ST.MODWEN

ST. MODWEN
PROPERTIES PLC
00349201

2020

Annual report and financial statements

£1.37bn

Total portfolio value
Our logistics assets now account for 49% of the total portfolio, up from 40% in 2019

Read more on pages 28 – 32 →

1.2m sq ft

New logistics space delivered
We increased our completed logistics developments by 33% compared to 2019, when 0.9m sq ft was delivered

Read more on pages 16 – 17 →

96%

Home Builders Federation (HBF) customer satisfaction rating
Continuing our commitment to a high-quality customer experience and supporting our status as a five-star housebuilder

Read more on pages 18 – 19 →

948

Total homes sold by St. Modwen Homes
Demand has remained strong and we are targeting volume growth of up to 25% in 2021

Read more on pages 18– 19 →

£154m

Disposals and land sales
Further strong levels of disposals across non-core assets, smaller assets and residential land

Read more on pages 20 – 21 →

19m sq ft

Total logistics pipeline
Long-term potential to develop new logistics space, with an estimated ERV of £130m

Read more on pages 16 – 17 →

View more online
For up-to-date information and the latest news from St. Modwen, visit: **www.stmodwen.co.uk**

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Changing Places. Creating Better Futures.

Rooted in responsibility

In the face of an incredibly challenging year – for our Company, the country and the world at large – organisations and communities have demonstrated resilience and kept their resolve in ways that few could have imagined.

At St. Modwen, we went into this crisis strongly placed financially and operationally, with a clear focus on the strong residential and logistics markets. But it was our purpose of 'Changing Places. Creating Better Futures.' that perhaps prepared us best for the challenges the pandemic would throw at our Company.

Our purpose courses through the organisation, guiding the way we conduct ourselves and how we deliver our business for our customers. Delivering responsibly and maintaining our resilience has undoubtedly been the common thread of our Covid-19 response.

Throughout the crisis, we have done everything possible to act as a responsible employer, all the time thinking about the health, safety and wellbeing of our people, customers, suppliers and wider stakeholders.

Despite a challenging year, we have made progress against our Responsible Business ambitions which focus on our impact on society and the environment, from reducing carbon to supporting education initiatives. In the communities in which we operate we have supported some of the people and organisations in most need, by funding support groups and charities.

Operationally, we have supported customer house-buying journeys, improved our customer website and digital sales, and provided incentives for keyworkers who made up 25% of our customers during the year. We delivered record levels of UK logistics space as the UK's reliance on strong supply chains was never more important. And we further transformed and created new residential-led developments as people seek out places with green spaces and community at the heart.

Acting responsibly and ensuring resilience has been our focus; delivering for our customers and communities has been the result.

"Throughout the crisis, we have done everything possible to act as a responsible employer, all the time thinking about the health, safety and wellbeing of our people, suppliers and wider stakeholders."

Danuta Gray
Chair

For our customers

2020 was a year of significant focus on our customers, occupiers and end users. From helping keyworkers to get on the housing ladder, to getting closer to our logistics customers as they tackled difficult supply chain issues, we kept them front and centre of our business response.

Recognised for our achievements
St. Modwen Homes' commitment to offering *an outstanding customer experience* led to the achievement of 5-star home builder status from the Home Builders Federation (HBF). Based on a survey of new home buyers, the 5-star rating corresponds to buyers' answers to the question 'would you recommend your builder to a friend?'. St. Modwen Homes' recommend score of 96% cemented its place in the list of top UK housebuilders.

In addition, St. Modwen Homes also achieved the 2020 Gold Award and Outstanding Achievement Award for customer satisfaction from In-House Research. The awards recognise commitment to customer experience and, again, are based solely on customer feedback.

Read more on pages 18 – 19 →

For our communities

In 2020, we launched a £150,000 Community Impact Fund to provide essential support to grassroots charities and groups that played a crucial role in supporting their communities during the Covid-19 pandemic. We reached out through local authorities where we are already active to identify organisations that had been selflessly serving those most vulnerable during the lockdown.

Read more on pages 22 – 25 →

For our people

Put simply, we could not have achieved what we did in 2020 without the endeavour and attitude of our people. We started our response to the crisis with a commitment to protect our people and that remained a guiding principle, acting as a compass for our decision making.

Read more on pages 26 – 27 →

A purpose and strategy that are delivering for all

The last year has been extraordinary. Everyone, including St. Modwen, has faced unprecedented challenges as a result of the Covid-19 crisis. Our business is built around our purpose – Changing Places. Creating Better Futures. Delivering on this purpose, we aim to create value for all our stakeholders – including the delivery of high-quality houses for families looking for a new home and the provision of business space to enable companies to grow. We also create employment and support the development of our own people. Our purpose also defines how we do business and I am particularly proud of how our people have responded during the past year in extremely difficult circumstances and focused on our responsibility to all our stakeholders.

Over recent years, we made strategic choices that strengthened the resilience of our business, focusing on two sectors, housing and logistics, with structural long-term growth, underpinned by our unique land regeneration capability. The momentum in our business at the start of the year was interrupted by the Covid-19 pandemic at the end of March, but since the summer we returned to full operations, resulting in a strong recovery in performance in the second half. 81% of the logistics developments we completed in 2020 are let or under offer and we sold more homes in the second half of 2020 than in the same period last year. Still, our financial results were significantly affected by the pandemic. A reduction in value of our two large residential sites in Wales and our retail assets in the first half of 2020 meant our NAV per share reduced 11.7% to 427.7 pence. Despite a return to 1.1% growth in the second half, our total accounting return result is (11.4)%. Adjusted EPRA EPS was down 43.1% to 9.9 pence, reflecting c. 9-10 weeks of lost production in housebuilding, credit provisions and reduced income on our retail assets, although our successful non-core disposals meant our LTV remained stable at 20.2%. As we go into 2021, with a strong balance sheet, strong order book in housebuilding and strong recent letting success in logistics, we will restore payment of a dividend of 5.0 pence per share for 2020, in line with our existing dividend policy.

Our response to Covid-19

Our focus during the Covid-19 pandemic has been on protecting the health of our people and customers, and on our responsibility towards all our stakeholders. We temporarily paused activity on our sites in March, before restarting work safely in May, in line with Government guidance. During this time, we paid our furloughed employees their full entitled salary, and we decided not to use the Government's Coronavirus Job Retention Scheme. We also worked closely with our customers to support those impacted by any temporary site closures. While we protected our liquidity and balance sheet, we continued

> **The Board is confident that the continued delivery on our strategy will create significant value for all stakeholders over time.**

to pay our supply chain promptly and, although eligible, we did not utilise the Government's Covid Corporate Finance Facility.

As the crisis unfolded, we took several measures to reduce our cost base, including a temporary reduction in Board pay and fees announced in March, a reduction in all discretionary spend and bonuses, a tapered reduction in pay for our higher earners and some selective redundancies. In March, we also decided to cancel the proposed payment of the 2019 final dividend, preserving £11m of liquidity in the business. We recognise the impact of these decisions and appreciate the support of our people and shareholders during this period.

People and culture

The events of 2020 again underlined that our people are key to our success. Having to adapt quickly to new ways of working, we focused on maintaining employee engagement and supporting the wellbeing of our people to retain our positive, supportive culture and values. I would like to thank all our teams for their dedication, as it is due to their hard work under challenging circumstances, either at home or on site, that we managed to rebuild momentum in the second half of the year. More detail on People, Culture and Health & Safety is included on pages 26 and 27. To recognise our teams' efforts and results, we decided to pay each of our employees an extra £500 for the Christmas holiday season.

Board changes

In November, Sarwjit Sambhi joined St. Modwen as Chief Executive Officer. Sarwjit was most recently CEO of Centrica Consumer and member of the Board at Centrica plc, the FTSE 250 energy group. The Board believes that his breadth of experience and proven leadership capability in a large and complex organisation well positions him to deliver St. Modwen's stated strategy and lead the business into a phase of significant growth in its two key sectors. The Board would like to thank Rob Hudson for his strong leadership as Interim Chief Executive between April, when Mark Allan stepped down as Chief Executive, and November. In February 2021, Dame Alison Nimmo DBE joined the Board as non-executive director, bringing more than 30 years of real estate experience, having most recently served as CEO of The Crown Estate from 2012 to 2019.

Prospects

Notwithstanding the continued uncertainties and the significant impact of the Covid-19 crisis on our financial results for 2020, St. Modwen is entering 2021 in robust shape. Our strategy remains focused on two areas where structural growth trends remain positive, logistics and housebuilding. In both sectors, we have high-quality platforms and substantial pipelines to grow; and our strong capital base provides room for investment in growth. We launched our Responsible Business ambitions in early 2020 which set out our medium- and long-term ambitions on, amongst others, net zero carbon, biodiversity, diversity and inclusion, and education and future skills. We have made encouraging progress against these ambitions during the year, for example by delivering a 30% reduction in our operational carbon footprint, a 15% reduction in waste in housebuilding and the creation of a new Energy Code for our future logistics developments. We have set clear targets for 2021 and beyond to deliver on our longer-term ambitions, all aimed at bringing to life our purpose: Changing Places. Creating Better Futures.

Danuta Gray
Chair
8 February 2021

Our strategic response

A clear strategy focused on housebuilding and logistics, supported by strategic land and regeneration capability to reposition land for those markets.

1. Build a high quality logistics business

2. Grow our residential and housebuilding business

3. Leverage our regeneration reputation

Read more on pages 14–15 ⟶

Our markets and stakeholders

Taking a disciplined approach to understanding and anticipating our markets together with engaging with our people, customers and broader groups of stakeholders.

Read more on pages 12–13 ⟶

Our performance

Focus on sectors with long-term structural growth characteristics and maintaining financial discipline.

Read more on pages 14–21 ⟶

Our responsible approach

We believe that purpose and profit are inextricably linked. To sustain success, our financial performance must be delivered in tandem with a positive impact on society and the environment.

Read more on pages 22–25 ⟶

Building resilience for the future

Overview

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

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

Our strategy

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

The growth in online retail has accelerated dramatically as a result of Covid-19, creating further growth in demand for modern logistics and urban warehouse space. In St. Modwen Logistics, we have a resilient, modern income-producing portfolio and sizeable pipeline, focused on key logistics corridors and conurbations. This provides us with an attractive opportunity to build scale and further grow recurring income through short-cycle, profitable development.

> **Our housebuilding business has grown from zero to delivering around 1,000 units p.a. in the last eight years, presenting an attractive platform for future growth.**

In St. Modwen Homes, we combine exceptional product design and quality with an affordable price range, and our keen focus on customer service means we are one of the highest ranked housebuilders in the UK in terms of HBF rating and net promoter score. This provides us with a platform to build scale in a highly fragmented sector, where demand is underpinned by an existing shortage of housing, population growth and supportive government policy. Our focus is to accelerate growth in both sectors.

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

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

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

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

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

Key financial performance metrics[1]	Year to Nov 2020	Half year to May 2020	Year to Nov 2019	Change y-o-y %
NAV per share (pence)	**427.7**	423.1	484.2	-11.7
EPRA NTA per share (pence)[2]	**437.7**	430.8	490.8	-10.8
Dividend per share (pence)	**5.0**	1.1	3.6	+38.9
Total accounting return (%)	**(11.4)**	(12.6)	4.6	-16.0ppt
(Loss)/profit for the period (£m)	**(120.8)**	(134.5)	49.5	-344.0
Adjusted EPRA earnings (£m)	**22.1**	4.7	38.7	-42.9
Basic earnings per share (pence)	**(54.7)**	(60.5)	22.8	-339.9
Adjusted EPRA earnings per share (pence)	**9.9**	2.1	17.4	-43.1
See-through net borrowings[3] (£m)	**277.0**	395.4	290.6	-4.7
See-through loan-to-value[3] (%)	**20.2**	28.1	19.6	+0.6ppt

1 Reconciliations between all the statutory and non-statutory measures and the explanations as to why the non-statutory measures give valuable further insight into the Group's performance are given in notes 2 and 3 to the Group financial statements.
2 In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior year comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the Group financial statements.
3 Including the Group's share of net borrowings (being net debt at amortised cost less lease liabilities) and property held in joint ventures and associates.

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

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

Going forward, we will focus our strategic land and regeneration capability on repositioning land for logistics and residential development via capital-light development opportunities, deliverable in a short timescale from our initial land acquisition, similar to our recent projects at Wantage and Copthorne. In addition to a higher IRR, these projects also deliver a demonstrably higher development margin for our logistics and housebuilding businesses relative to sourcing land in the open market. Moreover, the capital requirement for such projects is much lower than the large, multi-decade regeneration projects we have undertaken in the past, where high capital employed has weighed on returns, so this will not only improve the return on capital our strategic land capability delivers but also enhance the returns for our logistics and housebuilding businesses.

We have already reduced the SL&R portfolio from £1.2bn to £332m since 2017 and have set out a clear plan for the residual assets. This includes the sale of c. £180–200m of assets by 2023, of which £33m is already contracted, with a small amount of assets planned for disposal post 2023. Around £40m of land is earmarked for St. Modwen Homes and we are reviewing how to accelerate the monetisation of our remaining c. £60m of regeneration investments, principally in Longbridge. We will continue to invest in new land opportunities, but the capital-light nature of these new investments means we expect SL&R to constitute less than 10% of our portfolio in three years compared to 24% at the end of 2020, which will significantly enhance our overall return on capital.

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

Responsible Business
In early 2020, we launched our six Responsible Business ambitions, based around net carbon reduction, with the aim to become operationally net zero carbon by 2025 and fully net zero carbon by 2040; biodiversity and sustainable environments; diversity and inclusion; education and future skills; health and wellbeing; and responsible operating practices and partnerships. We have started to embed this in how we execute on our strategy. We reduced our operational carbon footprint by 30% vs 2019 and developed plans for our roadmap towards our longer-term goals. In logistics, we have created an Energy Code for our new projects and delivered our first BREEAM Excellent building, while we aim for c. 60% of our 2021 projects to be BREEAM Very Good or Excellent, rising to c. 80% in 2022. In housebuilding, we reduced waste by 15% and are on track to meet our 2025 ambition to reduce waste by a third. 21% of our homes were built using modern methods of construction, which will grow to 30% in 2021, and we will prepare for the Future Homes Standard. Recognising the social challenges the Covid-19 crisis brings, we donated £150,000 to local causes in the heart of the communities that we serve, working with local organisations, from foodbanks to volunteering groups, to make a meaningful difference.

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

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

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

Sarwjit Sambhi
Chief Executive Officer
8 February 2021

In conversation: Sarwjit Sambhi & Danuta Gray

Sarwjit Sambhi, Chief Executive Officer

What first attracted you to St. Modwen?

Sarwjit: First and foremost, it was the real sense of purpose. Everyone at St. Modwen wants to make a positive impact on the built environment and create new spaces for our communities and businesses in the UK. That was very compelling to me and a core reason why I wanted to join.

What have been your first impressions?

Sarwjit: I joined during the second national lockdown. I loved the positive attitude of colleagues seeing through the obstacles to figure out how best to serve our customers and keep the business running in the midst of a pandemic. The DNA of our heritage lives on. I'm sure Sir Stanley, who founded St. Modwen, would be delighted to see the hallmark of quality ringing through everything we do.

What are your priorities going forward?

Sarwjit: St. Modwen is in a great position to grow. Our proposition to customers looking to buy a new home in a great place is market leading. For our business customers we can help them with their operations by providing the right logistics space in the right location. I'll be focusing on this while understanding the needs of our many stakeholders, including investors, and driving forward our Responsible Business plans.

Danuta Gray, Non-Executive Chair

What made Sarwjit stand out as right for St. Modwen?

Danuta: Sarwjit's breadth of experience and proven leadership capability in what was a large and complex yet highly customer-focused organisation strongly positioned him for the role. The Board and I could see that he understood our strategy and we saw immediately the skills and experiences he could bring to the role. The fact that Sarwjit joins from outside the sector means he brings new thinking at a time companies need to evolve to best serve all their stakeholders.

What were you looking for in a leader?

Danuta: We wanted a CEO who would inspire and support everyone across the organisation, as well as a combination of strategic clarity with a strong operational focus to ensure we deliver on our strategy. Sarwjit has those qualities. He also believes in purpose-driven business, our values and our Responsible Business ambitions.

How have people reacted to Sarwjit's appointment?

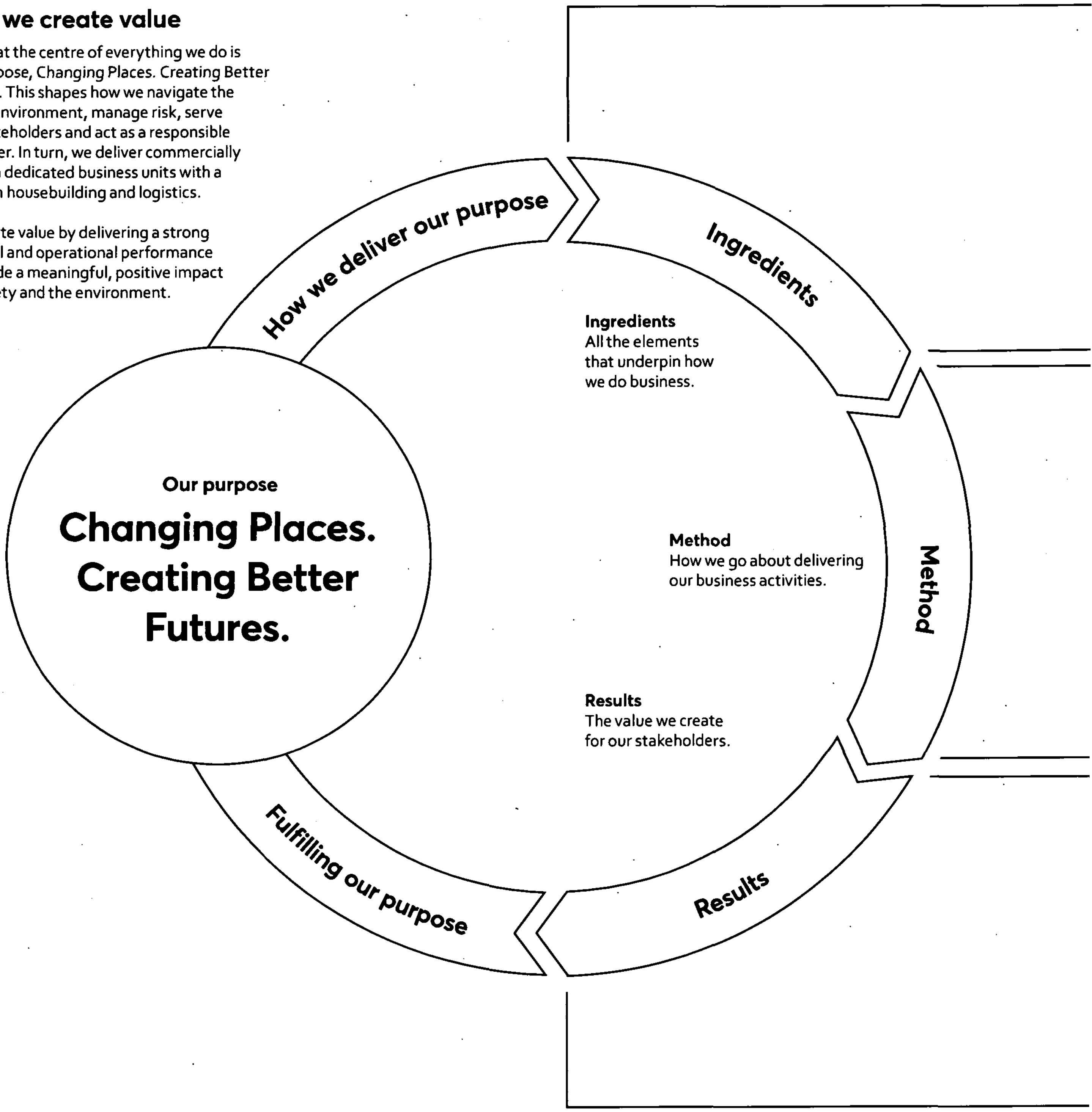
Danuta: Sarwjit hit the ground running, including visiting sites, getting to know everyone and seeing first-hand what makes St. Modwen stand out. He has taken the time to listen to our people and this has been really well received. Sarwjit has also started to meet our broader stakeholder groups, from customers to investors, local authorities to JV partners. The response has been universally positive.

Creating value

How we create value

Sitting at the centre of everything we do is our purpose, Changing Places. Creating Better Futures. This shapes how we navigate the macro environment, manage risk, serve our stakeholders and act as a responsible employer. In turn, we deliver commercially through dedicated business units with a focus on housebuilding and logistics.

We create value by delivering a strong financial and operational performance alongside a meaningful, positive impact on society and the environment.



Aligned for success

Underlying company values

See pages 26 – 27 ⟶

Stakeholder considerations

See pages 12 – 13 ⟶

Responsible Business approach

See pages 22 – 25 ⟶

Strong corporate governance

See pages 49 – 102 ⟶

Managing risk

See pages 38 – 45 ⟶

Built on core competencies

- Industrial and logistics development knowledge and track record
- Deep-rooted housebuilding and residential expertise
- Long-standing development and place-making experience
- Infrastructure and project management skills
- Focus on customer experience and operational excellence

Our strategic response

Long-term structural growth exists in logistics, driven by e-commerce and supply chain needs. Our retained pipeline of assets helps to deliver sustainable income.

New-build housing in strong UK regions remains resilient, as we deliver good value and quality homes in desirable environments. This supports profits and margin growth.

Track record in land repositioning creates a real competitive advantage as we secure and prepare sites for logistics and residential development.

Delivering through three business units

St. Modwen Logistics

See page 16 ⟶

St. Modwen Homes

See page 18 ⟶

Strategic Land & Regeneration

See page 20 ⟶

Financial and operational delivery

- Increasing levels of reliable income and total returns
- Creating modern, valuable and sustainable schemes
- Delivering sales and margin growth
- Innovating and expanding routes to market
- Unlocking developments to deliver profits
- Promoting land and recycling capital

Social and environmental impact

- Net Carbon Reduction
- Biodiversity & Sustainable Environments
- Diversity & Inclusion
- Education & Future Skills
- Health & Wellbeing
- Responsible Operating Practices & Partnerships

See pages 23 – 25 ⟶

What influences our business

We take a disciplined approach to understanding and anticipating our markets together with engaging with our people, customers and broader groups of stakeholders. This means we can plan for and deliver an effective growth strategy while successfully living out our purpose.

Factors and their influences

We carefully monitor and consider major trends, from what's happening in the coming months to what could impact our business over future decades. These could be global or local factors and influence how and what we deliver as a business.

At the same time, we engage with our stakeholders, build a clear understanding of why they matter to us and what their needs are.

This helps to build a picture of everything that influences our business. For example, we know what drives our house-buying customers or what our investors want to see from us over future years.

Distilling these trends and stakeholders considerations, we are able to focus on clear priorities that drive the delivery of our business. These are real-world needs and underpin our strategy.

Focused trends

Demographic trends

- Population growth
- Regional shifts
- Ageing population

Economic trends

- Covid-19 impact
- GDP and employment rates
- Property income focus

Technological trends

- E-commerce
- Supply chain delivery
- Green technologies

Social trends

- Consumer behaviour
- Flexible working, spaces
- Urbanisation

Sustainability trends

- Property's carbon challenge
- Creating communities
- Responsible operating practices

Policy trends

- Levelling up agenda
- Paying for the crisis
- Business regulation

Key stakeholders

People	Customers	Communities	Policymakers
We employ over 600 people and they are the lifeblood of everything we do; they not only deliver our business but embody our brand and live out our purpose.	**Our customers comprise everyone that uses or buys the properties we develop and the services we deliver. They have a choice and we want them to choose us.**	**None of our activities are carried out in isolation; we operate within communities, with a diverse range of people, businesses and other organisations.**	**Policymakers set rules and guidance that govern how we operate. They can influence our operating landscape so it's important to anticipate and understand relevant policies and political changes.**

Engagement and understanding

People	Customers	Communities	Policymakers
• We promote an empowered and supportive culture, driven by strong values and a well-defined purpose. • We have a strong focus on development, training and achieving full potential. • We listen and engage through surveys, employee groups and one-to-one discussions. • Non-executive director, Simon Clarke, is a member of our People Matters Group.	• We aim to know our customers and what drives them, by listening and tracking progress. • St. Modwen Homes achieves leading levels of customer recommendations. • Increasing focus on occupiers of our industrial and logistics properties and homeowners within master-developed residential site.	• Target high levels of local inclusion in the creation of communities. • Involve local residents and organisations to help shape future areas. • As an employer, actions include increasing career pathways and charitable giving to support and engage communities.	• Awareness of current and possible future policies through member bodies or via our own representation. • Consider local as well as national and international changes. • Where appropriate, provide our views to policymakers, for example on changes to the planning system.

Section 172(1) statement

Overview

The Board is committed to the highest level of compliance with reporting regulations and is 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.

Statement

From everyday business delivery to strategic decisions, the Board places significant focus on stakeholder considerations throughout decision making. This was demonstrated in a number of ways during 2020, such as the impact on investors when the decision was made to cancel the final 2019 dividend, or the approach taken to pay employees on furlough their full pay, drawing on the Company's values. Our successful approach to considering stakeholders continues into 2021 and will remain a key feature of ongoing Board and business management decisions.

On these two pages, the remainder of the Strategic Report, and the Governance section, we show how stakeholders are considered and the framework behind Board decision making. Immediately below we outline particular aspects of stakeholder considerations together with navigation to further reading.

Long-term decisions: Board decisions balance near-term requirements with long-term impacts. The 'Factors and their influences' and 'Future trends' information below on page 12 show some of the these considerations, while the Risk section starting on page 38 shows the breadth of factors taken into account as an organisation. See also 'Board activity' on page 56 where long-term decision-making is described in the context of the Board's role.

Employee considerations: The Board places great emphasis on employees as part of decision-making and there are examples of this throughout the report. See stakeholder table on page 12, the People, culture and health & safety overview on page 26, the Purpose, Culture and Values statements within the Board report on page 57 and further details on Board engagement within Board and Stakeholders on page 58.

Customer and supply chain relationships: The Board knows that customers together with the health and success of our supply chain are critical to future success. Pages 2 and 3 offer details about customer interaction during 2020 and there are case-studies for St. Modwen Homes and St. Modwen Logistics on page 16 and page 18 respectively. Commentary around Responsible Operating Practices & Partnerships on page 25 describes our approach to supply chain engagement.

Community and environment impact: The impact our business can have on the community and environment is a key consideration for the Board, not least because it shapes how we can successfully deliver on our purpose. Our Responsible Business section, starting on page 22, explains each aspect of our approach together with clear ambitions for the future.

Business conduct: How we do business is taken very seriously by the Board. As well as having strong values (page 26) and having agreed a clear approach to Responsible Business (page 22), we also share on page 48 our stance on modern slavery, anti-bribery and corruption, and our approach to tax. Further details about Governance, which provides a framework for effective decision-making, starts on page 50.

Acting fairly between members of the Company: The tables on pages 12 and 56 show how we reasonably consider all stakeholders in the decisions made by the Board.

Clear priorities

People and families need places to live and grow into

Businesses need a logistics footprint to serve customers with products and services quickly and at least cost

We need to deliver in an environmentally sensitive and low carbon way

Underpinning our strategy

These influences shape our commercial delivery which is delivered by three dedicated business units:

St. Modwen Logistics

St. Modwen Homes

Strategic Land & Regeneration

See our strategic response on page 14 ⟶

Partners

Our partners are the organisations we forge relationships with to ensure we can deliver our activities, from joint ventures to local authorities.

- Forge partnerships to support new schemes and projects.
- Successful partnerships rely on a shared vision, strong communication and an understanding of where each party benefits during the process.
- Focus is on maintaining timely contact with our partners, being transparent and making sure we share in any outcomes.

Supply chain

Our supply chain is an extension of our business and helps us to deliver our products and services. We aim to maintain a resilient supply chain, with trusted and verified suppliers that share our values and standards.

- Across different suppliers, from kitchen installers to architects, everyone's role is made clear and an onus on all parties to act responsibly and continually improve.
- Reliance on strong communication, combined with close alignment on best practice in health and safety and governance.

Regulators

Regulators set laws that define or guide the conduct of people and organisations, such as the Financial Conduct Authority and Health and Safety Executive.

- Stay abreast of potential and upcoming regulation changes by monitoring the regulatory landscape and receiving relevant advice.
- Contact with regulators is normally in the spirit of furthering governance practices and ensuring best practice is achieved.

Investment community

Our investment community includes organisations that own our shares or hold debt in our business, or may be interested in doing so in the future.

- Regular dialogue with investors, analysts and relevant opinion-formers, sharing information, meeting face-to-face and responding to enquiries.
- Promote achievements and evolve disclosures to meet demand, most recently with an emphasis on ESG measures.

See Board and stakeholders on page 58 ⟶

Our strategic response

Based on our understanding of the market backdrop and agreed priorities, we have chosen to focus on the structurally supported sectors of logistics and housebuilding, underpinned by three strategic objectives and helping us to deliver on our purpose. These markets are served by our dedicated business units. Over time, we are targeting an improvement in our return on capital, growing our income and enhancing our operational flexibility through tightly managing financial leverage.

Our strategic objectives

1 Build a high quality logistics business

We see long-term structural growth in the logistics sector, driven by the continued rise of e-commerce and increased supply chain needs. By growing our retained pipeline of developed assets, we deliver sustainable income for the Company.

St. Modwen Logistics

See page 16 →

2 Grow our residential and housebuilding business

The market for new-build housing in strong UK regions remains resilient, especially where good value meets quality products and these are delivered in good environments. Strong performances help to deliver profits and margin growth.

St. Modwen Homes

See page 18 →

3 Leverage our regeneration reputation

Through a strong track record in land repositioning, this expertise and capability creates a real competitive advantage as we secure and prepare sites for logistics and residential development.

Strategic Land & Regeneration

See page 20 →

Group performance

Objectives

- Continue to focus on logistics and housebuilding, two sectors with long-term structural growth characteristics.
- Maintain financial discipline through managing our loan-to-value, reducing capital employed in non-core assets and focusing on projects that meet our clear return hurdles.

Progress

- Adjusted EPRA earnings per share of 9.9 pence were below last year's 17.4 pence, impacted by the pandemic through reduced housebuilding volumes and lower SL&R income, as well as the impact of a reduction in rental income due to last year's non-core disposals.
- We have maintained strong financial discipline by continuing our non-core disposal programme and closely managing costs, such that our see-through loan-to-value remained stable at 20.2%.
- Our NAV per share fell to 427.7 pence (2019: 484.2 pence), having recovered to increase by 1.1% in the second half of the year. The overall reduction was driven by a significant fall in the value of our South Wales residential land sites in the first half, whilst our core logistics portfolio grew by 3.5% in the year.

Next steps

- Clear strategic focus on our two key sectors, whilst remaining disciplined in terms of financial risk.

Directors' remuneration

- Adjusted EPRA earnings and total accounting return are measures upon which the directors are targeted for remuneration.

Adjusted EPRA earnings per share[1]
(pence)

See-through loan to value
(%)

Total accounting return
(%)

Underlying total accounting return
(%)

NAV per share
(pence)

EPRA NTA per share[1]
(pence)

1 EPRA net tangible assets introduced as a reporting metric from 2020, replacing EPRA net asset value per share in line with EPRA's best practice recommendations.

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.

St. Modwen Logistics

Strategic objective: Build a high quality logistics business

St. Modwen Logistics designs, builds, owns and manages high-quality logistics assets. Concentrated around major infrastructure and conurbations, our customers include some of the world's biggest logistics and e-commerce organisations as well as significant national and regional enterprises.

Strategy in action: Responding to customer needs

With supply chains stretched greater than ever before, St. Modwen Logistics further accelerated its growth plans while supporting its customers as they dealt with the impacts of Covid-19. For some, an overwhelming shift to online retail saw fulfilment and storage needs rocket, while for others, a UK base became essential to serve domestic customers.

Euro Pool System
Euro Pool System, providers of reusable fresh produce packaging for supermarkets, had been servicing its UK clients from hubs in Europe. As the British grocery market surged, Euro Pool System sought its first UK location to serve a major Midlands-based customer, Aldi UK. With the business anticipating future growth, it opted for a 49,000 sq ft speculatively developed unit at St. Modwen Park Tamworth, choosing the scheme based on its location, availability of utilities, and potential for future expansion.

ProCook
In Gloucester, cookware and kitchenware retailer ProCook was seeking additional space to fulfil a boom in retail orders – and needed something that neighboured its existing St. Modwen unit at Gateway 12. Gateway 12's success provided the catalyst for three new speculatively built units at St. Modwen Park Gloucester, a 58-acre industrial and logistics site just half a mile from Junction 12 of the M5. Now, with the opportunity to expand locally, ProCook secured a 55,000 sq ft unit at the site, increasing its capacity, boosting employee wellbeing, and enabling future growth.

St. Modwen Logistics: Key Performance Indicators

Logistics committed pipeline
(m sq ft)

Logistics retained space delivered
(m sq ft)

Proportion of completed ERV that was let/under offer at time of results
(%)

St. Modwen 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.

Objectives

- In a market with strong structural features, continue to utilise our strong pipeline and expertise to grow our income-producing portfolio of modern urban and big box warehouse space in key logistics corridors and conurbations.

Progress

- We increased our income-producing logistics portfolio during the year by 28% to £561m, through the development of 1.2m sq ft of new warehouse space, almost all of which will be retained for future rental income. These developments will deliver a 7.3% yield on cost when fully let, and average profit on cost of c. 35%.
- We have let 81% of the £7.6m ERV on our 2020 developments, up from 58% of 2019 completions this time last year, whilst 90% of our 2019 developments are now let or under offer.
- Our committed pipeline is now 1.6m sq ft (1.5m sq ft this time last year), of which 19% is derisked through agreed pre-lettings, compared to 18% of the pipeline this time last year. A further 8% of the pipeline is under offer.

Next steps

- We plan to continue the delivery of income-producing urban and big box warehouses, with 1.5m sq ft planned for 2021, and up to 2m sq ft per annum thereafter, subject to market conditions and customer demand.
- We will look to build on our leasing momentum and continue to focus on growing build-to-suit developments, the first two of which make up one-fifth of our committed pipeline.
- We have a long-term pipeline of 19m sq ft with an estimated ERV of c. £130m, creating a significant opportunity for long-term growth.

> **“We have one of the UK's largest logistics development pipelines and aim to grow our portfolio to over £1bn in the next three years.”**
>
> ***Polly Troughton***
> **Managing Director – St. Modwen Logistics**

1. ProCook
Goods stored and transported at the cookware and kitchenware retailer's 55,000 sq ft unit in Gloucester following expansion by the business.

2. Euro Pool System
Supermarket food packaging is cleaned and reused in Tamworth within a newly developed 49,000 sq ft unit.

St. Modwen Homes

Strategic objective: Grow our residential and housebuilding business

St. Modwen Homes is an award-winning housebuilder and delivers high-quality new homes across key UK regions. Thoughtful design, customer care, commitment to first-time buyers, and the highest levels of health and safety continue to underpin our successful and responsible approach.

Strategy in action: Supporting key workers during a pandemic

Covid-19 propelled our nation's key workers to stardom. We clapped for our carers, filled our windows with rainbows, and raised money to support NHS charities – providing a well-deserved boost for those working selflessly to help others.

Over the years, St. Modwen Homes has helped many key workers to start their homebuying journeys, and, in 2020, we launched an initiative to provide workers in critical industries with bespoke deals on new homes.

We launched a dedicated marketing campaign, offering discounts on new homes for those working in healthcare, supermarkets, public transport, education, and many more.

The scheme was welcomed with open arms, securing a raft of positive press coverage and a surge in interest from frontline workers. We are proud that over 25% of all home sales in 2020 were to key workers and we have continued this campaign into 2021.

St. Modwen Homes: Key Performance Indicators

St. Modwen Homes operating profit
(£m)

St. Modwen Homes sales
(m sq ft)

St. Modwen Homes operating margin
(%)

Objectives

- Accelerate growth to build scale in a market with strong fundamental characteristics, where we continue to deliver high-quality homes at an affordable price point, and where our ongoing focus on customer service sees us ranked as one of the highest housebuilders in the UK for net promoter score and NHBC customer recommend.

Progress

- We delivered 948 units in 2020, down 11% from 2019 due to a pause in production of c. 2 months during the early stages of the pandemic. Sales rates remained strong throughout the year at 0.77 per average site per week (2019: 0.81).
- As a result of the lower volumes, operating margin fell by a relatively modest 2.4 ppts to 12.4% (2019: 14.8%).

Next steps

- Subject to continued favourable market conditions, we aim to grow volumes by up to 25% in 2021. We have a strong order book supporting this position, covering 47% of our targeted full-year private sales (2019: 34%).
- We have a pipeline to increase volumes to c. 1,500 units per annum by 2023, supported by a 5,900-plot land bank. Beyond this, we have the opportunity to maintain volumes through future land acquisitions.
- We expect margins to recover to c. 14.5% in 2021, and to reach c. 16 – 17% in the medium term.

> **“We significantly outperformed our peers while maintaining a safe work environment and delivering a brilliant homebuyer experience.”**

Dave Smith
Managing Director – St. Modwen Homes

1. **Meon Vale, Warwickshire**
   Aerial view of residential development near Stratford-upon-Avon.

2. **Cofton Grange, West Midlands**
   Children enjoying community green spaces at St. Modwen Homes' Cofton Grange development, Birmingham.

Strategic Land & Regeneration

Strategic objective: Leverage our regeneration reputation

Strategic Land & Regeneration acts as master developer by promoting and releasing land, primarily for our own housebuilding and logistics businesses. By regenerating land for new employment and emerging residential communities, we can truly deliver on our purpose: Changing Places. Creating Better Futures.

Strategy in action: Driving major land sales

St. Modwen's deep-rooted expertise in master development has long been a draw for leading housebuilders seeking 'oven ready' land for residential development.

Through our own landholdings, and in partnership with private landowners and local authorities, we unlock the potential in land and create value through planning, infrastructure and community development.

In addition to selling land to our own housebuilding business, St. Modwen Homes, we work closely with some of the UK's most recognised housebuilders to create vibrant new communities with a diverse mix of properties and tenures.

In 2020, we sold £93m of residential land. For example, at our Kingsgrove development in Wantage in Oxfordshire, we completed on the sale of plots to housebuilders, Taylor Wimpey and CALA, in addition to St. Modwen Homes.

Strategic Land & Regeneration: Key Performance Indicators

Residential land sales
(£m)

Land prepared for development
(acres)

Objectives

- Rationalise our portfolio through the disposal of non-core assets and surplus residential land, allowing capital to be recycled into future growth opportunities in logistics and housebuilding.
- Focus on securing capital-light development opportunities, through which we can build on our extensive land repositioning to deliver future land for our logistics and housebuilding businesses.

Progress

- We have continued with our portfolio repositioning, with £125m of disposals agreed in 2020, and a further £7m of asset sales since the year end. Within this total, we completed or exchanged contracts on the sale of £93m of surplus residential land to third-party housebuilders.
- We secured a capital-light development agreement in Cheltenham for the delivery of 1,100 new homes, which will deliver a c. 20% IRR as well as enhanced margins for our housebuilding business.

Next steps

- Further progress our portfolio repositioning to release capital from surplus residential land and non-core assets. We are looking to sell c. £180 – £200m of assets in the next three years, of which £33m is already contracted.
- Deliver on our existing regeneration projects. At Longbridge we are continuing with residential developments and reviewing options for the next phases of commercial developments. At New Covent Garden Market we are continuing to progress the relocation of the existing market facilities, ahead of the release of 10 acres of land for development in the medium term.

“We worked tirelessly and effectively to drive performance across our assets, by achieving record land sales and progressing major projects.”

Guy Gusterton
Managing Director – Strategic Land & Regeneration

1. **Copthorne, South East**
   Works taking place to add infrastructure at Copthorne near Gatwick as part of plans to deliver new homes and modern logistics units.

2. **Hilton Valley, East Midlands**
   Delivering a new school in Derbyshire as part of a major residential scheme.

Acting and delivering responsibly

We believe that purpose and profit are inextricably linked. To sustain success, our financial performance must be delivered in tandem with a positive impact on society and the environment.

At the beginning of 2020 we were proud to launch our Responsible Business framework, establishing six ambitions to make a meaningful, positive impact on society and the environment. They are core to how we live our purpose and contribute to our wider ESG (Environment, Social and Governance) responsibilities.

Due to the impact of Covid-19, some aspects of our programme were temporarily paused or slowed down during the year, but we are pleased to have ended 2020 having delivered against our programme in a number of impactful ways. In some regards, events have only strengthened our commitment to being a responsible employer and having a positive impact on our communities.

This section outlines our progress, as well as achievements against our Responsible Business ambitions, together with the specific support we gave to local communities during the pandemic in 2020. We also outline our key plans for 2021.

Looking ahead

Our aim is to continue to improve the sustainability of our business. Our focus in 2021 is on embedding and implementing our plans. We will continue to monitor sustainability trends, activities of peers, requirements of investors, stakeholders, and future legislative requirements.

For our Governance response go to 49 ⟶

Building our programme

In 2020 we focused on building out our Responsible Business ambitions, developing the detail, and creating implementation plans. The starting point was horizon scanning and benchmarking against industry sustainability leadership, reviewing our stakeholder expectations, assessing the external landscape and global trends, and taking on board best practice approaches.

Through our ambition to achieve net zero carbon, we are acutely aware of the challenges of climate change – and its impacts on our business, both through transition risk, as well as physical risks. In our risk management process, we have elevated climate risk to be a principal risk and are taking strategic action, for example through changes to our portfolio and investing in new energy efficient logistics parks. In 2021, we will assess in detail our climate risk following the guidance of the Task Force on Climate-Related Financial Disclosures and report back in next year's annual report.

We have strengthened our capability through the appointment of a Head of Responsible Business, and put in place a strong Responsible Business Governance framework. The Chief Finance and Operations Officer has Board responsibility for ensuring delivery of the Responsible Business ambitions. Each Responsible Business ambition has a Steering Group, chaired by an Executive Committee member. Progress reports are provided to the Executive Committee and Board.

Read more:
www.stmodwen.co.uk/delivering-responsibly

Net Carbon Reduction

Ambition
Our ambition is to be operationally net zero by 2025 (this includes our Scope 1 emissions, Scope 2 and Scope 3 business travel, employee commuting, waste generation), and fully net zero carbon by 2040 (adds Scope 3 purchased goods & services, and tenant emissions).

Highlights in 2020
- Reduced our operational carbon footprint by 30% versus 2019, through more efficient facilities and purchasing renewable electricity for our Group portfolio.
- Determined our 2025 and 2040 carbon footprints, backed by detailed analysis and modelling, creation of our transition pathways, enabling prioritisation of our action plans.
- 21% of homes include modern methods of construction (MMC).
- Switched to a green fleet provider as part of our transition to using electric vehicles.
- Energy Code created by St. Modwen Logistics as a framework for energy provision on new developments.
- Our first ever zero carbon logistics unit completed in Tamworth in early 2020.
- Started Energy Performance Rating upgrades at our managed assets.

Our plans for 2021
- Embed net zero carbon reduction plans in each business unit.
- Carry out energy audits to improve energy efficiencies across managed assets.
- c. 60% of 2021 projects to be BREEAM Very Good or Excellent, rising to c. 80% in 2022.
- Establish low-carbon strategies for new projects and developments.
- Prepare to meet Future Homes standard, and trial Passivehaus technologies.
- 30% of homes include modern methods of construction (MMC).
- Plan for all new homes to be supplied with 100% REGO backed electricity.
- Reduce carbon emissions from travel and commuting, through green fleet roll-out and maximising the benefits of agile working.

In action
St. Modwen Logistics is applying sustainable design principles to new facilities. Understanding each element of the build is critical, from orientation to reduce solar gain in offices whilst maximizing natural light, to smart technologies and the latest electric high efficiency heating systems. This enables us to significantly reduce our operational carbon footprint, provide our customers with highly efficient, low operating cost facilities, and it future proofs our portfolio. We are also undertaking embodied carbon studies of the materials we use to understand where we most make a difference, and deliver our net zero carbon targets.

Biodiversity & Sustainable Environments

Ambition
We want to boost biodiversity at our developments and deliver new schemes in an environmentally responsible way. Our ambition is to improve the biodiversity around our new development sites, achieving at least a 10% biodiversity net gain. By 2025, we aim to cut St. Modwen Homes site waste by a third and increase its recycling rate to 99%.

Highlights in 2020
- St. Modwen Homes has reduced waste by 15% to date and is on track to deliver to targets.
- Created a biodiversity strategy and code, and building partnerships with local wildlife organisations.
- With Environment Bank we have carried out baseline biodiversity assessments across 16 priority sites.
- Delivered new open green spaces as part of our developments, for example a brand new area at Hilton Valley in Derbyshire.
- Attracted the rarest type of bee to Glan Llyn by ensuring our green spaces encourage natural wildlife to thrive.

Our plans for 2021
- Evaluate biodiversity opportunities for each new site and ensure they deliver over a 10% biodiversity net gain.
- Roll out biodiversity code and training to development teams across all business units.
- Establish landscaping design and maintenance for biodiversity guide, and translate into contractor requirements.
- Create Company-wide waste targets with supporting policy and guidance metrics.

In action
In the Staffordshire village of Branston, we are halfway through a decade-long partnership with Staffordshire Wildlife Trust to create a living landscape along a major stretch of the River Trent. Sitting alongside our Branston Leas residential development and St. Modwen Park Burton – one of our flagship industrial and logistics schemes – this 138-acre site has seen the creation of new green spaces for residents and wildlife to enjoy. To date, over 19,000 trees and 12,000 bluebells have been planted and there has been a rise in the numbers of skylark and snipe nesting along the riverbank. The space has also acted as an outdoor classroom for over 850 local schoolchildren learning about wildlife and biodiversity.

Watch the video ⟶
www.stmodwen.co.uk/biodiversity

Diversity & Inclusion

Ambition
We recognise that everyone is an individual and we seek to embrace differences in the way we work and go about our lives. Our overarching ambition is to achieve the UK National Equality Standard by 2025.

Highlights in 2020
- Review undertaken by National Equality Standard assessors to highlight path towards reaching the standard by 2025.
- Re-set the Company's Diversity & Inclusion group with clear priorities and responsibilities.
- Company-wide awareness events held, including around Pride, Black History Month and International Women's Day.
- 46% of line managers received diversity and inclusion awareness training.
- Updated our policies and procedures to reflect diversity and inclusion considerations.

Our plans for 2021
- Implement National Equality Standard plans.
- Develop new approach to resourcing with diversity key performance indicators at each stage.
- Continue training and awareness programmes.
- Communicate expectations on diversity and inclusion to suppliers and partners, and build in as part of supplier selection process.
- Pilot mentoring programme with apprentices, graduates and trainees specifically targeting females and those from a BAME background.

In action
The Board recognises that actions set from the top are key to a sustainable culture of diversity and inclusion. In 2020, a year of global pressures around racism and prejudice, we were pleased to have added further diversity to our Board. Today we have a female Chair, a British-Asian CEO and an openly-gay CFOO, while four out of nine of our Board members are female. While we recognise that change must continue throughout our business, we believe our balance at a Board level is an important achievement and one that we hope inspires others.

Education & Future Skills

Ambition
We are committed to developing the next generation of skilled talent. Our overarching ambition is to invest 1% of the Company's cash profits every year into education partnerships by 2025, making a positive impact on over 20,000 young people.

Highlights in 2020
- Delivered engaging webinars to our education partners during the pandemic as part of a continued programme.
- Provided 25 work placements at our office and sites (prior to Covid-19 restrictions).
- Took part in Open Doors, a nationwide collaboration by Build UK in conjunction with CITB and supported by Home Builders Federation (HBF) and Considerate Constructors Scheme (CCS).
- Delivered a pilot virtual work experience project for women in collaboration with Women into Construction.

Our plans for 2021
- Streamline approach and develop consistent measurement methodology and impacts.
- Identify opportunities where there are both internal and external benefits from education investment.
- Ensure all major projects have an education and skills plan in place to contribute target.
- Increase graduates, internships and trainees into the Company and set an appropriate future target.

In action
We're committed to developing the next generation of skilled talent, helping people to reach their full potential and ensuring the right skills are cultivated to keep the property and construction sector building for the future. Our commitment to apprenticeships has seen us welcome one new apprentice for every £1 million spent on supply chain contracts. In St. Modwen Homes, 13% of our entire workforce is made up of trainees, graduates or apprentices. Determined to accelerate the careers of our home-grown talent, we gave 18 promotions to those in early career roles in 2020. Our strategic partnerships with education providers allow us to create first-rate apprenticeship programmes for both new and existing employees.

Watch the video ⟶
www.stmodwen.co.uk/education

Health & Wellbeing

Ambition
Our ambition is to enhance the wellbeing of our people and make a positive impact on the health and wellbeing of the communities we serve.

Highlights in 2020
- Launched a dedicated weekly wellbeing newsletter for all employees.
- Set up wellbeing hub for employees, including hints, tips and further support.
- Participated in and promoted key wellbeing campaigns including Mental Health Awareness Week, Men's Health Week and Movember.
- Trained line managers in mental health awareness, and created more than 40 Mental Health First Aiders.
- Supported employees on furlough with dedicated weekly communications.
- Wellbeing included in Logistics Park Code.

Our plans for 2021
- Conduct a Health & Wellbeing employee survey to set a baseline.
- Identify key areas of focus and an action plan for 2021 and beyond.
- Develop a plan to support the wellbeing of our contractors and partners.
- Create a community engagement strategy to ensure all sites contribute to community health and wellbeing.

In action
One way that we've enhanced our support for colleagues is through our Mental Health First Aid training programme. In 2020, the number of qualified Mental Health First Aiders within the business reached 40, spanning all levels of seniority and reaching all parts of the organisation. Working in partnership with mental health charity Mind, our volunteers took part in a two-day training course and are now able to spot crucial signs of mental ill health, and help guide people to support.

Watch the video ⟶
www.stmodwen.co.uk/wellbeing

Responsible Operating Practices & Partnerships

Ambition
Our supply chain relationships underpin our operations and business delivery. We can only fulfil our approach to responsible business obligations by working with our supply chain to embed responsible operating practices and deliver to our Supply Chain Charter requirements.

Highlights in 2020
- Developed draft supply chain charter ahead of testing and implementation.
- Maintained and expanded communication with supply chain and key partners through Covid-19.
- Developed plans for further engagement and support to our supply chain during 2021.

Our plans for 2021
- Benchmark the draft charter against industry best practice and leading peers.
- Launch the supply chain charter and set 3-5 year targets.
- Pilot the charter with key suppliers.

In action
We're proud of our health and safety track record. In 2020, we secured the coveted Gold Award across all three business units in the Royal Society for the Prevention of Accidents (RoSPA) Health and Safety Awards. The awards recognise businesses that have achieved high levels of performance across health and safety standards, systems and culture. While this isn't the first time we have picked up the Gold Award, it is the first time we have collected one for each of our business units: Strategic Land & Regeneration, St. Modwen Logistics and St. Modwen Homes.

An inspiring, supportive and safe environment

Here we detail our commitment to our people, achievements in the year and the high levels of health and safety which support our employees and the environments in which we operate.

Our people

Our people are the cornerstone of everything we do. We want our people to experience an inspiring place to work where they can contribute, be recognised, be themselves and grow. Our ultimate aim is to be Employer of Choice. We have five core values which guide how we do things and they are underpinned by our core skills and competencies. Together, they allow us to live out our purpose and deliver our strategy.

As part of our response to the impact of Covid-19, we set ourselves the primary objective to protect our people. We approached the pandemic with a strong track record in health and safety and as an established and responsible employer.

Harnessing a strong culture

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

Non-executive director, Simon Clarke, is a member of the People Matters Group, our people representative body. This helps to inform the Board and its decision making around people and the organisation.

While no employee survey was carried out in 2020, pulse surveys, manager feedback and several working groups helped to inform our understanding. We also developed plans for new employee voice groups, a regular and interactive way to bring the views of people across our business into the heart of the Company, and this is set to launch in early 2021. It is part of a continued drive to achieve best possible engagement levels and harness the benefits of a strong culture.

Our five core values

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.

Our approach and achievements in 2020

- We kick-started the year with the World of St. Modwen, a major engagement event designed to inform and inspire our colleagues about our ambitious Responsible Business approach.
- As Covid-19 struck, we placed particular emphasis on protecting our people, with a focus on wellbeing and mental health, including the introduction of a weekly Wellbeing Wednesday newsletter, new online hub, mental health manager training and awareness around our Employee Assistance Programme. We also trained more than 50 mental health first aiders.
- We increased engagement with weekly updates and communications from our Interim CEO, Rob Hudson, while colleagues who were on furlough were kept up to date with dedicated Monday Motivator newsletters.
- From a performance management perspective, we kept things simple and adjusted our Personal Best objective and development goal setting process to help people align to more immediate goals.
- We started our Investors in People journey by undertaking an assessment and that is now shaping our plan for achieving the Investors in People status.
- We also began our National Equality Standard (NES) assessments to reveal gaps and opportunities as we work towards achieving the standard by 2025.
- Gender pay continued to be a challenge, so as an inclusive employer we began working with NES to advise on and support future plans (see more: www.stmodwen.co.uk/gender-pay-gap).
- We also re-launched our Diversity & Inclusion working group to focus on clear priorities and responsibilities (see more: www.stmodwen.co.uk/diversity).
- We continued to grow our support for skills and management development, including the launch of our first Women in Leadership programme and our continued commitment to the St. Modwen Academy with a new online resource developed ahead of a launch in 2021.
- During the year, we also launched our agile working policy ahead of a full roll-out during 2021, as we adapt to the needs of our people and new ways of working.

1. *Considerate Constructors Scheme*
   Another year of recognition for our standards on site.

2. Culture and values
   Creating a supportive and engaging workplace environment.

Other 2020 Health & Safety achievements

- Achieved a Group Accident Frequency Rate (AFR) of 0.06, less than a fifth of the industry average.
- Won Considerate Constructors awards and RoSPA Gold awards across all of our Company's activities.
- Launched Mi.RiSC (Management Information, Reporting Incidents, Safety Compliance) system – our online incident reporting platform across the Group.
- Launched electronic health and safety inspection module within Mi.RiSC for all St. Modwen Homes construction and sales sites.
- Launched new lone worker device from Soloprotect for 150 colleagues across the Company.
- Partnered with Achilles for contractor health and safety assessment.
- Launched health and safety coaching programme for senior managers with St. Modwen Homes.
- 1,000 workers attended a virtual safety stand down event which dedicates time to learning.
- Maintained NHBC Safemark, the leading accreditation for housebuilding health and safety.
- 894 people training days completed.

Gender diversity as at 30 November 2020

Directors
- Female / 3
- Male / 5

Senior managers
- Female / 13
- Male / 57

Employees
- Female / 242
- Male / 398

Actions taken to protect our people through Covid-19

The underlying health and safety principle behind our approach is that nothing is so important that we cannot do it safely. Covid-19 impacted different aspects of our business throughout 2020, so we developed a Company-wide policy to demonstrate our commitment to the safety and health of everyone affected by our operations, including our people, partners and the communities around us.

- Within St. Modwen Homes, we redesigned site set-ups to create a Covid-19 secure environment that was fully aligned to the Construction Leadership Council's guidance.
- Our asset management teams adapted sites across a diverse portfolio of retail, business and leisure facilities, putting measures in place to ensure the safety and health of our customers, the public, our teams and anyone affected by our operations.
- As a construction client, we communicated our standards to our contractors to align with the Construction Leadership Council's guidance and we actively checked sites to ensure standards were in place.
- Our own offices were made Covid-19 secure and all relevant control measures were put in place in line with the Government guidelines, together with 'work from home' guidance and support.
- A New Ways of Working group was formed through the HR team with representation from the H&S team to support the business in adapting to the challenges of Covid-19.

"Driven by a clear purpose, our focus is on creating an engaging and safe working environment with a rich culture of accountability, empowerment and support."

Jane Saint
Group HR Director

Portfolio overview

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

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

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

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

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

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

Portfolio repositioning during 2020

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

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

1 Based on the Group's share of amounts relating to joint ventures and associates.
2 Based on income producing assets excluding land.
3 Excluding land transfers to St. Modwen Homes and completed home sales; including exchanged disposals which will complete after Nov 2020.

£1.37bn

Portfolio value at 30 November 2020

£154m

Disposals agreed in 2020

Portfolio valuation

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

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

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

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

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

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

Leasing and like-for-like income

We continue to build scale and resilience as our exposure to modern logistics assets with longer leases continues to grow. Logistics now makes up 73% (2019: 66%) of our £54.7m ERV (2019: £51.9m) and this will increase to close to 100% in the next three years. Like-for-like logistics income was up 6.1% during the year. We agreed 2.3m sq ft of new leases and lease renewals, on average 11% above previous passing rent and in line with ERV, and a number of significant lease regears. Alongside the delivery of new developments, this meant that the WAULT to first break of our logistics portfolio increased to 6.4 years (2019: 4.6 years). While 20.7% of our logistics portfolio was available to let at the end of 2020, our continued leasing success means this has now reduced to 13.9%. Since the year-end, availability in our big box portfolio has reduced from 44.4% to 9.0%, with only one unit which was completed three months ago available to let. This resulted in a further increase in WAULT from 6.4 to 7.4 years and of our remaining available space, 14% is currently under offer.

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

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

1 Excluding turnover rent at Trentham Gardens.
2 Including impact of credit loss provision and temporary closure of Trentham as a result of Covid-19, £0.2m one-off and £0.6m impact from vacating space ahead of future redevelopment; 1.1% excluding these items.
3 Adjusting for lettings since year-end pro-forma St. Modwen Logistics vacancy has reduced to 13.9%, as big box warehouse reduced to 9.0%.

Rent collection

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

Logistics development completions

We completed 1.2m sq ft of developments during 2020 (2019: 0.9m sq ft), in line with the revised target we announced post the delay caused by Covid-19 in Spring. Of the associated £7.6m ERV, 73% is let and a further 8% is under offer. This marks an improvement in leasing compared to this time last year, when 58% of our 2019 completions were let or under offer.

With total development costs of £104m, our 2020 completions will deliver a 7.3% yield on cost once fully let and generate an average profit on cost of c. 35%. Our 2019 completions are currently 86% let, with a further 4% under offer. On average, our development lettings have been slightly above our expected ERVs, although we have seen a small increase in incentives on some deals.

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

Logistics pipeline

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

Committed pipeline

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

1 Based on ERV.

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

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

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

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

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

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

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

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

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

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

"Our successful non-core disposals and tight cost control meant that, despite our investments in growing our logistics portfolio, net borrowings decreased during 2020."

Maintaining financial discipline

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

Net profit in the second half of the year was £13.7m, but the revaluation deficit on our residential land and residual retail assets in the first half of 2020 meant we recorded a net loss for the year of £120.8m (2019: £49.5m net profit). As a result, basic EPS was (54.7) pence (2019: 22.8 pence). Despite 1.1% growth in the second half, NAV per share reduced 11.7% during the year to 427.7 pence (Nov 2019: 484.2 pence), whilst EPRA NTA per share reduced 10.8% to 437.7 pence (Nov 2019: 490.8 pence)[1].

Our successful non-core disposals meant that, despite further investment in our logistics pipeline, Group net debt fell to £296.1m (2019: 314.1m) and see-through net borrowings fell to £277.0m (2019: £290.6m), leaving see-through LTV stable at 20.2% (2019: 19.6%).

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

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.

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

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

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

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

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

Net rental and other income

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

Housebuilding profit

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

Business unit direct operating expenses and central administrative expenses

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

Interest and other finance costs

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

Net other finance costs increased to £15.7m (2019: £7.0m). As we announced in our trading update in December, a change in discount rate of our share of the NCGM JV's development obligations resulted in a non-cash financial charge of £9.7m but this charge is NPV neutral, as it is fully offset by a similar reduction in non-cash financing cost in the next few years. Discount unwinds during the year resulted in a charge of £3.0m (2019: £2.5m), principally related to NCGM, but this will therefore reduce significantly in future years. The final elements of other finance costs are a £1.3m charge for the amortisation of arrangement fees in relation to our loan facilities (2019: £1.8m) and a £1.7m cost related to the mark-to-market valuation of our derivatives, driven by the movement in swap rates (2019: £2.7m).

Investment property revaluation, development and disposal gains/losses

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

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

Taxation and profit

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

Return on capital

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

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

1 This table is presented on a proportionally consolidated basis, including the Group's share of assets and liabilities of joint ventures and associates in the balance sheet categories to which they relate, rather than on a statutory basis as one line representing the share of net assets of those joint ventures and associates.
2 Business unit returns on capital employed are calculated as the business unit profit before interest and tax for the a rolling 12-month period divided by the average business unit net assets, after adding back any business unit specific net borrowings, for the 12-month period.
3 In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. The Group has determined that EPRA net tangible assets (NTA) is the most relevant measure hence this is now reported in place of EPRA NAV. Prior year comparatives are stated under the new definition on EPRA NTA. Further detail is given in note 3 to the Group financial statements.

Net asset value

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

Net borrowings and loan-to-value

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

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

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

1 Proportionally consolidated, including the Group's share of joint ventures and associates.
2 Borrowings are stated at amortised cost and exclude lease liabilities.
3 See-through loan-to-values are reconciled in note 2 to the Group financial statements.

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

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

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

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

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

Sarwjit Sambhi
Chief Executive Officer

Rob Hudson
Chief Finance and Operations Officer

8 February 2021

Risk management

Our risk management process, as set out below, defines our approach to risk, outlines our risk management framework, and describes our activities in 2020, and priorities for 2021.

Our activities in 2020

- Undertook a Board-level refresh of the Group's strategic and principal risks.
- Regularly reviewed emerging risks and risk mitigation, particularly in response to Covid-19, Brexit and climate change.
- Enhanced the Group's key risk indicator dashboards, to include internal and external data.
- Updated our fraud risk assessment and fraud risk policies (see page 73 for more information).
- Further embedded our desired risk management culture across the business.
- Defined our internal control framework, aligned to our risk management processes.

Our priorities for 2021

- Continue to support the business through managing the risks arising from both Covid-19 and Brexit.
- Continue to regularly monitor emerging risks, against a challenging and ever-changing landscape.
- Embed our internal control framework in line with our risk management approach.
- Embed actions from our fraud risk assessment.
- Embed actions from our climate risk evaluation aligned to TCFD.

Risk Management
Our approach to risk management is aligned to our strategic objectives and our risk management practices. The Board has established a clear risk management framework that defines responsibilities for risk management across the Group. It also oversees the Group's systems of internal control and has overall responsibility for risk management across the Group.

Our strategic focus on risk at Board level, combined with dedicated risk management within our business units, has enabled us to manage existing risks and address emerging and changing risk, including Brexit and the ongoing Covid-19 uncertainties.

Risk Management Framework

Oversight	**Board** Overall responsibility of risk management across the Group. Sets the Group's risk appetite and together with executive management agrees the Group's principal and emerging risks. **Audit Committee** Oversees the effectiveness of the Group's risk management and internal controls systems on behalf of the Board. See Audit Committee report 66 to 73 ⟶	Oversight, risk identification, assessment and mitigation at Group level. **Top down** ↓
Third line of defence	**Internal Audit** Provides independent assurance to the Board and Audit Committee on the effectiveness of the Group's risk management process. **Risk based reviews** Specialist third party reviews conducted as required.	↑ **Bottom up**
Second line of defence	**Executive Committee** Manages the business and delivery of strategy. Ensures risk management strategies are in place to manage risk in line with the risk appetite and tolerance levels. **Risk, Assurance and Compliance Committee** Responsible for establishing and embedding the risk management framework. Reports to the Executive Committee on strategic risks, the Group's risk profile and escalates risk as appropriate. Monitors key risk indicators.	
First line of defence	**Business units and functions** Ensure that risk is assessed and managed effectively in their areas, through engagement with the business, by establishing processes, policies and procedures to identify, manage and escalate changing or emerging risks. **Risk champions and our people** Identify, assess and respond to risks, provide support, raise awareness and communicate risks to the wider business. Identify emerging risks.	Reporting, escalation, risk identification, assessment and mitigation at business unit and functional level.

The Board regularly reviews and updates both our governance and risk management frameworks, as well as setting our appetite for risk annually. Along with executive management, the Board also defines our key risks and risk mitigation activities to ensure we meet the Group's strategic goals.

We have embedded continuous reviews and improvements to our risk management practices within the Group's risk management framework. 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 illustrated on the opposite page.

No business can fully mitigate against all risks. As such, our approach to risk management is proportionate and each of the business units must accept some element of risk in order to achieve their objectives. Our framework and approach allow us to assess current and emerging risks and is underpinned by a robust risk management culture.

Risk Identification: Our network of risk champions undertake an ongoing assessment of business processes to identify any emerging or changing risks and this is assessed on a periodic basis by each business unit, the Risk, Assurance and Compliance Committee (RACC) and the Board. The Group's strategic and principal risks are re-assessed and agreed in turn by each of the RACC, Executive Committee and Audit Committee, prior to approval by the Board.

Risk Assessment: We undertake a formal review of all risk registers across the business three times a year to ensure that Group risks and business unit and function-level risks are aligned. We use a standard methodology, supported by risk management software, with inherent and residual risk calculated based on a set of defined criteria, that consider both risk owner knowledge and experience, and the effectiveness of mitigating controls.

Risk Management and Monitoring: Each risk is assigned an owner, with all strategic risks assigned an owner at Executive level. Risks are assessed on a continuous basis with scoring and mitigating actions reviewed and monitored at business unit board, RACC and the Executive Committee, before being reported to the Audit Committee and Board. Key risk indicators are used to monitor the internal and external environment and support decision making relating to our key risks.

Risk appetite

The Board sets our risk appetite annually, based on the main risks and uncertainties we face, taking into account the expectations of the investment community, regulators and other key stakeholders. Articulating our risk appetite helps inform investment decisions, facilitate discussions of risk, set parameters for achieving objectives, and ensures our people and delivery partners are aware of our approach to risk.

Our appetite for risk varies over time and across the lifecycle of our projects. The Board considered the impact of Covid-19 and confirmed our current risk appetite is as follows:

- When pursuing the positive growth fundamentals in St. Modwen Homes (Homes), St. Modwen Logistics (Logistics) and Strategic Land and Regeneration (SL&R) in light of Covid-19, our risk appetite is moderate. We continue to balance our growth targets with controlled financial gearing and disciplined asset management.
- While impossible to guarantee no risk, our approach is to create a culture and environment that minimises, to the greatest extent possible, risks to the health and safety of our customers, employees and partners.
- The Group has a very low appetite for risks to our brand, reputation and stakeholders, including our customers, employees, business partners, suppliers, regulators, investors and the wider communities we operate in. Our responsibilities to these key stakeholders include complying with relevant laws, reporting accurate financial and regulatory information in a timely manner, operating ethically and making a positive contribution to our communities and the environment in which we operate.
- Before we authorise any development opportunity, we assess the benefits, risks and impact on all of our key stakeholders, while ensuring opportunities are in line with our values and purpose.

As detailed above, our approach to risk reporting within the Group's governance structures and our risk appetite is aligned to our key risk indicators. During 2020 we developed a more robust key risk indicator report which incorporates internal and external performance data to inform decision making.

Internal control

The Board, assisted by the Audit Committee and PwC, the Group's internal auditors, reviews the Group's internal control and risk management systems annually. 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.

A project to further enhance our internal control framework commenced in 2020 and a key priority for 2021 will be to ensure that this is fully embedded across the Group. This is designed to support the Group in ensuring compliance with expected future internal control requirements, such as those detailed within the Brydon Report. All of this work continues to be supported by clear policies and a culture of enterprise-wide risk management.

PwC have supported the development of an initial assurance map and are responsible for delivering an annual internal audit plan that focuses on the systems of internal control we use to manage the key risks faced by the Group in the pursuit of our strategic objectives.

The Board approves the Group's financial plans and its operating and capital expenditure on an annual basis. These plans are scenario and stress tested, with a focus during 2020 on assessing potential impacts resulting from the combination of both Covid-19 and Brexit. Performance against budgets is reported and monitored at both Board and business unit level on a regular basis. 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 the investment community through the formal publication of half-year and full-year results.

For further information on the Group's review of the risk management and internal control systems, please refer to pages 72 to 73 ⟶

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.

Covid-19

Covid-19 has had a profound impact on our risk profile throughout 2020. As detailed within our half-year results, we have managed risks in relation to Covid-19 under the themes of macroeconomic; health and safety; finance; supply chain; and people. We have established effective responses to each of those themes, and the risks on which Covid-19 has had an effect. The Executive Committee continues to review the Group's risks and mitigation responses on a regular basis including the impact of Covid-19, and how these translate into the assessment of our principal risks.

The continued uncertainty and ongoing challenges due to the pandemic throughout 2020 required strong leadership at Board and executive level. Our response was governed and coordinated to ensure our actions were robust and proportionate, and communicated appropriately to all stakeholders. Daily Executive Committee meetings were held during the peak of the pandemic, with bi-weekly Board updates provided to continually assess and review our risks and determine how we could mitigate the considerable impacts being felt across the Group.

2020 Covid-19 action plans

Our action plans were continually assessed throughout 2020, in line with the themes below:

Macroeconomic

- Noting the economic impact of Covid-19 we have performed well since initial lockdown measures eased.
- Homes sales have performed better than initially expected, and we ended the year with our best ever forward sold position.
- We implemented targeted marketing and increased use of digital channels to maintain Homes sales.
- We accelerated our non-core disposals programme to continue to reduce financial risk and fund reinvestment into our Logistics development pipeline, and have identified a number of alternative routes to market where required.
- Logistics continues to be resilient and we have proactively resourced and accelerated the leasing of our development programme.
- Our rental collection has remained strong, while we have supported our retail tenants where required.

Health and safety

- All offices, retail assets and construction sites were initially closed in March 2020 following Government guidelines.
- Sites and retail assets reopened on a phased basis, with significant work undertaken with our staff, customers, suppliers and tenants to manage the health and safety risks and have robust Covid-19 safeguards in place in line with Government guidelines.
- Policies, training and support are in place for all staff and we have continued to follow Government guidelines around the operation of our sites.

Finance

- We have stringently managed our cost base, cancelling any discretionary spend, bonuses and variable pay review.
- Our final 2019 dividend was cancelled, and we paused any uncommitted capital expenditure, though this was reinstated at the half year given the strength of the logistics and housebuilding markets coming out of lockdown.
- We also drew down on our revolving credit facilities, though this has since been repaid. We agreed revised covenants, and secured access to the Corporate Covid Finance Facility (CCFF) programme, although the latter was not ultimately used.

Customers and supply chain

- Robust processes were in place prior to the pandemic and lockdown. This was to ensure the viability of our supply chain and the continuity required, given the continued uncertainty brought about by Brexit.
- Bounce back plans were developed in 2020, focusing on health and safety and rebuilding momentum following the easing of lockdown measures, with continued strong relationship management with customers and the supply chain to manage associated risks.

People

- As a result of temporarily closing our sites, we furloughed circa 50% of staff on full pay, without use of the Government's Coronavirus Job Retention Scheme.
- Except for those subject to redundancy, all colleagues have returned to work in 2020, as all sites have been reopened.
- We have ensured that office-based staff have been able to work from home in line with our crisis management plans.
- Business continuity and remote working plans have worked well, and we have supported our people with clear communications and engagement on mental health and wellbeing.

Progress in 2020 and 2021 outlook
The business has continued to perform well despite the current economic uncertainties, with good progress across all business units. The logistics/distribution markets are performing well and we are well positioned to benefit from this. Our Homes sales rates have continued to be above the sector average since the initial lockdown eased in July 2020, and above the same periods in 2019. However, we are mindful that unemployment levels are likely to rise in the near term and, as a result, we are carefully monitoring both the market, and work planned and in progress. Our retail assets have also recovered since the initial lockdown, and while non-essential retail continues to be vulnerable to lockdown, our exposure is low and we continue our strong working relationships with tenants, ensuring positive rent collection in periods of uncertainty.

The Board continually reviews emerging risks that may affect the Group and the extent to which they become current risks. Emerging risks are also identified and assessed as part of the embedded risk management system and processes.

Looking forward to 2021, while there is much uncertainty it is anticipated that Covid-19 will still be prevalent in society and therefore the application of a robust risk management framework and controls will be fundamentally important, as well as having flexibility to adapt to changing external conditions. We have incorporated commentary into each principal risk and continue to monitor new or a further wave of the pandemic as an emerging risk.

While the impact of Covid-19 was felt acutely in the early stages of 2020, and uncertainty continues leading into 2021, we remain well positioned to continue to grow within our target markets.

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.

Changes to our principal risks
In line with Provision 28 of the UK Corporate Governance Code, our principal risks were refreshed by the executive management and the Board during 2020. While this is undertaken regularly, our risk profile has changed materially in 2020, so to ensure our principal risks reflect this, the Board's robust assessment of emerging risks and of the current environment has resulted in the following key changes:

Revised principal risks
- **Development:** the successful delivery of our development activities is reliant on taking carefully considered and managed risk in the timely delivery of residential and logistics products that our customers and occupiers desire as social, technological, and working environments change.
- **Climate change and environment:** climate change and environmental management is both an emerging and principal risk for our business.

Climate change has taken on greater importance throughout 2020, and in response to this, it has been elevated as one of our principal risks. Our overarching ambition continues to be to achieve operationally net zero carbon by 2025 and fully net zero carbon by 2040, and we have made progress throughout 2020 in our ambition to achieve a net biodiversity gain of at least 10% associated with all development activity.

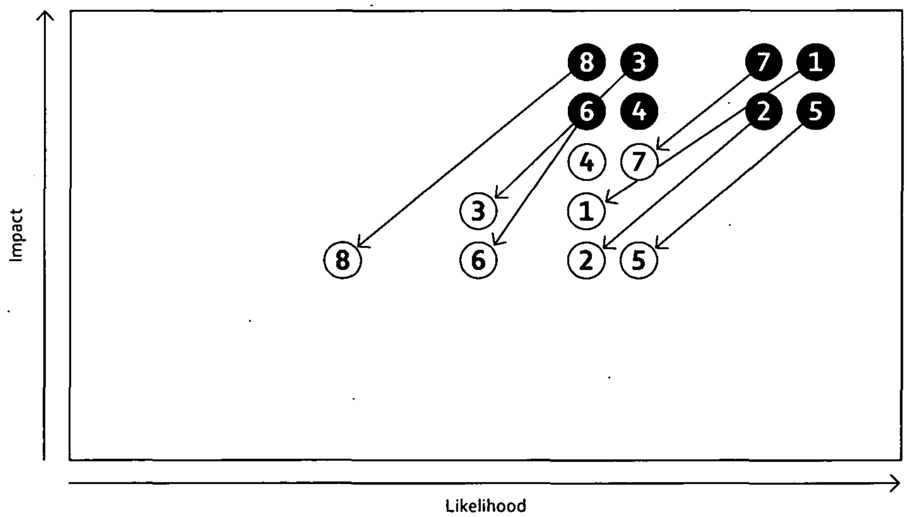
New principal risks
- **Catastrophic business events:** external events such as critical emergencies including, pandemic and disease, is recognised as a principal risk to the business.
- **Portfolio and capital investment strategy:** effectively executing our strategy of buying, developing and selling assets at the appropriate time, and ensuring we have the financial capacity to meet both investment and operational requirements effectively.

For details on our Responsible Business ambitions see pages 22 to 25 ⟶

The Group's principal risks
The Group's principal risks are shown on the risk heat map below and 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 42 to 45, along with their potential impact and plans to mitigate them.

Mapping our risks



1. Market cyclicality
2. Catastrophic business event
3. People and talent
4. Climate change and environment
5. Development
6. Customers
7. Political, legal, regulatory and compliance
8. Portfolio and capital investment strategy

● Inherent risk rating (without consideration of mitigating controls)

○ Residual risk rating (after consideration of mitigating controls)

Principal risks and uncertainties

1. Market cyclicality

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

Stakeholder groups impacted
- Investment community
- Customers
- Partners
- Supply chain

Risk monitoring undertaken
- GDP, interest rates and inflation
- UK household spending
- Customer enquiries
- Sales rates
- Sales/rental values vs. book
- LTV/covenant compliance
- House price and build cost inflation

Risk trend

↑

Risk owner
Chief Finance and Operations Officer

Mitigating controls
- Strategy research and portfolio allocation towards sectors with strong structural growth
- Robust scenario planning and modelling to support decision making, including in relation to Covid-19 and Brexit
- Monitoring of economic and business KPIs
- Investment Committee review of investment proposals
- Commercial initiatives and targets are identified to recover profitability and accelerate sales and leasing through innovative action
- Active members of local business and community groups as well as industry and professional bodies

Relevance to strategy
While we have seen Covid-19 impact our business in 2020 due to enforced lockdowns and the residual impacts on the economy, our performance has been positive with our Logistics portfolio remaining resilient and our Homes sales exceeding expectations following lockdown. Uncertainty remains within the markets in which we operate, and this is expected to have an impact on our operations and growth strategies.

Progress in 2020 and plans for 2021
We continually model different scenarios, monitoring performance against targets. To manage the financial risks, we accelerated our disposals, agreed revised covenants with our lenders and secured access to the CCFF programme, although we did not use the latter.

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

2. Catastrophic business event

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

Stakeholder groups impacted
- Investment community
- Regulators
- Customers
- Partners
- People
- Supply chain

Risk monitoring undertaken
- Macro environment
- Supplier default/failure
- Cyber/phishing attacks
- IT incidents
- Key materials inventory
- Procurement lead times

Risk trend

↑

Risk owner
Chief Executive Officer

Mitigating controls
- Market cyclicality controls as noted
- Comprehensive Group and site business continuity plans, including Covid-19 response plans, crisis management plans and IT disaster recovery plans
- Information and data security management including network resilience and penetration testing
- Review of Brexit/Covid-19 impact on contractors and subcontractors and maintenance of a rolling six-month supply of key materials inventories

Relevance to strategy
The impacts of the pandemic in 2020 illustrate how significant risks can quickly change. Our strategy must be resilient to threats of catastrophic business events, such as Covid-19, Brexit and cyber risks.

Progress in 2020 and plans for 2021
As the pandemic spread, we implemented home working protocols at pace and enhanced our technology, security and accessibility and, as lockdown eased, we implemented return to work protocols, enabling a safe restart from May 2020 onwards.

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

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

3. People and talent

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

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

Stakeholder groups impacted
- People

Risk monitoring undertaken
- Employee turnover
- Employee engagement survey and pulse surveys
- Personal best (performance development) and strategic execution capabilities
- Health and safety incidents and training

Risk trend

↔

Risk owner
Group HR Director

Mitigating controls
- People plan includes recruitment, retention and talent management strategies
- Working towards achieving the National Equality Standard by 2025, promoting diversity and inclusion
- Development and monitoring culture, engagement and employee enablement including employee surveys
- *Group Health and Safety* Committee providing oversight and monitoring
- Developing our people using competencies and appraisals aligned to learning and development solutions including leadership and people management programmes
- Creation and roll out of health and wellbeing strategy and support as part of Responsible Business
- Roll out of agile working to promote flexibility and reduce stress

Relevance to strategy
To continue to meet our growth strategy, we must attract, retain, and develop high-quality people to meet the needs of the business, in line with our strategy, purpose and values.

Progress in 2020 and plans for 2021
In response to Covid-19, we embedded robust health and wellbeing strategies and identified key resources critical to realising new opportunities. With the logistics and distribution markets resilient in 2020, we have increased resource to meet demand and further developed our sales structure in Homes to improve customer experience and customer efficiencies. Our new agile working policy gives us greater flexibility and access to a wider talent pool in the future.

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

4. Climate change and environment

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

Stakeholder groups impacted
- Investment community
- Policymakers
- Regulators
- *Communities*
- Customers

Risk monitoring undertaken
- Carbon emissions
- Net biodiversity gain
- Recycling rate
- Environmental incidents

Risk trend

↑

Risk owner
Chief Executive Officer

Mitigating controls
- Responsible Business framework and plans
- Environmental risk assessments and audit
- Monitoring changing environmental regulation
- Head of Responsible Business appointed

Relevance to strategy
Our developments need to be resilient to climate change and ready for the low-carbon economy.

Our strategy is predicated on the procurement and management of land and the development of assets that meet customer environment and sustainability expectations.

There are inherent risks in relation to the initial and residual environmental management of land, which we manage as part of day-to-day processes.

Progress in 2020 and plans for 2021
Our Responsible Business framework outlines the workstreams needed to meet the organisation's and Government's carbon emission targets, and to support our communities in mitigating the risks associated with climate change.

Executive management oversee the Group's Responsible Business programme.

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

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

Principal risks and uncertainties – continued

5. Development

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

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

Stakeholder groups impacted
- Investment community
- Customers
- Communities
- Partners
- Supply chain

Risk monitoring undertaken
- Logistics rent secured and speculative development
- Homes reservations/ completions/cancellations
- Homes sales values vs. book
- Pipeline and land readiness across the business
- Disposals progress

Risk trend

↑

Risk owner
Business unit Managing Directors

Mitigating controls
- Monitoring progression of land and development pipelines
- Regular review of status of major project execution
- Product innovation plans and customer research
- Investment appraisals
- Flexible development pipeline and diverse product mix
- Supplier and subcontractor relationship management and frequent dialogue
- Supplier due diligence and financial monitoring
- Maintenance and review of key materials inventory
- Management of speculative development and build-to-suit
- Early engagement with planning authorities

Relevance to strategy
Our strategic objectives are centred on developing homes, logistics assets and sourcing strategic land. Achieving these objectives while delivering meaningful returns for all our stakeholders is an increasingly challenge in the current environment.

Progress in 2020 and plans for 2021
Following the spring 2020 lockdown, Homes sales rates performed strongly and Logistics lettings have been ahead of the prior year. The strength in the Logistics and Homes markets has enabled us to accelerate the development pipeline. The relatively short cycle development allows us to flex commitments up or down for employment risks.

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

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

6. Customers

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

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

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

Stakeholder groups impacted
- Customers
- Communities

Risk monitoring undertaken
- Customer satisfaction and feedback
- Cancellation rates
- Enquiries
- ERV secured
- Rent recovery
- Credit monitoring

Risk trend

↔

Risk owner
Business unit Managing Directors

Mitigating controls
- Dedicated asset managers
- Improved e-commerce offerings
- Ongoing product innovation
- On site and digital sales teams
- Targeted marketing
- Customer feedback
- Design led products

Relevance to strategy
Our customers and occupiers are at the heart of our strategy. 2020 has been a challenging year for all organisations and the economic uncertainty directly impacts our current and prospective customers. We must have robust customer engagement strategies to ensure we attract and retain customers, meet customer demand expectations and meet our growth targets.

Progress in 2020 and plans for 2021
Throughout 2020 we have worked closely with our customers and those in 'at risk' sectors. Our rent recovery has been strong, with collection of 97% for the March quarter, 96% for the June quarter and 91% for the September quarter, illustrating that our customer engagement has been effective.

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

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

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

7. Political, legal, regulatory and compliance

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

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

Stakeholder groups impacted
- Investment community
- Customers
- Communities
- Regulators
- Policymakers
- Partners
- People
- Supply chain

Risk monitoring undertaken
- RIDDOR reportable incidents
- H&S incident reports
- Monitor Government policy and new legislation
- Active engagement with relevant industry bodies
- Levels of Help to Buy assisted homes sales

Risk trend

↑

Risk owner
Business unit Managing Directors and Company Secretary

Mitigating controls
- Emerging regulatory risk monitoring and engagement through industry bodies
- Dedicated H&S function, risk register and committee at Group and operational level
- H&S KPIs monitored, reported and actioned
- H&S training
- Dedicated tax function and tax risk register
- Standard T&C's and robust process for approving deviation from these
- Information security and data protection training and governance structure for protecting information
- Monitoring data adequacy decisions with EU/GDPR post Brexit
- In-house and outsourced legal support
- Maintain material litigation and contingent liability registers
- Promoting alternative sales channels to reduce dependency on Government support such as Help to Buy over time

Relevance to strategy
There is inherent risk in the activities we undertake to meet our strategic objectives; however, we have no appetite for breaching legislation and regulation, in particular in relation to the health and safety of our customers, partners and employees.

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

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

Our fraud risk assessment has been refreshed and training updated.

8. Portfolio and capital investment strategy

Failure to effectively execute on our strategy of buying, developing, managing and selling assets at the appropriate time in the property cycle, including inappropriate sector selection and weighting. Inability to deliver capital expenditure programme to agreed returns and scale to generate competitive advantage; and/or occupiers reluctant to take new space, impacts on our strategic objectives.

Our financing strategy must support our portfolio strategy and there are inherent risks in relation to investment, access to capital, and covenant compliance, in meeting our investment and operational requirements.

Stakeholder groups impacted
- Investment community
- Customers
- Partners
- Supply chain

Risk monitoring undertaken
- Sales rates
- LTV / covenant compliance
- ERV secured and speculative development
- Interest cover
- Financial headroom
- Disposals progress
- Development pipeline

Risk trend

↑

Risk owner
Chief Executive Officer

Mitigating controls
- Group strategy with strategic objectives and a defined risk appetite
- Annual business plan and monthly business performance reviews
- Investment Committee review and approval of investment proposals
- Ongoing portfolio review, in alignment with disposals programme
- Defined and embedded governance structures

Relevance to strategy
While our business units have not changed in 2020, Covid-19 forces all businesses to continually assess their strategy, and continue to mitigate risks in relation to execution. Our Logistics portfolio has been resilient throughout 2020, and our sales rates in Homes greater than forecast following initial lockdown. However, our strategies 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.

Progress in 2020 and plans for 2021
We have a clear strategy in relation to our core markets, with defined structures established across Homes, Logistics and SL&R.

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

Going concern and viability statement

Going concern statement

The directors are required to assess the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing of the Group financial statements. Given the significant impact of the Covid-19 crisis on the economy and the activities of the Group, as detailed within the strategic report on pages 28 to 37, a thorough review of the going concern assumption has been undertaken in preparing the Group financial statements. The Group's going concern assessment considers the Group's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities (details of which are outlined in note 17 to the Group financial statements) and the ability to continue to operate the Group's facilities within its financial covenants. The principal financial covenants are:

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

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

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

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

The cash flow forecasts prepared include an expectation that trading continues in line with the current performance and that the investment property, land and housing markets remain as is at the levels experienced at the end of 2020. Comparisons of current trading performance and the property market compared with before Covid-19 are detailed within the strategic report on pages 28 to 37.

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

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

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

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

Viability statement

Assessment of prospects

In accordance with provision 31 of the UK Corporate Governance Code 2018 and considering 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 14 to 21 and its principal income streams, which are:

- rental income from logistics income-producing properties, which have an average lease length of 6.6 years;
- residential development, for which we have plans reaching out to 2023; and
- major regeneration projects, which combine elements of the above two income streams.

Our strategic shift over the past four 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 Covid-19 pandemic and 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 £200 million, 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 three 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. The three-year business plan under review shows we will need more financing to deliver the proposed growth plans, but the pace of the development is under our control and the directors expect to be able to raise additional financing to support this growth.

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 reflecting continued disruption to the economy due to the Covid-19 pandemic and considering the potential impact of Brexit. We have considered all of the principal risks detailed on pages 40 to 45 and the table below sets out those of the Group's principal risks that, if manifested, could have the most impact on the Group's ability to remain in operation and meet its liabilities as they fall due.

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. Market cyclicality	A fall in house prices up to 20% and a resulting 40% fall in residential land values, noting that the Group's experience during the global financial crisis was a fall in UK house prices of c. 19%. We assume a gradual recovery in prices after this back to 2020 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 fall in house prices up to 20% 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. We would also look to renegotiate construction input costs. 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 25% fall in industrial and logistics values, similar to the 24% fall in the portfolio during the global financial crisis, given the uncertainties caused by Brexit and the Covid-19 pandemic.	Our portfolio could withstand a fall of c. 40% across the whole portfolio before our covenants are breached. We would only complete committed developments and pause any planned disposals, leaving rental income broadly stable. We would pause any new starts, 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.
8. Portfolio and capital investment strategy	Increased funding requirement in the event of an economic downturn and constraints on access to funding in the near term.	With £288 million of see-through headroom 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. In the medium term, we have a high degree of control over capital expenditure and acquisitions, which could be reduced if the funding market appears to be turning less favourable.

In the above scenario our 2021 and 2022 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 scenario used is hypothetical and necessarily extremely severe 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.

Non-financial information statement

At St. Modwen, we place great emphasis on the positive impact the Company can have on society and the environment. To read more about this, see Responsible Business in action on pages 22 to 25.

The non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 require us to make additional disclosures of non-financial impacts. The table below forms part of the strategic report and sets out where to find information in this report on how the Company is meeting these requirements. A description of St. Modwen's business model and the way we create value can be found on pages 10 and 11 of this report.

Reporting requirement and St. Modwen's material areas of impact	Relevant principal risks pages 40 to 45	Policy embedding, due diligence, outcomes and key performance indicators	Page(s)
Environmental matters • Environmental management of land • Incident management • Waste disposal • Carbon emissions and climate risk • Biodiversity	Risk 4: Climate change and environment Risk 7: Political, legal, regulatory and compliance	Chief Executive Officer's review Our markets and stakeholders Responsible Business in action Principal risks and uncertainties Group Health and Safety Committee report Directors' report	8 12–13 22–23 43 and 45 74–75 101
Employees • Health and safety • Safe and fair working practices • Diversity and inclusion • Training, skills and development • Mental health and wellbeing	Risk 2: Catastrophic business event Risk 3: People and talent Risk 7: Political, legal, regulatory and compliance	Chair's statement Responsible Business in action People, culture and health & safety Principal risks and uncertainties Board and stakeholders Group Health and Safety Committee report	4–5 22–23 26–27 42–45 58–59 74–75
Social matters • Responsible Business ambitions • Responsible approach to tax • Engaging with community	Risk 2: Catastrophic business event Risk 4: Climate change and environment Risk 6: Customers	Our markets and stakeholders Our strategy Responsible Business in action Principal risks and uncertainties	12–13 14–21 22–25 42–44
Human rights and anti-bribery and corruption • Responsible operating practices and policies • Approach to human rights and modern slavery	Risk 3: People and talent Risk 5: Development	Responsible Business in action People, culture and health & safety Principal risks and uncertainties Audit Committee report	25 26–27 43–44 73

Modern slavery statement
St. Modwen has a zero-tolerance attitude towards modern slavery and human trafficking in all its business activities and supply chains. We are committed to the prevention of modern slavery and human trafficking in all its forms – respect for others is a fundamental part of our culture and values as an organisation. We publish an annual statement on our website which describes the steps that we have taken in the year towards seeking to prevent slavery and human trafficking from taking place in any part of our business or supply chains (see more: www.stmodwen.co.uk/modern-slavery-act-transparency-statement).

Anti-bribery and corruption policy (Policy)
We are committed to upholding the highest standards of ethical conduct and operating our business professionally, fairly and with integrity. We expect the same of our employees and any third parties we work with. We take bribery and corruption very seriously. St. Modwen has a zero-tolerance approach to bribery and corruption and has established clear policies and guidelines for employees and third parties (e.g. representatives or business partners) in preventing this behaviour in our business. The Policy sets our responsibilities in upholding our position on bribery and corruption and provides information and guidance on how to recognise and report bribery and corruption. All employees receive training on these issues appropriate to their roles and responsibilities.

Our approach to tax
In line with our values the Board has established fundamental principles for the management of taxes, and this strategy applies to St. Modwen Properties PLC and all UK entities in the Group. We comply with tax law and practice in the territories in which we operate, which is principally the UK. In structuring our commercial activities, we will consider, inter alia, the tax laws within which we operate with a view to maximising value on a sustainable basis for our shareholders. In accordance with the Group's risk management approach, we proactively seek to identify, evaluate, manage and monitor these risks to ensure they remain in line with the Group's low risk appetite for tax. Where there is significant uncertainty or complexity in relation to a risk, external advice may be sought, and an appropriately conservative provisioning approach is taken. Our UK tax strategy which is aligned with the Group's ethics and is approved, owned and overseen by the Board, satisfies Schedule 19 of the UK Finance Act 2016, in respect of our financial year ended 30 November 2020 (see more: www.stmodwen.co.uk/about-us/corporate-governance/tax-strategy).

Approval of strategic report
The strategic report for the year ended 30 November 2020 has been approved by the Board and was signed on its behalf by:

Sarwjit Sambhi
Chief Executive Officer
8 February 2021

Corporate governance

Contents

Chair's introduction to governance

Highlights

- Sarwjit Sambhi appointed Chief Executive Officer on 2 November 2020
- Dame Alison Nimmo appointed as a non-executive director on 1 February 2021
- Strong focus on supporting our stakeholders during Covid-19

Read more on pages 56 and 57 ⟶

“During the year, the Board has been mindful of the effect of the Covid-19 crisis on our people, customers, supply chain and other key stakeholders and has sought to consider their needs in our decision making.”

Read more:
www.stmodwen.co.uk/about-us/corporate-governance/

Dear shareholder

Strong governance provides a framework for effective decision making and is essential to St. Modwen's continuing success.

During the year, the Board has worked closely with management to provide support and constructive challenge in what has been an extraordinary time. I would like to thank all members of the Board for their hard work, commitment and support over the past year.

As a Board, we have worked together to respond to the Covid-19 crisis and sought to ensure that the needs of our key stakeholders are taken into consideration in our decision making. Further information on the Board's approach to Covid-19 and how we have supported our key stakeholders is set out on page 57.

Board changes
I was delighted to welcome Sarwjit Sambhi as Chief Executive Officer on 2 November 2020. Sarwjit's breadth of experience and leadership capability is of great benefit to the Board. Following Sarwjit's appointment, Rob Hudson resumed his role as Chief Finance and Operations Officer, having been the Company's Interim Chief Executive since the departure of Mark Allan on 13 April 2020. On behalf of the Board, I would like to thank Rob for his hard work and dedication to the role and for his sound leadership of the Executive Committee during this time.

I was pleased to welcome Dame Alison Nimmo to the Board on 1 February 2021. Alison's appointment adds exceptional experience to our strong Board. Alison's skills mean that she is well suited to support and positively challenge the delivery of our strategy over the next few years.

Culture and purpose
While the past year has presented its challenges, I am proud of the way in which our employees have risen to meet those challenges and clearly demonstrated the culture of St. Modwen in action. Our continued focus on a positive culture of empowerment and accountability has meant that colleagues have each understood and played their part in driving the business forward. Our purpose of 'Changing places. Creating better futures' and our five core values remain central to defining how we do business and how we interact with our stakeholders.

Engagement with stakeholders

During the year, the Board has considered the complex issues presented by the Covid-19 pandemic and our decision making has been shaped by considering our purpose and values, and how our decisions affect our key stakeholders.

Examples of how we have considered key stakeholders in our discussions and decision making throughout the year can be found on pages 58 and 59.

Key activities

The key activities of the Board are detailed on page 56. In this section of the annual report we describe the way in which the Company is governed including the activities of the Board and its committees. This year is the first year that we are required to report under the 2018 UK Corporate Governance Code (Code) and a statement of the Company's compliance with the Code is set out opposite.

Board evaluation

This year, the Board and Committee evaluations were managed internally and the results of the Board evaluation were discussed by the Board in November 2020. The evaluation identified areas of focus for 2021 including the need to consider additional opportunities for workforce engagement, succession planning and a review of lessons learned from the Covid-19 crisis. Further information on the Board evaluation can be found on page 60.

Annual general meeting

As a Board, we were disappointed that, due to Covid-19 restrictions in force at the time, the 2020 annual general meeting had to be held as a closed meeting. The views of the Company's shareholders are important to us and I look forward to holding the 2021 Annual General Meeting (AGM) as a digital hybrid meeting. This digital hybrid meeting will provide shareholders with the opportunity to participate remotely; questions and voting instructions can be submitted either in advance or on the day of the AGM. Further information on the AGM arrangements is set out in the Notice of AGM which is available online at www.stmodwen.co.uk.

Danuta Gray
Chair
8 February 2021

Compliance with the 2018 UK Corporate Governance Code (Code)

In respect of the year ended 30 November 2020, St. Modwen Properties PLC was subject to the Code. It is the Board's view that the Company has complied with and applied all of the principles of the Code with the exception of Provision 38 (Alignment of pension for executive directors to workforce pension), further information is set out below.

The Code is published by the Financial Reporting Council and is available from www.frc.org.uk. Further information on our compliance with the Code can be found as follows:

Board leadership and Company purpose
- Long-term sustainability – **Pages 2 to 48, 54 to 57 and 76 to 98**
- Oversight of strategy – **Pages 2 to 48 and 54 to 57**
- Purpose, values and culture – **Page 57**
- Stakeholder engagement – **Pages 12, 13, 58 and 59**
- Section 172 statement – **Page 13**

Composition, succession and evaluation
- Succession planning and appointments – **Page 63**
- Board balance of skills, experience and knowledge – **Pages 52, 53, 63 and 64**
- Board diversity – **Pages 52, 53 and 64**
- Board evaluation – **Page 60**
- Nomination Committee report – **Pages 61 to 65**

Audit, risk and internal control
- Audit Committee report – **Pages 66 to 73**
- Independence and effectiveness of internal and external audit functions – **Pages 70, 72 and 73**
- Integrity of financial and narrative statements – **Pages 66 to 73**
- Fair, balanced and understandable assessment – **Pages 2 to 48, 66 to 73 and 112 to 172**
- Principal and emerging risks – **Pages 40 to 45**
- Risk management and internal controls – **Pages 38, 39 and 66 to 73**
- External auditor – **Pages 69 and 70**

Division of responsibilities
- The role of the Chair
- Division of responsibilities
- Non-executive directors

Pages 52 to 55

Remuneration
- Remuneration policies and practices
- Alignment of remuneration with the Company's purpose and values
- Directors' remuneration policy
- Remuneration outcomes and independent judgement and discretion

Pages 76 to 98

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 of non-compliance: Under the Directors' remuneration policy approved by shareholders at the 2020 annual general meeting, any new executive directors will receive an employer's pension contribution in line with the majority of the workforce. Sarwjit Sambhi was appointed in November 2020 and receives a pension contribution of 5%, matching the contribution paid to the majority of the workforce. Rob Hudson, as an incumbent director, received an employer pension contribution of 15% to 30 November 2020. The pension contributions for Rob Hudson are on a glidepath to align to the majority of the workforce by the end of 2022 with the first reduction in pension contributions having taken effect from 1 December 2020. Further information can be found on pages 86 and 89.

With the exception of disclosures required by Rule 7.2.6, which are set out in the Directors' report on pages 99 to 102, the corporate governance report contains the information required by Rule 7.2 of the Disclosure and Transparency Rules of the Financial Conduct Authority.

The Board of Directors

Danuta Gray

Independent non-executive Chair N R

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, Danuta held various senior positions within BT Group from 1984 to 2001.

External appointments: Chair of Direct Line Insurance Group plc, a non-executive Board member of the Ministry of Defence and Senior Independent Director of Aldermore Group plc, a role from which Danuta will be stepping down in early 2021.

Sarwjit Sambhi

Chief Executive Officer H

Appointed: 2 November 2020 as Chief Executive Officer.

Key strengths: Extensive experience and proven leadership capability gained across a number of senior roles at Centrica plc.

Experience: Prior to joining St. Modwen, Sarwjit was the CEO of Centrica Consumer and a member of the board at Centrica plc. He held a number of senior positions during his 19-year tenure at the company including strategy, finance, major capital projects and renewable energy, before leading its consumer business. Prior to Centrica, Sarwjit was at the technology and management consultancy, Booz Allen Hamilton. Sarwjit is a Chartered Engineer and a Fellow of the Institution of Engineering & Technology.

External appointments: None.

Rob Hudson

Chief Finance and Operations Officer

Appointed: September 2015 as Chief Financial Officer and February 2020 as Chief Finance and Operations Officer. Following the departure of Mark Allan in April 2020, Rob was appointed as Interim Chief Executive until the appointment of Sarwjit Sambhi as Chief Executive Officer in November 2020.

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

Experience: Over 25 years' experience in finance, formerly the Group Financial Controller at British Land plc from 2011 to 2015. Rob 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 A N R

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 Hillier Parker (now CBRE) as Executive Director and Grosvenor Ltd, where she was Executive Director of Sales and Lettings, before retiring in 2012. Formerly served on the board of The Crown Estate and 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 Principal Real Estate Europe and trustee of the Ernest Cook Trust.

Jamie Hopkins

Independent non-executive director A N R H

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 from 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 A N R

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 as an executive director at CBRE from 2007 to 2012, and as a managing director at Cushman & Wakefield (DTZ Holdings plc) from 2003 to 2006. Sarah was formerly a corporate finance 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 and Chair of the Audit and Risk Committee of JPMorgan Global Growth & Income plc, Chair of the Board of BBGI Global Infrastructure SA and Treasurer of University College London.

Changes to the Board:

Sarwjit Sambhi – joined the Board on 2 November 2020
Dame Alison Nimmo – *joined the Board on 1 February 2021*
Mark Allan – stood down from the Board on 13 April 2020

Committee membership key

- A Member of the Audit Committee
- N Member of the Nomination Committee
- R Member of the Remuneration Committee
- H Member of the Group Health and Safety Committee
- ● Denotes Committee Chair

Ian Bull
A N R

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: Senior Independent Director and Chair of the Audit Committee of Domino's Pizza Group plc and non-executive director and Chair of the Audit and Risk Committee of 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.

Dame Alison Nimmo DBE
A N R

Independent non-executive director

Appointed: 1 February 2021

Key strengths: Extensive knowledge and experience in the real estate sector and urban regeneration in both the public and private sectors.

Experience: Over 30 years' experience in the real estate sector. Formerly Chief Executive of The Crown Estate (2012 to 2019). She has previously held senior roles at the London 2012 Olympic Games. Prior to this, she led major regeneration projects in Sheffield and Manchester. Alison was awarded a DBE for public services and services to the Exchequer in 2019.

She is a Fellow of the Royal Institution of Chartered *Surveyors and a Member of the Royal Town Planning* Institute.

External appointments: Non-executive director of Berkeley Group Plc and a Commissioner of the Royal Commission for the Exhibition of 1851.

Andrew Eames

General Counsel and Company Secretary

Appointed: November 2017

Experience: A lawyer with over 19 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.

Board composition

- ● Chair / 1
- ● Executives / 2
- ● Non-executives / 6

Board tenure

- ● 0-2 years / 3
- ● 2-4 years / 3
- ● 4-6 years / 1
- ● 6 years + / 2

Board balance

- ● Female / 4
- ● Male / 5

Attendance at Board and Board committee meetings during the year ended 30 November 2020

Director	Board[1] (maximum 8)	Audit Committee (maximum 4)	Remuneration Committee (maximum 3)	Nomination Committee[2] (maximum 2)	Group Health and Safety Committee (maximum 2)
Danuta Gray	8	–	3	2	–
Sarwjit Sambhi[3]	1	–	–	–	1
Ian Bull	8	4	3	2	–
Simon Clarke	8	–	–	–	–
Jenefer Greenwood	8	4	3	2	–
Jamie Hopkins	8	4	3	2	2
Rob Hudson[4]	8	–	–	–	1
Sarah Whitney	8	4	3	2	–
Mark Allan[5]	2	–	–	–	–

1 An additional 15 Board meetings were held to discuss matters arising during the year including Covid-19 and CEO succession.
2 Additional Nomination Committee meetings were held during the year to consider CEO succession.
3 Sarwjit Sambhi was appointed as Chief Executive Officer on 2 November 2020.
4 Rob Hudson, in his role as Interim Chief Executive, was appointed as a member of the Group Health and Safety Committee on 12 May 2020 and was replaced on the Committee by Sarwjit Sambhi on 24 November 2020.
5 Mark Allan stood down from the Board on 13 April 2020.

Our governance framework

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 flow of information.

THE BOARD

The Board

The Board is responsible for the long-term sustainable success of the Company. It determines the Company's purpose, values and strategy and their alignment with its culture. The Board is supported by several Board committees, the Executive Committee and a variety of sub-committees.

For full biographies see pages 52 and 53 ⟶

Audit Committee

Pages 66 to 73 ⟶

Remuneration Committee

Pages 76 to 98 ⟶

Nomination Committee

Pages 61 to 65 ⟶

Group Health and Safety Committee

Pages 74 to 75 ⟶

Board committees

The Board delegates certain matters to the Board committees.

Executive Committee

Executive Committee

Assists the Chief Executive Officer 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

People Matters Group

Oversees the development and implementation of people initiatives and activities

Investment Committee

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

Health and Safety Committee

Develops Group health and safety strategy, identifies and monitors key health and safety risk

Management committees

The Executive Committee is supported by several committees whose membership includes members of the Executive Committee and other senior management.

St. Modwen Logistics

St. Modwen Homes

Strategic Land & Regeneration

Business unit boards

The three business unit boards oversee the management of the business units and support the Group's strategic objectives.

How the Board operates

The Board discharges its responsibilities through an annual programme of Board and Board committee meetings which are supplemented by visits to certain of the Group's sites. During the year, the Board held eight formal meetings, including a strategy day in July 2020 and an additional 15 Board meetings to discuss matters arising during the year including Covid-19 and Chief Executive Officer (CEO) succession.

The Chair meets the non-executive directors at the end of each Board meeting and periodically through the year without the executive directors being present, and maintains regular contact with the CEO throughout the year. Board meeting agendas are prepared collaboratively with input from the Chair, CEO, Chief Finance and Operations Officer (CFOO), 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 in advance of the meeting to the Chair of the Board or committee.

Members of the Executive Committee and external advisors 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 CEO 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.

Division of responsibilities

The Board

The Board comprises nine directors of which seven are non-executive directors (including the Chair) and two are executive directors. Further information on each of the directors is set out on pages 52 and 53.

Roles and composition

There is a clear division of responsibility between the Chair, who is accountable for the leadership of the Board, and the CEO, who manages and leads the Group's business strategy and operations on a day-to-day basis. Further information on Board roles is detailed below.

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. Simon has a unique knowledge of our corporate history which means that he is well placed to provide continuity and stability to the Board. For the purposes of the UK Corporate Governance Code, Simon is not considered to be independent.

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

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 the non-executive directors' letters of appointment are available for inspection at our registered office and will be available at the AGM. Further information is set out in the Notice of Meeting which has been circulated to shareholders and is available at www.stmodwen.co.uk.

Board roles and composition

Chair

- Leads the Board effectively and sets appropriate agendas.
- Promotes high standards of governance and ensures that the views of shareholders and other stakeholders are considered in the Board's decision making.
- Maintains a culture of openness and constructive challenge between the non-executive and executive directors.
- Ensures effective communication with shareholders and other stakeholders.
- Regularly meets with the CEO and other senior management and holds meetings with the non-executive directors without management present.

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.
- Leads the Chair's annual performance evaluation.

Chief Executive Officer

- Leads the business and is responsible for day-to-day management of the Group.
- Leads senior management via the Executive Committee.
- Develops and implements the Group's strategy.
- Oversees the processes for workforce engagement.
- Represents the Company to shareholders and other key stakeholders.

Non-Executive Directors

- Work with and challenge the executive directors in the delivery of our strategy.
- Offer an independent, external perspective and bring wide and varied commercial experience to the Board.

Chief Finance and Operations Officer

- Supports the CEO in developing and implementing the Group's financial strategy and policies.
- Responsible for the preparation and integrity of financial reporting including effective processes and controls.
- Recommends to the Board the Group's annual budget and long-term financial plan.
- Responsible for the Group's Responsible Business ambitions.

Board activities

Board activities for the year ended 30 November 2020

The Board's agenda and activities are planned well in advance of meetings to ensure that 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. In addition to the eight formal meetings held during the year, the Board also held 15 other meetings to discuss matters arising during the year including the Covid-19 pandemic and Chief Executive Officer (CEO) succession. These additional meetings focused on business performance, planning and monitoring emerging trends to ensure that the business responded promptly as the pandemic evolved.

The regular matters considered at each Board meeting include:

- a report from the CEO which includes an overview of business performance for each business unit and a dashboard to provide the Board with visibility of progress against key strategic objectives;
- the finance report;
- updates on financial and regulatory reporting and governance matters;
- updates on health and safety matters;
- an update on people matters; and
- progress updates on major projects and transactions.

Board engagement with the workforce

In December 2019, a whole Company event was hosted to inform and inspire our people around our newly created Responsible Business ambitions. The 'World of St. Modwen' was attended by the Board, providing strong levels of engagement throughout the day.

Principal activities during the year ended 30 November 2020

Key areas of activity		Purpose
Strategy	– Considered the effect of Covid-19 on the Group's strategy. – Reviewed the outline for strategy planning. – Reviewed strategic plans for each of the business units and Group. – Received a responsible business insights session.	– To ensure that the Group's strategy supports the long-term success and future of the Company.
Performance	– Received performance updates from each of the business units. – Considered the effect of Covid-19 on the performance of each of the business units.	– To ensure that the Group's key performance targets are being achieved.
Risk	– Held an open risk discussion to debate the Group's changing risk profile which led to a refresh of the Group's strategic and principal risks, and included raising climate change from an emerging risk to a principal risk. – Approved the Group's principal and emerging risks and the Group's risk appetite. – Undertook extensive scenario analysis in light of Covid-19.	– To ensure that the Board maintains its oversight of the Group's risk management systems and that the principal risks remain appropriate in order for the Company to achieve its long-term objectives.
Financial and regulatory	– Considered and approved the Group's full and half-year reporting. – Reviewed and approved the Group's going concern and long-term viability statements. – Discussed and agreed not to pay the 2019 final dividend and approved payment of the 2020 interim dividend. – Approved the 2021 budget. – Considered the Group's debt facilities and future funding requirements.	– To ensure that the financial planning appropriately supports the Group's strategic plans and to ensure that the Board presents a fair, balanced and understandable assessment of the Company's position and prospects.
Stakeholders and culture	– Received updates from the designated non-executive director for workforce engagement and the Group HR director on employee matters. – Received and considered investor, customer and supply chain feedback. – Discussed and approved support for employees, communities and suppliers during the Covid-19 pandemic. – Approved policies including the Group's whistleblowing policy, 'Speak Up', Group health and safety, fraud prevention and anti-bribery and corruption.	– To ensure that the Board remains engaged with the workforce and other key stakeholders, and the policies directly affecting them. – To ensure that the Group's policies support the continued development of the Board's desired culture.
Governance	– Considered compliance against the UK Corporate Governance Code. – Considered the results of the internal Board evaluation. – Reviewed and approved documentation and arrangements for the Annual General Meeting. – Considered succession planning. – Received reports on the activities of each of the Board committees. – Reviewed and approved the Schedule of Matters Reserved for the Board and the terms of reference for each of the Board committees.	– To ensure that the Board maintains the highest levels of corporate governance for the benefit of our stakeholders.

Purpose, culture and values

The Board leads and promotes the Group's culture by:

- Assessing and monitoring the Group's culture using a variety of metrics which are reported to the Board on a regular basis including a 'People update' in the CEO's report to the Board which includes metrics on staff turnover, gender split and diversity statistics across the Group.
- Reviewing policies that influence the Group's culture including the Group's whistleblowing policy, 'Speak Up', the Board Diversity and Inclusion Policy and the Group Health and Safety Policy.
- Receiving updates from the Group HR Director at Board and Board Committee meetings on specific matters including the Group's people strategy and plan, succession planning, remuneration and employee initiatives. During 2020, the Board received regular updates on employee resilience, mental health and wellbeing.
- Taking into consideration feedback received from Simon Clarke, the designated non-executive director appointed to facilitate the Board's engagement with the workforce, from his attendance at the People Matters Group (PMG). Simon's engagement with the PMG ensures that the views of employees are communicated to the Board and taken into consideration in its decision making.
- Ensuring that each of the Board's committees considers the Group's culture in their activities.
  - The Remuneration Committee, in reviewing the remuneration of the executive directors and senior management, takes into consideration the Company's long-term strategy, purpose, culture and values.
  - The Nomination Committee takes into consideration whether the Board's composition and succession planning is appropriate for the Company's culture, values and purpose.
  - The Group Health and Safety Committee regularly considers the Group's safety culture and practices and whether they align with the Group's wider values.
  - The Audit Committee considers matters including whistleblowing and internal audit reports which provide an additional insight into the Group's culture.
- Considering the Group's culture in its discussions and decision making on matters relating to the Covid-19 pandemic including the payment of full salary to furloughed employees whilst not claiming government support, tapered temporary reductions to salaries, the cancellation of the 2019 final dividend and payment of the 2020 interim dividend.
- Taking into consideration the results of employee 'pulse' surveys which provide the Board with an insight into employee matters.

More information see pages 26 and 27 ⟶

The Board's approach to Covid-19

In one of its busiest years, the Board has worked hard to respond to changing events and continue to support the delivery of the Group's strategy. While leading the Group through the Covid-19 crisis, the Board has sought to reduce its effect on employees, customers, our supply chain and the communities in which we operate. More than ever this year, the directors have performed their duties under section 172 of the Companies Act 2006 to promote not only the success of the Company but also to consider our stakeholders in their decision making. A summary of how the Board has responded to the crisis is set out below.

From March 2020, and for several months, the Board met weekly to ensure that it was responding rapidly to issues arising from the Covid-19 crisis. The Board received updates on the Group's health and safety response to the crisis which included the initial pausing of activity on our sites from March to May to protect our workforce and customers.

The Board also considered the likely effects of the crisis on the Group's strategic objectives, its cash flow and the wider economic environment. The Board oversaw a number of immediate mitigating actions including reducing expenditure and discretionary spend. In considering these actions, the Board took into consideration the likely effect on St. Modwen's employees, supply chain, customers and other key stakeholders.

The Board discussed and agreed that the Company would not utilise the Government's Job Retention Scheme. Government's Job Retention Scheme. In March 2020, the Board and Executive Committee voluntarily agreed to a reduction in pay and fees, and from 1 June 2020 this salary reduction was extended to employees on a tapered basis with no reduction in salary for lower earners. Further measures to reduce costs included the cancellation of bonuses, selective redundancies and the cancellation of the final dividend for 2019. In taking the decision not to pay the final dividend for 2019 the Board agreed that there was a need to balance the interests of shareholders, employees and external stakeholders.

The Board discussed and agreed a number of actions to reduce hardship among St. Modwen's key stakeholders, including:

- encouraging senior managers to work with occupiers on a case-by-case basis to identify how they might be supported;
- ensuring that employees who were self-isolating as a result of Covid-19 would continue to receive full pay;
- reinstating full pay for those affected by the temporary pay reductions much earlier than expected;
- ensuring management put in place initiatives to support the wellbeing of employees through the crisis; and
- awarding a £500 one-off payment to all employees below Executive Committee level as a reward for their hard work and resilience during 2020.

The Board's focus in this Covid-19 crisis is to ensure that the business remains in as strong a position as possible, for the benefit of all of our stakeholders.

More information see pages 4 and 5

Board and stakeholders

The Board is committed to creating value for all our stakeholders and to understanding their views so that they can be considered, alongside other factors under section 172 Companies Act 2006, in the Board's decision making.

The table below provides examples of the Board's stakeholder engagement activities during the year. Further information on stakeholder engagement can be found on pages 12 and 13 in the strategic report and our s.172 statement can be found on page 13.

	Examples of Board engagement	Influence on decision making
People	• The Group HR Director attended Board meetings during the year to provide the Board with updates on key people matters.	• The Board gained a deeper understanding of the views of the workforce and took this into consideration in their discussions on workforce remuneration in response to Covid-19. As a result of this engagement the Board: – approved the payment of full salary to employees who were either furloughed or required to isolate due to Covid-19; – ensured that the temporary Company-wide salary reductions were tapered so as to reduce the effect on lower earners; – removed the temporary salary reduction after one month, earlier than expected; and – approved a £500 one-off payment to all employees below the Executive Committee as a reward for their hard work during 2020. • The Board sought the views of the Group HR Director on employee resilience and mental health during the Covid-19 crisis and encouraged management in their efforts to support employees. More information see pages 26 and 27 ⟶
	• Employee pulse surveys were conducted and feedback on the results provided to the Board.	• The Board was provided with feedback from employee surveys to further understand how employees were coping during the Covid-19 pandemic. Feedback indicated that the workforce was managing well, had been pleased with the Company's level of engagement and confirmed that employees were keen to embrace agile working going forward. As a result of the feedback, an agile working policy was launched ahead of a full roll-out during 2021.
	• Simon Clarke, the designated non-executive director appointed to facilitate the Board's engagement with the workforce, attended meetings of the People Matters Group and provided feedback to the Board	• During the year, Simon provided the Board with updates on the views of the workforce including feedback on workload and stress as a result of the Covid-19 pandemic. The Board oversaw management's response which included a number of initiatives focused on wellbeing and mental health. • During the year, Simon provided the People Matters Group with an explanation of executive remuneration including how remuneration is structured and benchmarked, how it aligns with the Company's wider pay policy and its communication to shareholders.
	• Site visits by members of the Board and attendance at the 'World of St. Modwen', an all employee event in December 2019.	• Since his appointment as Chief Executive Officer (CEO), Sarwjit visited a number of the Group's properties, sites and offices as part of his induction. These visits provide an opportunity for Sarwjit to gain a deeper understanding of the Group's business units and their activities, and to receive feedback on the business from the workforce. • The Board's attendance at the 'World of St. Modwen' event in December 2019 provided an opportunity for employees to network and provide direct feedback to the Board.
	• The Chair hosted a live Q&A session to mark and raise awareness of International Women's Day and met separately with the Executive Committee through the year.	• Danuta's hosting of and attendance at employee events and meetings has increased her visibility to the workforce and provided opportunities for direct feedback. During the Covid-19 crisis in particular, this has provided assurance to our workforce and support to the Executive Committee.
Customers	• The Board receives regular updates on customer feedback from each of the three business units.	• During the year, the Board worked with management to ensure that the needs of occupiers and customers were taken into consideration, particularly during the Covid-19 pandemic. The Board was kept up to date on the safety measures in place prior to sites re-opening after the first Covid-19 'lockdown' and supported management in prioritising a safety-first approach. • The Board considered customer feedback and insights on changing housing priorities following the Covid-19 lockdown. Feedback included preferences for proximity to green spaces, light and airy homes, and fast internet connections. Feedback has helped to inform discussions on strategy for St. Modwen Homes (SMH). • With the Board's support, SMH offered workers in critical industries, including NHS and key workers, bespoke deals on new homes.

	Examples of Board engagement	Influence on decision making
Communities	• The Board considers all major projects and initiatives, and receives regular updates on their progress. • The Board challenged management to consider ways in which the Group might provide support to communities.	• The impact of the Group's projects on communities is considered prior to investment decisions being made by the Board. In the year, the Board has supported and encouraged management in its work with food banks, hostels and mental health charities. • Projects undertaken during the Covid-19 crisis included: – launching our Covid-19 Community Impact Fund; – offering free NHS worker parking on the Group's sites close to NHS facilities; – providing PPE storage facilities for the NHS; and – encouraging volunteering.
Policymakers	• Senior management engages with key policymakers and provides the Board with updates at Board meetings.	• This engagement has informed discussions on the Group's future plans and financing including the Board's decision not to utilise the Government's Job Retention Scheme and its discussions on the potential use of the Bank of England's Covid Corporate Financing Facility which, although granted, was not drawn down.
Partners	• The Board is provided with regular updates from each of the business units on partner perspectives and feedback. • As part of his induction, Sarwjit Sambhi met with the managing directors of each of the business units.	• These updates and meetings provide insight into key relationships and partner perspectives which gives the Board a deeper understanding of their needs and is factored into the Board's decision making.
Supply chain	• Senior management provide the Board with feedback from the Group's supply chain.	• The Board gains a deeper understanding of matters of importance to the supply chain. The Group's supply chain is diverse and has been particularly resilient during the Covid-19 crisis. This feedback helped to shape the Board's discussions on support offered to the Group's supply chain which included accelerated payments to smaller suppliers during the Covid-19 crisis.
Regulators	• The Board is provided with updates on changes in regulation and legislation at Board meetings.	• The Board requires that the Company is compliant with all relevant legislation and regulation, and considers in advance the effects of any changes on the Company. In the year, the Board considered a number of policies including the Anti-Bribery and Corruption Policy, Fraud Prevention Policy, the Group's Whistleblowing Policy, 'Speak Up', and has reviewed the Company's compliance with the UK Corporate Governance Code.
Investment community	• Engagement is ongoing throughout the year and includes feedback from institutional investors and analysts following trading updates and announcements of results. Shareholders are also provided with the opportunity to ask questions at the Annual General Meeting.	• Members of the Board met with a number of major shareholders to understand their views and to keep them updated throughout the Covid-19 pandemic. • Following his appointment as CEO, Sarwjit engaged with a number of our shareholders to understand their views. • During the year, the Chair held a number of calls with key shareholders including following the resignation of Mark Allan as CEO, the appointment of Sarwjit as CEO and following the announcement of the interim results. • The Board considered the interests of shareholders and other stakeholders in taking the decision to cancel the 2019 final dividend.

Board evaluation

2019 Board evaluation

Progress made against the actions identified by the 2019 external Board evaluation is detailed below:

Area of focus	Specific actions	Progress made
Monitor pace and senior management progress	• Board engagement and reporting for new business units.	• Board reports for each business unit were refreshed and managing directors attend Board meetings to present to the Board on their business units.
Evolution and embedding of risk management	• Continual review of Board-level risk topics and emerging risks.	• A number of risk discussions took place at Board meetings during the year. Discussions included a top-down risk assessment discussion and changes to new and emerging risks which included raising climate change from an emerging risk to a principal risk.
Board agendas	• Refreshed agendas to include further engagement with external partners, updates on broad market developments, talent management, culture and customer insight.	• Board agendas refreshed and updated.

2020 Board evaluation process

The 2020 Board evaluation was completed in two stages, the evaluation of the Chair was led by the Senior Independent Director (SID) and the Board evaluation was led by the Chair. A summary of the process is as follows:

Date	Action
September 2020	• Chair evaluation questionnaire circulated to all Board members.
October 2020	**Chair evaluation** • SID and Company Secretary met to discuss the responses to the Chair evaluation questionnaire. • SID held individual meetings with Board members to discuss the performance of the Chair. • SID met separately with the Chair to discuss feedback. **Board evaluation** • The Chair held a series of meetings with individual directors in order to obtain feedback on the operation of the Board and Committees during the year.
November 2020	**Chair evaluation** • SID discussed the feedback relating to the Chair at the Nomination Committee meeting without the Chair present. • SID discussed the report reflecting feedback from the meetings. The report was discussed at the Board meeting and actions agreed for 2021. **Board evaluation** • A report on the feedback from the meetings was prepared and discussed at the Board meeting and actions were agreed for 2021.

2020 Board evaluation – *areas of focus*

Area of focus	Specific actions	Progress made
Stakeholder engagement	• Consider opportunities for stakeholder engagement, virtually or otherwise, around Board meetings including inviting certain key stakeholders to Board meetings during the year. • Consider opportunities for continued engagement between wider management team and the non-executive directors.	• Site visits to be reinstated by August 2021 (dependent on Covid-19 restrictions). • Business partner attendance at Board meetings planned for 2021.
Business continuity and risk management	• Review lessons learned from Covid-19 and incorporate those lessons into new crisis playbook for 2021.	• Lessons learned from the Covid-19 pandemic are due to be reviewed by the Board at its meeting in May 2021.
Non-executive director succession planning	• Non-executive director refresh – seek skills to complement the current Board.	• Dame Alison Nimmo joined the Board on 1 February 2021. • Ongoing review of Board balance and skills.

Nomination Committee report

Dear shareholder

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 30 November 2020.

During the year, the Committee has continued to focus on Board succession planning, composition and governance matters. The Committee has focused, in particular, on the appointment of our new Chief Executive Officer (CEO), Sarwjit Sambhi, who joined the Board in November 2020.

The Committee identified a number of desired key attributes and skills required of a new CEO, including:
- purpose driven and closely aligned with St. Modwen's values and culture;
- the ability to lead and energise the business, providing strong leadership, vision and direction while engendering an inclusive culture; and
- delivering the current strategy while considering broader strategic opportunities in the medium term.

The recruitment process was paused at the end of February 2020 due to Covid-19 restrictions and recommenced during the summer with Sarwjit's appointment being announced on 29 September 2020. Sarwjit enhances the Board with the skills and experience that he brings to the table and I am delighted that he has joined St. Modwen. A summary of the appointment process for Sarwjit and details of his induction can be found on pages 62 and 63.

Following Sarwjit's appointment, Rob Hudson resumed his role as Chief Finance and Operations Officer and stood down as a member of the Group Health and Safety Committee. I would like to thank Rob who, as Interim Chief Executive, successfully managed the Company through the Covid-19 challenges of the past year.

Alison Nimmo joined the Board as a non-executive director on 1 February 2021. I would like to welcome Alison to the Committee, her exceptional skills and experience will add to an already strong Board.

Looking forward, the Nomination Committee will continue to focus on strengthening the Board and senior management pipeline, taking into account our desire 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
8 February 2021

The Nomination Committee

Members:
Danuta Gray (Chair)
Ian Bull
Jenefer Greenwood OBE
Jamie Hopkins
Dame Alison Nimmo DBE
(appointed 1 February 2021)
Sarah Whitney

For full biographies see pages 52 and 53 →

Role:
- Leads the Board appointment process
- Reviews the composition of the Board and Board committees ensuring a good balance of skills, experience and diversity
- Reviews and maintains succession plans for the Board and the Executive Committee
- Reviews potential conflicts of interest disclosed to the Company and develops processes for managing such conflicts if necessary
- Establishes and keeps under review induction arrangements for new directors
- Makes recommendations to the Board in relation to director induction and training

The Committee's role and responsibilities are set out in its terms of reference which are reviewed annually and available at www.stmodwen.co.uk.

"The Committee has focused on the appointment of a new Chief Executive Officer, Sarwjit Sambhi."

Composition and attendance:
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.

Simon Clarke and the Chief Executive Officer are invited to attend the meeting by invitation. The Chair invites additional attendees to attend meetings of the Committee as and when appropriate.

For information on the meetings held during the year and members' attendance, please see page 53 →

> "I am proud to have joined St. Modwen. It is a strong business with considerable opportunities to leave a lasting legacy by creating homes, establishing new communities and delivering high-quality logistics."

A strong business with considerable opportunities

Induction of Sarwjit Sambhi, Chief Executive Officer

Meetings with 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 Finance and Operations Officer – discussed the structure of the Group, the strategy, business plan and performance, and provided a summary of the Group's financial performance and future plans.
- Committee chairs – discussed their committees and any matters of significance.

Meetings with senior executives of Group functions
- General Counsel and Company Secretary
- Managing Director – Strategy and Corporate Development
- Group HR Director

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

Visits to a variety of sites across the UK
- A series of listening sessions with the workforce to understand their views on the business.

Meetings with key individuals and their senior teams to understand current business plans and initiatives including:
- Financial measures and performance
- People strategy and plan
- Technology strategy and plan
- Communications plan
- Responsible Business

Meetings with key advisors and stakeholders
- External and internal auditors
- Shareholders
- Brokers
- Valuers
- Key joint venture partners and customers
- Key external partners

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 year, the Committee held two scheduled meetings and a number of additional meetings to consider the appointment of a Chief Executive Officer (CEO). The Chair of the Board, Danuta Gray, chaired the meetings of the Committee and, following each meeting, provided formal updates to the Board on the Committee's activities.

Key activities during the year

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

Succession planning

During the year, the Committee considered the balance of skills and experience on the Board and made recommendations to the Board on the appointment of Sarwjit Sambhi as CEO and the appointment of Alison Nimmo as a non-executive director (NED). An overview of the work of the Committee in appointing Sarwjit is set out on the right. A summary of the appointment process for Alison and details of her induction will be included in next year's annual report.

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.

This year, the Committee agreed to delay succession planning for the Executive Committee and senior management to May 2021 in order to allow Sarwjit sufficient time as CEO to provide input into succession planning for his senior management team.

Appointments

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. 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 the CEO appointment, a diverse range of candidates from a variety of backgrounds was considered, and comprehensive profiles were prepared for the Committee's consideration.

The role profile for the appointment of a CEO included reference to the following pivotal experience and expertise in addition to leadership capabilities, and culture fit and impact:

- Track record of building strong executive teams and talent/succession pipeline.
- Commercial acumen and proven at delivering strong financial performance and growing a business or platform in the UK.
- Purpose driven, with values aligned to St. Modwen and a strong cultural fit.
- Proof of inspirational leadership, understands and believes in the importance of culture, values and behaviours.

External search agencies, Heidrick & Struggles (for the recruitment of Sarwjit Sambhi) and Ridgeway Partners (for the recruitment of Alison Nimmo) were engaged by the Committee to support each recruitment process. Neither Heidrick & Struggles nor Ridgeway Partners has any other connection with the Company other than providing recruitment services and each firm is accredited under the Enhanced Code of Conduct for Executive Search Firms.

Board training and development

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, the Board received updates on governance and regulatory matters, responsible business and defence. 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. The opportunities for site visits were reduced during the year due to the Covid-19 pandemic but included visits by members of the Board to sites in Swansea, Tamworth and Llanwern, including a meeting with a key partner at our Swansea University development. Further site visits will resume once Covid-19 restrictions ease.

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 the induction undertaken by Sarwjit is detailed on page 62.

Principal activities during the year

January 2020
- Review of Board and committees composition
- CEO succession update
- NED training review
- Nomination Committee report approval
- Committee effectiveness review

March 2020
- CEO succession update

September 2020
- Approval of appointment of CEO

November 2020
- NED succession planning
- Board and committees composition
- Review of division of responsibilities
- Approval of over-boarding principles
- Approval of Committee Terms of Reference
- Review of register of conflicts
- Review of Chair's performance
- Review of CEO induction programme

CEO appointment process

- December 2019 – Heidrick & Struggles appointed
- January 2020 – CEO role profile and specification agreed
- March 2020 – long list of candidates considered by the Committee
- April 2020 – process paused due to Covid-19 priorities
- July 2020 – search process resumed including a review of the long list and individual meetings with Board members
- August 2020 – shortlist of candidates agreed, independent psychometric assessments completed and candidates agreed for the final stage
- September 2020
  - Candidate presentations and Q&A with the Board as interview panel
  - Appointment terms drafted and agreed
  - The Board approved the appointment of Sarwjit on the recommendation of the Nomination Committee
  - The appointment of Sarwjit as CEO was announced

Allocation of time during the year
- CEO succession planning and appointment
- Board and committee composition
- NED succession planning

External appointments

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 authorised 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 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. The Committee continually reviews this and assures on behalf of the Board.

Conflicts of interest

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. The Board operates a policy to identify and, where appropriate, manage any conflicts of interest affecting the directors.

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.

Time commitment

Any additional external appointments are not undertaken without the prior approval of the Board. During the year, Danuta Gray assumed the role of Chair of Direct Line Group, having formerly held the role of Non-Executive Director. Other than this change, there have been no changes to the Chair's other directorships since her appointment to the Board. Danuta has confirmed that she will be stepping down from the Board of Aldermore Group plc, where she is the Senior Independent Director, in early 2021. Neither of the two executive directors has any other significant external appointments.

More information see pages 52 and 53 ⟶

Board diversity

The Committee 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. It is important that the Board and senior management team not only has appropriate expertise and shares the Group's values, but also reflects the views and diversity of our key stakeholders.

At its meeting in February 2021, the Committee considered, and recommended for approval by the Board, an updated Board Diversity and Inclusion Policy which is consistent with the Group Diversity and Inclusion Policy applying to the wider workforce.

The Board Diversity and Inclusion Policy requires that the Committee:

- only engages search firms that have signed up to the 'Enhanced Voluntary Code of Conduct';
- liaises with the search firms to ensure that candidates are selected on merit against objective criteria and, within this context, develop diversity of gender, social and ethnic backgrounds, cognitive and personal attributes of all forms; and
- 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 the Parker Review in relation to ethnic diversity.

The diversity statistics for the Board are set out below:

- 44.4% of our Board directors are women;
- 41.5% of Board and Executive Committee positions, together with their direct reports, are held by women; and
- one of our Board directors is from a non-white ethnic minority background.

We are committed to increasing the diversity of our workforce and our Board, and will continue to be mindful of the recommendations of the Davies Report, Hampton-Alexander Review and Parker Review in any future searches and succession planning.

Governance

The Committee reviewed and updated its terms of reference during the year and considers that it complies with the requirements of the UK Corporate Governance Code. Further information on the Group's compliance with the Code can be found on page 51.

The Committee will continue to 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.

Nomination Committee evaluation

2019 evaluation

Progress made against the actions identified by the 2019 performance evaluation of the Committee's effectiveness is detailed below:

Area of focus	Specific actions	Progress made
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.	• The talent pipeline framework was reviewed by the Group HR Director during the year; it was agreed that its implementation would be delayed to 2021 to allow for its review by the new Chief Executive Officer. • Senior managers from the Group's business units and Group functions have attended Board meetings and individual meetings with non-executive directors during the year. Opportunities for engagement outside of formal Board meetings, such as site visits, have been reduced during the year due to the Covid-19 pandemic.
Greater 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.	

2020 evaluation

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 2021:

Area of focus	Specific action
Greater visibility of the talent pipeline and strength and depth of leaders	• Implementation of a refreshed talent pipeline framework incorporating development plans for all of the Executive Committee and emerging talent. • Opportunities will be provided for the Board to have visibility of senior management talent below Executive Committee level including continued attendance at Board and committee meetings, and as Covid-19 restrictions ease, site visits, Board and team events will be reinstated.
Continued emphasis on succession planning	• Talent pipeline framework to be used to identify and develop potential future leaders. • Detailed succession plans will be refreshed and reviewed during the next 12 months, identifying emergency and longer term successors, and plans to address skills and experience gaps.

Audit Committee report

Dear shareholder

I am pleased to present the Audit Committee report for the financial year ended 30 November 2020. The report explains how the Committee has discharged its duties and responsibilities over the course of the year and provides an overview of its principal activities and how significant financial matters have been addressed in the year.

Since the start of the Covid-19 crisis, the Committee has been mindful of the need to balance an appropriate level of consideration on all key matters at each meeting, while addressing the ongoing impact of the pandemic on the Group's risk profile, financial performance, and recovery.

The principal activities during the year are set out on the following page which provides a high-level overview of the topics considered by the Committee. Key focus areas include:

- Reviewing the impact of Covid-19 on key accounting policies and judgements in particular the going concern and the valuation of investment property;
- Assessing the Group risk appetite and considering management's response to the disruption which led to a Board-level refresh of the Group's strategic and principal risks;
- Challenging the Group's valuers and management in relation to the significant movements in valuations of certain assets within the portfolio at half year;
- Receiving regular progress updates on the programme of works to increase the maturity of the Group's internal controls framework;
- Redirecting the 2020 internal audit plan for rapid response items to reflect the increased Group risk profile and changing working practices as a result of the Covid-19 crisis; and
- Considering the developments on material legal matters and the respective provisions in the financial statements.

The Committee is cognisant of its role in providing shareholders with assurance on the integrity of the financial statements and the reporting process while ensuring a high-quality audit. During the course of the year, the regular challenge of and engagement with management, internal audit and the external auditor has enabled the Committee to satisfy itself that the annual report taken as a whole is fair, balanced and understandable. Further details are set out on page 69.

The Audit Committee

Members:
Ian Bull (Chair)
Jenefer Greenwood OBE
Jamie Hopkins
Dame Alison Nimmo DBE (appointed 1 February 2021)
Sarah Whitney

For full biographies see pages 52 – 53 ⟶

Role:

- Monitoring the integrity of the Company's financial statements and reviewing significant financial reporting judgements
- Overseeing the work performed by the external auditor (KPMG) as well as assessing their effectiveness and independence, in addition to making recommendations to the Board on audit fees and the appointment of the external auditor
- Reviewing the appropriateness and effectiveness of the internal control and risk management systems
- Monitoring and reviewing reports on the work performed by the internal auditor (PwC) and approving its annual plan, including assessing the effectiveness of the function

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

"The report explains how the Committee has discharged its duties and responsibilities over the course of the year."

Composition and attendance:
All members of the Committee are non-executive directors and considered independent under the UK Corporate Governance Code. The Committee as a whole has competence relevant to the sector in which St. Modwen operates. The Board considers both Ian Bull and Sarah Whitney to have recent and relevant financial experience.

There were four scheduled meetings during the year which were attended by all members of the Committee.

For information on the meetings held during the year and members' attendance, please see page 53 ⟶

Looking ahead, it is important that both the Committee's strategy and the audit environment are considered together. To do that the Committee has adopted several objectives and goals to focus its time and energy on positioning the business to be more resilient and well prepared for the changes in the audit environment. We have made progress in line with the agreed plan, despite the challenges in 2020, and expect to achieve all our objectives by 30 November 2021.

> **"The Committee has been mindful of the need to balance an appropriate level of consideration on all key matters at each meeting, while addressing the ongoing impact of the pandemic on the Group."**

Finally, I would like to take this opportunity to welcome Alison Nimmo to the Committee and thank my fellow Committee members for their continued support and commitment, particularly during the Covid-19 crisis. I would also like to thank management and the finance team for preparing clear and well written papers which greatly contributed to a good level of debate and discussion at meetings.

I trust that this report provides a useful insight into how the Committee operated and how it responded to the year's unprecedented events. I look forward to the Annual General Meeting which is due to be held on 1 April 2021 and to answering any shareholder questions about the Committee and its activities.

Ian Bull
Chair of the Audit Committee
8 February 2021

How the Committee operated during the year
The Committee met four times during the year. Meetings of the Committee were scheduled ahead of any Board meetings to maximise the efficiency of interaction with the Board. Following each Committee meeting, the Committee Chair reported any significant matters and key findings to the Board.

Members of the Board and management including the Chair of the Board, other directors, General Counsel and Company Secretary, Group Finance Controller and representatives from KPMG (external auditor) and PwC (internal auditor) were invited to each Committee meeting. In addition, key individuals across the business and representatives from Cushman & Wakefield (valuers) were invited to attend part, or all, of certain Committee meetings during the year to present on specific items such as property valuations and protecting information.

The Committee met privately with the external and the internal audit engagement partners at each meeting to discuss matters without management present. The Committee Chair also regularly met with the Chief Finance and Operations Officer (CFOO), Group Finance Controller and the external and internal audit engagement partners, typically ahead of Committee meetings, to review papers due to be tabled at the next meeting and to discuss any issues and concerns that they may have.

The Committee has direct access to the internal and external audit engagement partners and the external valuers outside of formal Committee meetings. The Committee also takes into account guidance published by external sources such as the FRC and ACCIF on matters falling within its remit.

Principal activities during the year

January
- External property valuations
- Key accounting judgements
- 2019 year end results
- Contingent liabilities register
- Committee effectiveness review
- External auditor year end report
- Initial assurance map
- Impact of the Brydon Report

May
- Key accounting judgements including the impact of Covid-19
- Update on valuation of properties due to Covid-19
- Half year reporting timetable and approach
- Update on information security and data protection – focus on risks/threats due to Covid-19
- Initial 2020 external audit plan
- External audit fees
- Review external audit effectiveness
- Risk management
- Material litigation
- Revised internal audit plan and controls roadmap
- Review of going concern and viability
- Progress against Committee objectives
- Half year reporting timetable and approach

July
- 2020 half year results
- External property valuations
- Update on internal control framework and assurance roadmap
- Internal audit update
- Review of Terms of Reference
- Report from external auditor on half year
- Review of going concern and viability

October
- Key accounting judgements
- Material litigation report
- Update to external audit plan
- Timetable and plan for year end audit
- Tax strategy
- Risk management update
- Internal controls framework project
- Impacts of proposed audit reform
- 2021 internal audit plan
- Approval of Treasury Policy

Allocation of time during the year
- Financial and narrative reporting
- External Audit
- Internal Audit
- Risk management and internal controls
- Governance and Committee matters

Audit Committee effectiveness

The performance of the Committee was assessed through the completion of an online questionnaire by all members of the Committee and regular attendees. The questionnaire covered topics including the composition, membership and operation of the Committee, its oversight of business and financial reporting, internal control and risk management systems, speak up matters and fraud.

Overall, the results of the assessment confirmed that the Committee was performing well, helped by a forward looking plan and clear objectives. The key areas identified for further consideration or improvements and the progress made against last year's areas of focus are set out below:

Area of focus	Specific actions	Progress made
Committee evaluation 2019		
Demonstrate how risk management is embedded into the business units	• Present risk plans which provide details and examples of how risk management is embedded across the organisation.	• The Board undertook a separate open session on risk to discuss St. Modwen's response to the impact of Covid-19 including any lessons learned from the business continuity plans, and a refresh of the Group's strategic and principal risks. The Audit Committee continues to assess the effectiveness of risk management and its implementation.
Assurance as to the effectiveness of controls	• Internal audit to scope and undertake an assurance mapping exercise and report to the Committee.	• PwC presented an initial assurance map early in 2020, the output from which fed into the programme of works to increase the maturity of the internal controls framework. Work on this project is ongoing and the Committee will receive further progress updates in 2021.
Committee evaluation 2020		
Succession planning	• The Nomination Committee to consider the future membership of the Audit Committee when drawing up a brief for the recruitment of future non-executive directors.	• Ongoing
Continuous improvement of external audit quality	• KPMG and management to identify areas of improvement and develop appropriate plans.	• The Committee received an update on the detailed plans developed by KPMG and management to ensure improvement in the 2020 audit.

Financial and narrative reporting

The Committee undertook its primary responsibility in relation to the Group's financial reporting, to review the integrity of the half year and full year 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 102 ⟶

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

For further information on the Group's accounting policies, please see pages 116 to 125 ⟶

Assessment of non-statutory measures

As part of its key considerations for the half year and full year results disclosures, the Committee carefully considered the non-statutory measures, widely known as Alternative Performance Measures (APMs), used to assess financial performance. The Committee concluded that the APMs were being consistently applied year-to-year, remained an appropriate measure of performance and were understood by both internal and external stakeholders as a measure of the execution of St. Modwen's strategy. The assessment of APMs with respect to the treatment of Covid-19 is in line with guidance issued by various accounting bodies.

For further information on the Group's APMs see notes 2 and 3 of the financial notes on pages 129 to 135 ⟶

Non-financial reporting

The Committee reviewed the narrative sections of the annual report to ensure compliance with the latest reporting requirements and to satisfy itself that the non-financial reporting, including the non-financial key performance indicators, had been subject to appropriately robust processes and controls. The Board and the Committee are aware of the increased focus from investors on environmental, social and governance matters, and our approach to responsible business continues to progress and evolve, including assessing the business against the upcoming TCFD requirements, with the aim of developing specific reporting during the year ending 30 November 2021.

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 2020 financial statements, and how these were addressed, are outlined on page 71. The Committee discussed and challenged these issues with both management and KPMG and, where appropriate, considered how these were addressed by KPMG's audit scope.

For further details see pages 104 to 111 ⟶

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.

In response to the uncertainty in the economy due to the Covid-19 crisis, the two scenarios modelled by management included a central case and a severe but plausible downside. 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 impact of changes in assumptions with scenario analysis prepared by management with input and challenge from KPMG and the Committee, which was reflected in the final version.

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.

For viability and going concern statements see pages 46 and 47 ⟶

Fair, balanced and understandable

When reporting to shareholders, the Board aims to present a fair, balanced and understandable assessment of the Company'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 2020 annual report and financial statements are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company'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 include:

- regular debates and challenge with senior management and with external 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;
- 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 documents prior to giving final approval.

External audit

The Committee is responsible for overseeing the relationship with the external auditor and monitoring the effectiveness and quality of the external audit. KPMG, as the Group's external auditor, is engaged to express an opinion on the Company's and wider Group's financial statements. 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 was appointed for the 2017 year end, under the current regulations, the Company will be required to retender the audit by no later than 2027. The Committee will be mindful of any changes in regulations and best practice relating to the tenure of the external auditor. William Meredith is the current KPMG Senior Audit Partner and was appointed to the St. Modwen audit in March 2019 following the retirement of the former partner.

KPMG presented an initial audit plan for the year ended 30 November 2020 to the Committee in May 2020 with the full audit plan and strategy reported to the Committee in October 2020. The report outlined an update to KPMG's risk assessment and planned audit approach and considered the potential impacts arising from Covid-19 on materiality, scope and significant risks, including a realistic reporting calendar.

See the independent auditor's report on page 104 to 111 ⟶

Audit fees
The Committee, management and KPMG are committed to improving audit quality year on year. Increasing regulatory demands and additional reporting requirements due to Covid-19 have led to an increase in audit hours during the year. However, the Committee, KPMG and management have made a concerted effort to investigate the use of technology and other tools/approaches to gain efficiencies. The audit fee of £615,000 (2019: £555,500 comprising £470,000 reported in the 2019 accounts with additional fees of £85,500 due to the change in scope and overruns) was approved by the Committee, and the year on year increase, noted as being high, was considered to be appropriate given the scope of work while not adversely affecting KPMG's independence or objectivity.

Non-audit fees
St. Modwen has adopted a policy on the provision of non-audit services by the external auditor in line with the Revised Ethical Standard 2019. Under the policy, non audit services fall into one of three categories: (i) where the involvement of the external auditor is prohibited (a list of prohibited services is listed in the policy); (ii) where the external auditor can be engaged with the approval of the CFOO; and (iii) where the external auditor can be engaged, subject to Audit Committee approval. For the latter two categories, work will only be awarded provided it does not impair the external auditor's independence or objectivity and has no direct or consequential impact on the audited financial statements. Furthermore, 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 £85,000 (2019: £55,000), relating entirely to the half year review including additional work around Covid-19, which is in compliance with the Group policy. Further information on the remuneration of the external auditor can be found in note 5b to the Group financial statements on page 139.

Split of audit fees
- Audit fees / **88%**
- Non-audit fees / **12%**

Effectiveness of external audit process
During the year, the Committee considered KPMG's experience and expertise, the extent to which the audit plan had been met, its robustness and perceptiveness with regard to key accounting and audit judgements and the content of its audit reports in particular its assessment of the impact of Covid-19 on the audit process. As part of its considerations, the Committee reviewed KPMG's Audit Quality Review results together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements.

A high priority for the Committee, management and KPMG is ensuring that an efficient and effective audit is delivered and that this is improved year on year. As part of its assessment the Committee considered several factors to satisfy itself that the 2020 audit was of a high quality, these included:
- KPMG and management working closely together to develop project plans for the 2020 audit, taking into account areas of improvement identified from the previous full year audit;
- KPMG reporting on the potential impacts arising from Covid-19 on the audit including going concern, property valuations and net realisable value of housebuilding inventory;
- Increasing engagement between KPMG, management and the Audit Committee during the year as a result of the increased risks arising from Covid-19 and the challenges of completing the audit remotely;
- KPMG documenting the process of challenge, debate and appropriate scepticism of management in their report including specific examples of challenges made;
- Consistent with prior audits, KPMG appointing experts to review certain key judgement areas as well as to enhance the core audit team; and
- KPMG demonstrating how data and analytics could be used to improve the audit approach in the future.

KPMG's performance as external auditor was assessed via an online questionnaire which was completed by Committee members, regular attendees and those involved in the external audit process. The Committee also assessed the quality measures referred to above as part of its recommendations to the Board. Questions were posed around the reputation and independence of the firm, their 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 May 2020 and the proposed actions were noted.

The main concerns raised were around having greater clarity on the information the auditors required from the business at the beginning of the audit process, efficiency drivers and to plan well ahead so that all internal teams were briefed and fully aware of planning and information requirements to support the audit effectively.

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 which prohibits the provision of any non-audit services to its FTSE350 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. 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 Annual General Meeting.

Significant financial matters	How the Committee addressed the issues and judgements
Going concern in the context of Covid-19 Going concern considered in light of the level of uncertainty in the economy caused by the Covid-19 pandemic.	The Committee carefully considered the outcome of the base case and severe downside modelling used to support the half year review and the full year assessment of whether the use of the going concern basis for preparing the accounts was appropriate, and in addition the full year viability statement. The external auditor, as part of their audit work, assessed the financial models, performed a comparison of the assumptions used to external data sources including the reports of comparable companies, and applied challenge to the process and the conclusions of management. The Committee concluded that the use of the going concern basis of preparation and inclusion of the annual viability statement in the annual report was appropriate.
Valuation of investment properties (see note 10 of 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 an element of executive variable remuneration. Although the portfolio valuation is conducted externally by an independent valuer, the nature of valuation estimates is inherently subjective and requires significant judgements and assumptions to be made by the valuer. 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 July. The valuation is also challenged 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. This year the Committee received an additional update from the valuer in May 2020 to understand the immediate impact on the valuations arising out of the Covid-19 pandemic and the UK lockdown. The external auditor has direct access to the St. Modwen project teams and their advisors as well as the Group's valuer, to enable the auditor to review all the inputs impacting the property valuations and report its findings to the Committee. The Committee requested increased insight into the controls applied by management relating to cost to complete estimates included in the valuation of the Company's investment assets and also considered the appropriateness of contingencies where projects were at an early stage in their lifecycle. The Group's valuer present their independent valuation report to the Committee as part of the half year and full year results process and they highlight any significant judgements made which are discussed with management. 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. 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 business over recent years, 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 of the appropriate carrying value of housebuilding inventories and the policy applied for the recognition of housebuilding profits. Detailed assessments were carried out by management and KPMG for both the half-year and full-year financial reporting. The Committee concluded that the judgements and estimates made by management were in line with Group policy, reasonable and appropriate and were in line with the KPMG report of its findings to the Committee.

Internal audit

The internal audit function was outsourced to PwC in 2016. The key objective for PwC is to provide independent and objective assurance in relation to the design and effective operation of controls in place in accordance with the internal audit plan.

The Committee receives regular updates on 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). It also reports on recommendations and provides progress updates on clearing action points. The Audit Committee considers the scope and timing of each internal audit review and, with management, ensures that adequate resources are made available to accomplish the agreed work programme.

The Committee Chair 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, PwC presented the risk assessment and internal audit plan for 2021 together with an overview of PwC's approach to delivering the internal audit function over the next two years. In the year, PwC completed the following internal audit reviews:

- Cyber security (rapid response review);
- Internal financial controls environment (rapid response review);
- Cash flow forecasting and scenario modelling (rapid response review);
- Go to market and asset management (I&L);
- Homes sales process and marketing strategy; and
- Environmental risk mitigation (SL&R).

The first three reviews were rapid response projects in response to an elevation in the risk profile and changing working practices due to Covid-19 and were scoped tightly to address the relevant risks. While no material weaknesses were identified during these reviews, management agreed to undertake a *fraud risk assessment* to provide an additional level of confidence in the control environment.

The internal audit reviews planned for 2021 comprise:

- Cyber security;
- Talent and capability;
- Entity and business unit level governance;
- Cost Valuation Reconciliation process; and
- Supply chain cost management.

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 reviewed the results at its meeting in October 2020 and considered the key themes and proposed actions. Overall, most participants agreed that internal audit was an integral part of the Group's governance structure, however some areas of improvement were identified, as follows:

- scheduling of regular updates between internal and external audit;
- greater transparency over the use of subject matter expertise; and
- increasing the use of technology to support the internal audit process, where appropriate.

As part of the assessment the Committee also provided several suggestions for future topics and focus areas which were addressed in formulating the forward internal audit plan. The Committee remains satisfied with the performance of PwC as internal auditor and that the internal audit function continues to operate effectively.

Risk management and internal control systems

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 St. Modwen's strategic objectives. The Audit Committee, on behalf of the Board, oversees the application of those systems.

During the year, the Committee received progress updates on a programme of works to increase the maturity of the over-arching internal controls framework for the Group, which was one of the key Committee goals agreed last year. The project team has documented IT general controls, controls around the business models supporting the going concern and viability assessments, non-financial reporting, controls around material business processes and has worked with control owners to remediate any critical control gaps. A pilot internal controls attestation process was implemented at the year end and will be further developed in 2021. In their capacity as internal auditor, PwC provided independent technical guidance and support to the project team. 2021 will see a continuation of the work to increase the maturity levels of our controls. This project is aiming to move the Group towards being able to comply with any future internal controls framework (Brydon) and make significant strides towards a more controls-based audit.

During 2020, the Board continued to review the Group's risk management framework to ensure it remains as contemporary as possible with changes in our external environment, and with the Group's refreshed strategic objectives and updated risk appetite. In 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 significant and emerging risks, the mitigating controls in place and changes in exposures over the reporting period, with particular attention on management's response to the Covid-19 crisis;
- feedback from the RACC on key risks;
- internal audit reports related to the reviews covered by the 2020 internal audit plan including those added as a result of Covid-19;

- 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;
- progress on the development of the Group's internal control and assurance framework;
- pilot controls attestation from control owners as to the effective design and operation of the financial controls;
- the effectiveness of the internal and external audit functions;
- external views from RSM (risk consultants) in relation to emerging risks and best practice risk management;
- conclusion of the fraud risk assessment; and
- actual and potential legal claims and litigation involving the Group.

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. For further information on the Group's principal risks, risk appetite and risk management framework see pages 38 to 45 of the strategic report.

Speak up and fraud
The Board has delegated responsibility to the Audit Committee for reviewing the Company's arrangements for speak up and procedures for detecting and preventing fraud and bribery, which are reviewed as a matter of course during the year.

In accordance with Provision 6 of the UK Corporate Governance Code 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. St. Modwen's 'Speak Up' policy and arrangements were refreshed in December 2020. There have been no significant speak up incidents reported in the year.

The Group's fraud prevention policy, which was refreshed in October 2020, 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.

Management completed a fraud review assessment in the year in response to the potential increased risks of the changed working environment due to the Covid-19 pandemic. The objectives of the review were to consider the relevance of certain Group policies, assess the Group's fraud and anti-money laundering risks, review key mitigations and determine additional steps to improve the Group's fraud risk management. The assessment also addressed recommendations arising from the recent internal financial control environment review undertaken by the internal auditor in response to the Covid-19 risk.

The outcome of the assessment overall was positive. It was noted that the Group had established appropriate policies, there was a good understanding of fraud risks across the organisation and key mitigations were in place with relevant processes and controls improved over the last couple of years. However, the review also identified areas of further improvements and control enhancements to mitigate fraud risks. Management's action plan is scheduled for completion during 2021 and will include a roll out of fraud risk awareness and training programmes.

Group Health and Safety Committee report

The Group Health and Safety Committee

Members:
Jamie Hopkins (Chair)
Sarwjit Sambhi

For full biographies see pages 52 – 53 →

Role:

- Oversees the effectiveness of the Group's health and safety strategy
- Advises the Board on health and safety matters
- Monitors management's performance against health and safety targets
- Reviews key health and safety risks and mitigations
- Supports management in maintaining a robust health and safety culture
- Considers the potential impact on the Group of any changes in health and safety regulation
- Receives reports from management on specific health and safety incidents and oversees management's response including lessons learned

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

> **"The Group's health and safety teams ensured that we re-opened our sites with minimal disruption while prioritising the health and safety of all those working at or visiting our sites."**

Composition and attendance:
Jamie Hopkins is Chair of 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.

At the invitation of the Chair, the Group Health and Safety Manager and the Managing Director – St. Modwen Homes attends each meeting of the Committee. The Chair invites other individuals to attend the meeting as and when appropriate.

At the Committee's meeting in November 2020, it was agreed that the Senior Construction Directors from each of the Strategic Land & Regeneration and St. Modwen Logistics business units would be invited to attend meetings of the Committee in order to provide a representation of views from across the business.

For information on the meetings held during the year and members' attendance, please see page 53 →

Dear shareholder

As Chair of the Group Health and Safety Committee, I am pleased to present the Committee's report for the financial year ended 30 November 2020.

During the past year, Covid-19 has presented a number of challenges, not least in ensuring that we continue to provide a safe environment for all those working at, or visiting the Group's sites, offices and properties. I would like to thank our health and safety teams and management whose hard work ensured that our sites reopened with minimal disruption while operating safely and in accordance with the Government's Covid-19 guidelines.

Following the departure of Mark Allan in April 2020, Rob Hudson joined the Committee in his role as Interim Chief Executive and attended the Committee's meeting in May 2020. Following the appointment of Sarwjit Sambhi as Chief Executive Officer on 2 November 2020, Sarwjit replaced Rob as a member of the Committee.

I would like to thank Rob for his contribution to the Committee and for providing strong leadership and support to the health and safety teams at St. Modwen who, working with management, developed and implemented the Company's response to Covid-19, ensuring that the safety of our workforce and the public remained front and centre of that Covid-19 response.

Despite the challenges due to Covid-19, I am pleased to report that the Group's average accident frequency rate of 0.06 (2019: 0.07) continues to remain well under the industry average (as advised by the HSE) of 0.40 and is a further improvement on the prior year.

I was pleased to see each of the business units being awarded the Gold Award by the Royal Society for the Prevention of Accidents Health and Safety Awards 2020. The awards recognise businesses that have achieved high levels of performance across health and safety standards, systems and culture. We are determined to further improve safety at St. Modwen, and continue to focus on eliminating RIDDOR reportable accidents and strive for zero life changing injuries across the business.

Jamie Hopkins
Chair of the Group Health and Safety Committee
8 February 2021

How the Committee operates
The Committee met twice during the year. An annual programme of matters to be considered during 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 certain members of the Executive Committee and senior management, are reported to the Committee for consideration. Following each meeting of the Committee, the Chair provides formal updates to the Board on the Committee's activities and any relevant matters.

***Our health and safety response to* Covid-19**
The Group Health and Safety team working alongside colleagues from across the business led the Group's health and safety response to the Covid-19 pandemic. A summary of the actions undertaken is set out below:
- A Covid-19 crisis management group was formed to ensure cross functional collaboration.
- Health and safety response plans were developed for each of the business units and offices.
- In March 2020, activities on our sites and offices were paused in a controlled manner in order to provide access for those sites delivering essential services and ensuring that employees working from home could do so safely.
- Risk assessments were undertaken to ensure that all of our sites and offices were adapted to reduce Covid-19 risks and induction plans were put in place to communicate the new procedures.
- We relaunched our 'Top 6' hazards campaign to include Covid-19 secure workplaces and offices as standard in our approach to safety.
- We developed and implemented a monitoring regime for Covid-19 with regular inspections to check compliance with guidelines.

We continue to review and adapt our approach both in line with Government guidelines and in response to any incidents.

Committee performance evaluation
The 2020 performance evaluation identified a number of areas of focus for 2021 including:
- Considering ways in which senior management can further influence the Group's health and safety performance and culture.
- A deep-dive on commercial property health and safety management.
- Encouraging a wider representation of views at the Committee.
- Regular agenda items on industry initiatives and developments.

Further information on the Group's health and safety strategy and performance can be found on pages 25 to 27.

Principal activities during the year

- **Health and safety strategy** – the Committee approves the Group's health and safety strategy on an annual basis and oversees its implementation.
- **Health and safety performance** – performance against key health and safety objectives (including leading and lagging indicators) is measured during the year.
- **Key health and safety risks** – the Committee considered key health and safety risks and the mitigations in place to manage those risks.
- **Deep dives** – the Committee's programme of 'deep dives' during the year has included the Group's health and safety response to Covid-19, asbestos management and an update on the Construction (Design and Management) Regulations 2015.
- **Key incidents** – the Committee received reports on any key safety incidents and discussed the lessons learned from the incidents.

Allocation of time during the year
- Health and safety strategy
- Health and safety performance
- Health and safety risks
- Deep dives
- Key incidents

Managing asbestos risk – Billingham town centre

At the West Precinct shopping centre in Billingham, one of our Strategic Land & Regeneration sites, we identified that a sprayed coating material to the concrete ceilings of the centre was beginning to show potential signs of deterioration. A reinspection by our UKAS accredited surveyors confirmed that this was spray-coated chrysotile, a form of asbestos. Prior to works commencing to remove or encapsulate the asbestos, a regular visual monitoring and air reassurance testing programme was put in place to minimise any risk to the centre's tenants, employees and visitors.

Due to the potential disruption on the day-to-day operation of the centre and following consultation with stakeholders we took a phased approach to the works to ensure continued access to the centre. During the works, independent analysts undertook daily air monitoring to ensure that there were no breaches from the enclosed works. It was of the utmost importance to us that the specialist contractor employed to carry out the works went further than basic compliance. We insisted that they not only followed the agreed procedures, but went above and beyond what was needed to ensure the safety of all those visiting or working at the centre.

During the works, the site management team and St. Modwen's Asbestos Manager held regular meetings with the contractors and others involved to ensure that all parties were aware of any changes to the programme or potential issues. This ensured that site management were always ready to liaise with and update our tenants and other stakeholders.

The project took just under five months to complete and a continued monitoring plan is in place. Any remedial works will continue as part of the asbestos management of the centre, demonstrating the robust asbestos management procedures we have in place at St. Modwen and the importance we place on health and safety.

Directors' remuneration report

The Remuneration Committee

Members:
Jenefer Greenwood OBE (Chair)
Ian Bull
Danuta Gray
Jamie Hopkins
Dame Alison Nimmo DBE (appointed 1 February 2021)
Sarah Whitney

For full biographies see pages 52-53 ⟶

> **"The Committee reacted decisively to ensure that remuneration in 2020 was appropriate in light of the experience of our shareholders, employees and other stakeholders."**

Role:
- Delegated responsibility for determining the policy for directors' remuneration and setting the remuneration for the Company's Chair, Executive directors and senior management in accordance with the principles of the UK Corporate Governance Code
- To design appropriate remuneration policies and practices to support strategy and promote long-term sustainable success, and to ensure that they are effectively operated, having due regard to the views of shareholders, employees and other stakeholders, legal and regulatory requirements and best practice

Composition:
Jenefer Greenwood chairs the Committee and is considered to be independent. The composition is kept under review by the Nomination Committee, which is responsible for making recommendations to the Board as to its membership. All members receive an appropriate induction to ensure they have a sound understanding of the principles of, and recent developments in, executive remuneration matters. Ongoing training is undertaken as required.

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

For information on the meetings held during the year and members' attendance, please see page 53 ⟶

Remuneration Committee attendees (by invitation):
- **Rob Hudson**
  Chief Finance and Operations Officer
- **Simon Clarke**
  Non-executive director
- **Jane Saint**
  Group HR Director
- **Andrew Eames**
  General Counsel and Company Secretary and secretary to the Committee
- **Korn Ferry**
  Representatives from the adviser to the Remuneration Committee

Dear shareholder

On behalf of the Board I am pleased to present the report on directors' remuneration for the financial year ended 30 November 2020. The following pages set out how the Committee has operated in the year, our key activities and how we have addressed remuneration matters in the current environment.

We were pleased to receive strong support for our remuneration policy at the 2020 AGM (96% of our shareholders voting in favour of its approval). During last year's policy review process the Committee ensured that our approach to senior executive remuneration would continue to support our business plan and key strategic goals. The remuneration report, which will be put to an advisory shareholder vote at the 2021 AGM, details how we have applied the policy in 2020 and how we intend to apply it in the coming financial year.

Board changes
In April 2020, Mark Allan stepped down as Chief Executive. He was not eligible for a bonus for 2019 or 2020 and his share awards lapsed upon cessation of employment. Rob Hudson, our Chief Finance and Operations Officer (CFOO) took on the role of Chief Executive on an interim basis from 14 April 2020 while the Board continued its search for a new Chief Executive Officer (CEO). During this time the Committee carefully considered the additional responsibilities attached to the role and agreed that Rob should receive a pro-rated allowance of £95,000 p.a. in respect of these additional responsibilities.

Following an extensive search, the Board was delighted to appoint Sarwjit Sambhi as the Company's new CEO with effect from 2 November 2020. Sarwjit's salary has been set at £600,000 and his pension is in line with the workforce rate of 5% of base salary (leading to lower overall fixed pay than his predecessor). He will be eligible to participate in the annual bonus and Performance Share Plan (PSP) with a maximum opportunity of 150% of salary under each. There were no 'buyout awards' made on appointment, as he did not forfeit any remuneration upon joining the Company.

In recognising the delay before his first PSP award would be granted and to strongly align Sarwjit's remuneration with the interests of shareholders from his appointment date, it was agreed that his first PSP award of 150% of salary would be set by reference to the share price on his joining date on 2 November 2020. The Committee is pleased to report that Sarwjit purchased c. £100,000 worth of shares very shortly after his appointment, demonstrating his belief in the Company's long-term prospects, strengthening the alignment of his interests with shareholders and beginning to build up his shareholding.

Committee membership
The Committee was also pleased to be joined by Alison Nimmo in early February. My fellow Committee members and I look forward to working with Alison in the year ahead.

Business context

At a glance

Non-statutory measures[1]

Underlying total accounting return
(11.4)% -17.7ppt

Adjusted EPRA earnings
£22.1m (42.9%)

See-through loan-to-value
20.2% +0.6ppt

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.

Response to Covid-19
Over the course of 2020, the Company has reacted swiftly and decisively to changing circumstances as a result of the Covid-19 pandemic. The immediate and ongoing priority has been on protecting the health and safety of our people and customers. From a business perspective, we focused on preserving our strong balance sheet, minimising the impact on operations and ensuring the Company had adequate liquidity.

In early March 2020, the Board took the difficult but appropriate decision to implement prudent measures including cancellation of the payment of the final 2019 dividend, tapered reductions to salaries for high earners across the Company, cancellation of the 2020 bonus scheme and selective redundancies. While the Company considered using the Government's Coronavirus Job Retention Scheme for furloughed staff, this was ultimately not considered appropriate and these individuals were paid their salaries in full subject to the Company-wide tapered reductions to salaries. We have not made any adjustments to the targets for the 2018, 2019 and 2020 PSP awards, nor any other outstanding awards or bonus plans.

The Board agreed to a 20% reduction in salary and fees commencing in April 2020 and continuing until July 2020, when the salaries for the wider workforce were reinstated. It was agreed that the salary of the CFOO, who was assuming the role of Interim Chief Executive would be reduced by 10% in light of his additional responsibilities.

Remuneration outcomes in 2019/20
In the year to 30 November 2020, the Company delivered strong operational results in very challenging circumstances. During this challenging year it was important that the Committee took into account the impact on shareholders (share price movements and the withdrawal of our 2019 final dividend), the impact on our employees (pay reductions and redundancies) and on our stakeholders more widely when making decisions on executive pay.

Principal duties and activities undertaken in 2020:

- Finalising the remuneration policy which will apply for three years from the 2020 AGM and determining how the policy would be applied for 2020/21.
- Determining the remuneration arrangements for the Interim Chief Executive and the application of the remuneration policy in respect of the recruitment of Sarwjit Sambhi, Chief Executive Officer.
- Considering the impact of the Covid-19 pandemic on the business and directors' remuneration outcomes.
- Progressing the role and remit of the Committee in relation to reviewing wider workforce remuneration.
- Considering investor feedback from last year's remuneration report and preparing this report on directors' remuneration.

Areas of focus for 2021

- Reviewing the operation of the new policy in light of our evolving business strategy, culture and values while also taking due account of wider company pay structures.
- Monitoring emerging market trends and best practice.
- Considering further the evolution of the performance measures used for our incentive plans to ensure alignment to the market conditions, our business strategy and in particular the incorporation of relevant and proportionate Environmental, Social and Governance (ESG) measures.

Allocation of time during the year

- Executive remuneration – including new CEO remuneration
- Senior management and employee remuneration matters
- Governance and Committee matters
- General market updates – developments in remuneration
- Remuneration policy review and shareholder feedback

A significant portion of the executive directors' remuneration was linked to performance via the annual bonus plan and PSP, with the metrics used in those plans, as detailed on pages 83 and 84 of this report firmly supporting the strategic goals in place at the time the targets were set in 2019.

After very careful consideration, taking into account all relevant factors as described and detailed throughout this annual report, the Committee took the decision that the annual bonus plan should be cancelled and this decision was applied consistently across the workforce for 2020. As a result, there was no bonus payment to Rob Hudson, and neither Mark Allan nor Sarwjit Sambhi as directors leaving and joining in the year respectively were eligible for a bonus in 2020. All employees (excluding the executive directors and the Executive Committee) received a sum of £500 in recognition of their hard work in this difficult year.

The PSP award granted to Rob Hudson in 2018, was subject to performance conditions measured over the three financial years to 30 November 2020. The vesting of 50% of this award was subject to Total Shareholder Return (TSR) performance relative to a group of real estate companies, with the remaining 50% subject to absolute Total Accounting Return (TAR) targets. The TAR element failed to achieve the performance threshold and therefore lapsed. As the relative TSR portion has performed well due to the Company's strong performance compared to peers, 32.08% out of the 50% of Rob Hudson's award based on relative TSR will vest. The Committee considered that, in line with the treatment for all other PSP award holders within the business, this award should remain capable of vesting at this indicated performance level, recognising that this represented the delivery of strong operational and resilient financial performance over the three-year period to which the award related. The shares vesting will also be subject to a further two-year holding period.

Remuneration Committee evaluation

The Committee is pleased to report that the performance evaluation of the Committee's effectiveness concluded that the Committee continued to operate well. Areas identified for focus and the progress made against last year's areas of focus following evaluation are detailed below:

Area of focus	Specific actions	Progress made
Committee evaluation 2019		
To consider whether the long-term incentive plans relating to St. Modwen Homes are achieving their objectives and how they could be applied across business units to incentivise and reward performance for senior employees	• Committee review of arrangements in place for senior St. Modwen Homes employees	• PSP awards with business unit or Group specific stretching performance targets were developed and implemented for 2020 across the Company
Consider whether the Group's remuneration structures are in line with Company culture and policy	• A review undertaken in conjunction with the above process	• Review completed and findings reflected in award grants for 2020 with an ongoing process of review to ensure continued alignment
Committee evaluation 2020		
As our Environmental, Social and Governance (ESG) strategy, goals and milestones develop, we will need to evaluate what measures may be relevant to annual and long-term incentives	• To consider including ESG targets and performance measures for annual and long-term incentives in future years	• A metric has been introduced for 2021 relating to customer satisfaction within our primary customer business, St. Modwen Homes. Robust and measurable individual objectives will be applied, including the use of one or more ESG measures to support our Responsible Business ambitions. These metrics will be applied to the remuneration of both the executive directors and the Executive Committee. Further detail is provided on page 89
The Committee should further increase its time and focus on workforce pay and conditions including workforce reward and its alignment to executive reward	• Agendas to include regular workforce remuneration reviews	• To be reported in the Company's 2021 annual report

Application of policy in 2020/21
The Committee has considered whether there should be any fundamental changes to our remuneration policy or its operation for 2021 and has concluded that the current policy remains appropriate for the second year of its operation.

Accordingly, the structure of remuneration arrangements for 2021 will remain largely unchanged from that applied in 2020. Recognising the current environment and the need for financial prudence, no directors or senior executives will receive an increase in base salary. The staged reduction of the pension contribution for Rob Hudson, our CFOO, commenced from 1 December 2020 with the rate reducing from 15% to 13% of salary. This will reduce further, to 11% of salary, from 1 December 2021 before aligning to the workforce rate by the end of 2022. Sarwjit Sambhi's pension contribution is in line with the typical workforce rate which is currently 5% of salary. We intend to review the level of the workforce pension contribution in the coming year.

Executive directors will continue to have the opportunity to earn a bonus of up to 150% of salary, subject to the achievement of stretching performance targets. The measures and their weightings for 2021 have changed slightly, to provide a more rounded assessment of performance in line with our operational priorities. In line with the flexibility within the policy we have slightly reduced the weighting on EPRA earnings and TAR (from 75% to 60%) and introduced a metric for customer satisfaction within our primary customer business, St. Modwen Homes, for 15%. The metric will be based on independent, externally assessed survey scores. Robust and measurable individual objectives will be applied to the remaining 25%, including the use of ESG measures such as employee engagement to support our Responsible Business ambitions. Further detail is provided on page 89.

In line with normal policy, we intend to grant long-term incentive awards under our PSP at 150% of salary. However, we will carefully monitor the share price at the time of grant to ensure that it is not significantly lower compared to prior year awards, so that there could be a windfall in the event of a sharp improvement in the share price if the external outlook improves very suddenly. As noted earlier, the reference share price for the first PSP award granted to our new CEO will be the share price on 2 November 2020, the date he joined the Company. This approach ensures that he has a strong alignment of interest with shareholders from the outset. The awards are subject to stretching and rigorously applied TAR and TSR performance conditions, aligned to our strategy. There have been a small number of changes to the TSR comparator group for 2021 to ensure a robust comparator group and the TAR target range is stretching in light of our business plan.

In light of the additional responsibilities as Chair of the Group Health and Safety Committee, Jamie Hopkins received a Chair fee of £7,000 p.a. effective from 1 December 2020. There were no other increases in the fees and/or salaries for the directors in 2021.

Conclusion
I would like to thank my fellow Committee members and our remuneration advisors Korn Ferry for all their hard work and support in implementing the new remuneration policy, and dealing with the challenges to our remuneration approach posed by the Covid-19 pandemic.

I hope that you find the report clear and informative and I look forward to receiving your support for the resolution approving the Directors' remuneration report at the 2021 Annual General Meeting.

Jenefer Greenwood OBE
Chair of the Remuneration Committee
8 February 2021

Opportunity and outcome relate to the delivery of strategic objectives

Executive Director

2020 pay versus 2020 maximum opportunity (£'000)

Fixed pay Bonus PSP

Statement of shareholder voting at the AGM
The table below details the results of the shareholder vote to approve the Directors' remuneration report (Report) and the Directors' remuneration policy (Policy) at the 2020 AGM.

Resolution	Votes for	% of vote for	Votes against	% of vote against	Total votes cast	Votes withheld[1]
Approval of Report	155,863,400	98.82%	1,866,218	1.18%	157,729,618	803,406
Approval of Policy	152,277,889	96.07%	6,229,031	3.935%	158,506,920	26,104

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.

Remuneration at a glance

Putting into practice our Directors' remuneration policy (Policy) alongside implementation of our wider workforce approach.

How our Policy was implemented in the year ended 30 November 2020

Component	Feature	Alignment with workforce policies	Performance metrics (weighting)
Base salary	Competitive base salary to attract and retain individuals of the necessary calibre to effectively execute our strategy	Executive salary increases are typically no higher than the average for the wider workforce	N/A
Pension/benefits	To provide competitive post-retirement and other benefits in a cost-effective manner	On appointment as CEO, Sarwjit Sambhi's pension contribution was set in line with the rate received by the majority of the workforce. The CFOO's rate of pension contribution will be aligned with the workforce rate by 1 December 2022 The benefits available to executives are generally in line with those available to the wider workforce	N/A
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	The majority of our workforce participate in our annual bonus plan at varying levels	**2019/20** Adjusted EPRA earnings (37.5%) Total Accounting Return (37.5%) Personal/Strategic (25%)
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	Only the most senior individuals participate in the Performance Share Plan with stretching performance targets tailored to specific business units. 51 employees participating in 2020, promoting longer-term performance and aligning them to our shareholders' interests	**2018 Award vesting:** Relative TSR (50%) TAR (50%) **2020 Award granted:** Relative TSR (50%) TAR (50%)
Shareholding requirements	To ensure alignment of interests of executive directors and shareholders	Shareholding requirements are only in place for executive directors to strengthen the alignment of their interests with those of our shareholders	Executive directors are required to build up and maintain a shareholding worth at least 200% of base salary

*The Board agreed to a reduction in salary/fees during April, May and June 2020 in response to the impact of the Covid-19 pandemic.

How we implemented in 2019/20	How we intend to implement in 2020/21
CEO (Sarwjit Sambhi) – £600,000 (from 2 November 2020) CEO (Mark Allan) – £593,603 (until 13 April 2020) CFOO (Rob Hudson) – £375,000 (from 14 April until 1 November 2020 Interim Chief Executive) rate of pay – £470,000 (pro-rated)*	CEO (Sarwjit Sambhi) – £600,000 CFOO (Rob Hudson) – £375,000
15% of salary cash allowance in lieu of pension, plus standard benefits provision of company car/car allowance, private fuel and medical insurance	CEO (Sarwjit Sambhi) – 5% of salary cash allowance in lieu of pension, in line with the rate received by the majority of the workforce CFOO (Rob Hudson) – 13% of salary cash allowance in lieu of pension Standard benefits provided to both executive directors
2019/20 bonus cancelled as a result of Covid-19 CEO (Mark Allan) – not eligible (resigned 13 April 2020) CEO (Sarwjit Sambhi) – not eligible (appointed 2 November 2020) CFOO (and Interim Chief Executive from 14 April until 1 November 2020) (Rob Hudson) – n/a (0% of maximum) 40% of net bonus received is used to acquire shares which are retained for at least three years	CEO and CFOO – maximum opportunity of 150% of salary 40% of net bonus received is used to acquire shares which are retained for at least three years Customer metric in respect of 15% of the bonus opportunity with a corresponding reduction in the weighting on EPRA earnings and TAR (reduced from 75% to 60%). Personal objectives to include specific objectives on employees and ESG
32.08% of 2018 award vested based on performance up to year end 2020 CFOO – 2020 Awards made at 150% of salary Mark Allan was not eligible for an award given he was working his notice period. All outstanding PSP awards lapsed on cessation	CEO and CFOO – 2021 awards expected to be made over a maximum of 150% of salary No change to performance measures
CEO (Sarwjit Sambhi) – 15% of salary (appointed 2 November 2020) CFOO (Rob Hudson) – 204% of salary (share price on 30 November 2020 363.00p)	No change

Performance based pay and reward directly linked to our main key performance indicators

Adjusted EPRA earnings per share[1]
(pence)

Linked to annual bonus

See-through loan to value
(%)

Total accounting return
(%)

Linked to Annual bonus and PSP

Underlying total accounting return
(%)

Linked to Annual bonus and PSP

NAV per share
(pence)

Linked to Annual bonus and PSP

EPRA NTA per share[1]
(pence)

Linked to Annual bonus and PSP

1 EPRA net tangible assets introduced as a reporting metric from 2020, replacing EPRA net asset value per share in line with EPRA's best practice recommendations.

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* on pages 129 to 135.

For definitions of each of the key performance indicators, please see Glossary on pages 175 – 176 ⟶

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 (Regulations).

Directors' remuneration for the 2020 financial year (audited information)

	● Base salary/fees £000		● Benefits[2] £000		● Annual bonus[3] £000		● Share plans vesting £000		● Pension contribution/ allowance[7] £000		Other items £000		Total £000		●● Total fixed remuneration £000		●● Total variable remuneration £000	
Director	2020	2019	2020	2019	2020	2019	2020[5]	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive directors																		
Mark Allan[1]	**218**	594	**8**	24	–	–	–[4]	–	**33**	89	–	333[8]	**259**	1,040	**259**	707	–	333
Rob Hudson	**412**	333	**13**	14	–	374	**141**	291[6]	**56**	50	–	–	**622**	1,062	**481**	397	**141**	665
Sarwjit Sambhi[9]	**50**	–	**2**	–	–	–	–	–	**3**	–	–	–	**55**	–	**55**	–	–	–
Non-executive directors																		
Danuta Gray	**166**	170	–	–	–	–	–	–	–	–	–	–	**166**	170	**166**	170	–	–
Ian Bull	**63**	65	–	–	–	–	–	–	–	–	–	–	**63**	65	**63**	65	–	–
Simon Clarke	**46**	47	–	–	–	–	–	–	–	–	–	–	**46**	47	**46**	47	–	–
Jamie Hopkins	**46**	47	–	–	–	–	–	–	–	–	–	–	**46**	47	**46**	47	–	–
Jenefer Greenwood	**54**	56	–	–	–	–	–	–	–	–	–	–	**54**	56	**54**	56	–	–
Sarah Whitney	**46**	10	–	–	–	–	–	–	–	–	–	–	**46**	10	**46**	10	–	–
	1,101[10]	1,322	**23**	38	**0**	374	**141**	291	**92**	139	**0**	333	**1,357**	2,497	**1,216**	1,499	**141**	998

1 Resigned from the Board on 13 April 2020.
2 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.
3 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 2020 was determined is provided on page 83. 40% of the after tax amount of any bonus earned is required to be invested in shares and held for three years. Mark Allan did not receive an annual bonus in 2019 and was not eligible to receive an annual bonus in 2020 due to his resignation.
4 Mark Allan's PSP awards lapsed when he left the Company on 13 April 2020.
5 The performance period for the 2018 PSP awards ended on 30 November 2020. 32.08% of the award vested, further information can be found on page 84. Of the final vesting value of this award, there is a reduction in value of £20,467 attributable to share price reduction since grant. The Committee has not exercised any discretion in connection with the impact of share price on the value of this award. Further information on awards and performance conditions to which they were subject can be found on pages 84 and 85. As the awards had not vested as at the date of this report, their value has been estimated using a share price of 339.02 pence, being the three month average to 30 November 2020, plus 11.80 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 2020.
6 The 2019 figure of £357,000 has been restated based on the exact share price on the date of vesting of 357.00 pence.
7 Further details regarding pension entitlements can be found on page 86.
8 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 as to 96.14% of maximum, thereby resulting in 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 400.00 pence.
9 Appointed to the Board on 2 November 2020.
10 Includes reductions in fees/salary taken in response to Covid-19.

● Salary and fees

Mark Allan was paid £218,104 until he left the Company on 13 April 2020 (plus a pension allowance of 15% of salary). Rob Hudson's salary was increased to £375,000 effective 1 January 2020 reflecting his additional responsibilities and corresponding appointment as a combined CFOO. Following Mark Allan's departure in April 2020, Rob Hudson assumed the role of Interim Chief Executive receiving a salary of £470,000 until Sarwjit Sambhi was appointed on 2 November 2020. Sarwjit Sambhi's salary on appointment was set at £600,000, with a pension allowance of 5% of salary.

As a result of the impact of the Covid-19 pandemic on the Company, the Board agreed to a 20% reduction in salary and fees for the period between 1 April 2020 to 30 June 2020. The salary and fees paid to each Director for the year 2019/20 are set out in the table above. Following careful consideration the Committee agreed that Rob Hudson's salary during this time would be reduced by 10%, including the allowance of £95,000 p.a. for assuming the interim CEO role, due to the additional responsibilities he was undertaking for this period.

● 2019/20 annual bonus outturn (audited information)

In the financial year ended 30 November 2020, Rob Hudson had the opportunity to earn an annual bonus of up to 150% of base salary. 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. Following his resignation, Mark Allan was not entitled to earn a bonus in the year.

After very careful consideration, the Committee took the difficult, but wholly appropriate, decision that the 2020 annual bonus plan should be cancelled and this decision was applied consistently across the workforce. As a result, the outcome of the 2020 annual bonus was not formally assessed by the Committee. The details of the financial metrics are however summarised in the table 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	37.5%	£42.9m (-5%)	£45.2m	£47.5m (+5%)	£49.7m (+10%)	£22.1m	Bonus scheme cancelled
Total accounting return	Recognises the delivery of significant added value	37.5%	31.7 pence per share (-7.5%)	34.3 pence per share	36.9 pence per share (+7.5%)	39.4 pence per share (+15%)	(-55.4) pence per share	Bonus scheme cancelled
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: not assessed	Rob Hudson: Bonus scheme cancelled
		Award (% of salary)	37.5%	75.0%	112.5%	150.0%		Rob Hudson: N/A
		Award (% of maximum opportunity)	25.0%	50.0%	75.0%	100.0%		Rob Hudson: N/A

1 A narrower performance range has been set for the TAR element compared to last year reflecting the significant reduction in leverage and the repositioning of the portfolio which has reduced prospective volatility of the TAR result.

Long-term incentives (audited information)

2018 Performance Share Plan awards

The three-year performance period for the 2018 PSP awards ended on 30 November 2020. As explained in this report, Mark Allan's 2018 PSP award (together with his other PSP awards) lapsed upon him leaving the Company in April 2020. 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	20%	Upper quartile ranking	100%	Between median and upper quartile	32.08%
Total accounting return	50% of award	5% average per annum	20%	11% average per annum	100%	Below threshold	0%
Total							**32.08%**

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 the partial level of vesting and of St. Modwen's resilient 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.

2020 Performance Share Plan awards

On 11 March 2020, the following PSP awards were granted to Rob Hudson 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
Rob Hudson	150% of salary	563	125,979	20%

1 Calculated using the average share price of 446.50 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).

Mark Allan did not receive an award as he was serving his notice period prior to leaving the Company on 13 April 2020.

2020 Performance Share Plan awards – continued

The performance conditions which apply to these PSP awards are summarised below. The performance period started on 1 December 2019 and will end on 30 November 2022.

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 2020 awards are:

Barratt Developments
Bellway
British Land Company
Capital & Counties Properties
Grainger
Hammerson
Hansteen Holdings
Harworth Group
Land Securities Group
LondonMetric Property
Persimmon
Picton Property Income
SEGRO
Taylor Wimpey
Tritax Big Box
UK Commercial Property REIT
Urban & Civic
U and I Group
Vistry 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 award is 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 performance of the Company over the three-year performance period.

The award is also 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 2019	Awards made during year	Awards vested during year	Awards lapsed/ forfeited during year	**Awards held on 30 November 2020[4]**	End of performance period	Exercise period
Mark Allan[1]	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	224,170	–	–	(224,170)	–	30/11/21	20/02/22 to 19/02/29
Rob Hudson	07/07/17[2]	115,785	–	(77,807)	(37,978)	–	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	125,802		–	–	**125,802**	30/11/21	20/02/22 to 19/02/29
	11/03/20[3]	–	125,979	–	–	**125,979**	30/11/22	11/03/23 to 10/03/30
Sarwjit Sambhi[5]	–	–	–	–	–	–	–	–
	Total	1,091,934	125,979	(77,807)	(763,348)	**376,758**		

1 Mark Allan's PSP awards lapsed when he left the Company on 13 April 2020.
2 As set out in the 2019 Directors' remuneration report, the 2017 award vested at 67.2% of maximum based on performance against relative TSR and TAR targets. The award vested on 7 July 2020.
3 The share price used to calculate the number of shares awarded, under the rules of the PSP, was 446.50 pence, the three-day average share price before the date of the award.
4 Interests in share awards table excludes dividend equivalent shares.
5 Sarwjit Sambhi was appointed on 2 November 2020, no awards were granted to him in the year.

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 2019	Options granted during year	Options exercised during year	Options lapsed during year	Options held on 30 November 2020	Exercise price (pence)	Exercise period
Mark Allan[1]	13/08/18	9,090	–	–	(9,090)	–	330	01/10/23 to 31/03/24
Rob Hudson	13/08/18	4,545	–	–	–	**4,545**	330	01/10/23 to 31/03/24

1 Mark Allan's SAYE options lapsed when he left the Company on 13 April 2020.

The closing mid-market share price on 30 November 2020 was 363.00 pence and the price range during the year was 300.00 pence to 530.00 pence.

Pension entitlements (audited information)

Mark Allan (prior to leaving the Company on 13 April 2020) and Rob Hudson received a pension contribution of 15% of base salary in 2019/20 and Sarwjit Sambhi (from appointment on 2 November 2020) received a pension contribution of 5% of salary. The pension contribution 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 £	
Executive director	**2020**	2019
Sarwjit Sambhi	**2,500**	–
Rob Hudson	**55,831**	49,969
Mark Allan	**32,716**	89,040
Total	**91,047**	139,009

Further information on the Company's pension scheme is shown in note 23 to the Group financial statements.

Treatment of Mark Allan's remuneration on cessation of employment

As announced on 22 November 2019, Mark Allan left St. Modwen on 13 April 2020. Details of the remuneration-related elements of his resignation are set out below (which are aligned to the Company's remuneration policy, Mark's service contract and rules of the annual bonus and PSP):

- Mark continued to receive his base salary, benefits and pension up to the date of cessation of his employment;
- he did not participate in the 2020 bonus; and
- all of his outstanding share awards lapsed when he left the Company.

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 2020			
	Ordinary shares	*Long-term incentive* awards vested but unexercised[3]	Long-term incentive awards not yet vested	SAYE options
Executive directors				
Sarwjit Sambhi[1]	25,200	–	–	–
Rob Hudson	210,253	–	376,758	4,545
Mark Allan[2]	287,269	–	–	–
Non-executive directors				
Danuta Gray	18,861	–	–	–
Ian Bull	42,500	–	–	–
Simon Clarke	2,704,157	–	–	–
Jenefer Greenwood	10,359	–	–	–
Jamie Hopkins	12,564	–	–	–
Sarah Whitney	20,432	–	–	–

1 Sarwjit Sambhi joined as Chief Executive Officer on 2 November 2020.
2 Mark Allan's shareholding and awards are as at 13 April 2020 when he left the Company. All share awards lapsed on this date.
3 Of awards not yet vested as at 30 November 2020, the performance conditions for the 2018 PSP Award have post 30 November 2020 been tested and 40,092 will vest on 20 March 2021 and 84,885 shares will lapse.

There have been no changes in the above shareholdings or interests between 30 November 2020 and the date of this report. Alison Nimmo joined the Board on 1 February 2021 and at the date of this report held no shares in the Company.

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 2020[1]	Shareholding requirement as % of base salary	Value of shareholding at 30 November 2020 as % of base salary[2]
Sarwjit Sambhi	25,200	200%	15%
Rob Hudson	210,253	200%	204%
Mark Allan	287,269	200%	–

1 Mark Allan's shareholding at the date he left the Company on 13 April 2020.
2 Based on the closing mid-market share price on 30 November 2020 of 363.00 pence and salary as at 30 November 2020.

External appointments (unaudited information)

None of the executive directors currently hold external appointments.

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 2010 and values at intervening financial year ends over a 10-year period to 30 November 2020. 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 Officer remuneration for year ended 30 November	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020[7]
Total remuneration (£000)[1]	1,049	1,672	2,419	3,083	1,931	867	2,592	2,434	1,040	**600**
Annual bonus awarded (as a % of maximum opportunity)	95.0	90.0	95.0	100.0	100.0	53.3	80.7	76.1	N/A[5]	**0.0**
PSP vesting (as a % of maximum opportunity)	–	45.8[2]	100.0	100.0	100.0	–	–	–	N/A[5]	**N/A**
Share Award (Mark Allan)	–	–	–	–	–	–	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 82.
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 97.7%.
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 have since lapsed when he left the Company on 13 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).
7 For 2020, the total remuneration consists of the salary, pension and benefits of each of the individuals who undertook the role of Chief Executive during the year (Mark Allan, Rob Hudson and Sarwjit Sambhi). The bonus was cancelled for 2020 following the onset of the Covid-19 pandemic. The 2018 PSP award vesting to Rob Hudson at 32.08% of maximum was granted to him in respect of his role as Chief Financial Officer so has not been included. The 2018 Award to Mark Allan lapsed on cessation of his employment.

Change in remuneration of directors compared to employees (unaudited information)

The table below shows the percentage change in salary, benefits and annual bonus between the years ended 30 November 2019 and 30 November 2020 for the directors of the Company, and for all permanent employees of the Group. Reductions in salary and fees were in place across the Company between 1 April and 30 June 2020 in response to the impact of the Covid-19 pandemic.

	Change in base salary/fees %	Change in benefits %	Change in annual bonus % (Decrease)
All permanent employees	2.5[1]	–[2]	(94)[3]
Sarwjit Sambhi (Chief Executive Officer)[4]	N/A	N/A	N/A
Rob Hudson (Interim Chief Executive)[5]	23.6	–	(100)[3]
Mark Allan (former Chief Executive Officer)[6]	N/A	N/A	N/A
Danuta Gray (Chair)	(4.9)[7]	0	N/A
Ian Bull (NED)	(4.9)[7]	0	N/A
Simon Clarke (NED)	(4.9)[7]	0	N/A
Jamie Hopkins (NED)	(4.9)[7]	0	N/A
Jenefer Greenwood (NED)	(4.9)[7]	0	N/A
Sarah Whitney (NED)	(4.9)[7]	0	N/A

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 6.4%.
2 There was no change to the overall structure of benefits available to permanent employees.
3 The 2020 bonus scheme was cancelled for all employees. All employees below Executive Committee level received a one-off payment of £500 each.
4 Sarwjit Sambhi was appointed Chief Executive Officer on 2 November 2020 and therefore there is no prior year remuneration.
5 Rob Hudson's responsibilities were reviewed and with effect 1 January 2020 was appointed Chief Financial and Operations Officer on a salary of £375,000. He was appointed Interim Chief Executive following Mark Allan leaving the Company on 13 April 2020, receiving a £95,000 temporary increase in salary and held this role until Sarwjit Sambhi joined the Company on 2 November 2020. His salary was reduced in April, May and June 2020 as part of the response to the Covid-19 pandemic.
6 Mark Allan was not eligible to receive a bonus in respect of the financial years ending 30 November 2019 or 30 November 2020 as he resigned in November 2019.
7 The Chair and non-executive directors received a 20% fee reduction in April, May and June 2020 as part of the response to the Covid-19 pandemic.

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 2019	Year ended 30 November 2020	% Increase/ (Decrease)
Total spend on pay	Note 5c	£48.6m	**£42.9m**	(11.7)%
(Loss) for the year	Group income statement	£49.5m	**(£120.8)m**	(344.0)%
Dividends paid	Note 9	£16.9m	**£2.4m**	(85.8)%
Equity attributable to owners of the Company	Group balance sheet	£1,075.7m	**£950.4m**	(11.6)%

While total spend on pay in the above table decreased by 11.7% in the year, as disclosed in note 5c of the Group financial statements, this is principally because average employee numbers increased by 6.3% in the year. As explained throughout this report, as part of the Covid-19 response, the Company implemented prudent measures around pay such as tapered reductions to salary and the cancellation of the 2020 bonus scheme.

For further information on the performance of the business refer to the financial review on pages 33 – 37 ⟶

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

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 and is consistent with our approach in prior years.

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 undertaken by external consultants in 2018 and reviewed in 2019 indicated a favourable report against comparable organisations.

Chief Executive pay ratio	2018/19	2019/20
Method	A	**A**
Chief Executive single figure	1,040	**600**
Upper quartile	13:1	**8:1**
Median	20:1	**11:1**
Lower quartile	34:1	**19:1**

The salary and total pay for the individuals identified at the lower quartile, median and upper quartile positions in 2019/20 are set out below:

2019/20 Chief Executive pay ratio	Salary	Total pay
Upper quartile	£64,037	£78,993
Median	£39,900	£52,635
Lower quartile	£29,905	£31,761

1 The single figure for the Chief Executive is based on the sum of the salary, pension and benefits for the applicable periods of each of the individuals that undertook the role of Chief Executive during the year (Mark Allan, Rob Hudson and Sarwjit Sambhi). The bonus was cancelled for 2020 following the onset of the Covid-19 pandemic. The 2018 PSP award vesting to Rob Hudson at 32.08% of maximum was granted to him in respect of his role as Chief Financial Officer so has not been included. The 2018 PSP Award to Mark Allan lapsed on cessation.
2 The employee comparison is based on the payroll data for the year ended 30 November 2020 for all UK employees and includes employer pension contributions, life assurance and other benefits.

How we will apply our remuneration policy for 2020/21

● Base salary

There will be no increase to base salaries in 2020/21.

Executive director	Base salary as at 30 November 2020	Base salary with effect from 1 December 2020	% Increase
Sarwjit Sambhi	£600,000	£600,000	0%
Rob Hudson	£375,000	£375,000	0%

● Benefits and pension arrangements

Benefits will be consistent with the policy detailed on pages 92 to 98. Rob Hudson will receive cash allowances in lieu of pension contributions at a reduced rate of 13% of salary with his pension rate being aligned with the workforce rate by the end of 2022. As agreed on appointment, Sarwjit Sambhi will receive a cash allowance in lieu of pension at a rate of 5% of salary, which is in line with the current workforce rate.

● Annual bonus

Sarwjit Sambhi and Rob Hudson will have the opportunity to be awarded a bonus of up to 150% of salary.

The Committee has reviewed the measures to ensure that they are in line with the strategic priorities and for 2021 have introduced a metric for customer satisfaction within our primary customer business, St. Modwen Homes, for 15% of the bonus, with a corresponding reduction in the weighting on EPRA earnings and Total Accounting Return. The customer metric will be based on independent, externally assessed NHBC/HBF new homes survey scores (the NHBC customer recommend). Robust and measurable individual objectives will be applied to the remaining 25%, including the use of ESG measures such as employee engagement, to support the Company's Responsible Business ambitions.

In addition, the bonus will be subject to explicit underpin based on safety performance such that if the safety record is not considered adequate, the Committee have the ability to reduce the bonus payout, including to zero.

As such, the 2021 bonus 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	30%	Budget -10%	Budget	Budget +10%	Budget +20%
Total accounting return	Recognises the delivery of significant added value	30%	Budget -15%	Budget	Budget +15%	Budget +30%
(NHBC/HBF) new homes survey score	Reinforces emphasis on a culture of strong customer service	15%	Target -2%	Target	Target +2%	Target +3%
Personal:						
Individual targets for executive directors	Ensures that each director focuses on his individual contribution in the broadest sense through business performance, ESG objectives, leadership role, people and team, and personal objectives	25%	Substantially met	Met	Exceeded	Significantly exceeded

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.

Given the significant levels of uncertainty the business is operating in, the target ranges for TAR and EPRA earnings are positioned wider than in 2020, although in line with previous practice at the Company and delivering what the Committee consider to be appropriate levels of pay for performance achieved.

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 2021. This report will also include detailed commentary on the key deliverables, and assessment of outcomes, for personal objectives.

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

PSP awards are to be granted to Sarwjit Sambhi and Rob Hudson over shares worth 150% of salary. The performance measures and targets are summarised in the table below. The Committee is satisfied that the targets are suitably stretching given the current market environment. Performance against each target will be measured independently over the three financial years ending on 30 November 2023.

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
Bellway
British Land Company
Custodian REIT
Grainger
Hammerson
Harworth Group
Henry Boot
Land Securities Group
London Metric Property
Persimmon
Picton Property Income
SEGRO
Taylor Wimpey
Tritax Big Box
UK Commercial Property REIT
Vistry Group

As noted earlier, this comparator group has been chosen to reflect the evolving nature of the Company's business by, for example including certain listed housebuilders and with the constituents revised versus the 2020 group as a result of corporate activity. The 2020/21 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 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, a fee was approved for the role of Chair of the Group Health and Safety Committee with effect from 1 December 2020. There has been no other change in base fees payable to the Chair and non-executive directors.

	Fee as at 30 November 2020 ('000)	Fee with effect from 1 December 2020 ('000)	% Increase
Base fee			
Chair	174,250	174,250	0%
Non-executive directors	48,246	48,246	0%
Additional fees			
Senior Independent Director	9,000	9,000	–
Audit Committee Chair	9,000	9,000	–
Remuneration Committee Chair	9,000	9,000	–
Group Health and Safety Committee Chair	–	7,000	–

Dates of appointment of directors

Director	Date of appointment	Date of contract/original letter of appointment	Expiry of current term
Executive directors			
Sarwjit Sambhi	2 November 2020	28 September 2020	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 2023
Simon Clarke	11 October 2004	4 October 2004	10 October 2021
Jenefer Greenwood	1 June 2017	1 June 2017	31 May 2023
Jamie Hopkins	1 March 2018	29 January 2018	29 February 2024
Sarah Whitney	16 September 2019	12 September 2019	15 September 2022
Alison Nimmo	1 February 2021	25 January 2021	31 January 2024

Dilution limits

In line with the rules of the PSP, 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 2020 was as follows:

Type of scheme	Limit	Actual
All schemes	10%	3.56%
Discretionary schemes only	5%	2.84%

As at 30 November 2020, the Company's Employee Share Trust (Trust) held 390,529 shares (2019: 210,434 shares) in the Company to enable it to satisfy the vesting and exercise of awards. The Trust has waived the right to receive dividends paid on these shares.

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. The Committee also receives input from the CEO 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 CEO nor the General Counsel and Company Secretary were present when their own remuneration was discussed.

Fees are charged on a cost incurred basis and the fees charged in the year ended 30 November 2020 totalled £129,709. 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.

This report on remuneration has been approved by the Board and signed on its behalf by

Jenefer Greenwood OBE
Chair of the Remuneration Committee
8 February 2021

Directors' remuneration policy

The Directors' remuneration policy as set out below was put to a binding shareholder vote at the Annual General Meeting on 24 April 2020 and will apply for the period of three years from the date of approval. It was approved by shareholders with 96% support.

● 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 to survive 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. 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. 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.
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 out performance 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 has involved 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 (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 the 2018 UK Corporate Governance Code (the 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 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 NED' to ensure that the views of employees on all matters (including remuneration) are taken into account.

The Committee's Terms of Reference have been reviewed to ensure that they reflect the expanded scope required by the 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 our 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 charts on page 96 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
- in 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. 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 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 88 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 opportunities provided to Sarwjit Sambhi and Rob Hudson under the remuneration policy at different levels of performance for the 2020/21 financial year.

CEO
(£'000)

CFOO
(£'000)

■ Fixed pay
■ Annual bonus
■ LTIP
□ 50% share price growth on LTIP

1 Minimum performance: comprising the minimum remuneration receivable (i.e. fixed pay only, being base salary, pension allowances for the 2020/21 financial year and assuming £15,000 in respect of benefits (broadly in line with the value receivable by directors).
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 the value of dividends payable on vested PSP awards 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 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).

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

The Company's policy is for executive directors to have service agreements which may be terminated by the Company for breach by the executive or 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 overleaf 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, 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 apply 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.

Directors' report

The Directors of the Company present their report for the year ended 30 November 2020. This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report for the purposes of the Disclosure and Transparency Rule 4.1.8R.

Information incorporated by reference

Information that is relevant to this report, and which is incorporated by reference, including information required in accordance with the Companies Act 2006 (Act) can be located on the following pages:

Information	Reported in	Pages
Corporate Governance	Corporate Governance report	50–98
	Statement of directors' responsibilities	102
Directors	Board of Directors	52–53
Engagement with suppliers, customers and others	Strategic report	12–13
	Board and stakeholders	58–59
Financial Instruments	Financial statements – note 20	155–158
Going Concern	Going concern and viability statements	46–47
Likely future developments	CEO's review	6–8
Results and dividends	Financial review	33–37

Disclosures required under Listing Rule 9.8.4R

Section	Topic	Page
1	Capitalised Interest	141
2	Publication of unaudited financial information	n/a
4	Details of any long-term incentive plans established to recruit or retain a director	84–85
5 & 6	Waiver of emoluments by a director	n/a
7 & 8	Non pre-emptive issues of equity for cash	n/a
9	Parent Company participation in placing by a listed company	n/a
10	Contracts of significance	n/a
11	Provision of services by a controlling shareholder	n/a
12 & 13	Shareholder waiver of dividends	99
14	Agreements with controlling shareholders	n/a

AGM

The 2021 Annual General Meeting (AGM or Meeting) will be held at 10.30am on 1 April 2021 at Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ. The AGM will also be broadcast online to allow shareholders to join the meeting remotely. Further information on the AGM including notes on the resolutions being proposed, guidance on how to join the Meeting and information on voting is set out in the Notice of Meeting which has been circulated to shareholders and is available online at www.stmodwen.co.uk.

Share capital

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. As at 30 November 2020, there were 222,626,988 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

During the year, and in accordance with the authority granted by shareholders at the 2020 AGM, 250,000 ordinary shares were allotted at par value to the Company's Employee Share Trust to enable it to satisfy the vesting and exercise of awards of ordinary shares made under the Company's share-based incentive arrangements. A resolution to renew this standard authority will be proposed at the 2021 AGM.

Purchase by the Company of its own shares

At the 2020 AGM, shareholders renewed the Company's authority to make market purchases of up to 22,262,698 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 2021 AGM and a resolution to renew it will be proposed.

Employee Share Trust

As at 30 November 2020, Equiniti Trust (Jersey) Limited, as Trustee of the St. Modwen properties PLC Employee Share Trust (Trust) held 390,529 shares in the Company (2019: 210,434), representing 0.18% (2019: 0.09%) of the Company's issued share capital. The Trust deed contains a full dividend waiver provision in respect of shares held by the Trust. 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 was no market purchase of shares by the Trust during the financial year.

Further details regarding the Trust and shares issued pursuant to the Company's share-based incentive arrangements are set out in note 21 to the Group financial statements →

Substantial holdings

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 2020, 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	Total voting rights	% of total voting rights
Aviva plc	18,971,324	8.53%
Royal London Asset Management Ltd	17,835,903	8.02%
Simon Clarke and close family members	15,175,196	6.82%
J O Hambro Capital Management Limited	11,128,104	5.00%
BlackRock, Inc.	Below 5%	Below 5%

In the period from 30 November 2020 to the date of this report, the Company received four further notifications in accordance with DTR5 from J O Hambro Capital Management Limited, the most recent being on 29 January 2021, disclosing a holding of 11,143,306 ordinary shares (5.00%) all held indirectly.

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 2021 AGM are set out in the Notice of Meeting.

Restrictions of the transfer of shares
As at 30 November 2020 and the date of this report, there were no restrictions on the transfer of ordinary shares in the Company, other than those that are set out in the Articles or apply as a result of the operation of law or regulation. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Appointment and replacement of directors
The appointment and replacement of directors is governed by the Articles, the UK Corporate Governance Code (Code), the Act 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.

Each of the directors will stand for election or re-election by shareholders at the 2021 AGM. In addition to any power of removal conferred by the Act, the Company may by special resolution remove any director before the expiry of their period of office.

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 a 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 annual general meeting.

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 2020 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.

Conflicts of interest
With the exception of service agreements or those contracts detailed in note 26 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.

Articles of Association
The Articles of Association (Articles) can only be amended, or new Articles adopted, by a special resolution passed at a general meeting of the Company. 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.

Employee engagement
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 12, 26 and 27 of the strategic report and page 58 of the governance report. 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 interests, 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 2020 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.

Political donations
In accordance with the Company's policy, no political donations were made, and no political expenditure was incurred during the year.

Branches
The Group does not operate any overseas branches.

Important events since 30 November 2020
There have been no important events affecting the Company or any subsidiary since 30 November 2020.

Auditor
KPMG LLP has indicated its willingness to remain in office, and, on the recommendation of the Audit Committee, a resolution to reappoint KPMG LLP as the Company's auditor will be proposed at the 2021 AGM.

Greenhouse gas emissions and Streamlined Energy and Carbon Reporting (SECR)

The disclosures required by law relating to the Group's greenhouse gas emissions (GHG) and Streamlined Energy and Carbon Reporting (SECR) requirements are set out below. GHG emissions 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 head office, certain regional offices, St. Modwen Homes' sales offices, landlord areas of tenanted properties);
- Gas and electricity at properties which are let to tenants, but which is recharged by way of a service charge;
- Petrol and diesel used in Company cars and vans; and
- Diesel fuels used at sites (generators, construction equipment e.g. fork lifts).

Carbon reduction actions taken in the year

During 2020 we switched to a REGO backed green electricity supply for part of our business operations, and will be switching to 100% REGO backed green electricity in 2021 for all business activities. We have engaged with a Green Fleet provider to enable more opportunity for company cars to be all electric. St. Modwen Logistics developed our largest-ever logistics development to date at Tamworth, Staffordshire being the first BREEAM Excellent and operationally net zero carbon building.

In 2020 we set a net zero carbon ambition, to be operationally net zero carbon by 2025 and fully net zero carbon by 2040, and have undertaken detailed modelling to understand our footprints over time and have created our net zero carbon delivery roadmaps. Our 2021 action plans include trialling new innovations, including PV powered site cabins, electrically powered construction plant at St. Modwen Homes, and delivering BREEAM Excellent on our larger scale logistics facilities.

Energy efficiency action taken in the year

Our business strategy aligns with improving energy efficiency across our portfolio as we have been actively disposing of older assets to focus on newer builds with better performance. All our new industrial units are provided with electric heating and cooling, a new sustainable design code has been developed to minimise energy needs through considering building orientation and solar gain/shading, and specifying the most efficient heating and LED lighting systems. We have commenced a programme of installing smart meters in all properties that currently don't have one to enable more detailed energy capture and analysis of efficiency improvement opportunities, and replacing over time gas heating systems with electric systems in assets we retain in our portfolio.

For more information on our responsible business ambitions see www.stmodwen.co.uk/delivering-responsibly/

	2019/20		2018/19	
	kWh	CO_2 emissions (tonnes)	kWh	CO_2 emissions (tonnes)
Scope 1:				
Purchased gas	**6,664,372**	**1,225.4**	11,761,360	2,162.3
Diesel use at site	**6,701,218**	**1,830.1**	6,846,251	1,781.6
Company cars	**1,066,569**	**268.2**	1,327,703	346.5
Other vehicles	**420,141**	**107.4**	315,211	86.1
Total Scope 1	**14,852,299**	**3,431.1**	19,935,314	4,376.4
Scope 2:				
Purchased electricity	**15,435,052**	**3,598.4**	14,369,113	3,672.7
Total scope 2	**15,435,052**	**3,598.4**	14,369,113	3,672.7
Total scope 1 & 2	**30,287,352**	**7,029.5**	34,304,428	8,049.2
Intensity ratio				
Property portfolio value (£m)		**1,371.2**		1,484.6
tCO_2 emissions/£m property portfolio[1]		**5.1**		5.4
Market-based emissions				
Scope 2 market-based emissions[2]	**8,453,156**	**1,970.7**	14,369,113	3,672.7
Total scope 1 & scope 2 (market-based) emissions	**23,305,455**	**5,401.8**	34,304,428	8,049.2

1 Equivalent CO_2 per £m of property portfolio held by the Company.
2 Market-based emissions have been reported for 2020 and 2019. We have used a zero-emission factor where we have renewable contracts in place.

Methodology

Emissions have been calculated using the requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the measurement of emissions is based on the 'UK Government GHG Conversion Factors for Company Reporting' (June 2020) as issued by the Department for Business, Energy & Industrial Strategy and the Department for Environment, Food & Rural Affairs. The UK Government's GHG Conversion Factors for Company Reporting 2019 and 2020 have been used within the reporting methodology. The required SECR reporting guidance and conversion of litres for fuel types into kWh has been used.

Organisation boundary and responsibility

The Company does not have responsibility for GHG emissions that are 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.

The directors' report, prepared in accordance with the requirements of the Companies Act 2006 and the FCA's Listing and Disclosure and Transparency Rules and comprising pages 99 to 102, was approved by the Board and signed on its behalf by

Andrew Eames
General Counsel and Company Secretary
8 February 2021
St. Modwen Properties PLC
Company No: 00349201

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

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

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

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

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

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

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

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

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

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

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.

Signed on behalf of the Board by:

Sarwjit Sambhi
Chief Executive Officer

Rob Hudson
Chief Finance and Operations Officer

Financial statements and Additional information

Financial statements

Additional information

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 2020 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 notes to the Group and Company financial statements.

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 to the extent applicable.

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 four financial years ended 30 November 2020. 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	£15.0m (2019: £16.25m) 1% (2019: 1%) of total assets	
Coverage	97% (2019: 97%) of Group total assets	
Key audit matters		**vs 2019**
Event driven	**New:** Going concern as a result of the uncertainties due to Covid-19	▲
Recurring risks	Valuation of investment properties	◀▶
	Carrying value of housebuilding inventory and allocation of cost of sales to housebuilding revenue	◀▶
Company key audit matter	Carrying value of investments in subsidiaries and joint ventures	◀▶

2. Key audit matters: 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 decreasing order of significance, in arriving at our audit opinion, 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
Going concern as a result of the uncertainties due to Covid-19 *Refer to page 71 (Audit Committee report) and pages 116 and 117 (accounting policy and financial disclosures).*	**Accounting basis:** Going concern is considered to be a key audit matter. The Group relies on external finance and there are financial covenants associated with those borrowings. The significant uncertainty caused by the global Covid-19 pandemic creates additional focus on going concern due to the severity of the possible economic downsides that may be encountered and the impact on house prices, sales rates and rent collection. The risk is whether appropriate judgements have been made in relation to going concern in the basis of preparation and in the identification of any material uncertainty which creates significant doubt over the Group's ability to continue as a going concern.	Our procedures included: • **Funding assessment:** inspecting bank agreements and correspondence to corroborate financing arrangements and covenants attached to these borrowings; • **Methodology implementation:** assessing the complex financial models supporting the going concern forecasts with the assistance of our spreadsheet modelling team to check whether they perform the intended calculation; • **Historical comparisons:** assessing forecasting accuracy by comparing forecasts made after the start of the Covid-19 pandemic to those achieved during 2020; • **Benchmarking assumptions:** comparing the Group's assumptions to externally derived or historically achieved data in relation to key inputs such as forecast house prices, sales rates and rent collections and assessing whether the downside assumptions are sufficiently severe; • **Sensitivity analysis:** considering the impact on the level of available financial resources and compliance with covenants of reasonably possible (but not unrealistic) adverse sensitivities over the identified critical factors; and • **Assessing transparency:** assessing the completeness and accuracy of the matters covered in the going concern disclosures. **Our results** • We found the going concern basis of preparation and disclosure without any material uncertainty to be acceptable.

2. Key audit matters: our assessment of risks of material misstatement – continued

	The risk	Our response
Valuation of investment properties (£852.8m; 2019: £958.1m) *Refer to page 71 (Audit Committee report), page 118 (accounting policy) and pages 143 to 145 (financial disclosures).*	**Subjective valuation:** Valuation of investment properties, including those under development, held at fair value is one of the key areas of estimation 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, estimated rental values (ERVs), forecast build costs and sales prices. There is a greater level of estimation uncertainty in respect of a few large-scale regeneration assets which are at an early stage of development, particularly in relation to forecasts of infrastructure costs specific to these properties. The Covid-19 pandemic adds further uncertainties to the valuation of investment properties. The effect of these matters is that, as part of our risk assessment, we determined that the value of investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 10) disclose the sensitivity estimated by the Group.	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; • **Assessing valuers' credentials:** critically assessing the independence, professional qualifications, competence and experience of the external valuers used by the Group including whether the external valuers had been subject to undue influence from the Company; • **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 available market data. Key assumptions for income producing assets are ERV and yield rates. 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; • **Benchmarking assumptions:** for certain large scale regeneration assets at an early stage of development, there is a greater level of estimation uncertainty for the forecasts of costs to complete infrastructure works. The Group uses external cost consultants to assist it in preparing these forecast cost estimates. We performed additional work on these forecast costs by selecting a sample and comparing the estimates to subcontractor quotations, industry benchmarks and historical experience (for which we were assisted by our own major project advisory specialists which include quantity surveyors); • **Test of detail:** performing analytical procedures on properties not included in the sample looked at by our valuation specialists to identify movements that were not in accordance with our expectations based on our understanding and performing tests of detail on these properties to obtain further evidence, such as new lease agreements; • ***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; and • **Assessing transparency:** critically assessing the adequacy of the Group's disclosures in relation to the judgement and any material valuation uncertainties in relation to valuing properties. **Our results** • We found the valuation of investment properties to be acceptable (2019: acceptable).

	The risk	Our response
Carrying value of housebuilding inventory and cost of sales recognition Housebuilding inventory (£373.0m; 2019: £384.2m) Housebuilding cost of sales (£229.5m; 2019: £236.7m) *Refer to page 71 (Audit Committee report), pages 118 and 119 (accounting policy) and page 151 (financial disclosures).*	**Subjective estimates:** Housebuilding inventories comprise properties which are under construction with a view to sell, land which has been acquired for future development with a view to subsequent sale and properties which have been previously developed and are ready for sale. In order to assess the net realisable value of housebuilding inventory and the allocation of cost of sales to recognise on housebuilding revenue, 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 or the allocation of cost of sales not being accurately measured, resulting in profit on housebuilding sales not being appropriately recognised. The forecast margin drives the recognition of housebuilding profits as each unit is sold, which is a key judgement and is where management override could occur. The Covid-19 pandemic adds further uncertainties to the valuation of housebuilding inventories. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of inventory has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 14) disclose the sensitivity estimated by the Group.	*Our procedures included:* • **Methodology choice:** critically assessing whether the methodology used by the Group to recognise housebuilding cost of sales is in accordance with the Group's accounting policies; • **Test of details:** performing testing on a sample of relevant data elements within the site appraisals, such as forecast plot revenue, forecast costs and square feet area and comparing them to supporting evidence such as sales prices on comparable units, supplier cost quotations and site plans to assess the reliability of the data; • **Historical comparisons:** comparing total actual sales achieved in the year to the budgeted selling price for those plots to assess management's ability to forecast accurately. We performed a look-back analysis on completed sites and compared final out-turn margin to the prior year forecast margin; • **Our sector expertise:** performing a risk assessment on the appraisals using criteria including changes in the cost and revenue per square foot, sites with low margins, stage of the development, volume of in year sales, quantum of work in progress and the level of contingency cost on the site as well as through enquiry and review of board minutes to identify higher risk factors; • **Test of details:** for sites identified as higher risk, performing additional testing according to the risk criteria, e.g. comparing a selection of forecast sales values to actual sales prices achieved in the year or comparing a selection of forecast costs to supporting documentation, such as contracts or works orders; • **Test of details:** in order to assess the net realisable value of work in progress we considered the site forecast margins, to identify any sites with a negative or low margin. We made enquiries of management to identify any sites where there had been significant changes to appraisal margins and changes in the planning status of undeveloped land. We considered sites where plots are build complete and not reserved at year end to determine if this was an indicator of net realisable value risk. We looked at post-year-end sales and appraisals to confirm no significant movement post-year end that may have indicated recoverability issues at year end; • **Test of details:** recalculating total cost of sales recognised in year, based on housebuilding revenue by site and estimated margins from the site appraisals and comparing it to the actual cost of sales recognised; and • **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 cost of sales recognition to be acceptable (2019: acceptable).

2. Key audit matters: our assessment of risks of material misstatement – continued

	The risk	Our response
Carrying value of investments in subsidiaries and joint ventures (£789.9m; 2019: £877.9m) *Refer to page 166 (accounting policy) and page 167 (financial disclosures).*	**Low risk/high value:** Investments in subsidiaries and joint ventures represent 45% (2019: 45%) 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:** reperforming the equity method calculation used to determine the carrying value of the investments in subsidiaries and joint ventures and assessing the recoverable amount of 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 (2019: acceptable).

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

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 £15.0m (2019: £16.25m), determined with reference to a benchmark of Group total assets of £1,500.8m (2019: £1,651.3m), of which it represents 1% (2019: 1%).

In addition, we applied materiality of £3.5m (2019: £3.5m) to revenue, costs, administrative expenses and net finance costs, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

Materiality for the parent Company financial statements as a whole was set at £14.75m (2019: £16.0m), determined with reference to a benchmark of company total assets, of which it represents 0.75% (2019: 0.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.75m (2019: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 79 (2019: 77) reporting components, we subjected 7 (2019: 11) to full scope audits for Group purposes and 4 (2019: 3) 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 around investment property that needed to be addressed. The audit of all components, including the parent Company, were completed by the Group audit team.

The components within the scope of our work accounted for the percentages illustrated opposite. The Group audit team approved the component materialities, which ranged from £0.25m to £9.0m (2019: £0.3m to £13.0m), having regard to the mix of size and risk profile of the Group across the components.

The remaining 5% of Group revenue, 15% of Group loss before tax, and 3% of total Group assets is represented by 68 reporting components, none of which individually represented more than 1% of any of total Group revenue, total Group loss 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.

Group total assets
£1,500.8m (2019: £1,651.3m)

Group materiality
£15.0m (2019: £16.25m)

● Group total assets
● Group materiality

Group revenue 2020
95%

● Full scope for Group audit purposes / 95%
● Residual components / 5%

Group revenue 2019
100%

● Full scope for Group audit purposes / 100%

Group loss before tax 2020
98%

● Full scope for Group audit purposes / 74%
● Specified risk-focused audit procedures / 24%
● Residual components / 2%

Group profit before tax 2019
94%

● Full scope for Group audit purposes / 85%
● Specified risk-focused audit procedures / 9%
● Residual components / 6%

Group total assets 2020
97%

● Full scope for Group audit purposes / 86%
● Specified risk-focused audit procedures / 11%
● Residual components / 3%

Group total assets 2019
97%

● Full scope for Group audit purposes / 87%
● Specified risk-focused audit procedures / 10%
● Residual components / 3%

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 12 months 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.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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 same statement under the Listing Rules set out on page 102 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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 46 that they have carried out a robust assessment of the emerging and 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.

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.

Based solely on our work on the other information described above:

- with respect to the corporate governance statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the corporate governance statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

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 102, 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 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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

8 February 2021

Group income statement

for the year ended 30 November 2020

	Notes	2020 Total £m	2019 Underlying £m	2019 Exceptional[1] £m	2019 Total £m
Revenue	1	**342.1**	429.9	–	429.9
Costs	1	**(291.8)**	(331.1)	(22.5)	(353.6)
Investment property disposal losses		**(3.9)**	(5.2)	–	(5.2)
Investment property revaluation (losses)/gains		**(104.1)**	47.5	–	47.5
Net loss of joint ventures and associates (post-tax)	12	**(25.7)**	(2.6)	–	(2.6)
Administrative expenses	1	**(43.2)**	(43.8)	–	(43.8)
(Loss)/profit before interest and tax		**(126.6)**	94.7	(22.5)	72.2
Finance costs	6	**(14.8)**	(15.8)	–	(15.8)
Finance income	6	**2.0**	2.5	–	2.5
(Loss)/profit before tax		**(139.4)**	81.4	(22.5)	58.9
Taxation		**18.6**	(13.4)	4.0	(9.4)
(Loss)/profit for the year		**(120.8)**	68.0	(18.5)	49.5
Attributable to:					
Owners of the Company		**(121.6)**	68.0	(17.3)	50.7
Non-controlling interests		**0.8**	–	(1.2)	(1.2)
(Loss)/profit for the year		**(120.8)**	68.0	(18.5)	49.5

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

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

Group statement of comprehensive income

for the year ended 30 November 2020

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

Group balance sheet

as at 30 November 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investment properties	10	**852.8**	958.1
Property, plant and equipment and intangibles	11	**23.9**	26.7
Investments in joint ventures and associates	12	**60.9**	86.0
Trade and other receivables	13	**15.7**	11.3
Derivative financial instruments	20	**–**	0.2
		953.3	1,082.3
Current assets			
Inventories	14	**393.9**	416.5
Assets held for sale	15	**42.4**	15.8
Trade and other receivables	13	**75.6**	88.5
Current tax assets	7	**3.4**	–
Cash and cash equivalents		**32.2**	48.2
		547.5	569.0
Current liabilities			
Trade and other payables	16	**(152.4)**	(140.4)
Derivative financial instruments	20	**(0.1)**	–
Borrowings and lease liabilities	17	**(1.2)**	(1.4)
Provisions	18	**(35.9)**	(24.5)
		(189.6)	(166.3)
Non-current liabilities			
Trade and other payables	16	**(14.2)**	(14.8)
Derivative financial instruments	20	**(4.7)**	(3.3)
Borrowings and lease liabilities	17	**(327.1)**	(360.9)
Deferred tax	7	**(11.1)**	(25.6)
		(357.1)	(404.6)
Net assets		**954.1**	1,080.4
Capital and reserves			
Share capital	21	**22.3**	22.2
Share premium account		**102.8**	102.8
Retained earnings		**777.1**	901.4
Share incentive reserve		**2.7**	3.9
Own shares		**(0.7)**	(0.8)
Other reserves		**46.2**	46.2
Equity attributable to owners of the Company		**950.4**	1,075.7
Non-controlling interests		**3.7**	4.7
Total equity		**954.1**	1,080.4

These financial statements were approved by the Board and authorised for issue on 8 February 2021.

Sarwjit Sambhi
Chief Executive Officer

Rob Hudson
Chief Finance and Operations Officer

Company Number: 00349201

Group statement of changes in equity

for the year ended 30 November 2020

	Share capital £m	Share premium account £m	Retained earnings £m	Share incentive reserve £m	Own shares £m	Other reserves £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
Equity at 1 December 2018	22.2	102.8	869.5	4.7	(1.3)	46.2	1,044.1	5.9	1,050.0
Profit for the year	–	–	50.7	–	–	–	50.7	(1.2)	49.5
Pension fund actuarial gains (note 23)	–	–	0.1	–	–	–	0.1	–	0.1
Total comprehensive income for the year	–	–	50.8	–	–	–	50.8	(1.2)	49.6
Share-based payments expense	–	–	–	1.4	–	–	1.4	–	1.4
Settlement of share-based payments	–	–	(2.0)	(2.2)	0.5	–	(3.7)	–	(3.7)
Dividends paid (note 9)	–	–	(16.9)	–	–	–	(16.9)	–	(16.9)
Equity at 30 November 2019	22.2	102.8	901.4	3.9	(0.8)	46.2	1,075.7	4.7	1,080.4
Loss for the year	**–**	**–**	**(121.6)**	**–**	**–**	**–**	**(121.6)**	**0.8**	**(120.8)**
Pension fund actuarial gains (note 23)	**–**	**–**	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total comprehensive expense for the year	**–**	**–**	**(121.5)**	**–**	**–**	**–**	**(121.5)**	**0.8**	**(120.7)**
Equity issue (note 21)	**0.1**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**–**
Deferred tax on share-based payments	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Settlement of share-based payments	**–**	**–**	**(0.4)**	**(1.0)**	**0.2**	**–**	**(1.2)**	**–**	**(1.2)**
Dividends paid (note 9)	**–**	**–**	**(2.4)**	**–**	**–**	**–**	**(2.4)**	**(1.8)**	**(4.2)**
Equity at 30 November 2020	**22.3**	**102.8**	**777.1**	**2.7**	**(0.7)**	**46.2**	**950.4**	**3.7**	**954.1**

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

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

Group cash flow statement

for the year ended 30 November 2020

	Notes	2020 £m	2019 £m
Operating activities			
(Loss)/profit before interest and tax		**(126.6)**	72.2
Net loss of joint ventures and associates (post-tax)	12	**25.7**	2.6
Investment property disposal losses	1	**3.9**	5.2
Investment property revaluation losses/(gains)	10	**104.1**	(47.5)
Depreciation, amortisation and impairment of intangibles	11	**6.6**	3.7
Increase in net realisable value provisions	14	**5.8**	3.9
Decrease in inventories		**33.6**	2.9
(Increase)/decrease in trade and other receivables		**(10.2)**	12.5
Increase in trade and other payables		**12.9**	0.6
Increase in provisions		**11.4**	24.5
Pensions		**0.2**	0.2
Settlement less expense of share-based payments		**(1.2)**	(2.3)
Tax received/(paid)	7	**0.7**	(4.4)
Net cash inflow from operating activities		**66.9**	74.1
Investing activities			
Proceeds from investment property disposals		**85.5**	67.3
Investment property additions		**(115.1)**	(139.3)
Interest received		**1.4**	1.4
Cash and cash equivalents acquired in a business combination	22	**1.5**	–
Capital injection into joint ventures and associates		**(1.0)**	(0.3)
Property, plant and equipment and intangibles additions	11	**(3.8)**	(7.0)
Dividends received from joint ventures and associates	12	**2.3**	0.8
Net cash outflow from investing activities		**(29.2)**	(77.1)
Financing activities			
Dividends paid	9	**(2.4)**	(16.9)
Dividends paid to non-controlling interests		**(1.8)**	–
Interest paid		**(14.4)**	(12.4)
Repayment of principal portion of lease liabilities		**(1.0)**	(1.1)
Refinancing outflows		**(1.1)**	(1.3)
Borrowings drawn		**196.0**	144.0
Repayment of borrowings		**(229.0)**	(100.0)
Net cash (outflow)/inflow from financing activities		**(53.7)**	12.3
(Decrease)/increase in cash and cash equivalents		**(16.0)**	9.3
Cash and cash equivalents at start of year		**48.2**	38.9
Cash and cash equivalents at end of year		**32.2**	48.2

Group accounting policies

for the year ended 30 November 2020

Basis of preparation

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

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

The 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.

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

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

Going concern

The directors are required to assess the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing of the Group financial statements. Given the significant impact of the Covid-19 crisis on the economy and the activities of the Group, as detailed within the strategic report on pages 28 to 37, a thorough review of the going concern assumption has been undertaken in preparing the Group financial statements. The Group's going concern assessment considers the Group's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities (details of which are outlined in note 17 to the Group financial statements) and the ability to continue to operate the Group's facilities within its financial covenants. The principal financial covenants are:

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

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

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

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

The cash flow forecasts prepared include an expectation that trading continues in line with the current performance and that the investment property, land and housing markets remain as is at the levels experienced at the end of 2020. Comparisons of current trading performance and the property market compared with before Covid-19 are detailed within the strategic report on pages 28 to 37.

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

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

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

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

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 B 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, or land under option, held to earn rental income, for capital appreciation and/or for undetermined future use are carried at fair value following initial recognition at the present value of the consideration payable, including transaction costs. 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, reflect the Group's application of IFRS 15 *Revenue from Contracts with Customers* 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 property 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.

Impairment
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Group income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in the Group income statement.

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
IFRS 16 *Leases* was not mandatorily effective for the Group until the year ended 30 November 2020, but the Group 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 Group as lessee
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 including an amount equal to the lease liability, such that the net of the amounts included within investment properties and lease liabilities is equal to the fair value of the long leasehold interest held.

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 development of investment properties and inventories. 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.

Business combinations
The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and is adjusted to reflect the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred (adjusted to reflect the fair value of any pre-existing equity interest in the subsidiary) and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the acquired subsidiary and the measurement of all amounts has been reviewed, the difference is recognised directly in the Group income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, which is the rate that a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Group income statement.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the Group income statement.

Pensions
The Group operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 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. There were no new transactions entered into during the year ended 30 November 2020 that required a critical judgement that has a significant impact upon the financial statements, apart from those involving estimations.

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 determination of costs to complete also requires a number of assumptions and estimates to be made, which are informed by the use of third-party cost consultants but are subject to revisions over time, particularly on large remediation sites with complex ground conditions and uncertain infrastructure requirements. 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 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 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 provisions

Note 18 to the Group financial statements sets out the details of provisions recognised for legal claims, including a material provision first recognised as an exceptional item during the year ended 30 November 2019. There are a number of possible outcomes to these matters and the carrying value of provisions is sensitive to changes in assumptions or estimates that underpin these possible outcomes. In respect of the material claim, 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. In respect of the individually immaterial claims, these uncertainties include the extent of the alleged obligations and the outcome of settlement negotiations, which are expected to be resolved 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.

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*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*
- Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to IFRS 3 *References to the Conceptual Framework*
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*
- Amendments to IFRSs *Annual Improvements to IFRSs 2018 – 2020 Cycle*

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.

Notes to the Group financial statements

for the year ended 30 November 2020

1. Detailed income statement

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

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

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

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

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

1. Detailed income statement – continued

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

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

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

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

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

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

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

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

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

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

2. Non-statutory information

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

a. Income statement

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

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

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

2. Non-statutory information – continued

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

b. Balance sheet

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

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

c. Property portfolio

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

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

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

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

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

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

d. Total accounting return

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

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

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

e. Movements in net borrowings and net debt

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

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

2. Non-statutory information – continued

f. Net borrowings and net debt

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

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

g. Gearing and loan-to-value

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

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

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

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

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

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

3. EPRA performance measures

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

a. EPRA earnings measures

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

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

The EPRA earnings measures are calculated as set out below:

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

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

1 Housebuilding operating profit includes overheads directly attributable to the residential housebuilding business as these form part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.
2 The amortisation of discounts on deferred payment arrangements are linked to the disposal of either investment properties or inventory and are therefore adjusted in arriving at EPRA earnings.
3 The change in estimated cost to establish a market in Nine Elms represents property development gains and losses and therefore forms part of the profits or losses on sale of trading properties that should be adjusted in arriving at EPRA earnings.
4 The number of shares in issue used to calculate the earnings per share is disclosed in note 8 and excludes those shares held by The St. Modwen Properties PLC Employee Share Trust.

b. EPRA net asset value measures

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

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

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

3. EPRA performance measures – continued

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

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

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

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

1 The Group has determined that only deferred tax on assets within the St. Modwen Logistics portfolio as disclosed in note 2c should be added back in calculating EPRA net tangible assets as it is only in this operating segment that the general intention is to hold assets for the long term. Following the revaluation losses recognised within the Strategic Land & Regeneration operating segment in the year ended 30 November 2020, the deferred tax on revaluations and capital allowances is in a net asset position. Therefore, the deferred tax liabilities added back in calculating EPRA net tangible assets is greater than the net Group deferred tax liability added back in calculating EPRA *net reinstatement value*.
2 The external valuation certificate does not separately disclose a gross valuation and therefore purchaser's costs have been estimated from the net valuation disclosed in the valuation certificate based on the standard assumption used for purchaser's costs of 6.5%.
3 The number of shares in issue used to calculate the net asset values per share excludes those shares held by The St. Modwen Properties PLC Employee Share Trust and, for the three EPRA net asset measures, also includes the dilutive effect of share options as these measures are calculated on a diluted basis.

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

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

c. EPRA net initial yield measures

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

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

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

d. EPRA vacancy rate

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

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

e. EPRA like-for-like rental growth

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

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

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

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

As discussed in the financial statements for the year ended 30 November 2019, following the restructure of the Group's operations to align to its three strategic objectives, the Group now divides its business into the following segments:
- St. Modwen Logistics;
- St. Modwen Homes; and
- Strategic Land & Regeneration.

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

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

b. Segment results

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

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

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

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

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

4. Segmental information – continued
c. Segment assets and liabilities

2020

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

2019

	St. Modwen 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)
Market liability	–	–	(62.5)	(22.7)	(85.2)
Lease liabilities	–	–	–	(9.2)	(9.2)
Derivative financial instrument liabilities	–	–	–	(3.3)	(3.3)
Current tax liabilities	–	–	–	(0.5)	(0.5)
Deferred tax liabilities	–	–	–	(28.8)	(28.8)
Other liabilities	(21.7)	(53.6)	(112.2)	(132.7)	(320.2)
Net assets	572.7	354.4	475.6	(322.3)	1,080.4
Less non-controlling interests	–	–	–	(4.7)	(4.7)
Net assets attributable to owners of the Company	572.7	354.4	475.6	(327.0)	1,075.7

d. Segment returns

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

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

5. Other income statement disclosures

a. Exceptional item

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

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

b. Auditor's remuneration

The table below sets out the fees payable to the Company's auditor and their associates for the following services:

	2020 £'000	2019 £'000
The audit of the Company's annual report and financial statements	**275**	265
The audit of the Company's subsidiaries and joint ventures	**340**	290
Total audit fees[1]	**615**	555
The review of the Company's half-year report and condensed financial statements	**85**	55
Total audit-related fees	**85**	55
Total fees	**700**	610

1 The audit fees for the year ended 30 November 2019 include an additional £85,000 that was agreed in respect of that year following the signing of the financial statements for the year ended 30 November 2019.

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 2020 or 30 November 2019. 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:

	2020 Number	2019 Number
Property and administration	**218**	210
Housebuilding and associated administration	**361**	331
Leisure and other activities	**45**	46
Total employees	**624**	587

The total payroll costs of these employees were:

	2020 £m	2019 £m
Wages and salaries	**36.0**	40.8
Social security costs	**5.0**	5.8
Pension costs	**1.9**	2.0
Total payroll costs	**42.9**	48.6

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. During the year ended 30 November 2019, this was 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 ESOP or 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 long-term incentives section of 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.

	2020			2019		
		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	**5,628,793**	**2.57**	**3.52**	7,591,033	2.61	3.29
Granted	**1,749,519**	**1.29**	**2.53**	1,380,529	0.92	3.34
Forfeited	**(963,094)**	**3.11**	**3.67**	(1,157,302)	0.89	3.57
Exercised	**(644,807)**	**2.33**	**2.69**	(2,185,467)	2.55	2.78
Outstanding at end of year	**5,770,411**	**2.12**	**3.37**	5,628,793	2.57	3.52
Exercisable at year end	**1,659,758**	**3.64**	**3.64**	1,446,145	3.43	3.43

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 2020	**1.2**	**(0.1)–0.6**	**20.9–31.5**	**1.4–2.4**	**3.22–5.25**
30 November 2019	1.5	0.3–0.8	19.0–27.4	1.6–2.0	3.73–4.67

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 £nil (2019: £1.4m).

The fair value of the share incentive reserve in respect of share options outstanding at the year end was £2.7m (2019: £3.9m) and included £1.7m (2019: £1.6m) 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 £4.32 (2019: £4.31). The share options outstanding under the ESOP at the year end had a range of exercise prices between £1.74 and £4.74 (2019: £1.74 and £4.74) with all PSP options exercisable at £nil (2019: £nil). Outstanding options had a weighted average maximum remaining contractual life of 6.2 years (2019: 6.5 years).

6. Finance costs and finance income

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

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

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

7. Taxation

a. Tax on profit on ordinary activities

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

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

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.

7. Taxation – continued
b. Reconciliation of effective tax rate

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

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

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

c. Balance sheet

	2020		2019	
	Current tax £m	Deferred tax £m	Current tax £m	Deferred tax £m
At start of the year	–	**25.6**	0.9	19.7
(Credited)/charged to the Group income statement	**(4.1)**	**(14.5)**	3.5	5.9
Recognised within the Group statement of changes in equity	–	**0.2**	–	–
Acquired in a business combination (note 22)	–	**(0.2)**	–	–
Net receipt/(payment)	**0.7**	–	(4.4)	–
At end of the year	**(3.4)**	**11.1**	–	25.6

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

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

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

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

8. Earnings per share

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

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

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

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

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

9. Dividends

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

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

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

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

10. Investment properties

a. Fair value reconciliation

	2020 £m	2019 £m
At start of year	**958.1**	939.3
Property acquisitions	**4.3**	24.3
Additions	**114.7**	117.9
Net transfers to inventories (note 14)	**(1.9)**	(87.4)
Net transfers to assets held for sale (note 15)	**(42.4)**	(15.8)
Disposals	**(77.8)**	(69.3)
Movement in lease incentives	**1.9**	1.6
(Loss)/gain on revaluation	**(104.1)**	47.5
At end of year	**852.8**	958.1

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

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

10. Investment properties – continued

The following table provides an analysis of the categorisation of the Group's investment properties:

	2020 £m	2019 £m
Urban warehouse	**304.2**	257.0
Big box warehouse	**138.2**	38.8
Other	**86.9**	108.6
Current developments	**27.1**	63.5
Land	**65.9**	75.0
St. Modwen Logistics	**622.3**	542.9
St. Modwen Homes	**–**	–
Residential land	**66.4**	189.5
Retail-led regeneration	**–**	83.6
Other regeneration	**48.4**	84.7
Non-core retail	**79.7**	19.5
Non-core other	**36.0**	37.9
Strategic Land & Regeneration	**230.5**	415.2
Investment properties	**852.8**	958.1

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	2020 £m	2019 £m
Income-producing assets	Investment method	Level 3	**651.6**	624.6
Development assets	Residual development method	Level 3	**92.1**	192.0
Other land assets	Comparable land value method	Level 3	**148.7**	154.4
Adjustment for lease liabilities (note 19)			**2.8**	2.9
Less assets presented as held for sale (note 15)			**(42.4)**	(15.8)
Investment properties			**852.8**	958.1

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:

	2020			2019		
	Fair value £m	Aggregate ERV £m	Weighted average equivalent yield £m	Fair value £m	Aggregate ERV £m	Weighted average equivalent yield £m
Industrial and logistics	**535.7**	**37.6**	**6.0**	456.1	34.6	6.6
Retail	**77.6**	**10.9**	**11.5**	83.8	9.0	10.2
Other	**38.3**	**3.6**	**7.2**	84.7	8.5	8.2
Income-producing assets	**651.6**	**52.1**	**6.8**	624.6	52.1	7.3

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 2020:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in estimated rental value of 5.0%	**31.6**	**(32.4)**
Change in net equivalent yields of 50 basis points	**(45.7)**	**42.6**

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, remediation and infrastructure costs (the determination of which are informed by third-party cost consultants), 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 table:

				2020				2019
	Fair value £m	Sales price per sq ft £	Build cost per sq ft £	Profit margin %	Fair value £m	Sales price per sq ft £	Build cost per sq ft £	Profit margin %
Commercial	**18.1**	**166–674**	**56–232**	**13.8–15.0**	28.8	166–660	58-232	12.3–13.9
Residential	**74.0**	**188–252**	**92–93**	**22.0**	163.2	159–244	73-93	18.0–20.0
Development assets	**92.1**				192.0			

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 development assets at 30 November 2020:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in sales price of 10.0%	**126.1**	**(126.1)**
Change in build costs of 5.0%	**(32.9)**	**32.9**
Change in infrastructure costs to complete of 25.0%	**(34.8)**	**34.8**

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of the nature and amount of changes in estimates of amounts that have an effect in the current year. During the year ended 30 November 2020, the Group financial statements reflect a change in the estimates of future costs of two residential land sites in Wales valued using the residual appraisal development method. A combined revaluation loss of £74.3m was recognised on these sites due to an increase in the development risk premium applied in the current climate (reflecting the size and nature of both sites), changes in legislation relating to surface water drainage in Wales, Section 106 changes, remediation costs and the associated contingency.

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:

		2020		2019
	Fair value £m	Land value per acre[1] £'000	Fair value £m	Land value per acre[1] £'000
Commercial	**135.1**	**5–673**	134.6	7–604
Residential	**13.6**	**73–614**	19.8	180–614
Other land assets	**148.7**		154.4	

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 2020:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in land value per acre of 10.0%	**14.1**	**(14.1)**

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 1 December 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**
Additions	**–**	**–**	**0.9**	**0.4**	**2.5**	**3.8**
Disposals	**–**	**–**	**–**	**(0.6)**	**–**	**(0.6)**
At 30 November 2020	**4.8**	**7.0**	**14.1**	**6.6**	**9.5**	**42.0**
Depreciation and amortisation						
At 1 December 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**
Charge for the year	**0.1**	**–**	**1.4**	**1.4**	**1.1**	**4.0**
Impairment	**–**	**–**	**–**	**–**	**2.6**	**2.6**
Disposals	**–**	**–**	**–**	**(0.6)**	**–**	**(0.6)**
At 30 November 2020	**1.6**	**–**	**8.4**	**2.3**	**5.8**	**18.1**
Net book value						
At 1 December 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
At 30 November 2020	**3.2**	**7.0**	**5.7**	**4.3**	**3.7**	**23.9**

The impairment charge for the year ended 30 November 2020 of £2.6m (2019: £nil) for intangible assets arose due to the impact of Covid-19 on the delivery and anticipated future benefits of a small number of projects. The charge reflects a combination of higher costs to complete the implementation on incomplete projects and lower values in use of those projects once fully implemented.

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:

	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 B 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:

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

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

Included in other joint ventures and associates above are results from associated companies of a profit of £nil (2019: a loss of £0.4m).

12. Joint ventures and associates – continued

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

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

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

Included in other joint ventures and associates above are net assets in relation to associated companies of £nil (2019: £3.2m). These net assets comprise total assets of £nil (2019: £3.5m) and total liabilities of £nil (2019: £0.3m).

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

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

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

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

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

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

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

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

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 2020:

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in costs of procuring the market facility at current rates of 5.0%	(5.7)	5.7
Change in inflation of 50 basis points	(2.3)	2.3
Change in risk-free discount rate of 50 basis points	2.2	(2.2)

12. Joint ventures and associates – continued

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:

				2020
	Key Property Investments Limited £m	**VSM Estates Uxbridge (Group) Limited £m**	**VSM Estates (Holdings) Limited £m**	**VSM (NCGM) Limited £m**
Revenue	**7.0**	**–**	**–**	**0.6**
Loss for the year and total comprehensive expense	**(10.8)**	**(10.1)**	**(2.6)**	**(24.3)**
Non-current assets	**92.5**	**24.6**	**–**	**56.3**
Current assets	**10.6**	**4.0**	**6.3**	**108.3**
Current liabilities	**(13.1)**	**(11.8)**	**(0.6)**	**(0.8)**
Non-current liabilities	**(2.8)**	**(17.3)**	**–**	**(148.6)**
Net assets/(liabilities)	**87.2**	**(0.5)**	**5.7**	**15.2**

				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

13. Trade and other receivables

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

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

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

14. Inventories

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

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

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

	2020 £m	2019 £m
Land	**6.6**	10.6
St. Modwen Logistics	**6.6**	10.6
St. Modwen Homes	**373.0**	384.2
Residential land	**10.8**	13.1
Other regeneration	**2.1**	2.0
Non-core retail	**0.7**	2.3
Non-core other	**0.7**	4.3
Strategic Land & Regeneration	**14.3**	21.7
Inventories	**393.9**	416.5

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

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

The table below sets out a sensitivity analysis for the key sources of estimation uncertainty with the resulting increase/(decrease) in the carrying value of inventories at 30 November 2020.

	Increase in sensitivity £m	Decrease in sensitivity £m
Change in house prices of 10.0%	**-**	**(1.3)**
Change in housebuilding costs for plots on which sales were recognised during the year of 5.0%	**(10.5)**	**10.5**

15. Assets held for sale

Certain of the Group's investment properties met the definition of assets held for sale at 30 November 2020 as these assets had exchanged, but not yet completed. Of the £42.4m (2019: £15.8m) presented as held for sale, £nil (2019: £7.7m) had completed by the date of signing of the financial statements, with all expected to complete prior to 31 May 2021. 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.

As at 30 November 2020, £1.1m (2019: £nil) of assets held for sale are included within the St. Modwen Logistics operating segment, and £41.3m (2019: £15.8m) within the Strategic Land & Regeneration operating segment.

The asset held for sale within the St. Modwen Logistics operating segment has been valued as a commercial land asset under the comparable land value method and those assets held for sale within the Strategic Land & Regeneration operating segment have been valued as residential development assets under the residual appraisal development method. All assets were valued 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 payable

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

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

17. Borrowings and lease liabilities

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

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. The maturity profile of the Group's committed borrowing facilities is set out below:

	2020			2019		
	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
Three to four years	**38.8**	**36.2**	**75.0**	–	–	–
Four to five years	**267.2**	**192.8**	**460.0**	75.0	–	75.0
More than five years	**–**	**–**	**–**	264.0	196.0	460.0
Unsecured floating rate borrowings	**306.0**	**229.0**	**535.0**	339.0	196.0	535.0
Total committed borrowing facilities	**321.0**	**229.0**	**550.0**	354.0	196.0	550.0

1 In addition to the principal amounts included above, £1.0m (2019: £1.7m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

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.

Interest rate profile

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

	2020		2019	
	£m	Applicable interest rate	£m	Applicable interest rate
Floating rate bank debt	**126.0**	**Margin + LIBOR**	119.0	Margin + LIBOR
Fixed rate bank debt	**195.0**	**Margin + 1.20% weighted average swap rate**	235.0	Margin + 1.17% weighted average swap and cap rate
Total borrowings	**321.0**		354.0	

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 6. 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 2020. The fixed rates for these swaps range from 0.49% to 1.44% (2019: 0.49% to 1.44%) and details of their maturity profile are given below. The weighted average maturity of the interest rate swaps below is 1.9 years (2019: 2.9 years).

	2020		2019	
	£m	%[1]	£m	%[1]
Less than one year	**45.0**	**0.49**	–	–
One to two years	**30.0**	**1.37**	45.0	0.49
Two to three years	**120.0**	**1.43**	30.0	1.37
Three to four years	**–**	**–**	120.0	1.43
Total floating rate to fixed rate swaps	**195.0**	**1.20**	195.0	1.20

1 Weighted average interest rate.

c. Liabilities arising from financing activities

A reconciliation of liabilities arising from financing activities is set out below:

	Borrowings £m	Derivative financial instruments £m	Accrued interest £m	Leases £m	Total £m
At 1 December 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
Net cash outflows from financing activities[1]	(33.0)	–	(13.8)	(1.6)	(48.4)
Interest payable (note 6)	–	–	10.8	0.6	11.4
Interest capitalised (note 6)	–	–	3.0	–	3.0
Movement in fair value of financial liabilities (note 6)	–	1.7	–	–	1.7
At 30 November 2020	321.0	4.8	1.8	7.3	334.9

1 The total net cash flows from financing activities on the cash flow statement of £53.7m (2019: 12.3m) includes £48.4m (2019: £16.9m) as stated above, £4.2m (2019: £19.3m) of dividends paid and £1.1m (2019: £1.3m) of arrangement and other fees incurred on refinancing activity.

18. Provisions and contingent liabilities

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

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

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

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

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

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**
Additions	**–**	**0.4**	**–**	**0.4**
Depreciation	**(0.4)**	**(0.8)**	**(0.2)**	**(1.4)**
Carrying value at 30 November 2020	**2.8**	**0.8**	**0.7**	**4.3**

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 £2.8m (2019: £2.9m) relating to investment property held under long leases.

The total cash outflow for the year ended 30 November 2020 in respect of leases was £2.6m (2019: £3.1m).

The expense in the Group income statement in respect of leases is as follows:

	2020 £m	2019 £m
Depreciation of right-of-use assets	**1.4**	1.5
Interest expense	**0.6**	0.5
Variable payments made under leases not included in the measurement of lease liabilities	**0.4**	0.8
Total expense relating to leases in the Group income statement	**2.4**	2.8

The lease liabilities disclosed in note 17 comprise discounted lease payments as follows:

	2020			2019		
	Lease payments £m	Interest £m	Net present value £m	Lease payments £m	Interest £m	Net present value £m
Less than one year	**1.6**	**(0.4)**	**1.2**	1.8	(0.4)	1.4
Between one and five years	**3.7**	**(0.8)**	**2.9**	4.2	(1.2)	3.0
More than five years	**5.7**	**(2.5)**	**3.2**	6.4	(2.5)	3.9
Total obligations under leases	**11.0**	**(3.7)**	**7.3**	12.4	(4.1)	8.3

Leases are for periods of up to 999 years from inception and a discount rate of 6.4% (2019: 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:

	2020 £m	2019 £m
In one year or less	**29.5**	29.4
One to two years	**22.7**	24.7
Two to three years	**19.4**	19.9
Three to four years	**15.7**	14.8
Four to five years	**14.0**	10.4
In five years or more	**142.3**	129.8
Total minimum lease rentals receivable	**243.6**	229.0

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.5m (2019: £1.0m) were recognised during the year.

20. Financial instruments
a. Categories and classes of financial assets and liabilities

	2020 £m	2019 £m
Loans and receivables:[1]		
Cash and cash equivalents	**32.2**	48.2
Trade and other receivables	**63.3**	67.5
Fair value through profit and loss:[2]		
Derivative financial instruments	**–**	0.2
Total financial assets	**95.5**	115.9

	2020 £m	2019 £m
Amortised cost:[1]		
Bank loans and overdrafts	**321.0**	354.0
Trade and other payables	**135.4**	128.0
Lease liabilities	**7.3**	8.3
Fair value through profit and loss:[2]		
Derivative financial instruments	**4.8**	3.3
Total financial liabilities	**468.5**	493.6

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.

20. Financial instruments – continued

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 £2.5m (2019: £3.1m) 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 £24.4m (2019: £22.6m) of non-financial liabilities.

Derivative financial instruments 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:

		2020 £m	2019 £m
Derivative financial instrument assets	Level 2	–	0.2
Derivative financial instrument liabilities	Level 2	(4.8)	(3.3)
Net financial liability held at fair value through profit and loss		(4.8)	(3.1)

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 17), 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.

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:

	2020 £m	2019 £m
Interest on borrowings	**(2.6)**	(2.9)
Effect of interest rate swaps	**1.6**	1.6
Effect of interest rate cap	**–**	0.3
Net impact on profit of an increase of 100 basis points in interest rates	**(1.0)**	(1.0)

	2020 £m	2019 £m
Interest on borrowings	**2.6**	2.9
Effect of interest rate swaps	**(1.6)**	(1.6)
Net impact on profit of a decrease of 100 basis points in interest rates	**1.0**	1.3

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 2020 or 30 November 2019.

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. For the year ended 30 November 2020, the expected credit loss rates reflect the Group's experience of the credit rating of tenants within the differing sectors within which they operate. For the year ended 30 November 2019, a single expected credit loss rate was applied across all tenants, reflecting the experience of the Group prior to the impact of Covid-19.

			2020			2019
	Expected credit loss rates %	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	–	7.1	–	–	7.0	–
Tenant trade receivables:						
Not yet due and less than 30 days overdue	1–10	3.6	(0.1)	1	6.9	(0.1)
31 to 60 days overdue	3–15	0.8	(0.1)	2	0.7	–
61 to 90 days overdue	4–20	0.9	(0.1)	5	0.7	(0.1)
91 to 120 days overdue	5–25	0.2	–	10	0.2	–
121 to 150 days overdue	10–30	0.1	(0.1)	15	0.3	(0.1)
151 to 180 days overdue	15–35	0.5	(0.5)	20	0.1	(0.1)
More than 180 days overdue	20–40	2.2	(1.8)	30	1.4	(1.2)
Total		15.4	(2.7)		17.3	(1.6)

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:

	2020 £m	2019 £m
At start of year	**1.6**	1.7
Increase in loss allowances recognised	**2.1**	0.8
Amounts written off as uncollectable	**(0.8)**	(0.7)
Loss allowances reversed	**(0.2)**	(0.2)
At end of year	**2.7**	1.6

The loss allowance comprises individually assessed losses of £2.0m (2019: £1.3m) and collectively assessed losses of £0.7m (2019: £0.3m). Due to the impact of Covid-19 on the recoverability of trade receivables from tenants, the Group enhanced its expected credit loss provision model during the year ended 30 November 2020 to additionally take account the sector in which the tenant operates and the credit risk associated with those sectors, resulting in the increase in the collectively assessed loss allowance.

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 £1.5m (2019: £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 2020 was 4.0 years (2019: 5.0 years).

20. Financial instruments – continued

The maturity profile for the cash flows of the Group's non-derivative financial liabilities, on an undiscounted basis, is as follows:

						2020
	Less than one month £m	**One to three months £m**	**Three months to one year £m**	**One to five years £m**	**One to five years £m**	**Total £m**
Bank loans, overdrafts and bonds	**0.8**	**1.8**	**6.0**	**347.3**	**–**	**355.9**
Trade and other payables	**120.6**	**–**	**3.6**	**11.2**	**–**	**135.4**
Leases – minimum lease payments (note 19)	**0.1**	**0.3**	**1.2**	**3.7**	**5.7**	**11.0**
Total cash flows	**121.5**	**2.1**	**10.8**	**362.2**	**5.7**	**502.3**

						2019
	Less than one month £m	One to three months £m	Three months to one year £m	One to five years £m	One to 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

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

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

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

During the year ended 30 November 2020, the Group issued 250,000 ordinary shares of 10p each at par. The shares were allotted and issued to The St. Modwen Properties PLC Employee Share Trust to satisfy the exercise of awards made under the Company's share-based incentive arrangements. No shares were issued during the year ended 30 November 2019. See note 5d for details of outstanding options to acquire ordinary shares.

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

22. Business combinations

On 22 May 2020, the Group acquired the remainder of the issued share capital of Coed Darcy Limited, an investment property company, for cash consideration of £1 under a pre-existing agreement with the seller. In accordance with IFRS 3 *Business Combinations*, the Group has remeasured the previously held 49% interest in Coed Darcy Limited at its acquisition-date fair value and then disposed of the associate and acquired a wholly-owned subsidiary.

The amounts recognised for the identifiable assets acquired and liabilities assumed are set out below:

	£m
Investment properties	**3.4**
Deferred tax assets	**0.2**
Trade and other receivables	**0.1**
Cash and cash equivalents	**1.5**
Trade and other payables	**(0.4)**
Net assets acquired	**4.8**
Bargain purchase	**(2.4)**
Consideration	**2.4**

The consideration was satisfied by the fair value of the previously-held interest in the associate of £2.4m. A loss of £0.8m was recognised in the Group income statement within net loss of joint ventures and associates (post-tax) as a result of remeasuring the previously-held interest to fair value at the date of acquisition.

22. Business combinations – continued
A bargain purchase arose on the acquisition due to the favourable terms of a pre-existing agreement with the seller. As the entity acquired is an investment property company, this bargain purchase has been recognised in the Group income statement within investment property revaluation losses. The acquisition allows the Group to realise the value of the investment property assets acquired.

Coed Darcy Limited contributed £0.2m of revenue and a £0.1m loss to the results of the Group for the period from the date of acquisition to 30 November 2020. If the acquisition had occurred on 1 December 2019, the business combination would have contributed £0.4m of revenue and a £0.1m loss for the year ended 30 November 2020.

23. 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:

	2020 £m	2019 £m
Defined benefit section	**0.1**	0.1
Defined contribution section	**1.8**	1.8

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:

	£m
Rate of increase in pensions	**2.7**
Discount rate	**3.0**
Inflation rate	**2.7**

The actuarial valuation of the scheme as of 5 April 2020 is well advanced and a formal conclusion is expected shortly. Based on the initial results provided by the scheme actuary, there is a funding surplus on the basis of the proposed technical provisions and no material deviations from the current funding arrangements are expected.

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 2021 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 2020 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:

	2020 %	2019 %
Rate of increase in deferred pensions	**2.5**	2.2
Rate of increase in pensions in payment (pre 6 April 1997 benefits)	**2.6**	2.5
Rate of increase in pensions in payment (post 5 April 1997 benefits)	**3.2**	3.1
Discount rate	**1.4**	1.9
Inflation rate	**2.5**	2.2

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 and during the year ended 30 November 2020, the Government confirmed that the change will not be made before 2030. No explicit adjustment has been made 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 2019 core model (previously the CMI 2018 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 2020: 22.9 (male) and 24.8 (female).
- Average future life expectancy (in years) at age 65 for a non-pensioner aged 45 at 30 November 2020: 24.2 (male) and 26.4 (female).

23. Pensions – *continued*

Analysis of the amounts recognised in the Group income statement

	2020 £m	2019 £m
Recognised within administrative expenses:		
Total operating charge	**(0.2)**	(0.2)
Recognised within finance costs and finance income:		
Interest income on scheme assets	**0.6**	0.9
Interest on pension scheme liabilities	**(0.5)**	(0.8)
Total net interest	**0.1**	0.1
Total recognised in the Group income statement	**(0.1)**	(0.1)

The actual return on pension scheme assets was a gain of £2.4m (2019: £2.3m).

Analysis of the amount recognised in the Group statement of comprehensive income

	2020 £m	2019 £m
Returns on scheme assets (excluding amounts included in net interest)	**1.8**	1.4
Experience gains arising on fair value of scheme liabilities	**0.1**	0.2
Actuarial (losses)/gains arising from changes in demographic assumptions	**(0.1)**	0.6
Actuarial losses arising from changes in financial assumptions	**(2.3)**	(3.0)
Decrease in unrecognised surplus	**0.6**	0.9
Remeasurement of the net defined benefit asset	**0.1**	0.1

Analysis of the fair value of assets

	2020 £m	2019 £m
Debt securities:		
Corporate bonds	**17.0**	15.1
Government bonds	**0.6**	–
Index-linked gilts	**7.4**	6.1
Leveraged loans	**0.8**	0.4
Property	**3.5**	5.6
Cash	**4.2**	5.3
Fair value of assets	**33.5**	32.5
Actuarial value of liabilities	**(30.2)**	(28.6)
Unrecognised surplus	**(3.3)**	(3.9)
Recognised surplus in the scheme	**–**	–

The present value of any economic benefits that will be available to the Group in respect of the scheme surplus is £nil (2019: £nil) and therefore, in accordance with the requirements of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the surplus is not recognised in the Group balance sheet.

The cumulative amount of actuarial gains and losses (before the unrecognised surplus of £3.3m) recorded in the Group statement of comprehensive income is a loss of £8.2m (2019: £5.8m).

Analysis of the movement in the present value of the scheme liabilities

	2020 £m	2019 £m
At start of year	**28.6**	27.0
Interest cost	**0.5**	0.8
Experience gains arising on fair value of scheme liabilities	**(0.1)**	(0.2)
Actuarial losses/(gains) arising from changes in demographic assumptions	**0.1**	(0.6)
Actuarial losses arising from changes in financial assumptions	**2.3**	3.0
Benefits paid	**(1.2)**	(1.4)
At end of year	**30.2**	28.6

Analysis of the movement in the fair value of the scheme assets

	2020 £m	2019 £m
At start of year	**32.5**	31.8
Interest income	**0.6**	0.9
Administration costs	**(0.2)**	(0.2)
Returns on scheme assets (excluding amounts included in net interest)	**1.8**	1.4
Benefits paid	**(1.2)**	(1.4)
At end of year	**33.5**	32.5

Information about the defined benefit obligation

	2020		2019	
	Liability split %	Duration years	Liability split %	Duration years
Deferred members	**24**	**19**	23	19
Pensioners	**76**	**12**	77	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 2020:

- A 0.5% decrease in the discount rate would increase the actuarial value of liabilities by £2.2m to £32.4m.
- A one-year increase in life expectancy would increase the actuarial value of liabilities by £1.8m to £32.0m.
- A 0.5% increase in the inflation rate would increase the actuarial value of liabilities by £1.3m to £31.5m.
- A 0.5% increase in the rate of increase in deferred pensions would increase the actuarial value of liabilities by £0.1m to £30.3m.
- A 0.5% increase in the rate of increase in pensions in payments would increase the actuarial value of liabilities by £1.4m to £31.6m.

24. Capital commitments

At 30 November 2020 the Group had contracted capital expenditure of £132.9m (2019: £80.2m). In addition the Group's share of the contracted capital expenditure of its joint venture undertakings was £1.0m (2019: £9.3m). All capital commitments relate to investment properties.

25. 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 2020. The Group's share of the loan balance outstanding at 30 November 2020 was £nil.

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 2020:

Name of subsidiary	Company registration number
Baglan Bay Company Limited	06383208
Blackpole Trading Estate (1978) Limited	00581658
Boltro Properties Limited	02616865
Branston Properties Limited	02893827
Broomford Vange Limited	05697168
Chaucer Estates Limited	00456386
Coed Darcy Estates Management Limited	07848407
Coed Darcy Limited	00577934
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 (Skelmersdale) Limited	06163591
St. Modwen Developments (Swansea 1) Limited	11554302
St. Modwen Developments (Weston) Limited	05411348
St. Modwen Hungerford Limited	06160323
St. Modwen Residential Living Limited	09266033
St. Modwen Securities Limited	00460301
St Modwen Ventures Limited	01486151
Trentham Leisure Limited	03246990
Uttoxeter Estates Limited	02725709

26. 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:

				2020				2019
	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	–	–	–	(3.0)	–	–	(0.6)	(3.0)
Baglan Bay Company Limited	N/A	N/A	N/A	N/A	–	–	0.1	–
Coed Darcy Limited	N/A	N/A	N/A	N/A	0.2	–	0.1	(0.5)
Key Property Investments Limited	0.2	–	(5.0)	4.7	0.3	–	(1.6)	(0.5)
Meaford Energy Limited	–	–	–	2.0	–	–	–	2.0
Meaford Land Limited	–	–	–	0.1	–	–	–	0.1
Skypark Development Partnership LLP	–	0.4	–	7.4	–	0.5	(1.5)	7.0
VSM (NCGM) Limited	–	(0.4)	(1.2)	(16.4)	–	(0.4)	8.2	(17.2)
VSM Estates (Ashchurch) Limited	–	–	–	0.1	–	–	–	0.1
VSM Estates (Holdings) Limited	–	–	(0.2)	0.4	–	–	(0.2)	0.2
VSM Estates Uxbridge (Group) Limited	–	0.8	3.9	3.9	–	0.8	–	7.0
Wrexham Land Limited	–	–	–	0.2	–	–	–	0.2
Wrexham Power Limited	–	–	–	1.7	–	–	–	1.7
Total	0.2	0.8	(2.5)	1.1	0.5	0.9	4.5	(2.9)

Pension

The Group occupies offices owned by the St. Modwen Pension Scheme with an annual rental payable of £0.1m (2019: £0.1m). The balance due to the Group at year end was £nil (2019: £0.3m).

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:

		2020		2019
	Interest income/ (expense) £m	Balance receivable/ (payable) £m	Interest income/ (expense) £m	Balance receivable/ (payable) £m
Castle Hill Dudley Limited	–	1.4	–	1.3
Norton & Proffitt Developments Limited	0.1	11.2	0.3	12.9
Stoke-on-Trent Regeneration (Investments) Limited	–	(0.7)	–	(0.5)
Stoke-on-Trent Regeneration Limited	(0.1)	7.7	(0.1)	(5.3)
Uttoxeter Estates Limited	N/A	N/A	0.1	(0.1)
Widnes Regeneration Limited	–	(1.3)	–	(1.3)
Total	–	18.3	0.3	7.0

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 2020 (2019: £nil).

Key management personnel

The directors are considered to be the Group's key management personnel and their remuneration is disclosed in the audited sections of the directors' remuneration report.

Company balance sheet

as at 30 November 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Plant and equipment and intangibles	A	**13.4**	16.9
Investments in subsidiaries and joint ventures	B	**789.9**	877.9
Trade and other receivables	C	**475.0**	475.0
Derivative financial instruments		**–**	0.2
Deferred tax	D	**4.5**	5.7
		1,282.8	1,375.7
Current assets			
Trade and other receivables	D	**442.5**	465.0
Tax receivables		**9.2**	12.8
Cash and cash equivalents		**8.9**	33.1
		460.6	510.9
Current liabilities			
Trade and other payables	E	**(429.4)**	(415.9)
Derivative financial instruments		**(0.1)**	–
Borrowings and lease liabilities	F	**(1.2)**	(1.4)
Provisions	G	**(25.3)**	(23.7)
		(456.0)	(441.0)
Non-current liabilities			
Trade and other payables	E	**(7.1)**	(7.7)
Derivative financial instruments		**(4.7)**	(3.3)
Borrowings and lease liabilities	F	**(325.2)**	(358.9)
		(337.0)	(369.9)
Net assets		**950.4**	1,075.7
Capital and reserves			
Called up share capital		**22.3**	22.2
Share premium account		**102.8**	102.8
Retained earnings		**73.8**	114.5
Fair value reserve		**703.3**	786.9
Share incentive reserve		**2.7**	3.9
Own shares		**(0.7)**	(0.8)
Other reserves		**46.2**	46.2
Total equity		**950.4**	1,075.7

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 loss for the year ended 30 November 2020 was £121.6m (2019: profit of £50.7m).

These financial statements were approved by the Board and authorised for issue on 8 February 2021.

Sarwjit Sambhi
Chief Executive Officer

Rob Hudson
Chief Finance and Operations Officer

Company Number: 00349201

Company statement of changes in equity

for the year ended 30 November 2020

	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 1 December 2018	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 23)	–	–	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	–	–	(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**
Loss for the year	**–**	**–**	**(121.6)**	**–**	**–**	**–**	**–**	**(121.6)**
Pension fund actuarial losses (note 23)	**–**	**–**	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Total comprehensive expense for the year	**–**	**–**	**(121.5)**	**–**	**–**	**–**	**–**	**(121.5)**
Equity issue (note 21)	**0.1**	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Settlement of share-based payments	**–**	**–**	**(0.4)**	**–**	**(1.0)**	**0.2**	**–**	**(1.2)**
Transfer of unrealised losses to fair value reserve (note B)	**–**	**–**	**83.6**	**(83.6)**	**–**	**–**	**–**	**–**
Dividends paid (note 9)	**–**	**–**	**(2.4)**	**–**	**–**	**–**	**–**	**(2.4)**
Equity at 30 November 2020	**22.3**	**102.8**	**73.8**	**703.3**	**2.7**	**(0.7)**	**46.2**	**950.4**

Own shares represent the cost of 390,529 (2019: 210,434) shares held by The St. Modwen Properties PLC Employee Share Trust. The open market value of the shares held at 30 November 2020 was £1.4m (2019: £1.0m). In addition, the Trust has £0.1m (2019: £0.1m) of cash and an intercompany receivable of £24.1m (2019: £23.2m), that can only be used for the benefit of employees.

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

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.

The balance within retained earnings represents the distributable reserves of the Company. The subsidiaries of the Company have in excess of £550m of distributable reserves in aggregate that are available for distribution to the Company to increase its distributable reserves and support the future payment of dividends to shareholders of the Company in line with the Group's dividend policy.

Company accounting policies

for the year ended 30 November 2020

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:
- Auditor's remuneration (note 5b)
- Share-based payments (note 5d)
- Dividends (note 9)
- Share capital (note 21)
- Pensions (note 23)
- Financial guarantees (note 25)
- Related party transactions (note 26)

The Company's functional and presentational currency is pounds sterling and its principal accounting policies are as set out for the Group on pages 116 to 125, 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.

Notes to the Company financial statements

for the year ended 30 November 2020

A. Plant and equipment and intangibles

	Plant and equipment £m	Right-of-use assets £m	Intangibles £m	Total £m
Cost				
At 1 December 2019	**11.1**	**7.9**	**6.7**	**25.7**
Additions	**0.5**	**0.4**	**2.1**	**3.0**
Disposals	**–**	**(0.6)**	**–**	**(0.6)**
At 30 November 2020	**11.6**	**7.7**	**8.8**	**28.1**
Depreciation				
At 1 December 2019	**5.1**	**1.7**	**2.0**	**8.8**
Charge for the year	**1.3**	**1.5**	**1.1**	**3.9**
Impairment	**–**	**–**	**2.6**	**2.6**
Disposals	**–**	**(0.6)**	**–**	**(0.6)**
At 30 November 2020	**6.4**	**2.6**	**5.7**	**14.7**
Net book value				
At 1 December 2019	**6.0**	**6.2**	**4.7**	**16.9**
At 30 November 2020	**5.2**	**5.1**	**3.1**	**13.4**

B. Investments in subsidiaries and joint ventures

	Cost of investment			Carrying value of investment		
	Subsidiaries £m	Joint ventures £m	Total £m	Subsidiaries £m	Joint ventures £m	Total £m
At 1 December 2019	**102.8**	**24.0**	**126.8**	**800.1**	**77.8**	**877.9**
Additions	**–**	**4.3**	**4.3**	**–**	**4.3**	**4.3**
Share of net losses of investments	**–**	**–**	**–**	**(65.5)**	**(18.1)**	**(83.6)**
Dividends received	**–**	**–**	**–**	**–**	**(8.7)**	**(8.7)**
At 30 November 2020	**102.8**	**28.3**	**131.1**	**734.6**	**55.3**	**789.9**

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.

The following is a list of all subsidiary undertakings, joint ventures and associates owned by the Company or Group at 30 November 2020. 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					
Baglan Bay Company Limited	06383208	0.0%	100.0%	100.0%	Property monitoring
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 Limited	00577934	0.0%	100.0%	100.0%	Property investment
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

B. 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
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
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%	Dormant
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%	Dormant
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/ development
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%	Property development
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

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 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
Uttoxeter Estates Limited	02725709	100.0%	0.0%	100.0%	Ceased trading
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
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
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					
Barton Business Park Limited	03807742	0.0%	50.0%	50.0%	Ceased trading
Bay Campus Developments LLP[2]	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[3]	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					
Saxon Business Centre (Management) Limited	02470756	0.0%	40.0%	40.0%	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.
2 The registered office of this company is Finance Department, Swansea University, Singleton Park, Swansea, Wales, SA2 8PP, United Kingdom.
3 The registered office of this limited liability partnership is Bruce Kenrick House, 2 Killick Street, London, England, N1 9FL, United Kingdom.

C. Trade and other receivables

	2020 £m	2019 £m
Non-current		
Amounts due from subsidiaries	**475.0**	475.0
Non-current receivables	**475.0**	475.0
Current		
Trade receivables	**1.7**	1.8
Prepayments and accrued income	**7.5**	7.6
Amounts due from subsidiaries	**411.8**	437.1
Amounts due from joint ventures	**19.6**	16.3
Other receivables	**1.9**	2.2
Current receivables	**442.5**	465.0

D. Deferred taxation

	2020 £m	2019 £m
Balance at start of the year	**5.7**	1.6
(Charged)/credited to the Company income statement	**(1.0)**	4.1
Recognised within the Company statement of changes in equity	**(0.2)**	–
Balance at end of the year	**4.5**	5.7

The deferred tax balance consists of net deductible temporary differences of £3.6m (2019: £5.2m) and unutilised tax losses of £1.3m (2019: £0.5m), partially offset by capital allowances in excess of depreciation of £0.4m (2019: £nil).

E. Trade and other payables

	2020 £m	2019 £m
Current		
Trade payables	**2.1**	1.3
Accruals and deferred income	**5.9**	6.4
Amounts due to subsidiaries	**395.2**	389.4
Amounts due to joint ventures	**19.6**	16.8
Other payables	**6.6**	2.0
Current payables	**429.4**	415.9
Non-current		
Accruals and deferred income	**0.6**	1.2
Amounts due to joint ventures	**6.5**	6.5
Non-current payables	**7.1**	7.7

F. Borrowings

	2020 £m	2019 £m
Current		
Lease liabilities	**1.2**	1.4
Current borrowings and lease liabilities	**1.2**	**1.4**
Non-current		
Amounts repayable between three and four years	**38.8**	–
Amounts repayable between four and five years	**282.2**	75.0
Amounts repayable after more than five years	**–**	279.0
Lease liabilities	**4.2**	4.9
Non-current borrowings and lease liabilities	**325.2**	**358.9**

G. Provisions

	Legal claims £m
At 1 December 2019	**23.7**
Created	**2.4**
Utilised	**(0.8)**
At 30 November 2020	**25.3**

A provision is held at 30 November 2020 in relation to a 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.

H. 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
Carrying value at 1 December 2019	**4.1**	**1.2**	**0.9**	**6.2**
Additions	**–**	**0.4**	**–**	**0.4**
Depreciation	**(0.5)**	**(0.8)**	**(0.2)**	**(1.5)**
Carrying value at 30 November 2020	**3.6**	**0.8**	**0.7**	**5.1**

Five year record

	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Net rental income[1]	45.9	53.8	46.8	37.0	**30.3**
Adjusted EPRA earnings[1]	21.5	29.4	31.7	38.7	**22.1**
Property revaluation gains/(losses)[2]	4.1	34.6	11.4	39.4	**(116.3)**
Profit/(loss) for the year attributable to owners of the Company	53.4	59.6	60.2	50.7	**(121.6)**
Earnings per share (pence)	24.1	26.9	27.1	22.8	**(54.7)**
Dividends paid per share (pence)	5.79	6.08	7.36	7.60	**1.10**
Dividend cover (times)	4.2	4.4	3.7	3.0	**(49.7)**
Shareholders' equity net assets per share (pence)	431.0	450.7	470.2	484.2	**427.7**
Increase/(decrease) on prior year	4.2%	4.6%	4.3%	3.0%	**(11.7)%**
Net assets employed					
Investment properties and assets held for sale	1,144.7	1,168.5	939.3	973.9	**895.2**
Investments	184.8	119.6	89.1	86.0	**60.9**
Inventories	229.7	352.7	366.4	416.5	**393.9**
Other net liabilities	(73.9)	(143.7)	(70.5)	(81.9)	**(99.8)**
Net debt	(523.2)	(491.4)	(274.3)	(314.1)	**(296.1)**
Non-controlling interests	(6.9)	(5.7)	(5.9)	(4.7)	**(3.7)**
Net assets attributable to owners of the Company	955.2	1,000.0	1,044.1	1,075.7	**950.4**
Financed by					
Share capital	22.2	22.2	22.2	22.2	**22.3**
Reserves	933.6	979.5	1,023.2	1,054.3	**928.8**
Own shares	(0.6)	(1.7)	(1.3)	(0.8)	**(0.7)**
Equity attributable to owners of the Company	955.2	1,000.0	1,044.1	1,075.7	**950.4**

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.

Information for shareholders

St. Modwen Properties PLC: Registered office: Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ.
Registered in England and Wales, no. 00349201

Shareholder analysis

Holdings of ordinary shares as at 30 November 2020:

	Shareholders		Shares	
	Number	%	Number	%
By shareholder				
Individuals	2,571	79.08	18,379,842	8.26
Directors and connected persons	28	0.86	9,194,750	4.13
Insurance companies, nominees and pension funds	368	11.32	169,277,213	76.03
Other limited companies and corporate bodies	284	8.74	25,775,183	11.58
	3,251	**100.00**	**222,626,988**	**100.00**
By shareholding				
Up to 500	939	28.88	223,971	0.10
501 to 1,000	532	16.36	409,404	0.18
1,001 to 5,000	1,066	32.79	2,510,178	1.13
5,001 to 10,000	229	7.04	1,638,782	0.74
10,001 to 50,000	233	7.17	5,025,586	2.26
50,001 to 100,000	60	1.85	4,421,930	1.99
100,001 to 500,000	101	3.11	25,172,202	11.31
500,001 to 1,000,000	43	1.32	30,645,673	13.76
1,000,001 and above	48	1.48	152,579,262	68.53
	3,251	**100.00**	**222,626,988**	**100.00**

Shareholder percentage by shareholder type

- Individuals
- Directors and connected persons
- Insurance companies, nominees and pension funds
- Other limited companies and corporate bodies

Shareholder percentage by holding size

- Up to 500
- 501 to 1,000
- 1,001 to 5,000
- 5,001 to 10,000
- 10,001 to 50,000
- 50,001 to 100,000
- 100,001 to 500,000
- 500,001 to 1,000,000
- 1,000,001 and above

Financial calendar

Ordinary shares quoted ex-dividend	11 March 2021
2019/20 final dividend record date	12 March 2021
AGM	1 April 2021
2019/20 final dividend payment date	8 April 2021
Announcement of 2021 half year results	July 2021
Announcement of 2021 final results	February 2022

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/investors/.

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* (+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* 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.

*Lines are open 9.00am to 5.00pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

Share dealing service
If you are a 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.

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/protect-yourself-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-us, 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 2021 Annual General Meeting (AGM or Meeting) will be held and broadcast on Thursday 1 April 2021 at 10.30am from Park Point, 17 High Street, Longbridge, Birmingham, B31 2UQ. The Notice of Meeting, together with an explanation of the resolutions to be considered at the Meeting and guidance on joining the broadcast, are provided in a separate document made available to shareholders via the Company website, www.stmodwen.co.uk or by post, depending on how you have elected to receive information from us.

Glossary of terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRSs – International Financial Reporting Standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RICS – Royal Institution of Chartered Surveyors.

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

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

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

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

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

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

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

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

Weighted average unexpired lease term (WAULT) – the weighted average lease term to the first tenant break.

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.

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

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