annual financial statements with both management and the external auditor. The objective was to satisfy itself and the wider Board that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further details on the directors' considerations can be found in the statement of directors' responsibilities on page 103.

Accounting policies and practices
The Committee received reports from management relating to the continuing appropriateness of accounting policies applied by the Group and any changes required as a consequence of the implementation of the following amended accounting standards: IFRS 9 *Financial Instruments*; IFRS 15 *Revenue from contracts with Customers*; and IFRS 16 *Leases*. The adoption of these standards had no material impact on the Group financial statements.

Following the reorganisation of the business during the year to align with the strategic objectives, a proposal for segmental reporting was presented to the Committee. The adoption of segmental reporting has a significant impact on the Group financial statements. The Committee reviewed the proposal prepared by the finance team in detail along with the external auditors and considered example tables which illustrated the impact of this change.

Segmental reporting has been adopted for the year ended 30 November 2019 as it will facilitate informed decision making, allow resources to be better allocated and offer improved transparency of performance of the three constituent parts of the business.

Following due consideration and discussion with KPMG, the Committee reviewed the supporting papers and was satisfied that the accounting policies and related disclosure in this annual report remained appropriate.

For further information on the Group's accounting policies see pages 118 to 126.

Significant judgements and financial issues
The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application to the Group financial statements. The significant issues and other accounting judgements considered by the Committee in relation to the 2019 financial statements, and how these were addressed, are outlined below. The Committee discussed these issues with management and KPMG and, where appropriate, considered how these were addressed by KPMG's audit scope.

Independent auditor's report
See pages 105 to 113

Significant issues	Work undertaken by and the conclusion of the Committee
Valuation of investment properties (see note 10 to the Group financial statements) The valuation of St. Modwen's investment properties is a key determinant of the Group's results and balance sheet as well as executive variable remuneration. Although the portfolio valuation is conducted externally by independent valuers, the nature of valuation estimates is inherently subjective and requires significant judgements and assumptions to be made by the valuers. These include market comparable yields, estimates in relation to future rental income, void periods, purchaser costs, together with remediation and other costs to complete, some of which require management input. These judgements and assumptions are subject to market forces and will change accordingly.	The Committee adopts a formal approach by which the valuation process, methodology, assumptions and outcomes are reviewed and robustly challenged. This includes a separate review and scrutiny of the external valuations by both management and the Committee, with members of the Committee discussing the valuations both prior to and at Committee meetings in January and June. It also includes a review by the external auditor which is assisted by its own specialist team of chartered surveyors who are familiar with the valuation approach and the UK property market. The external auditor has direct access to the Group's valuers, and using their own valuation specialists, considered the valuations and process and reported its findings to the Committee. The Group's valuers and management jointly present their valuation reports to the Committee as part of the half-year and full-year results process and highlight any significant judgements made. Prior to these reviews the Group's management provide the valuer with up-to-date tenancy information and costs to complete across all assets, and holds meetings with the valuer to discuss each individual valuation. These meetings include discussions around any changes in tenants, lease agreements, and transactional evidence on comparable sales or lettings to support the valuations. Against the backdrop of the continued uncertainty created by the UK's vote to leave the EU, the Committee also considered the extent to which this could impact the property investment and lettings market in terms of both activity and liquidity. Based on the degree of oversight and challenge applied to the valuation process, the Committee concluded that the valuation as a whole had been conducted appropriately, independently and in accordance with the valuers' professional standards.
Carrying value of housebuilding inventories and recognition of housebuilding profits (see note 14 to the Group financial statements) Given the increase in the scale of the housebuilding business, St. Modwen Homes represents a significant proportion of the Group's overall profit and the margin assessment made on Homes sites is considered to be a key accounting judgement. Housebuilding inventory is carried at the lower of cost and net realisable value and profit is recognised on each housebuilding completion with respect to the anticipated margin for each site. Management rely on their own internal procedures for assessing the carrying value of housebuilding inventory and profits which require a number of estimates to be made in respect of forecast revenue and costs.	The Committee reviewed management's assessment as to whether any provision was required against the carrying value of housebuilding inventories and recognition of housebuilding profits. The assessment process undertaken to determine net realisable value and profit was considered by the Committee, which included ongoing monitoring by management as well as detailed reviews at both the half year and full year. The Committee concluded that the judgements and estimates made by management were in line with Group policy, reasonable and appropriate and were supported by KPMG.

Significant issues	Work undertaken by and the conclusion of the Committee
Accrual for costs in relation to the New Covent Garden Market (NCGM) site (see note 12 to the Group financial statements) The project to procure a market at the Nine Elms site for Covent Garden Marker Authority is a significant one which is forecast to continue for another six years. Our share of the remaining costs of the market construction are forecast (pre-discounting) to be c.£72m but this assessment is an area of significant accounting judgement for the Group. The Group engages with external experts to form a reliable estimate of the costs associated with the project. As the construction costs will be incurred over several years the Group also makes an estimate of the appropriate discount rate.	During the year, the Committee has: • considered the key accounting judgements relating to the total project cost and discussed the sensitivities, risks and robustness of this accrual; and • reviewed KPMG's findings in relation to the gross liability and discount rate. The Committee concluded that the liability recognised in respect of this project was appropriate.
An exceptional provision has been made in relation to a potential 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 (see notes 5a and 18 to the Group financial statements) No detailed articulation of the claim has yet been made and there is limited information available at this early stage. 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.	The Audit Committee has reviewed the detail supporting the provision, along with KPMG, to conclude on its reasonableness, noting that this reflects at this stage the uncertainty over this liability. The Committee also concluded that it was appropriate for this item to be shown as an exceptional item.

Assessment of Alternative Performance Measures (APMs)
As part of its key considerations for the half-year and full-year results disclosures, the Committee carefully considered the APMs used to assess financial performance. The Committee concluded that the APMs remained an appropriate measure of performance and were understood by both internal and external stakeholders as a measure of the execution of the business's strategy. Further details on the Group's APMs can be found in notes 2 and 3.

Viability and going concern
The Committee provides advice to the Board on the form and basis underlying both the going concern statement and the longer-term viability statement.

As both statements rely on forecasts, the Committee considered the assumptions and judgements applied by management in relation to the timing of receipt and payment cash flows, the ongoing availability of funding and covenant compliance. The Committee also reviewed the appropriateness of the need to balance the detail of risk in the sector with scenario analysis prepared by management, including the assumptions made. The scenarios modelled by management included a base case, a downside case based on a hard Brexit scenario as at 31 December 2020, assumptions in line with the Bank of England's stress test and an assessment of the point at which a downside would cause a covenant breach.

The Committee concluded that it remains appropriate for the financial statements to be prepared on a going concern basis and recommended the viability statement to the Board.

Going concern statement
See page 103

Viability statement
See page 40

Fair, balanced and understandable
When reporting to shareholders, the Board aims to present a fair, balanced and understandable assessment of the Group's position and performance and is assisted in this by the Committee. This responsibility covers the annual and half-year reports and financial statements, as well as trading updates and other financial reporting in the year.

The Committee is satisfied and has confirmed to the Board that the 2019 annual report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In reaching this view the Committee considered the robust and well-established processes in place to prepare the annual report and financial statements, which includes:

- Regular debates and challenge with senior management and with both external and internal auditors around clarity, tone and items of judgement including ensuring that both negative and positive news was well balanced.
- Revisions to regulatory requirements and governance principles, including the 2016 and 2018 Corporate Governance Codes.
- Focused reviews and approval of specific sections by the relevant Board committees, supported by regular reporting by Board Committees to the Board on their activities.

Ultimately, the Board takes into account the view of the Audit Committee when undertaking its own review of the document prior to giving final approval.

External auditor
KPMG, as the Group's external auditor, is engaged to express an opinion on the Company's and wider Group's financial statements. KPMG's audit includes a review and test of the systems of internal control and data contained in the financial statements to the extent necessary to express an audit opinion on them. The Company has complied with the Statutory Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Responsibilities) order 2014. Following a tender process KPMG were appointed for the year ended 30 November 2017 and, under the current regulations, the Company will be required to retender the audit by no later than 2026/2027. The Committee will keep the external auditor tender under review and act in accordance with any changes in regulations and best practice relating to the tenure of the external auditor. Bill Meredith is the current KPMG senior audit partner and was appointed to the St. Modwen audit in March 2019 following the planned retirement of the previous KPMG senior audit partner, Bill Holland.

Audit plan
The Committee is responsible for overseeing the relationship with the external auditor. KPMG presented the audit plan for the year ended 30 November 2019 to the Committee in October 2019. The plan outlined the proposed audit approach and considered the key changes in the business and the impact of these on materiality, scope and risk assessment (see the independent auditor's report on page 105).

The external audit fee of £470,000 (2018: £348,000), which was approved by the Committee, was felt to be appropriate given the increase in the scope of work while not adversely affecting KPMG's independence or objectivity.

Independence
The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. The Committee has reviewed:

- the confirmation from KPMG that they maintain appropriate internal safeguards in line with applicable professional standards;
- the mitigating actions taken by the Committee in seeking to safeguard KPMG's independent status, including the operation of policies designed to regulate the appointment of former employees of the external audit firm and the extent of non-audit services provided by the external auditor;
- KPMG's policy to not undertake any non-audit work for FTSE 350 audit clients other than services closely related to the audit; and
- the skills and experience within the audit team.

Taking the above review into account, the Committee concluded that KPMG was objective and independent in their role as external auditor.

Non-audit fees
The Company has a non-audit fee policy that limits the non-audit services that can be provided to the Group by the external auditor. In addition, KPMG's non-audit fee policy prohibits the provision of non-audit services other than services closely related to the audit to any FTSE 350 audit clients. KPMG provided non-audit services to the Group during the year of £55,000 (FY2018: £52,000) relating to the review of the half year results. Further information on the remuneration of the external auditor can be found in note 5 to the Group financial statements.

Effectiveness of external audit process
During the year, the Committee assessed KPMG's performance as external auditor. A questionnaire was issued to Committee members, regular attendees and those involved in the external audit process. Questions were posed around the reputation and independence of the firm, the effectiveness and performance as well as the technical competence of the audit team, the output, quality and cost effectiveness of the audit process and the effectiveness of communications with the audit team. The Committee discussed a summary of the key findings and results at its meeting in October 2019 and the proposed actions were noted. The main concerns raised were around better planning and more proactive oversight by the senior audit team over the audit process which has been addressed through planning with KPMG.

During the year, the Committee received updates on KPMG's progress on certain improvement actions identified in the FRC's AQR report in 2018 and noted the improvement in KPMG's 2019 AQR report. Overall, the Committee remains satisfied with the performance of KPMG as external auditor and is of the view that there is nothing of concern that would impact the effectiveness of their external audit processes. A resolution to re-appoint KPMG as external auditor will be proposed at the forthcoming AGM.

Internal auditor
PwC was appointed as the Group's internal auditor in 2016. PwC's key objectives are to provide independent and objective assurance in relation to the design and effective operation of controls in place in the areas agreed per the internal audit plan. During the year, the Committee monitored PwC's progress against the three-year internal audit plan. The plan is approved on an annual basis by the Committee and is informed by both the Group's strategy and key risks identified by the Risk, Assurance and Compliance Committee (RACC). The Audit Committee considers the scope and timing of each internal audit and, with management, ensures that adequate resources are made available to accomplish the agreed work programme. The Committee Chairman meets regularly with the internal audit engagement partner to discuss the activities of the internal audit team and the nature of any significant issues that may have arisen.

During the year, five internal audit reviews were undertaken, examples include:

- construction process;
- key financial controls; and
- St. Modwen Homes build process.

Audits planned for the 2020 financial year include:

- leasing and tenant management;
- St. Modwen Homes sales process and marketing strategy review; and
- environmental risk mitigation.

Effectiveness of the internal audit process
During the year, the Committee assessed the effectiveness of the Group's internal audit process, including the performance of PwC as the Group's internal auditor. A questionnaire was issued to Committee members, regular attendees and those involved in the internal audit process. The Committee discussed feedback from the review at its meeting in October 2019 and considered the key themes and proposed actions. The assessment highlighted the need for detailed briefing for key staff responsible for processes being audited and to raise awareness of the importance and remit of internal audit across the Group.

In response to the 2018 internal audit effectiveness review, good progress had been made during the year against the agreed actions with increased visibility and improved quality of relationships between the members of the internal audit team, Executive Committee and the RACC.

The Committee remains satisfied with the performance of PwC as internal auditor and is satisfied that the internal audit function continues to operate effectively.

Risk management and internal control systems
As required by the UK Corporate Governance Code, the Board undertook a review of the effectiveness of the Group's risk management and internal control systems during the year. The Board concluded that, overall, the systems were effective. During the year, the Committee monitored and reviewed the effectiveness of the Group's internal control systems and agreed that they were also effective.

In forming its view, the Committee considered:

- the Group's and each business unit's risk registers, including significant and emerging risks, the mitigating controls in place and changes in exposures over the reporting period;
- feedback from the RACC;
- external views from RSM (risk management advisors) in relation to emerging risks and best practice risk management;
- internal audit reports on key audit areas and any significant deficiencies in the control environment;
- management reports on the systems of internal controls and risk management, including tax compliance;
- external audit reports from KPMG including details of their risk assessment process for audit purposes;
- actual and potential legal claims and litigation involving the Group; and
- the effectiveness of the internal and external audit functions.

The Board is ultimately responsible for maintaining the Group's risk management and internal control systems and for determining the nature and extent of the risks it is willing to consider in achieving its strategic objectives. The Audit Committee, on behalf of the Board, oversees the application of those systems. During 2019, the Board continued to review the Group's risk management framework to ensure it continues to remain aligned with the Group's strategic objectives and changes to the internal governance structures. This review has also included a detailed review of the Group strategic risk register, the risk appetite framework and risk management strategy.

Further information on the Group's principal risks and risk management framework is set out on pages 34 and 39 of the strategic report.

Whistleblowing and fraud
The Group's 'Speak Up' policy encourages employees to report, in confidence and anonymously if preferred, their concerns about suspected impropriety or wrongdoing in any matters affecting the business. A confidential helpline, the 'Speak Up' helpline, is hosted by an independent third party and any matters reported through this are thoroughly investigated and escalated to the Committee. No material issues were reported to the helpline during the year.

The Group's fraud prevention policy requires employees to be alert to the possibility of the threat of fraud and to report any concerns they have immediately. The Company remains vigilant against such risk, including fraudulent payment requests, and continues to ensure the adequacy of controls and procedures to prevent such fraud. The Committee is made aware of all potentially fraudulent activity. No material fraudulent activity was reported during the year.

In this report, we explain the key activities and focus of the Committee during the year

Danuta Gray
Chair of the Nomination Committee

Attendance and composition of the Committee
All members of the Committee who served during the year are considered to be independent. Under its terms of reference, the Committee is responsible for keeping its composition under review and for making recommendations to the Board as to its membership.

Committee member[1]	Member since	Scheduled meetings attended in year	% attended in year
Danuta Gray (Chair)[2]	Oct 2018	6/6	100%
Ian Bull	Sep 2014	6/6	100%
Jenefer Greenwood, OBE	Jun 2017	6/6	100%
Jamie Hopkins	Mar 2018	6/6	100%
Bill Shannon[3]	Nov 2010	2/2	100%
Sarah Whitney[4]	Sep 2019	1/2	50%

(1) For full biographies of the Committee members see the pages 56 and 57.

(2) Assumed the role of Chair with effect from the conclusion of the AGM on 29 March 2019.

(3) Resigned from the Committee and the Board with effect from the conclusion of the AGM on 29 March 2019.

(4) Appointed to the Committee and the Board on 16 September 2019. Sarah was unable to attend the October 2019 Committee meeting due to prior business commitments.

Attendees and contributors to the Committee (by invitation):
Chief Executive – Mark Allan

Non-executive director – Simon Clarke

General Counsel and Company Secretary (Secretary to the Committee) – Andrew Eames

Dear shareholders
This year, the Committee has made good progress with the work identified last year to ensure that St. Modwen continues to be led by a Board and executive team that is effective in delivering the Group's strategy.

As previously reported, my predecessor Bill Shannon stepped down at the conclusion of last year's AGM. I would like to thank Bill for his leadership of the Board during a period of profound change for the Group. I will be building on his legacy to ensure that the Company's leadership continues to evolve so that it is ready to meet the challenges and opportunities of the future.

In September 2019, the Committee was delighted to welcome Sarah Whitney to the Board as a new non-executive director. Sarah has extensive experience of real estate across the entire life cycle of the industry as well as a strong financial background. This, combined with her experience in helping to forge strong public private partnerships, will add to our collective expertise and strengthen our Board. Sarah joined the Audit Committee, Remuneration Committee and Nomination Committee on her appointment to the Board and underwent a bespoke induction programme.

During the year, the Group Health and Safety Committee held its first two meetings and, on the Committee's recommendation, Jamie Hopkins was appointed as Chair of the Committee in June 2019.

In line with the 2018 UK Corporate Governance Code (2018 Code), Simon Clarke is the Board's designated employee engagement non-executive director. Simon has attended meetings of the People Matters Group as well as holding a number of informal meetings with the broader workforce, thus enabling employee views to be taken into consideration in the Board's decision making.

As part of the Group's reorganisation in June 2019, the Senior Leadership Executive was replaced by an Executive Committee. The Executive Committee is led by Mark Allan and its members include the managing directors of each business unit, as well as other key functional leaders.

During the year, the Nomination Committee considered the composition of, and succession planning for, the Executive Committee. Following Mark Allan's decision to leave St. Modwen, the Nomination Committee has engaged Heidrick & Struggles to conduct a search for his successor. Mark is gradually handing over responsibilities to Rob Hudson, who will take on the role of interim Chief Executive until a new Chief Executive is appointed.

Looking forward, the Nomination Committee will continue to focus on strengthening the Board and senior management pipeline, taking into account the requirements of the 2018 Code and the need to ensure that the Board and people who work for St. Modwen are representative of the diverse society in which we live.

The remainder of this report provides further information on the key activities of the Committee during the year.

Danuta Gray
Chair of the Nomination Committee

3 February 2020

How the Committee operates
The Committee agrees, in advance, an annual programme of matters to be considered throughout the year and meetings are arranged at appropriate points in the year. During the 2019 financial year, the Committee held three scheduled meetings in line with its annual programme and three additional meetings. Two of these meetings were convened to consider the appointment of Sarah Whitney and one meeting was held to discuss succession planning for the Executive Committee.

During the year, the Chair of the Board, being Bill Shannon or Danuta Gray, chaired the meetings of the Committee. Following each meeting, the Chair provided formal updates to the Board on the Committee's activities and highlighted relevant matters for consideration.

Key activities during the year
A summary of the key activities of the Committee during the year are set out below:

Succession planning
The Committee considered the balance of skills and experience on the Board and made recommendations to the Board on the recruitment of directors.

At its meeting in October 2019, the Committee focused on succession planning for the Executive Committee. The Committee will continue to review succession planning and monitor the progress and success of the development plans which have been established for relevant employees.

The Committee monitors the length of tenure, skills and experience of the non-executive directors to assist in succession planning. The Committee is confident that the Board has the necessary mix of skills and experience to contribute to the Company's strategic objectives.

Appointment of new directors
The Committee leads the process for Board appointments and makes recommendations to the Board when suitable candidates have been identified. When considering appointments to the Board, the Committee considers any current or future gaps in the Board's skills and experience so that it can prioritise candidates with those strengths. For example, the Committee identified the need for an additional director to provide support to the Audit Committee with experience in the property sector, in particular, public private partnerships. Sarah Whitney was identified as having significant experience in those areas and joined the Board in September 2019.

The Committee adopts a formal and transparent process with regard to the skills, knowledge and experience needed on the Board, in addition to diversity considerations.

In recommending appointments, the Board is mindful of the Davies Report and Hampton-Alexander Review in relation to gender diversity, and the Parker Review in relation to ethnic diversity. When considering Sarah Whitney's appointment, a diverse range of candidates from a variety of backgrounds were considered, and comprehensive profiles were prepared for the Committee's consideration.

An external search agency, Heidrick & Struggles, was engaged by the Committee to support the recruitment process. Heidrick & Struggles has no other connection with the Company other than providing recruitment services and is an accredited firm under the Enhanced Code of Conduct for Executive Search Firms.

The Committee is responsible for overseeing the induction of new directors. Further details on Sarah Whitney's induction are provided on page 59.

Assessment of the independence of the non-executive directors
The terms of service of the Chair and the other non-executive directors are contained in their letters of appointment. These set out the time commitment expected from each non-executive director. The executive directors' service contracts and non-executive directors' appointment letters are available for inspection at our registered office and will be available for inspection at the 2020 AGM.

On appointment, each non-executive director confirms that they are able to allocate the time required to carry out their duties. Additional external appointments must be approved by the Board, which will consider both the time commitment required for the role and any potential conflict of interest.

The Committee and the Board are satisfied that all directors offering themselves for election or re-election at this year's AGM continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company.

All non-executive directors, with the exception of Simon Clarke, are independent. Simon represents the interests of the Clarke family, one of the Company's largest shareholders, and has served on the Board for 15 years. Simon has a unique knowledge of our corporate history which means he is well placed to provide continuity and stability to the Board.

Management of conflicts of interest
The Committee and the Board are satisfied that the external commitments of all the non-executive directors do not conflict with their duties and commitments as directors of the Company, and that each non-executive director is able to dedicate sufficient time to the Company's affairs.

Directors have a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. This duty is in addition to the existing duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company. Directors are required to seek Board approval prior to accepting any new external appointments. Prior to approving any such appointments, the Board considers the time commitment required and any potential conflicts of interest.

Board diversity
During the year, the Committee considered and revised the Board diversity policy. The Board is committed to promoting inclusion in all forms and recognises the benefits that diversity can bring, both to the boardroom and across the business. Differences in background, personal characteristics, skills, industry experience, and other qualities combine to provide different perspectives. These have a positive impact on boardroom debate and the Group's performance and wider organisational effectiveness. The Group's strategic objectives will be more effectively delivered by a Board and senior management team that not only has appropriate expertise and shares the Group's values, but also reflects the views and diversity of our customers, employees and suppliers as well as the communities that we serve. The Board diversity policy is consistent with the Group diversity and inclusion policy that applies to the wider workforce.

Our Board diversity policy requires the Committee to:

- only engage search firms that have signed up to the 'Enhanced Voluntary Code of Conduct';
- liaise with the search firms to ensure that candidates are selected on merit against objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, cognitive and personal attributes; and
- if considered appropriate, request that search firms produce long lists of diverse candidates subject to them being of appropriate merit.

Implementation of diversity
The Committee continues to monitor the Company's compliance with gender diversity targets set out in the Davies Report and the Hampton-Alexander Review in relation to gender diversity, and Parker Review in relation to ethnic diversity.

Following the appointment of Sarah Whitney to the Board, three of our eight Board directors are women (37.5%). We are committed to increasing the representation of women in leadership roles and aim to maintain the Davies Report recommendation of a 25% target for female representation on the Board. We have met the target in the Hampton-Alexander Review that, by 2020, at least 33% of Board and Executive Committee positions, together with their direct reports, are held by women.

The chart below illustrates the current gender diversity statistics for our Board, Executive Committee and their direct reports against the Hampton-Alexander Review and Davies Report:

The Board is mindful of the recommendation of the Parker Review Report to have at least one director from a non-white ethnic minority by 2024 and will continue to take this into consideration in any future searches and succession planning.

Diversity extends beyond the boardroom and the Committee is supportive of management's efforts to build a diverse organisation. Following the recommendations of the McGregor-Smith Review, St. Modwen has implemented Black, Asian and Minority Ethnic (BAME) reporting in our people system.

Committee performance
The Committee is pleased to report that the performance evaluation of the Committee's effectiveness concluded that the Committee operated well and identified the following areas of focus for 2020:

Area of focus	Specific action
Greater visibility of the talent pipeline and leaders within the business	• Implementation of a talent pipeline framework by the Chief Executive and Group HR Director. • Increase the frequency of opportunities for Board and senior management team interaction including attendance at Board and committee meetings, site visits and Board and team events.
Great emphasis and clarity on succession planning	• Talent pipeline framework to be used to identify and develop potential future leaders. • Detailed succession plan to be developed during the next 12 months to identify gaps in skills or experience.

Governance
The Committee amended its terms of reference during the year so that they were brought in line with the requirements of the 2018 Code. The Committee considers that it complies with the requirements of the current 2016 Code and that it is well placed to be compliant with the 2018 Code over the course of the next year. Further information on the Group's compliance with both the 2016 Code and the 2018 Code can be found on page 62.

The Committee will focus on ensuring that the Board's composition and succession planning remains appropriate for the Company's culture, values and strategic goals and on overseeing the Group's policies and processes for building its management pipeline.

In this report, we explain the key activities and focus of the Committee during the year

Jamie Hopkins
Chairman of the Group Health and Safety Committee

Attendance and composition of the Committee
Jamie Hopkins chairs the Committee and is considered to be independent. Under its terms of reference, the Committee is responsible for keeping its composition under review and for making recommendations to the Board as to its membership.

Committee member	Member since	Meetings attended during the year	% attended in the year
Jamie Hopkins (Chair)[1]	May 2019	2/2	100%
Mark Allan[2]	May 2019	2/2	100%

(1) Assumed the role of Chair on 25 June 2019.

(2) Stood down as Chair on 25 June 2019.

Attendees and contributors to the Committee (by invitation):
General Counsel and Company Secretary (Secretary to the Committee) – Andrew Eames

Group Health and Safety Manager – Ray King

Managing Director – St. Modwen Homes – Dave Smith

Dear shareholders
As Chairman of the Group Health and Safety Committee, I am pleased to present the Committee's report for the financial year ended 30 November 2019.

As a Committee, we endeavour to challenge management to continually improve health and safety for the benefit of all those who work at or visit our sites, offices and properties. I am therefore pleased to report an average accident frequency rate of 0.07 (2018: 0.15), which is considerably below the industry average (as advised by the HSE) of 0.40 and an improvement on the prior year. We continue to focus on eliminating RIDDOR reportable accidents and strive for zero life changing injuries across the business.

The Committee was established during the year by the Board as the Group Safety, Health and Environment Committee and, chaired by Mark Allan, held its first meeting in May 2019. The name of the Committee was changed to its current form to reflect its primary focus on health and safety matters. Environmental matters are considered in greater detail at the Environmental and Social Impact Committee which is chaired by Mark Allan. Details of the Environmental and Social Impact Committee can be found on page 55.

In June 2019, the Nomination Committee discussed the role and purpose of the Committee and agreed that, as health and safety was of the utmost importance to the Company, it would be appropriate for the Committee to be chaired by an independent non-executive director. I was pleased to succeed Mark as Chair of the Committee in June 2019. Mark remains a member of the Committee until he leaves the business on 30 April 2020. Rob Hudson, Chief Finance and Operations Officer, will be appointed as a member of the Committee from 1 May 2020.

In the Committee's first year, we have focused on continuing to develop the Group's health and safety framework, strategy and objectives for the year. We have also worked with management to encourage good practice and further develop health and safety practices across the Group. The Group's health and safety framework sets out the key health and safety responsibilities and accountabilities for the leadership team as well as the Group's support functions and governance committees. Further information on the Group's health and safety strategy and performance can be found on pages 28 and 29 of the strategic report.

I look forward to working with management to develop the Committee and to further improve the Group's health and safety performance.

Jamie Hopkins
Chair of the Group Health and Safety Committee

3 February 2020

How the Committee operates
The Committee has met twice during the year. An annual programme of matters to be considered across the year is agreed in advance. At each meeting, any key matters arising from the meetings of the Health and Safety Committee (a committee attended by senior management) are reported to the Committee for consideration.

Following each meeting, the Chair provides formal updates to the Board on the Committee's activities and any relevant matters.

Key activities during the year
A summary of the key activities of the Committee during the year is set out below.

- **Group health and safety strategy** – approved by the Committee on an annual basis, the implementation of the strategy is overseen by the Committee.
- **Key health and safety objectives and performance** – objectives (including leading and lagging indicators) are agreed and performance is measured through the year.
- **Key health and safety risks and 'deep dives'** – a programme of Committee 'deep dives' was agreed including temporary works, working at height and fire safety.
- **Assurance** – during the year the Committee considered any key trends identified by management and discussed the lessons learned from any major health and safety incidents.

In this report we explain the Committee's approach to executive director remuneration, focusing on our new three-year policy

Jenefer Greenwood, OBE
Chair of the Remuneration Committee

Attendance and composition of the Committee
The Committee's composition is kept under review by the Nomination Committee, which is responsible for making recommendations to the Board as to its membership.

Remuneration Committee members[1]	Member since	Scheduled meetings attended in year out of maximum possible	% attended in year out of maximum possible
Jenefer Greenwood, OBE (Chair)	Jun 2017	5/5	100%
Ian Bull	Sep 2014	5/5	100%
Danuta Gray	Oct 2018	5/5	100%
Jamie Hopkins	Mar 2018	5/5	100%
Bill Shannon[2]	Nov 2010	1/1	100%
Sarah Whitney[3]	Sep 2019	2/3	66.7%

(1) For full biographies of the Committee members see the Board biographies on pages 56 to 57.

(2) Resigned from the Committee (and the Board) with effect from the conclusion of the AGM on 29 March 2019.

(3) Joined the Committee (and the Board) with effect from 16 September 2019. Unable to attend meeting in October 2019 due to a prior commitment.

Attendees and contributors to the Committee (by invitation):
Chief Executive – Mark Allan

Non-executive director – Simon Clarke

Group HR Director – Jane Saint

General Counsel and Company Secretary (Secretary to the Committee) – Andrew Eames

Representatives from Remuneration Committee adviser – Korn Ferry

Dear shareholder
On behalf of the Board I am pleased to present the report on directors' remuneration for the financial year ended 30 November 2019. This report includes our annual report on remuneration (pages 87 to 99) which describes how the existing shareholder approved directors' remuneration policy was implemented for the year ended 30 November 2019. The report will be put to an advisory shareholder vote at the 2020 AGM.

The existing directors' remuneration policy is due to expire at the forthcoming AGM. Therefore, this report also includes our revised policy for which shareholder approval will be sought at the 2020 AGM (pages 78 to 86), together with how it is intended that our revised policy is implemented in the forthcoming year.

Policy review
A thorough review of the existing policy was undertaken by the Committee to ensure that our approach to senior executive remuneration continues to support the Company's key strategic goals as we progress with our ambitious growth strategy, providing a clear link between the Company's success and remuneration outcomes for individuals, equipping us to attract and retain the best talent at St. Modwen.

Our review was undertaken in the context of the continued outstanding performance of our senior management team. St. Modwen has successfully repositioned itself to that of a focused Industrial & Logistics (I&L) income-producing company and regional housebuilder, while also retaining a focus on strategic land and regeneration.

To support this new strategy, the Company has been reorganised into three distinct segments: (i) Industrial & Logistics (I&L); (ii) St. Modwen Homes (SMH); and (iii) Strategic Land & Regeneration (SL&R). During this transition, St. Modwen has sold c. £950m of assets, equivalent to more than half of the initial portfolio, reconfiguring its portfolio away from London residential land and secondary retail property. This has proved a very astute move, given the deteriorating outlook in retail property and headwinds being experienced by the London land market. In addition, this disposal programme has been achieved whilst growing net asset value (NAV) per share by more than 12% since November 2016, and has resulted in the see-through loan-to-value (LTV) ratio falling from 30.5% to 19.6%. Furthermore, over this period the Company has ensured that it has sufficient land in place to support its development ambitions over the next five years. The next phase of the Company's strategy will be to continue to drive returns through acceleration in the delivery of its I&L pipeline, further growing housebuilding volumes and building on the momentum in regeneration projects.

Therefore, whilst we were disappointed to announce the departure of Mark Allan as Chief Executive, we have achieved an enormous amount over the past few years. Mark leaves the Company in a strong position and we have a clear strategy focused on sectors with strong structural growth characteristics, an aligned and talented management team in place ready to deliver, ample financial capacity and a deep pipeline of opportunities, all of which continue to underpin our growth ambitions. Further details of Mark's termination arrangements can be found on page 95.

The output of our review of the existing remuneration policy found that no fundamental changes are required, as the policy has served the Company well and is supportive of our strategy. Therefore, the main pillars of the existing policy will be rolled forward, with no changes to reward opportunity under our annual bonus plan and Performance Share Plan (PSP). However, we are intending to vary slightly our approach to the performance conditions used in these plans to ensure they remain relevant:

- **Annual bonus plan** – the 150% of salary maximum will be retained, as will the requirement that 40% of any net bonus earned be used to acquire shares that must be retained for three years. However, for the year ending 30 November 2020 we are intending to simplify the operation of the bonus and bring it further into line with our strategy by using only two financial metrics – adjusted EPRA earnings and total accounting return (TAR) – as opposed to three. Therefore, LTV will no longer be employed as a metric, reflecting the fact that the Company's strategic goal of reducing borrowings to more appropriate levels has now been achieved. The 2019/20 bonus will be weighted 37.5% on Adjusted EPRA earnings, 37.5% on TAR (both key metrics in our strategy) and 25% on personal/strategic targets.
- **Performance Share Plan** – we will continue to grant awards over shares worth up to 150% of salary each year, which vest three years later, subject to performance and with a two-year post vesting holding period also applying. The performance conditions that will apply to awards made in 2019/20 will again be split 50:50 between relative Total Shareholder Return (TSR) vs real estate sector peers and absolute total accounting return targets. However, we will use a slightly different TSR comparator group going forward that more accurately reflects the evolving nature of our business by including, for example, some listed housebuilders.

During our review we also took due account of changes in market and best practice, including the remuneration-related provisions of the 2018 UK Corporate Governance Code (2018 Code). For example:

- In relation to our share ownership guidelines, our 'normal' shareholding guidelines will remain at 200% of salary. However, to reflect the new focus on post-cessation shareholdings, the operation of the compulsory share investment provision in the bonus will be amended going forward so that the three-year holding period relating to shares acquired in the future will survive cessation of employment (presently, the holding requirement falls away on cessation). This change should be considered in light of the fact that under the PSP: (i) the two year post-vesting holding period also survives cessation; and (ii) in the normal course of business a good leaver's unvested PSP awards will be tested on the normal vesting date (i.e. post-cessation). However, we are mindful of evolving practice in this area and will keep our approach under review.
- With regard to pension provision, any new executive director will receive a pension contribution in line with that of the majority of the workforce which is currently 5%, although this is currently under review. This will therefore apply to the new Chief Executive when appointed. The pension provision for Rob Hudson will be aligned to that of the majority of the workforce by the end of 2022, with reductions commencing in December 2020.

Finally, we are (i) including a standard flexibility in our policy to allow additional remuneration to be payable to reflect increased responsibilities or time commitment in certain limited circumstances and (ii) increasing the notice that an executive director has to provide should they wish to leave the Company to 12 months (from six months currently).

We consulted with our major shareholders and the main proxy advisory bodies in relation to our new policy and were pleased with the broad levels of support indicated.

Remuneration outcomes in 2018/19

In the year to 30 November 2019, the Company delivered another year of strong performance against a backdrop of continued market uncertainty. Our focus was firmly on executing our strategy, based on four key strategic objectives: portfolio focus and capital discipline; accelerate our commercial development activity; grow our residential and housebuilding business; and cement our regeneration reputation.

These strategic objectives were fully reflected in our approach to senior executive reward for the year. A significant portion of the executive directors' remuneration was linked to performance via the annual bonus plan and PSP, with the metrics used in these plans firmly supporting the strategic goals that existed at the time the targets were set.

Reflecting both the financial results for the year and individual performance, Rob Hudson was awarded a bonus equivalent to 112.2% of his base salary (74.8% of the maximum) for the year ended 30 November 2019. Due to his resignation, Mark Allan did not receive a bonus. Full details of the Committee's assessment of performance against bonus objectives for the year can be found on pages 88 and 89.

The PSP awards granted in 2017 were subject to performance conditions measured over the three financial years to 30 November 2019. The vesting of 50% of this award was subject to TSR performance relative to a group of real estate sector companies, with the remaining 50% subject to absolute total accounting return targets. As explained in more detail on page 89, 67.2% of Rob Hudson's award will vest following publication of this report. All of Mark Allan's unvested PSP awards will lapse when he leaves St. Modwen.

These bonus and PSP outcomes reflect how the Committee envisages these incentive plans operating, in that they continue to deliver rewards commensurate with our underlying performance. Further in this regard, and as explained in the relevant sections of this report, when determining these bonus and PSP outturns, the Committee excluded the impact of the provision made in relation to a potential claim against the Company for a legacy project the Group developed and sold approximately 15 years ago (further details of which can be found on page 142). The Committee has concluded that, given this provision relates to an alleged problem which pre-dates the appointment of the directors and would be genuinely 'one-off' in nature, excluding the impact of this provision is entirely appropriate as it is not reflective of the Company's underlying performance over the relevant periods.

How we will apply our new remuneration policy in 2019/20
The structure of remuneration arrangements for 2019/20 will remain largely unchanged from that applied in 2018/19. Executive directors will continue to have the opportunity to earn a bonus of up to 150% of salary and will be granted long-term incentive awards to the same value, both subject to stretching and rigorously applied performance conditions aligned to our strategy. Mark Allan will not participate in the 2019/20 annual bonus and will not receive a PSP award.

Mark Allan has not received a salary increase as it is intended that he will continue to receive his current salary, benefits and pension until he ceases employment on 30 April 2020. Rob Hudson's salary has been increased to £375,000 effective 1 January 2020. This takes into account both: (i) an increase of 2.5% in line with the average cost of living increase that was awarded to the Company's employees (this element was effective 1 December 2019); and (ii) a review of his responsibilities that has been undertaken in part as a result of succession and executive development planning. As a result of this review, it has been agreed that Rob's role will be expanded to take on those of a combined Chief Finance and Operations Officer (CFOO). His additional accountabilities will now be:

- **ownership of the Responsible Business agenda**. For example, in 2020 the Group will be launching its net zero carbon ambitions, with targets to be operationally net zero by 2025 and fully net zero by 2040. This will entail developing and embedding a full carbon management system across the Group that will be overseen by Rob. There are a number of other ESG-related areas where similar targets, plans and oversight of implementation will also come under Rob's responsibility during 2020; and
- **enhanced use of data/analytics across the business**. This will focus primarily on gathering and interpreting information from external sources to drive better insight and strategic decision making and be supported by new data science resource.

The Committee concluded that the new salary was appropriate, noting that Rob's overall portfolio of responsibilities is far broader than most CFOs. The above new responsibilities, when added to his existing duties covering finance, company secretarial, legal, IT and business planning are now significantly wider than was the case when his salary was last market-tested.

I would like to thank my fellow Committee members for their hard work in developing the new remuneration policy, executive remuneration structure and in considering changes in regulation and reporting through the year.

Conclusion
I hope that you find the report clear and informative and I look forward to receiving your support for the resolutions approving our new policy and this report at the 2020 AGM.

Jenefer Greenwood, OBE
Chair of the Remuneration Committee

3 February 2020

This report complies with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 and 2018 (the Regulations), the principles of the UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority.

At a glance

Non-statutory measures[1]

Underlying total accounting return

6.3% +0.3ppt

Adjusted EPRA earnings

£38.7m +22.1%

See-through loan-to-value

19.6% +2.7ppt

(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.

The Remuneration Committee

Principal role
Determines the policy for the remuneration of the executive directors and other members of the senior management team, which is designed to promote the long-term success of the Company, be compatible with risk policies and controls and be aligned to the Company's long-term strategic goals, culture and values.

Key activities in 2019:
- Agreed how our remuneration policy should be applied for 2018/19 in terms of fixed pay levels, the operation of the annual bonus and awards under the PSP and approved share awards granted together with associated performance criteria.
- Ensured the performance metrics and targets selected for incentive plans continued to be aligned with our long-term strategic goals built around our core purpose.
- Continued to closely monitor market trends in remuneration arrangements and developments in the corporate governance environment including the 2018 Code.
- Reviewed the executive directors' base salaries and the Chair's remuneration.
- Set corporate and personal objectives for the 2018/19 annual bonus arrangements for executive directors and undertook an assessment of performance against targets for 2017/18.
- Agreed the launch of the all-employee SAYE plan which enabled employees to be granted options at the full 20% discount to the share price.
- Considered investor feedback on last year's report in preparing this report on directors' remuneration.
- Undertook a full review of the existing remuneration policy including major shareholder consultation.
- Settled the remuneration-related elements of Mark Allan's cessation of employment.

How our policy was implemented in the year ended 30 November 2019

Key component	Feature	Metrics/targets	How we implemented
Base salary	Competitive base salary to attract and retain individuals of the necessary calibre to execute the strategy.	N/A	Chief Executive – £593,603 Chief Financial Officer (CFO)[1] – £333,125
Pension/ benefits	To provide competitive post retirement and other benefits in a cost-effective manner.	N/A	Chief Executive and CFO: 15% of salary cash allowance in lieu of pension, plus standard benefits
Annual bonus	To incentivise and reward the delivery of stretching, near-term strategic, financial and operational measures and personal targets consistent with the budget and strategic plan. Compulsory investment in shares aligns to shareholders' interests in the creation of sustainable, long-term value. Maximum opportunity = 150% of salary.	Adjusted EPRA earnings – 25% Total accounting return – 25% See-through loan to value – 25% Personal/strategic – 25%	Chief Executive – no bonus payable CFO – £373,766 (74.8% of maximum) 40% of net bonus received is required to be used to acquire shares which are retained for at least three years
PSP	To incentivise and reward the delivery of strong returns to shareholders and sustained, long-term performance. Payable in shares delivered under the Performance Share Plan. Three-year performance period plus two-year post-vesting holding period.	**2017 award vesting:** Relative TSR – 50% TAR – 50% **2019 award granted:** Relative TSR – 50% TAR – 50%	67.2% of CFO's 2017 award vested based on performance up to 30 November 2019 2019 awards made at 150% of salary All of CEO's PSP awards will lapse on cessation
Shareholding requirements	To ensure alignment of interests of executive directors and shareholders	Executive directors are required to build up and maintain a shareholding worth at least 200% of base salary, which is normally expected to be reached within five years of appointment	CEO – 338% of salary CFO – 184% of salary (on track to meet requirement)

(1) Rob Hudson's title changed to Chief Finance and Operations Officer on 1 February 2020.

Areas of focus for 2020

- Review of the operation of the new remuneration policy in light of our evolving business strategy, culture and values whilst also taking due account of wider company pay structures.
- Monitor emerging trends in market/best practice.
- Agree the remuneration arrangements of the new Chief Executive (when appointed).

Terms of reference

www.stmodwen.co.uk/about-us/corporate-governance

Directors' remuneration policy

The directors' remuneration policy as set out below will be put to a binding shareholder vote at the Annual General Meeting on 27 March 2020 and will apply for the period of three years from the date of approval (see resolution 2 on page 181 of the Notice of the AGM). This policy will replace the policy approved at the 2017 AGM. The Remuneration Committee chair's letter summarises the minor changes that are proposed to the policy:

Base salary	
Purpose	• To attract, retain and motivate individuals of the necessary calibre to execute the Company's strategy. • To provide competitive base remuneration relative to the external market. • To recognise and reward performance, skills and experience.
Operation	Normally reviewed annually with changes typically effective from 1 December. Review reflects: • individual and corporate performance; • the individual's level of skill and experience; • increases throughout the Company (including 'cost of living' awards); • internal relativities; and • prevailing market conditions through periodic benchmarking for comparable roles in companies of a similar size and scope. The Committee is mindful of institutional investors' concerns on the upward ratchet of base salaries and does not consider benchmark data in isolation.
Opportunity	Salaries may be adjusted and salary increases will normally be (in percentage of salary terms) no higher than those awarded to the wider workforce. Larger increases may be awarded at the Committee's discretion to take account of exceptional circumstances such as: • changes in scope and responsibility of a role; and • where a new director is appointed at a salary which is at a lower level to reflect their experience at that point, the Committee may award a series of increases over time to achieve the desired salary position subject to satisfactory performance and market conditions. Actual salary levels are disclosed in the annual report on remuneration for the relevant financial year.
Performance measures	None, although overall performance of the individual is considered by the Committee as part of the annual review.
Benefits	
Purpose	• To provide a competitive and cost-effective benefits package. • To assist with recruitment and retention.
Operation	The Company provides a range of non-pensionable benefits to executive directors which may, for example, include a combination of a company car or car allowance, private fuel, driver, private medical insurance, permanent health insurance, life assurance, holiday and sick pay, and professional advice in connection with their directorship. Other benefits such as relocation allowances may be offered if considered appropriate and reasonable by the Committee. Executive directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses can be reimbursed, including the tax thereon if determined to be a taxable benefit. Executive directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees.
Opportunity	There is no maximum limit set. Benefits are set at a level which the Committee considers to be appropriately positioned against comparable roles in companies of a similar size and scope and provides a sufficient level of benefit based on the role and individual circumstances.
Performance measures	None.

Pension	
Purpose	• To provide competitive post-retirement benefits in a cost-effective manner. • To assist with recruitment and retention.
Operation	The Company offers an allowance (expressed as a percentage of base salary) which can be taken as: • an employer contribution to the defined contribution section of the Company's pension scheme; • a cash allowance (which is not counted as salary for bonus purposes); or • a blend of the two. The Committee may amend the form of any executive director's pension arrangements in response to changes in pensions legislation or similar developments, so long as any amendment does not increase the cost to the Company of a director's pension provision.
Opportunity	Incumbent executive directors can receive a contribution of up to 15% of salary (although any such contributions will be aligned to that of the workforce by the end of 2022). New executive directors will not receive a contribution greater than the majority of the workforce (currently 5% of salary).
Performance measures	None.
Annual bonus	
Purpose	• To incentivise and reward the delivery of stretching, near-term strategic, financial and operational measures at Company and personal levels. • Corporate measures selected are consistent with the budget and strategic plan. • An element of compulsory investment in shares to align to shareholders' interests in the creation of sustainable, long-term value.
Operation	All measures, weightings and targets are reviewed and set annually by the Committee, normally at the beginning of the financial year, and specific performance criteria will be aligned to the Company's strategic objectives at that time. Levels of award determined by the Committee after the year end will be based on performance against the targets set. The Committee retains an overriding discretion to ensure that overall bonus payments reflect its view of corporate performance during the year. Where considered appropriate, the Committee may adjust the formulaic bonus outturn. Bonuses are paid in cash and are non-pensionable. Directors are required to invest an amount equal to 40% of the net bonus received in the Company's shares and to retain these shares for a minimum period of three years, such holding period surviving cessation of employment in normal circumstances. Withholding (malus) and recovery (clawback) provisions apply to all bonuses paid such that, in certain exceptional circumstances described in the note to this table, the Committee has discretion to reduce some or all of the value of an award within a period of four years following the end of the relevant bonus year.
Opportunity	Maximum bonus potential of up to 150% of salary for all executive directors. On-target performance would result in a bonus payment of half of the maximum potential.
Performance measures	Performance is assessed using the following metrics: • a majority of the award will be based on corporate measures; and • a minority (no more than 25% of the overall bonus opportunity) will be based on personal measures. There is also a cap on the amount of bonus awarded for performance in respect of personal measures, set at one-third of the total actual bonus awarded. The specific measures that will apply for the year ending 30 November 2020 are described in the annual report on remuneration on page 96. Measures for subsequent years will be summarised in the annual report on remuneration for the relevant year.

Long-term incentives	
Purpose	• To incentivise and reward the delivery of strong returns to shareholders and sustained, long-term performance. • Aligns the long-term interests of directors and shareholders. • Promotes retention.
Operation	Awards are normally made under the Performance Share Plan annually with vesting dependent on the achievement of stretching performance conditions set by the Committee normally measured over three years. A holding period will apply to awards which will require executive directors to retain the after-tax value of shares acquired for a minimum period of 24 months from the vesting date and will remain in place if the executive leaves employment during the two-year holding period. A dividend equivalent provision exists which allows the Committee to pay an amount (in cash or shares) equivalent to the dividends paid or payable on vested shares between the date of grant and the vesting of an award (or, if later, and only whilst an option remains unexercised in respect of vested shares, the expiry of the holding period). The amount payable may assume the reinvestment of dividends into shares. Withholding (malus) and recovery (clawback) provisions apply to all awards granted such that, in certain exceptional circumstances described in the note to this table, the Committee has discretion to reduce some or all of the value of an award within a period of four years following the end of the relevant performance period.
Opportunity	The maximum annual grant level is 150% of salary (or 200% in exceptional circumstances, such as recruitment). The normal annual award limit is 150% of salary for all executive directors. Awards vest on the following basis: • threshold performance delivers 20% of the shares awarded; and • maximum performance delivers 100% of the shares awarded, with straight-line vesting between.
Performance measures	Performance is normally measured over three years. Awards vest based on performance against stretching targets that are set and assessed by the Committee in its discretion. The Committee has discretion to decide whether and to what extent performance conditions have been achieved and must also be satisfied that the extent of vesting under the performance conditions is appropriate given the general performance of the Company over the performance period. Where considered appropriate, the Committee may adjust the formulaic vesting outturn. The specific measures that will apply for awards made in the year ending 30 November 2020 are described in the annual report on remuneration on page 97. Measures for subsequent years will be summarised in the annual report on remuneration for the relevant year.
Shareholding requirement	
Purpose	To ensure alignment of interests of executive directors and shareholders.
Operation	The Company operates a shareholding requirement which is subject to periodic review. Executive directors are required to retain all of the post-tax shares acquired as a result of the compulsory investment of bonus into shares and half of the post-tax shares vesting under the PSP until the shareholding requirement is met. The approach to post-cessation shareholding guidelines is described elsewhere in this report.
Opportunity	Executive directors are required to build up and maintain a shareholding worth at least 200% of base salary, which is normally expected to be reached within five years of appointment.
Performance measures	None.

Fees payable to Chair and non-executive directors	
Purpose	To attract and retain the calibre of Chair and non-executive directors necessary to promote the long-term success of the Company by offering market competitive fee levels.
Operation	Normally reviewed annually with changes effective typically from 1 December. Any increase will be guided by changes in market rates, time commitment and responsibility levels, as well as by increases made throughout the Company. Fees are structured as follows: • the Chair is paid an all-inclusive fee for all Board responsibilities. This fee is determined by the Board on the recommendation of the Committee; and • non-executive directors are paid a basic fee, plus additional fees for chairing Board Committees or for undertaking other responsibilities (e.g. the Senior Independent Director role), which are determined by the Board on the recommendation of the executive directors. Additional fees may also be paid to the Chair and/or non-executive directors on a per diem (or other) basis to reflect increased time commitment in certain limited circumstances. Fees are normally paid in cash. Neither the Chair nor the other non-executive directors participate in the annual bonus or long-term incentive arrangements or in the pension scheme, nor do they receive benefits in kind. Any reasonable business-related expenses can be reimbursed, including the tax thereon if determined to be a taxable benefit.
Opportunity	Fees are set at a level which reflects the commitment and contribution that is expected and is appropriately positioned against comparable roles in companies of a similar size and scope. Overall fees paid to directors will remain within the limit set out in the Company's Articles of Association. Actual fee levels are disclosed in the annual report on remuneration for the relevant financial year (see page 97 for those effective from 1 December 2019).
Performance measures	None, although overall performance of the individual is considered as part of the annual review.

How the Committee sets the remuneration policy

The primary objective of the Company's remuneration policy is to promote the long-term success of the Company through the operation of competitive pay arrangements which are structured so as to be in the best interests of shareholders and which are aligned to strategy. The executive directors' remuneration includes a significant proportion of performance-related elements with demanding targets to align their interests with shareholders and to reward success. The policy is structured so as to be aligned with key strategic priorities, reflect the Company's culture and values and to be consistent with a Board-approved level of business risk.

The Committee also considers developments in institutional investors' best practice expectations and the views expressed by shareholders. In setting and operating the remuneration policy for the executive directors, the Committee takes into consideration the remuneration practices found in other UK companies of comparable size and scope and has regard to the remuneration arrangements for the Company's employees generally. Greater emphasis is placed on variable pay for executive directors and senior employees, albeit with lower maximum incentive opportunities at levels below the Board. Similarly, long-term incentives are offered only to those expected to have the greatest impact on Company performance.

Approach to incentive plan targets

The annual bonus metrics are designed to ensure that annual performance is focused on key corporate measures which support the Company's strategic targets. These are supported by individual performance measures to ensure that executive directors are incentivised to deliver across a range of objectives. Targets are set in line with the Company's budget and strategic plan for the year with a stretch element to reward substantial outperformance. With regard to the PSP, an annual review of the PSP targets will be undertaken to ensure they remain fit for purpose. The Committee currently believes that a combination of relative TSR and key financial measures provides strong alignment with the interests of shareholders and complements the focus on operational performance measures in the annual bonus arrangements. Targets are set to ensure that only modest rewards are available for delivering on-target performance with maximum rewards requiring substantial outperformance of the Company's budget and strategic plans.

Post-cessation shareholding guidelines
To reflect the focus on post-cessation shareholdings, the Committee's current approach involves the operation of the compulsory share investment provision in the bonus being amended going forward, so that the three-year holding period will survive cessation of employment for shares acquired for these purposes in the future (previously, the holding requirement fell away on cessation). It should also be noted that under the PSP (i) the two-year post-vesting holding period also survives cessation and (ii) in the normal course of business a good leaver's unvested PSP awards will be tested on the normal vesting date (i.e. post-cessation). However, the Committee will keep its approach to this issue under review.

Approach to regulatory changes
The Committee monitors the changes to the regulatory environment as they relate to executive remuneration, including changes to the 2018 Code. For example:

- the operation of the annual bonus plan and the PSP ensure that the Committee has necessary discretion to override formulaic outcomes (as required by the new Code);
- the recovery provisions in the annual bonus plan and PSP now reflect best practice; and
- the Company's People Matters Group is the body with which the Board liaises through the appointment of Simon Clarke as the 'designated non-executive director' to ensure that the views of employees on all matters (including remuneration) are taken into account. Further information on the People Matters Group can be found on pages 26 to 33).

The Committee's terms of reference have been reviewed to ensure that they reflect the expanded scope required by the 2018 Code (i.e. (i) responsibility for setting remuneration for the Board and senior management, and (ii) taking account of Group-wide remuneration and policies when setting executive pay).

Furthermore, the Committee is satisfied that our remuneration policies and practices take due account of the six factors listed in the Code:

- *Clarity* – our policy is well understood by our management team and has been clearly articulated to our shareholders. Furthermore, as noted above, we engage with our wider employee base via the People Matters Group on many key issues (including remuneration) and continue to be committed to developing communications with all employees.
- *Simplicity* – the Committee is very mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that our executive remuneration policies and practices are as simple to communicate and operate as possible, while also supporting our strategy.
- *Risk* – our remuneration policy is designed to ensure that inappropriate risk-taking is not encouraged and will not be rewarded via (i) the balanced use of both short and long-term incentive plans which employ a blend of financial, non-financial and shareholder return targets, (ii) the significant role played by equity in our incentive plans (together with shareholding guidelines) and (iii) malus/clawback provisions.
- *Predictability* – our incentive plans are subject to individual caps and our share plans are also subject to market standard dilution limits. The scenario chart on page 84 illustrates how the rewards potentially receivable by our executive directors vary based on performance delivered and share price growth.
- *Proportionality* – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the executive directors' service contracts, ensures that poor performance is not rewarded.
- *Alignment to culture* – St. Modwen's core purpose is 'Changing places. Creating better futures.' Our regeneration and development projects have allowed us to clean up thousands of acres of contaminated brownfield land to create areas that provide homes and thriving communities for thousands of people, new business parks, manufacturing facilities, warehousing and retail parks that support employment throughout the country. Our executive pay policies are fully aligned to this core purpose through the use of metrics in both the annual bonus and PSP that measure how we perform against main KPIs that underpin the delivery of our strategy.

Malus and clawback
As noted in the policy table, the annual bonus plan and PSP rules contain malus and clawback provisions which can apply in the following circumstances:

- material misstatement of financial results;
- error in calculating the bonus/PSP outturn;
- serious misconduct;
- serious reputational damage or a corporate failure (prospectively); or
- other exceptional circumstances (as determined by the Committee).

Engaging with the wider workforce
The Committee strives to engage positively with the wider workforce to explain broader pay policies and practices. As noted on pages 27 and 31, the Company's People Matters Group is the body with which the Board (via Simon Clarke who has been appointed as designated non-executive director for these purposes) liaises to ensure that the views of employees on all matters (including remuneration) are taken into account. In addition, when considering the level and structure of remuneration to apply to executive directors, the Committee takes into account the overall approach to reward for employees across the business and is kept updated of any changes. The Group HR Director, Jane Saint, also attends Committee meetings by invitation to provide perspective on Group HR policies and practices. Salary increases for executive directors are normally (in percentage of salary terms) no higher than those awarded to the wider workforce and all qualifying employees are eligible to participate in the Group's Saving Related Share Option Scheme (SAYE). The Committee also notes the ratio of Chief Executive pay to all-employee pay (see page 94 for further information) as part of its deliberations and is kept abreast of gender pay gaps at St Modwen.

Engaging with our shareholders
The Committee is committed to an ongoing dialogue with shareholders and seeks the views of its major investors when considering significant changes to remuneration arrangements (as evidenced by the consultation exercise undertaken as part of the recent policy review process which involved various calls and correspondence with shareholders). The Committee also considers shareholder feedback received in relation to the directors' remuneration report each year following the AGM.

Committee discretions
The Committee retains discretion to make any payments, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed (i) before the policy came into effect, or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are determined at the time the award is granted. Details of any such payments will be disclosed in the annual report on remuneration for the relevant year.

The Committee will operate the annual bonus and long-term incentive arrangements according to their respective rules and in accordance with the Listing Rules where relevant. Consistent with market practice the Committee retains certain discretions in respect of the operation and administration of these arrangements which include, but are not limited to, the following:

- the participants;
- the timing of the grant of an award or payment;
- the size of an award;
- the determination of the extent to which performance measures have been met and the corresponding vesting or payment levels;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the respective arrangement and the appropriate treatment chosen, including the pro-rating of awards;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- the annual review of performance measures, weighting and targets from year to year; and
- the manner in which share awards can be satisfied (i.e. through the use of new issue, market purchased or treasury shares or by way of a cash payment).

In addition, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. a material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Any use of the above discretions would be explained in the annual report on remuneration for the relevant year and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Illustration of remuneration policy

The following chart illustrates the remuneration opportunity provided to Rob Hudson under the remuneration policy at different levels of performance for the 2019/20 financial year. Following the announcement of Mark Allan's departure from the Board and the effect this will have on his remuneration arrangements in 2019/20 (e.g. he will not participate in the annual bonus plan and will not receive a PSP award), it is not considered relevant to provide a similar chart relating to his remuneration in the forthcoming year.

In line with the Companies (Miscellaneous Reporting) Regulations 2018, the maximum scenario illustrates the potential remuneration payable if the share price increased by 50% (i.e. the value of the PSP award increased by 50% between grant and vesting).

Three scenarios have been illustrated:

(1) Minimum performance: comprising the minimum remuneration receivable (i.e. fixed pay only, being base salary of £375,000, pension allowances for the 2019/20 financial year and benefits calculated using the 2018/19 figure as set out in the table on page 87).

(2) On-target performance: comprising fixed pay, an annual bonus payment of 50% of the maximum opportunity (75% of salary) and PSP awards vesting at the threshold level of 20% of maximum opportunity (30% of salary).

(3) Maximum performance: (excluding and including share price growth) comprising fixed pay, 100% of annual bonus (150% of salary) and 100% vesting of PSP awards (150% of salary). The maximum performance scenario also illustrates potential payout under the PSP with a 50% share price growth.

The illustrations do not take into account dividends and exclude the value of any all-employee share plan awards.

Recruitment arrangements
The remuneration package for a new executive director would be set in accordance with the terms of the prevailing approved remuneration policy at the time of the appointment and take into account the skills and experience of the individual, the market rate for a candidate of that level of experience and the importance of securing the relevant individual.

Base salary levels for new recruits will be set in accordance with the policy, taking into account the experience and calibre of the individual recruited. Where it is appropriate to offer a lower salary initially to reflect the individual's experience at that point, the Committee may award a series of increases over time to achieve the desired salary position subject to performance and market conditions. Pension arrangements for new executive directors will be in line with the policy (i.e. will not exceed that of the majority of the workforce).

The maximum level of variable pay which may be awarded to new executive directors, excluding the value of any buyout arrangements, will be in line with the policy. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay, or benefit arrangements, forfeited by an executive leaving a previous employer. In doing so the Committee will take account of relevant factors including the form (e.g. cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The Committee will generally seek to structure buyout awards on a comparable basis to awards forfeited. Replacement share awards, if used, will, to the extent possible, be granted using the Company's existing share schemes, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

The Committee may also apply different performance measures, performance periods and/or vesting periods for initial awards made following appointment under the annual bonus and/or long-term incentive arrangements, subject to the rules of the scheme, if it determines that the circumstances of the recruitment merit such alteration. A long-term incentive award can be made shortly following an appointment provided that the Company is not in a closed period.

Where a position is filled internally, the Committee may honour any pre-existing remuneration obligations or outstanding variable pay arrangements in relation to the individual's previous role such that these shall be allowed to continue according to the original terms (adjusted as relevant to take account of the Board appointment).

Where an individual is appointed to an executive director role on an interim basis, and/or is an existing executive director who is asked to take on additional responsibilities on an interim basis, the Committee may provide remuneration in addition to their usual package. This may include a temporary increase to salary for the duration of the role, and should the Committee deem appropriate, an increase to incentive opportunity (provided it remains within the limits set out in the policy table).

For internal and external appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Fees payable to a newly-appointed Chair or non-executive director will be in line with the fee policy in place at the time of appointment.

External appointments
The Board recognises the benefit which the Company can obtain if executive directors serve as non-executive directors of other companies. Subject to review in each case, the Board's general policy is that an executive director can accept one non-executive directorship of another company (but not the chairmanship) and can retain the fees in respect of such appointment.

Executive director service agreements and payments for loss of office
Executive directors' service agreements may be terminated with no more than 12 months' notice from the Company to the executive and 12 months' notice from the executive to the Company. Service contracts have no fixed term.

If notice is served by either party, the executive director can continue to receive base salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Company may elect to make a payment in lieu of notice equivalent in value to a maximum of 12 months' base salary and benefits including pension contribution but excluding bonus, payable in monthly instalments, which would be subject to mitigation if alternative employment is taken up during this time. Alternatively, the Committee retains discretion to provide this payment as a lump sum. In the event of termination for cause (e.g. gross misconduct) neither notice nor payment in lieu of notice will be given and the executive director will cease to perform their services immediately.

In redundancy situations, the Committee will comply with prevailing relevant legislation. In addition, and consistent with market practice, the Company may pay a contribution towards the executive director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the executive director may have. There is no provision for additional compensation on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

The principles set out in the table below will normally apply to annual bonus and long-term incentive arrangements in the event of loss of office.

In respect of all-employee share schemes and the Company's Employee Share Option Schemes, the leaver conditions applied to executive directors will match those applied to other employees.

Remuneration element	'Good' leavers	Other leavers
Annual bonus	An executive director will be treated as a good leaver in certain circumstances, for example if he or she dies or ceases employment due to injury, disability, retirement with the Company's agreement, or sale of the business in which he or she is employed, or for any other reason at the discretion of the Committee. In these circumstances, the executive director remains eligible to be paid a bonus, subject to the applicable performance measures. Any payment awarded may be pro-rated to reflect the period of time served from the start of the financial year to the date of termination, but not for any period in lieu of notice.	Unless the Committee exercises its discretion to treat the executive director as a good leaver, no bonus will be payable.
Long-term incentive awards *(As applied to the Company's current Performance Share Plan approved at the 2017 AGM)*	An executive director will be treated as a good leaver in certain circumstances, for example death, injury, disability or for any other reason at the discretion of the Committee. Awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the vesting period actually served. However, under the plan rules, the Committee has discretion to determine that awards vest at cessation of employment and/or to disapply the time pro-rating if it considers it appropriate to do so. A good leaver may exercise their vested awards for a period of 12 months following the individual's cessation of employment and unvested awards may be exercised for a period of 12 months from vesting.	All awards will lapse in full where termination is by reason of summary dismissal. In other circumstances, unvested awards will lapse in full unless the Committee applies discretion to treat the executive director as a good leaver.

Shares purchased as part of the requirement to invest a portion of bonus paid into shares, or, shares which are held under the two-year post vesting holding period under the PSP, are normally released from such requirements at the normal time.

Non executive director terms of appointment
The terms of service of the Chair and the other non-executive directors are contained in letters of appointment. Appointments are for a fixed term of three years, during which period the appointment may be terminated by three months' notice by either party. Non-executive directors are typically expected to serve two three-year terms, which may be extended for a further three-year term subject to mutual agreement and satisfactory performance reviews. There are no provisions for payment in the event of termination, early or otherwise.

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3, Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013 and 2018 and with the requirements of the Financial Conduct Authority's Listing Rules.

Directors' remuneration for the 2019 financial year (audited information)

	Base salary/fees £000		Benefits[1] £000		Annual bonus[2] £000		Share plans vesting £000		Pension contribution/ allowance[6] £000		Other items £000		Total £000	
Director	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Executive directors														
Mark Allan	**594**	579	**24**	30	**–**	661	**–[3]**	–	**89**	87	**333[7]**	1,077	**1,040**	2,434
Rob Hudson	**333**	325	**14**	14	**374**	361	**357[4]**	218[5]	**50**	49	**–**	2	**1,128**	969
Non-executive directors														
Danuta Gray	**170**	28	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**170**	28
Bill Shannon [8]	**56**	167	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**56**	167
Ian Bull	**65**	61	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65**	61
Simon Clarke	**47**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	46
Jamie Hopkins	**47**	34	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	34
Jenefer Greenwood, OBE	**56**	52	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**56**	52
Sarah Whitney[9]	**10**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**10**	–
	1,378	1,292	**38**	44	**374**	1,022	**357**	218	**139**	136	**333**	1,079	**2,619**	3,791

(1) All benefits for the executive directors (comprising mainly the provision of company car/car allowance, private fuel and medical insurance) arise from employment with the Company and do not form part of final pensionable pay.

(2) Bonus payable in respect of the relevant financial year. Further information as to how the level of bonus awarded for the year ended 30 November 2019 was determined is provided on pages 88 and 89. 40% of the after tax amount of any bonus earned is required to be invested in shares and held for three years. Mark Allan will not receive an annual bonus for the year due to his resignation.

(3) Mark Allan's PSP awards will lapse when he leaves the business on 30 April 2020.

(4) The performance period for the 2017 PSP awards ended on 30 November 2019. 67.2% of the award vested, further information can be found on page 89. Of the final vesting value of this award, £59,704 is attributable to share price growth since grant. The Committee has not exercised any discretion in connection with the impact of share price appreciation on the value of this award. Further information on awards and performance conditions to which they were subject can be found on pages 89 and 90. As the awards had not vested as at the date of this report, their value has been estimated using a share price of 441.9 pence, being the three month average to 30 November 2019, plus 16.98 pence per share which is the value of the dividend equivalent deliverable in shares on the awards that vest. The dividend equivalent is based on dividends paid to shareholders with record dates occurring between the date of grant and 30 November 2019.

(5) The 2018 figure (£210,000) has been restated based on the exact share price on the date of vesting of 395.8p.

(6) Further details regarding pension entitlements can be found on page 92.

(7) Mark Allan's share plan award vesting relates to Tranche 5 of a Share Award granted in connection with his recruitment, as detailed on page 90 of the 2015/16 directors' remuneration report. Tranche 5 (relating to 79,591 shares) was subject to performance conditions relating to Mark Allan's original employer Unite plc which vested at 96.14% of maximum, thereby resulting in the vesting of 76,518 shares on this award on 2 April 2019. The Share Award includes an entitlement to a cash payment following a tranche's vesting date in respect of a dividend equivalent that would have accrued under the forfeited awards to the extent they had vested. The dividend equivalent following the exercise of Tranche 5 was £26,891, paid to Mark Allan in May 2019. The share price on the date of vesting used to value Tranche 5 was 400 pence.

(8) Retired from the Board with effect from the end of the AGM on 29 March 2019.

(9) Appointed to the Board on 16 September 2019.

2018/19 annual bonus outturn (audited information)

In the financial year ended 30 November 2019 both executive directors had the opportunity to earn an annual bonus of up to 150% of their base salary as at 1 December 2018. Of this, 112.5% of salary (75% of overall opportunity) was dependent on achieving corporate measures and 37.5% of salary (25% of overall opportunity) on meeting personal objectives. However, following Mark Allan's resignation, he will not be entitled to receive a bonus.

Performance against targets and resulting bonus awards are set out in the tables below.

Measure	Link to strategy	Weighting as % of award	Threshold performance (25% of maximum)	On-target performance (50% of maximum)	Stretch performance (75% of maximum)	Super stretch performance (100% of maximum)	Actual performance achieved[1]	Payout (% of maximum)
Corporate:								
Adjusted EPRA earnings	Reflects profitability of the business after operating costs	25%	£34.2m (-5%)	£36.0m	£37.8m (+5%)	£39.6m (+10%)	£38.7m	87.5%
Total accounting return	Recognises the delivery of significant added value	25%	27.2 pence per share (-15%)	31.9 pence per share	36.7 pence per share (+15%)	41.5 pence per share (+30%)	29.4 pence per share[2]	36.7%
See-through loan-to-value[3]	Ensures continued balance sheet strength	25%	25.5% (+5%)	24.3%	23.0% (-5%)	21.8% (-10%)	19.6%	100%
Personal:								
Individual targets for executive directors	Ensures that each director focuses on his individual contribution in the broadest sense through business performance, leadership role, people and team, and personal development objectives	25%	Substantially met	Met	Exceeded	Significantly exceeded	Rob Hudson: Stretch (see below)	Rob Hudson: 75%
	Award (% of maximum opportunity)		25.0%	50.0%	75.0%	100.0%		Rob Hudson: 74.8%
	Award (% of salary)		37.5%	75.0%	112.5%	150.0%		Rob Hudson: 112.2%

(1) *Details of performance versus personal objectives for Rob Hudson is further explained in the supplementary table below*

(2) Total accounting return has been calculated excluding the impact of the 7.8 pence per share reduction in 2019 NAV relating to a provision for a potential claim against the Company for a legacy project the Group developed and sold approximately 15 years ago (further details of which can be found on page 158). The Committee has concluded that, given this provision relates to an alleged problem which pre-dates the appointment of the directors and would be genuinely 'one-off' in nature, the calculation of performance against the relevant target should not be impacted by the provision. It should also be noted any positive impact of any later release of part/all of this provision will also be excluded from any target achievement calculation in future years.

(3) Target ranges set the context of the plan for the year which anticipated an increase in the see-through loan-to-value from 2018, due to the planned reinvestment of non-core disposal proceeds into our development pipeline, whilst maintaining balance sheet discipline.

2018/19 Annual bonus outturn (audited information) continued

	Key personal objectives	Assessment of achievement of objectives	Achievement
Rob Hudson	Lead the establishment of the framework around the new business unit boards, establishing and developing reporting into a comprehensive review and enabler of performance both in the year and longer-term.	A full re-design of internal reporting and performance management as part of the business reorganisation. Ensuring the business was able to manage the organisational transition without any negative impact on performance.	Stretch level of performance (75% of max)
	Proactively manage scenario planning and results maximisation.	Careful management of profit protection plan meaning the business was able to absorb the impact of uncertainty early in 2019 and a significant downward valuation of retail assets whilst still hitting targets and market expectations.	
	Deliver finance-related KPIs, particularly in overheads in finance and IT.	All KPIs delivered better than plan.	

In light of both corporate and individual performance, the Committee determined that the following bonus awards be made:

Executive director	Award – Corporate (as a % of salary)	Award – Personal (as a % of salary)	Total award (as a % of salary)	Salary on which bonus award is calculated	Total bonus award
Rob Hudson	84.1%	28.1%	112.2%	£333,125	£373,766

When determining this bonus payment, the Committee was satisfied that it reflected underlying performance and that no other circumstances had arisen (whether relating to ESG matters or otherwise) that would make the payment of such a bonus inappropriate. The bonus payment to Rob Hudson was conditional upon him undertaking to invest at least 40% of the bonus received, after payment of income tax and national insurance, in the Company's shares and to retain those shares for a minimum period of three years.

Long-term incentives (audited information)

2017 Performance Share Plan awards

The three-year performance period for the 2017 PSP awards ended on 30 November 2019. As explained in this report, Mark Allan's 2017 PSP award (together with his other PSP awards) will lapse as a result of his resignation. The performance conditions which applied to the awards together with actual performance are summarised in the table below.

Performance measure	Weighting	Threshold performance	Vesting of award at threshold performance	Maximum performance	Vesting of award at maximum performance	Actual performance	Proportion of award to vest
TSR relative to bespoke group of real estate sector peers	50% of award	Median ranking	12.5%	Upper quartile ranking	50%	Above upper quartile	50%
Total accounting return (50% of award)	50% of award	5% average per annum	12.5%	11% average per annum	50%	6.1%	17.2%
Total							**67.2%**

Total accounting return has been calculated excluding the 7.8 pence per share reduction in 2019 NAV relating to a provision for a potential claim against the Company for a legacy project the Group developed and sold approximately 15 years ago (further details of which can be found on page 143). The Committee has concluded that, given this relates to an alleged problem which pre-dates the appointment of the directors and would be genuinely 'one-off' in nature, the calculation of performance against the TAR targets should not be impacted by the provision. It should also be noted any positive impact of any later release of part/all of this provision will not unduly benefit awardholders.

The above awards were also subject to an additional underpin whereby the Committee must be satisfied that the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the three-year performance period. The Committee determined that this additional condition had been met, taking account of St. Modwen's strong underlying financial performance and relative outperformance of its sector peers over the relevant vesting period. The award is subject to a compulsory two-year post-vesting holding period, which requires executive directors to hold any shares vesting (after tax) for a period of two years.

2019 Performance Share Plan awards

On 20 February 2019, the following PSP awards were granted to executive directors as nil cost options:

Executive director	Basis of award	Face value of award £000[1]	Number of shares	% of award that would vest for threshold performance
Mark Allan[2]	150% of salary	890	224,170	20%
Rob Hudson	150% of salary	500	125,802	20%

(1) Calculated using the average share price of 397.2 pence which was, in accordance with the rules of the PSP, used to determine the number of shares to be awarded (being the average over the three dealing days immediately preceding the date of grant).

(2) Mark Allan's PSP award will lapse when he leaves the business on 30 April 2020.

The performance conditions which apply to these PSP awards are summarised below. The performance period started on 1 December 2018 and will end on 30 November 2021 (although Mark Allan's award will lapse due to his resignation).

Performance measure	Link to strategy	Threshold performance	Vesting of award at threshold performance[2]	Maximum performance	Vesting of award at maximum performance[2]
Relative TSR performance[1] (50% of award)	• Rewards outperformance of the returns generated by a comparator group comprising listed company peers • Directly correlates reward with the return delivered to shareholders through share price growth and dividend payments • Provides an objective measure of the Company's long-term success	Company's TSR is ranked at median of the comparator group's TSR	20%	Company's TSR is ranked at or above the upper quartile of the comparator group's TSR	100%
Total accounting return (50% of award)	• Rewards delivery of continued long-term significant added value • Key internal measure of the Company's long-term performance • Reflects value added by the Company's asset management activities	5% average per annum	20%	11% average per annum	100%

(1) The constituents of the TSR peer group for the 2019 awards are:

A&J Mucklow Group
British Land Company
Capital & Counties Properties
Capital & Regional
Derwent London
Grainger
Great Portland Estates
Hammerson
Hansteen Holdings
Helical
Land Securities Group
LondonMetric Property
Picton Property Income
Regional REIT
SEGRO
Shaftesbury
Town Centre Securities
U and I Group
Workspace Group

(2) Vesting of awards between threshold and maximum performance will be on a straight-line basis. Performance below threshold would result in nil vesting for that measure.

The awards will be subject to an additional condition whereby the Committee must be satisfied that the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the three-year performance period. The awards will also be subject to a compulsory two-year post-vesting holding period, which will require executive directors to hold any shares vesting (after tax) for a period of two years, meaning there can be no disposal of shares for a period of at least five years from grant. The holding period will remain in place if the executive leaves employment during the two-year holding period.

Breakdown of share interests

All PSP awards held by the executive directors who served during the year, together with any movements, are shown below.

Executive director	Date of grant	Awards held on 1 December 2018	Awards made during year	Awards vested during year	Awards lapsed/forfeited during year	Awards held on 30 November 2019[5]	End of performance period	Exercise period
Mark Allan[1]								
	02/11/16[2]	79,591	–	(76,518)	(3,073)	–	31/12/17	02/04/19 to 02/10/19
	07/07/17	278,500	–	–	–	**278,500**	30/11/19	07/07/20 to 06/07/27
	20/03/18	222,700	–	–	–	**222,700**	30/11/20	20/03/21 to 19/03/28
	20/02/19[3]	–	224,170	–	–	**224,170**	30/11/21	20/02/22 to 19/02/29
		580,791	224,170	(76,518)	(3,073)	**725,370**		
Rob Hudson								
	22/02/16[4]	104,664	–	(52,332)	(52,332)	–	30/11/18	22/02/19 to 21/02/26
	07/07/17	115,785	–	–	–	**115,785**	30/11/19	07/07/20 to 06/07/27
	20/03/18	124,977	–	–	–	**124,977**	30/11/20	20/03/21 to 19/03/28
	20/02/19[3]	–	125,802	–	–	**125,802**	30/11/21	20/02/22 to 19/02/29
		345,426	125,802	(52,332)	(52,332)	**366,564**		

(1) Mark Allan's PSP awards will lapse when he leaves the business on 30 April 2020.

(2) The Company agreed to compensate Mark Allan for unvested share-based incentives awarded to him by his previous employer and forfeited as a consequence of him leaving to join St. Modwen on 1 November 2016. The fifth and final tranche of the award vested on 2 April 2019 at 96.14% of maximum based on the vesting level of the LTIP forfeited from his previous employer.

(3) The share price used to calculate the number of shares awarded, under the rules of the PSP, was 397.2 pence, the three-day average share price before the date of the award.

(4) As set out in the 2018 director's remuneration report, the 2016 award vested at 50% of maximum based on performance against relative TSR and absolute TSR targets. The award vested on 22 February 2019.

(5) Interests in share awards table excludes dividend equivalent shares.

Saving Related Share Option Scheme (SAYE)

SAYE awards held by the executive directors who served during the year, together with any movements, are shown below.

Executive director	Date of grant	Options held on 1 December 2018	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 November 2019	Exercise price	Exercise period
Mark Allan[1]	13/08/18	9,090	–	–	–	**9,090**	330 pence	01/10/23 to 31/03/24
Rob Hudson	15/08/16	3,658	–	(3,658)	–	–	246 pence	01/10/19 to 31/03/20
	13/08/18	4,545	–	–	–	**4,545**	330 pence	01/10/23 to 31/03/24

(1) Mark Allan's SAYE options will lapse when he leaves the business on 30 April 2020.

The closing mid-market share price on 30 November 2019 was 457 pence and the price range during the year was 373 pence to 472 pence.

Pension entitlements (audited information)
All executive directors receive a pension contribution of 15% of base salary which is paid either into the defined contribution section of the Company's pension scheme or as a cash allowance in lieu of pension contribution (or a combination of both). No compensation is offered for any additional tax suffered by an executive director in the event that the value of their pension exceeds the statutory lifetime allowance.

	Cash allowance in lieu of pension contribution £		Total £	
Executive director	2019	2018	2019	2018
Mark Allan	**89,040**	86,869	**89,040**	86,869
Rob Hudson	**49,969**	48,750	**49,969**	48,750
	139,009	135,619	**139,009**	135,619

Further information on the Company's pension scheme is shown in note 22 to the Group financial statements.

Payments to past directors and for loss of office (audited information)
There were no such payments made during the year.

Statement of directors' shareholding and share interests (audited information)
The interests of the directors and their connected persons in the issued ordinary share capital of the Company are shown in the table below.

	As at 30 November 2019			
	Ordinary shares	Long-term incentive awards vested but unexercised	Long-term incentive awards not yet vested	SAYE awards
Executive directors				
Mark Allan	439,269	–	725,370[1]	9,090[1]
Rob Hudson	134,025	–	366,564[2]	4,545
Non-executive directors				
Danuta Gray	10,500	–	–	–
Ian Bull	35,000	–	–	–
Simon Clarke	2,704,157	–	–	–
Jenefer Greenwood, OBE	10,359	–	–	–
Jamie Hopkins	12,564	–	–	–
Sarah Whitney	9,000	–	–	–

(1) Mark Allan's awards will lapse when he leaves the business on 30 April 2020.

(2) Of awards not yet vested as at 30 November 2019, the performance conditions for the 2017 PSP Award have, post 30 November, been tested and 77,807 will vest on 7 July 2020 and 37,978 will lapse.

There have been no changes in these shareholdings or interests between 30 November 2019 and the date of this report.

In order to reinforce the alignment of their interests with those of shareholders, executive directors are required to build up a holding of ordinary shares in the Company worth at least 200% of their base salary. Until this has been achieved, an executive director is required to retain all the shares acquired through the bonus investment process as well as 50% of any exercised long-term incentive award (after deduction for tax and National Insurance contributions).

Executive director	Ordinary shares held as at 30 November 2019	Shareholding requirement as % of base salary	*Value of shareholding at 30 November 2019 as % of base salary*[1]
Mark Allan	439,269	200%	338%
Rob Hudson	134,025	200%	184%

(1) Based on the closing mid-market share price on 30 November 2019 of 457 pence and salary as at 30 November 2019.

External appointments (unaudited information)
Mark Allan was a trustee director on the non-executive board of Anchor Hanover Group and stepped down on 31 May 2019. For the period from 1 December 2018 to 31 May 2019 he received and retained a fee from Anchor Hanover Group of £12,500.

Historic Company performance and Chief Executive remuneration (unaudited information)
The following information allows comparison of the Company's TSR (based on share price growth and dividends reinvested) with the remuneration of the Chief Executive, over the last ten financial years.

The chart is prepared in accordance with the Regulations. It shows the Company's TSR and that of the FTSE 250 and the FTSE All-Share Real Estate Investment & Services Indices based on an initial investment of £100 on 30 November 2009 and values at intervening financial year ends over a 10-year period to 30 November 2019. Since the Company was a constituent of both the FTSE 250 and the FTSE All-Share Real Estate Investment & Services Indices during the majority of the period, these are considered to be appropriate benchmarks for the graph.

Chief Executive remuneration for year ended 30 November	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Total remuneration (£000)[1]	902	1,049	1,672	2,419	3,083	1,931	867	2,592	2,434	**1,040**
Annual bonus awarded (as a % of maximum opportunity)	80.0	95.0	90.0	95.0	100.0	100.0	53.3	80.7	76.1	**N/A[5]**
PSP vesting (as a % of maximum opportunity)	–	–	45.8[2]	100.0	100.0	100.0	–	–	–	**N/A[5]**
Share award (as a % of maximum opportunity)	–	–	–	–	–	–	–	100.0[3]	97.7[4]	**96.1 [6]**

(1) Total remuneration includes those elements shown in the single total figure of remuneration table on page 87.

(2) Comprises 45.64% of the 2009 PSP awards and 45.89% of the 2010 PSP awards.

(3) This relates to the value, on vesting, of Tranches 1 and 2 of Mark Allan's recruitment award (i.e. not awards granted under the PSP).

(4) This relates to the value, on vesting, of Tranches 3 and 4 of Mark Allan's recruitment award (i.e. not awards granted under the PSP). Tranche 3 of the award vested at 100% and Tranche 4 at 96.14%, giving a weighted average of 97.70%.

(5) Following Mark Allan's resignation in November 2019, he was not eligible to receive an annual bonus in respect of 2019 and all his PSP awards will lapse when he leaves the business on 30 April 2020.

(6) This relates to the vesting of Tranche 5 of Mark Allan's recruitment award which vested at 96.14% of maximum (i.e. not awards granted under the PSP).

Change in remuneration of Chief Executive compared to employees (unaudited information)

The table below shows the percentage change in salary, benefits and annual bonus between the years ended 30 November 2018 and 30 November 2019 for the Chief Executive, and for all permanent employees of the Group.

	Change in base salary %	Change in benefits %	Change in annual bonus %
Chief Executive	2.5	(20.9)	N/A[3]
All permanent employees	2.5[1]	–[2]	4.7

(1) General cost of living increase for permanent employees. Including adjustments for promotions and recognition of exceptional performance, the weighted average increase in salary was 6.7%.

(2) There was no change to the overall structure of benefits available to permanent employees.

(3) The Chief Executive was not eligible to receive a bonus in respect of the financial year ending 30 November 2019 as he resigned in November 2019.

Relative spend on pay (unaudited information)

The table below shows the total expenditure on remuneration for all employees of the Group (including pension, variable pay and social security costs) compared to other key financial indicators as reported in the audited Group financial statements for the last two financial years. Information in respect of profit and net asset value performance has been provided for context.

Measure	Relevant note to the Group financial statements	Year ended 30 November 2018	Year ended 30 November 2019	% Increase/ decrease
Total spend on pay	Note 5c	£41.2m	**£48.6m**	18.0%
Profit for the year	Group income statement	£60.5m	**£49.5m**	(18.2)%
Dividends paid	Note 9	£16.4m	**£16.9m**	3.0%
Equity attributable to owners of the Company	Group balance sheet	£1,044.1m	**£1,075.7m**	3.0%

Whilst total spend on pay in the above table increased by 18.0% in the year, as disclosed in note 5c of the Group financial statements, this is principally because average employee numbers increased by 14.4% in the year. For further information on the performance of the business refer to the financial review on pages 48 to 51.

Chief Executive to all-employee pay ratio (audited information)

Whilst we are not required to report on the CEO to all employee pay ratio until the 2020 Annual Report, we have prepared and voluntarily disclosed the ratio for 2018/19 in line with the Companies (Miscellaneous Reporting) Regulations 2018. The Company has calculated the ratio in line with the reporting regulations using Option A, which is considered to be the most accurate method as it is based on total full-time equivalent total reward for all UK employees within the relevant financial year.

The Remuneration Committee considers that the median pay ratio is consistent with the Company's wider pay, reward and progression policies affecting its UK employees. In forming its opinion, the Committee has considered that the Chief Executive's pay comprises a higher proportion of incentive pay than that of our employees and, commensurate with the directors' remuneration policy, there is a clear correlation between Company performance and executive pay. Furthermore, an independent broad-based remuneration benchmarking exercise was undertaken by external consultants in 2018 and reviewed in 2019 indicated a favourable report against comparable organisations.

Chief Executive pay ratio	2018/19
Method	**A**
Chief Executive Single figure (£000)	**1,040**
Upper quartile	**13:1**
Median	**20:1**
Lower quartile	**34:1**

The salary and total pay for the individuals identified at the lower quartile, median and upper quartile positions in 2018/19 are set out below:

2018/19 Chief Executive pay ratio	Salary	Total Pay
Upper quartile	£57,400	£80,096
Median	£37,649	£51,470
Lower quartile	£28,500	£30,957

Notes

(1) When Mark Allan leaves the Board on 30 April 2020, his PSP awards (which had been due to vest in July 2020) will lapse and he will not receive his bonus for the year. The Chief Executive single figure used in calculating the ratios does not include the value of those PSP awards or his annual bonus for 2018/19. As a result, Mark's single figure of remuneration is lower than if he had remained in employment with the Company.

(2) Mark Allan's remuneration for the year is the single figure set out on page 87.

(3) The employee comparison is based on the payroll data for the year ended 30 November 2019 for all UK employees and includes employer pension contributions, life assurance and other benefits.

Mark Allan

As announced on 22 November 2019, Mark Allan will leave St. Modwen on 30 April 2020. Details of the remuneration-related elements of his resignation are set out below (which are aligned to the Company's policy, Mark's service contract and rules of the annual bonus and PSP):

- Mark will continue to receive his base salary, benefits and pension up to the date of his cessation (unless a payment in lieu of unexpired notice is made);
- He will not receive an annual bonus for 2018/19 and will not participate in the 2019/20 bonus; and
- All his outstanding PSP awards will lapse.

How we will apply our remuneration policy for 2019/20

Base salary

Mark Allan did not receive a salary increase for 2019/20 as he is currently working his notice period. Rob Hudson's salary has been increased to £375,000 effective 1 January 2020. This takes into account both: (i) an increase of 2.5% in line with the average cost of living increase that will be awarded to the Company's employees (this element was effective 1 December 2019); and (ii) a review of his responsibilities that has been undertaken in part as a result of succession and executive development planning. As a result of this review, it has been agreed that Rob's role will be expanded to take on those of a combined Chief Finance and Operations Officer. His additional accountabilities will now be:

- **Ownership of the Responsible Business agenda.** For example, in 2020 the Group will be launching its net zero carbon ambitions, with targets to be operationally net zero by 2025 and fully net zero by 2040. This will entail developing and embedding a full carbon management system across the Group that will be overseen by Rob. There are a number of other ESG-related areas where similar targets, plans and oversight of implementation will also come under Rob's responsibility during 2020; and
- **Enhanced use of data/analytics across the business.** This will focus primarily on gathering and interpreting information from external sources to drive better insight and strategic decision making and be supported by new data science resource.

The Committee concluded the new salary was appropriate taking into account that Rob's overall portfolio of responsibilities is far broader than most CFOs. The above new responsibilities, when added to his existing duties covering finance, company secretarial, legal, IT and business planning, are now significantly wider than was the case when his salary was last market-tested.

Executive director	Base salary as at 30 November 2019	Base salary with effect from 1 January 2020	% Increase
Mark Allan	£593,603	£593,603	–
Rob Hudson	£333,125	£375,000	12.6%

How we will apply our remuneration policy for 2019/20 continued

Benefits and pension arrangements

Benefits will be consistent with the policy detailed on page 78. Mark Allan and Rob Hudson will receive cash allowances in lieu of pension contributions of 15% of salary. Rob Hudson's pension will be aligned with the workforce rate by the end of 2022, with the reduction in pension commencing in December 2020.

Annual bonus

Rob Hudson (and, it is envisaged, the new Chief Executive when appointed) will have the opportunity to be awarded a bonus of up to 150% of salary. As he is leaving the business on 30 April 2020, Mark Allan will not participate in the bonus plan.

Bonus awards will be based on achievement of the following measures:

Measure	Link to strategy	Weighting as % of award	Threshold performance	On-target performance	Stretch performance	Super-stretch performance
Corporate:						
Adjusted EPRA earnings	Reflects profitability of the business after operating costs	37.5%	Budget -5%	Budget	Budget +5%	Budget +10%
Total accounting return	Recognises the delivery of significant added value	37.5%	Budget -7.5%	Budget	Budget +7.5%	Budget +15%
Personal:						
Individual targets for executive directors	Ensures that each director focuses on his individual contribution in the broadest sense through business performance, leadership role, people and team, and personal development objectives	25%	Substantially met	Met	Exceeded	Significantly exceeded

To simplify the operation of the bonus, and bring it further into line with our strategy, only two financial metrics – adjusted EPRA earnings and TAR – will be used as opposed to three. Therefore, loan-to value will no longer be employed as a metric, reflecting the fact that the Company's strategic goal of reducing borrowings to more appropriate levels has now been achieved.

The Committee has set specific targets for all corporate measures, which reflect the Committee's judgement of the ability of management to influence performance within the year. Threshold performance will deliver 25% of the maximum opportunity, on-target performance 50% of the maximum, stretch 75% of the maximum and super stretch 100% of the maximum. Stretch targets are demanding and will require a very substantial outperformance of budget to achieve maximum payout.

A narrower performance range has been set for the TAR element than last year (i.e. -7.5% of budget to +15% of budget, compared to -15% to +30%). This reflects the significant reduction in leverage and the repositioning of the portfolio which has reduced prospective volatility of the TAR result.

The threshold, target, stretch and super stretch performance requirements for financial objectives, together with outcomes, will be disclosed in the remuneration report for the year ending 30 November 2020. This report will also include detailed commentary on the key deliverables, and assessment of outcomes, for personal objectives, together with (where possible) an indication of the weighting of this element of the bonus between personal and strategic performance indicators. The proportion of the overall bonus that is awarded for personal performance will be capped at one-third of the total actual bonus awarded. Any bonus awarded will be subject to the requirement to invest 40% of the net amount received in purchasing shares in the Company and to retain these shares for at least three years, irrespective of whether the executive director has met the shareholding requirement.

Long-term incentives

A PSP award will be granted to Rob Hudson over shares worth 150% of salary and will be consistent with the new long-term incentives policy detailed on page 80. As he is leaving the business on 30 April 2020, Mark Allan will not receive a PSP award. The approach adopted to the new CEO's participation in the PSP will be agreed as part of his/her recruitment. The performance measures and targets are summarised in the table below. The Committee is satisfied that the targets are suitably stretching. Performance against each target will be measured independently over the three financial years ending on 30 November 2022.

Performance measure	Link to strategy	Threshold performance	Vesting of award at threshold performance	Maximum performance	Vesting of award at maximum performance
Relative TSR performance versus a bespoke group of real estate companies (50% of award)	• Rewards outperformance of the returns generated by a comparator group comprising listed company peers • Directly correlates reward with the return delivered to shareholders through share price growth and dividend payments • Provides an objective measure of the Company's long-term success	Company's TSR is ranked at median of the comparator group's TSR	20%	Company's TSR is ranked at or above the upper quartile of the comparator group's TSR	100%
Total accounting return (50% of award)	• Rewards delivery of continued long-term significant added value • Key internal measure of the Company's long-term performance • Reflects value added by the Company's asset management activities	5% average per annum	20%	11% average per annum	100%

Vesting of awards between threshold and maximum performance will be on a straight-line basis. Performance below threshold would result in nil vesting for that measure.

In calculating TSR, a three-month average is used at both the start and the end of the performance period to ensure that the calculation is not impacted by potential volatility arising from day-to-day share price fluctuations. The comparator group comprises the following companies:

Barratt Developments	Hammerson	Persimmon	UK Commercial Property REIT
Bellway	Hansteen Holdings	Picton Property Income	Urban & Civic
British Land Company	Harworth Group	SEGRO	U and I Group
Capital & Counties Properties	Land Securities Group	Taylor Wimpey	Vistry Group (previously Bovis Homes)
Grainger	LondonMetric Property	Tritax Big Box	

As noted earlier, this comparator group has been chosen to more accurately reflect the evolving nature of the Company's business by (for example) including certain listed housebuilders. The 2019/20 awards will be subject to an underpin condition which the Committee must be satisfied has been met before permitting awards to vest, namely that the extent of vesting under the performance conditions is appropriate given the general financial performance of the Company over the three-year performance period. The awards will also be subject to a compulsory two-year post-vesting holding period, which will require executive directors to hold any shares vesting (after tax) for a period of two years, meaning there can be no disposal of shares for a period of at least five years from grant. The holding period will remain in place if the executive leaves employment during the two-year holding period.

Chair and non-executive director fees

Following a review by the Board, the annual base fees payable to the non-executive directors have been increased in line with the cost of living salary increase awarded to the Company's employees with effect from 1 December 2019.

	Fee as at 30 November 2019 (£000)	**Fee with effect from 1 December 2019 (£000)**	% increase
Base fee			
Chair	170,000	**174,250**	2.5%
Non-executive directors	47,069	**48,246**	2.5%
Additional fees			
Senior Independent Director	9,000	**9,000**	–
Audit Committee Chair	9,000	**9,000**	–
Remuneration Committee Chair	9,000	**9,000**	–

Dates of appointment of directors

Director	Date of appointment	Date of contract/original letter of appointment	Expiry of current term
Executive directors			
Mark Allan	1 November 2016	6 April 2016	N/A
Rob Hudson	28 September 2015	20 April 2015	N/A
Non-executive directors			
Danuta Gray	1 October 2018	11 September 2018	30 September 2021
Ian Bull	1 September 2014	21 August 2014	31 August 2020
Simon Clarke	11 October 2004	4 October 2004	10 October 2020
Jenefer Greenwood, OBE	1 June 2017	1 June 2017	31 May 2020
Jamie Hopkins	1 March 2018	29 January 2018	28 February 2021
Sarah Whitney	16 September 2019	12 September 2019	15 September 2022

Dilution limits

In line with the rules of the PSP and Employee Share Option Plan, and the current SAYE Plan, the Company observes the recommendation of the Investment Association that the number of new shares that may be issued to satisfy awards is restricted to 10% (5% for discretionary schemes) of the issued ordinary share capital of the Company in any rolling 10-year period.

The total number of shares which could be allotted under the Company's share schemes compared to the dilution limits as at 30 November 2019 was as follows:

Type of scheme	Limit	Actual
All schemes	10%	3.64%
Discretionary schemes only	5%	3.13%

As at 30 November 2019, the Company's Employee Share Trust (the Trust) held 210,434 shares (2018: 345,744 shares) in the Company to enable it to satisfy the vesting and exercise of awards. In accordance with the Trust deed, the Trust has waived the right to receive dividends paid on these shares with the exception of a hundredth of a penny per share.

Committee membership and attendees

The Committee's composition is kept under review by the Nomination Committee, which is responsible for making recommendations to the Board as to its membership.

All members of the Committee receive an appropriate induction to ensure that they have a sound and objective understanding of the principles of, and recent developments in, executive remuneration matters. Ongoing training is undertaken as required. For details of Committee members and their attendance please see page 70 of the report.

Advice provided to the Committee

Korn Ferry was appointed by the Committee with effect from 1 December 2017 following a tender process to provide independent advice on remuneration matters. Representatives from Korn Ferry attend Committee meetings and provide advice and briefings to the Committee Chair outside of meetings as necessary.

Fees are charged on a cost incurred basis and the fees charged by Korn Ferry in the year ended 30 November 2019 totalled £58,901. Korn Ferry is a founder member of the Remuneration Consultants Group and operates voluntarily under the Group's code which sets out the scope and conduct of the role of executive remuneration consultants when advising UK listed companies. Following a tender process, Korn Ferry were additionally engaged by management to provide support services for the employee engagement survey undertaken. Korn Ferry has no other connection with the Company and the Committee is satisfied that the advice provided on matters of remuneration remains objective and independent.

The Committee also receives input from the Chief Executive and the Group HR Director on the remuneration arrangements of the other executive directors and of the Company Secretary, and advice from the General Counsel and Company Secretary on governance matters. Neither the Chief Executive nor the General Counsel and Company Secretary were present when their own remuneration was discussed.

Statement of shareholder voting at the AGM

The table below details the results of the shareholder vote to approve the directors' remuneration report at the 2019 AGM and the 2017 directors' remuneration policy at the 2017 AGM.

Resolution	AGM	Votes for	% of vote for	Votes against	% of vote against	Total votes cast	Votes withheld[1]
Approval of 2018 directors' remuneration report	2019	171,586,466	98.63%	2,374,785	1.37%	173,961,251	38,501
Approval of 2017 directors' remuneration policy	2017	165,005,074	96.25%	6,435,537	3.75%	171,440,611	4,563,893

(1) A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast for or against a resolution.

This report on remuneration has been approved by the Board and signed on its behalf by

Jenefer Greenwood, OBE
Chair of the Remuneration Committee

3 February 2020

The directors present their report for the year ended 30 November 2019.

As permitted by legislation, some of the matters historically included in this report have instead been included in the strategic report on pages 1 to 48 as the Board considers them to be of strategic importance and should be read in conjunction with these pages. Specifically these relate to the Company's business model and strategy, future business developments and risk management. The corporate governance statement as required by the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) is set out on pages 53 to 99 and is incorporated into this report by reference.

Dividend
An interim dividend of 3.6 pence per ordinary share (2018:3.1 pence) was paid on 4 September 2019.

The directors recommend a final dividend of 5.1 pence per ordinary share in respect of the year ended 30 November 2019 (2018: 4.00 pence), making a total dividend for the year of 8.7 pence per share (2018: 7.1 pence), payable on 3 April 2020 to shareholders on the register on 6 March 2020.

Other than as referred to under the heading 'Share capital' below, during the year there were no arrangements under which a shareholder had waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends.

The Board has satisfied itself that the Company has sufficient distributable reserves to pay the final dividend for the year ended 30 November 2019 and to maintain the Company's dividend policy for the foreseeable future.

Share capital
Capital structure
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.

At 30 November 2019, there were 222,376,988 ordinary shares in issue and fully paid. Further details relating to share capital are set out in note 21 to the Group financial statements.

Share allotments
At the 2019 AGM, shareholders renewed the directors' authority to allot shares in the Company. No shares were allotted during the year. A resolution to renew this standard authority will be proposed at the 2020 AGM.

Purchase by the Company of its own shares
At the 2019 AGM shareholders renewed the Company's authority to make market purchases of up to 22,237,698 ordinary shares, representing 10% of the issued share capital at that time. No shares were repurchased during the year and the Company does not hold any shares in treasury. This standard authority will expire at the 2020 AGM and a resolution to renew it will be proposed.

Employee Share Trust (the Trust)
As at 30 November 2019, the Trust held 210,434 shares (2018: 345,744 shares), representing 0.09% (2018: 0.16%) of the Company's issued share capital. The Trust deed contains a dividend waiver provision in respect of shares held by the Trust, such that dividends are waived with the exception of a hundredth of a penny per share. Any voting or other similar decisions relating to shares held by the Trust would be taken by the Trustee, who may take account of any recommendations of the Company. There were no purchases of shares by the Trust during the financial year.

Further details regarding the Trust and of shares issued pursuant to the Company's share-based incentive arrangements are set out in note 21 to the Group financial statements.

Rights and obligations attaching to shares
The holders of ordinary shares in the Company are entitled to receive dividends when declared, to receive the Company's annual report, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the 2020 AGM are set out in the notice of meeting on pages 180 to 186.

Restrictions on the transfer of shares
As at 30 November 2019 and the date of this report, except as referred to below:

- there were no restrictions on the transfer of ordinary shares in the Company;
- there were no limitations on the holding of ordinary shares;
- there were no requirements to obtain the approval of the Company, or of other holders of ordinary shares in the Company, for a transfer of shares; and
- no person held shares in the Company carrying any special rights with regard to control of the Company.

The directors may refuse to register the transfer of a share in certificated form which is not fully paid or on which the Company has a lien, where the instrument of transfer does not comply with the requirements of the Company's Articles of Association (the Articles), or if the transfer is in respect of more than one class of share or is in favour of more than four joint holders. The directors may also refuse to register a transfer of a certificated share, which represents an interest of at least 0.25% in a class of shares, following the failure by the member or any other person appearing to be interested in the shares to provide the Company with information requested under section 793 of the Companies Act 2006 (the Act).

Transfers of uncertificated shares must be carried out using CREST and the directors can refuse to register the transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Directors

The biographical details of all the directors, including details of their relevant experience and other significant commitments, are shown on pages 56 and 57.

The directors' remuneration report, which includes details of directors' service agreements and their interests in the Company's shares, is set out on pages 74 to 99. Copies of the service agreements of the executive directors and the letters of appointment for the non-executive directors are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

Appointment and replacement of directors

The appointment and replacement of directors is governed by the Company's articles of association (the Articles), the 2016 UK Corporate Governance Code (the 2016 Code), the Companies Act 2006 and related legislation. Under the Articles:

- the number of directors is not subject to any maximum, but must not be less than three, unless otherwise determined by the Company in a general meeting;
- directors may be appointed by an ordinary resolution of the Company or by resolution of the directors, either to fill a casual vacancy or as an additional director; and
- all directors must retire at each AGM and shall, subject to his or her terms of appointment, be eligible for election or re-election.

At the 2020 AGM, Sarah Whitney, who was appointed by the directors in September 2019, will retire and offer herself for election; all other directors will offer themselves for re-election.

A director may be removed by a special resolution of the Company. In addition, a director must automatically cease to be a director if he or she:

- resigns from his or her office by notice in writing to the Company or, in the case of an executive director, the appointment is terminated or expires and the directors resolve that his or her office be vacated;
- becomes bankrupt or makes any arrangement or composition with his or her creditors generally;
- becomes physically or mentally incapable of acting as a director and may remain so for more than three months, as certified with a written opinion to the Company by a registered medical practitioner who is treating the director;
- is absent from meetings of the directors for more than six consecutive months without permission of the directors and the directors resolve that his or her office be vacated; or
- becomes prohibited by law from acting as a director.

Powers of the directors

The Board may exercise all the powers of the Company, subject to the Articles, UK legislation, including the Act, and any directions given by the Company in general meeting.

The directors have been authorised by the Articles to allot ordinary shares and to make market purchases of the Company's own shares. These powers are referred to shareholders for renewal at each AGM. Further information is set out under the heading 'Share capital' on page 100.

Conflicts of interest

With the exception of service agreements or those contracts detailed in note 25 to the Group financial statements, no director had a material interest in any significant contract with the Company or any of its operating companies at any time during the year.

Under the Act, directors have a statutory duty to avoid conflicts of interest with the Company. As permitted by the Act, the Articles enable non-conflicted directors to authorise actual or potential conflicts of interest, either with or without limits or conditions. Formal procedures for the notification and authorisation of such conflicts are in place. Any potential conflicts of interest in relation to newly appointed directors are considered by the Board prior to appointment. All directors have a continuing duty to update any changes to conflicts.

Indemnities and insurance

The Company has granted indemnities to each of its directors and the Company Secretary to the extent permitted by law in respect of costs of defending claims against them and third-party liabilities. These provisions, deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Act, were in force during the year ended 30 November 2019 and remain in force as at the date of this report.

A copy of the indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Company's AGM.

The Company also maintains directors' and officers' liability insurance which gives appropriate cover for any legal action taken against its directors.

Articles of Association

The Articles can only be amended, or new Articles adopted, by a special resolution passed at a general meeting of the Company. New Articles of Association will be considered by shareholders at the Company's annual general meeting on 27 March 2020. Further information can be found in the notice of annual general meeting on pages 180 to 186. The Company's current Articles are available on its website, www.stmodwen.co.uk.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. These include committed bank facilities, which would be terminable at the bank's discretion.

The Company's share-based incentive arrangements contain provisions that take effect in the event of a change of control but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant plan.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs specifically as a result of a takeover bid.

Financial instruments

The Group's exposure to and management of capital risk, market risk, credit risk and liquidity risk is set out in note 20 to the Group financial statements.

Employee involvement
St. Modwen is committed to regular communication and consultation with its employees and encourages employee understanding of, and involvement in, its performance. News concerning St. Modwen, its activities and performance is published on the Company's intranet. Further information on how the Company engages with its employees can be found on pages 26 to 27 and page 31. Regular management meetings are held to inform senior staff about matters affecting them as employees, at which their feedback is sought on decisions likely to affect their interest, and where a common awareness of the financial and economic factors affecting the Company's performance is developed; this information is then cascaded to all employees. A performance-related annual bonus scheme and share option arrangements are designed to encourage and support employee share ownership. For the 2019 all-employee Saving Related Share Option Scheme (Sharesave), options were offered at the maximum 20% discount to the market share price and the maximum monthly savings amount remained at £500 in total across all schemes.

Employment of disabled persons
It is the policy of the Company to give full and fair consideration to applications for employment received from disabled persons, having regard to their aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment with the Company and the provision of appropriate training. St. Modwen provides the same opportunities for training, career development and promotion for disabled as for other employees.

Greenhouse gas emissions
The disclosures required by law relating to the Group's greenhouse gas emissions (GHG) are set out in the table below. GHG from those sources for which the Company is deemed to be directly responsible are monitored for reporting purposes, namely gas and electricity purchased for consumption at properties under the Company's operational control (such as its head office, certain regional offices, St. Modwen Homes' sales offices and vacant space) and petrol and diesel used in Company cars and vans.

For information on our energy initiatives, please see our CSR reports and www.stmodwen.co.uk/csr.

	2019 intensity ratio			2018 intensity ratio (restated)		
GHG	**CO_2 emissions Tonnes**	**tCO_2 emissions/ full-time employees[1]**	**tCO_2 emissions/ £m property portfolio[2]**	CO_2 emissions Tonnes	tCO_2 emissions/ full-time employees[1]	tCO_2 emissions/ £m property portfolio[2]
Scope 1:						
Total purchased gas	**2,162.3**			3,789.3		
Petrol and diesel	**2,214.1**			2,337.4		
Total scope 1	**4,376.4**	**7.5**	**2.9**	6,126.7	11.9	4.4
Scope 2:						
Total purchased electricity	**3,672.7**			5,123.8		
Total scope 2	**3,672.7**	**6.3**	**2.5**	5,123.8	10.0	3.7
Total scope 1 and 2	**8,049.2**	**13.7**	**5.4**	11,250.5	21.9	8.0

(1) Equivalent CO_2 emissions per full-time employee.

(2) Equivalent CO_2 per £m of property portfolio held by the Company.

Prior year restatement
During the year ended 30 November 2019, we undertook an exercise to review our reporting on emissions alongside our wider commitment to Responsible Business, as explained further on pages 2 to 11. This has led to us reviewing our reporting methodology and the principles we apply to our scope 1 and scope 2 declarations, such that we have restated our previously declared 2018 emissions. The change in methodology specifically relates to organisation boundary and responsibility, on which we are now including emissions on all energy procured for our properties that is not directly charged to tenants via submetering arrangements.

Methodology
Emissions from gas and electricity consumption have been calculated using the main requirements of the GHG Protocol Corporate Standard (revised edition) and the measurement of emissions from Company cars is based on the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (March 2019) issued by the Department for Environment, Food and Rural Affairs (Defra). The UK Government's GHG Conversion Factors for Company Reporting 2018 and 2019 have also been used within the reporting methodology.

Organisation boundary and responsibility
The Company does not have responsibility for GHG that is beyond the boundary of the Company's operational control. In arriving at a definition of what we define as within the Company's operational control, we have excluded from scope 1 and scope 2 any gas and electricity which is consumed by our tenants and is directly recharged by way of submetering. Any tenant consumption of gas and electricity which is not directly recharged in this manner is included in our scope 1 and scope 2 data above. Data also excludes the purchase for and consumption by those sites which fall within the Persimmon joint venture as Persimmon controls the procurement of utilities to these sites. GHG for all other joint ventures has been included as the Company is deemed to be wholly responsible for such GHG.

Political donations
In accordance with the Company's policy, no political donations were made and no political expenditure was incurred during the year.

Going concern
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 these factors and reviewed the financial position of the Group, including its joint ventures and associates.

The review included an assessment of future funding requirements based on cash flow forecasts extending for 18 months from the balance sheet date, valuation projections and the ability of the Group to meet covenants on existing borrowing facilities. The directors are satisfied that the forecasts and projections are based on realistic assumptions and that the sensitivities applied in reviewing downside scenarios are appropriate.

Having refinanced all our bank debt facilities in December 2017 and agreed an additional facility with Homes England in October 2018, no further refinancing action is required to support the strategic growth of the business.

As a result, the directors are satisfied that the Group will have sufficient ongoing facilities available to meet its financing requirements. Based on their assessment, the directors believe the Group has adequate available resources to fund its operations for the foreseeable future and so determine that it remains appropriate for the financial statements to be prepared on a going concern basis. Further detail is contained in the viability statement on page 40.

Disclosure required by Listing Rule 9.8.4R
The information required to be disclosed by LR 9.8.4R of the FCA's Listing Rules can be found on the following pages of this Annual Report:

Section	Topic	Page reference
(1)	Interest capitalised	144
(2)	Publication of unaudited information	N/A
(4)	Details of long-term incentive plans established specifically to recruit or retain a director	91
(5) & (6)	Waiver of emoluments by a director	N/A
(7) & (8)	Non-pre-emptive issues of equity for cash	21
(9)	Parent company participation in placing by a listed subsidiary	N/A
(10)	Contracts of significance	N/A
(11)	Provision of services by a controlling shareholder	N/A
(12) & (13)	Shareholder waiver of dividends	100
(14)	Agreements with controlling shareholders	N/A

Important events since 30 November 2019
There have been no important events affecting the Company or any subsidiary since 30 November 2019.

Auditor
Resolutions to re-appoint KPMG LLP as auditor of the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the 2020 AGM.

Management report
The strategic report and the directors' report together comprise the 'management report' for the purposes of the FCA's Disclosure and Transparency Rules (DTR 4.1.8R).

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and Group and Company financial statements in accordance with applicable law and regulations.

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 Financial Reporting Standards (IFRSs), as adopted by the European Union and Article 4 of the IAS Regulation 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*. 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, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs, as adopted by the EU;
- 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.

Each of the directors in office at the date this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

The directors' report, prepared in accordance with the requirements of the Act and the FCA's Listing and Disclosure and Transparency Rules and comprising pages 100 to 104, was approved by the Board and signed on its behalf by

Andrew Eames
General Counsel and Company Secretary

3 February 2020

St. Modwen Properties PLC
Company No: 00349201

INDEPENDENT AUDITOR'S REPORT
to the members of St. Modwen Properties PLC

1. Our opinion is unmodified

We have audited the financial statements of St. Modwen Properties plc (the Company) for the year ended 30 November 2019 which comprise the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cash flow statement, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the directors on 23 February 2017. The period of total uninterrupted engagement is for the three financial years ended 30 November 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality Group financial statements as a whole	£16.25m (2018: £15.0m) 1.0% (2018: 1.0%) of total assets	
Coverage	97% (2018: 100%) of Group total assets	
Key audit matters		**vs 2018**
Recurring risks	The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶
	Valuation of investment properties	◀▶
	Carrying value of housebuilding inventory and profit recognition on housebuilding sales	◀▶
	New Covent Garden Market liability	◀▶
Company key audit matter	Carrying value of investments in subsidiaries and joint ventures	◀▶

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 67 (Audit Committee report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matters on the valuation of investment properties, the carrying value of housebuilding inventory and profit recognition on housebuilding sales and the New Covent Garden Market liability (together referred to as the key audit matters affected), and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the annual report including the principal risks disclosure and the viability statement and to consider the directors' statement that 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. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks; • **Sensitivity analysis:** When addressing the Key Audit Matters affected and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the Key Audit Matters affected, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks; **Our results** As reported under the Key Audit Matters affected, we found the resulting estimates and related disclosures of the other Key Audit Matters within this report and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Valuation of investment properties (£958.1m; 2018: £939.3m) *Refer to page 66 (Audit Committee report), page 120 (accounting policy) and page 148 (financial disclosures).*	**Subjective valuation** Valuation of investment properties, including those under development, held at fair value is the key area of judgement in the financial statements. It is considered a risk due to its magnitude, reliance on input data and the subjective nature of the valuations, particularly the estimates made in relation to market comparable yield rates, and estimated rental value (ERV), forecast build costs and sales prices. Brexit, as discussed in the key audit matter above, adds further uncertainties to the valuation of investment properties.	Our procedures, assisted by our own property valuation specialist, included: • **Understanding of valuation approach:** Meeting with the Group's external valuers to understand the assumptions and methodologies used in valuing the Investment Properties and the market evidence used by the external valuers to support their assumptions. We also obtained an understanding of Directors' involvement in the valuation process to assess whether appropriate oversight has occurred; • **Assessing valuers' credentials:** Critically assessing the independence, professional qualifications, competence and experience of the external valuers used by the Group; • **Methodology choice:** Critically assessing the methodology used by the valuers by considering whether their valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards; • **Benchmarking assumptions:** Challenging the key assumptions upon which the valuations were based for a sample of properties by making a comparison to our view of the assumption derived from market data. Key assumptions for income producing assets include those relating to ERV and yield rates; • **Benchmarking assumptions:** Certain assets are valued using the residual appraisal development method where there is a greater level of estimation uncertainty, and the key assumptions include forecast sales prices and build costs (for which we were assisted by our own Major Project Advisory specialists); • **Input assessment:** Agreeing observable inputs used in the valuations, such as rental income, occupancy rates, lease incentives, break clauses and lease lengths back to lease agreements for a sample of properties; • **Assessing transparency:** Critically assessing the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing properties. **Our results** We found the valuation of investment properties to be acceptable (2018: acceptable).

	The risk	Our response
Carrying value of housebuilding inventory and profit recognition on housebuilding sales Housebuilding inventory (£387.3m; 2018: £292.3m) Development profits on housebuilding sales (£54.3m; 2018: £44.7m) *Refer to page 66 (Audit Committee report), page 120 (accounting policy) and page 154 (financial disclosures).*	**Subjective valuation** Housebuilding inventories comprise properties which have been previously developed and are ready for sale, properties which are under construction with a view to sell and land which has been acquired for future development with a view to subsequent sale. In order to assess the net realisable value of housebuilding inventory and profit recognised on housebuilding sales, appraisals are prepared for each site, which include forecast revenue and costs and provide an indication of the recoverability of the inventory. The risk is that these site appraisals include a number of estimates, such as forecast revenue and costs, that could be subject to error resulting in the net realisable value not being accurately measured or profit on housebuilding sales not being appropriately recognised. The forecasted margin drives the recognition of housebuilding profits as each unit is sold, which is a key judgement and is where management override could occur. Brexit, as discussed in the key audit matter above, adds further uncertainties to the valuation of inventories.	Our procedures included: • **Control testing:** Testing the design and implementation of certain controls relating to the allocation of margin to housebuilding sales throughout the year and the authorisation of cost transfers between housebuilding sites; • **Test of detail:** Verifying a sample of housebuilding inventory additions, disposals and transfers to source documentation and analysing the additions to highlight any items which potentially should have been recorded as an expense; • **Our sector expertise:** Discussing a sample of housebuilding development sites with management to obtain evidence over the forecast costs to complete the site in the appraisals, including comparing a selection of costs to supporting documentation, such as contracts or works orders. We selected a risk-based sample using criteria including quantum of work in progress, changes in total forecast costs, the stage of the development, the level of contingency, the cost per square foot and changes in forecast margin; • **Historical comparisons:** Where a housebuilding development site has been appraised previously, seeking an understanding of the changes to assumptions for cost per square foot, total forecast costs, total revenues and site margins for a sample of sites and considering whether those changes are consistent with our site specific and market expectations. We also compared total actual sales achieved in the year to the budgeted selling price for those plots to assess management's ability to forecast accurately; • **Historical comparisons:** In order to assess the net realisable value of work in progress we considered the site forecast margins, and corroborated explanations from management on low margin sites. We looked at post year end sales and appraisals; • **Assessing transparency:** Critically assessing the adequacy of the Group's disclosures of estimation in relation to these balances. **Our results** We found the carrying value of housebuilding inventory and profit recognition on housebuilding sales to be acceptable (2018: acceptable).

	The risk	Our response
New Covent Garden Market liability £60.6m (2018: £71.9m), representing the Group's share of the discounted liability, included within the Group's investment in VSM (NCGM) Limited of £15.5m (2018: £15.2m) and the Group's share of VSM (NCGM) Limited's profit for the year of £0.3m (2018: £1.2m) *Refer to page 67 (Audit Committee report), page 125 (accounting policy) and page 153 (financial disclosures).*	**Forecast-based valuation** There is a risk arising from the accounting estimate in relation to the total costs expected to be incurred on the delivery of the replacement New Covent Garden Market. This is due to the judgements involved in assessing the appropriateness of the measurement of the obligation, including the assumptions on quantum and timing of costs made by management's external expert, and the discount rate used by management to arrive at the liability recorded in the financial statements.	Our procedures included: • **Understanding of approach to assessing liability:** With the assistance of our Major Projects Advisory specialists, we undertook meetings with Prosurv Consult (management's external quantity surveyor expert) to understand any updates on the progression of the project and any significant events in the financial period. This aided our assessment of the reasonableness of the assumptions, such as cost inflation, cash flow timings, risks, opportunities, and the methodologies used by the expert in arriving at the gross construction cost liability; • **Assessing expert's credentials:** Critically assessing the independence, professional qualifications, competence and experience of the external expert engaged by the Group; • **Assessing the discount rate applied:** We also assessed whether the discount rate applied by management to the expert's gross cost cash flows was appropriate; • **Performing a recalculation:** Performing a recalculation of the discounted liability to ensure that the balance is not materially misstated; • **Assessing transparency:** Critically assessing the adequacy of the Group's disclosures, including sensitivities, in relation to the New Covent Garden Market liability. **Our results** We found the liability recognised in respect of the New Covent Garden Market development to be acceptable (2018: acceptable).
Carrying value of investments in subsidiaries and joint ventures (£877.9m; 2018: £770.6m) *Refer to page 170 (accounting policy) and page 171 (financial disclosures).*	**Low risk/high value** Investments in subsidiaries and joint ventures represent 47% (2018: 43%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements, this is considered to be the area that will have the greatest effect on our overall Company audit.	Our procedures included: • **Tests of detail:** Re-performing the equity method calculations used to determine the carrying value of the investments in subsidiaries and joint ventures and assessing the recoverable amount of the individual investments by comparing the carrying value to their net assets, being an approximation of their minimum recoverable amount, to ensure they were in excess of their carrying amount. Assessing the work performed on the audit of those subsidiaries and joint ventures and considering the results of that work in relation to the valuation of investment properties and inventories (the key inputs used in the relevant subsidiaries' net assets). **Our results** We found the carrying value of investments in subsidiaries and joint ventures to be acceptable (2018: acceptable).

We continue to perform procedures over going concern. However, following the refinancing of the Group and the maturity profile of the Group's borrowings, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £16.25m (2018: £15.0m), determined with reference to a benchmark of Group total assets of £1,651.3m (2018: £1,548.6m), of which it represents 1% (2018: 1%).

We applied a lower materiality, set at £3.5m (2018: £3.5m), to the specific Group income statement items which may be of specific interest to users regarding the Group income statement and that could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group. These comprise revenue, costs, administrative expenses and net finance costs. Materiality for these items is determined with reference to underlying profit before tax.

Materiality for the parent Company financial statements as a whole was set at £16.0m (2018: £11.3m), determined with reference to a benchmark of parent Company total assets, of which it represents 0.8% (2018: 0.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2018: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 77 reporting components, we subjected 11 to full scope audits for Group purposes and three to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 6% of Group profit before tax and 3% of total Group assets is represented by 63 reporting components, none of which individually represented more than 1% of any of total Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

In the prior year, the Group team performed the audit of the Group as if it were a single aggregated set of financial information. The audit was performed using the materiality levels set out in the comparatives above. The audit of the Company was also performed by the Group team.

4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (the going concern period).

Our responsibility is to conclude on the appropriateness of the directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were :

- the impact of macro-economic factors on the property market for forecast sales; and
- the level of demand from occupiers for the Group's investment property.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of market confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in the Group accounting policies note to the Group financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 103 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 40 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that 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; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a corporate governance statement has not been prepared by the Company.

We are required to report to you if the corporate governance statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 103, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

W. Meredith

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

3 February 2020

GROUP INCOME STATEMENT
for the year ended 30 November 2019

	Notes	2019 Underlying £m	2019 Exceptional[1] £m	2019 Total £m	2018 Total (restated)[2] £m
Revenue	1	**429.9**	**–**	**429.9**	436.2
Costs	1	**(331.1)**	**(22.5)**	**(353.6)**	(320.4)
Investment property disposal (losses)/gains		**(5.2)**	**–**	**(5.2)**	7.1
Investment property revaluation gains		**47.5**	**–**	**47.5**	19.2
Net loss of joint ventures and associates (post-tax)	12	**(2.6)**	**–**	**(2.6)**	(3.1)
Administrative expenses	1	**(43.8)**	**–**	**(43.8)**	(43.2)
Profit before interest and tax		**94.7**	**(22.5)**	**72.2**	95.8
Finance costs	6	**(15.8)**	**–**	**(15.8)**	(25.8)
Finance income	6	**2.5**	**–**	**2.5**	2.4
Profit before tax		**81.4**	**(22.5)**	**58.9**	72.4
Taxation		**(13.4)**	**4.0**	**(9.4)**	(11.9)
Profit for the year		**68.0**	**(18.5)**	**49.5**	60.5
Attributable to:					
Owners of the Company		**68.0**	**(17.3)**	**50.7**	60.2
Non-controlling interests		**–**	**(1.2)**	**(1.2)**	0.3
Profit for the year		**68.0**	**(18.5)**	**49.5**	60.5

(1) Refer to note 5a for details of the exceptional item.

(2) Revenue and costs have been restated following the adoption of IFRS 15 *Revenue from Contracts with Customers* during the year ended 30 November 2019, as set out in the Group accounting policies note. The restatements have had no impact on profit for the year.

	Notes	2019 Pence	2018 Pence
Basic earnings per share	8	**22.8**	27.1
Diluted earnings per share	8	**22.6**	25.5

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2019

	2019 £m	2018 £m
Profit for the year	**49.5**	60.5
Items that will not be reclassified to profit and loss:		
Pension fund actuarial gains	**0.1**	–
Total comprehensive income for the year	**49.6**	60.5
Attributable to:		
Owners of the Company	**50.8**	60.2
Non-controlling interests	**(1.2)**	0.3
Total comprehensive income for the year	**49.6**	60.5

GROUP BALANCE SHEET
as at 30 November 2019

	Notes	2019 £m	2018 (restated)[1] £m
Non-current assets			
Investment properties	10	**958.1**	939.3
Property, plant and equipment and intangibles	11	**26.7**	17.4
Investments in joint ventures and associates	12	**86.0**	89.1
Trade and other receivables	13	**11.3**	6.7
Derivative financial instruments	20	**0.2**	0.9
		1,082.3	1,053.4
Current assets			
Inventories	14	**416.5**	366.4
Assets held for sale	15	**15.8**	–
Trade and other receivables	13	**88.5**	89.9
Cash and cash equivalents		**48.2**	38.9
		569.0	495.2
Current liabilities			
Trade and other payables	16	**(140.4)**	(158.2)
Current tax liabilities	7	**–**	(0.9)
Borrowings and lease liabilities	17	**(1.4)**	(100.2)
Provisions	18	**(24.5)**	–
		(166.3)	(259.3)
Non-current liabilities			
Trade and other payables	16	**(14.8)**	(5.7)
Derivative financial instruments	20	**(3.3)**	(0.9)
Borrowings and lease liabilities	17	**(360.9)**	(213.0)
Deferred tax	7	**(25.6)**	(19.7)
		(404.6)	(239.3)
Net assets		**1,080.4**	1,050.0
Capital and reserves			
Share capital	21	**22.2**	22.2
Share premium account		**102.8**	102.8
Retained earnings		**901.4**	869.5
Share incentive reserve		**3.9**	4.7
Own shares		**(0.8)**	(1.3)
Other reserves		**46.2**	46.2
Equity attributable to owners of the Company		**1,075.7**	1,044.1
Non-controlling interests		**4.7**	5.9
Total equity		**1,080.4**	1,050.0

(1) Current trade and other receivables, retained earnings and the presentation of derivative financial instruments have been restated following the adoption of IFRS 9 *Financial Instruments* during the year ended 30 November 2019, as set out in the Group accounting policies note.

These financial statements were approved by the Board and authorised for issue on 3 February 2020.

Mark Allan
Chief Executive

Rob Hudson
Chief Finance and Operations Officer

Company Number: 00349201

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2019

	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 30 November 2017 (as previously reported)	22.2	102.8	825.7	5.1	(1.7)	46.2	1,000.3	5.7	1,006.0
Effect of adoption of IFRS 9 *Financial Instruments*	–	–	(0.3)	–	–	–	(0.3)	–	(0.3)
Equity at 30 November 2017 (restated)[1]	22.2	102.8	825.4	5.1	(1.7)	46.2	1,000.0	5.7	1,005.7
Profit and total comprehensive income for the year	–	–	60.2	–	–	–	60.2	0.3	60.5
Share-based payments expense	–	–	–	1.8	–	–	1.8	–	1.8
Deferred tax on share-based payments	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Settlement of share-based payments	–	–	0.3	(2.1)	0.4	–	(1.4)	–	(1.4)
Dividends paid (note 9)	–	–	(16.4)	–	–	–	(16.4)	(0.1)	(16.5)
Equity at 30 November 2018 (restated)[1]	**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 (note 22)	–	–	**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**

(1) Equity has been restated following the adoption of IFRS 9 *Financial Instruments* during the year ended 30 November 2019, as set out in the Group accounting policies note.

Own shares represent the cost of 210,434 (2018: 345,744) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30 November 2019 was £1.0m (2018: £1.3m).

The other reserves comprise a capital redemption reserve of £0.3m (2018: £0.3m) and the balance of net proceeds in excess of the nominal value of shares arising from an equity placing in 2013 of £45.9m (2018: £45.9m).

GROUP CASH FLOW STATEMENT
for the year ended 30 November 2019

	Notes	2019 £m	2018 £m
Operating activities			
Profit before interest and tax		**72.2**	95.8
Net loss of joint ventures and associates (post-tax)	12	**2.6**	3.1
Investment property disposal losses/(gains)		**5.2**	(7.1)
Investment property revaluation gains	10	**(47.5)**	(19.2)
Depreciation and amortisation	11	**3.7**	1.0
Increase/(decrease) in net realisable value provisions	14	**3.9**	(0.4)
Decrease/(increase) in inventories		**2.9**	(21.9)
Decrease/(increase) in trade and other receivables		**12.5**	(29.1)
Increase/(decrease) in trade and other payables		**0.6**	(27.0)
Increase in provisions		**24.5**	–
Pensions		**0.2**	–
Settlement less expense of share-based payments		**(2.3)**	0.4
Tax paid	7	**(4.4)**	(14.2)
Net cash inflow/(outflow) from operating activities		**74.1**	(18.6)
Investing activities			
Proceeds from investment property disposals		**67.3**	322.7
Investment property additions		**(139.3)**	(112.5)
Interest received		**1.4**	1.2
Capital injection into joint ventures and associates		**(0.3)**	(0.4)
Property, plant and equipment and intangibles additions	11	**(7.0)**	(6.3)
Dividends received from joint ventures and associates	12	**0.8**	27.8
Net cash (outflow)/inflow from investing activities		**(77.1)**	232.5
Financing activities			
Dividends paid	9	**(16.9)**	(16.4)
Dividends paid to non-controlling interests		**–**	(0.1)
Interest paid		**(12.4)**	(17.6)
Repayments of obligations under lease arrangements		**(1.1)**	(0.5)
Refinancing outflows		**(1.3)**	(16.6)
Borrowings drawn		**386.0**	612.0
Repayment of borrowings		**(342.0)**	(736.3)
Net cash inflow/(outflow) from financing activities		**12.3**	(175.5)
Increase in cash and cash equivalents		**9.3**	38.4
Cash and cash equivalents at start of year		**38.9**	0.5
Cash and cash equivalents at end of year		**48.2**	38.9

GROUP ACCOUNTING POLICIES
for the year ended 30 November 2019

Basis of preparation
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU (EU IFRSs) as they apply to the Group for the year ended 30 November 2019, applied in accordance with the provisions of the Companies Act 2006.

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

The financial statements have been prepared on a going concern basis. The directors have considered the factors likely to affect the future development, performance and position of the Group and reviewed the current financial position of the Group, including its joint ventures and associates. This review included an assessment of future funding requirements, valuation projections and the ability of the Group to meet covenants on its existing borrowing facilities, taking into consideration the ability of the Group to robustly defend the short-term impacts of a hard Brexit. As a result of this review, the directors believe that the Group has adequate resources to fund its operations for the foreseeable future and so have determined that it remains appropriate for the financial statements to be prepared on a going concern basis. Further detail is contained in the going concern statement on page 103 and in the viability statement on page 40.

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

In the current year the Group has adopted:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*

The impacts of adopting IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* is set out below, with consequential amendments to the accounting policies made as required. The adoption of the other interpretations and amendments has had no material impact to the Group financial statements.

In addition, as detailed in note 4 to the Group financial statements, the Group has amended the presentation of its operating segments to reflect a restructure of the Group's activities to align to its three strategic objectives during the year ended 30 November 2019. As required by IFRS 8 *Operating Segments*, the comparative information has been restated to reflect the Group's current operating segments.

IFRS 9 *Financial Instruments*
The Group has adopted IFRS 9 *Financial Instruments* in the year ended 30 November 2019 to all financial instruments that had not been derecognised at 1 December 2018, replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

On adoption, the classification of all financial assets of the Group, excluding derivative financial assets, has changed from loans and receivables to amortised cost, but this has not had a quantitative impact on the financial statements as loans and receivables have previously, subsequent to initial recognition, been measured at amortised cost. This classification has been determined appropriate as all such financial assets are held to collect contractual cash flows, which consist only of payments of principal and, where relevant, interest on the principal outstanding. The classification of all other financial instruments has remained unchanged.

IFRS 9 introduces an expected credit loss model for measuring the impairment of financial assets, rather than an incurred loss model previously applied. The introduction of an expected credit loss model has resulted in the Group evaluating its provision against trade and other receivables using a probability-weighted approach of a range of possible outcomes on each class of financial asset, which differs from the previous approach of providing against estimated irrecoverable trade and other receivables past due. Credit losses are measured as the present value of the difference between the contractual cash flows due and the cash flows that the Group expects to receive. This has resulted in an additional £0.3m being provided, reducing both trade and other receivables and retained earnings by this amount, at each of 30 November 2017 and 30 November 2018. The comparative results presented in these Group financial statements have been retrospectively restated in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This restatement has no impact on basic or diluted earnings per share in any of the comparative periods presented in these Group financial statements.

The new hedging requirements of IFRS 9 are not applicable to the Group as the Group does not currently hedge account and does not currently intend to designate any hedging instruments in a hedging relationship with hedged items.

As part of the implementation review of IFRS 9, the classification of derivative financial instruments has been reviewed and these are now presented as current if the instruments mature within 12 months of the reporting date and non-current if the maturity date is greater than 12 months after the reporting date. This presentation has also been amended for the comparative balance sheet at 30 November 2018.

IFRS 15 *Revenue from Contracts with Customers*

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* in the year ended 30 November 2019 with effect from 1 December 2018. This standard replaces a number of existing revenue standards and interpretations (principally IAS 18 *Revenue* and IAS 11 *Construction Contracts*) and introduces a five-step, principles-based, model for the recognition of revenue. The Group has chosen to apply IFRS 15 retrospectively to each prior reporting period presented, taking the practical expedient for not restating contracts that begin and end within the same reporting period. The Group does not believe that this practical expedient has any significant effect.

The new standard does not apply to the rental income revenue stream, which is accounted for under IFRS 16 *Leases*, but does apply to the remainder of the Group's revenue streams. The Group has reviewed all its revenue streams and the disaggregation of the Group's revenue is disclosed in note 1 to the Group financial statements. The revenue accounting policies (as set out below) have also been updated to reflect the adoption of IFRS 15, which include a description of the typical performance obligations of each of the significant revenue streams.

The only quantitative impact arising from the Group's existing contracts with customers relates to the recognition of revenue on the sale of part-exchange properties. Revenue was previously recognised as a reduction in housebuilding cost of sales as the purchase and subsequent sale of part-exchange properties is considered an integral part of the sale of the associated St. Modwen Homes unit. However, under IFRS 15, as the sale of a part-exchange property is a distinct contract with a separate customer, the proceeds are now recognised as revenue. This has no impact on the overall profit, cash flow or taxation of St. Modwen Homes, but alters the presentation of its results. Accordingly, the Group income statement for the year ended 30 November 2018 has been restated to reflect an additional £3.2m of revenue and an equivalent £3.2m of costs being recognised.

The Group considered the potential impact on adopting IFRS 15 of unbundling contracts due to an assessment of the performance obligations to be delivered to customers. The assessment varies depending on the terms of the specific contracts entered into by the Group. However, the Group's assessment concluded that this impact was immaterial for contracts in progress at the date of implementation and therefore no transitional adjustment to equity has been required.

IFRS 16 *Leases*

IFRS 16 *Leases* is not mandatorily effective for the Group until the year ending 30 November 2020, but the Group has elected to early adopt the standard at the same time as IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* in the year ended 30 November 2019 with effect from 1 December 2018. The new standard removes the existing distinction between leases and operating leases and requires all lessee contracts, with exemptions taken for short-term and low-value leases, to be recognised in the Group balance sheet as a right-of-use asset, depreciated on a straight-line basis, and a lease liability recognised at amortised cost, amortised using the effective interest method. There is no impact on the Group's lessor accounting.

The Group has applied the modified retrospective approach under IFRS 16, whereby the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at 1 December 2018. In doing so, the Group has elected to measure the right-of-use asset at an amount equal to the lease liability recognised on transition. Therefore, there is no impact on retained earnings on adoption and comparative information has not been restated. No practical expedients have been applied on transition.

The Group has recognised right-of-use assets and corresponding lease liabilities at 1 December 2018 of £6.0m in respect of its leases of certain office premises, motor vehicles and office equipment that were previously accounted for as operating leases. This lease liability reflects a weighted average incremental borrowing rate of 6.4%. The lease liability recognised on transition is higher than the operating lease commitments disclosed at 30 November 2018 discounted at the incremental borrowing rate due to the treatment of break clauses within the leases of buildings. The previous operating lease commitment disclosure only included non-cancellable obligations, whereas under IFRS 16, the Group has assessed whether for each lease it is reasonably certain that these break clauses will not be exercised and therefore certain buildings have a longer lease term under IFRS 16 than was assumed for the previously disclosed operating lease commitment disclosure. At 30 November 2019, the carrying value of right-of-use assets was £5.3m, with the corresponding lease liabilities held at £5.4m.

Basis of consolidation

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

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

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

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

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

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

The Group statement of comprehensive income reflects the Group's share of any income and expense recognised by the joint venture entities outside the Group income statement.

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

Properties
Investment properties
Investment properties, being freehold and leasehold properties held to earn rental income, for capital appreciation and/or for undetermined future use, together with land options where the land is for an undetermined future use, are carried at fair value following initial recognition at the present value of the consideration payable. To establish fair value, investment properties are independently valued on the basis of market value. Any surplus or deficit arising is recognised in the Group income statement for the year. Investment properties are not depreciated.

Once classified as an investment property, a property remains in this category until either:

- development with a view to sale commences, at which point the asset is transferred to inventories;
- the property meets the definition of an asset held for sale, at which point the asset is transferred to assets held for sale; or
- the property is occupied by the Group for administrative purposes, at which point the asset is transferred to owner-occupied property.

All such transfers are made at the property's current valuation and subsequently measured in accordance with the applicable accounting policy for their new categorisation.

Where an investment property is being redeveloped for continued use as an investment property, the property remains within investment property and any movement in valuation is recognised in the Group income statement. Capital additions, including capitalised interest on qualifying assets and labour costs where applicable, that is directly attributable to the redevelopment or refurbishment of investment property, up to the point of it being completed for its intended use, is included in the carrying value of the property.

Investment property disposals are recognised on completion. Profits and losses arising are recognised through the Group income statement and the profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset, after the deduction of any selling costs.

Assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented as current assets within the Group balance sheet.

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

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

Revenue recognition
The accounting policies for revenue, set out below, have been updated to reflect the Group's application of IFRS 15 on its different revenue streams. In each case below, revenue is recognised at the transaction price, which is the amount of consideration that the Group expects to be entitled to, excluding VAT and other sales taxes or duties. Any non-cash consideration is measured at fair value and any deferred consideration is measured at present value, unless the deferral is for a period of one year or less, in which case no adjustment is made to the consideration. Revenue is recognised when performance obligations are satisfied by transferring a promised good or service to a customer. The specific performance obligations identified for each of the Group's significant revenue streams (other than rental income, which is accounted for under IFRS 16 *Leases*) are set out below.

Sale of property held in inventory
This includes the sale of completed units developed by St. Modwen Homes (disclosed within housebuilding developments), the sale of part-exchange properties within St. Modwen Homes (disclosed within other housebuilding activities), non-housebuilding inventory development income and the disposal of other property inventory.

Revenue is recognised on legal completion of the sale of the property. Such disposals are typically for a fixed cash consideration received on completion, although part of this consideration may be on deferred terms or, in the case of housebuilding, in the form of a part-exchange property that is measured at fair value.

Construction contracts
This includes housebuilding contract income and pre-sold property construction contract income where the Group is providing construction services, resulting in a completed developed property, on land that is not controlled by the Group during the development.

Revenue is recognised over time, with reference to the stage of completion of the contract. The stage of completion is determined using input methods that reflect the development work certified as a proportion of the total expected development cost as the amount of costs incurred is considered proportionate to the satisfaction of the performance obligation. These contracts are typically for a fixed cash consideration received in stage payments over the duration of the contract that broadly, but not exactly, match the satisfaction of the performance obligation over time.

Development fee income
This is for income earned on development agreements with third parties, which can include income for costs incurred, fixed fees, fees earned at a fixed percentage of costs incurred and variable fees arising from profit sharing arrangements with third parties.

Revenue is recognised over time, with reference to the stage of completion of the agreement. The stage of completion is determined using input methods that reflect the costs incurred at each reporting period as a proportion of the total expected cost to fulfil the agreement as this cost is considered proportionate to the satisfaction of performance obligations. These agreements are typically for a variable consideration, comprising one or both of fee income at a fixed percentage of costs incurred and profit share arrangements for the residual amounts. Payments are often not received until the completion and disposal of individual phases and therefore contract assets arise in the early stages that reduce over time and may become contract liabilities if the disposal of these phases is accelerated. Variable consideration is estimated at each period end as the most-likely outcome, but only to the extent that it is highly probable that a significant reversal in the amount recognised will not subsequently occur.

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

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

- leasehold operating properties – over the shorter of the lease term and 25 years;
- office fit out and equipment – over three to 10 years; and
- plant and equipment – over two to five years.

Owner-occupied property
Owner-occupied property is held at fair value following initial recognition at the present value of the consideration payable or the transfer value from investment properties. To establish fair value, owner-occupied property is independently valued on the basis of market value. Any surplus or deficit arising is recognised in the Group statement of comprehensive income for the year within a separate revaluation reserve. Any deficits in excess of the balance within this revaluation reserve are recognised in the Group income statement.

Intangibles
Intangibles are stated at cost less accumulated amortisation and accumulated impairment losses. Such cost includes the purchase price and costs directly attributable to the asset.

Amortisation is provided on all intangibles at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

- software – over the software licence term; and
- other intangibles – over two to five years.

Exceptional items
Exceptional items are defined as items of income or expenditure which, in the opinion of the directors:

- are considered material to the primary users of the financial statements (either by size or nature);
- require separate disclosure in the financial statements in accordance with IAS 1 *Presentation of Financial Statements*; and
- do not relate to standard activities of current properties and developments of the Group.

Exceptional items are presented separately in the Group income statement. Should any exceptional items be reversed in subsequent periods, they would also be presented as exceptional items.

Provisions
Provisions are recognised when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases
The Group as lessee
As a result of the adoption of IFRS 16, the accounting policy for leases where the Group is a lessee has been updated as follows. At the commencement of a lease with a term in excess of 12 months, a right-of-use asset is recognised at cost, comprising the initial measurement of the lease liability, adjusted for any lease payments made before the commencement date and any lease incentives, together with any initial direct costs incurred and an estimate of any retirement obligations. The right-of-use asset is recognised within operating property, plant and equipment and intangibles, except for interests in leasehold investment properties, where the asset is presented within investment properties.

A lease liability is also recognised, measured at the present value of the future lease payments, discounted using either the interest rate implicit in the lease or, if that is not readily determinable, the Group's incremental borrowing rate for such assets.

Subsequently, the right-of-use asset is depreciated over the shorter of the estimated useful life of the asset and the lease term, with the asset held at cost less accumulated depreciation and any accumulated impairment losses. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. The lease liability is subsequently increased by the unwinding of the discount and decreased by any payments made. For interests in leasehold investment properties, the right-of-use asset is not depreciated, but is revalued in accordance with the accounting policy for investment properties at an amount equal to the lease liability.

The Group as lessor
Rental income from operating leases, adjusted for the impact of any cash incentives given to the lessee and to reflect any rent-free incentive periods, is recognised in the Group income statement on a straight-line basis over the lease term.

Borrowing costs
Interest is capitalised if it is directly attributable to the acquisition, construction or production of inventory or the redevelopment of investment properties. Capitalisation commences when the activities to develop the property start and continues until the property is substantially ready for its intended use. Capitalised interest is calculated with reference to the weighted average interest rate of incremental borrowings.

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

The tax currently payable is based on the taxable result for the year. The taxable result differs from the result as reported in the Group income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that will not be taxable or deductible. In particular, as a property group, the effective tax rate for the year reflects the benefit of certain investment gains not being taxable because of historical indexation, capital allowances, land remediation and other reliefs on certain property expenditure.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

As a property group, tax and its treatment is often an integral part of transactions. The outcome of tax treatments are recognised by the Group to the extent that the outcome is reasonably certain. Where tax treatments have been challenged by HMRC, or management believe that there is a risk of such challenge, provision is made for the best estimate of potential exposure based on the information available at the balance sheet date and supported by the Group's tax advisors, where such exposure is considered more likely than not to occur.

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.

Share-based payments
Share-based payments to employees are equity-settled and are measured at the fair value of the equity instruments at the grant date, using an appropriate option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share incentive reserve.

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

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

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

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

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

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

When a pension asset (net surplus) arises from the above calculation, it is limited to the present value of any economic benefits that will be available to the Company in accordance with the requirements of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

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

Dividends
Dividends are recognised when declared and approved and dividends declared and approved after the balance sheet date are not recognised as liabilities at the balance sheet date.

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

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

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

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

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost less any allowance for expected credit losses. The expected credit losses on trade and other receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the individual receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Balances are written off when the probability of recovery is assessed as being remote.

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

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

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

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

The effective interest rate method is used to charge interest to the Group income statement.

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

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

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

Critical judgements in applying the Group's accounting policies
In the application of the Group's accounting policies outlined above, the directors are required to make judgements relating to the carrying amounts of assets and liabilities that are not readily apparent from other sources. The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Complex transactions

Certain property transactions entered into by the Group involve an element of complexity and the need to exercise judgement to determine the most appropriate accounting policy. Such transactions include the accounting for the right to secure the interest in the surplus land at New Covent Garden Market together with the associated obligation to procure the new market for the Covent Garden Market Authority, a judgement that was made a number of years ago and that has not changed (further details of which are set out below).

New Covent Garden Market accounting treatment

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.

In determining the most appropriate accounting policy for the arrangement, consideration was given as to whether to account for the transaction as the acquisition of an interest in the surplus land for non-cash consideration or to account for the development as a construction contract (under IAS 11 *Construction Contracts* prior to the adoption of IFRS 15 *Revenue from Contracts with Customers*), with the consideration taking the form of the non-cash interest in the surplus land. It was concluded that the former more faithfully and fairly represented the substance of the arrangement, 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.

Judgement was also applied in determining the appropriate classification for the interest in the surplus land, which legally takes the form of an option. Given the intention to take physical delivery of the land and that, at the point of initial recognition, it had not been determined whether to hold the surplus land for capital appreciation or to sell it on to a third party, the surplus land interest was judged to meet the definition of an investment property under IAS 40 *Investment Property*, and hence has been accounted for in this way (rather than as a financial asset or as inventory).

Subsequent to initial recognition of the interest in the land as investment property and the recognition of the liability to procure the new market facilities, judgement was also applied in determining whether there should be any ongoing interaction between the two balances – for example, whether any subsequent adjustment to the estimate of the liability should be accounted for as an adjustment to the original investment property purchase price (which ultimately would give rise to an investment property revaluation gain or loss) or as a separate provision remeasurement gain or loss in the income statement. As, going forward, the two balances operate entirely independently of each other, it was determined that they should also be accounted for separately in accordance with the requirements of their respective applicable accounting standards.

Consequently, remeasurements of both the investment property valuation and provision liability are recognised, separately, in VSM (NCGM) Limited's income statement in accordance with the requirements of IAS 40 *Investment Property* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* respectively. Remeasurements of both the investment property valuation and provision liability are reflected together as component parts of the 'net profit/loss of joint ventures and associates (post-tax)' line within the Group income statement.

Key sources of estimation uncertainty

In the application of the Group's accounting policies outlined above, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and so actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. Where sensitivities are provided in the notes to the Group financial statements, these are based on a reasonably possible range of outcomes within the next financial year, each of which having been considered with all other variables remaining constant.

Valuation of investment properties

Investment properties are held at fair value, which is determined by independent valuations undertaken by external valuation experts in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. These valuations are based on prevailing market conditions and evidence of transaction prices for similar properties together with assumptions including yields, estimated rental values, gross development values and the appropriateness of remediation expenditure and costs to complete. Market conditions and assumptions are expected to change over time and any increase in yields or costs to complete or any decreases in estimated rental values or gross development values in subsequent periods would result in a decrease in the fair value of investment properties. The Group adopts the valuation performed by its independent valuers as the fair value of its investment properties, following review by management. The sensitivity of the carrying amount of the liability to the assumptions and estimates used is disclosed in note 10 to the Group financial statements.

Cost to establish a market in Nine Elms

The Group engages an external expert to estimate the costs to complete the market in Nine Elms, based on experience of construction to date, recent tendering activity and wider trends in relevant build costs, including inflation. In determining the appropriate liability to recognise, the reasonably possible range of outcomes estimated by the external expert is reviewed, together with an assessment of the likelihood of sensitivities, risks and opportunities inherent in this complex, long-term project materialising. Any cost increases or decreases on the project would result in a decrease or increase respectively of the Group's share of its investment in the joint venture. The sensitivity of the carrying amount of the liability to the assumptions and estimates used is disclosed in note 12 to the Group financial statements.

Net realisable value of inventories
In order to determine the profit that the Group is able to recognise on its developments in any given year, the Group has to allocate site-wide development costs between units built in the current year and those to be built in future years, which has an impact on the carrying value of inventories. The Group has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value with reference to estimates of costs to complete and remaining revenues. The assumptions and estimates for both revenue and costs are based on conditions existing at the balance sheet date, with reference to recent experience on similar properties and site-specific knowledge. Any subsequent adverse changes in market conditions may result in additional provisions being required. Furthermore, as a significant portion of the Group's activities are undertaken through housebuilding, the Group is required to make estimates in accounting for housebuilding development costs and margin. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. The sensitivity of the carrying amount of inventories to the assumptions and estimates used is disclosed in note 14 to the Group financial statements.

Carrying value of the exceptional provision
Note 5a to the Group financial statements sets out detail of an exceptional provision recognised during the year. There are a number of possible outcomes and the carrying value of provisions is sensitive to changes in assumptions or estimates that underpin these possible outcomes. These uncertainties include the extent, underlying cause and proposed remediation of the alleged problems and the impact they may have upon the current owner and occupier. Some of the uncertainties will be reduced following the detailed articulation of the claim, but a number may remain until the matter is settled, either by negotiations or formal proceedings, which may not occur within the next financial year. The sensitivity of the carrying amount of the provisions to the assumptions and estimates used is disclosed in note 18 to the Group financial statements.

Variable consideration in contracts with customers
An element of some of the Group's development fee income is based on variable consideration arising from profit sharing arrangements with third parties. Variable consideration is estimated at each period end as the most-likely outcome, but only to the extent that it is highly probable that a significant reversal in the amount recognised will not subsequently occur. The Group has to estimate the residual amounts under the development agreement, which are typically based on expected serviced land values, less any non-variable amounts due under the contract. These estimates are based on the Group's assessment of current market values and possible significant reductions in value in the future. Whilst the Group has ongoing procedures for making these estimates, they are based on assumptions that may change based on market conditions. The sensitivity of the carrying amount of contract assets and the revenue recognised during the year is disclosed in note 13 to the Group financial statements.

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

- IFRS 17 *Insurance Contracts*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IAS 1 and IAS 28 *Definition of Material*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*
- 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 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*
- Amendments to IFRSs *Annual Improvements to IFRSs 2015 – 2017 Cycle*
- Amendments to *References to the Conceptual Framework in IFRS Standards*

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

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.

	Year ended 30 November 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 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 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	–	49.5

(1) Includes the exceptional provision of £22.5m as detailed in note 5a.

1. Detailed income statement continued

	Year ended 30 November 2018				
	Revenue (restated) £m	Costs (restated) £m	Statutory profit/(loss) £m	Reallocation of joint ventures and associates £m	Total £m
Rental income	53.5	(12.1)	41.4	5.4	46.8
Other activities	4.6	(2.4)	2.2	–	2.2
Net rental and other income	58.1	(14.5)	43.6	5.4	49.0
Housebuilding developments	227.8	(183.1)	44.7	–	44.7
Other housebuilding activities	3.2	(3.2)	–	–	–
Housebuilding development profits	231.0	(186.3)	44.7	–	44.7
Non-housebuilding inventory developments	40.4	(10.2)	30.2	1.3	31.5
Pre-sold property construction contracts	68.0	(62.5)	5.5	–	5.5
Property development gains	108.4	(72.7)	35.7	1.3	37.0
Inventory disposal losses	23.2	(35.2)	(12.0)	–	(12.0)
Investment property disposal gains/(losses)	–	–	7.1	(2.2)	4.9
Property disposal gains/(losses)	23.2	(35.2)	(4.9)	(2.2)	(7.1)
Net realisable value provisions	–	0.4	0.4	–	0.4
Investment property revaluation gains/(losses)	–	–	19.2	(8.2)	11.0
Property valuation gains/(losses)	–	0.4	19.6	(8.2)	11.4
Development fee income	15.5	(12.1)	3.4	–	3.4
Total	436.2	(320.4)			
Housebuilding administrative expenses			(10.8)	–	(10.8)
Non-housebuilding administrative expenses			(32.4)	(0.1)	(32.5)
Administrative expenses			(43.2)	(0.1)	(43.3)
Credit from increased discount of market liability			–	4.7	4.7
Net loss of joint ventures and associates (post-tax)			(3.1)	3.1	–
Profit before interest and tax			95.8	4.0	99.8
Interest costs			(15.6)	(2.8)	(18.4)
Other finance costs			(10.2)	(3.5)	(13.7)
Finance costs			(25.8)	(6.3)	(32.1)
Interest income			2.0	1.8	3.8
Other finance income			0.4	0.6	1.0
Finance income			2.4	2.4	4.8
Profit before tax			72.4	0.1	72.5
Taxation			(11.9)	(0.1)	(12.0)
Profit for the year			60.5	0.0	60.5

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

1. Detailed income statement continued

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

	2019 £m	2018 £m
Housebuilding development profits	**55.5**	44.7
Housebuilding administrative expenses	**(11.3)**	(10.8)
Housebuilding operating profit	**44.2**	33.9

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 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 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 £386.7m (2018: £382.7m) are recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Included within revenue recognised during the year ended 30 November 2019 was £0.1m (2018: £nil) of revenue that was included as a contract liability at 30 November 2018.

There was no revenue recognised during the years ended 30 November 2019 or 30 November 2018 that related to performance obligations satisfied in previous years.

Included within revenue for the year ended 30 November 2019 is variable consideration within development fee income of £1.0m (2018: £1.2m). 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.

A total of £0.1m (2018: £nil) of costs incurred to obtain or fulfil a contract were capitalised at 30 November 2019.

Cost of sales in respect of rental income comprises direct operating expenses (including repairs and maintenance) related to the investment property portfolio and totals £10.3m (2018: £12.1m), of which £0.3m (2018: £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:

	2019				
	Group £m	Joint ventures and associates £m	Total £m	Exceptionals £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 for the year attributable to owners of the Company	70.6	(2.6)	68.0	(17.3)	50.7

2. Non-statutory information continued

	2018		
	Group £m	Joint ventures and associates £m	Total £m
Gross rental income	53.5	6.2	59.7
Property outgoings	(12.1)	(0.8)	(12.9)
Other net income	2.2	–	2.2
Net rental and other income	43.6	5.4	49.0
Housebuilding development profit[1]	44.7	–	44.7
Development fee income	3.4	–	3.4
Business unit direct operating expenses[1]	(20.6)	–	(20.6)
Central administrative expenses[1]	(22.6)	(0.1)	(22.7)
Interest costs	(15.6)	(2.8)	(18.4)
Interest income	2.0	1.8	3.8
Taxation on adjusted EPRA earnings	(6.2)	(1.0)	(7.2)
Less non-controlling interests on adjusted EPRA earnings	(0.3)	–	(0.3)
Adjusted EPRA earnings	28.4	3.3	31.7
Property revaluation gains/(losses)	19.6	(8.2)	11.4
Property development gains	35.7	1.3	37.0
Property disposal losses	(4.9)	(2.2)	(7.1)
Credit from increased discount of market liability	–	4.7	4.7
Other finance costs	(10.2)	(3.5)	(13.7)
Other finance income	0.4	0.6	1.0
Taxation on other earnings	(5.7)	0.9	(4.8)
Profit for the year attributable to owners of the Company	63.3	(3.1)	60.2

(1) As disclosed in note 4, following the restatement of the segmental analysis comparatives for the year ended 30 November 2018, administrative expenses have been split between business unit direct operating expenses and central administrative expenses and housebuilding administrative expenses of £10.8m that were previously presented within housebuilding operating profit are now presented within business unit direct operating expenses.

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:

	2019			2018		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group (restated) £m	Joint ventures and associates £m	Total (restated) £m
Property portfolio	**1,390.4**	**94.2**	**1,484.6**	1,302.6	100.7	1,403.3
Other assets	**126.7**	**79.9**	**206.6**	118.0	80.3	198.3
Gross assets	**1,517.1**	**174.1**	**1,691.2**	1,420.6	181.0	1,601.6
Net borrowings	**(305.8)**	**15.2**	**(290.6)**	(271.1)	34.2	(236.9)
Leases	**(8.3)**	**(0.9)**	**(9.2)**	(3.0)	(0.9)	(3.9)
Other liabilities	**(208.6)**	**(102.4)**	**(311.0)**	(185.6)	(125.2)	(310.8)
Gross liabilities	**(522.7)**	**(88.1)**	**(610.8)**	(459.7)	(91.9)	(551.6)
Net assets	**994.4**	**86.0**	**1,080.4**	960.9	89.1	1,050.0
Non-controlling interests	**(4.7)**	**–**	**(4.7)**	(5.9)	–	(5.9)
Equity attributable to owners of the Company	**989.7**	**86.0**	**1,075.7**	955.0	89.1	1,044.1

2. Non-statutory information continued

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:

	2019			2018		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Investment properties	**958.1**	**82.9**	**1,041.0**	939.3	92.0	1,031.3
Assets held for sale	**15.8**	**–**	**15.8**	–	–	–
Less assets held under leases[1]	**–**	**–**	**–**	(3.1)	(0.9)	(4.0)
Inventories	**416.5**	**11.3**	**427.8**	366.4	9.6	376.0
Property portfolio	**1,390.4**	**94.2**	**1,484.6**	1,302.6	100.7	1,403.3

(1) Assets held under leases are no longer excluded from the presentation of the Group's property portfolio.

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

	2019			2018		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Industrial & Logistics	**553.5**	**34.6**	**588.1**	437.6	23.1	460.7
St. Modwen Homes	**384.2**	**–**	**384.2**	371.4	19.0	390.4
Residential land	**218.4**	**40.3**	**258.7**	182.3	23.4	205.7
Retail-led regeneration	**83.6**	**–**	**83.6**	85.3	–	85.3
Other regeneration	**86.7**	**8.9**	**95.6**	72.7	7.9	80.6
Non-core retail	**21.8**	**8.3**	**30.1**	73.9	13.9	87.8
Non-core other	**42.2**	**2.1**	**44.3**	79.4	13.4	92.8
Strategic Land & Regeneration	**452.7**	**59.6**	**512.3**	493.6	58.6	552.2
Property portfolio	**1,390.4**	**94.2**	**1,484.6**	1,302.6	100.7	1,403.3

Investment and commercial property assets as defined in our banking facility agreement at 30 November 2019 was £642.5m (2018: £619.7m).

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:

	2019			2018
	Underlying Pence per share	Exceptional Pence per share	Total Pence per share	(restated) Pence per share
Net asset value per share at end of year (note 3)	**492.0**	**(7.8)**	**484.2**	470.2
Less net asset value per share at start of year (note 3)	**(470.2)**	**–**	**(470.2)**	(450.7)
Increase in net asset value per share	**21.8**	**(7.8)**	**14.0**	19.5
Dividend paid per share (note 9)	**7.6**	**–**	**7.6**	7.4
Total accounting return per share	**29.4**	**(7.8)**	**21.6**	26.9
Total accounting return	**6.3%**	**(1.7)%**	**4.6%**	6.0%

Total accounting return 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.

2. Non-statutory information continued

e. Movements in net borrowings and net debt

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

	2019			2018		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Movement in cash and cash equivalents	**9.3**	**(26.7)**	**(17.4)**	38.4	(28.9)	9.5
Borrowings drawn	**(386.0)**	**(10.2)**	**(396.2)**	(612.0)	(15.0)	(627.0)
Repayment of borrowings	**342.0**	**17.9**	**359.9**	736.3	32.5	768.8
(Increase)/decrease in net borrowings	**(34.7)**	**(19.0)**	**(53.7)**	162.7	(11.4)	151.3
Fair value movement on convertible bond	**0.2**	**–**	**0.2**	0.4	–	0.4
(Increase)/decrease in lease liabilities	**(5.3)**	**–**	**(5.3)**	54.0	–	54.0
(Increase)/decrease in net debt	**(39.8)**	**(19.0)**	**(58.8)**	217.1	(11.4)	205.7

f. Net borrowings and net debt

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

	2019			2018		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Cash and cash equivalents	**48.2**	**19.0**	**67.2**	38.9	45.7	84.6
Borrowings due within one year	**–**	**–**	**–**	(100.2)	–	(100.2)
Borrowings due after more than one year	**(354.0)**	**(3.8)**	**(357.8)**	(210.0)	(11.5)	(221.5)
Adjustment to restate convertible bond at book value	**–**	**–**	**–**	0.2	–	0.2
Net borrowings	**(305.8)**	**15.2**	**(290.6)**	(271.1)	34.2	(236.9)
Reversal of adjustment to restate convertible bond at book value	**–**	**–**	**–**	(0.2)	–	(0.2)
Lease liabilities due within one year	**(1.4)**	**–**	**(1.4)**	–	–	–
Lease liabilities due after more than one year	**(6.9)**	**(0.9)**	**(7.8)**	(3.0)	(0.9)	(3.9)
Net debt	**(314.1)**	**14.3**	**(299.8)**	(274.3)	33.3	(241.0)

2. Non-statutory information continued

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 and fair value movements on the Group's convertible bond) less cash and cash equivalents.

See-through net borrowings: Total borrowings (at amortised cost excluding leases and fair value movements on the Group's convertible bond) 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 excluding valued assets held under leases, calculated on a proportionally consolidated basis (including the Group's share of its joint ventures and associates).

	2019			2018		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Property portfolio (note 2b)	**1,390.4**	**94.2**	**1,484.6**	1,302.6	100.7	1,403.3
Total equity	**1,080.4**	**N/A**	**1,080.4**	1,050.3	N/A	1,050.3
Net debt (note 2f)	**314.1**	**(14.3)**	**299.8**	274.3	(33.3)	241.0
Net borrowings (note 2f)	**305.8**	**(15.2)**	**290.6**	271.1	(34.2)	236.9
Gearing	**29.1%**		**27.7%**	26.1%		22.9%
Adjusted gearing	**28.3%**		**26.9%**	25.8%		22.6%
Loan-to-value	**22.0%**		**19.6%**	20.8%		16.9%

3. EPRA performance measures

This note sets out two 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 with industry peers and are explained in detail below:

EPRA earnings (see note 3a): For investors in 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 profits on disposal to provide an indicator of the leasing and property management performance of a business.

Adjusted EPRA earnings (see note 3a): 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 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.

EPRA net asset value (see note 3b): The objective of EPRA net asset value is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of derivative financial instruments and deferred taxes on property valuation surpluses are therefore excluded, which facilitates a more objective comparison with peer companies.

3. EPRA performance measures continued

a. Adjusted EPRA earnings

Adjusted EPRA earnings is calculated as set out below:

	2019			2018		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Profit for the year	**52.1**	**(2.6)**	**49.5**	63.6	(3.1)	60.5
Less non-controlling interests	**1.2**	**–**	**1.2**	(0.3)	–	(0.3)
Profit for the year	**53.3**	**(2.6)**	**50.7**	63.3	(3.1)	60.2
Investment property revaluation (gains)/losses	**(47.5)**	**4.2**	**(43.3)**	(19.2)	8.2	(11.0)
Investment property disposal losses/(gains)	**5.2**	**0.6**	**5.8**	(7.1)	2.2	(4.9)
Credit from increased discount of market liability[1]	**–**	**–**	**–**	–	(4.7)	(4.7)
Housebuilding operating profit[2]	**(44.2)**	**–**	**(44.2)**	(33.9)	–	(33.9)
Non-housebuilding inventory development losses/(gains)	**17.0**	**(1.5)**	**15.5**	(30.2)	(1.3)	(31.5)
Net realisable value provisions	**3.9**	**–**	**3.9**	(0.4)	–	(0.4)
Pre-sold property development gains[3]	**(0.5)**	**–**	**(0.5)**	(5.5)	–	(5.5)
Inventory disposal (gains)/losses	**(0.8)**	**–**	**(0.8)**	12.0	–	12.0
Amortisation of discount on deferred payment arrangements[4]	**–**	**2.4**	**2.4**	0.1	3.4	3.5
Taxation in respect of profits or losses on disposal	**6.1**	**0.1**	**6.2**	11.2	1.5	12.7
Movement in fair value of financial instruments	**2.9**	**(0.2)**	**2.7**	0.7	(0.6)	0.1
Early redemption of retail bond[5]	**–**	**–**	**–**	3.7	–	3.7
Deferred tax in respect of EPRA adjustments	**3.0**	**(0.4)**	**2.6**	1.9	(2.3)	(0.4)
Non-controlling interests in respect of the above	**(1.3)**	**–**	**(1.3)**	–	–	–
EPRA earnings	**(2.9)**	**2.6**	**(0.3)**	(3.4)	3.3	(0.1)
Housebuilding operating profit	**44.2**	**–**	**44.2**	33.9	–	33.9
Amortisation of loan arrangement fees	**1.7**	**0.2**	**1.9**	5.3	0.1	5.4
Taxation in respect of company specific adjustments	**(7.1)**	**–**	**(7.1)**	(7.4)	(0.1)	(7.5)
Adjusted EPRA earnings	**35.9**	**2.8**	**38.7**	28.4	3.3	31.7

(1) The credit from increased discount of market liability 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.

(2) Housebuilding operating profit includes overheads directly attributable to the 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.

(3) Pre-sold property development gains arise from property disposals and their development and therefore should be adjusted in arriving at EPRA earnings.

(4) 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.

(5) The early redemption of the retail bond represents a material close-out cost associated with debt and therefore should be adjusted in arriving at EPRA earnings.

3. EPRA performance measures continued

Whilst the BPR defines EPRA earnings with reference to adjustments to the reported profit for the year, it can also be presented in the form of an income statement, comprising those items in the income statement not adjusted for in the reconciliation above:

	2019			2018		
	Group £m	**Joint ventures and associates £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Net rental and other income	**36.0**	**4.1**	**40.1**	43.6	5.4	49.0
Development fee income	**4.4**	**–**	**4.4**	3.4	–	3.4
Non-housebuilding administrative expenses	**(32.5)**	**(0.3)**	**(32.8)**	(32.4)	(0.1)	(32.5)
Interest costs	**(12.7)**	**(2.1)**	**(14.8)**	(20.9)	(2.9)	(23.8)
Interest income	**2.3**	**1.3**	**3.6**	2.0	1.8	3.8
Taxation in respect of EPRA earnings measures	**(0.3)**	**(0.4)**	**(0.7)**	1.2	(0.9)	0.3
Non-controlling interests in respect of the above	**(0.1)**	**–**	**(0.1)**	(0.3)	–	(0.3)
EPRA earnings	**(2.9)**	**2.6**	**(0.3)**	(3.4)	3.3	(0.1)
Housebuilding operating profit	**44.2**	**–**	**44.2**	33.9	–	33.9
Amortisation of loan arrangement fees	**1.7**	**0.2**	**1.9**	5.3	0.1	5.4
Taxation in respect of company specific adjustments	**(7.1)**	**–**	**(7.1)**	(7.4)	(0.1)	(7.5)
Adjusted EPRA earnings	**35.9**	**2.8**	**38.7**	28.4	3.3	31.7

	2019			2018		
	£m	**Pence per share[1]**	**Percentage movement**	£m	Pence per share[1]	Percentage movement
Earnings	**50.7**	**22.8**	**(15.9)%**	60.2	27.1	0.7%
EPRA earnings	**(0.3)**	**(0.1)**	**N/A**	(0.1)	–	(100.0)%
Adjusted EPRA earnings	**38.7**	**17.4**	**21.7%**	31.7	14.3	7.5%

(1) The number of shares in issue used to calculate the earnings per share is 222,084,656 (2018: 221,964,567), as disclosed in note 8, excluding those shares held by The St. Modwen Properties PLC Employee Share Trust.

3. EPRA performance measures continued

b. EPRA net asset value

EPRA net asset value is calculated as set out below:

	2019			2018		
	Group £m	Joint ventures and associates £m	Total £m	Group (restated) £m	Joint ventures and associates £m	Total (restated) £m
Total equity	**994.4**	**86.0**	**1,080.4**	960.9	89.1	1,050.0
Less non-controlling interests	**(4.7)**	**–**	**(4.7)**	(5.9)	–	(5.9)
Net asset value	**989.7**	**86.0**	**1,075.7**	955.0	89.1	1,044.1
Adjustments of inventories to fair value	**11.8**	**–**	**11.8**	6.7	0.7	7.4
EPRA triple net asset value	**1,001.5**	**86.0**	**1,087.5**	961.7	89.8	1,051.5
Deferred tax on capital allowances and revaluations	**27.8**	**2.3**	**30.1**	20.5	2.2	22.7
Mark-to-market of derivative financial instruments	**2.6**	**–**	**2.6**	0.2	0.2	0.4
EPRA net asset value	**1,031.9**	**88.3**	**1,120.2**	982.4	92.2	1,074.6

	2019			2018		
	£m	Pence per share[1]	Percentage movement	(restated) £m	(restated) Pence per share[1]	Percentage movement
Net asset value	**1,075.7**	**484.2**	**3.0%**	1,044.1	470.2	4.3%
EPRA triple net asset value	**1,087.5**	**489.5**	**3.4%**	1,051.5	473.6	3.4%
EPRA net asset value	**1,120.2**	**504.2**	**4.2%**	1,074.6	484.0	2.7%

(1) *The number of shares in issue used to calculate the net asset values per share is 222,166,554 (2018: 222,031,244), as disclosed in note 21, excluding those shares held by* The St. Modwen Properties PLC Employee Share Trust.

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) to allocate resources to those segments and to assess their performance.

As discussed in the strategic report and as indicated in the financial statements for the year ended 30 November 2018, following the restructure of the Group's operations to align to its three strategic objectives, the Group has amended its operating segments for the year ended 30 November 2019. The Group now divides its business into the following segments:

- Industrial & 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, except for revenue, which is presented for the Group as disclosed in note 1. 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.

The Group has previously reported two segments:

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

As required by IFRS 8 *Operating Segments*, the comparative information has been restated to reflect the Group's current operating segments. As the business units that are reflected in these segments did not exist during the year ended 30 November 2018, the restated comparative information is based on assumptions and allocations for certain balances and transactions where the underlying records are not available.

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

4. Segmental information continued

b. Segment revenues and results

	2019 £m	2018 £m
Industrial & Logistics	**23.6**	24.4
St. Modwen Homes	**277.3**	220.4
Strategic Land & Regeneration	**129.0**	191.4
Revenue	**429.9**	436.2

	2019				
	Industrial & Logistics £m	St. Modwen Homes £m	Strategic Land & Regeneration £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**

4. Segmental information continued

	2018				
	Industrial & Logistics £m	St. Modwen Homes £m	Strategic Land & Regeneration £m	Unallocated £m	Total £m
Gross rental income	17.2	–	42.5	–	59.7
Property outgoings	(3.1)	–	(9.8)	–	(12.9)
Other net income	0.3	–	1.9	–	2.2
Net rental and other income	14.4	–	34.6	–	49.0
Housebuilding development profit	–	42.1	2.6	–	44.7
Development fee income	–	–	3.4	–	3.4
Business unit direct operating expenses	(3.0)	(10.8)	(6.8)	–	(20.6)
Business unit operating profit	11.4	31.3	33.8	–	76.5
Central administrative expenses	–	–	–	(22.7)	(22.7)
Interest costs	–	–	–	(18.4)	(18.4)
Interest income	–	–	–	3.8	3.8
Taxation on adjusted EPRA earnings	–	–	–	(7.2)	(7.2)
Less non-controlling interests on adjusted EPRA earnings	–	–	–	(0.3)	(0.3)
Adjusted EPRA earnings	11.4	31.3	33.8	(44.8)	31.7
Property valuation gains/(losses)	23.1	–	(11.7)	–	11.4
Property development gains	22.9	–	14.1	–	37.0
Property disposal gains/(losses)	0.8	–	(7.9)	–	(7.1)
Credit from increased discount of market liability	–	–	4.7	–	4.7
Other finance costs	–	–	(3.4)	(10.3)	(13.7)
Other finance income	–	–	–	1.0	1.0
Taxation on other earnings	–	–	–	(4.8)	(4.8)
Profit for the year attributable to owners of the Company	58.2	31.3	29.6	(58.9)	60.2

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

	2019		2018	
	Volume Units	**Revenue £m**	Volume Units	Revenue £m
St. Modwen Homes developments	**1,011**	**262.8**	848	217.2
St. Modwen Homes construction contracts	**49**	**7.8**	–	–
Total St. Modwen Homes housebuilding[1]	**1,060**	**270.6**	848	217.2
St. Modwen Homes operating profit		**40.1**		31.3
St. Modwen Homes operating margin		**14.8%**		14.4%

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

4. Segmental information continued

c. Segment assets and liabilities

	2019				
	Industrial & Logistics £m	St. Modwen Homes £m	Strategic Land & Regeneration £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)
Provisions and 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	–	–	–	(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

4. Segmental information continued

	2018				
	Industrial & Logistics £m	St. Modwen Homes £m	Strategic Land & Regeneration £m	Unallocated £m	Total £m
Investment properties	446.6	104.5	476.2	–	1,027.3
Inventories	14.1	285.9	76.0	–	376.0
Property portfolio	460.7	390.4	552.2	–	1,403.3
Property, plant and equipment and intangibles	–	–	3.4	14.0	17.4
Trade and other receivables	5.3	15.2	102.4	57.1	180.0
Derivative financial instrument assets	–	–	–	0.9	0.9
Other assets	5.3	15.2	105.8	72.0	198.3
Cash and cash equivalents	–	–	–	84.6	84.6
Borrowings	–	–	–	(321.5)	(321.5)
Net borrowings	–	–	–	(236.9)	(236.9)
Trade and other payables	(21.3)	(54.5)	(66.7)	(69.3)	(211.8)
Market liability	–	–	(71.9)	–	(71.9)
Lease liabilities	–	–	–	(3.9)	(3.9)
Derivative financial instrument liabilities	–	–	–	(1.3)	(1.3)
Current tax liabilities	–	–	–	(2.1)	(2.1)
Deferred tax	–	–	–	(23.7)	(23.7)
Other liabilities	(21.3)	(54.5)	(138.6)	(100.3)	(314.7)
Net assets	444.7	351.1	519.4	(265.2)	1,050.0
Less non-controlling interests	–	–	–	(5.9)	(5.9)
Net assets attributable to owners of the Company	444.7	351.1	519.4	(271.1)	1,044.1

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:

	2019			2018		
	Industrial & Logistics £m	**St. Modwen Homes £m**	**Strategic Land & Regeneration £m**	Industrial & Logistics £m	St. Modwen Homes £m	Strategic Land & Regeneration £m
Capital employed at start of year	**444.7**	**351.1**	**519.4**	366.8	315.3	873.6
Capital employed at end of year	**572.7**	**354.4**	**475.6**	444.7	351.1	519.4
Average capital employed	**508.7**	**352.8**	**497.5**	405.8	333.2	696.5
Profit before interest and tax for the year	**63.0**	**40.1**	**14.6**	58.2	31.3	29.6
Return on capital employed	**12.4%**	**11.4%**	**2.9%**	14.3%	9.4%	4.2%

5. Other income statement disclosures

a. Exceptional item

The Group income statement includes the expense of making a provision in relation to a potential 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 has been reported as an exceptional item as, in the opinion of the directors, it meets the requirements of the Group's accounting policy for exceptional items. The net impact of the exceptional item is set out below:

	2019 £m	2018 £m
Non-housebuilding inventory 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**	–

b. Auditor's remuneration

The table below sets out the fees payable to the Company's auditor and their associates for the following services:

	2019 £'000	2018 £'000
The audit of the Company's annual report and financial statements	**245**	171
The audit of the Company's subsidiaries and joint ventures	**225**	177
Total audit fees[1]	**470**	348
The review of the Company's half-year report and condensed financial statements	**55**	52
Total audit-related fees	**55**	52
Total fees	**525**	400

(1) Following the signing of the financial statements for the year ended 30 November 2018, a further £50,000 of audit fees was agreed in respect of that year.

Other than the review of the Company's half-year report and condensed financial statements, no non-audit services have been provided during the years ended 30 November 2019 or 30 November 2018. Further information is included in the Audit Committee report.

c. Employees

The monthly average number of full-time employees (including executive directors) employed by the Group during the year was as follows:

	2019 Number	2018 Number
Property and administration	**210**	217
Housebuilding and associated administration	**331**	248
Leisure and other activities	**46**	48
Total employees	**587**	513

The total payroll costs of these employees were:

	2019 £m	2018 £m
Wages and salaries	**40.8**	35.6
Social security costs	**5.8**	3.8
Pension costs	**2.0**	1.8
Total payroll costs	**48.6**	41.2

5. Other income statement disclosures continued

d. Share-based payments

The Group has a Save As You Earn share option scheme open to all employees. Employees must ordinarily remain in service for a period of three or five years from the date of grant before exercising their options. The option period ends six months following the end of the vesting period.

The Group also operates discretionary schemes for certain of its employees. Previously, this was through the Executive Share Option Plan (ESOP), whereby options were granted at a fixed price equal to the market price at the date of grant. Employees must ordinarily remain in service for a period of three years from the date of grant before exercising their ESOP awards. The option ends on the tenth anniversary of the date of grant. During the year ended 30 November 2019, this has been replaced by an employee Performance Share Plan (PSP), whereby options are granted at a £nil exercise price with varying performance conditions attached. Employees must ordinarily remain in service for a period of three years from the date of grant before exercising their PSP awards. The option ends on the tenth anniversary of the date of grant.

Details of the Group's Performance Share Plan (PSP) for directors are given in the directors' remuneration report.

The following table illustrates the movements in share options during the year. As the PSP includes the grant of options at £nil exercise price, the weighted average prices below are calculated including and excluding the options under this plan.

	2019			2018		
		Weighted average price			Weighted average price	
	Number of options	All options £	Excluding PSP £	Number of options	All options £	Excluding PSP £
Outstanding at start of year	**7,591,033**	**2.61**	**3.29**	7,167,213	2.63	3.15
Granted	**1,380,529**	**0.92**	**3.34**	2,156,851	2.18	3.74
Forfeited	**(1,157,302)**	**0.89**	**3.57**	(772,492)	2.37	3.52
Exercised	**(2,185,467)**	**2.55**	**2.78**	(960,539)	2.00	2.74
Outstanding at end of year	**5,628,793**	**2.57**	**3.52**	7,591,033	2.61	3.29
Exercisable at year end	**1,446,145**	**3.43**	**3.43**	2,049,827	3.28	3.28

Share options are priced using a Black-Scholes-Merton valuation model. The aggregate of the fair values calculated and the assumptions used for share options granted during the year are as follows:

	Aggregate of fair values £m	Risk-free interest rate %	Expected volatility %	Dividend yield %	Share price[1] £
30 November 2019	**1.5**	**0.3–0.8**	**19.0–27.4**	**1.6–2.0**	**3.73–4.67**
30 November 2018	2.2	0.8–1.1	26.6–28.7	1.5–1.6	3.81–4.10

(1) Based on the closing share price on the date of grant.

The charge to the Group income statement during the year in respect of share-based payments was £1.4m (2018: £1.8m).

The fair value of the share incentive reserve in respect of share options outstanding at the year end was £3.9m (2018: £4.7m) and included £1.6m (2018: £2.3m) in respect of options that had vested at the year end.

In arriving at fair value it has been assumed that, when vested, shares options are exercised in accordance with historical trends. Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options.

The weighted average share price at the date of exercise was £4.31 (2018: £4.00). The share options outstanding under the ESOP at the year end had a range of exercise prices between £1.74 and £4.74 (2018: £1.74 and £4.74) with all PSP options exercisable at £nil (2018: £nil). Outstanding options had a weighted average maximum remaining contractual life of 6.5 years (2018: 6.7 years).

6. Finance costs and finance income

	2019 £m	2018 £m
Interest costs		
Interest payable on borrowings	**9.7**	14.3
Interest payable on lease liabilities	**0.5**	0.5
Interest on pension scheme liabilities	**0.8**	0.8
Interest costs	**11.0**	15.6
Other finance costs		
Amortisation of loan arrangement fees	**1.7**	5.3
Amortisation of discount on deferred payment arrangements	**–**	0.1
Movement in fair value of derivative financial instruments	**3.1**	1.1
Early redemption of retail bond	**–**	3.7
Other finance costs	**4.8**	10.2
Total finance costs	**15.8**	25.8

Interest of £3.3m (2018: £2.2m) was capitalised into investment properties and inventories during the year ended 30 November 2019.

	2019 £m	2018 £m
Interest income		
Interest receivable	**1.4**	1.2
Interest income on pension scheme assets	**0.9**	0.8
Interest income	**2.3**	2.0
Other finance income		
Movement in fair value of convertible bond	**0.2**	0.4
Other finance income	**0.2**	0.4
Total finance income	**2.5**	2.4

7. Taxation

a. Tax on profit on ordinary activities

The tax charge in the Group income statement is as follows:

	2019 £m	2018 £m
Current tax		
Current year tax	**4.6**	9.6
Adjustments in respect of previous years	**(1.1)**	(0.7)
Total current tax	**3.5**	8.9
Deferred tax		
Impact of current year revaluations, indexation and disposals	**7.8**	2.3
Net use of tax losses	**0.1**	–
Other temporary differences	**(2.4)**	(1.4)
Change in rate for provision of deferred tax	**(0.1)**	–
Adjustments in respect of previous years	**0.5**	2.1
Total deferred tax	**5.9**	3.0
Total tax charge in the Group income statement	**9.4**	11.9

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

	2019 £m	2018 £m
Profit before tax	**58.9**	72.4
Net loss of joint ventures and associates (post-tax)	**2.6**	3.1
Profit before tax attributable to the Group	**61.5**	75.5
Corporation tax at 19.00% (2018: 19.00%)	**11.7**	14.3
Effect of non-deductible expenses and non-chargeable income	**(1.4)**	(3.7)
Impact of indexation on investment property	**(0.2)**	(0.1)
Change in rate used for provision of deferred tax	**(0.1)**	–
Current year charge	**10.0**	10.5
Adjustments in respect of previous years	**(0.6)**	1.4
Tax charge for the year	**9.4**	11.9
Effective rate of tax	**15.3%**	15.8%

The post-tax results of joint ventures and associates are stated after a tax charge of £0.1m (2018: £0.1m). The effective tax rate for the Group including its share of joint ventures and associates is 16.1% (2018: 16.6%).

Legislation substantively enacted at 30 November 2019 included provisions which reduce the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. Current tax has therefore been provided at 19% and deferred tax at 17%.

7. Taxation continued

c. Balance sheet

	2019		2018	
	Current tax £m	**Deferred tax £m**	Current tax £m	Deferred tax £m
At start of the year	**0.9**	**19.7**	6.2	16.6
Charged to the Group income statement	**3.5**	**5.9**	8.9	3.0
Recognised within the Group statement of changes in equity	**–**	**–**	–	0.1
Net payment	**(4.4)**	**–**	(14.2)	–
At end of the year	**–**	**25.6**	0.9	19.7

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

	2019			2018		
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Property revaluations	**–**	**25.3**	**25.3**	–	17.2	17.2
Capital allowances	**–**	**2.5**	**2.5**	–	3.3	3.3
Appropriations to trading stock	**–**	**2.2**	**2.2**	–	0.8	0.8
Unutilised tax losses	**(0.8)**	**–**	**(0.8)**	–	–	–
Other temporary differences	**(3.6)**	**–**	**(3.6)**	(1.6)	–	(1.6)
Total deferred tax	**(4.4)**	**30.0**	**25.6**	(1.6)	21.3	19.7

At the balance sheet date, the Group has unused tax losses in relation to 2019 and prior years of £4.6m (2018: £0.1m). Deferred tax of £0.8m (2018: £nil) has been recognised in respect of these losses.

8. Earnings per share

	2019 Number of shares	2018 Number of shares
Weighted number of shares in issue[1]	**222,084,656**	221,964,567
Weighted number of diluted shares relating to the convertible bond	**–**	19,177,294
Weighted number of diluted shares relating to share options	**2,515,371**	2,166,608
Weighted number of shares for the purposes of diluted earnings per share	**224,600,027**	243,308,469

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

	2019			2018
	Underlying £m	**Exceptional £m**	**Total £m**	Total £m
Earnings for the purposes of basic earnings per share, being profit for the year attributable to owners of the Company	**68.0**	**(17.3)**	**50.7**	60.2
Effect of dilutive potential ordinary shares:				
Interest on convertible bond (net of tax)	**–**	**–**	**–**	2.3
Movement in fair value of the convertible bond	**–**	**–**	**–**	(0.4)
Earnings for the purposes of diluted earnings per share	**68.0**	**(17.3)**	**50.7**	62.1

	2019			2018
	Underlying Pence	**Exceptional Pence**	**Total Pence**	Total Pence
Basic earnings per share	**30.6**	**(7.8)**	**22.8**	27.1
Diluted earnings per share	**30.3**	**(7.7)**	**22.6**	25.5

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 final dividend for 2018 and interim dividend for 2019. The proposed final dividend of 5.1 pence per share is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements.

	2019		2018	
	Pence per share	£m	Pence per share	£m
Paid				
Final dividend in respect of previous year	**4.00**	**8.9**	4.26	9.5
Interim dividend in respect of current year	**3.60**	**8.0**	3.10	6.9
Total paid	**7.60**	**16.9**	7.36	16.4
Proposed				
Current year final dividend	**5.10**	**11.3**	4.00	8.9

The St. Modwen Properties PLC Employee Share Trust waives its entitlement to dividends with the exception of 0.01 pence per share.

10. Investment properties

a. Fair value reconciliation

	2019 £m	2018 £m
At start of year	**939.3**	1,168.5
Property acquisitions	**24.3**	9.1
Additions	**117.9**	95.5
Net transfers (to)/from inventories (note 14)	**(87.4)**	13.7
Net transfers to owner-occupied properties (note 11)	**–**	(7.0)
Net transfers to assets held for sale (note 15)	**(15.8)**	–
Disposals	**(69.3)**	(360.4)
Movement in lease incentives	**1.6**	0.7
Gain on revaluation	**47.5**	19.2
At end of year	**958.1**	939.3

Investment properties were valued at 30 November 2019 and 30 November 2018 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 2019, £15.4m (2018: £15.0m) of investment property was pledged as security for the Group's loan facilities.

10. Investment properties continued

The following table provides an analysis of the categorisation of the Group's investment properties:

	2019 £m	2018 £m
Industrial & Logistics	**542.9**	423.5
St. Modwen Homes	**–**	85.5
Residential land	**189.5**	164.7
Retail-led regeneration	**83.6**	85.3
Other regeneration	**84.7**	40.5
Non-core retail	**19.5**	64.5
Non-core other	**37.9**	72.2
Strategic Land & Regeneration	**415.2**	427.2
Investment property portfolio	**958.1**	936.2
Assets held under leases[1]	**–**	3.1
Investment properties	**958.1**	939.3

(1) Assets held under leases are no longer excluded from the presentation of the Group's property portfolio.

b. Fair value measurement and sensitivity

The split of investment properties according to the valuation techniques applied and their fair value hierarchies is set out below:

	Valuation technique	Fair value hierarchy	2019 £m	2018 £m
Income-producing assets	Investment method	Level 3	**624.6**	568.8
Development assets	Residual development method	Level 3	**192.0**	206.0
Other land assets	Comparable land value method	Level 3	**154.4**	161.4
Adjustment for lease liabilities (note 19)			**2.9**	3.1
Less assets presented as held for sale (note 15)			**(15.8)**	–
Investment properties			**958.1**	939.3

Income-producing assets

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

Equivalent yields and ERV are considered to be unobservable inputs. Details of the aggregate ERV and weighted average equivalent yields used for each category of income-producing assets are provided in the following table:

	2019			2018		
	Fair value £m	Aggregate ERV £m	Weighted average equivalent yield %	Fair value £m	Aggregate ERV £m	Weighted average equivalent yield %
Industrial and logistics	**456.1**	**34.6**	**6.6**	320.2	25.1	7.2
Retail	**83.8**	**9.0**	**10.2**	147.9	16.1	9.0
Other	**84.7**	**8.5**	**8.2**	100.7	7.9	5.5
Total income-producing assets	**624.6**	**52.1**	**7.3**	568.8	49.1	7.4

10. Investment properties continued

As the Group holds property both directly and through joint ventures and associates the strategic report discusses yields applied to investment property on a weighted average see-through basis. This provides a composite position with respect to the Group's exposure to asset types by sector. The aggregate ERVs and weighted average equivalent yields provided above are disclosed for those assets held by the Group excluding its joint ventures and associates.

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

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

The table below sets out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of income-producing assets at 30 November 2019:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in estimated rental value of 5.0%	**30.7**	**(32.4)**
Change in net equivalent yields of 50 basis points	**(42.4)**	**41.1**

Development assets

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

Sales prices, build costs and profit margins are considered to be unobservable inputs and details of the ranges used are provided in the following tables:

	2019			
	Fair value £m	Sales price per sq ft £	Build cost per sq ft £	Profit margin %
Commercial	**28.8**	**166–660**	**58–232**	**12.3–13.9**
Residential	**163.2**	**159–244**	**73–93**	**18.0–20.0**
Total development assets	**192.0**			

	2018			
	Fair value £m	Sales price per sq ft £	Build cost per sq ft £	Profit margin %
Residential	206.0	184–240	90	19.5–20.0

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

The table below sets out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of residential assets at 30 November 2019:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in sales price of 10.0%	**145.7**	**(132.4)**
Change in build costs of 5.0%	**(43.9)**	**41.8**

10. Investment properties continued

Other land assets

Other land assets are valued using the comparable land value method, which comprises a land value per acre less costs to remediate and service the land. Land value per acre is considered to be an unobservable input and details of the ranges used are detailed in the following table:

	2019		2018	
	Fair value £m	Land value per acre[1] £'000	Fair value £m	Land value per acre[1] £'000
Commercial	**134.6**	**7–604**	135.8	7–787
Residential	**19.8**	**180–614**	25.6	170–660
Other land assets	**154.4**		161.4	

(1) Excluding ransom strips and substantially complete assets.

All other things being equal, a higher value per acre would lead to an increase in the valuation of an asset and vice versa.

The table below sets out a sensitivity analysis for the key source of estimation uncertainty with the resulting increase/(decrease) in the fair value of other land assets at 30 November 2019:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in land value per acre of 5.0%	**7.1**	**(6.8)**

11. Property, plant and equipment and intangibles

	Operating properties £m	Owner-occupied properties £m	Plant and equipment £m	Right-of-use assets £m	Intangibles £m	Total £m
Cost						
At 30 November 2017	4.8	–	7.1	–	1.0	12.9
Additions	–	–	4.4	–	1.9	6.3
Transfers from investment properties	–	7.0	–	–	–	7.0
Disposals	–	–	(0.4)	–	–	(0.4)
At 30 November 2018	**4.8**	**7.0**	**11.1**	**–**	**2.9**	**25.8**
Recognised on adoption of IFRS 16 *Leases*	**–**	**–**	**–**	**6.0**	**–**	**6.0**
Additions	**–**	**–**	**2.1**	**0.8**	**4.1**	**7.0**
At 30 November 2019	**4.8**	**7.0**	**13.2**	**6.8**	**7.0**	**38.8**
Depreciation and amortisation						
At 30 November 2017	1.5	–	5.3	–	1.0	7.8
Charge for the year	–	–	0.8	–	0.2	1.0
Disposals	–	–	(0.4)	–	–	(0.4)
At 30 November 2018	**1.5**	**–**	**5.7**	**–**	**1.2**	**8.4**
Charge for the year	**–**	**–**	**1.3**	**1.5**	**0.9**	**3.7**
At 30 November 2019	**1.5**	**–**	**7.0**	**1.5**	**2.1**	**12.1**
Net book value						
At 30 November 2017	3.3	–	1.8	–	–	5.1
At 30 November 2018	3.3	7.0	5.4	–	1.7	17.4
At 30 November 2019	**3.3**	**7.0**	**6.2**	**5.3**	**4.9**	**26.7**

12. 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 remainder of the Group's joint ventures and associates are listed in note C to the Company financial statements and included in aggregate below.

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

	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**
Property development gains	**–**	**–**	**1.4**	**–**	**0.1**	**1.5**
Investment property disposals 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)**

	2018					
	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	5.3	–	–	–	0.1	5.4
Development profits	1.3	–	–	–	–	1.3
Investment property disposal losses	(1.8)	–	(0.4)	–	–	(2.2)
Investment property revaluation losses	(7.3)	(0.1)	–	(0.8)	–	(8.2)
Credit from increased discount of market liability	–	–	–	4.7	–	4.7
Administrative expenses	(0.1)	–	–	–	–	(0.1)
(Loss)/profit before interest and tax	(2.6)	(0.1)	(0.4)	3.9	0.1	0.9
Finance costs	(1.4)	(1.1)	(0.1)	(3.5)	(0.2)	(6.3)
Finance income	0.6	–	0.8	1.0	–	2.4
(Loss)/profit before tax	(3.4)	(1.2)	0.3	1.4	(0.1)	(3.0)
Taxation	(0.8)	0.8	0.1	(0.2)	–	(0.1)
(Loss)/profit for the year	(4.2)	(0.4)	0.4	1.2	(0.1)	(3.1)

Included in other joint ventures and associates above are results from associated companies of a loss of £0.4m (2018: a profit of £0.1m).

12. Joint ventures and associates continued

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

	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 30 November 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**

	2018					
	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	64.1	18.4	–	7.9	10.3	100.7
Other assets	3.6	3.2	9.5	58.0	6.0	80.3
Gross assets	67.7	21.6	9.5	65.9	16.3	181.0
Net borrowings	(10.6)	5.9	13.0	24.8	1.1	34.2
Leases	(0.9)	–	–	–	–	(0.9)
Other liabilities	(5.9)	(20.5)	(14.3)	(75.5)	(9.0)	(125.2)
Gross liabilities	(17.4)	(14.6)	(1.3)	(50.7)	(7.9)	(91.9)
Net assets	50.3	7.0	8.2	15.2	8.4	89.1
Equity at 30 November 2017	59.5	7.4	30.6	14.0	8.1	119.6
(Loss)/profit for the year	(4.2)	(0.4)	0.4	1.2	(0.1)	(3.1)
Injection of capital	–	–	–	–	0.4	0.4
Dividends paid	(5.0)	–	(22.8)	–	–	(27.8)
Equity at 30 November 2018	50.3	7.0	8.2	15.2	8.4	89.1

Included in other joint ventures and associates above are net assets in relation to associated companies of £3.2m (2018: £3.6m). These net assets comprise total assets of £3.5m (2018: £4.3m) and total liabilities of £0.3m (2018: £0.7m).

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.

12. Joint ventures and associates continued

b. New Covent Garden Market

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. There have been no significant changes to the timing or quantum of these estimates during the year ended 30 November 2019. In the year ended 30 November 2018, there were changes to the phasing of the project during the year that resulted in the recognition of a finance credit in VSM (NCGM) Limited, with the Group's share of this credit being £4.7m.

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 discount rate of 5.0%, considered by the Board of VSM (NCGM) Limited to appropriately reflect the risks and rewards of the procurement.

The table below sets out a sensitivity analysis for each of these key sources of estimation uncertainty with the resulting (increase)/decrease in the Group's share of the carrying value of the liability at 30 November 2019:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in costs of procuring the market facility at current rates of 5.0%	**(2.3)**	**2.3**
Change in inflation of 50 basis points	**(0.8)**	**0.8**

The Group's share of the total discount applied to the gross liability is £11.4m, which represents the maximum sensitivity to the discount rate.

c. Summarised financial information

The following disclosures are required by IFRS 12 *Disclosure of Interests in Other Entities* in respect of the gross financial information for the Group's material joint ventures:

	2019			
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	VSM Estates (Holdings) Limited £m	VSM (NCGM) Limited £m
Revenue	**9.3**	**–**	**1.9**	**0.7**
(Loss)/profit for the year and total comprehensive (expense)/income	**(2.4)**	**(4.3)**	**1.4**	**0.6**
Non-current assets	**105.9**	**37.2**	**–**	**48.0**
Current assets	**12.3**	**6.8**	**16.6**	**115.5**
Current liabilities	**(9.7)**	**(16.6)**	**(5.3)**	**(6.4)**
Non-current liabilities	**(10.4)**	**(17.7)**	**–**	**(126.1)**
Net assets	**98.1**	**9.7**	**11.3**	**31.0**

	2018			
	Key Property Investments Limited £m	VSM Estates Uxbridge (Group) Limited £m	VSM Estates (Holdings) Limited £m	VSM (NCGM) Limited £m
Revenue	19.4	–	–	–
Profit/(loss) for the year and total comprehensive income/(expense)	(8.5)	(0.9)	0.6	2.5
Non-current assets	125.1	36.8	–	15.8
Current assets	11.6	18.1	29.9	165.5
Current liabilities	(10.9)	(39.5)	(18.9)	(1.6)
Non-current liabilities	(25.3)	(1.4)	(0.1)	(149.3)
Net assets	100.5	14.0	10.9	30.4

13. Trade and other receivables

	2019 £m	2018 (restated) £m
Non-current		
Deferred consideration on property disposals	**4.0**	4.9
Amounts due from joint ventures and associates	**5.6**	–
Other receivables	**1.7**	1.8
Non-current receivables	**11.3**	6.7
Current		
Trade receivables	**15.7**	14.1
Prepayments and accrued income	**9.6**	11.4
Deferred consideration on property disposals	**11.0**	10.4
Contract assets	**19.6**	23.4
Amounts due from joint ventures and associates	**18.2**	18.5
Other receivables	**14.4**	12.1
Current receivables	**88.5**	89.9

Included within trade receivables are £5.3m (2018: £2.8m) due on the disposal of inventories and £1.7m (2018: £4.1m) 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 2019 is due to receipts on one such development agreement exceeding the revenue recognised during the year.

The table below sets out a sensitivity analysis for the key source of estimation uncertainty relating to variable consideration in contracts with customers, with the resulting increase/(decrease) in the carrying value of contract assets at 30 November 2019:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in gross development value of 10%	**0.4**	**(0.4)**

14. Inventories

The movement in inventories during the two years ended 30 November 2019 is as follows:

	2019 £m	2018 £m
At start of year	**366.4**	352.7
Acquisitions	**11.8**	51.7
Additions	**214.3**	207.0
Net transfers from/(to) investment property (note 10)	**87.4**	(13.7)
Disposals	**(259.5)**	(231.7)
(Increase)/decrease in net realisable value provisions	**(3.9)**	0.4
At end of year	**416.5**	366.4

14. Inventories continued

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

	2019 £m	2018 £m
Industrial & Logistics	**10.6**	14.1
St. Modwen Homes	**384.2**	285.9
Residential land	**13.1**	17.6
Other regeneration	**2.0**	32.2
Non-core retail	**2.3**	9.4
Non-core other	**4.3**	7.2
Strategic Land & Regeneration	**21.7**	66.4
Inventories	**416.5**	366.4

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 2019 and included in development profits was £263.4m (2018: £231.3m).

The table below sets out a sensitivity analysis for the key source of estimation uncertainty with the resulting increase/(decrease) in the carrying value of inventories at 30 November 2019.

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in house prices of 10.0%	–	**(2.0)**

15. Assets held for sale

Certain of the Group's investment properties met the definition of assets held for sale at 30 November 2019 as these assets had exchanged, but not yet completed. Of the £15.8m presented as held for sale, £7.7m had completed by the date of signing these financial statements, with the remainder expected to complete prior to 31 May 2020. As these assets were previously held at fair value as investment properties, no gain or loss was recognised on reclassification of these properties to assets held for sale.

All assets held for sale at 30 November 2019 are included within the Strategic Land & Regeneration operating segment.

All assets held for sale have been valued as residential assets under the residual development method by Cushman & Wakefield under level 3 of the fair value hierarchy, as disclosed in note 10, with reference to prices agreed on exchange of contracts where applicable.

16. Trade and other payables

	2019 £m	2018 £m
Current		
Trade payables	**50.0**	44.7
Accruals and deferred income	**54.2**	71.1
Deferred consideration on property acquisitions	**6.3**	19.7
Contract liabilities	**4.6**	0.9
Amounts due to joint ventures and associates	**20.2**	18.3
Other payables	**5.1**	3.5
Current payables	**140.4**	158.2
Non-current		
Accruals and deferred income	**4.2**	1.6
Deferred consideration on property acquisitions	**4.1**	4.1
Amounts due to joint ventures and associates	**6.5**	–
Non-current payables	**14.8**	5.7

16. Trade and other payables continued

Contract liabilities 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 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 due to this circumstance arising on two completed contracts.

17. Borrowings and lease liabilities

	2019 £m	2018 £m
Current		
Convertible bond	–	100.2
Lease liabilities	**1.4**	–
Current borrowings and lease liabilities	**1.4**	100.2
Non-current		
Bank loans	**354.0**	210.0
Lease liabilities	**6.9**	3.0
Non-current borrowings and lease liabilities	**360.9**	213.0

a. Borrowings

Maturity profile of committed borrowing facilities

The Group's debt is provided by a floating rate unsecured revolving credit facility of £475.0m (providing the flexibility to draw and repay loans as required) together with a £75.0m facility from the Homes England Home Building Fund. A £100.0m convertible bond matured and was repaid at par during the year ended 30 November 2019. The maturity profile of the Group's committed borrowing facilities is set out below:

	2019			2018		
	Drawn[1] £m	Undrawn £m	Total £m	Drawn[1] £m	Undrawn £m	Total £m
Four to five years	**15.0**	**–**	**15.0**	–	15.0	15.0
Secured floating rate borrowings	**15.0**	**–**	**15.0**	–	15.0	15.0
Four to five years	**75.0**	**–**	**75.0**	–	–	–
More than five years	**264.0**	**196.0**	**460.0**	210.0	325.0	535.0
Unsecured floating rate borrowings	**339.0**	**196.0**	**535.0**	210.0	325.0	535.0
Less than one year	**–**	**–**	**–**	100.2	–	100.2
Unsecured fixed rate borrowings	**–**	**–**	**–**	100.2	–	100.2
Total committed borrowing facilities	**354.0**	**196.0**	**550.0**	310.2	340.0	650.2

(1) In addition to the principal amounts included above, £1.7m (2018: £1.2m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

17. Borrowings and lease liabilities continued

Interest rate profile

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

	2019		2018	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	**119.0**	**Margin + LIBOR**	115.0	Margin + LIBOR
Fixed rate bank debt	**235.0**	**Margin + 1.17% weighted average swap and cap rate**	95.0	Margin + 0.87% weighted average swap and cap rate
Convertible bond	**–**	**2.875% fixed rate**	100.2	2.875% fixed rate
Total borrowings	**354.0**		310.2	

Convertible bond

On 6 March 2014 St. Modwen Properties Securities (Jersey) Limited (the issuer) issued £100.0m 2.875% Guaranteed Convertible Bonds with a five-year term. These bonds matured and were repaid at par during the year ended 30 November 2019. The convertible bond was designated as at fair value through profit and loss and so was presented on the balance sheet at fair value with all gains and losses taken to the Group income statement. At 30 November 2019 the fair value of the convertible bond was £nil (2018: £100.2m) with the change in fair value charged to the Group income statement.

b. Financial instruments classified at fair value through profit or loss

The Group's derivative financial instruments, which are classified as fair value through profit or loss, consist of sterling denominated interest swaps. The change in fair value of all derivative financial instruments charged or credited to the Group income statement is disclosed in note 5. Further information on the instruments held by the Group is detailed below:

Sterling denominated interest rate swaps from floating rate to fixed rate

These swaps hedge the Group's floating rate bank debt as at 30 November 2019. The fixed rates for these swaps range from 0.49% to 1.44% (2018: 0.49% to 1.37%) and details of their maturity profile are given below. The weighted average maturity of the interest rate swaps below is 2.9 years (2018: 3.2 years).

	2019		2018	
	£m	%[1]	£m	%[1]
One to two years	**45.0**	**0.49**	–	–
Two to three years	**30.0**	**1.37**	45.0	0.49
Three to four years	**120.0**	**1.43**	–	–
Four to five years	**–**	**–**	30.0	1.37
Total floating rate to fixed rate swaps	**195.0**	**1.20**	75.0	0.84

(1) Weighted average interest rate.

Sterling denominated interest rate cap from floating rate to fixed rate

An interest rate cap hedges the Group's floating rate bank debt as at 30 November 2019 by capping the rate at 1.00%. The cap fixes a variable balance ranging from £40.0m to £120.0m (2018: £nil to £140.0m) and the balance hedged at 30 November 2019 was £40.0m (2018: £20.0m). The maturity of the interest rate cap is 0.6 years (2018: 1.6 years).

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

There were no forward starting swaps at 30 November 2019. At 30 November 2018, forward starting swaps fixed £120.0m of borrowings with fixed rates ranging from 1.41% to 1.44% and a weighted average rate of 1.43%. These swaps all started within one year and matured between three and four years.

17. Borrowings and lease liabilities continued

c. Liabilities arising from financing activities

A reconciliation of liabilities arising from financing activities is set out below:

	2019				
	Borrowings £m	Derivative financial instruments £m	Accrued interest £m	Leases £m	Total £m
At 30 November 2017	434.9	4.0	2.3	57.0	498.2
Net cash outflows from financing activities[1]	(128.0)	(5.1)	(17.6)	(0.5)	(151.2)
Interest payable (note 6)	–	–	14.3	0.5	14.8
Interest capitalised (note 6)	–	–	2.2	–	2.2
Movement in fair value of financial liabilities (note 6)	(0.4)	1.1	–	–	0.7
Early redemption of retail bond (note 6)	3.7	–	–	–	3.7
Disposal of leases associated with investment property	–	–	–	(54.0)	(54.0)
At 30 November 2018	**310.2**	**–**	**1.2**	**3.0**	**314.4**
Net cash inflows/(outflows) from financing activities[1]	**44.0**	**–**	**(12.4)**	**(1.1)**	**30.5**
Interest payable (note 6)	**–**	**–**	**9.7**	**0.5**	**10.2**
Interest capitalised (note 6)	**–**	**–**	**3.3**	**–**	**3.3**
Movement in fair value of financial liabilities (note 6)	**(0.2)**	**3.1**	**–**	**–**	**2.9**
Recognised on adoption of IFRS 16 *Leases*	**–**	**–**	**–**	**6.0**	**6.0**
Disposal of leases associated with investment property	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 30 November 2019	**354.0**	**3.1**	**1.8**	**8.3**	**367.2**

(1) The total net cash flows from financing activities on the cash flow statement of £12.3m (2018: £175.5m) includes £30.5m (2018: £151.2m) as stated above, £16.9m (2018: £16.5m) of dividends paid and £1.3m (2018: £7.8m) of arrangement and other fees incurred on refinancing activity.

18. Provisions and contingent liabilities

	Legal claims £m
Reclassified from trade and other payables	**1.4**
Created	**24.5**
Utilised	**(1.4)**
Carried forward	**24.5**

During the year ended 30 November 2019, a provision of £22.5m has been made in relation to a potential 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. No detailed articulation of the claim has yet been made and there is limited information available at this early 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 is between £15.7m and £27.7m. 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 2019 as reimbursement is not virtually certain.

At 30 November 2019, the directors, having taken legal advice where necessary, consider that the possibility of an outflow in settlement of any unprovided legal claims is remote.

19. Leases

The Group as lessee

The Group leases certain of its office premises, motor vehicles and office equipment. A breakdown of the right-of-use assets disclosed in note 11 by class of asset is presented below:

	Office premises £m	Motor vehicles £m	Office equipment £m	Total £m
Recognised on adoption of IFRS 16 *Leases*	**3.6**	**1.2**	**1.2**	**6.0**
Additions	**–**	**0.8**	**–**	**0.8**
Depreciation	**(0.4)**	**(0.8)**	**(0.3)**	**(1.5)**
Carrying value at 30 November 2019	**3.2**	**1.2**	**0.9**	**5.3**

In addition, the Group holds certain of its investment property under long leases. These are presented as investment property and not disclosed separately as right-of-use assets. These leases contain either fixed payments, variable payments, or a combination of both. Fixed payments are included in the lease liability and variable payments are not included in the lease liability.

Included within lease liabilities in note 17 is £2.9m (2018: £3.1m) relating to investment property held under long leases.

The expense in the Group income statement for the year ended 30 November 2019 in respect of leases is as follows:

	£m
Depreciation of right-of-use assets	**1.5**
Interest expense	**0.5**
Variable payments made under leases not included in the measurement of lease liabilities	**0.8**
Total expense relating to leases in the Group income statement	**2.8**

The total cash outflow for the year ended 30 November 2019 in respect of leases was £3.1m.

The lease liabilities disclosed in note 17 comprise discounted lease payments as follows:

	2019			2018		
	Lease payments £m	Interest £m	Net present value £m	Lease payments £m	Interest £m	Net present value £m
Less than one year	**1.8**	**(0.4)**	**1.4**	0.2	(0.2)	–
Between one and five years	**4.2**	**(1.2)**	**3.0**	0.9	(0.7)	0.2
More than five years	**6.4**	**(2.5)**	**3.9**	5.2	(2.4)	2.8
Total obligations under leases	**12.4**	**(4.1)**	**8.3**	6.3	(3.3)	3.0

Leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2018: 6.0%) has been used to derive the fair value of the principal amount outstanding. All lease liabilities are denominated in sterling.

The Group as lessor

The Group leases its investment properties to tenants under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 £m	2018 £m
In one year or less	**29.4**	29.8
One to two years	**24.7**	26.1
Two to three years	**19.9**	21.6
Three to four years	**14.8**	17.8
Four to five years	**10.4**	13.4
In five years or more	**129.8**	208.9
Total minimum lease rentals receivable	**229.0**	317.6

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £1.0m (2018: £0.9m) were recognised during the year.

20. Financial instruments

a. Categories and classes of financial assets and liabilities

	2019 £m	2018 (restated) £m
Loans and receivables:[1]		
Cash and cash equivalents	**48.2**	38.9
Trade and other receivables	**67.5**	57.8
Fair value through profit and loss:[2]		
Derivative financial instruments	**0.2**	0.9
Total financial assets	**115.9**	97.6

	2019 £m	2018 £m
Amortised cost:[1]		
Bank loans and overdrafts	**354.0**	210.0
Trade and other payables	**128.0**	125.0
Lease liabilities	**8.3**	3.0
Fair value through profit and loss:[2]		
Convertible bond	**–**	100.2
Derivative financial instruments	**3.3**	0.9
Total financial liabilities	**493.6**	439.1

(1) The directors consider that the carrying amounts recorded in the financial statements approximate their fair value.

(2) Fair values are calculated using quoted market prices relevant for the term and instrument.

Trade and other receivables above comprise trade receivables, other receivables, deferred consideration on property disposals and amounts due from joint ventures and associates as disclosed in note 13, for current and non-current amounts, after deduction of £3.1m (2018: £4.0m) of non-financial assets.

Trade and other payables above comprise trade payables, other payables, accruals and deferred income, deferred consideration on property acquisitions and amounts due to joint ventures and associates as disclosed in note 16, for current and non-current amounts, after deduction of £22.6m (2018: £38.0m) of non-financial liabilities.

Derivative financial instruments and the convertible bond are externally valued based on the present value of estimated future cash flows and discounted based on the applicable yield curves derived from market expectations for future interest rates at the balance sheet date. Where applicable, the value of early termination or conversion options in favour of the issuing party are included in the external valuations. The following table sets out the net assets and liabilities in respect of financial instruments held at fair value through profit and loss:

		2019 £m	2018 £m
Derivative financial instrument assets	Level 2	**0.2**	0.9
Derivative financial instrument liabilities	Level 2	**(3.3)**	(0.9)
Convertible bond liability	Level 2	**–**	(100.2)
Net financial liability held at fair value through profit and loss		**(3.1)**	(100.2)

b. Risk management objectives

Capital risk

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt (as disclosed in note 16), cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. The capital structure of the Group is reviewed with reference to gearing (as disclosed in note 2) which the Group intends to keep low to provide a robust financial platform for business growth.

Market risk

Market risk is the potential adverse change in the Group's income or the Group's net worth arising from movements in interest rates or other market prices. Interest rate risk is the Group's principal market risk and the Group is exposed to interest rate risk as some of its borrowings are at variable interest rates. The Group uses a combination of variable rate borrowings and interest rate hedging to manage the risk.

20. Financial instruments continued

The following table details the Group's sensitivity, after tax, to a reasonably possible change in interest rates of 100 basis points based on year-end levels of debt:

	2019 £m	2018 £m
Interest on borrowings	**(2.9)**	(1.7)
Effect of interest rate swaps	**1.6**	0.6
Effect of interest rate cap	**0.3**	0.2
Net impact on profit of an increase of 100 basis points in interest rates	**(1.0)**	(0.9)

	2019 £m	2018 £m
Interest on borrowings	**2.9**	1.7
Effect of interest rate swaps	**(1.6)**	(0.6)
Net impact on profit of a decrease of 100 basis points in interest rates	**1.3**	1.1

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations as they fall due. The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date.

The credit risk on the Group's liquid funds and derivative financial instruments is limited because the counterparties are banks with strong credit ratings. Bank deposits are only placed with banks in accordance with Group policy that specifies minimum credit rating and maximum exposure. Credit risk on derivatives is closely monitored.

The credit risk on deferred consideration and contract assets is considered low, generally because the Group retains a charge, or has other contractual protections, over developed or disposed properties until the deferred consideration or contract asset is settled and the counterparties usually have a high credit rating.

The Group recognises loss allowances on amounts due from joint ventures and associates when it considers that amounts may not be recoverable based on the going concern and viability assessments the Group makes at least annually for its joint ventures and associates. No loss allowance has been recognised against amounts due from joint ventures and associates at 30 November 2019 or 30 November 2018.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and an assessment of both the current and forecast direction of conditions at the reporting date, adjusted for factors that are specific to the individual customers. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables based on the Group's provision matrix and the expected credit losses recognised. The Group does not have any significant history of credit losses on development, disposal and contract trade receivables, which are typically represented by larger balances with organisations with a high credit rating. As the Group's historical credit loss experience for tenant trade receivables does not show significantly different loss patterns for different types of tenant or different locations of tenant within the UK, the provision for loss allowance based on past due status is not further distinguished for this class of customer.

	2019			2018		
	Expected credit loss rate %	**Gross trade receivables £m**	**Loss allowance £m**	Expected credit loss rate %	Gross trade receivables £m	Loss allowance £m
Development, disposal and contract trade receivables:						
Not yet due and less than 30 days overdue	**–**	**7.0**	**–**	–	6.9	–
Tenant trade receivables:						
Not yet due and less than 30 days overdue	**1**	**6.9**	**(0.1)**	1	6.5	(0.1)
31 to 60 days overdue	**5**	**0.7**	**–**	5	0.5	(0.1)
61 to 90 days overdue	**10**	**0.7**	**(0.1)**	10	0.5	(0.1)
91 to 120 days overdue	**20**	**0.2**	**–**	20	–	–
121 to 150 days overdue	**30**	**0.3**	**(0.1)**	30	–	–
151 to 180 days overdue	**50**	**0.1**	**(0.1)**	50	0.4	(0.4)
More than 180 days overdue	**75**	**1.4**	**(1.2)**	75	1.0	(1.0)
Total		**17.3**	**(1.6)**		15.8	(1.7)

20. Financial instruments continued

The following table shows the movement in lifetime expected credit losses that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2019 £m	2018 (restated) £m
At start of year	**1.7**	1.1
Increase in loss allowances recognised	**0.8**	1.7
Amounts written off as uncollectable	**(0.7)**	(0.6)
Loss allowances reversed	**(0.2)**	(0.5)
At end of year	**1.6**	1.7

The loss allowance comprises individually assessed losses of £1.3m (2018: £1.4m) and collectively assessed losses of £0.3m (2018: £0.3m). There has been no significant change in expected credit losses during the year or any changes in the estimation techniques or significant assumptions made during the current year in assessing the loss allowances.

The Group does not have any significant concentrations of credit risk as the tenant base is large and diverse with the largest individual tenant accounting for £1.6m (2018: £1.6m) of gross rental income.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and through the use of borrowing facilities, overdrafts and cash to ensure continuity of funding. Borrowing facilities are monitored with reference to their maturity dates, with detailed plans in place for any facilities maturing within 18 months, and available undrawn facilities, details of which are disclosed in note 17. The weighted average maturity of the Group's borrowing facilities at 30 November 2019 was 5.0 years (2018: 4.5 years).

The maturity profile for the cash flows of the Group's non-derivative financial liabilities, on an undiscounted basis, is as follows:

	2019					
	Less than one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m	Total £m
Bank loans, overdrafts and bonds	**1.4**	**2.0**	**7.9**	**87.8**	**312.1**	**411.2**
Trade and other payables	**116.9**	**3.4**	**–**	**7.7**	**–**	**128.0**
Leases – minimum lease payments (note 19)	**0.2**	**0.3**	**1.3**	**4.2**	**6.4**	**12.4**
Total cash flows	**118.5**	**5.7**	**9.2**	**99.7**	**318.5**	**551.6**

	2018					
	Less than one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m	Total £m
Bank loans, overdrafts and bonds	1.0	1.7	108.0	233.9	–	344.6
Trade and other payables	88.0	1.8	29.5	5.7	–	125.0
Leases – minimum lease payments (note 19)	0.1	–	0.1	0.9	5.2	6.3
Total cash flows	89.1	3.5	137.6	240.5	5.2	475.9

The Group's approach to cash flow, financing and bank covenants is discussed further in the financial review section of the strategic report.

21. Share capital

	2019		2018	
	Ordinary 10p shares Number	Equity share capital £m	Ordinary 10p shares Number	Equity share capital £m
At start and end of year	**222,376,988**	**22.2**	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.

No shares were issued during the years ended 30 November 2019 or 30 November 2018. See note 5d for details of outstanding options to acquire ordinary shares.

Excluding 210,434 (2018: 345,744) of own shares held by The St. Modwen Properties PLC Employee Share Trust, shares in issue at 30 November 2019 are 222,166,554 (2018: 222,031,244).

22. Pensions

The Group operates a UK-based pension scheme, the St. Modwen Pension Scheme, with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1 September 2009, future accrual. The Group income statement includes the following charges:

	2019 £m	2018 £m
Defined benefit section	**0.1**	0.3
Defined contribution section	**1.8**	1.5

The St. Modwen Pension Scheme is governed by the trustee company, St. Modwen Pensions Limited. It is regulated by the UK regulatory regime, overseen by the Pensions Regulator.

The last formal actuarial valuation of the scheme was at 5 April 2017, when the market value of the net assets of the scheme was £32.1m and the funding level was 107% based on the Trustees' proposed assumptions for technical provisions. The main actuarial assumptions were:

	% per annum
Rate of increase in pensions	**2.7**
Discount rate	**3.0**
Inflation rate	**2.7**

The next formal actuarial valuation of the scheme is expected to be prepared as at 5 April 2020.

Funding policy

As the scheme is fully funded, the current schedule of contributions requires the Group to fund the Scheme to such an extent as to cover administrative expenses only. The contribution for the year ended 30 November 2020 is expected to be £nil, consistent with the current year contributions of £nil. From 1 December 2018, administrative expenses are funded by the scheme, having previously been met by St. Modwen Properties PLC.

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30 November 2019 on an IAS basis by a qualified independent actuary. The valuation was performed using the Projected Unit Credit Method under IAS 19. The major assumptions used by the actuary were:

	2019 %	2018 %
Rate of increase in deferred pensions	**2.2**	2.4
Rate of increase in pensions in payment (pre 6 April 1997 benefits)	**2.5**	2.6
Rate of increase in pensions in payment (post 5 April 1997 benefits)	**3.1**	3.3
Discount rate	**1.9**	2.9
Inflation rate	**2.2**	2.4

22. Pensions continued

Following the closure of the defined benefit section to future accrual, the assumption regarding the rate of increase in salaries is no longer applicable as retirement benefits will be based on salaries at 31 August 2009. Benefits earned up to the point of the scheme closure will be protected and will be increased in line with inflation, subject to a maximum of 5% per annum. From 2010 the basis of the inflation assumption has been amended, in line with market practice, from the Retail Price Index to the Consumer Price Index. During the year ended 30 November 2019, the Government made a proposal to alter RPI. We have made no explicit adjustment to the RPI assumption to reflect this possible change over and above the impact of the announcement on the market implied inflation. Whilst a reduction in the RPI assumption reflecting this potential change might reduce the value placed on the liabilities it may also impact on the value of the assets.

The mortality rates adopted are from 85% of the S2PxA tables with CMI 2018 core model (previously the CMI 2017 core model) and a long-term improvement of 1.25% per annum. The resultant assumptions are, for example:

- Average future life expectancy (in years) for a pensioner aged 65 at 30 November 2019: 22.8 (male) and 24.7 (female).
- Average future life expectancy (in years) at age 65 for a non-pensioner aged 45 at 30 November 2019: 24.1 (male) and 26.2 (female).

Analysis of the amounts recognised in the Group income statement

	2019 £m	2018 £m
Recognised within administrative expenses:		
Total operating charge	**(0.2)**	(0.3)
Recognised within finance costs and finance income:		
Interest income on scheme assets	**0.9**	0.8
Interest on pension scheme liabilities	**(0.8)**	(0.8)
Total net interest	**0.1**	–
Total recognised in the Group income statement	**(0.1)**	(0.3)

The actual return on pension scheme assets was a gain of £2.3m (2018: £1.1m).

Analysis of the amount recognised in the Group statement of comprehensive income

	2019 £m	2018 £m
The returns on scheme assets (excluding amounts included in net interest)	**1.4**	0.3
Experience gains and losses arising on fair value of scheme liabilities	**0.2**	0.3
Actuarial gains and losses arising from changes in demographic assumptions	**0.6**	0.2
Actuarial gains and losses arising from changes in financial assumptions	**(3.0)**	0.8
Change in unrecognised surplus	**0.9**	(1.6)
Remeasurement of the net defined benefit asset	**0.1**	–

Analysis of the fair value of assets

	2019 £m	2018 £m
Equities	**–**	0.2
Debt securities:		
UK corporate bonds	**15.1**	14.5
UK Government bonds	**–**	0.5
UK index-linked gilts	**6.1**	6.6
Leveraged loans	**0.4**	–
Property	**5.6**	5.2
Cash	**5.3**	4.8
Fair value of assets	**32.5**	31.8
Actuarial value of liabilities	**(28.6)**	(27.0)
Unrecognised surplus	**(3.9)**	(4.8)
Recognised surplus in the scheme	**–**	–

The cumulative amount of actuarial gains and losses (before the unrecognised surplus of £3.9m) recorded in the Group statement of comprehensive income is a loss of £5.8m (2018: £3.4m).

22. Pensions continued

Analysis of the movement in the present value of the scheme liabilities

	2019 £m	2018 £m
At start of year	**27.0**	28.8
Interest cost	**0.8**	0.8
Experience gains and losses arising on fair value of scheme liabilities	**(0.2)**	(0.3)
Actuarial gains and losses arising from changes in demographic assumptions	**(0.6)**	(0.2)
Actuarial gains and losses arising from changes in financial assumptions	**3.0**	(0.8)
Benefits paid	**(1.4)**	(1.3)
At end of year	**28.6**	27.0

Analysis of the movement in the fair value of the scheme assets

	2019 £m	2018 £m
At start of year	**31.8**	32.0
Interest income	**0.9**	0.8
Administration costs	**(0.2)**	–
Return on assets excluding amounts included in net interest	**1.4**	0.3
Benefits paid	**(1.4)**	(1.3)
At end of year	**32.5**	31.8

Information about the defined benefit obligation

	2019		2018	
	Liability split %	Duration years	Liability split %	Duration years
Deferred members	**23**	**19**	25	18
Pensioners	**77**	**12**	75	12
Total	**100**	**14**	100	14

Risk factors

The Group is exposed to a number of risks related to its defined benefit scheme, the most significant of which are detailed below:

Asset volatility

Pension scheme liabilities are calculated using discount rates set with reference to bond yields. If the assets within the scheme deliver a return which is lower than the discount rate this will create or increase a deficit within the scheme. This risk is reduced by holding a significant proportion of the scheme assets in bonds or similar instruments. As the scheme matures, it is anticipated that this proportion will increase to better match the assets and liabilities of the scheme.

Changes in bond yields

A decrease in bond yields will typically increase liabilities, although this will be partially offset by an appreciation in the value of scheme assets held in bonds.

Inflation risk

As the pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities. The asset portfolio includes a significant proportion of inflation linked bonds to reduce this risk.

Member longevity

The pension obligations provide benefits for the life of the members, therefore increases in life expectancy will result in an increase in liabilities (and vice-versa).

Sensitivity analysis

The following sets out the sensitivity of the actuarial value of liabilities to reasonably possible changes in assumptions compared with the actuarial assumptions adopted at 30 November 2019:

- A 0.5% decrease in the discount rate would increase the actuarial value of liabilities by £2.0m to £30.6m.
- A one-year increase in life expectancy would increase the actuarial value of liabilities by £1.6m to £30.2m.
- A 0.5% increase in the inflation rate would increase the actuarial value of liabilities by £1.2m to £29.8m.
- A 0.5% increase in the rate of increase in deferred pensions would increase the actuarial value of liabilities by £0.1m to £28.7m.
- A 0.5% increase in the rate of increase in pensions in payments would increase the actuarial value of liabilities by £1.3m to £29.9m.

23. Capital commitments

At 30 November 2019 the Group had contracted capital expenditure of £80.2m (2018: £19.0m). In addition the Group's share of the contracted capital expenditure of its joint venture undertakings was £9.3m (2018: £5.2m). All capital commitments relate to investment properties.

24. Financial guarantees

The Group has a joint and several unlimited liability with VINCI PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited. This is a guarantee in the ordinary course of business and would require the guarantors to step into VSM's place in the event of a default on Project MoDEL. Completion of the project is not considered onerous as the forecast revenues exceed the anticipated costs and it is not expected that there would be any net outflow in this regard.

The Group, together with VINCI PLC, has provided a joint and several guarantee in respect of the obligations of VSM (NCGM) Limited relating to the redevelopment of New Covent Garden Market, London. This is a guarantee in the ordinary course of business and would require the guarantors to comply with the terms of the development agreement and to indemnify Covent Garden Market Authority against any breach of those terms.

The Group, together with Salhia Real Estate K.S.C., has provided a parent company guarantee in respect of the £35.0m bank facility provided to Key Property Investments Limited. The guarantee provided by the Group is capped at 50% of the total commitment under the agreement from time to time, limiting the Group guarantee to £17.5m as at 30 November 2019. The Group's share of the loan balance outstanding at 30 November 2019 was £3.8m.

The Group has also provided certain guarantees, representations and warranties in relation to developments and disposals in the ordinary course of business, with the probability of any cash outflows being remote.

St. Modwen Properties PLC has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 30 November 2019:

Name of subsidiary	Company registration number
Blackpole Trading Estate (1978) Limited	00581658
Boltro Properties Limited	02616865
Broomford Vange Limited	05697168
Chaucer Estates Limited	00456386
Coed Darcy Estates Management Limited	07848407
Festival Waters Limited	04354481
Glan Llyn Management Limited	07848409
Holaw (462) Limited	03666441
Killingholme Energy Limited	08320277
Killingholme Land Limited	08320297
Leisure Living Limited	02106984
Redman Heenan Properties Limited	00073265
Shaw Park Developments Limited	04625000
St. Modwen (SAC1) Limited	08296927
St. Modwen Corporate Services Limited	06163437
St. Modwen Developments (Blackburn) Limited	05732825
St. Modwen Developments (Connah's Quay) Limited	05726352
St. Modwen Developments (Eccles) Limited	05867740
St. Modwen Developments (Edmonton) Limited	02405853
St. Modwen Developments (Hatfield) Limited	04354480
St. Modwen Developments (Hillington) Limited	04150262
St. Modwen Developments (Holderness) Limited	05726995
St. Modwen Developments (Hull) Limited	05593517
St. Modwen Developments (Kirkby 2) Limited	09746395
St. Modwen Developments (Longbridge) Limited	02885028
St. Modwen Developments (Swansea 1) Limited	11554302
St. Modwen Developments (Weston) Limited	05411348
St. Modwen Hungerford Limited	06160323
St. Modwen Securities Limited	00460301

25. Related party transactions

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

Joint ventures and associates

The following table sets out the income and expenditure with joint ventures and associates during the year, together with the balances outstanding at the year end:

	2019				2018			
	Management fee income/ (expense) £m	**Interest income/ (expense) £m**	**Funding repaid/ (provided) £m**	**Balance receivable/ (payable) £m**	Management fee income/ (expense) £m	Interest income/ (expense) £m	Funding repaid/ (provided) £m	Balance receivable/ (payable) £m
Barton Business Park Limited	**–**	**–**	**(0.6)**	**(3.0)**	–	–	(0.1)	(3.6)
Baglan Bay Company Limited	**–**	**–**	**0.1**	**–**	–	–	–	0.1
Coed Darcy Limited	**0.2**	**–**	**0.1**	**(0.5)**	–	–	0.4	(0.6)
Key Property Investments Limited	**0.3**	**–**	**(1.6)**	**(0.5)**	0.2	–	4.7	(2.4)
Meaford Energy Limited	**–**	**–**	**–**	**2.0**	–	–	(1.5)	2.0
Meaford Land Limited	**–**	**–**	**–**	**0.1**	–	–	–	0.1
Skypark Development Partnership LLP	**–**	**0.5**	**(1.5)**	**7.0**	–	0.2	–	5.0
VSM (NCGM) Limited	**–**	**(0.4)**	**8.2**	**(17.2)**	–	(0.4)	(12.9)	(8.6)
VSM Estates (Ashchurch) Limited	**–**	**–**	**–**	**0.1**	–	–	(0.1)	0.1
VSM Estates (Holdings) Limited	**–**	**–**	**(0.2)**	**0.2**	–	0.1	(9.5)	–
VSM Estates Uxbridge (Group) Limited	**–**	**0.8**	**–**	**7.0**	–	0.9	6.0	6.2
Wrexham Land Limited	**–**	**–**	**–**	**0.2**	–	–	(0.1)	0.2
Wrexham Power Limited	–	–	**–**	**1.7**	–	–	–	1.7
Total	**0.5**	**0.9**	**4.5**	**(2.9)**	0.2	0.8	(13.1)	0.2

Pension

The Group occupies offices owned by the St. Modwen Pension Scheme with an annual rental payable of £0.1m (2018: £0.1m). The balance due to the Group at year end was £0.3m (2018: £1.0m).

Non-wholly owned subsidiaries

The Company provides administrative and management services and provides a central purchase ledger system to subsidiary companies. In addition, the Company also operates a central treasury function which lends to and borrows from subsidiary undertakings as appropriate. The following table sets out the income and expenditure during the year, together with the balances outstanding at the year end, with subsidiaries in which the Company has a less than 90% interest:

	2019		2018	
	Interest income/ (expense) £m	**Balance receivable/ (payable) £m**	Interest income/ (expense) £m	Balance receivable/ (payable) £m
Castle Hill Dudley Limited	**–**	**1.3**	–	1.3
Norton & Proffitt Developments Limited	**0.3**	**12.9**	0.1	12.0
Stoke-on-Trent Regeneration (Investments) Limited	**–**	**(0.5)**	–	(0.5)
Stoke-on-Trent Regeneration Limited	**(0.1)**	**(5.3)**	(0.2)	(10.1)
Uttoxeter Estates Limited	**0.1**	**(0.1)**	0.1	4.8
Widnes Regeneration Limited	**–**	**(1.3)**	–	(1.3)
Total	**0.3**	**7.0**	–	6.2

Transactions in which directors have an interest

The Group is party to a development agreement in respect of land partly owned by Simon Clarke, a non-executive director. No amounts have been paid or received between parties to this development agreement during the year and there are no outstanding balances payable or receivable as at 30 November 2019 (2018: £nil).

Key management personnel

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

COMPANY BALANCE SHEET
as at 30 November 2019

	Notes	2019 £m	2018 (restated)[1] £m
Non-current assets			
Plant and equipment and intangibles	B	**16.9**	7.0
Investments in subsidiaries and joint ventures	C	**877.9**	770.6
Trade and other receivables	D	**475.0**	475.0
Derivative financial instruments		**0.2**	0.9
Deferred tax	E	**5.7**	1.6
		1,375.7	1,255.1
Current assets			
Trade and other receivables	D	**465.0**	518.4
Tax receivables		**12.8**	19.2
Cash and cash equivalents		**33.1**	0.1
		510.9	537.7
Current liabilities			
Trade and other payables	F	**(415.9)**	(424.6)
Borrowings and lease liabilities	G	**(1.4)**	(11.6)
Provisions	H	**(23.7)**	–
		(441.0)	(436.2)
Non-current liabilities			
Trade and other payables	F	**(7.7)**	(101.6)
Derivative financial instruments		**(3.3)**	(0.9)
Borrowings and lease liabilities	G	**(358.9)**	(210.0)
		(369.9)	(312.5)
Net assets		**1,075.7**	1,044.1
Capital and reserves			
Called up share capital		**22.2**	22.2
Share premium account		**102.8**	102.8
Retained earnings		**114.5**	190.7
Fair value reserve		**786.9**	678.8
Share incentive reserve		**3.9**	4.7
Own shares		**(0.8)**	(1.3)
Other reserves		**46.2**	46.2
Total equity		**1,075.7**	1,044.1

(1) Investments in subsidiaries and joint ventures, the fair value reserve and the presentation of derivative financial instruments have been restated following the adoption of IFRS 9 *Financial Instruments* during the year ended 30 November 2019, as set out in the Group accounting policies note.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement or statement of comprehensive income in these financial statements. The Company's profit for the year ended 30 November 2019 was £50.7m (2018: £60.2m).

These financial statements were approved by the Board and authorised for issue on 3 February 2020.

Mark Allan
Chief Executive

Rob Hudson
Chief Finance and Operations Officer

Company Number: 00349201

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2019

	Share capital £m	Share premium account £m	Retained earnings £m	Fair value reserve £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Total equity £m
Equity at 30 November 2017 (as previously reported)	22.2	102.8	336.1	489.6	5.1	(1.7)	46.2	1,000.3
Effect of adoption of IFRS 9 *Financial Instruments*	–	–	–	(0.3)	–	–	–	(0.3)
Equity at 30 November 2017 (restated)[1]	22.2	102.8	336.1	489.3	5.1	(1.7)	46.2	1,000.0
Profit and total comprehensive income for the year	–	–	60.2	–	–	–	–	60.2
Share-based payments expense	–	–	–	–	1.8	–	–	1.8
Deferred tax on share-based payments	–	–	–	–	(0.1)	–	–	(0.1)
Settlement of share-based payments	–	–	0.3	–	(2.1)	0.4	–	(1.4)
Transfer of unrealised gains to fair value reserve (note C)	–	–	(189.5)	189.5	–	–	–	–
Dividends paid (note 9)	–	–	(16.4)	–	–	–	–	(16.4)
Equity at 30 November 2018 (restated)[1]	**22.2**	**102.8**	**190.7**	**678.8**	**4.7**	**(1.3)**	**46.2**	**1,044.1**
Profit for the year	–	–	**50.7**	–	–	–	–	**50.7**
Pension fund actuarial gains (note 22)	–	–	**0.1**	–	–	–	–	**0.1**
Total comprehensive income for the year	–	–	**50.8**	–	–	–	–	**50.8**
Share-based payments expense	–	–	–	–	**1.4**	–	–	**1.4**
Settlement of share-based payments	–	–	**(2.0)**	–	**(2.2)**	**0.5**	–	**(3.7)**
Transfer of unrealised gains to fair value reserve (note C)	–	–	**(108.1)**	**108.1**	–	–	–	–
Dividends paid (note 9)	–	–	**(16.9)**	–	–	–	–	**(16.9)**
Equity at 30 November 2019	**22.2**	**102.8**	**114.5**	**786.9**	**3.9**	**(0.8)**	**46.2**	**1,075.7**

(1) Equity has been restated following the adoption of IFRS 9 *Financial Instruments* during the year ended 30 November 2019, as set out in the Company accounting policies note.

Own shares represent the cost of 210,434 (2018: 345,744) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30 November 2019 was £1.0m (2018: £1.3m). In addition, the Trust has £0.1m (2018: £0.1m) of cash and an intercompany receivable of £23.2m (2018: £18.6m), that can only be used for the benefit of employees.

The other reserves comprise a capital redemption reserve of £0.3m (2018: £0.3m) and the balance of net proceeds in excess of the nominal value of shares arising from an equity placing in 2013 of £45.9m (2018: £45.9m).

Unrealised gains and losses arising from the share of profits and losses of investments in subsidiaries and joint ventures are recognised within profit for the year and subsequently transferred to the fair value reserve.

COMPANY ACCOUNTING POLICIES
for the year ended 30 November 2019

Basis of preparation
The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements*. Accordingly, the Company's financial statements have been prepared in accordance with FRS 101 *Reduced Disclosure Framework* as issued by the Financial Reporting Council, applied in accordance with the provisions of the Companies Act 2006.

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

The Company has taken advantage of the disclosure exemptions included within paragraph 8 of FRS 101. The main impact of these disclosure exemptions is that these separate financial statements do not include a cash flow statement, financial instruments and related party disclosures and comparative information for plant and equipment and investment properties.

Certain disclosures required for the Company are included within the Group financial statements and are therefore not repeated within these separate financial statements. Specifically, the following information relevant to the Company is found in the respective notes to the Group financial statements:

- Share-based payments (note 5d)
- Dividends (note 9)
- Share capital (note 21)
- Pensions (note 22)
- Financial guarantees (note 24)
- Related party transactions (note 25)

As set out on pages 118 to 119 of the Group accounting policies, the Company has adopted IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* during the year ended 30 November 2019.

As part of the adoption of IFRS 9 *Financial Instruments*, the Company has restated its comparatives for the year ended 30 November 2018 by reducing its investment in subsidiaries and fair value reserve by £0.3m. Furthermore, as part of the implementation review of IFRS 9, the classification of derivative financial instruments has been reviewed and these are now presented as current if the instruments mature within 12 months of the reporting date and non-current if the maturity date is greater than 12 months after the balance sheet date. This presentation has also been amended for the comparative balance sheet at 30 November 2018.

There has been no material impact on the Company on adopting IFRS 15 *Revenue from Contracts with Customers*.

The Company has applied the modified retrospective approach under IFRS 16 *Leases*, whereby the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at 1 December 2018. In doing so, the Company has elected to measure the right-of-use asset at an amount equal to the lease liability recognised on transition. Therefore, there is no impact on retained earnings on adoption and comparative information has not been restated. Instead, the Company has recognised right-of-use assets and corresponding lease liabilities at 1 December 2018 of £7.1m in respect of its leases of certain office premises, motor vehicles and office equipment that were previously accounted for as operating leases.

The Company's functional and presentational currency is pounds sterling and its principal accounting policies are as set out for the Group on pages 118 to 126, except for the additional policy below:

Investments in subsidiaries and joint ventures
The Company recognises its investments in subsidiaries and joint ventures using the equity method of accounting. Under the equity method, the interest in the subsidiary or joint venture is carried in the Company balance sheet at cost plus post-acquisition changes in the Company's share of its net assets, less distributions received and less any impairment in value of individual investments. The income statement reflects the Company's share of the subsidiary's or joint venture's results after interest and tax.

A. Auditor's remuneration

The table below sets out the fees payable to the Company's auditor and their associates for the following services:

	2019			2018		
	Audit services £'000	Audit-related services £'000	Total £'000	Audit services £'000	Audit-related services £'000	Total £'000
The audit of the Company's annual report and financial statements	**245**	**–**	**245**	171	–	171
The review of the Company's half-year report and condensed financial statements	**–**	**55**	**55**	–	52	52
Total fees	**245**	**55**	**300**	171	52	223

B. Plant and equipment and intangibles

	Plant and equipment £m	Right-of-use assets £m	Intangibles £m	Total £m
Cost				
At 30 November 2018	**9.2**	**–**	**2.9**	**12.1**
Recognised on adoption of IFRS 16 *Leases*	**–**	**7.1**	**–**	**7.1**
Additions	**1.9**	**0.8**	**3.8**	**6.5**
At 30 November 2019	**11.1**	**7.9**	**6.7**	**25.7**
Depreciation				
At 30 November 2018	**3.9**	**–**	**1.2**	**5.1**
Charge for the year	**1.2**	**1.7**	**0.8**	**3.7**
At 30 November 2019	**5.1**	**1.7**	**2.0**	**8.8**
Net book value				
At 30 November 2018	5.3	–	1.7	7.0
At 30 November 2019	**6.0**	**6.2**	**4.7**	**16.9**

C. Investments in subsidiaries and joint ventures

	Cost of investment			*Carrying value of investment*		
	Subsidiaries £m	Joint ventures £m	Total £m	Subsidiaries (restated) £m	Joint ventures £m	Total (restated) £m
At 30 November 2018	**102.8**	**24.0**	**126.8**	**690.0**	**80.6**	**770.6**
Share of profits/(losses) of investments	**–**	**–**	**–**	**110.1**	**(2.0)**	**108.1**
Dividends received	**–**	**–**	**–**	**–**	**(0.8)**	**(0.8)**
At 30 November 2019	**102.8**	**24.0**	**126.8**	**800.1**	**77.8**	**877.9**

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.

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

C. Investments in subsidiaries and joint ventures continued

The following is a list of all subsidiary undertakings, joint ventures and associates owned by the Company or Group at 30 November 2019. Unless otherwise stated, all are incorporated in England and Wales with registered office at Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ. The share capital of each of the companies, where applicable, comprises of ordinary shares.

Name	Company registration number	Proportion of entity owned directly by the Company	Proportion of entity owned by a subsidiary of the Company	Ultimate percentage holding	Activity
Wholly owned subsidiaries					
Blackpole Trading Estate (1978) Limited	00581658	100.0%	0.0%	100.0%	Property investment
Boltro Properties Limited	02616865	0.0%	100.0%	100.0%	Ceased trading
Boughton Enterprises Limited	05068420	0.0%	100.0%	100.0%	Dormant
Boughton Holdings	04112012	0.0%	100.0%	100.0%	Dormant
Branston Properties Limited	02893827	0.0%	100.0%	100.0%	Property investment
Broomford Vange Limited	05697168	0.0%	100.0%	100.0%	Ceased trading
Chaucer Estates Limited	00456386	100.0%	0.0%	100.0%	Property investment/ development
Chertsey Road Property Limited	06899060	0.0%	100.0%	100.0%	Dormant
Coed Darcy Estates Management Limited	07848407	0.0%	100.0%	100.0%	Property management
Festival Waters Limited	04354481	100.0%	0.0%	100.0%	Property investment
Glan Llyn Management Limited	07848409	100.0%	0.0%	100.0%	Property management
Great Yarmouth Regeneration Limited	05594264	100.0%	0.0%	100.0%	Dormant
Heenan Group Pensions Limited	00548316	100.0%	0.0%	100.0%	Dormant
Holaw (462) Limited	03666441	0.0%	100.0%	100.0%	Ceased trading
Killingholme Energy Limited	08320277	0.0%	100.0%	100.0%	Property development
Killingholme Land Limited	08320297	0.0%	100.0%	100.0%	Property development
Lawnmark Limited	04089229	0.0%	100.0%	100.0%	Dormant
Leisure Living Limited	02106984	100.0%	0.0%	100.0%	Ceased trading
Newcastle Regeneration Partnership Limited	02741086	0.0%	100.0%	100.0%	Dormant
Petre Court Management (Number 1) Limited	06160268	100.0%	0.0%	100.0%	Dormant
Redman Heenan Properties Limited	00073265	100.0%	0.0%	100.0%	Property investment/ development
Sandpiper Quay (Management Company No.2) Limited	02485456	0.0%	100.0%	100.0%	Dormant
Shaw Park Developments Limited	04625000	0.0%	100.0%	100.0%	Ceased trading
St Modwen Developments (Meon Vale) Limited	05294589	0.0%	100.0%	100.0%	Dormant
St Modwen Securities Limited	00460301	100.0%	0.0%	100.0%	Ceased trading
St. Modwen (SAC1) Limited	08296927	100.0%	0.0%	100.0%	Ceased trading
St. Modwen (Shelf 1) Limited	02741186	0.0%	100.0%	100.0%	Dormant
St. Modwen Corporate Services Limited	06163437	100.0%	0.0%	100.0%	Property management
St. Modwen Development (Coed Darcy) Limited	06163563	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Bedford) Limited	05411282	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Belle Vale) Limited	04145782	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Blackburn) Limited	05732825	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Bognor Regis) Limited	06160250	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Brighton West Pier) Limited	04069008	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Chorley) Limited	05727011	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Clay Cross) Limited[1]	123891	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Colne) Limited	05726325	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Connah's Quay) Limited	05726352	100.0%	0.0%	100.0%	Ceased trading

C. Investments in subsidiaries and joint ventures continued

Name	Company registration number	Proportion of entity owned directly by the Company	Proportion of entity owned by a subsidiary of the Company	Ultimate percentage holding	Activity
St. Modwen Developments (Cranfield) Limited	06163509	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Daresbury) Limited	06163550	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Eccles) Limited	05867740	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Edmonton) Limited	02405853	0.0%	100.0%	100.0%	Ceased trading
St. Modwen Developments (Facility Services) Limited	08996358	0.0%	100.0%	100.0%	Dormant
St. Modwen Developments (Hatfield) Limited	04354480	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Hillington) Limited	04150262	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Holderness) Limited	05726995	100.0%	0.0%	100.0%	Property development
St. Modwen Developments (Hull) Limited	05593517	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Kirkby 2) Limited	09746395	0.0%	100.0%	100.0%	Property development
St. Modwen Developments (Llanwern) Limited[1]	123892	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Longbridge) Limited	02885028	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Longbridge East Works) Limited[1]	123893	0.0%	100.0%	100.0%	Property investment
St. Modwen Developments (Queens Market) Limited	05289380	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Quinton) Limited	01479159	0.0%	100.0%	100.0%	Dormant
St. Modwen Developments (Silverstone) Limited	05594232	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Skelmersdale) Limited	06163591	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (St Helens) Limited	05726666	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Swansea 1) Limited	11554302	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Developments (Telford) Limited	05411357	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Weston) Limited	05411348	100.0%	0.0%	100.0%	Property investment
St. Modwen Developments (Wythenshawe 2) Limited	05851760	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments (Wythenshawe) Limited	05594279	100.0%	0.0%	100.0%	Dormant
St. Modwen Developments Limited	00892832	100.0%	0.0%	100.0%	Property investment/ development
St. Modwen Holdings Limited	01991339	100.0%	0.0%	100.0%	Dormant
St. Modwen Homes Limited	09095920	100.0%	0.0%	100.0%	Property development
St. Modwen Hungerford Limited	06160323	0.0%	100.0%	100.0%	Ceased trading
St. Modwen Investments Limited	00528657	100.0%	0.0%	100.0%	Dormant
St. Modwen Neath Canal Limited	06160309	0.0%	100.0%	100.0%	Dormant
St. Modwen Pensions Limited	00878604	100.0%	0.0%	100.0%	Dormant
St. Modwen Properties Securities (Jersey) Limited[1]	114977	100.0%	0.0%	100.0%	Ceased trading
St. Modwen Residential Living Limited	09266033	100.0%	0.0%	100.0%	Property investment
St. Modwen Services Limited	02885024	100.0%	0.0%	100.0%	Dormant
St. Modwen Ventures Limited	01486151	100.0%	0.0%	100.0%	Property investment/ development
Statedale Limited	03656832	0.0%	100.0%	100.0%	Dormant
Trentham Gardens Limited	00533242	0.0%	100.0%	100.0%	Dormant
Trentham Leisure Limited	03246990	100.0%	0.0%	100.0%	Property investment/ operation
Tukdev 11 Limited	02885000	0.0%	100.0%	100.0%	Dormant
Walton Securities Limited	02314059	100.0%	0.0%	100.0%	Dormant
Woking Developments Limited	05411325	100.0%	0.0%	100.0%	Dormant
Woodingdean Estate Management Company Limited	09293061	0.0%	100.0%	100.0%	Dormant

C. Investments in subsidiaries and joint ventures continued

Name	Company registration number	Proportion of entity owned directly by the Company	Proportion of entity owned by a subsidiary of the Company	Ultimate percentage holding	Activity
Non-wholly owned subsidiaries					
Castle Hill Dudley Limited	05411315	81.0%	0.0%	81.0%	Ceased trading
Stoke on Trent Regeneration (Investments) Limited	04289476	0.0%	100.0%	81.0%	Property investment
Stoke-on-Trent Regeneration Limited	02265579	81.0%	0.0%	81.0%	Property investment/ development
Uttoxeter Estates Limited	02725709	81.0%	0.0%	81.0%	Property development
Widnes Regeneration Limited	03643210	81.0%	0.0%	81.0%	Ceased trading
Norton & Proffitt Developments Limited	03717397	0.0%	75.0%	75.0%	Property investment
The Company of Proprietors of the Neath Canal Navigation Limited	11533400	0.0%	64.4%	64.4%	Property operation
Littlecombe Community Interest Company	05896419	0.0%	51.0%	51.0%	Property management
Joint ventures					
Baglan Bay Company Limited[2]	06383208	0.0%	50.0%	50.0%	Property monitoring
Barton Business Park Limited	03807742	0.0%	50.0%	50.0%	Ceased trading
Bay Campus Developments LLP[3]	OC389022	0.0%	50.0%	50.0%	Dormant
Key Property Investments Limited	03372175	50.0%	0.0%	50.0%	Property investment/ development
Meaford Energy Limited	08575649	0.0%	50.0%	50.0%	Property development
Meaford Land Limited	08575760	0.0%	50.0%	50.0%	Property development
Skypark Development Partnership LLP	OC343583	0.0%	50.0%	50.0%	Property development
Spray Street Quarter LLP[4]	OC404205	0.0%	50.0%	50.0%	Property development
VSM (NCGM) Limited	08333203	50.0%	0.0%	50.0%	Property investment/ development
VSM Estates (Ashchurch) Limited	09494284	50.0%	0.0%	50.0%	Property development
VSM Estates (Holdings) Limited	05867718	50.0%	0.0%	50.0%	Property development
VSM Estates Uxbridge (Group) Limited	08083799	50.0%	0.0%	50.0%	Property investment/ development
Wrexham Land Limited	06748467	0.0%	50.0%	50.0%	Property development
Wrexham Power Limited	06762265	0.0%	50.0%	50.0%	Property development
Associates					
Coed Darcy Limited[2]	00577934	0.0%	49.0%	49.0%	Property investment
Saxon Business Centre (Management) Limited	02470756	0.0%	40.0%	40.0%	Dormant
Snipe Centre (Management) Limited	02485535	0.0%	33.3%	33.3%	Dormant
Swan Business Park (Management) Limited	02424524	25.0%	0.0%	25.0%	Dormant

(1) The registered office of this company is 47 Esplanade, St Helier, Jersey, JE1 0BD, United Kingdom.

(2) The registered office of these companies is Dumfries House, Dumfries Place, Cardiff, South Glamorgan, Wales, CF10 3ZF, United Kingdom.

(3) The registered office of this company is Finance Department, Swansea University, Singleton Park, Swansea, Wales, SA2 8PP, United Kingdom.

(4) The registered office of this limited liability partnership is Bruce Kenrick House, 2 Killick Street, London, England, N1 9FL, United Kingdom.

D. Trade and other receivables

	2019 £m	2018 £m
Non-current		
Amounts due from subsidiaries	**475.0**	475.0
Non-current receivables	**475.0**	475.0
Current		
Trade receivables	**1.8**	1.9
Prepayments and accrued income	**7.6**	8.5
Amounts due from subsidiaries	**437.1**	492.9
Amounts due from joint ventures	**16.3**	13.0
Other receivables	**2.2**	2.1
Current receivables	**465.0**	518.4

E. Deferred taxation

	2019 £m	2018 £m
Balance at start of the year	**1.6**	2.7
Credited to the Company income statement	**4.1**	(1.0)
Recognised within the Company statement of changes in equity	**–**	(0.1)
Balance at end of the year	**5.7**	1.6

The deferred tax balance consists of net deductible temporary differences of £5.2m (2018: £1.6m) and unutilised tax losses of £0.5m (2018: £nil).

F. Trade and other payables

	2019 £m	2018 £m
Current		
Trade payables	**1.3**	1.6
Accruals and deferred income	**6.4**	5.8
Amounts due to subsidiaries	**389.4**	403.0
Amounts due to joint ventures	**16.8**	14.2
Other payables	**2.0**	–
Current payables	**415.9**	424.6
Non-current		
Accruals and deferred income	**1.2**	1.7
Amounts due to subsidiaries	**–**	99.9
Amounts due to joint ventures	**6.5**	–
Non-current payables	**7.7**	101.6

G. Borrowings

	2019 £m	2018 £m
Current		
Bank overdrafts	**–**	11.6
Lease liabilities	**1.4**	–
Current borrowings and lease liabilities	**1.4**	11.6
Non-current		
Amounts repayable between four and five years	**75.0**	–
Amounts repayable after more than five years	**279.0**	210.0
Lease liabilities	**4.9**	–
Non-current borrowings and lease liabilities	**358.9**	210.0

H. Provisions

	Legal claims £m
Created	**24.0**
Utilised	**(0.3)**
Carried forward	**23.7**

A provision has been made in relation to a potential claim against the Company 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. Further detail is provided in note 18 to the Group financial statements.

I. Leases

The Company as lessee

The Company leases certain of its premises, motor vehicles and office equipment. A breakdown of the right-of-assets disclosed in note B by class of asset is presented below:

	Office premises £m	Motor vehicles £m	Office equipment £m	Total £m
Recognised on adoption of IFRS 16 *Leases*	**4.6**	**1.3**	**1.2**	**7.1**
Additions	**–**	**0.8**	**–**	**0.8**
Depreciation	**(0.5)**	**(0.9)**	**(0.3)**	**(1.7)**
Carrying value at 30 November 2019	**4.1**	**1.2**	**0.9**	**6.2**

FIVE YEAR RECORD

	2015 £m	2016 £m	2017 £m	2018 £m	**2019 £m**
Net rental income[1]	38.7	45.9	53.8	46.8	**37.0**
Adjusted EPRA earnings[1]	N/A	21.5	29.4	31.7	**38.7**
Revaluation surplus[2]	201.7	4.1	34.6	11.4	**39.4**
Profit for the year attributable to owners of the Company	216.4	53.4	59.6	60.2	**50.7**
Earnings per share (pence)	97.9	24.1	26.9	27.1	**22.8**
Dividends paid per share (pence)	5.04	5.79	6.08	7.36	**7.60**
Dividend cover (times)	19.4	4.2	4.4	3.7	**3.0**
Shareholders' equity net assets per share (pence)	413.5	431.0	450.7	470.2	**484.2**
Increase on prior year	27.2%	4.2%	4.6%	4.3%	**3.0%**
Net assets employed					
Investment properties and assets held for sale	1,092.9	1,144.7	1,168.5	939.3	**973.9**
Investments	227.3	184.8	119.6	89.1	**86.0**
Inventories	183.7	229.7	352.7	366.4	**416.5**
Other net liabilities	(80.3)	(73.9)	(143.7)	(70.5)	**(81.9)**
Net debt	(502.1)	(523.2)	(491.4)	(274.3)	**(314.1)**
Non-controlling interests	(6.8)	(6.9)	(5.7)	(5.9)	**(4.7)**
Net assets attributable to owners of the Company	914.7	955.2	1,000.0	1,044.1	**1,075.7**
Financed by					
Share capital	22.2	22.2	22.2	22.2	**22.2**
Reserves	893.5	933.6	979.5	1,023.2	**1,054.3**
Own shares	(1.0)	(0.6)	(1.7)	(1.3)	**(0.8)**
Equity attributable to owners of the Company	914.7	955.2	1,000.0	1,044.1	**1,075.7**

(1) Stated on a proportionally consolidated basis, including the Group's share of joint ventures and associates.

(2) Including net realisable value provisions and stated on a proportionally consolidated basis including the Group's share of joint ventures and associates.

The figures above are all presented under EU IFRSs as restated, where applicable.

GLOSSARY OF TERMS

Adjusted EPRA earnings – EPRA earnings adjusted to include development profits from the housebuilding operating segment, 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 lease length – the weighted average lease term to the first tenant break.

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

EPRA net asset value per share – EPRA 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).

EPRA triple net asset value (EPRA NNNAV) – the Group balance sheet net assets, adjusted to include the fair value of inventories.

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).

Investment portfolio – income-generating assets held for further optimisation through active asset management.

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 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 initial yield (NIY) – 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 purchasers' costs at the reporting date. The calculation is in line with EPRA guidance.

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).

Operating costs – administrative expenses plus net interest 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.

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

Property portfolio – investment properties 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).*

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.

Vacancy – the ERV attributable to vacant space expressed as a percentage of total ERV (including the Group's share of joint ventures and associates).

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 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.

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-ninth annual general meeting (the AGM or the Meeting) of St. Modwen Properties PLC (the Company) will be held at Gowling WLG (UK) LLP, Two Snowhill, Birmingham, B4 6WR on Friday, 27 March 2020 at 10.00am to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 15 (inclusive) will be proposed as ordinary resolutions and resolutions 16 to 20 (inclusive) will be proposed as special resolutions.

Ordinary business

Annual report and financial statements

1. To receive the Company's annual report and financial statements for the financial year ended 30 November 2019.

Directors' remuneration report

2. To approve the directors' remuneration report set out on pages 74 to 99 (inclusive) of the Company's annual report and financial statements for the financial year ended 30 November 2019 (excluding those pages containing the directors' remuneration policy).

Directors' remuneration policy

3. To approve the directors' remuneration policy set out on pages 78 to 86 (inclusive) of the Company's annual report and financial statements for the year ended 30 November 2019, which takes effect immediately after the end of the AGM.

Dividend

4. To declare a final dividend for the financial year ended 30 November 2019 of 5.1 pence per ordinary share.

Election and re-election of directors

5. To re-elect Mark Allan as a director.
6. To re-elect Ian Bull as a director.
7. To re-elect Simon Clarke as a director.
8. To re-elect Danuta Gray as a director.
9. To re-elect Jenefer Greenwood as a director.
10. To re-elect Jamie Hopkins as a director.
11. To re-elect Rob Hudson as a director.
12. To elect Sarah Whitney as a director.

Appointment and remuneration of auditor

13. To re-appoint KPMG LLP as the Company's auditor until the conclusion of the next general meeting of the Company at which accounts are laid.
14. To authorise the Audit Committee to determine the remuneration of the Company's auditor on behalf of the Board.

Authority to allot shares

15. To generally and unconditionally authorise the directors in accordance with section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company to:

    (a) allot shares in the Company or grant rights to subscribe for, or to convert any security into shares, in the Company up to an aggregate nominal amount of £7,412,566; and

    (b) allot equity securities (within the meaning of section 560(1) of the Act) up to a further aggregate nominal amount of £7,412,566 in connection with an offer by way of a rights issue to:

        (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        (ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

    subject to such exclusions or other arrangements as the directors consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any country or territory or any other matter.

    Unless previously renewed, revoked or varied, the authorities conferred by this resolution 15 shall apply in substitution for all existing authorities under section 551 of the Act until the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, 26 June 2021, but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would or might require shares to be allotted or rights to be granted after the authority expires and the directors may allot shares or grant such rights under such an offer or agreement as if the authority had not expired.

Disapplication of pre-emption rights

Special resolution

16. That, subject to the passing of resolution 15, the directors be generally empowered pursuant to section 570 of the Companies Act 2006 (the Act) to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 15 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

    (a) any such allotment and/or sale in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to:

        (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        (ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

    subject to such exclusions or other arrangements as the directors consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any country or territory or any other matter; and

    (b) any such allotment and/or sale, other than pursuant to paragraph (a) of this resolution 16, having, in the case of ordinary shares, an aggregate nominal amount or, in the case of other equity securities, giving the right to subscribe or convert into ordinary shares having an aggregate nominal amount, not exceeding £1,111,884.

    Unless previously renewed, revoked or varied, the powers conferred by this resolution 16 shall apply in substitution for all existing powers under sections 570 and 573 of the Act until the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, 26 June 2021 but, in each case, so that the Company may make offers and enter into agreements before the power expires which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold for cash after the power expires and the directors may allot equity securities and/or sell equity securities held as treasury shares for cash under such an offer or agreement as if the power had not expired.

Special resolution

17. That, subject and in addition to the passing of resolution 15, the directors be generally empowered pursuant to section 570 of the Companies Act 2006 (the Act) to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 15 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be:

    (a) limited to any such allotment and/or sale of equity securities having, in the case of ordinary shares, an aggregate nominal amount or, in the case of other equity securities, giving the right to subscribe or convert into ordinary shares having an aggregate nominal amount, not exceeding £1,111,884; and

    (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

    Unless previously renewed, revoked or varied, the powers conferred by this resolution 17 shall apply in substitution for all existing powers under sections 570 and 573 of the Act until the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, 26 June 2021, but, in each case, so that the Company may make offers and enter into agreements before the power expires which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold for cash after the power expires and the directors may allot equity securities and/or sell equity securities held as treasury shares for cash under such an offer or agreement as if the power had not expired.

Purchase of own ordinary shares by the Company

Special resolution

18. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the Act) to make market purchases (as defined in section 693 of the Act) of ordinary shares of 10 pence each in its capital (Ordinary Shares) on such terms and in such manner as the directors may from time to time determine provided that:

    (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 22,237,698;

    (b) the minimum price which may be paid for an Ordinary Share is 10 pence (exclusive of expenses);

    (c) the maximum price which may be paid for an Ordinary Share is the highest of (in each case exclusive of expenses):

        (i) an amount equal to 105% of the average market value of an Ordinary Share for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

        (ii) the higher of the price of the last independent trade and the highest current independent bid for any number of Ordinary Shares on the London Stock Exchange; and

    (d) this authority shall, unless previously renewed, expire at the conclusion of the next AGM of the Company after the date on which this resolution is passed or, if earlier, 26 June 2021, except in relation to the purchase of any Ordinary Shares the contract for which was concluded before the date of expiry of the authority and which would or might be completed wholly or partly after that date.

Special business

Notice of meetings other than AGMs

Special resolution

19. To authorise the Company to call a general meeting other than an AGM on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next AGM of the Company after the date on which this resolution is passed.

Changes to articles of association

Special resolution

20. That, with effect from the conclusion of the AGM, the articles of association of the Company produced to the meeting and, for the purposes of identification, initialled by the Chair, be adopted as the articles of association for the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

Recommendation

The Board considers that all of the resolutions are in the best interests of the Company and its shareholders. The Board recommends that shareholders vote in favour of the above resolutions, as each of the directors who hold shares intend to do in respect of their own beneficial shareholdings.

By order of the Board

Andrew Eames
General Counsel and Company Secretary

14 February 2020

St. Modwen Properties PLC
Registered number: 349201
Registered office: Park Point,
17 High Street, Longbridge,
Birmingham B31 2UQ

Explanatory notes to proposed resolutions

Ordinary resolutions

For a resolution proposed as an ordinary resolution to be passed, more than half of the votes cast must be in favour of the resolution.

Resolution 1 – Annual report and financial statements

Resolution 1 is an ordinary resolution to receive the annual report and financial statements for the financial year ended 30 November 2019. Copies will be available at the AGM.

Resolution 2 – Directors' remuneration report

Resolution 2 is an ordinary resolution to approve the directors' remuneration report, excluding those pages containing the directors' remuneration policy. In accordance with the Companies Act 2006 this vote is advisory only and the directors' entitlement to receive remuneration is not conditional on the resolution being passed. The resolution and vote offer a means for shareholders to provide feedback to the Board on the remuneration of the directors.

Resolution 3 – Directors' remuneration policy
Resolution 3 is an ordinary resolution to approve the adoption of the new directors' remuneration policy set out on pages 78 to 86 of the Company's 2019 annual report and financial statements and provides details of the Company's proposed policy on directors' remuneration. The Company is required to seek shareholder approval of the directors' remuneration policy at least every three years. The vote on the directors' remuneration policy is binding on the Company and, if resolution 3 is passed, The directors' remuneration policy will take effect immediately after the end of the AGM. If resolution 3 is passed, all payments made by the Company to current and former directors (in their capacity as directors) will be made in accordance with the policy. If resolution 3 is not passed, the remuneration policy approved by shareholders at the annual general meeting held on 29 March 2017 will continue to apply.

Resolution 4 – Declaration of final dividend
Resolution 4 is an ordinary resolution by which shareholders are asked to declare a final dividend. The directors recommend a final dividend for the financial year ended 30 November 2019 of 5.1 pence per ordinary share. If approved, this will be paid on 3 April 2020 to shareholders on the register of members at the close of business on 6 March 2020.

Resolutions 5 to 12 – Election and re-election of directors
Resolutions 5 to 12 are ordinary resolutions which deal with the election and re-election of the directors. In accordance with the Company's articles of association and the UK Corporate Governance Code, all directors must retire at each AGM and shall, subject to his or her terms of appointment, be eligible for election or re-election.

Following her appointment to the Board on 16 September 2019, Sarah Whitney will retire and offer herself for election.

All other directors will retire and offer themselves for re-election.

Biographical details of all directors, including the contribution of each director to the Company's long-term sustainable success, are set out on pages 56 and 57 of the Company's annual report and financial statements. The performance of and contribution made by individual directors has been reviewed by the Chair during the course of the year and the Chair has confirmed that the performance of each director continues to be effective, that they continue to demonstrate commitment to their respective roles, and that their respective skills complement one another to enhance the overall operation of the Board. The Board therefore recommends the election or re-election (as applicable) of all directors standing for re-election or election.

Further supporting information regarding the non-executive directors can be found below.

Ian Bull (resolution 6)
Ian was appointed to the Board in September 2014 and is Chairman of the Audit Committee and Senior Independent Director (since March 2018). His career in finance spans over 25 years, including board level finance roles at Ladbrokes plc and Greene King plc. Ian brings to the Board a wealth of corporate and financial knowledge, together with a sound understanding of accounting and regulatory matters.

Simon Clarke (resolution 7)
Simon was appointed to the Board in October 2004 following the death of his father, Sir Stanley Clarke, the founder and former Chairman of the Company. He is the Chairman of Dunstall Holdings Ltd. Whilst not considered to be independent for the purposes of the UK Corporate Governance Code, as the longest serving director Simon brings continuity and extensive knowledge of the business to the Board as well as strong commercial and management experience in both agriculture and property.

Danuta Gray (resolution 8)
Danuta was appointed to the Board in October 2018 is Chair of the Board, Chair of the Nomination Committee and a member of the Remuneration Committee. Danuta has significant Board and leadership experience. Until 2012 she was Chair of Telefónica O2 in Ireland, having previously been its Chief Executive Officer from 2001 to 2010 and has served as a non-executive director on a number of Boards, across the global telecommunications and IT, consumer and financial services sectors.

Jenefer Greenwood, OBE (resolution 9)
Jenefer was appointed to the Board in June 2017, is Chair of the Remuneration Committee (appointed in March 2018) and is a member of the Audit and Nomination Committees. She has over 30 years' experience and knowledge of the real estate sector starting with Hillier Parker and subsequently working for Grosvenor Ltd until 2012 when she retired as director of sales and lettings.

Jamie Hopkins (resolution 10)
Jamie was appointed to the Board in March 2018 and in June 2019 was appointed as Chair of the Group Health and Safety Committee. Jamie has significant Board-level experience in real estate, asset management services and acquisitions in both public and private companies, as well as having strong operational skills including in financing and reporting. Jamie complements the Board's skillsets and expertise and brings current commercial experience.

Sarah Whitney (resolution 12)
Sarah was appointed to the Board in September 2019. Sarah has over 30 years' experience in a number of senior roles in the real estate and corporate finance sectors. She has particular experience in public private partnerships and has strong investment and corporate finance knowledge.

Resolutions 13 and 14 – Auditor appointment and remuneration
The Company is required to appoint or re-appoint auditors at each general meeting at which accounts are laid. The Audit Committee has reviewed the effectiveness of the audit process and has recommended to the Board the re-appointment of KPMG LLP as auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 14 proposes that the Audit Committee is authorised to determine the remuneration of the auditors on behalf of the Board.

Resolution 15 – Authority to allot shares
The authority conferred on the directors at last year's AGM to allot shares in the Company expires at the conclusion of the 2020 AGM. Resolution 15 is an ordinary resolution to renew this authority.

The Investment Association (IA) guidelines on directors' authority to allot shares state that IA members will permit, and treat as routine, resolutions seeking authority to allot new shares representing up to one-third of a company's issued share capital. In addition, they will treat as routine a request for authority to allot shares representing an additional one-third of a company's issued share capital provided that it is only used to allot shares pursuant to a fully pre-emptive rights issue.

Paragraph (a) of resolution 15 will, if resolution 15 is passed, authorise the directors to allot shares up to a maximum aggregate nominal amount of £7,412,566, which represents one-third of the Company's issued ordinary share capital as at 7 February 2020 (being the latest practicable date prior to the publication of the notice of AGM). Paragraph (b) of resolution 15 proposes that, in accordance with IA guidance, an additional authority be conferred on the directors to allot shares in connection with a rights issue up to a further maximum aggregate nominal amount of £7,412,566.

The authorities sought in paragraphs (a) and (b) of resolution 15 are in substitution for all existing authorities granted in the Company's articles of association or otherwise and are without prejudice to previous allotments or agreements or offers to allot made under such existing authorities. The authorities will each expire at the earlier of the conclusion of the next AGM of the Company or 26 June 2021.

The directors have no present intention of exercising these authorities other than to fulfil the Company's obligations under its share incentive plans approved previously by shareholders, but believe that it is in the best interests of the Company to have the authorities available to respond to market developments and to enable allotments to take place without the need for a general meeting should they determine that it is appropriate to do so.

Special resolutions
For a resolution proposed as a special resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolutions 16 and 17 – Authority to disapply pre-emption rights
Section 561(1) of the Companies Act 2006 requires that, if the directors wish to allot new shares or other equity securities, or sell treasury shares, for cash, those shares must first be offered to shareholders in proportion to their existing holdings. At last year's AGM a special resolution was passed, under section 570 of the Companies Act 2006, empowering the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. It is proposed that this authority be renewed in line with institutional shareholder guidelines.

Under resolution 16, it is proposed that the directors be authorised to issue shares for cash and/or sell shares from treasury (if any are so held) without offering them first to existing shareholders in proportion to their current holdings:

(a) in respect of a rights issue, open offer or other offer that generally provides existing shareholders with the opportunity to subscribe for new shares pro rata to their existing holdings. This part of the authority is designed to give the directors flexibility to exclude certain shareholders from such an offer where the directors consider it necessary or desirable to do so in order to avoid legal, regulatory or practical problems that would otherwise arise; or

(b) up to an aggregate nominal amount of £1,111,884 (up to 11,118,840 new ordinary shares of 10 pence each). This amount represents approximately 5% of the Company's issued ordinary share capital as at 7 February 2020 (being the latest practicable date prior to the publication of the notice of AGM). This part of the authority is designed to provide the Board with flexibility to raise further equity funding and to pursue acquisition opportunities as and when they may arise.

The authority proposed under resolution 17 is in addition to the authority granted by resolution 16. Under resolution 17, it is proposed that the directors be authorised to disapply statutory pre-emption rights in respect of an additional 5% of the Company's issued ordinary share capital as at 7 February 2020 (being the latest practicable date prior to the publication of the notice of AGM). This further authority may only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or that has taken place in the preceding six-month period and is disclosed in the announcement of the issue as contemplated by the Pre-Emption Group's March 2015 Statement of Principles.

Excluding any shares issued in connection with an acquisition or specified capital investment as described above, the directors do not intend to issue more than 7.5% of the Company's issued ordinary share capital on a non-pre-emptive basis in any rolling three-year period without prior consultation with shareholders.

The authorities sought in resolutions 16 and 17 are in substitution for all existing authorities granted in the Company's articles of association or otherwise and are without prejudice to previous allotments or agreements or offers to allot made under such existing authorities. The authorities will each expire at the earlier of the conclusion of the next AGM of the Company or 26 June 2021.

The directors have no present intention of exercising these authorities other than to fulfil the Company's obligations under its share incentive plans approved by shareholders but consider it prudent to obtain the flexibility that these authorities provide.

Resolution 18 – Authority to purchase shares
Resolution 18 is a special resolution to renew the authority granted to the directors at last year's AGM to make purchases of its own ordinary shares through the market as permitted by the Companies Act 2006 and in line with institutional shareholder guidelines. No shares were purchased during the year and the Company does not hold any shares in treasury.

If passed, the resolution gives authority for the Company to purchase up to 22,237,698 of its ordinary shares, which represents 10% of the Company's issued ordinary share capital as at 7 February 2020 (being the latest practicable date prior to the publication of the notice of AGM). The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire at the earlier of the conclusion of the next AGM of the Company and 26 June 2021.

The directors have no present intention for the Company to exercise the authority granted by this resolution to purchase its own shares. They would do so only after taking account of the overall financial position of the Company and in circumstances where to do so would be regarded by the Board as being in the best interests of shareholders generally and result in an increase in earnings per ordinary share. The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).

As at 7 February 2020 (being the latest practicable date prior to the publication of the notice of AGM), the Company had options outstanding over 5,892,065 ordinary shares, representing 2.65% of the issued share capital on that date. If the Company was to purchase the maximum number of shares permitted pursuant to this resolution, the options outstanding at 7 February 2020 would represent 3.31% of the issued share capital.

Resolution 19 – Notice period of general meetings
The Company must give at least 21 clear days' notice of any general meeting, but is permitted to call meetings other than the AGM on at least 14 clear days' notice if annual shareholder approval is obtained beforehand. The Company must also offer, for any meeting held on less than 21 clear days' notice, a facility to vote by electronic means that is accessible to all shareholders.

Resolution 19 is a special resolution to renew the authority granted at last year's AGM to allow the Company to hold general meetings (other than AGMs) on not less than 14 clear days' notice. This authority will be effective until the Company's next AGM.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Resolution 20 – Changes to articles of association
The Company regularly reviews the suitability of its articles of association following developments in applicable law and regulation, and UK market practice. It is proposed that the Company adopts new articles of association (the New Articles) principally in order to reflect developments in current practice, and to provide clarification and additional flexibility in relation to certain matters. The existing articles of association (the Existing Articles) were most recently updated and adopted by the Company on 23 March 2016.
A summary of the principal changes being proposed in the New Articles are summarised in the Appendix to this Notice of AGM on page 186. Other changes, which are deemed to be of a minor, non-substantive, technical or clarificatory nature (including, where relevant, to certain defined terms), have not been noted in the Appendix.

A copy of the Company's Existing Articles, a copy of the New Articles and a copy marked up to show the proposed changes will be available for inspection as set out on page 186 of this Notice of AGM.

Shareholder notes

1. Entitlement to attend and vote
To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), shareholders must be entered on the Company's register of members at 6.30pm on Wednesday, 25 March 2020 (or, in the event of any adjournment, at 6.30pm on the date which is two days before the date of the adjourned meeting). Changes to the Company's register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting in respect of the number of shares registered in their name at that time. It is proposed that all votes on the resolutions at the AGM will be taken by way of a poll.

2. Shareholder participation
Any shareholder attending the AGM has the right to ask questions. The Chair will ensure that any questions relating to the business to dealt with at the AGM receive a response unless (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

3. Appointment of proxies – general
A shareholder entitled to attend, speak and vote at the AGM is entitled to appoint a proxy to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf at the AGM. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.

For the appointment to be effective, a proxy form, or electronic appointment of proxy or proxy appointment through CREST (see notes 4, 5 and 6 below) must be received by the Company's registrar by no later than 10.00am on Wednesday, 25 March 2020. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the AGM.

4. Appointment of proxies – proxy form
A form which may be used to appoint a proxy and give proxy instructions has been sent to shareholders. If you do not have a proxy form and believe that you should have one, or if you require additional forms to appoint more than one proxy, please contact the Company's registrars, Equiniti, on 0371 384 2198 (overseas callers should dial +44 (0)121 415 7047). Lines are open from 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales. Alternatively, photocopy the proxy form which has been sent to you. All forms must be signed and should be returned together in the same envelope.

The notes to the proxy form explain how to direct your proxy to vote on each resolution or how to withhold your vote. Please note that the vote withheld option on the proxy form is provided to enable you to abstain on any particular resolution; it is not a vote in law and will not be counted in the calculation of votes for or against the resolution. If you sign the proxy form and return it without any specific directions your proxy will vote or abstain from voting at his or her discretion. If you wish to appoint a proxy other than the Chair of the meeting, please insert the name of your chosen proxy holder in the space provided on the proxy form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

In the case of joint holders, the vote of the senior joint holder who tenders a vote, whether in person or by proxy, in respect of the holding will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names appear in the Company's register of members in respect of the joint holding. In the case of a corporate shareholder, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer or attorney. In the case of an individual, the proxy form must be signed by the appointing shareholder. Any alterations made to the proxy form should be initialled.

5. Appointment of proxies electronically
Shareholders may register the appointment of their proxy or proxies electronically via Equiniti's website at www.sharevote.co.uk and following the instructions. Shareholders will need their Voting ID, Task ID and Shareholder Reference Number (which are printed on the proxy form). Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk, clicking on the link to vote and following the on-screen instructions. A proxy appointment made electronically must be received by Equiniti by no later than 10.00am on Wednesday, 25 March 2020.

6. Appointment of proxies through CREST
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service for the AGM, and any adjournment(s) thereof, may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Ltd's (Euroclear) specifications and must contain the information required for such instructions, as described in the CREST Manual (available at www.euroclear.com). The message, regardless of whether it relates to the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by no later than 10.00am on Wednesday, 25 March 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. Changing and revoking proxy instructions
To change your proxy instruction simply submit a new proxy appointment using the methods set out above. Where two or more valid separate appointments of proxy are received in respect of the same share and for the same meeting, those received last by Equiniti will take precedence.

In order to revoke a proxy instruction, a shareholder will need to inform the Company by sending a signed hard copy notice clearly stating his/her intention to revoke a proxy appointment to Equiniti Ltd, Aspect House, Spencer Road, Lancing BN99 6DA. In the case of a corporate shareholder, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. Termination of proxy appointments made through CREST must be made in accordance with the procedures described in the CREST Manual. The revocation notice must be received by no later than 10.00am on Wednesday, 25 March 2020. If a shareholder attempts to revoke its proxy appointment but the revocation is received after the time specified then the original proxy appointment will remain valid. Termination of proxy appointments made through CREST must be made in accordance with the procedures described in the CREST manual.

8. Corporate representatives
A corporate shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the AGM. Please contact Equiniti for further guidance.

9. Nominated persons
Any person to whom this notice is sent who is not a shareholder but is a person nominated by a shareholder under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement with the shareholder who nominated him/her, have a right to be appointed, or have someone else appointed, as a proxy for the AGM. If a Nominated Person has no such right or does not wish to exercise it, he/she may, under any such agreement, have a right to give voting instructions to the shareholder.

The statement of the rights of shareholders in relation to the appointment of proxies set out in notes 3 to 7 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by shareholders of the Company. If you are a Nominated Person it is important to remember that your main contact in terms of your investment remains the registered shareholder or the custodian or broker who administers the investment on your behalf.

10. Availability of information on a website
A copy of this notice of AGM, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website at www.stmodwen.co.uk.

11. Website publication of audit concerns
Shareholders satisfying the threshold requirements in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter that such shareholder proposes to raise at the meeting relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM. The Company cannot require the shareholders requesting the publication to pay its expenses in complying with the request. Any statement required to be placed on the website must also be sent to the Company's auditor no later than the time the statement is made available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website under section 527 of the Companies Act 2006.

12. Total voting rights
As at 7 February 2020 (being the latest practicable date prior to the publication of the notice of AGM), the Company's issued share capital consisted of 222,376,988 shares carrying one vote each. Therefore the total voting rights in the Company as at 7 February 2020 was 222,376,988.

13. Documents available for inspection
The following documents are available for inspection at the registered office of the Company during normal business hours and will be at the place of the AGM for at least 15 minutes prior to and during the AGM:

(a) copies of the directors' service agreements with the Company;

(b) copies of the non-executive directors' letters of appointment;

(c) a copy of the Company's Existing Articles, a copy of the New Articles and a copy of the Existing Articles marked up to show the proposed changes; and

(d) a copy of the Company's indemnity for directors.

Copies of the Company's Existing Articles, a copy of the New Articles and a copy of the Existing Articles marked up to show the proposed changes will also be available for inspection during normal business hours from the date of this Notice of AGM until the end of the AGM at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF.

14. Communication with the Company
You may not use any electronic address provided in this notice of AGM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Notice of AGM Appendix
This appendix sets out a summary of the principal changes proposed to be made to the Company's Existing Articles.

1. Hybrid general meetings
To make it easier for the Company's shareholders to take part in future general meetings and to increase shareholder engagement, the New Articles permit the Company to hold 'hybrid' general meetings where shareholders have the option to attend and participate either in person (in a main location or in specified satellite locations as currently provided for by the Existing Articles) or virtually by electronic means.

Although the Company has no plans at the current time to hold hybrid general meetings, it considers the ability to do so to be in the best interests of shareholders as a whole and to reflect evolving best practice. In deciding whether to hold a hybrid general meeting in the future, the Company will have regard to the views and stance of shareholders and institutional and governance bodies at the relevant time.

The New Articles will not permit the Company to hold wholly virtual general meetings.

Certain consequential changes to facilitate this amendment have been made throughout the New Articles.

2. Untraced Shares
The New Articles amend the provisions of the Company's Existing Articles relating to shareholders who are considered untraced after a period of 12 years. The New Articles provide the Company greater flexibility when trying to trace shareholders. They replace the requirement to place notices in newspapers with a requirement for the Company to take reasonable steps to trace the shareholder and let them know that it intends to sell their shares. This can include engaging a professional asset reunification company or other tracing agency to search for shareholders who have not kept their details up-to-date on the share register. Shareholders whose shares are sold following this tracing process will not be able to claim the proceeds of the sale and the Company can use these funds as the Board thinks fit.

3. When notice deemed served
The Companies Act 2006 contains provision about when notices to shareholders are deemed served and which have effect subject to contrary provisions in a company's articles. It is therefore possible to change the delivery provisions by amending the articles of association. The New Articles update the Company's Existing Articles by reducing the period for deemed service of notice by post and electronic means from 48 hours to 24 hours.

4. Generally
Generally, the opportunity has been taken to update the language in the New Articles wherever appropriate.

INFORMATION FOR SHAREHOLDERS

Shareholder analysis
Holdings of ordinary shares as at 30 November 2019:

	Shareholders		Shares	
	Number	%	Number	%
By shareholder				
Individuals	2,639	79.13	12,944,966	5.82
Directors and connected persons	33	0.99	28,777,575	12.94
Insurance companies, nominees and pension funds	616	18.47	180,548,365	81.19
Other limited companies and corporate bodies	47	1.41	106,082	0.05
	3,335	**100.00**	**222,376,988**	**100.00**
By shareholding				
Up to 500	960	28.79	230,798	0.10
501 to 1,000	544	16.31	417,921	0.19
1,001 to 5,000	1,107	33.19	2,606,044	1.17
5,001 to 10,000	252	7.56	1,826,543	0.82
10,001 to 50,000	227	6.81	4,862,519	2.19
50,001 to 100,000	55	1.65	4,156,099	1.87
100,001 to 500,000	107	3.21	25,774,700	11.59
500,001 to 1,000,000	31	0.92	21,305,616	9.58
1,000,001 and above	52	1.56	161,196,748	72.49
	3,335	**100.00**	**222,376,988**	**100.00**

Financial calendar

Ordinary shares quoted ex-dividend	5 March 2020
2018/19 final dividend record date	6 March 2020
AGM	27 March 2020
2018/19 final dividend payment date	3 April 2020
Announcement of 2020 half-year results	July 2020
Announcement of 2020 final results	February 2021

Website
Information about St. Modwen, including this and prior years' Annual Reports, results announcements and presentations, together with the latest share price information, is available on our website at www.stmodwen.co.uk/investor-relations.

Shareholding enquiries and information
All general enquiries concerning holdings of shares in St. Modwen should be addressed to our registrar:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0371 384 2198[1] (+44 (0)121 415 7047 if calling from outside the UK)

A range of shareholder information is available online at Equiniti's website www.shareview.co.uk. Here you can also view information about your shareholding and obtain forms that you may need to manage your shareholding, such as a change of address form or a stock transfer form

Dividend mandate
If you are a shareholder who has a UK bank or building society account, you can arrange to have dividends paid direct via a bank or building society mandate. There is no fee for this service and notification confirming details of the dividend payment will be sent to your registered address. Please contact Equiniti on 0371 384 2198[1] or go to www.shareview.co.uk for further information.

Overseas dividend payment service
If you are resident outside the UK, Equiniti (by arrangement with Citibank Europe PLC) can provide dividend payments that are automatically converted into your local currency and paid direct to your bank account. For more information on this overseas payment service please contact Equiniti on +44 (0)121 415 7047 or download an application form at www.shareview.co.uk.

Share dealing service
If you are UK resident, you can buy and sell shares in St. Modwen through Shareview Dealing, a telephone and internet-based service provided by Equiniti Financial Services Ltd. For further details please visit www.shareview.co.uk/dealing or call Equiniti on 03456 037037. Equiniti Financial Services Ltd is authorised and regulated by the Financial Conduct Authority. Other brokers and banks or building societies also offer share dealing facilities.

Electronic communications
As an alternative to receiving documents in hard copy, shareholders can elect to be notified by email as soon as documents such as our Annual Report are published. This notification includes details of where you can view or download the documents on our website. Shareholders who wish to register for email notification can do so via Equiniti's website at www.shareview.co.uk.

(1) Lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

Shareholder security
Shareholders are advised to be very wary of unsolicited mail or telephone calls offering free investment advice, offers to buy shares at a discount or sell shares at a premium, or offers of free company reports. Such contact is typically from overseas-based 'brokers' who target UK shareholders through operations commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive and often have websites to support their activities.

To avoid share fraud:

- Keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you unexpectedly with an offer to buy or sell shares.
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register at www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/consumers/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.
- Remember: if it sounds too good to be true, it probably is!

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Annual General Meeting
The AGM will be held on Friday, 27 March 2020 at Gowling WLG (UK) LLP, Two Snowhill, Birmingham, B4 6WR, commencing at 10.00am The notice of meeting, together with an explanation of the resolutions to be considered at the meeting, is set out on pages 180 to 184.

CONTACTS

St. Modwen Properties PLC
Company No. 349201

Head Office
Park Point
17 High Street
Longbridge
Birmingham
B31 2UQ
0121 222 9400

Two Devon Way
Longbridge
Birmingham
B31 2TS
0121 647 1000

London
180 Great Portland Street
London
W1W 5QZ
020 7788 3700

Bristol
Green Court
Kings Weston Lane
Avonmouth
Bristol
BS11 8AZ
0117 316 7780

Warrington
Chepstow House
Trident Business Park
Daten Avenue
Risley
Warrington
WA3 6BX
01925 825950

The Trentham Estate
Stone Road
Trentham
Stoke-on-Trent
ST4 8JG
01782 645222

Disclaimer
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The annual report and financial statements contains certain forward looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward looking statements. Any forward looking statements made by or on behalf of the Company are made in good faith based on the information available at the time the statement is made; speak only as of the date they are made and 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 annual report and financial statements should be construed as a profit forecast.

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