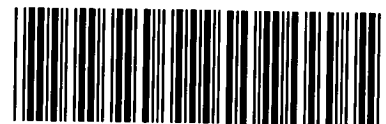

ST. MODWEN HOMES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2020

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ST. MODWEN HOMES LIMITED

COMPANY INFORMATION

Directors	Robert Evans Robert Hudson David Smith
Registered number	09095920
Registered office	Park Point 17 High Street Longbridge Birmingham B31 2UQ
Independent auditors	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH

ST. MODWEN HOMES LIMITED

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ST. MODWEN HOMES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 NOVEMBER 2020

The directors present their strategic report for the year ended 30 November 2020.

PRINCIPAL ACTIVITY

The company acquires land and creates value through the planning and construction of residential sites. Revenue is generated through the sale of new homes, the sale of land and revenue from part-exchanges.

KEY PERFORMANCE INDICATORS

The financial and non-financial key performance indicators used to assess the financial performance and financial position of the company are as follows:

	2020	2019
Turnover (£'000)	263,367	270,894
Profit before tax (£'000)	26,279	39,204
Net assets (£'000)	104,208	83,230
Number of units sold*	931	975
HBF rating (star)	5	4

*inclusive of units sold as products and services transferred over time, following the adoption of IFRS 15

FINANCIAL REVIEW

Despite the impact of Covid-19 on the spring trading season, the company traded well throughout the financial year and reported turnover of £263m, only £7m lower than 2019. Pre-tax profits reduced to £26.3m, a reduction of £12.9m compared to 2019 which was in part due to fixed selling and admin expenses being spread over lower than anticipated sales turnover. Net assets increased as a result of the purchase of land as well as construction activity across a larger number of sites.

BUSINESS REVIEW

The company acquired land during the year at Stafford, Uttoxeter and Weston-Super-Mare. Development on these sites is due to start during 2021.

931 units were sold in the year, a slight reduction on 2019 which is due to significantly fewer houses being sold in spring 2020 because of the UK lockdown related to Covid-19. 2020 sales were from, on average, 21 active sales sites throughout the year which is an average increase of 1 from 2019.

FUTURE DEVELOPMENTS

The future strategy of the company is to continue with residential property development both using the pipeline of land from St. Modwen Properties PLC and bidding for land on the open market. The company's landbank comprises 6,000 plots and based on recent levels of housebuilding and forecast growth projections, the pipeline equates to at least 4 years' worth of activity for St. Modwen Homes. We expect to deliver approximately 1,200 units in 2021 which is an increase from 2020 as the company aims to return to growth of around 20% year on year.

ST. MODWEN HOMES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

PRINCIPAL RISKS AND UNCERTAINTIES

The company's financial and operational performance is subject to several principal risks, which are set out below. These risks apply to both the company and the St. Modwen Properties PLC Group where they are centrally managed and mitigated.

Downturn in market and economic conditions

While we have seen Covid-19 impact the company in 2020 due to enforced lockdowns and the residual impact on the economy, our performance has been positive with our portfolio remaining resilient, and demand for new homes has been high.

The development programme for residential homes continues to have a short development lead time which enables the company to respond nimbly to changing market conditions. Inherently this risk, given Covid-19 and associated economic uncertainties, remains high.

Political

National, international and local political uncertainties affect the company. Government changes in stamp duty and Help to Buy continue to support demand for housing mitigating some of the risks associated with residential housebuilding.

The company continues to maintain strong local relationships with respect to local planning. The risks associated with political uncertainty, and any changes to Government support for housebuilding, continue to be assessed and addressed.

Social and technological change

The company recognises that the pace of both social and technological change continues, affecting demand for, and location of, residential homes, along with developments in our response to changes in associated risks, such as cyber risks and other catastrophic business events such as COVID-19 in our use of technology.

In addition, the way the company does business and interacts with customers and suppliers is becoming increasingly subject to automation, technological and working environments change.

Product and service delivery

The company has significant experience in regeneration, remediation and asset development to manage development projects. All developments are subject to financial appraisals and selection of contractors and material purchases are subject to robust procurement processes, including competitive tenders in order to secure value in meeting financial goals.

Development delivery and cost forecasts are regularly reviewed by the Executive Committee and the Board of St. Modwen Properties PLC.

The short-term Brexit risk has reduced with the UK's transition period from leaving the EU ending with a new trade agreement in place. However, the full effects from leaving the EU on the UK economy will only become visible over time and presents a number of risk exposures in terms of materials, labour availability and costs. These are continually reviewed at an operational level and actions taken accordingly in seeking to secure best value and sustainability of supply.

Customer and supply chain management

The company continues to seek and work with trusted contractors, sub-contractors and other third parties in partnership, developing a pool nationally and locally to reduce the risk of over-reliance on any one supplier within the supply chain. The company continues to review and monitor the possible impacts of Brexit on the contractor market. In addition, in implementing the company's strategy, steps continue to be taken to develop relationships with customers and enhance the customer journey.

Management of the portfolio and future pipeline

In meeting our strategic goals, the management of the portfolio and pipeline are key to success. Our strategies

ST. MODWEN HOMES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

for 2021 onwards must be assessed and aligned to market conditions and economic considerations, with upside and downside scenario analysis informing prudent, risk-based decision making.

Environment management

In line with our experience of regeneration and risk appetite, the company accepts a degree of environmental risk where opportunities for higher returns exist. The inherent risks are minimised or passed on wherever possible and the residual risk remains acceptably low. The company continues to undertake annual environmental audits of our portfolio to ensure visibility and management of environmental issues such as climate change effectively. Actions arising from these audits are monitored through to implementation.

Financial

The St. Modwen Properties PLC group reduced its net borrowings and refinanced its facilities to 2024 and beyond. This provides the company with the headroom and flexibility to respond to changes in the economic environment and development plans.

The group banking relationships remain strong, appropriate facilities are in place and the group continue to focus on the management of operational costs.

Management of Health & Safety

The nature of our operations means that ensuring effective health and safety arrangements remains a priority as the company has no appetite for health and safety risk exposure. Health and safety is discussed at each meeting of the SLE and the Board of St. Modwen Properties PLC.

Recent establishment of a Board-level Group Safety, Health and Environment (SHE) Committee, supported by the Executive Committee, and a dedicated health and safety team who support in the development of policies and procedures, undertake health and safety audits and monitor health and safety incidents.

Brexit

On 31 December 2020, the UK's transition period from leaving the EU ended with a new trade agreement in place, which means we avoided any potential disruption in our supply chains, although the full effects from leaving the EU on the UK economy, import prices and labour will only become visible over time.

FINANCIAL RISK MANAGEMENT

Both the company and St. Modwen Properties PLC, on behalf of itself and its subsidiaries, manage financial risks that affect the company.

The company's operations and financing arrangements expose it to financial risks that are discussed below.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its liabilities as they fall due. The company relies upon the banking facilities of the group parented by St. Modwen Properties PLC, which manages its liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities using fixed rate bilateral facilities, overdrafts and cash with a range of maturity dates to ensure continuity of funding.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations as they fall due. The company is exposed to credit risk on its financial assets, namely its trade and other receivables. The company's debtors primarily relate to the "Help to Buy" scheme so there is minimal credit risk that could cause a material impact on the financial performance of the company.

ST. MODWEN HOMES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

Section 172 statement

The Directors are committed to compliance with reporting regulations and are pleased to provide a statement that supports Section 172(1) of the Companies Act 2006.

This requires that the Directors promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision making. In particular, we are required to make a statement describing how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duties under section 172.

St. Modwen Homes Limited is a wholly owned subsidiary company of St. Modwen Properties PLC. Decisions and policies affecting Group employees, environmental considerations, wider stakeholders and key areas of business conduct and culture are largely taken at Group level and details can be found in the St. Modwen Properties PLC annual report for the financial year ended 30 November 2020. This includes its S.172 statement on page 12, available at www.stmodwen.co.uk. As is normal for large companies, we delegate authority for day-to-day management of the Company to senior management, overseeing execution of the business strategy, financial and operational performance related matters and related policies that are specific to that of St. Modwen Homes Limited.

Set out below are some details of how St. Modwen Homes Limited has had due regard to the matters set out in Section 172(1):

The likely consequences of any decision in the long term and the desirability of the company to maintain a reputation for high standards of business conduct

The strategy of the Group applies to the Company, as a member of the Group, and shapes the Company's business operations and activities. Details of the Group's long-term strategy can be found in St. Modwen Properties PLC's 2020 Annual Report from page 14, which is available at www.stmodwen.co.uk. Many policies and practices are applied throughout the Group via management teams and a common corporate governance framework. One of the Company's key values is doing the right thing. To ensure the highest level of compliance with all applicable legal and regulatory requirements the Company operates within the parameters of Group policies such as the anti-bribery policy and gifts and hospitality policy as well as adopting measures to prevent Modern Slavery in its business activities.

As a subsidiary of St. Modwen Properties PLC, the Company holds the same values and principles, which underpin all of its operations. By considering these alongside set strategic priorities for residential development and a governance framework, we aim to make reasoned and cogent decisions.

Interests of employees

St. Modwen Homes Limited provides resources and frameworks for employees employed under the Group that specifically work on St. Modwen Homes projects. These employees are provided with targeted support in their training and development to enhance their knowledge and skills and further their careers. There is also a clear competency framework to ensure health and safety training and support is easily accessible and relevant to their roles. This became even more critical and with a greater emphasis during the covid-19 pandemic. Management is also committed to encouraging and supporting careers via apprenticeships and building relationships with colleges to provide work placements and enable young people entry to the housebuilding sector.

Promoting the success of the Company

By monitoring and considering trends relevant to the residential property industry, we know and understand what attracts our house-buying customers; thoughtful design and innovation, customer care and a commitment to first-time buyers underpins the Company's approach.

With regards to commercial contracts, decisions were made that were in alignment to Group core values and strategy, the financial case, and our approach to risk management, which included the internal control framework and risk evaluations (climate risk also included). Further details on our risk management can be found on page 38 of St. Modwen Properties PLC's Annual Report.

ST. MODWEN HOMES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

The need to foster the Company's business relationships with suppliers, customers and others

Understanding and engaging with our stakeholders is key. Management places significant focus on stakeholder considerations throughout decision making. We aim to know our customers and partners and what drives them by listening, including considering the results of customer and supply chain feedback. Ongoing focus on customer service and satisfaction means St. Modwen Homes ranked as one of the highest housebuilders in the UK for net promoter score and NHBC customer recommend. In 2020, St. Modwen Homes launched an initiative to provide workers in critical industries amongst the covid-19 crisis with bespoke deals, resulting in 25% of all home sales being made to key workers.

To ensure business continuity we maintain a resilient supply chain, with trusted and verified suppliers via a supplier selection process and in the year developed a supply chain charter applicable group-wide. With responsible operating practices we maintain good relationships, for example through prompt payment practices and terms and a focus on safety for our partners, customers and the group's employees; our responsible business approach is to positively impact working practices.

In accordance with requirements, this section 172(1) statement will be published on St. Modwen Homes' website www.stmodwenhomes.co.uk.

This report was approved by the board on 20 May 2021 and signed on its behalf.



Robert Hudson
Director

ST. MODWEN HOMES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2020

The directors present their report and the financial statements for the year ended 30 November 2020.

Results and dividends

The profit for the year, after taxation, amounted to £20,978,579 (2019 - £33,053,517).

No dividends will be distributed for the year ended 30 November 2020 (2019: £nil).

Directors

The directors who served during the year were:

Robert Evans
Robert Hudson
David Smith
Mark Allan (resigned 13 April 2020)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company and to prevent and detect fraud and other irregularities.

ST. MODWEN HOMES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

Going concern

The financial position of the company is set out in the Balance Sheet and the accompanying Notes to the Financial Statements.

The company has satisfactory financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. In doing so, the directors have considered the latest guidelines from the Financial Reporting Council regarding the preparation of financial statements on a going concern basis.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG LLP, our appointed auditor, have conducted the audit for the year ended 30 November 2020 and have expressed a willingness to remain in office. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed as auditor in the absence of an Annual General Meeting

This report was approved by the board on 20 May 2021 and signed on its behalf.



Robert Hudson
Director

ST. MODWEN HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. MODWEN HOMES LIMITED

Opinion

We have audited the financial statements of St. Modwen Homes Limited ("the company") for the year ended 30 November 2020 which comprise the Statment of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company'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 its 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 company will continue in operation.

ST. MODWEN HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. MODWEN HOMES LIMITED (CONTINUED)

Strategic report and directors report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Directors responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 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 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.

ST. MODWEN HOMES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. MODWEN HOMES LIMITED
(CONTINUED)**

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.

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Date:

ST. MODWEN HOMES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2020**

	Note	2020 £	2019 £
Turnover	3	263,366,972	270,894,240
Cost of sales		(223,849,538)	(220,376,791)
Gross profit		39,517,434	50,517,449
Administrative expenses		(13,432,943)	(11,321,220)
Other operating income	4	179,797	8,297
Operating profit	5	26,264,288	39,204,526
Interest receivable and similar income		14,957	-
Profit before tax		26,279,245	39,204,526
Tax on profit	6	(5,300,666)	(6,151,009)
Profit for the financial year		20,978,579	33,053,517

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 14 to 24 form part of these financial statements.

ST. MODWEN HOMES LIMITED
REGISTERED NUMBER: 09095920

BALANCE SHEET
AS AT 30 NOVEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	7	522,834	209,509
Current assets			
Stocks	8	392,278,635	403,958,171
Debtors	9	35,390,251	28,800,357
Cash at bank and in hand		3,837,034	5,757,404
		<u>431,505,920</u>	<u>438,515,932</u>
Creditors: amounts falling due within one year	10	<u>(324,726,207)</u>	<u>(352,240,304)</u>
Net current assets		<u>106,779,713</u>	<u>86,275,628</u>
Total assets less current liabilities		<u>107,302,547</u>	<u>86,485,137</u>
Creditors: amounts falling due after more than one year	11	<u>(800,000)</u>	<u>(800,000)</u>
		<u>106,502,547</u>	<u>85,685,137</u>
Provisions for liabilities			
Deferred taxation	12	(1,294,131)	(2,455,300)
Other provisions	13	(1,000,000)	-
		<u>(2,294,131)</u>	<u>(2,455,300)</u>
Net assets		<u><u>104,208,416</u></u>	<u><u>83,229,837</u></u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account		104,208,414	83,229,835
		<u><u>104,208,416</u></u>	<u><u>83,229,837</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



Robert Hudson
Director
20 May 2021

The notes on pages 14 to 24 form part of these financial statements.

ST. MODWEN HOMES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 December 2018	2	50,176,318	50,176,320
Changes in equity			
Profit for the year	-	33,053,517	33,053,517
At 1 December 2019	2	83,229,835	83,229,837
Changes in equity			
Profit for the year	-	20,978,579	20,978,579
At 30 November 2020	2	104,208,414	104,208,416

The notes on pages 14 to 24 form part of these financial statements.

ST. MODWEN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

1. Statutory information

St. Modwen Homes Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 financial statements do not include a cash flow statement, financial instruments, fair value and related party disclosures, disclosures regarding compensation of Key Management Personnel or comparative information in respect of certain assets. Where required, equivalent disclosures are given in the consolidated financial statements of St. Modwen Properties PLC. The accounting policies below have, unless stated otherwise, been consistently applied across all periods presented within these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020

2. Accounting policies (continued)

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

The Company participates in the Group's centralised treasury arrangements, and as such the Company's funding requirements are directly linked to the Group's overall financial position. At 30 November 2020 the Group had £550m of committed facilities in place. The Group's committed facilities comprise a £475m revolving credit facility, with £75m maturing in December 2023 and the balance maturing in December 2024, and a £75m Homes England loan with a maturity date of October 2025. During January 2021, the unsecured revolving credit facility was increased from £475.0m to £500.0m at terms consistent with the facility in place at 30 November 2020.

The Group has prepared a going concern assessment for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic environment due to COVID-19. In all scenarios, the Group expects to operate within the level of its current borrowing facilities. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Annual Reports. The Directors have considered the potential range of future financial performance and several steps have been taken to ensure that the Group maintains a strong balance sheet and liquidity position. This includes securing access to funding under the Government's Covid Corporate Financing Facility (CCFF) should that be required in the event of a severe deterioration in market conditions and agreeing an amendment of the interest cover covenants on our Group debt facilities.

The detailed review of the going concern assumption included an assessment of future funding requirements based on cash flow forecasts, valuation projections and the ability of the Group to meet amended covenants on existing borrowing facilities, all over a period extending to 30 November 2023. The Group has no debt maturities during this period. The directors were satisfied that the forecasts and projections were based on realistic assumptions and that the sensitivities applied in reviewing the severe but plausible downside scenario adopted were appropriate and considered the potential impacts of COVID-19. The review shows that the Group maintains significant borrowing headroom and continues to meet all of its covenants under the severe but plausible downside scenario adopted. Therefore, the directors are satisfied that the Group will have sufficient ongoing facilities available throughout the period to 30 November 2023 used to assess the going concern assumption.

As a result of the above the Company's ultimate parent, St. Modwen Properties PLC, have provided a letter of support to confirm their intention to continue to operate a centralised Group treasury arrangement, facilitating the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.3 Turnover

Turnover is recognised when performance obligations are satisfied by transferring a promised good or service to a customer. Turnover is measured at the fair value of the consideration received excluding discounts, VAT and other sales taxes or duty. 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.

ST. MODWEN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

2. Accounting policies (continued)

2.4 Sale of property held in 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.

2.5 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.

2.6 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

2.7 Trade and other debtors

Trade and other debtors 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 debtors are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the individual debtors, 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.

2.8 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits with banks with initial maturity less than three months.

2.9 Trade and other creditors

Trade and other creditors are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method. 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.

ST. MODWEN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2020

2. Accounting policies (continued)

2.10 Stocks

All stocks are carried at the lower of cost and realisable value.

Cost comprises land, direct material and, where applicable, direct labour costs that have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less any further costs expected to be incurred to completion and disposal.

2.11 Taxation

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. Full payment is made for transfer pricing adjustments and group relief surrendered between group undertakings.

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date.

2.12 Key sources of estimation uncertainty

In the application of the company'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.

ST. MODWEN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020**

2. Accounting policies (continued)**2.13 Net realisable value of inventories**

In order to determine the profit that the Company is able to recognise on its developments in any given year, the Company has to allocate land and site-wide development costs between units sold in the current year and those to be sold in future years, which has an impact on the carrying value of inventories. The Company 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, the Company 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 8 to the Company financial statements.

2.14 Carrying value of the provision

Note 13 sets out detail of a provision recognised in the year. There are a number of possible outcomes and the carrying value of the provision is sensitive to changes in assumptions or estimates that underpin these possible outcomes.

3. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Transferred at a point in time	221,267,759	256,562,516
Transferred over time	21,202,490	7,816,779
Non-housebuilding income	20,896,723	6,514,945
	<u>263,366,972</u>	<u>270,894,240</u>
	2020 £	2019 £
United Kingdom	263,366,972	270,894,240
	<u>263,366,972</u>	<u>270,894,240</u>

ST. MODWEN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020**

4. Other operating income

	2020 £	2019 £
Other operating income	179,797	8,297
	<u>179,797</u>	<u>8,297</u>

5. Operating profit

Auditor remuneration was borne by the ultimate parent company, St. Modwen Properties PLC. No amount of this fee has been specifically attributed to the audit of the company (2019: £nil).

The company had no employees or staff costs for the current financial year or the prior financial year.

None of the directors received any remuneration paid by the company during the current financial year or the prior financial year. The remuneration of the directors is paid by other group undertakings and no part of their remuneration is specifically attributable to their services to this company.

6. Taxation

Analysis of tax charge

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	6,461,835	4,479,799
	<u>6,461,835</u>	<u>4,479,799</u>
Total current tax	<u>6,461,835</u>	<u>4,479,799</u>
Deferred tax		
Temporary differences	(631,876)	(203,162)
Change in rate for provision of deferred tax	202,738	(295,956)
Adjustments in respect of prior years	(732,031)	2,027,495
Net use of tax losses	-	142,833
Total deferred tax	<u>(1,161,169)</u>	<u>1,671,210</u>
Taxation on profit on ordinary activities	<u>5,300,666</u>	<u>6,151,009</u>

ST. MODWEN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020

6. Taxation (continued)

Reconciliation of total tax charge included in the Statement of Comprehensive Income

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	26,279,245	39,204,526
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	4,993,057	7,448,860
Effects of:		
Non-deductible or taxable expenses and credits	(190,000)	(675,938)
Appropriations for trading stock	-	23,902
Adjustments in respect of prior years	294,871	(333,055)
Change in rate used for provision of deferred tax	202,738	(295,956)
Movement in recognition of deferred tax on losses	-	(16,804)
Total tax charge for the year	5,300,666	6,151,009

Factors that may affect future tax charges

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

ST. MODWEN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020

7. Intangible assets

	Development expenditure £
Cost	
At 1 December 2019	322,605
Additions	417,300
At 30 November 2020	739,905
Amortisation	
At 1 December 2019	113,096
Amortisation for the year	103,975
At 30 November 2020	217,071
Net book value	
At 30 November 2020	522,834
At 30 November 2019	209,509

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 the intangible at a rate calculated to write off the cost of the asset evenly over the software license term.

ST. MODWEN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020**

8. Stocks

	2020 £	2019 £
Stocks	16,437,516	14,313,623
Work-in-progress	375,841,119	389,644,548
	<u>392,278,635</u>	<u>403,958,171</u>

Impairment of stocks to net realisable value of £648,540 (2019: £349,896) was recognised in cost of sales. There were no reversal of impairments in the current or previous financial years.

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 company considered the sensitivity analysis for the key source of estimation uncertainty (see note 2.13) with the resulting increase/(decrease) in the carrying value of inventories at 30 November 2020:

Change in house prices of 10.0% - increase in sensitivity - £nil
Change in house prices of 10.0% - (decrease) in sensitivity - £1.3m

9. Debtors

	2020 £	2019 £
Trade debtors	4,994,139	3,678,468
Amounts owed by group undertakings	4,740,469	4,740,469
Other tax and social security	4,005,091	3,133,848
Prepayments	14,776,944	17,200,222
Contract asset	6,873,608	47,350
	<u>35,390,251</u>	<u>28,800,357</u>

All amounts owed by group undertakings are interest free and repayable on demand.

ST. MODWEN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020

10. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	31,294,102	26,412,299
Amounts owed to group undertakings	265,262,882	289,155,156
Corporation tax	5,434,933	6,840,349
Other creditors	5,007,389	11,589,094
Accruals and deferred income	17,726,901	18,243,406
	<u>324,726,207</u>	<u>352,240,304</u>

All amounts owed to group undertakings are interest free and repayable on demand.

11. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Amounts owed to group undertakings	800,000	800,000
	<u>800,000</u>	<u>800,000</u>

All amounts owed to group undertakings are interest free and repayable on demand.

12. Deferred taxation

	2020 £	2019 £
At beginning of year	(2,455,300)	(2,811,586)
Charged to profit or loss	429,138	356,286
Adjustments in respect of prior years	732,031	-
At end of year	<u>(1,294,131)</u>	<u>(2,455,300)</u>

ST. MODWEN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020**

12. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Appropriations to trading stock	(1,294,131)	(2,455,300)
	<u>(1,294,131)</u>	<u>(2,455,300)</u>

13. Provisions

	Other provision £
Charged to profit or loss	1,000,000
At 30 November 2020	<u><u>1,000,000</u></u>

The provision relates to a legal matter which is expected to be resolved within the next financial year. There are a number of possible outcomes and the carrying value of the provision is sensitive to changes in assumptions or estimates that underpin these possible outcomes.

14. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid		
2 (2019 - 2) Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

15. Ultimate controlling party

The company's immediate and ultimate parent company is St. Modwen Properties PLC, a company registered in England and Wales. Copies of the group annual report and financial statements of St. Modwen Properties PLC are available from the registered office of Park Point, 17 High Street, Longbridge, B31 2UQ. This is the smallest and largest group into which this company is consolidated.

16. Related party transactions

During the year the company purchased land at St. Leonards Avenue, Stafford, from Key Property Investments (Number Two) Limited, a company who St. Modwen Properties PLC have a 50% indirect holding in. An amount of deferred consideration payable was held on the balance sheet as at 30 November 2020 for £3,635,522. This amount is due in September 2021.