



St. Modwen Properties PLC Annual Report 2005



St. Modwen

Long-term partners of choice

St. Modwen is a regeneration specialist operating in all sectors of the property industry. The company has extensive experience at working in partnership with public and private sector organisations and a track record of meeting the objectives of its partners.



Etruria Valley, Festival Park, Stoke-on-Trent

Office village and trade park schemes are the latest developments on this 300 acre former steelworks. Centre 500 faces it across the West Coast main line.

Highlights

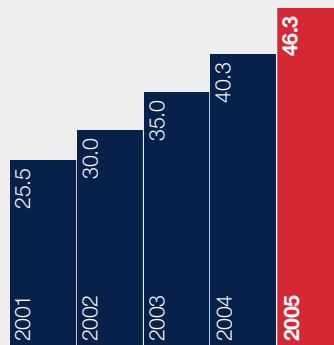
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		68	Five year record

- **Record results for thirteenth successive year**
- **Significant progress in marshalling future major projects**
- **Strong trading and revaluation performance**
- **More than 4,500 acres of developable land in the Hopper**

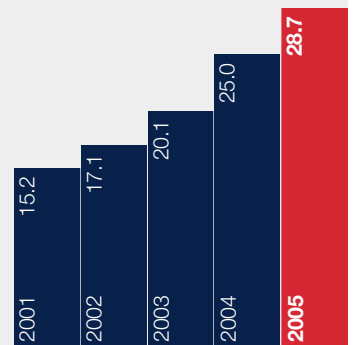
Profit before tax
(£ million)

+15%



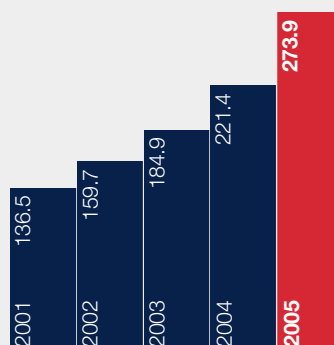
Earnings per share
(p)

+15%



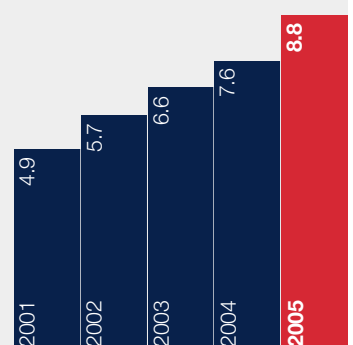
Net assets per share
(p)

+24%



Dividend per share
(p)

+16%



St. Modwen

At a glance

St. Modwen operates through a network of six regional offices. These regional offices enable the company to understand local needs and to exercise on-the-spot control.

The company focuses on: Town Centre Regeneration, Partnering Industry, Brownfield Renewal, Restoring Heritage.

The company's strategy is based on a 'hopper' of future development opportunities. With over 4,500 acres of developable land and 18 town or district centre schemes under its control, the company is able to marshal a wide range of projects through the planning and development process and into a reliable stream of realised profits.

Both profits and net asset values have now increased for thirteen consecutive years, as the company has delivered its promise to double in size every five years.

LONDON AND SOUTH EAST

- 01 Poole
- Discovery Court
- 02 Milton Keynes
- Stratford Road
- 03 Bedford
- Thurleigh Airfield
- Town Centre
- 04 Surrey
- Henley Industrial Estate
- 05 Eastleigh
- Campbell Road
- 06 Woking
- The Planets
- 07 Farnborough
- Town Centre
- 08 Sunbury-on-Thames
- Kempton Point
- 09 Borehamwood
- Business Centre
- 10 Cranfield
- Technology Park
- 11 Basingstoke
- The Malls
- 12 Hatfield
- Town Centre
- 13 London
- Catford
- Edmonton Green

- Elephant & Castle
- Hounslow
- Leegate Centre
- Newham
- Wembley Central
- 14 Thurrock
- South Ockendon

MIDLANDS

- 15 Stratford-upon-Avon
- Long Marston
- 16 Derby
- Hilton Depot
- 17 Rugby
- Mill Road
- Newbold Road
- 18 Wolverhampton
- Goodyear site
- 19 Worcester
- Shrub Hill Industrial Estate
- 20 Stafford
- Lichfield Road
- St. Leonard's Site
- 21 Walsall
- St. Matthew's Quarter
- 22 Longbridge
- MG Rover Site
- 23 Dudley
- Castle Hill

- 24 Birmingham
- Lyndon House
- Washwood Heath
- Quinton Business Park
- 25 Telford
- Brockton Business Park
- Queensway Business Park
- 26 Burton upon Trent
- Barton Business Park

NORTH STAFFORDSHIRE

- 27 Stoke-on-Trent
- Festival Park
- Trentham Gardens
- Trentham Lakes
- 28 Stone
- Meaford Power Station

NORTH WEST

- 29 Manchester
- Wythenshawe
- Trafford Park
- 30 Accrington
- Junction 7 Business Park
- 31 Preston
- Channel Way
- 32 Wigan
- Enterprise Park
- 33 Widnes
- Economic Development Zone
- Town Centre

- 34 Liverpool
- East Lancs Road
- Great Homer Street
- 35 Glasgow
- Hillingdon
- Springburn

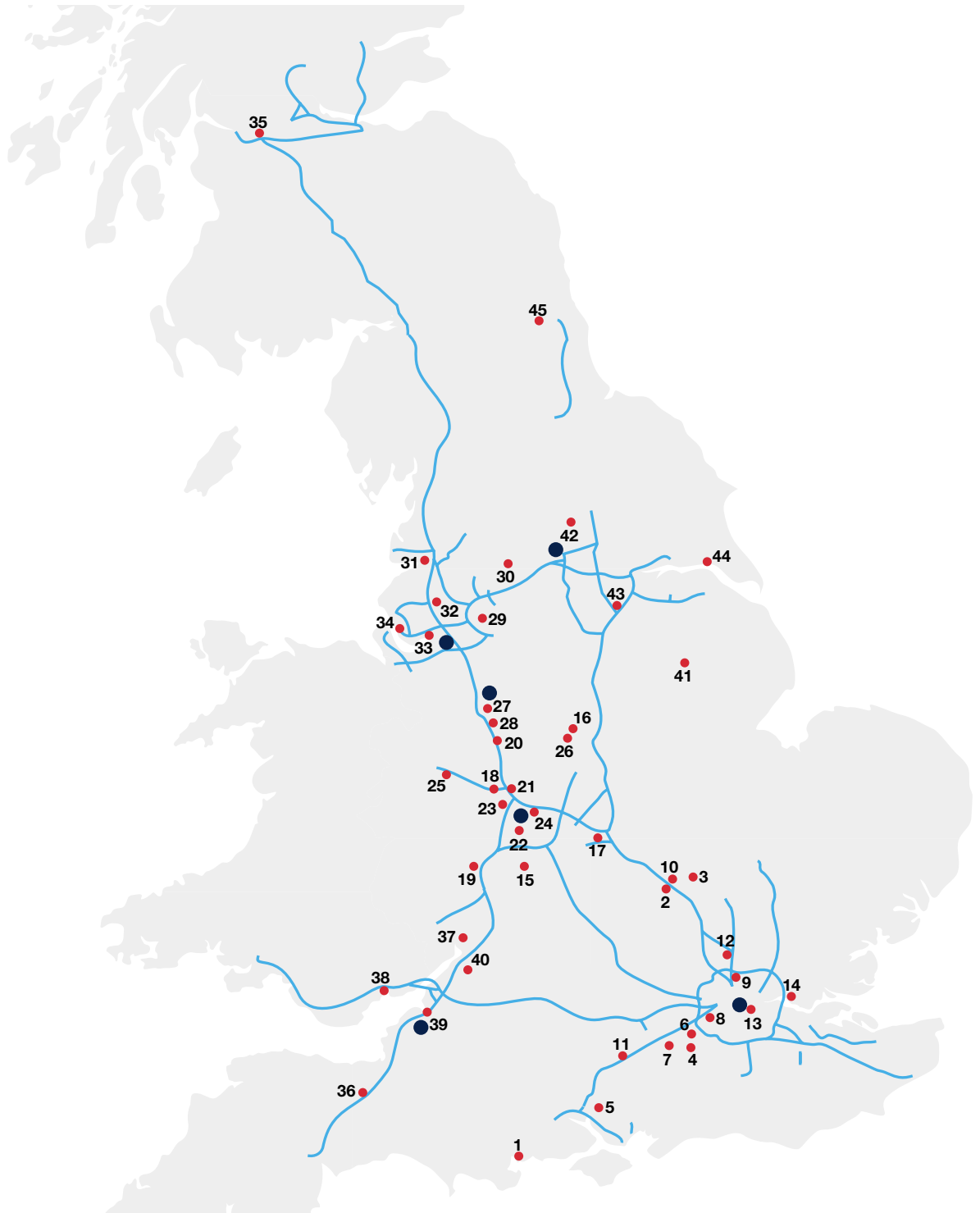
SOUTH WEST

- 36 Taunton
- Trading Estate
- 37 Gloucester
- Quedgeley Industrial Estates
- 38 Newport, Gwent
- Llanwern
- 39 Avonmouth, Bristol
- Access 18
- 40 Dursley, Glos
- Littlecombe Village

YORKSHIRE

- 41 Lincoln
- Rushton Works
- 42 Guiseley
- Netherfield Road
- 43 Doncaster
- Worcester Avenue
- 44 Hull
- Melton Park
- 45 Darlington
- Whessoe Road

- Major schemes
- Regional offices
- Motorways



Chairman's statement

'I am pleased to report on a thirteenth successive year of record results.'



C.C.A. Glossop
Chairman



Edmonton Green, London

Construction of 177 residential apartments, a primary care facility and new leisure centre at our £100m mixed use development.

Results

I am pleased to report on a thirteenth successive year of record results; a year in which we have not only produced a strong trading and revaluation performance but have also made good progress in marshalling future projects through our development hopper.

Profits before tax increased by 15% to £46.3m (2004: £40.3m) earnings per share grew by 15% to 28.7p (2004: 25.0p) and net assets per share increased by 24% to 273.9p (2004: 221.4p).

Our key performance measurement of total pre-tax return on average shareholders' funds was 28.6% (2004: 27.1%), benefiting from a revaluation uplift of 8.8% (£39.2m) (2004: 5.5% (£26m)) of our investment property portfolio, including our share of joint ventures.

Dividends

Your board is recommending a final dividend of 5.9p (2004: 5.1p) per ordinary share, making a total distribution for the year of 8.8p (2004: 7.6p), an increase of 16%. This final dividend will be paid on 28th April 2006 to shareholders on the register on 7th April 2006.

£46.3m
profit before tax

£39.2m
revaluation surplus

+21%
growth in property
profits

Trading, marshalling and acquisitions

Property profits increased by 21% to £41.2m (2004: £34.0m) as a result of 38 property disposals, the most significant being:

- North City shopping centre at Harpurhey, Manchester;
- the Kirkby Shopping Centre;
- the remainder of the first phase of Worcester Retail Park;
- a distribution facility for Pirelli at Barton Business Park, Staffordshire;
- further industrial/distribution schemes at Trentham Lakes, Stoke-on-Trent; and
- residential land sales at Halebank, Widnes, Brierley Hill, West Midlands, Hilton, Derbyshire, and Norton, Stoke-on-Trent.

Net rental income for the year increased by 4% to £39.8m (2004: £38.4m). As a result of the programme of disposals the gross portfolio rent-roll at 30th November 2005, including our share of joint ventures, fell to £40.8m (2004: £44.8m).

Excellent progress was made in marshalling schemes to produce future profits:

- we are on site at two of our major mixed use town centre regeneration schemes in London – Edmonton Green and Wembley Central;
- we have exchanged development agreements at Bedford, Hatfield, Hednesford, Staffordshire, and Castle Hill, Dudley.



Barton Business Park, Staffordshire

A 365,000 sq ft distribution facility built for Pirelli and sold in the year.



Castle Hill, Dudley

A 148 acre zoo, castle and derelict land site for which we have exchanged a development agreement for a £100m scheme.

Chairman's statement continued

'The key to our strategy is the continuing acquisition of well-located opportunities to top up the hopper.'

- we have obtained major planning consents at Farnborough, St. Matthew's Quarter, Walsall, and Washwood Heath, Birmingham; and
- Trentham Gardens, our major heritage restoration project in Staffordshire, is progressing well and should be profitable in 2006.

Acquisitions, whilst less than in recent years, were still substantial, comprising some 200 acres with significant projects in:

- Burton upon Trent;
- South Ockendon, Essex;
- Telford;
- Quedgeley, Gloucestershire; and
- Hillington, Glasgow

Further details of all these projects and the company's performance can be found in the Operating and Financial Review on pages 8 to 21.

Operating and financial review ("OFR")

This year we have chosen to produce an OFR which seeks to adopt the spirit of the Accounting Standards Board ("ASB") Reporting Standard (including the recently issued ASB Guidelines) and of the EU Accounts Modernisation Directive. I hope you find it informative. I would also draw your attention to our updated website (www.stmodwen.co.uk) which includes useful information on our major schemes.

International financial reporting standards ("IFRS")

This will be the last year in which we will report under UK Generally Accepted Accounting Practice ("GAAP"). In future, we will be required to adopt IFRS when preparing accounts.



Yeovil

A 62,000 sq ft headquarters built for Screwfix and sold in the year.

IFRS will have an impact on the presentation of the Group's accounts although not on the underlying business or its cash flow, the principal areas of impact being referred to in the OFR on page 21.

Governance

We have always sought to manage our affairs to the highest standards of integrity and business competence and your board takes proper cognizance of corporate governance initiatives. Any departures, however minor, will be for good reasons, in the spirit of the regulations and will be fully and openly explained.

Directors and employees

The continued run of record results and the good prospects for the future could not have been achieved without committed and highly competent people at all levels in the organisation. My thanks go to all the team for the efforts they have put in to achieving yet another successful year.

The company continues to benefit from a strong board. The executive team is supported by committed non-executives who are not afraid to question and challenge.



Trentham Gardens, Staffordshire

The new bridge into the Italian gardens, which are being restored as part of our transformation of this unique visitor destination.

In the year James Shaw, who had been a non-executive director for four years, left the board on taking up a position with UK Coal which we both felt might lead to a perception of a potential conflict of interest. We were fortunate to find excellent replacements in Mary Francis and John Salmon.

Mary Francis has had a long and distinguished career in both the public and private sectors. She has worked in a wide variety of roles, including the corporate finance department of Hill Samuel & Co., for HM Treasury on privatization and European Union policy, in 10 Downing Street, and as Deputy Private Secretary to the Queen.

She was Director-General of the Association of British Insurers from 1999 until she stepped down last year. She is a non-executive director of the Bank of England, Centrica plc and Aviva plc.

John Salmon was formerly a senior partner at PricewaterhouseCoopers with responsibility for a range of major listed companies until his retirement last year. A member and former Deputy Chairman of PwC's Supervisory Board, he also initiated and led that firm's services to non-executive directors. He is also a member of the council and executive committee of the British Heart Foundation.

Prospects

The company has, yet again, had a good start to the year with transactions already exchanged or completed or agreements for lease exchanged that will provide future investment sales which should give rise to property profits in excess of £16m.

As reported in the OFR, the investment property market remains very strong and the occupational market, whilst patchy, offers opportunities for an active developer. The general economic climate is perhaps more uncertain than for some time but nonetheless, I am looking forward with confidence to another year of progress for your company.

Operating and financial review



W.A. Oliver
Chief Executive

Our market

Competitive and Regulatory environment

Business model and strategy

Financial objectives

Development and performance of the business

Trading Marshalling Acquisitions Financial Items

For further details of projects referred to in this OFR, see our website, www.stmodwen.co.uk

Our market

The company's core operation is within the UK property development and investment market.

The UK property investment market is currently very strong and is likely to remain so as long as interest rates and returns from bonds remain low and the country's economic performance is satisfactory. The occupational market remains patchy but in a balanced portfolio there are enough opportunities to create a reasonable development programme.

Currently the retail market is showing some signs of weakness as consumer spend eases and the stronger retailers satisfy some of their demand by taking space vacated by weaker retailers. However, the food retail market remains strong as does the market for any well-differentiated retail offer such as at Trentham Gardens.

The industrial building market follows the pattern of recent years with manufacturing enquiries being limited but distribution and service-led enquiries remaining strong.

The office market is the most difficult to read. Increasing strength in financial and professional services is fuelling greater confidence in traditional office core areas whilst business parks continue to have to fight hard for every bit of business.

The market for residential land remains strong. There is more uncertainty in the

apartment market, but there is a continued demand for a competitively priced product.

The company's only other activities relate to limited operating ventures entered into to support the core operation such as those at the Avonmouth landfill site, Solihull ice rink and Trentham Gardens.

Competitive and Regulatory environment

The UK property market is extremely competitive. Natural barriers to entry are low. Finance is usually readily available and advantages of scale, although they do exist, are limited. It is rare, therefore, for the company not to be in serious competition whether it is seeking to make an acquisition, to achieve selection as preferred developer, or to secure an occupier.

By contrast, the regulatory environment is restrictive and becoming increasingly more so. Attempts to simplify and speed up the planning process have not worked and the cost and timescale involved in obtaining planning permission is continuing to escalate. The process of recycling brownfield land is becoming steadily more challenging with risk-based environmental assessments requiring a higher level of understanding of the decontamination process.

To a considerable extent the regulatory challenges create an opportunity in which a developer with appropriate skills and determination can build a long-term viable business.

‘The skills needed to deliver successful partnership projects have become a core feature of our business.’

Business model and strategy

St. Modwen is at heart a property development company. Many of its assets may be classified as investments but that is because of long project gestation and the fact that the company is looking for both an income and a capital return. The aim is that no property, whether held in work-in-progress or classified as an investment, should be acquired or retained unless it is believed that significant value can be added to that property by the company’s own efforts – asset management, refurbishment or redevelopment – in a flat market over a five to fifteen year horizon.

A classic challenge for property development companies is how to achieve a constant or rising stream of profits from an activity which some see as inevitably inconsistent. St. Modwen has sought to meet this challenge by a constant and long-term strategy. Through a network of six regional offices, we carry out a programme of development in our areas of speciality. These are town centre regeneration; partnering industry in its restructuring; brownfield land renewal; and heritage restoration. Much of the programme is carried out with partners from both the public and private sectors. The skills needed to deliver successful partnership projects have become a core feature of our business.

Our public sector partnerships include:

- long-term joint companies with local authorities such as Stoke-on-Trent Regeneration and Widnes Regeneration (Halton Borough Council), both 81/19 ventures;



Trentham Lakes 1996

A 267 acre former colliery site acquired in its raw state.



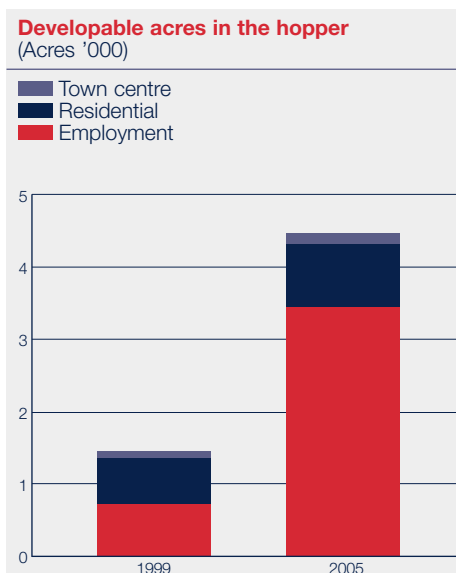
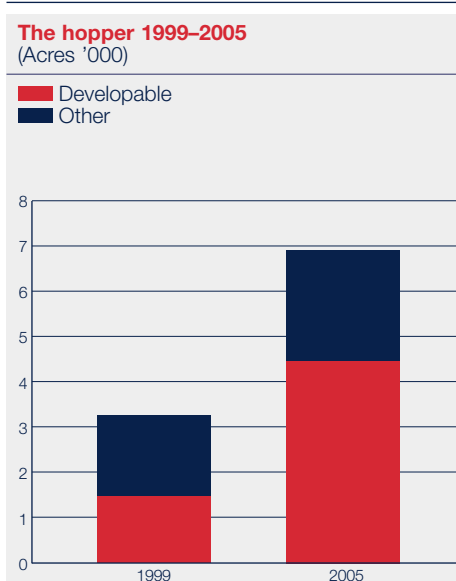
Trentham Lakes 2005

150 acres have been developed to date including the Stoke City Britannia Stadium, a hotel, leisure centre, car showrooms, 275 homes and 1m sq ft of employment space.

Operating and financial review

continued

‘Special skills in dealing with derelict or contaminated land’



- development agreements or leases with local authorities such as Bedford, Dudley, Enfield, Liverpool, Manchester, Rushmoor, and Welwyn & Hatfield; and
- development agreements with regional development agencies such as Advantage West Midlands and South West England.

We have a number of partnerships with other property companies, including Prologis (Barton Business Park), and Rotch (Wembley Central and Woking), but the most significant is our Key Property Investments operation with Salhia Real Estate of Kuwait. This operation, which now owns property assets of £309m, was formed in 1997 to enable us to take on larger projects. Starting with a £35m portfolio from Refuge Assurance, it has acquired Farnborough (Kingsmead and Queensmead), the Marconi and Alstom portfolios, Elephant & Castle, and The Malls, Basingstoke. St. Modwen is the operating arm of the joint venture and receives management, project management and development fees for its work.

The key to our strategy is the continuing acquisition of well-located opportunities to top up the hopper.

The hopper is a bank of development opportunities. It is:

- long-term – we seldom source properties for development within three years. The normal development horizon is five years or more;

- broadly based – St. Modwen is not a sectoral specialist. We can deliver successfully a wide range of outputs. St. Modwen can, therefore, adjust the mix of its development programme to match market opportunities;
- geographically spread – operating through its regional offices, St. Modwen combines the strength of a local developer with the power of a national company;
- focused upon regeneration – St. Modwen goes where it is needed, rather than where it is fashionable. It therefore builds long-term relationships and obtains repeat business; and
- acquired in its rawest state – most added value and more flexibility can be achieved if a developer tackles property and risk from the outset of the regeneration process.

This needs special skills in:

- land assembly including compulsory purchase and occupier relocations;
- dealing with derelict or contaminated land;
- total understanding of the planning process;
- expertise in infrastructure delivery;
- and, of course, in development itself.

It also needs intelligent finance.

The properties in the hopper are held through a variety of structures, such as:

- wholly owned but sometimes with overage to a vendor;
- joint venture, ranging from 50/50 to 81/19, typically with management, project management or development fees for the company as the active partner; and



Llanwern

A 600 acre site, formerly part of a steelworks at Newport Gwent, allocated in the local plan for a major residential and employment opportunity.

- development agreements under which the land or most of it is not acquired until actually required for development.

In addition, projects are carefully structured to optimize cash flow through early receipts.

The hopper now comprises more than 4,500 acres of developable land and 18 town or district centre schemes.

In the past six years the size of the hopper has increased, as follows:

	1999	2005
Total Acres	3,239	6,929
Developable		
– Town Centre	105	189
– Employment	702	3,438
– Residential	652	894
	1,459	4,521

One of the company's key performance indicators is to acquire 120% of developable land opportunities used in the year. The hopper's performance in the period 1999 to 2005 demonstrates that this indicator has been comfortably exceeded.

This business model requires hands-on management, a skilled committed team and a flexible medium-term programme of marshalling projects from the hopper through to the shorter-term development programme. The consistency of future performance depends on the successful interaction of these elements.

In order to understand local community needs, to develop strong

local relationships, and to exercise on-the-spot control, the company operates through a network of six regional offices.

All development and property management activity is undertaken by the regional offices, supported and supplemented by a strong central team, providing construction, planning, financial, and commercial expertise.

Office	Staff (Nos.) ¹	Rent-roll (£m) ²	Tenants (Nos.)	Assets managed (£m) ²
London & South East	43	19	750	330
Midlands	31	22	550	295
North Staffs	5	0	50	24
North West	15	8	400	96
South West	9	1	50	32
Yorkshire	2	1	10	24
Head Office	36	n/a	n/a	n/a
Operating Ventures	72	1	30	21
Total	213	52	1,840	822

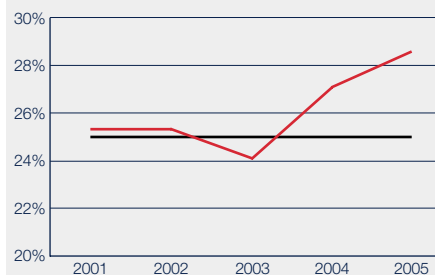
¹ Staff numbers include site-based personnel.

² Rent-roll and assets managed include 100% of joint ventures.

Operating and financial review continued

Return on shareholders' funds

— Actual
— Target



Return on shareholders' funds = profit before tax + revaluation surplus as a percentage of average shareholders' funds (including our share of joint venture results).



Harpurhey, Manchester

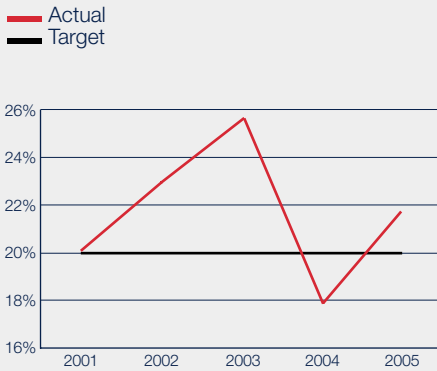
A 120,000 sq ft mixed use district centre, completed and sold in the year.

Financial objectives

The company has a straightforward economic model with a target to double net asset value per share every five years. This has been achieved for over a decade by targeting two key performance indicators, a 20% development return on opening WIP and a 15% total return on fixed assets. Although these returns are not achieved on every project, the company has produced a steady stream of above-target returns.

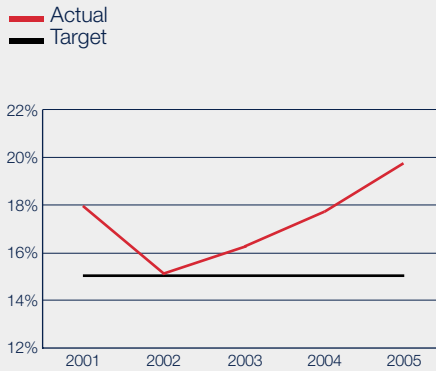
We also measure return on shareholders' funds as a key performance indicator. This has remained within a band of 24% to 29% over the past five years. As a result, in the last five year measurement period, which ended at 30th November 2004, net asset value per share increased by 121% from 100.1p to 221.4p. The 24% uplift in 2005 to 273.9p is an excellent start to the present five year period.

Development return on opening WIP



Development return on opening WIP = property development profit for the year as a percentage of the carrying value of opening WIP (including our share of joint venture results).

Total return on fixed assets



Total return on fixed assets = profit on sale of fixed assets + net rental income + revaluation surplus as a percentage of the carrying value of opening fixed assets (including our share of joint venture results).

Development and performance of the business

Trading

A 21% increase in property profits to £41.2m (2004: 34.0m) was the main driver behind a 15% increase in pre-tax profits to £46.3m (2004: £40.3m).

Thirty-eight property disposals were completed in the period with 11 projects earning over £1m.

The North City shopping centre (120,000 sq ft) at Harpurhey, Manchester was sold on completion of its development and the Kirkby shopping centre (216,000 sq ft) was sold on completion of its initial asset management programme after an adjoining landowner was selected for the next phase of the town centre development. A further part



Wembley

Work has started on this major mixed use town centre scheme, to deliver 235 homes and 138,000 sq ft of retail and leisure space.

(22,000 sq ft) of Worcester Retail Park was sold after we had secured our position on the next phase through a joint venture with Helical Retail Limited.

We commenced construction on the first section of the main phase of the redevelopment at Edmonton Shopping Centre in North London. This phase which is the first of the numerous town centre mixed use schemes we are planning, is being constructed in two sections and includes a 55,000 sq ft leisure facility, a 26 stand bus station, a 66,000 sq ft Asda superstore and 150,000 sq ft of additional retail space

together with a 20,000 sq ft bingo hall, a 20,000 sq ft Primary Healthcare Facility and 177 apartments which have been pre-sold to a consortium of housing associations for both private housing and social rent.

We have also started work on our second major mixed use town centre scheme at Wembley, Central Square Shopping Centre, a joint venture with Rotch. Just before the end of the year,



Kirkby

A 216,000 sq ft fully let shopping centre, sold in the year.

Operating and financial review continued

‘For further details of these and other projects see our website www.stmodwen.co.uk’



Quinton, Birmingham

The 50,000 sq ft second phase of this high quality business park was completed in the year. A similar third phase is now under construction.

we commenced a demolition phase heralding the launch of a scheme comprising 138,000 sq ft of retail and leisure space, 235 residential apartments, of which 85 are affordable and have been pre-sold to Genesis Housing Association, refurbished offices and multi-storey car park and a new public square fronting the High Road, all of which will facilitate a major upgrade of Wembley Central station, one of the transport links that will serve the new Wembley Stadium.

In the industrial/distribution sector we completed a pre-sold 365,000 sq ft distribution facility for Pirelli at our Barton Business Park in Staffordshire, a joint venture with Prologis, and are

constructing a pre-let 70,000 sq ft manufacturing facility for Intier which has been sold since the year end.

At Trentham Lakes we are constructing pre-sold facilities for Glen Dimplex, (437,000 sq ft distribution) and Rieter (100,000 sq ft manufacturing), which will be completed in the present year.

We have also completed or have under construction a number of smaller schemes in Avonmouth, Brighton, Halesowen, Huddersfield, Runcorn, Sheffield, Stoke-on-Trent and Walsall.

As the office market has been more difficult our activity in that sector has been relatively subdued. The last



Trentham Lakes, Stoke-on-Trent
A 100,000 sq ft manufacturing facility built for Rietter Automotive and sold in the year.

building of 10,000 sq ft from the first phase at Quinton Business Park, Birmingham let to RPS was sold in the period. The 50,000 sq ft second phase has been completed with one building (10,000 sq ft) let and since the year end sold with fair progress being made on the letting/sales of the other two buildings. We have moved our Midlands regional and Head Office into one of these buildings.

Good progress has been made on the 45,000 sq ft office village scheme at Etruria Valley, Stoke-on-Trent. Two of the buildings have been completed, one now being under offer to the Probation Service with interest in the other. The third building has been let to the Crown Prosecution Service and it will be completed in March.

Residential land sales from our brownfield land renewal programme have again figured prominently in the year with completions at Halebank, Widnes; Brierley Hill, West Midlands; Coalville, North Leicestershire; Hilton, Derbyshire; and Norton, Stoke-on-Trent.

Our supporting operating ventures made useful progress in the year. The Avonmouth landfill made a contribution of £0.9m, the Solihull Ice Rink £0.3m (2004: £0.2m) and whilst Trentham Gardens made a loss of £0.5m this was to be expected in the first year of such a new venture and it is anticipated that it will move into profit in 2006.

Net rental income for the year, including our share of rent from joint ventures, increased by 4% to £39.8m

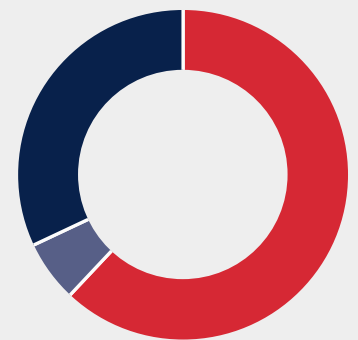
(2004: £38.4m). Acquisitions in the year contributed only £0.5m additional rent (as the majority of properties acquired during the year came without income). However, the full year benefit of acquisitions made in 2004 (including the Powertrain facility at Longbridge, The Malls, Basingstoke and Long Marston) was £3.7m, which offset the £2.6m of rental income lost on disposals (principally Kirkby Shopping Centre, Crewe Hall Industrial Estate and Worcester Retail Park).

At 30th November 2005, the gross portfolio rent-roll, including our share of rent from joint ventures, was £40.8m (2004: £44.8m). A number of our sites such as Farnborough Town Centre are currently being managed in such a way as to enable development in the near future, and a number of recently acquired sites (including South Ockendon, Essex and Brockton Business Park, Telford) were acquired vacant. Consequently, during the year under review, our overall voids increased from 13.1% to 18.7%, which is entirely consistent with our development strategy for the portfolio.

In common with most property companies, we experienced a number of tenant failures during the year, reflecting the increasingly difficult economic conditions for many occupiers. Through the close direct involvement of both our on-site and central staff, we were able to avoid any write-offs from the administrations of MG Rover, Klausner, Gaskell Furniture, and Richard Lawson Autologistics, and to work sympathetically with several other tenants to secure their immediate futures.

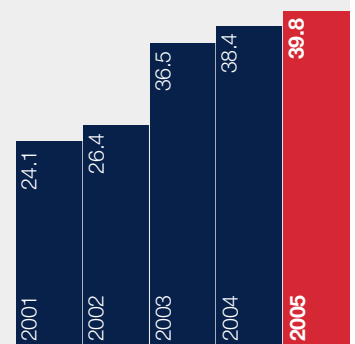
Rental income by sector

- Industrial **62%**
- Office **6%**
- Retail **32%**



Net rental income
(£ million)

+4%



Operating and financial review continued

‘. . . give Nanjing the time to complete their operational plans to restart motor manufacturing’



Longbridge, Birmingham

Plans for the 414 acre site are being worked up, with 105 acres (edged red) leased to Nanjing, and 2.5m sq ft of buildings earmarked for demolition.

In the case of our Longbridge site near Birmingham, we have received rent from the Administrative Receiver of MG Rover for the period up to 22nd February 2006. On that date, the remaining 33 years of the lease were assigned to Nanjing Automotive Group (UK) Limited. This assignment is subject to a six month break clause which will give Nanjing the time to complete their operational plans to restart motor manufacturing on 105 acres of the site.

As a result of this agreement, the remaining 238 acres of developable land are now being masterplanned for a major employment-led mixed use scheme.

Marshalling (projects in active preparation)

Progress made on projects in 2005 will contribute to performance in 2006 and beyond.

- The main phases of demolition and construction have been commenced at Edmonton and Wembley, and these major schemes will continue to contribute to profit in future years.

‘We acquired some 200 acres for commercial or future residential development.’

- Planning consent was formally obtained for the Farnborough mixed-use scheme, we have exchanged agreements with the foodstore anchor, and we await the outcome of a highway closure inquiry held in January 2006.
- Planning was also obtained for one million sq ft of distribution space at Washwood Heath, Birmingham; a 99,000 sq ft first phase of a business park at Henley Park, near Guildford; a further 50,000 sq ft phase of office development at Quinton Business Park, Birmingham; a 118,000 sq ft superstore for Asda at St. Matthew's Quarter, Walsall with an associated 1,000 space multi-storey car park, 41 apartments and 6,000 sq ft of additional retail; a number of industrial building and car dealership schemes at Trentham Lakes, Stoke-on-Trent; a 500 unit residential and 180,000 sq ft commercial scheme at Taunton in conjunction with AXA.
- Development agreements have been exchanged on a number of schemes where we have previously been appointed preferred developer such as Bedford; Hednesford, Staffordshire; Great Homer Street, Liverpool; Hatfield; and Castle Hill, Dudley. In the last two cases we also have obtained resolutions to grant planning consent.
- We are on site constructing pre-let or pre-sold industrial building schemes at Barton Business Park; Hilton, Derbyshire; and three at Trentham Lakes.
- At Trentham Gardens, the gardens attracted 93,000 visitors (2004: 17,000), and the monkey park, model railway and lake cruiser had good first seasons even though they only came on stream progressively from June onwards. The first phase retail – 65,000 sq ft garden centre and 36,000 sq ft heritage craft and tourist retail traded well and an advanced section of the second phase (8,000 sq ft) was handed over at the end of the year. The remainder of the second phase is under construction for completion in midsummer and should support the continued progress on this major project.
- In Newham we continue to progress the scheme at Upton Park where we are the preferred developer, and we are one of three on Southwark's shortlist for the major £1.5bn Elephant & Castle scheme.



Glasgow, Hillington

A 31 acre site acquired in 2006 from Rolls-Royce PLC for development as a managed estate for industrial and distribution uses.

Acquisitions

Because of the highly competitive and fully valued market, and our determination to be able to add value to all of our transactions, 2005 was a quieter year for acquisitions than in the recent past.

However, we acquired some 200 acres of land for commercial or future residential development principally at Burton upon Trent 21 acres with 425,000 sq ft of existing space; South Ockenden, Essex 29 acres with 600,000 sq ft existing space; Telford (two sites totalling 40 acres with 290,000 sq ft existing space); Quedgeley, Gloucester (two sites totalling 50 acres); and Hillington, Glasgow 31 acres with 800,000 sq ft existing space.

Operating and financial review continued



T.P. Haywood
Finance Director

‘The company continues to produce a strong cash flow, based on recurring net rental income and an ongoing programme of asset disposals.’

We also acquired a number of properties to reinforce schemes where we were already preferred developer such as in Bedford and Hatfield or to create further phases of existing schemes such as at Harpurhey and Wythenshawe.

Our total expenditure on acquisitions during the year was £40m and our hopper was boosted to almost 7,000 acres, of which some 4,500 is developable.

Since the year end, we have acquired Melton Park, Hull, a 234 acre development opportunity, the principal infrastructure for which is already in place. We have also been selected as preferred developer at Silverstone, subject to ratification by the British Racing Drivers’ Club members.

Financial Items

Overheads increased during the year by £2.4m to £17.3m (inclusive of employee share option costs), principally as a result of recruitments and the regional expansion needed to match our increased activity. However, as a percentage of profit before tax, overheads remained unchanged at 37%. During the year we recruited an additional 11 staff, principally surveyors or construction team members. We now have 94 employees across our six offices, 47 on operating sites and 72 in other activities.

We continue to adopt the policy of satisfying employee share options, when exercised, without issuing new share capital, which would dilute returns for existing shareholders. With 4m outstanding options (held by 162 employees) and a 49% share price increase in the year, the impact has

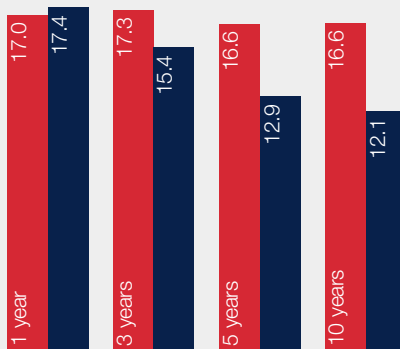


Melton Park, Hull

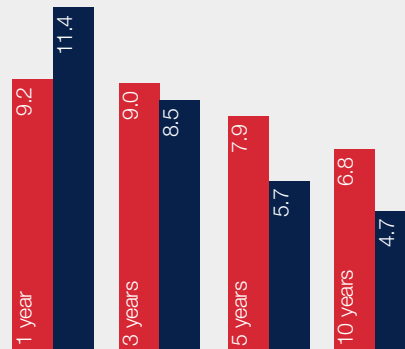
A 234 acre site acquired in January 2006. Outline planning consent has been granted for 1m sq ft of offices, industrial and distribution accommodation.

Total returns
(%)

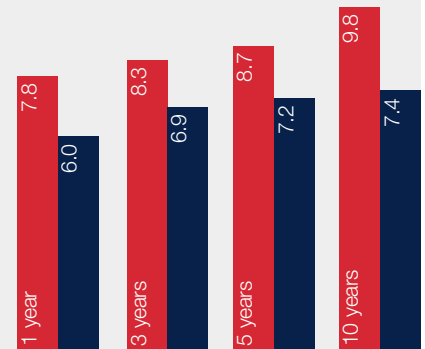
■ St. Modwen
■ IPD (Investment Property Databank)

**Capital returns**
(%)

■ St. Modwen
■ IPD (Investment Property Databank)

**Income returns**
(%)

■ St. Modwen
■ IPD (Investment Property Databank)



been a charge to the profit and loss account of £5.5m (2004: £3.8m). The company's option schemes (which comprise the SAYE scheme which is open to all employees, and the executive share option scheme, which is available to 37 senior executives) remain an important tool in the recruitment and retention of key staff, and in aligning employee interests with those of shareholders.

Pensions – A formal actuarial valuation of the company's final salary pension scheme (which has been closed to new entrants since 1999) was undertaken, as at 5th April 2005. This exercise was brought forward by a year in order to assess the impact of the changes made to scheme benefits in 2004, as the company sought to limit its exposure to escalating pension costs. The company also made a special cash contribution to the scheme of £2m in that year. The valuation showed a deficit of £1.5m (reduced from £3.9m as at 30th April 2003). The company has therefore provided £0.7m (2004: £1.5m) in the accounts, a sum which includes the regular cost of current service, and the amortisation of the past service deficit, as required under SSAP24.

Finance Costs have increased to £19.8m (2004: £17.2m). Average group borrowings increased by £27m to £211m due to the steady programme of acquisitions and increased development activity in the year, while average joint venture borrowings increased by £29m to £188m, following the acquisition of The Malls, Basingstoke in November 2004. In a stable interest

rate environment, we have nevertheless managed to achieve a reduction in our effective cost of borrowing through a combination of hedging and selective renegotiation of facilities. This has resulted in a reduced weighted average rate of interest payable as at 30th November 2005 of 5.6% for company borrowings (2004: 6.2%). The cost of joint venture borrowings fell to 5.7% (2004: 5.8%).

The group's borrowings are at variable rates of interest, although we actively manage our interest rate exposure using interest rate swaps. At the year end, 61% of company net borrowings were hedged in this way (2004: 56%), and 61% of joint venture borrowings (2004: 51%). Our strategy is to hedge two-thirds of all borrowings, with the maturity of both hedges and facilities being aligned with individual schemes where applicable, or over a maximum of 5 years for revolving facilities.

The group has not capitalised interest on its developments or its investments, but expensed all interest as it has arisen.

Taxation – the effective rate of tax charge for the year, including provision for deferred taxation, has fallen to 23.9% (2004: 24.5%) due to the availability of industrial building and capital allowances and land remediation relief for expenditure on brownfield renewal. It is anticipated that, with the continued utilisation of capital allowances, the effective rate will remain below the standard rate of Corporation Tax. Benefit from tax planning activities is only recognised when the outcome is reasonably certain.

Cash Flow – The company continues to produce a strong cash flow, based on recurring net rental income of £39.8m and an ongoing programme of asset disposals, which generated £148m in the year. This enabled us to fund a £85m development programme, together with property acquisitions of £40.3m during the year, and also achieve a £19.4m reduction in net debt.

Balance Sheet

Investment Properties – the total value of investment properties, including 100% of joint ventures, increased by £36m during the year to £651m.

The independent valuation at 30th November 2005 resulted in an uplift on our share of the portfolio including our share of joint ventures of 8.8% (£39.2m). As well as benefiting from our active and hands-on approach to asset management, the revaluation increase reflects the continuing strong investment market for the type of secondary properties that are typical of our portfolio. During the year, we have seen yields move in on all asset classes, but particularly retail, where we are typically carrying our shopping centres at net initial yields of around 6%.

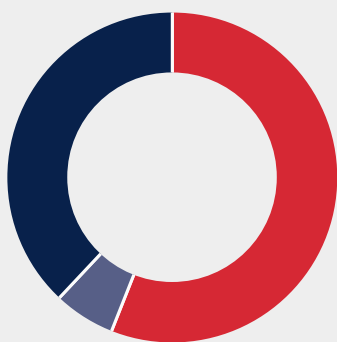
The removal of the disadvantaged areas relief from Stamp Duty Land Tax had no adverse effect on our valuations, since we had assumed this to be only a temporary relief, and had therefore not factored any benefit into our carrying values.

Operating and financial review continued

‘The company’s hopper is an underlying strength which should provide a stream of future profitability.’

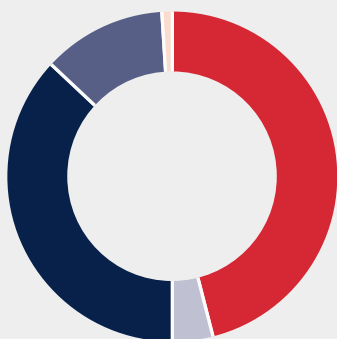
Capital value of investment properties by sector

■ Industrial **56%**
■ Office **6%**
■ Retail **38%**



Capital value of investment properties by region

■ London and South East **46%**
■ South West **4%**
■ Midlands **37%**
■ North West **12%**
■ Yorkshire **1%**



The valuation approach, which accords with the RICS Appraisal and Valuation Standards and which has been consistently implemented by our external valuers, King Sturge, values investment properties in their current condition reflecting pre-development voids and short-term occupancies and does not anticipate gains from future development activities.

Assets held in work in progress are not included in the annual valuation.

Other investments – our 27.2% stake in Northern Racing PLC, an AIM-listed company, was accounted for on acquisition in accordance with UITF31 (Exchanges of businesses) and subsequently as an equity accounted associated undertaking. As a result, the carrying value of our investment at 30th November 2005 is £10.5m. This represents the fair value of the assets acquired, plus post-acquisition profits. We are not able to recognise the AIM market value of our stake, which, at the share price of 140p on 30th November 2005, was £13.5m.

Gearing and Financing

At the year end, group net borrowings had reduced to £209m (2004: £227m), representing a gearing ratio of 63% (2004: 85%). This is below our preferred gearing range of 75% to 125%, but gives us ample headroom and flexibility to move swiftly to undertake further development and acquisitions. Bank facilities, excluding joint ventures, totalled £309m at the year end (2004: £327m). At this level, we have undrawn committed facilities of £100m.

In addition, the group’s share of debt within joint ventures, which is secured solely upon the assets within the relevant joint venture, was £97m (2004: £99m).

The group is financed by shareholders’ funds and bank debt of varying maturity profiles, which is appropriate to the needs of the group and reflects the type of assets in which it invests. At 30th November 2005, the weighted average facility duration was 5 years (2004: 5 years).

Net Asset Value per share

Basic net asset value per share at 30th November 2005 was 273.9p, an uplift of 24% in the year. The triple net asset value increased by 23% to 246.7p, after taking into account industry-standard adjustments for marking debt to market values, and providing for capital gains tax on revaluation surpluses. Adjusted net asset value, our preferred measure, which values our investment in Northern Racing PLC at market value, and discounts the remote likelihood of previously received capital allowances being clawed back, has increased by 20% to 253.1p. A fuller reconciliation is shown in Note 22.

International Financial Reporting Standards (“IFRS”)

The group will be required to adopt IFRS when preparing accounts for the year ended 30th November 2006. Our first statements under IFRS will be for the six months ended 31st May 2006, when we will restate the comparative first half and full year figures for 2005.

Financial Statistics	30th November	30th November
	2005	2004
Net borrowing	£208m	£227m
Gearing	63%	85%
Gearing, incl. share of JV debt	103%	137%
Average debt maturity	5 years	5 years
% debt hedged	61%	56%
Interest cover	3.3	3.3
Undrawn committed facilities	£100m	£96m
Return on capital	28.6%	27.1%

IFRS will have an impact on the presentation of the group's accounts. The principal areas affected are the same as for all property company accounts, namely:

- property valuation movements – which will be taken through the income statement rather than as a movement on reserves;
- deferred tax – which must be provided on asset revaluations;
- dividends – which will only be recognised in the income statement when formally approved, rather than when proposed;
- head leases – the carrying value of leasehold properties and long-term liabilities will both be increased by the present value of future ground rents;
- lease incentives – which will be spread over the period to the end of the lease or first break, as appropriate; and
- defined benefit pension schemes – the scheme deficit will be included on the balance sheet.

During the transition to IFRS we will provide reconciliations between UK GAAP and IFRS to increase understanding of the main changes. It is important to note that, although IFRS will significantly affect the presentation of financial statements, it will not affect the group's cash flow or its future strategic direction.

The future

The company's hopper (details of which are set out above) is an underlying strength which should provide a stream of future profitability.

The key issues determining the company's future performance are:

- whether we can continue to acquire sufficient opportunities to top up the hopper;
- how we marshal projects through land assembly and planning to create annual programmes; and
- whether the occupational market across the various sectors will be sufficiently strong to support those programmes.

We have strategies in place to address each of these issues:

- our network of regional offices, supported from the centre, gives us a good prospect of identifying and securing the right opportunities;
- regular detailed reviews of all live projects mean that issues associated with marshalling projects can be identified and addressed in a timely manner; and
- by operating across a wide range of property sectors, we spread the risk of an occupational downturn in any particular sector.

The current view is that, subject only to macro-economic conditions, future prospects are good.

The current year has started well. The developments at Edmonton and Wembley Central continue to make good progress. At Trentham Lakes, Stoke-on-Trent, we have completed a

100,000 sq ft manufacturing facility for Rieter, and will complete shortly a 437,000 sq ft distribution facility for Glen Dimplex. We have also pre-let a 64,000 sq ft distribution facility for Portmeirion Potteries.

At Barton Business Park, we have sold the 70,000 sq ft manufacturing facility just completed for Intier Automotive; at Quedgeley, Gloucestershire we have pre-let a 95,000 sq ft facility for Prestoplan; and at Hilton, Derbyshire we have pre-let a 70,000 sq ft facility for Daher Sawley.

A 10,000 sq ft office building on phase two of Quinton Business Park has been let and sold, and construction has started on phase three (comprising another 50,000 sq ft in three buildings). The 45,000 sq ft Office Village development at Etruria Valley, Stoke-on-Trent is proving very successful, with one building let to Crown Prosecution Services, and the other two buildings under offer.

Residential land sales continue to attract strong interest, with contracts exchanged for the sale of an 11 acre tranche of land at Hilton, Derbyshire.

The programme for the rest of the year is taking shape. In the light of this, the Chairman reports in his statement that he is looking forward with confidence to another year of progress for your company.

W.A. Oliver, Chief Executive
T.P. Haywood, Finance Director

Community, environmental and social responsibility



Dursley, Gloucestershire

A 92 acre former Lister Petter manufacturing site being developed with SWRDA into an exemplar urban village, to create 600 homes and 1,000 jobs.

The company is a specialist in regeneration with many partnerships with local and regional authorities and engages regularly with government through the planning and environmental regulatory framework. The company is determined to maintain its high reputation for delivery and integrity and as a good partner for the community to work with.

St. Modwen is committed to improving the built environment, and undertakes projects that seek to transform areas of dereliction and decay into sustainable communities. One of the company's key strengths is its ability and willingness to undertake difficult and long-term projects in the

remediation of contaminated brownfield land, the regeneration of tired town centres, the reuse of redundant former employment complexes, and the restoration of heritage assets of both local and national importance.

In all of its dealings, the company seeks to:

- comply with all applicable environment legislation, regulations, standards and best practice;
- develop operational procedures designed to minimise pollution risks and to deal effectively with any incidents which occur;
- take positive action to minimise waste and to encourage recycling wherever possible;

‘We believe that it is vitally important to reclaim and redevelop redundant sites to bring them back into effective use.’

- improve efficiency in the use of land, energy, water and raw materials;
- work in partnership with our professional advisors, suppliers and subcontractors to ensure effective environmental supply chain management, alongside quality, price and other purchasing criteria;
- reduce the environmental impact of our schemes through the use of carefully thought-out layout, design and specification;
- train employees to enhance their awareness of, and commitment to, maximising environmental performance; and
- review the company’s environmental policy annually to take account of organisational, legislative and fiscal changes.

During the year the company has demonstrated its enduring commitment and contribution to the environment and to the principles set out above, as shown by the following examples:

Brownfield land renewal

We believe that it is vitally important to reclaim and redevelop redundant sites to bring them back into effective use. To this end, we aim to build on previously used land: during 2005 97% of our building activity was on brownfield land with 70% of the hopper categorised as brownfield. In achieving these levels, the company has become skilled in the techniques of cleaning and remediating pre-used land ranging from simple site clearance to major reclamation projects involving: redundant factories; former collieries and zinc smelters; disused airfields; steelworks and power stations.

At Halebank in Widnes, we are nearing completion of remediation works on a



Brierley Hill, West Midlands

A 10 acre former Royal Brierley Crystal factory remediated and sold for residential development in the year.

10 acre former industrial area involving the treatment and removal of 6,000 tonnes of hydrocarbon-impacted material.

At Longbridge we are working closely with the Environment Agency to remove 500,000 litres of diesel and petrol which had leaked into the ground, of which 150,000 litres has already been removed and recycled.

At Dursley we have commenced remediation of the foundry sand (200,000 cu m) and former gasworks on the site, to reclaim 20 acres of previously unusable land for residential and business park uses.

At Newton-le-Willows, we have commenced the first (60,000 tonne) phase of an extensive site remediation strategy that will involve the treatment of 300,000 tonnes of hydrocarbon and heavy metal-impacted material, and the demolition of over 400,000 sq ft of derelict buildings. As far as possible, works will be done on site, minimising the use of landfills, as well as avoiding more than 10,000 lorry journeys. This complex remediation project will involve the excavation of contaminated materials, addition of natural bacteria and nutrients, vacuum extraction of contaminated vapours, and extraction and filtering of contaminated waters.

Community, environmental and social responsibility continued

‘We recognise that our business should be conducted in a socially as well as an environmentally responsible way.’

Community Involvement

We recognise that our business should be undertaken in a socially as well as an environmentally responsible way, and so we strive to conduct all our business activities in a fair and balanced manner, respecting and responding to social and ethical issues arising from our commercial activities.

Our policy is to work for the advantage of the local communities around our developments and to treat all of our business partners as we would hope to be treated ourselves.

A real public/private partnership working arrangement lies at the core of any successful regeneration project. St. Modwen is experienced in working with public sector bodies throughout

the UK. Through a programme of regular high level strategic meetings, coupled with frequent working group meetings, the company creates those vital working arrangements.

Current examples of this are the long-standing partnerships with Enfield Borough Council (for our major Edmonton Green scheme, initiated in 1998), Welwyn & Hatfield District Council (for the Hatfield town centre regeneration project, which commenced in 2003), and Farnborough Town Council (a major mixed use regeneration scheme, which began in 1998).

It is the company's policy to undertake extensive consultation at an early stage on any project to ensure the highest



Bedford

Our partnership with Bedford Borough Council was confirmed by the signing of a development agreement for a £200m mixed use scheme in the bus station area of the town centre.

Halebank, Widnes

A 10 acre former industrial site sold during the year for residential development following extensive remediation of hydrocarbon contamination.



‘St. Modwen is fully committed to the principle of sustainable development which has been put at the heart of the planning system.’

possible level of local involvement. All public consultations are led directly by St. Modwen, rather than relying on external consultants. This ensures that feedback is accurate and informed, and that a genuine dialogue takes place, often resulting in improvements to the scheme.

An example of this is the consultation process undertaken for the Littlecombe Village scheme at Dursley, Gloucestershire. Working in conjunction with South West England Regional Development Agency, we have transformed our masterplan as a result of extensive consultation into traffic and education issues. The residential development area has consequently been reduced by 10 acres, to enable improvements to pedestrian routes to schools, traffic calming measures, and additional public open space.

As part of our Edmonton Green development, we are working with Enfield Borough Council to provide apprenticeships in joinery, painting and plastering for 25 young members of the local community.

The company encourages comments on its activities. In the event that any issues cannot be resolved locally, the chairman can be contacted at

Sustainable Development

St. Modwen is fully committed to the principle of sustainable development which has been put at the heart of the planning system.

Consequently, our developments seek to encourage modes of transport other

than the car and to integrate with local facilities. Where these facilities do not exist we are able to use our considerable experience of mixed-use development to provide them.

For example, at Wembley Central we have successfully completed a series of complex commercial and legal agreements with Network Rail, London Development Agency and the London Borough of Brent to facilitate a refurbished underground and main line station as part of the £75m mixed use redevelopment of the shopping centre constructed above it.

At Edmonton Green, we are currently constructing a 26 stand bus station in partnership with Transport for London as part of our major scheme for the regeneration of this area.

**Cranfield Technology Park**

Imaginative design features have been used at the Innovation Centre.

Community, environmental and social responsibility continued

‘One of the company’s key strategies is its ability and willingness to undertake difficult and long-term projects.’



Trentham Lakes, Stoke-on-Trent

The placement of the new A50 road bridge – a key part of our £10m highway works to improve access to our site and surrounding areas.

At Stoke-on-Trent, we are working with the Highways Agency on the construction of a grade separated junction on the A50 to provide significantly improved access to our own site, but also to alleviate road network problems in the surrounding area.

At Avonmouth, we are planning an eco-park on our 212 acre, former zinc smelter site which we are in the process of reclaiming. This will enable the site to host a number of recycling processes (including electrical equipment, construction material and domestic waste) which will

substantially reduce the amount of material sent to local landfill sites.

At Dursley, we are working with Severn Wye Energy Agency to produce energy for our site from renewable sources and to reduce CO₂ emissions by 30%. This is being achieved through the construction and use of ground heat loops, photovoltaic cells and a bio-mass boiler.

At Trentham Gardens, we are implementing an extensive ecological landscape management plan. This involves removing invasive species (such as rhododendron, bracken and



Woodingdean, Brighton

An attractive office built on the site of a former bakery, following extensive groundwork and recycling of demolition material.

Himalayan balsam) and introducing managed enclosures to encourage the natural regeneration of native English oaks. Within the Site of Special Scientific Interest, we are working closely with English Nature (for example by the regular monitoring of the composition and extent of the insect population) to assess the effects of our works on the surrounding ecology.

We have recycled 50,000 tonnes of brick and concrete from the demolition of the former factory and bakery buildings at Woodingdean, Brighton, for reuse in the construction of our new office development. Similarly, our major Wembley Central regeneration project will result in more than 1,500 tonnes of concrete being crushed and recycled over the next two years, together with 250 tonnes of steel and 4.5 tonnes of glass. In total, 70% of all materials demolished will be recycled at Wembley.

Our residential apartments at both Edmonton Green and Wembley have been designed to a high environmental specification: with timber from certified sustainable sources; enhanced insulation properties to reduce energy expenditure and CO₂ emissions; and low water usage appliances to reduce consumption by 40%.

Across all of our sites, we have planted 10,200 trees and 73,400 shrubs and hedgerow plants during 2005 as part of our commitment to improving the environment in which we operate.

Design Quality

We aim to deliver design quality and innovation in both built form and public realm. In practical terms, design has to

be fit for purpose, with competitive full-life costs, minimising environmental impact, respecting the public realm and adjoining properties, and attractive. Full consultation takes place on all schemes with appropriate bodies such as the Commission for Architecture and the Built Environment, to ensure that this is achieved.

Examples of innovative design include:

- the overall site layout at Edmonton Green, contributing to the Council's aim of reinforcing a green chain of open space through the area;
- the futuristic pedestrian bridge at Trentham Gardens; and
- the use of timber clad, shingle-roofed retail units at Trentham Gardens.



Trentham Gardens

The children's play area and the Little Ferns Club; among many initiatives to encourage the involvement of young members of the community in our heritage restoration project.

'St. Modwen is committed to improving the built environment, and undertakes projects that seek to transform areas of dereliction and decay into sustainable communities.'

Community, environmental and social responsibility continued

‘Our policy is to work for the advantage of the local communities around our developments and to treat all of our business partners as we would hope to be treated ourselves.’

Social Exclusion

Many of the projects undertaken by the company have been integral to efforts to reduce social exclusion, through the inclusion of improvements to local amenities and social housing in areas of significant deprivation. Outstanding examples in the last year were the inclusion of a swimming pool and other new community leisure facilities in the redevelopment of Harpurhey (a partnership between St. Modwen and Manchester City Council); the commitment to provide an important new primary care facility at Edmonton Green (a partnership between St. Modwen and Enfield Borough Council); and an agreement with Genesis Housing Group to provide 85 social/affordable homes as the very first stage of the Wembley Central redevelopment.

Once a project is under way, active participation in the social and community activities in the location of its developments is a key feature of the company’s approach to tackling social exclusion. A combination of initiatives is used by St. Modwen to encourage local communities to share in the improvements brought about by its regeneration schemes, including:

- encouraging the employment of local people;
- incorporating opportunities for local traders in markets or small units in our retail schemes at sustainable levels of rent;
- subsidising local initiatives such as a Credit Union, arts facilities and community wardens;
- incorporating non-intrusive, but high levels of security facilities in our schemes to reassure and protect the vulnerable; and



Solihull Ice Rink

A number of initiatives are in place at our ice rink to enhance the company’s contribution to the local community.

- sponsoring local sport, leisure and charitable activities.

At our Solihull Ice Rink, we have donated £39,000 worth of ice time and skate hire to the Ice Hockey for Schools scheme, as well as providing facilities for the “Positive Futures” scheme, a wide range of Friends in Retirement activities in the Community rooms, and NHS Mother and Baby classes.

In memory of our late chairman, Sir Stanley Clarke, we donated £10,000 to the Spinal Injuries Association as well as hosting a business luncheon which raised £50,000 for that organisation.

At a number of our sites, we provide free, or heavily subsidised space and facilities for the use of local charities.



Quinton Business Park, Birmingham

The company moved into Sir Stanley Clarke House, our new head office, in August 2005. The building was named in memory of the company's late founder and Chairman.

These include free storage and parking for Lawrence Weston Community Buses at Avonmouth; free use of our site for the Dursley Town Council Festival; free use of our Trentham Gardens site for the Race for Life (which raised £600,000 from 13,000 participants) and for the Donna Louise Trust, Douglas McMillan Hospice, and Newcastle disabled adventure playground.

Health and Safety

The company aims to safeguard the health and safety of the public and its employees by pursuing a policy which ensures that:

- its business is conducted in accordance with standards that are in compliance with relevant statutory provisions for health and safety of staff and any other persons on company premises;
- a safe and healthy working environment is established and maintained at all of the company's locations;
- managers at all levels regard health and safety matters as a prime management responsibility;
- sufficient financial resources are provided to ensure that policies can be carried out effectively;
- good standards of training and instruction in matters of health and safety are provided and maintained at all levels of employment;
- risk assessments are carried out where appropriate;
- co-operation of staff in promoting safe and healthy conditions and systems of work is required; and
- an adequate advisory service in matters of health and safety is provided and maintained.

Detailed policies and procedures are documented and made available to all staff. The Health and Safety Forum, chaired by the Assistant Company Secretary, and reporting to the Chief Executive, meets regularly to discuss and resolve implementation issues. The procedures are reviewed by the board annually, with health and safety matters included on the agenda of every board meeting.

This Forum provides guidance to employees on all aspects of health and safety. To assist, a Health and Safety Procedures Manual has been produced.

As we undertake no construction work on site directly, our assessment of a subcontractor's or main contractor's health and safety procedures forms a key part of our supplier selection process, and a vital element in our health and safety controls. For our operational sites (including Trentham Gardens, Solihull Ice Rink, and our shopping centres), individual risk assessments are undertaken, and updated annually, by a retained health and safety consultant.

As a result of these stringent policies, the company's health and safety performance continues to be very good, with only one reportable accident, no reportable dangerous occurrences to the Health and Safety Executive, no enforcement notices, no prosecutions for breaches of health and safety, and no fatalities.

'The company's health and safety performance continues to be very good.'

Community, environmental and social responsibility continued

‘We have always sought to manage our affairs to the highest standards of integrity and business competence.’

Risks and Uncertainties

The key business risks facing the company are reviewed and documented annually, following board discussion.

The potential impact and mitigation of each of these key risks is addressed as a specific agenda item at board meetings throughout the year.

The results of these reviews are incorporated in the annual business planning and strategic review process.

Management of Key Risks

The key risks that have been identified, the management approach to each, and the assessment of the residual risk, are set out below:

1. ‘Failure to recruit and or retain the key executives with the skills necessary to implement the company strategy successfully.’

- Targeted recruitment procedures;
- Competitive remuneration packages;
- Strong performance-related link to remuneration;
- Regular assessment of performance and identification of training needs;
- Tailored training programme; and
- Regular communication of strategic and tactical objectives.

Assessment

Employee turnover has been low, indicating good retention levels. Vacancies are few, and are generally filled promptly, indicating the attractiveness of the company and remuneration packages. To support the financial objectives, we will need to continue to improve the employee base.

2. ‘Failure to anticipate changes in the economy or the property market sufficiently early.’

- Regular dialogue with industry experts and commentators;
- Use of high quality professional advisers; and
- The hopper and geographical spread gives flexibility and facilitates diversification.

Assessment

We have chosen to operate only in one geographical area, the UK, which is subject to relatively low-risk, low returns from a stable and mature, albeit cyclical, economy and property market. By involvement with all sectors of that economy and that property market, we are as diversified as possible, without venturing overseas.

3. ‘Failure to anticipate or adapt to new Government structure/changes in Planning Policy.’

- Being alert to policies being promoted;
- Use of high quality professional advisers; and
- In-house expert resources in planning/residential/construction.

Assessment

Our daily exposure to all aspects of the planning process, and internal procedures for spreading best practice ensure we remain abreast of most developments. We have not been very active in attempting to influence public policy debate, but may need to do so as we grow.

‘By involvement with all sectors of the UK economy and property market, we are as diversified as possible, without venturing overseas.’

4. ‘Failure to structure the financing of the company or its individual property opportunities in an adequate, innovative and competitive manner.’

- Small number of high-quality banking relationships;
- Hedging policy to contain interest rate risk;
- Benchmarking of costs of finance; and
- Tax strategy identifying areas of acceptable innovation.

Assessment

Our conservative approach to financing reduces the opportunity for true innovation in this area. This is offset by the benefits of stability, reliability and borrowing capacity, ensuring finance is available for all foreseeable projects.

5. ‘Failure to secure sufficient development or investment opportunities.’

- Regional offices in touch with their local market;
- Strong performance-related link to remuneration;
- Dedicated central resource to support regional teams;
- Streamlined and effective decision-making process; and
- Availability of adequate finance.

Assessment

The increasing focus on the regions to deliver acquisitions, and the growing reputation and financial capacity of the company, have enabled us to more than deliver the target of replacing 120% of land used over the past five years. However, current high prices, and the ever-growing target levels for acquisitions, pose a challenge for future years’ programmes.

6. ‘Failure to sustain St. Modwen’s reputation as a financially successful, high quality company which delivers on its promises, and operates to very high ethical and environmental standards.’

- Systems of control procedures and delegated authorities;
- Regular and detailed operational and financial reporting;
- Regular dialogue with industry investors and commentators;
- Close supervision of transactions and key relationships;
- Proactive press/media contacts; and
- Regular top-level meetings with local authorities, RDAs, and other government or quasi-governmental bodies.

Assessment

The company has benefited from an excellent reputation. This is underpinned by a simple set of operating commitments.

7. ‘Failure to control adequately construction/ground condition risks, including forward pricing.’

- A strong internal construction management team;
- Projects, acquisitions and disposals are reviewed (and financially appraised) in detail within clearly defined authorisation limits;
- Regular management reviews;
- Use and close supervision of high-quality trusted contractors and professionals; and
- Contractual liability clearly defined.

Assessment

The company is willing to accept a degree of environmental/contamination risk, enabling higher returns to be made for the perceived higher risks undertaken. These risks are laid off or minimised where possible, but cannot be eliminated. In our recent experience, the residual risks have been acceptably low.

Directors and advisors

01	02	
03	04	
05	06	07
08	09	10

Executive Directors

01 **Anthony Glossop[†] MA**

Chairman

Aged 64. Appointed a director in 1976 and Chief Executive from 1982 to 2004. Previously Chief Executive of Redman Heenan International plc. He is also a non-executive director of Northern Racing PLC, and of Robinson & Sons Limited.

02 **Bill Oliver BSc, FCA**

Chief Executive

Aged 49. Appointed a director in 2000 and Chief Executive in 2004. Previously Finance Director of Dwyer Estates plc.

03 **Richard Froggatt FRICS**

Executive Director

Aged 56. Appointed a director in 1995. Previously a director of Savills and Managing Director of Wilson Bowden Properties Limited.

04 **Tim Haywood MA, FCA**

Finance Director

Aged 42. Appointed a director in 2003. Previously Chief Financial Officer of Hagemeyer (UK) Limited.

Non-Executive Directors

05 **Simon Clarke***

Aged 40. Appointed a director in 2004. Currently Deputy Chairman of Northern Racing PLC and a Director and the Vice-Chairman of the Racecourse Association.

06 **Mary Francis**†**

Aged 56. Appointed a director in June 2005. Former Director-General of the Association of British Insurers and Deputy Private Secretary to the Queen. Previously a senior civil servant in HM Treasury and 10 Downing Street. She is a non-executive director of the Bank of England, Centrica plc and Aviva plc.

07 **Ian Menzies-Gow**† MA**

Aged 63. Appointed a director in 2002. Formerly Chairman of Geest PLC and prior to that held senior executive positions within the Hanson Group. Currently Chairman of Derbyshire Building Society.

08 **Paul Rigg DL, CPFA**†**

Aged 59. Appointed a director in 2004. Formerly Chief Executive of West Sussex County Council. Currently a freelance consultant, his present roles include support for the Innovation Forum of excellent councils on behalf of the Office of the Deputy Prime Minister and he is an Associate with Solace Enterprises and with IPF. He is chairman of the Children Services Partnership Board for Swindon, an advisor to the University of East Anglia's project team reviewing Children's Trusts, and a Director of the Chichester Festival Theatre Ltd.

09 **Christopher Roshier* MA, FCA**

Aged 59. Appointed a director in 1987. He is a Chartered Accountant with over 20 years' experience in Corporate Finance. Chairman of the company's Audit and Remuneration Committees and Senior Independent Director. Currently chairman of Gibbs & Dandy PLC and a director of two overseas investment companies.

10 **John Salmon**† FCA**

Aged 60. Appointed a director in October 2005. Formerly a partner of PricewaterhouseCoopers, and a member and former Deputy Chairman of their Supervisory Board. Currently a member of the advisory board of IDDAS and of the executive committee and council of the British Heart Foundation.

* Member of Audit and Remuneration Committees

† Member of Nomination Committee

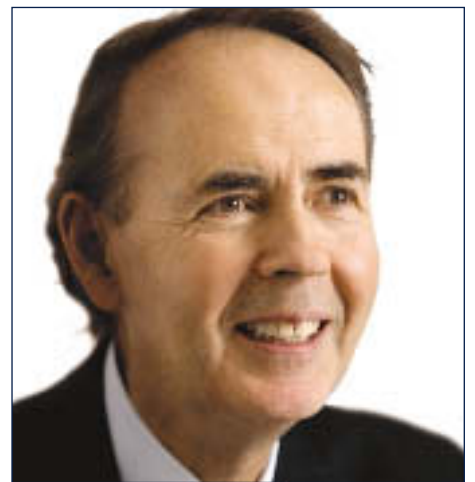
Advisors

Auditors	Ernst & Young LLP
Registrars	Lloyds TSB Registrars
Stockbrokers	HSBC

Registered Office

Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham B32 1AF

Company number 349201



Senior management team

01	02	03
04	05	06
07		



01 Derek West
Retail Development Director
Aged 58. 21 years' service.

02 Stephen Prosser
Regional Manager – Yorkshire
Aged 42. 8 years' service.

03 Steve Burke
Construction Director
Aged 46. 10 years' service.

04 Mike Herbert
Regional Director – North Staffordshire
Aged 50. 15 years' service.

05 John Dodds
Regional Director – Midlands
Aged 49. 4 years' service.

06 Rupert Joseland
Regional Manager – South West
Aged 36. 4 years' service.

07 Michelle Taylor
Regional Director – North West
Aged 43. 17 years' service.

Directors' report

The directors present their report together with the audited accounts for the year ended 30th November 2005.

Review of results, activities and future prospects

The pre-tax profit for the year was £46.3m. The retained profit of £24.0m is to be transferred to revenue reserves.

The company acts as the holding company of a group of property investment and development companies.

A review of current activities and future prospects is given in the Operating and Financial Review on pages 8 to 21, and in the Chairman's statement on pages 4 to 7.

Dividend

The directors recommend the payment of a final dividend of 5.9p (2004: 5.1p) per ordinary share to be paid on 28th April 2006 to shareholders on the register on 7th April 2006. An interim dividend of 2.9p (2004: 2.5p) was paid on 2nd September 2005.

Going concern

The directors are of the opinion that, having regard to the bank and loan facilities available to the group, there is a reasonable expectation that the group has sufficient working capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors and their interests

The names of the directors of the company are set out on page 32.

In accordance with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ("the Code"), Christopher Roshier offers himself for re-election to the board. The reasons for this are set out on page 37.

Mary Francis (appointed 1st June 2005), John Salmon (appointed 17th October 2005), Tim Haywood and Ian Menzies-Gow will retire from the board in accordance with the provisions of the company's Articles of Association and offer themselves for re-election.

None of the directors had any material interest in contracts with the group.

Directors' interests in ordinary shares

The interests of the directors and their families in the issued share capital of the company are shown below:

	30th November 2005	30th November 2004
Beneficial		
S.W. Clarke*	1,559,333	1,559,333
C.C.A. Glossop	1,704,673	1,696,275
R.L. Froggatt	416,500	415,000
W.A. Oliver	150,000	50,000
C.E. Roshier	10,417	10,417
M.E. Francis	1,000	–
Non-beneficial		
C.C.A. Glossop	100,000	30,000

* Following the death in September 2004 of Sir Stanley Clarke, his shares (27,043,854) were transferred into a trust, of which S.W. Clarke is one of the beneficiaries.

The above interests do not include shares held under the share option schemes described in the Directors' Remuneration Report on pages 40 to 44.

There has been no change in these interests since 30th November 2005.

Directors' report continued

Substantial interests

As at 13th February 2006 in addition to those noted above, the company had been notified of the following interests in more than 3% of its issued share capital:

Shareholder	Percentage of Ordinary Share Capital
J.D. Leavesley and connected parties	14.3%
Thames River Capital	4.8%
ING Investment Management	3.6%
Barclays Global Investors	3.6%

Creditor payment policy

It is the group's policy to agree specific payment terms for its business transactions with its suppliers and to abide by those terms whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions.

During the year ended 30th November 2005 trade creditors represented an average of 26 days' purchases (2004: 25 days).

Employees

The group encourages employee involvement and places emphasis on keeping its employees informed of the group's activities and performance. A performance related annual bonus scheme and share option arrangements are designed to encourage employee involvement in the success of the group.

The group operates a non-discriminatory employment policy under which full and fair consideration is given to disabled applicants and to the continued employment of staff who become disabled.

The group operates a pension scheme which is open to all employees – see page 54.

By order of the board

T.P. Haywood

Secretary

13th February 2006

Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the Independent Auditors' Report to the Members set out on page 45, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been applied;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance report

St. Modwen is committed to the highest standards of corporate governance. The board of directors exercises effective control over the group and its activities, recognising its responsibilities to shareholders and other interested parties. The procedures for applying these principles within the group are set out below. This should be read in conjunction with the directors' remuneration report on pages 40 to 44.

Throughout the year ended 30th November 2005 the company has complied with the Code subject to the following explanations. Each of these has been carefully considered and agreed by the full board.

- The Code asks the board to identify each non-executive director it considers to be independent. Of the six non-executive directors at the end of 2005, the board considers Mary Francis, Ian Menzies-Gow, Paul Rigg, Christopher Roshier and John Salmon to be fully independent. The Code seeks an explanation for the determination of independence in certain circumstances, including if a non-executive has served for longer than nine years. Christopher Roshier has been a non-executive director for eighteen years, but the board is satisfied that he maintains an independent and rigorous approach to all its business and accordingly considers him to be independent. At a time when the non-executive membership of the board is being strengthened and the majority of non-executives are relatively new, the board considers that Christopher Roshier's depth of knowledge and experience contribute strongly to its effectiveness. In accordance with the Code, he is standing for re-election at the forthcoming Annual General Meeting, but will cease to chair the audit and remuneration committees after the 2006 Annual General Meeting and will step down from these committees at the 2007 Annual General Meeting. The board recognises that Simon Clarke does not meet the criteria for a fully independent director under the Code, although his position as a representative of the Clarke and Leavesley families, who together hold 51.4m shares (42.5%) in the company's equity, gives him a very strong interest in challenging and scrutinising management to secure excellent performance from the company.
- The Code recommends that at least half the board, excluding the chairman, should comprise independent non-executive directors. The board currently comprises five non-executives whom it determines to be independent; one non-executive (Simon Clarke) who is not deemed fully independent under the Code but who — as explained above — has a strong interest as a shareholder representative in challenging and scrutinising management; and four executive members including the chairman. The object sought by the Code — that no individual or group of individuals can dominate the board's decision-making — is thus achieved.
- The Code recommends that a majority of the members of the Nominations Committee be independent non-executive directors. During the year the Nominations Committee consisted of the Chairman and Christopher Roshier. The Nominations Committee has been reconstituted in 2006 and its composition is now in accordance with the Code.
- The Code recommends that all members of the Audit and Remuneration Committees be independent non-executive directors. Each of these committees comprises all the non-executive members of the board. As explained above, Simon Clarke is not a fully independent director under the Code, but the board considers that its discussions benefit from the involvement of all the non-executive directors in the preparatory detailed scrutiny which takes place in these committees. As also noted above, Simon Clarke has a strong interest in challenging and monitoring management's performance.
- The Code recommends that a chief executive should not go on to be chairman of the same company. As explained in last year's report, the board recommended the appointment of former chief executive, Anthony Glossop, as chairman of the company. This was endorsed by shareholders at the Annual General Meeting in April 2004. The roles of the Chairman and Chief Executive are carefully differentiated and set out in job descriptions agreed by the board. The Chief Executive is wholly responsible for the profitability of the company and its internal operations. The executive Chairman, in addition to his normal role as chairman, supports the chief executive in key external business relationships, on major projects, and in matters affecting the company's reputation and integrity.

Board composition and committees

The composition of the board provides an appropriate blend of experience and qualifications, and the number of non-executives provides a strong base for ensuring appropriate corporate governance of the company. The board meets formally 11 times a year and its decisions are implemented by the executive directors. Every director attended all 11 meetings in the year, except for James Shaw (resigned in April 2005) (5), Mary Francis (appointed in June 2005) (5), and John Salmon (appointed in October 2005) (2). All board meetings during the year were fully attended by the directors at that time. The Chairman and the non-executives also met during the year without the executive directors being present.

Christopher Roshier is the senior independent director. He is available for consultation by shareholders, whenever appropriate.

The reappointment of non-executive directors is not automatic. It is intended that appointments will be for an initial term of three years, which may be extended by mutual agreement. Prior to each non-executive offering himself to the members for re-election, his reappointment must be confirmed by the Chairman in consultation with the remainder of the board.

James Shaw did not offer himself for re-election as a non-executive director at the AGM in April 2005. He had accepted an external appointment which could possibly have led to a future conflict of interest and in the interests of good corporate governance it was mutually felt appropriate that he should step down.

The terms and conditions of appointment of non-executive directors are available for inspection at the company's registered office during normal business hours, and at the AGM. The company's Articles of Association provide that all directors are subject to re-election at least every three years. In addition, all directors are subject to re-election by shareholders after their initial appointment.

Corporate governance report

continued

The board is supplied with timely and relevant information regarding the business, through regular monthly and ad hoc reports, through site visits and presentations from members of the management team and by meetings with key partners. Where appropriate, the company provides the resources to enable directors to update and upgrade their knowledge. Through the company secretary, the board is informed of corporate governance issues.

The criteria used for evaluating individual executive directors' performance are included in the Directors' Remuneration Report. Individual non-executive directors' performance is reviewed by the Chairman and Chief Executive. The performance of the board as a whole is assessed in the context of the company's achievement of its strategic objectives and total shareholder return targets and, as set out below, its effectiveness has been recently reviewed by an independent consultant. Feedback on the company is sought through external surveys from shareholders, analysts and other professionals within the investment community following the regular briefings, presentations and site visits undertaken by the company. This feedback is made available to the whole board. In support of the principles of good corporate governance, the board has appointed the following committees, all of which have formal terms of reference which are available for inspection by shareholders and are posted on the company's website.

a) Remuneration Committee

The composition and function of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 40 to 44. The Remuneration Committee met formally once during the year, which meeting was attended by all members.

b) Audit Committee

The Audit Committee is currently chaired by Christopher Roshier and, as explained above, comprises all of the non-executive directors. Christopher Roshier will be retiring as chairman of the committee at the conclusion of the 2006 Annual General Meeting although, in order to provide continuity, he will remain a member of the committee for a further 12 months. He will be replaced as chairman of the committee by John Salmon who has recent and relevant financial experience.

Three meetings were held during the year and additional meetings may be requested by either the auditors or the non-executive directors. All meetings were attended by all then current members of the committee. The finance director attends these meetings but the committee also meets without executive directors being present and has private sessions with the auditors. The committee has direct access to the auditors.

The Audit Committee's functions include:

- ensuring that appropriate accounting systems and financial controls are in operation and that the company's financial statements comply with statutory and other requirements;
- receiving reports from, and consulting with, the external auditors;
- reviewing the interim and annual results and reports to shareholders, and considering any matters raised by the auditors;
- considering the appropriateness of the accounting policies of the company used in preparing its financial statements;
- monitoring the progress of the company in preparing for the introduction of International Financial Reporting Standards;
- monitoring the scope, cost-effectiveness and objectivity of the audit;
- monitoring the company's policy on non-audit services provided by the external auditors;
- making an annual assessment of the external auditors and recommending, or not, their reappointment;
- considering the need for an internal audit function; and
- reviewing 'whistle-blowing' arrangements within the company.

The committee's policy on the provision of non-audit services by the external auditors is that, whilst it is appropriate and cost effective for the external auditors to provide tax compliance and tax planning services to the group, other services should only be provided where alternative providers do not exist or where it is cost-effective or in the group's interest for the external auditors to provide such services. In all cases the provision of non-audit services is carefully monitored by, and subject to the prior approval of, the committee. The external auditors would not be invited to provide any non-audit services where it was felt that this could conflict with their independence or objectivity. Such services would include the provision of internal audit and management consulting services.

The Audit Committee has reviewed the need to establish an internal audit function, but continues to believe that in a company of its size, where close control over operations is exercised by the executive directors and given the nature of the group's internal control system, the benefits likely to be gained would be outweighed by the costs of establishing such a function.

c) Nominations Committee

The Nominations Committee was reconstituted in 2006 and now comprises the Chairman (as chairman of the committee), Mary Francis, Ian Menzies-Gow, Paul Rigg and John Salmon. Prior to this it comprised the Chairman and the senior independent director. For the appointment of new non-executive directors during the year, a detailed specification was drawn up and agreed with all board members setting out the required skills and background from which it was felt a new director should be drawn. Soundings were then taken to identify suitable candidates and since this process resulted in the identification of suitable candidates unconnected to the company or its directors it was decided not to proceed with using a search agency or open advertising. Recommendations were made by the Nominations Committee to the board for the appointment of Mary Francis and John Salmon. The committee met formally twice during the year, both meetings being fully attended.

Board effectiveness

The Code recommends that the board undertakes a formal and rigorous annual evaluation of its own performance. A formal evaluation, facilitated by an external assessor, Dr Tracy Long of Boardroom Review, was undertaken during the year. This review comprised feedback from questionnaires, individual discussions and board observation, resulting in a board discussion paper and action plan. The principal findings of the review were that “the board functions well as a team, with high levels of trust and respect amongst new and existing members, and an ability to deal capably with change. Financial documentation and controls have been upgraded, and recent improvements have been made in the area of board and committee independence and composition, board agendas, shareholder communication and corporate governance.” Three areas for board focus were identified: maximising board contribution; succession planning; and risk analysis. These are being addressed during the first half of 2006.

Risk management and internal control

The board recognises that it has overall responsibility for the identification and mitigation of risks and the development and maintenance of an appropriate system of internal control, which are discussed in detail in the Community, Environmental and Social Responsibility section of this report.

During the period under review the directors have reviewed the effectiveness of the system of internal control in accordance with the Turnbull guidance, through the production of a detailed report which covered: the group’s control environment; the manner in which key business risks are identified; the adequacy of information systems and control procedures; and the manner in which any required corrective action is to be taken.

The group’s key internal controls are centred on comprehensive monthly reporting from all activities which includes a detailed portfolio analysis, development progress reviews, management accounts and a comparison of committed expenditure against available facilities. These matters are reported to the board monthly, with reasons for any significant variances from budget. Detailed annual budgets are reviewed by the board and revised forecasts for the year are prepared on a regular basis.

There are clearly defined procedures for the authorisation of capital expenditure, purchases and sales of development and investment properties, contracts and commitments and there is a formal schedule of matters, including major investment and development decisions and strategic matters, that are reserved for board approval. Formal policies and procedures are in place covering all elements of employment, the construction process, health and safety, and IT. The company’s IT policies have been developed in co-operation with the Federation Against Software Theft.

Internal control, by its nature, provides only reasonable and not absolute assurance against material misstatement or loss. The directors continue, however, to strive to ensure that internal control and risk management are further embedded into the operations of the business by dealing with areas for improvement as they are identified.

Shareholder relations

The executive directors have a programme of meetings with institutional shareholders and analysts at which the company’s strategy and most recently reported performance are explained and questions and comments made are relayed to the whole board. Annual visits are also arranged to sites of particular interest or significance to assist investors’ understanding of the company’s business. The company’s Annual General Meeting is also used as an opportunity to communicate with private investors. In addition to the usual period for questions which is made available for shareholders at the Annual General Meeting, Christopher Roshier, the chairman of the Audit and Remuneration Committees, will be available to answer appropriate questions. Any matters of concern regarding the company are discussed by the senior independent director with shareholders or appropriate corporate governance bodies and comments are fed back by him to the whole board.

Copies of all press releases, investor presentations and Annual Reports are posted on the company’s website (www.stmodwen.co.uk), together with additional details of major projects, key financial information and company background.

To simplify and encourage participation in voting on resolutions at our Annual General Meeting, the company provides the opportunity to vote electronically through CREST (for further details see page 67).

Business standards

The company does not condone any form of corrupt behaviour in business dealings and has disciplinary procedures in place to deal with any illegal or inappropriate activities by employees.

Directors' remuneration report

This report has been drawn up in accordance with the Code and with Schedule 7A of the Companies Act 1985, and has been approved by both the Remuneration Committee and the board. Shareholders will be invited to approve this report at the AGM. The Remuneration Committee's terms of reference are available for inspection on the company's website.

The Companies Act requires certain parts of the Remuneration Report to be audited. The audited sections are highlighted.

Composition and function of the remuneration committee

The Remuneration Committee comprises all of the non-executive directors of the company, as explained in the corporate governance report. Christopher Roshier is chairman of the committee but it is proposed that he will retire as chairman at the conclusion of the 2006 Annual General Meeting when Mary Francis will become chairman of the committee. In order to provide continuity, Christopher Roshier will remain a member of the committee for a further 12 months.

The committee considers all aspects of the executive directors' remuneration and administers the company's share option schemes. The remuneration of the non-executive directors is considered by the board following recommendations by the executive directors. No director participates in setting his own remuneration. The committee is also aware of the remuneration paid to executives below board level.

Compliance

With the exceptions noted in the Corporate Governance Report, the company has complied throughout the period with the Code, and with the Directors' Remuneration Report Regulations 2002.

Remuneration policy

The objective of St. Modwen's remuneration policy is to attract, retain and motivate high calibre senior executives through competitive pay arrangements which are also in the best interests of shareholders. These include performance-related elements to align the interests of directors and shareholders and to motivate the highest performance.

The policy requires the highest level of performance from executives, based on individual performance assessments by the Chief Executive and the Chairman, and by reference to pay levels in similar companies. Independent professional advice is sought by the Remuneration Committee from time to time to ensure that the policy remains appropriate and to benchmark the levels of remuneration. Deloitte & Touche LLP was appointed in 2005 by the Remuneration Committee to provide advice on remuneration matters including a benchmarking exercise in relation to the company, its peers and relevant current market practice and advice on the structure of long-term incentives. Following this review the Remuneration Committee is currently considering the best means of providing longer-term incentives in the future within a competitive and appropriate overall remuneration package. During the year, Deloitte & Touche LLP also provided advice on current market practice in connection with non-executive director fees. The Chairman also provides advice to the committee except in relation to his own remuneration.

Service contracts

All of the executive directors have service contracts of no fixed term, with notice periods of twelve months. Non-executive directors have notice periods of three months.

No director has any rights to compensation on loss of office (apart from payment in lieu of notice, where appropriate). The non-executive directors do not have service contracts.

Unless specifically approved by the board, executive directors are not permitted to hold external non-executive directorships. Anthony Glossop receives fees which he retains in respect of his service as a non-executive director of Robinson plc (£16,000). He receives no fees in respect of his service as a non-executive director of Northern Racing PLC.

The dates of the executive directors' service contracts are as follows:

C.C.A. Glossop	1st December 1998
W.A. Oliver	24th January 2000
R.L. Froggatt	1st December 1995
T.P. Haywood	14th April 2003

Base salaries

Each executive director receives a salary which reflects his responsibilities, experience and performance. Base salaries are reviewed annually and are established by reference to the median base salary for similar positions in comparable companies. There were significant increases in base salaries awarded in respect of the year to 30th November 2005. These were felt to be appropriate because of the rapidly growing size and increasing complexity of the company and its activities, the ambitious nature of the company's financial objectives, exceptionally strong recent performance, significant increases in base salary paid to employees below board level caused by market pressure, and the need to keep salaries in line with those in comparable companies.

Based on the benchmarking exercise undertaken by Deloitte & Touche LLP in relation to the company, its peers and relevant current market practice for the year commencing 1st December 2005, the Remuneration Committee considers that the 2005 base salaries paid to the executive directors were within the market competitive range.

Performance-related remuneration

The Remuneration Committee has approved all performance-related remuneration in respect of the year to 30th November 2005, and the targets for achievement of such remuneration which were set at the beginning of the financial year.

Bonus scheme

Executive directors participate in a performance-linked cash bonus scheme which is payable in two equal instalments, one on the publication of the Annual Report and the second three years later. The levels of bonus are determined by the Remuneration Committee, taking into account both the level of profit and other personal targets. In 2005 executive directors were eligible to receive an initial maximum bonus of 70% of salary, payable on the achievement by the company of a demanding budget for profit for the year to 30th November 2005, and on the achievement of a number of personal targets, set individually for each executive director. These include the achievement of a target net asset value per share, creation of a development programme for future years, support for the regional offices, and replacement of land used. The Chairman makes recommendations to the Remuneration Committee for the levels of bonus payable to executive directors (other than himself) for the achievement of these personal targets, and the levels of bonus payable are set by the Remuneration Committee. Annual bonuses do not form part of pensionable pay.

For the year to 30th November 2005, the initial bonuses paid to directors as a percentage of annual salary were as follows: Anthony Glossop 70%; Bill Oliver 70%; Richard Froggatt 70%; Tim Haywood 70%. These bonuses represented 30% (out of the maximum of 30%, 20% in the case of Richard Froggatt) for achievement of the profit budget with the balance representing the bonus paid for the achievement of the personal targets set for each executive director. Given the strong growth in profits and net assets in 2005 and the achievement of almost all the personal targets set for each executive director the committee felt that bonuses at this level were justified.

The second instalment of the bonus is paid after three years. This part of the bonus plan is designed to retain and motivate key executives (including executive directors). This second instalment of the bonus is equal to the initial instalment of the bonus earned in the year. In order to align the directors' interests with those of shareholders, payment of this second instalment is subject to the company's net asset value growth over the relevant three year period exceeding RPI plus 5% per annum and to the continued employment by the company of the director concerned (except in certain circumstances, such as death during the deferral period). Thus an executive director can earn a maximum bonus of 140% of base salary, half payable as an initial instalment and half payable three years later. In the year ended 30th November 2005, the last year of his participation in the bonus scheme, the Chairman was only eligible for the initial instalment and so his maximum bonus was 70% of base salary.

The amounts payable to directors in future years in respect of the second instalments of the bonuses earned in 2004 and 2005 are as follows:

	2008 £'000	2009 £'000	Total £'000
W.A. Oliver	175	217	392
R.L. Froggatt	123	154	277
T.P. Haywood	77	123	200

Following the report from Deloitte & Touche LLP, the Remuneration Committee is considering what changes should be made to the bonus scheme in 2006 and beyond. If such changes require shareholder consent, this will be sought.

Share options

The Remuneration Committee is responsible for supervising the company's Executive Share Option and Savings Related Share Option schemes in accordance with rules previously approved by shareholders. Executive directors (as well as other senior employees) are awarded regular grants of options over the company's shares.

Options granted to executive directors in 2005 were equal to 100% of salary in the case of Richard Froggatt and Tim Haywood. This is the normal maximum annual award and the committee felt that awards at this level were justified by the company's strong performance. There is, however, a provision in the scheme for a higher award (up to a maximum of 300% of salary) to be made in exceptional circumstances and, on the recommendation of the Chairman, the committee felt that a grant of options equal to 125% of salary should be made to Bill Oliver as Chief Executive. This award was made in recognition of the very strong performance of the group since he became Managing Director and subsequently Chief Executive.

Directors' remuneration report

continued

For options granted in 2005 under the company's Executive Share Option Scheme (as in other recent awards), the performance target set was 5% per annum real growth in net asset value per share over the three year period from the date of grant. This target was selected to incentivise executives to aim for the continued long-term growth of the company, whilst delivering the short and medium-term results which are the principal focus of the bonus scheme. Performance against these targets is objectively assessed from the audited accounts of the company.

For options granted in 2005 and earlier years, the performance condition was subject to one retesting whereby if the condition was not met in the initial period of 3 years the options could still be exercised if the real growth in the net asset value of the company was at least 5% per annum over the four year period from the date of grant. Options granted in 2006 and thereafter will not allow retesting if the performance condition is not met in the initial 3 year period – if this is the case the options will lapse. All performance conditions not yet met will be adjusted for the introduction of International Financial Reporting Standards to the company in 2006.

Executive directors may also participate in the company's savings-related share schemes on the same terms as all other employees.

Audited information:

Executive share option schemes

Date of Grant	C.C.A. Glossop	W.A. Oliver	R.L. Froggatt	T.P. Haywood	Exercise price	Exercise period
November 1999	500,000	–	–	–	99p	Nov 2003 – Nov 2009
September 2002	–	172,000	22,000	–	134p	Sept 2005 – Sept 2012
August 2003	–	112,000	90,000	70,000	200p	Aug 2006 – Aug 2013
August 2004	–	89,500	67,500	55,500	279p	Aug 2007 – Aug 2014
August 2005	–	87,250	49,500	39,500	443p	Aug 2008 – Aug 2015
As at 30 November 2005	500,000	460,750	229,000	165,000		

Details of options exercised by directors during the year are as follows:

	Date of exercise	Market price at date of exercise	Number of options exercised	Gain £'000
C.C.A. Glossop	22/03/05	367p	132,878	487
W.A. Oliver	15/04/05	387p	310,000	859
R.L. Froggatt	12/09/05	444p	137,000	424
R.L. Froggatt	28/11/05	482p	22,000	77

Savings related schemes

	Balance at 30th Nov 2004	Exercised	Granted	Balance at 30th Nov 2005	Exercise price	Exercise period
C.C.A. Glossop	8,590	–	–	8,590	103.5p/248.0p	May 2006 – Mar 2010
W.A. Oliver	16,304	–	–	16,304	103.5p	May 2006 – Oct 2006
R.L. Froggatt	13,240	–	–	13,240	125.0p	Oct 2007 – Mar 2008
T.P. Haywood	7,497	–	–	7,497	182.0p/248.0p	Oct 2008 – Mar 2010

The share price as at 30th November 2005 was 455p. The highest price during the year was 482p and the lowest price was 307p.

Non-executive directors' fees

The level of non-executive directors' fees is recommended to the board by the Chairman and executive directors. For 2005 the level of the basic fee paid was £30,000 per director with additional payments of £7,500 to the chairman of the Audit Committee and the chairman of the Remuneration Committee. Advice on market practice in connection with the level of non-executive fees was sought from Deloitte & Touche LLP in 2005. As a result, the level of the basic fee was increased with effect from 1st December 2005 to £33,000, the payments to the chairmen of the committees were left unchanged and an additional fee of £5,000 will be paid to Christopher Roshier when he steps down as chairman of the Audit and Remuneration Committees. This additional fee recognises his role and the work involved as senior independent director.

Audited information:
Directors' remuneration

The remuneration of the directors for the year ended 30th November 2005 was as follows:

	Salary/Fees £'000	Annual bonus £'000	Benefits £'000	Total emoluments excluding pensions and pension contributions	
				2005 £'000	2004 £'000
Executive					
C.C.A. Glossop	300	210	23	533	477
W.A. Oliver	310	217	30	557	453
R.L. Froggatt	220	154	29	403	338
T.P. Haywood	175	123	19	317	252
Non-executive					
S.W. Clarke	30	–	–	30	4
M.E. Francis	15	–	–	15	–
R.I. Menzies-Gow	30	–	–	30	26
D.P. Rigg	30	–	–	30	2
C.E. Roshier	45	–	–	45	37
J.H. Salmon	4	–	–	4	–
J.N. Shaw	14	–	–	14	26
Sir Stanley Clarke	–	–	–	–	249
Sir David Trippier	–	–	–	–	10
	1,173	704	101	1,978	1,874

All benefits (comprising mainly the provision of company car, fuel and health insurance) arise from employment with the company, and do not form part of directors' final pensionable pay.

The figures above represent emoluments earned during the relevant financial year. Such emoluments are paid in the same financial year with the exception of performance-related bonuses, which are paid in the year following that in which they are earned. The figures above exclude amounts payable in future years in respect of the deferred second instalment of bonuses, as these are subject to additional performance criteria.

During the year, payments of £3,000 each in respect of consultancy services provided were made to former directors J.D. Leavesley and C.H. Lewis, and £5,000 to Sir David Trippier. Benefits totalling £48,000 were provided by the company during the year to the widow of Sir Stanley Clarke (comprising mainly the provision of a car and driver).

Total non-executive directors' fees were set in 2004 at a maximum of £250,000 (with annual adjustments for RPI).

Pensions

The company operates a pension scheme with both a defined benefits and defined contribution section, covering the majority of employees, including executive directors. In relation to the defined benefits section, benefits are based on years of credited service and final pensionable pay. The maximum pension generally payable under the scheme is two-thirds of final pensionable pay. It is not anticipated that there will be any further entrants to the defined benefits section of the scheme.

Membership of the defined contribution section is available to all permanent employees including executive directors joining the company after 6th April 1999. Contributions are invested by an independent investment manager.

Pension benefits earned by the directors who are members of the defined benefits scheme:

	Age at 30th November 2005	Accrued pension		Transfer Value	
		2005 £'000 p.a.	2004 £'000 p.a.	2005 £'000	2004 £'000
C.C.A. Glossop	64	226	207	3,989	3,577
R.L. Froggatt	56	22	35	356	514

C.C.A. Glossop, having attained the age of 60, has ceased to accrue rights to further pensionable service and he is deferring his entitlement to receive his pension. The figures shown relate to the benefits that would be payable if he had chosen to retire at the year end, including increases for late retirement.

Directors' remuneration report continued

The reduction in R.L. Froggatt's accrued pension and transfer value during the year is due to the implementation of a pension sharing order on his entitlement in the scheme. Had the sharing order not been implemented, the accrued benefit would have been £40,000, and the transfer value £652,000 at 30th November 2005.

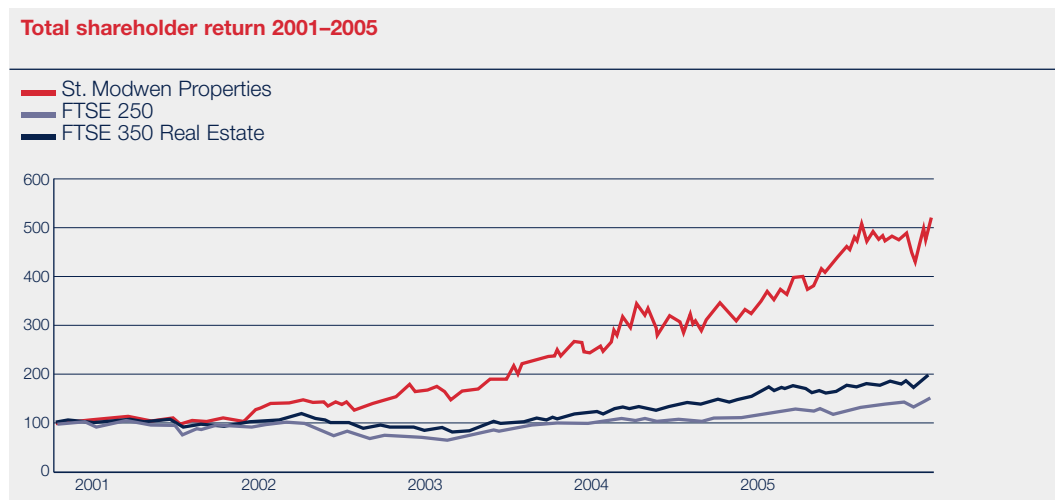
Notes relating to the defined benefits scheme:

1. Contributions of up to 7.5% are payable by members (effective 1st December 2004).
2. Accrued pension is that which would be paid annually at retirement age based on service to 30th November 2005.
3. Members have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included above.
4. Normal retirement age is 65 (effective 1st December 2004).
5. Death in service benefits amount to a lump sum equal to the greater of four times basic salary at death and four times the average of gross earnings in the last four years. In addition, a spouse's pension would be payable, equivalent to 50% of the full pension to which the member would have been entitled had he worked to normal retirement age.
6. A spouse's pension of 50% of the full pension is payable after the death in retirement of a member.
7. Pension payments increase annually by the lower of the RPI increase and 5%.
8. Pensionable salary increases are capped at RPI plus 3% annually (effective 1st December 2004). Scheme members within five years of normal retirement age on 1st December 2004 received uncapped increases (subject to Inland Revenue limits, which will continue under the transitional provisions of the recent legislation).

W.A. Oliver and T.P. Haywood are members of the defined contribution section of the Pension Scheme and the company made respective contributions of £46,000 (2004: £37,000) and £26,000 (2004: £23,000) for them during the period.

Further information on the company's pension scheme is shown on pages 54 to 56.

Unaudited information



The company's total shareholder return is shown in the graph above against a broad equity market index. Since the company is a constituent of the FTSE 250 and FTSE Real Estate indices, these are considered to be appropriate benchmarks for the graph.

Approved by the board and signed on its behalf by

C.E. Roshier

Chairman, Remuneration Committee

13th February 2006

Independent auditors' report to the members of St. Modwen Properties PLC

We have audited the group's financial statements for the year ended 30th November 2005 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, Group Reconciliation of Movements in Shareholders' Funds, the Accounting Policies and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Operating and Financial Review, Community, Environmental and Social Responsibility, Directors' Report, Corporate Governance Statement, unaudited part of the Directors' Remuneration Report, and Five Year Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th November 2005 and of the profit of the group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Group profit and loss account

For the year ended 30th November

	Notes	2005 £'000	2004 £'000
Turnover			
Group and share of joint ventures	1	152,534	130,140
Less share of joint ventures' turnover		(22,988)	(12,886)
		129,546	117,254
Operating profit			
Group operating profit		39,451	33,801
Share of operating profit in joint ventures		13,337	9,808
Share of operating profit in associates		1,656	967
	1	54,444	44,576
Profit on sale of fixed assets	1	11,626	12,964
Net interest payable	2	(19,806)	(17,202)
Profit on ordinary activities before taxation	3	46,264	40,338
Taxation on profit on ordinary activities	6	(11,079)	(9,861)
Profit on ordinary activities after taxation		35,185	30,477
Equity minority interest		(604)	(464)
Profit attributable to shareholders		34,581	30,013
Dividends	7	(10,616)	(9,132)
Transferred to reserves		23,965	20,881
Basic and diluted earnings per ordinary share	8	28.7p	25.0p
Dividend per ordinary share	7	8.8p	7.6p

All activities derive from continuing operations.

A statement of the movement in reserves is shown in note 20.

Balance sheets

at 30th November

	Notes	Group		Company	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
Fixed assets					
Tangible assets	11	376,370	367,238	1,754	1,553
Investments					
Share of joint ventures' gross assets		169,014	147,765		
Share of joint ventures' gross liabilities		(104,794)	(105,777)		
Share of joint ventures' net assets	12	64,220	41,988	64,220	41,988
Associated companies	12	10,971	10,167	10,371	9,567
Other investments	12	–	–	253,804	211,309
		451,561	419,393	330,149	264,417
Current assets					
Stocks	13	121,403	118,032	–	–
Debtors	14	20,572	12,312	196,612	199,393
Cash at bank and in hand		680	3,652	33	5
		142,655	133,996	196,645	199,398
Current liabilities					
Creditors: amounts falling due within one year	15	(47,824)	(46,213)	(113,735)	(100,858)
Net current assets		94,831	87,783	82,910	98,540
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	16	(206,750)	(231,398)	(82,319)	(95,587)
Provisions for liabilities and charges	18	(5,408)	(5,305)	–	–
Equity minority interests		(3,494)	(3,103)	–	–
Net assets		330,740	267,370	330,740	267,370
Capital and reserves					
Called up share capital	19	12,077	12,077	12,077	12,077
Share premium account	20	9,167	9,167	9,167	9,167
Merger reserve	20	9	9	9	9
Capital redemption reserve	20	356	356	356	356
Revaluation reserve	20	141,905	114,236	242,895	177,171
Profit and loss account	20	167,670	133,499	66,680	70,564
		331,184	269,344	331,184	269,344
Own shares	20	(444)	(1,974)	(444)	(1,974)
Equity shareholders' funds		330,740	267,370	330,740	267,370
Net assets per ordinary share	22	273.9p	221.4p		
Gearing		63%	85%		

The Report and Accounts were approved by the board of directors on 13th February 2006.

Signed on behalf of the board of directors by

C.C.A. Glossop
Chairman

T.P. Haywood
Finance Director

Group cash flow statement

For the year ended 30th November

	Notes	2005		2004	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21(a)		43,751		14,919
Dividends received from joint ventures and associates			1,628		1,378
Returns on investments and servicing of finance					
Interest received		380		397	
Interest paid		(13,882)		(12,383)	
Dividends paid to minority shareholders		(213)		(344)	
Net cash outflow from returns on investments and servicing of finance			(13,715)		(12,330)
Taxation			(16,923)		(9,902)
Capital expenditure and financial investment					
Additions to investment properties		(38,868)		(106,580)	
Additions to operating properties and other tangible assets		(1,476)		(1,188)	
Sale of investment properties		54,136		31,666	
Sale of financial investments and other tangible assets		38		10,885	
			13,830		(65,217)
Acquisitions and disposals					
Investment in joint ventures and associates			–		(11,669)
Equity dividends paid			(9,630)		(7,943)
Cash inflow/(outflow) before use of liquid resources and financing			18,941		(90,764)
Financing					
Purchases of own shares		–		(2,320)	
Amounts received in respect of shares sold under executive share option schemes		460		750	
			460		(1,570)
Increase in debt		10,815		116,505	
Decrease in debt		(35,688)		(16,933)	
Net change in debt		(24,873)		99,572	
Redemption of loan notes		(22)		(14)	
Net cash (outflow)/inflow from financing	21(b)		(24,895)		99,558
(Decrease)/increase in cash in the year	21(b)		(5,494)		7,224
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the year			(5,494)		7,224
Cash flow from change in debt			24,873		(99,572)
Loan notes redeemed during the year			22		14
Change in net debt resulting from cash flows			19,401		(92,334)
Net debt at 1st December			(227,302)		(134,968)
Net debt at 30th November			(207,901)		(227,302)

Supplementary statements

For the year ended 30th November

	2005 £'000	2004 £'000
Group statement of total recognised gains and losses		
Profit for the year	34,581	30,013
Taxation on realisation of prior years' revaluation surpluses	(1,308)	(2,213)
Unrealised surplus on revaluation of group investment properties (net of minority interests)	21,593	21,030
Unrealised surplus on revaluation of properties held by joint ventures	17,590	5,044
Total recognised gains and losses	72,456	53,874

	2005 £'000	2004 £'000
Note of historical cost profits and losses		
Reported profit on ordinary activities before taxation	46,264	40,338
Realisation of property revaluation gains of earlier years	11,514	1,812
	57,778	42,150
Historical cost profit for the year after taxation, minority interests and dividends	34,171	20,480

	2005 £'000	2004 £'000
Group reconciliation of movements in shareholders' funds		
Profit attributable to shareholders	34,581	30,013
Dividends	(10,616)	(9,132)
	23,965	20,881
Unrealised surplus on revaluation of group investment properties (net of minority interests)	21,593	21,030
Unrealised surplus on revaluation of investment properties held by joint ventures	17,590	5,044
Taxation on realisation of prior years' revaluation surpluses	(1,308)	(2,213)
Shares purchased	-	(2,320)
Shares transferred to employees	1,530	1,611
Net additions to shareholders' funds	63,370	44,033
Opening shareholders' funds	267,370	223,337
Closing shareholders' funds	330,740	267,370

Accounting policies

The accounts and notes have been prepared in accordance with applicable accounting standards.

Compliance with SSAP19 “Accounting for Investment Properties” requires departure from the Companies Act 1985 relating to depreciation and an explanation of the departure is given below.

Accounting convention

The accounts have been prepared under the historical cost convention, modified by the revaluation of investment properties and shares in subsidiary and associated companies.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries. Associated companies are consolidated using the equity accounting method and joint ventures are consolidated using the gross equity accounting method as required by FRS9.

Turnover and profit recognition

Turnover represents sales of development properties, rental income receivable in accordance with UITF28, other recoveries and income from other activities. Profit on property sales is recognised on legal completion of sale.

Tangible fixed assets

Depreciation is not provided on investment properties which are subject to annual revaluations. Other tangible fixed assets are depreciated by equal instalments over their expected useful lives at annual rates varying between 2% and 50%.

Investment in subsidiary and associated companies

The investments in subsidiary and associated companies are included in the company's balance sheet at the company's share of net asset value. The valuation recognises the cost of acquisition, together with any unamortised goodwill and changes in the book values of the underlying net assets. The surplus or deficit arising on revaluation is reflected in the company's reserves.

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of the separable net assets. Any goodwill arising is amortised over its expected useful life, not exceeding 20 years.

Investment properties

In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or temporary deficit is transferred to the revaluation reserve. Permanent diminutions are recognised through the profit and loss account. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19.

The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Stocks

Trading properties are held as stocks for resale. Stocks and work in progress are stated at the lower of cost and net realisable value, less amounts invoiced on account. Transfers from investment properties to stock are made at value not cost.

Deferred taxation

In accordance with FRS19, deferred taxation is provided at the rate ruling at the balance sheet date on an undiscounted basis on timing differences which arise from the recognition of income and expenditure in differing periods for taxation and accounting purposes. Under this policy no provision has been made for the potential further liability to taxation which would arise in the event of the realisation of investment properties included at valuation in the accounts at the values attributed to them.

Interest

Interest incurred on properties in the course of development, whether for sale or retention as investments, is charged to the profit and loss account.

Employee Benefit Trust

The own shares held by the Employee Benefit Trust are held at cost within reserves. The shares in the trust are held to satisfy options under the company's Executive Share Option or Savings Related Share Option schemes where an employee retains shares resulting from the exercise of options. The trust acquires shares from time to time to enable this to happen.

Where an employee decides not to hold shares, the company bears the difference between current market price and exercise price at the date of settlement. The charge to profit in respect of share options reflects the number of shares held by the Trust, the extent to which relevant performance criteria are expected to be met, the period of time elapsed during which performance criteria apply and the average share price of the company in the three months prior to the period end.

Pension costs

Retirement benefits to employees in the group are provided by a scheme comprising both defined benefit and defined contribution sections which is funded by contributions from group companies and employees. Payments to pension funds are made in accordance with periodic calculations by professionally qualified actuaries in the case of the defined benefit section, and regularly as defined by the rules in the case of the defined contribution section.

The costs are charged to the profit and loss account, so as to spread the variations in pension cost, which are identified as a result of actuarial valuations, over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Financial instruments

Derivative instruments utilised by the group are interest rate collars and swaps. The group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the interest rate risk profile of underlying borrowings. Amounts payable or receivable in respect of such derivatives are recognised as adjustments to interest expense over the period of the contracts.

Notes to the accounts

1 Turnover and profit analysis

	Turnover £'000	2005 Cost of sales £'000	Profit £'000	Turnover £'000	2004 Cost of sales £'000	Profit £'000
Rental income						
Group	32,970	(3,819)	29,151	33,285	(4,139)	29,146
Share of joint ventures	12,164	(1,498)	10,666	10,991	(1,692)	9,299
Property development						
Group	92,662	(65,830)	26,832	82,498	(62,021)	20,477
Share of joint ventures	10,824	(8,049)	2,775	1,895	(1,334)	561
Other activities	3,914	(3,295)	619	1,471	(2,461)	(990)
	152,534	(82,491)	70,043	130,140	(71,647)	58,493
Share of operating profit in associates			1,656			967
Administrative and other operating expenses						
Group			(17,151)			(14,832)
Share of joint ventures			(104)			(52)
Operating profit			54,444			44,576
Profit on sale of investment			-			4,883
Profit on sale of investment properties – group			11,626			8,009
– joint ventures			-			72
			66,070			57,540

Turnover derives from the group's continuing operations which are solely based in the UK. The group has only one significant class of business.

2 Net interest payable

	2005 £'000	2004 £'000
Interest payable on bank and other loans and overdrafts	14,126	12,397
Interest receivable	(372)	(437)
Group interest charge	13,754	11,960
Share of joint ventures' net interest	5,759	5,002
Share of associated companies' net interest	293	240
	19,806	17,202

3 Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
The profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	554	308
Auditors' remuneration – audit services	109	60
– non-audit services	88	63

Non-audit services comprised tax compliance and the provision of IFRS transition advice.

4 Directors' remuneration

	2005 £'000	2004 £'000
Executive directors' salaries and benefits	1,106	1,078
Executive directors' performance-related payments	704	563
Non-executive directors' fees	168	233
	1,978	1,874
Gains on exercise of share options	1,845	1,867
Pension to former director	1	1
Consultancy payments to former directors	11	11
	3,835	3,753

5 Employees

The average number of full-time employees (including directors) employed by the group during the year was as follows:

	2005 Number	2004 Number
Property	120	125
Leisure and other activities	72	59
Administration	21	18
	213	202

The total payroll costs of these employees were:

	2005 £'000	2004 £'000
Wages and salaries	9,130	8,350
Social security costs	1,084	959
Pension costs	982	1,419
	11,196	10,728

The total payroll costs were dealt with in the accounts as follows:

	2005 £'000	2004 £'000
Administrative expenses	8,621	8,581
Costs recovered from third parties	1,317	1,277
Cost of sales	1,258	870
	11,196	10,728

6 Taxation on profit on ordinary activities**(a) Analysis of charge in period**

	2005		2004	
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax on profits of the period	9,792		9,640	
Adjustments in respect of previous periods	(750)		(2,174)	
		9,042		7,466
Share of joint ventures' taxation	2,094		1,151	
Adjustments in respect of previous periods	(175)		(460)	
		1,919		691
Share of associates' taxation	431		73	
Adjustments in respect of previous periods	-		(391)	
		431		(318)
Total current tax (note(b))		11,392		7,839
Deferred tax				
Origination and reversal of timing differences (note 18)		(243)		1,205
Share of joint ventures' origination and reversal of timing differences		(70)		817
Tax on profits on ordinary activities		11,079		9,861

Tax on the sale of investment properties amounted to £4,978,000. Of this amount, £3,474,000 is charged to the Profit and Loss Account and £1,504,000 is charged through the Statement of Total Recognised Gains and Losses.

Notes to the accounts

continued

6 Taxation on profit on ordinary activities (continued)

(b) Factors affecting tax charge for period

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	46,264	40,338
Profit on ordinary activities at the standard rate of UK Corporation Tax of 30%	13,879	12,102
Disallowed expenses and non-taxable income	(719)	(631)
Capital allowances for the period in excess of depreciation	(1,325)	(1,330)
Short-term timing differences	500	408
Net capital gains on disposal of investment properties	–	478
Other	(18)	(163)
Adjustments to tax charge in respect of previous periods (including joint ventures)	(925)	(3,025)
Total current tax	11,392	7,839

(c) Factors that may affect future tax charges

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

No provision has been made for deferred tax on gains recognised on revaluing investment properties to market value. Such tax would become payable only if the properties were sold. The total amount unprovided is £32.6m including share of joint ventures (2004: £24.6m).

The benefits of any tax planning are not recognised by the company until the outcome is agreed with HM Revenue & Customs.

7 Dividends

	2005 £'000	2004 £'000
Ordinary 10p shares – proposed final dividend of 5.9p (2004: 5.1p)	7,117	6,125
– interim dividend of 2.9p (2004: 2.5p)	3,499	3,007
	10,616	9,132

8 Earnings per share

Earnings per ordinary share are calculated as follows:

(a) Basic earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders of £34,581,000 (2004: £30,013,000) by the weighted average number of shares in issue during the year (excluding the shares held for share incentive schemes which are owned by the Employee Benefit Trust) of 120,397,435 (2004: 120,036,689).

(b) As the group does not currently intend to issue shares to satisfy outstanding share options, there will be no dilution of earnings arising from the exercise of employee share options. There would be no material dilution of earnings per share if all shares currently held in the Employee Benefit Trust were allocated to the employees.

9 Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The profit after tax for the financial year of the parent company was £6,579,000 (2004: £65,135,000).

10 Pensions

The group operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members. The profit and loss account charge was £735,000 for the defined benefit section and £209,000 for the defined contribution section.

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. Included in Accruals is £682,000 in respect of pension provisions under SSAP24. The last formal actuarial valuation of the scheme was at 5th April 2005, when the market value of the net assets of the scheme was £26,025,000. The actuarial deficit of £1.5m is being amortised over 5 years. The valuation was performed using the projected unit method. The main actuarial assumptions were:

Investment rate of return: pre-retirement	4.07% p.a.
post-retirement	4.14% p.a.
Increase in earnings	3.44% p.a.
Increase in pensions	2.92% p.a.

The valuation showed a funding level of 95%.

10 Pensions (continued)

Under transitional arrangements the group is required to disclose the following information about the scheme and the figures that would have been shown under FRS17 in the current balance sheet and profit and loss account.

A full actuarial valuation of the defined benefit section was carried out at 5th April 2005 and updated to 30th November 2005 by a qualified independent actuary. The major assumptions used by the actuary for FRS17 purposes were:

	2005	2004	2003
Rate of increase in salaries	4.83%	4.81%	5.77%
Rate of increase in deferred pensions	2.83%	2.81%	2.77%
Rate of increase in pensions in payment	2.83%	2.81%	2.77%
Discount rate	4.89%	5.29%	5.59%
Inflation assumption	2.83%	2.81%	2.77%

The fair values of assets in the defined benefit section of the scheme and the expected rate of return were:

	2005		2004		2003	
	%	£'000	%	£'000	%	£'000
Equities	5.72	16,722	6.08	13,465	6.52	12,002
Bonds	4.72	266	5.08	–	5.42	308
Property	5.72	8,441	6.08	7,775	6.52	7,327
Cash and other assets	4.20	3,865	4.58	2,828	5.02	637
		29,294		24,068		20,274
Actuarial value of liabilities		(29,767)		(23,967)		(21,625)
(Deficit)/surplus in the scheme		(473)		101		(1,351)
Related deferred tax asset/(liability)		142		(30)		405
Fair value pension (liability)/asset		(331)		71		(946)

If the above pension (liability)/asset was recognised in the financial statements, the group's net assets and profit and loss reserve would be as follows:

	2005	2004	2003
	£'000	£'000	£'000
Net assets	330,740	267,370	223,337
Pension liability SSAP24	682	715	1,200
Pension (liability)/asset FRS17	(331)	71	(946)
Net assets including FRS17 pension (liability)/asset	331,091	268,156	223,591

	2005	2004	2003
	£'000	£'000	£'000
Profit and loss reserve	167,670	133,499	113,019
Pension liability SSAP24	682	715	1,200
Pension (liability)/asset FRS17	(331)	71	(946)
Profit and loss reserve including FRS17 pension (liability)/asset	168,021	134,285	113,273

Had FRS17 been fully implemented, the amount which would be charged to operating profit is as follows:

	2005	2004	2003
	£'000	£'000	£'000
Current service cost	(599)	(671)	(704)
Employee contributions	76	14	13
Total operating charge	(523)	(657)	(691)

The amount which would be credited to other finance income is as follows:

	2005	2004	2003
	£'000	£'000	£'000
Expected return on pension scheme assets	1,462	1,297	1,118
Interest on pension scheme liabilities	(1,267)	(1,206)	(978)
Net return	195	91	140

Notes to the accounts continued

10 Pensions (continued)

The amounts which would be included within the statement of total recognised gains and losses are as follows:

	2005 £'000	2004 £'000	2003 £'000
Difference between expected and actual return on assets (13.0%) (2004: 5.3%) (2003: 6.3%)	3,803	1,283	1,270
Experience gains and losses arising on present value of scheme liabilities (1.0%) (2004: 3.7%) (2003: 6.9%)	285	(886)	(1,496)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities (16.5%) (2004: 1.9%) (2003: 9.8%)	(4,908)	(461)	(2,124)
Total actuarial loss (2.8% of present value of scheme liabilities) (2004: 0.3%) (2003: 10.9%)	(820)	(64)	(2,350)

The movement in the scheme surplus during the year is as follows:

	2005 £'000	2004 £'000	2003 £'000
Surplus/(deficit) in scheme at beginning of the year	101	(1,351)	1,479
Movement in year:			
Current service cost	(599)	(671)	(704)
Employee contributions	76	14	13
Employer contributions	574	2,082	71
Other finance income	195	91	140
Actuarial loss	(820)	(64)	(2,350)
(Deficit)/surplus in scheme at the year end	(473)	101	(1,351)

Reconciliation of increase in value of scheme's assets to FRS17 disclosure:

	Gross £'000	Tax £'000	Net £'000
Value of scheme's assets			
(Deficit)/surplus in scheme at the end of year	(473)	142	(331)
(Deficit)/surplus in scheme at the start of year	101	(30)	71
Total (fall)/increase in value during year	(574)	172	(402)
FRS17 disclosure:			
Profit and Loss Account – operating charge	(523)	157	(366)
– other finance income	195	(59)	136
Statement of Total Recognised Gains and Losses	(820)	246	(574)
Employer contributions	574	(172)	402
	(574)	172	(402)

11 Tangible fixed assets

(a) Group

	Freehold investment properties £'000	Long leasehold investment properties £'000	Operating properties £'000	Plant, machinery and equipment £'000	Total £'000
Cost or valuation					
At 30th November 2004	258,861	105,011	2,430	1,903	368,205
Additions	36,062	2,806	171	1,305	40,344
Transfers to work in progress	(9,703)	–	–	–	(9,703)
Disposals	(40,903)	(1,607)	–	(93)	(42,603)
Surplus on revaluation	9,164	12,429	–	–	21,593
Transfers	188	–	(188)	–	–
At 30th November 2005	253,669	118,639	2,413	3,115	377,836
Depreciation					
At 30th November 2004	–	–	181	786	967
Charge for the year	–	–	40	514	554
Disposals	–	–	–	(55)	(55)
At 30th November 2005	–	–	221	1,245	1,466
Net book value					
At 30th November 2005	253,669	118,639	2,192	1,870	376,370
At 30th November 2004	258,861	105,011	2,249	1,117	367,238
Tenure of operating properties					
Freehold			300		
Long leasehold			1,892		
			2,192		

11 Tangible fixed assets (continued)
(b) Company

	Long leasehold investment properties £'000	Plant, machinery and equipment £'000	Total £'000
Cost or valuation			
At 30th November 2004	1,020	983	2,003
Additions	67	584	651
Disposals	(397)	(49)	(446)
Surplus on revaluation	260	–	260
At 30th November 2005	950	1,518	2,468
Depreciation			
At 30th November 2004	–	450	450
Charge for the year	–	304	304
Disposals	–	(40)	(40)
At 30th November 2005	–	714	714
Net book value			
At 30th November 2005	950	804	1,754
At 30th November 2004	1,020	533	1,553

(c) Freehold and long leasehold investment properties were valued at 30th November 2005 by King Sturge and Co, Chartered Surveyors, in accordance with the Appraisal and Valuation method of the Royal Institution of Chartered Surveyors, on the basis of open market value.

(d) Historical costs of investment properties

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Freehold investment properties	201,134	201,872	–	–
Long leasehold investment properties	72,821	71,639	246	508
	273,955	273,511	246	508

12 Investments held as fixed assets

	Investment in joint ventures £'000	Investment in associated companies £'000	Total £'000
(a) Group			
At 30th November 2004	41,988	10,167	52,155
Share of revaluation of assets	17,590	–	17,590
Share of post-tax profits less losses	5,726	932	6,658
Share of taxation disclosed in Statement of Total Realised Gains and Losses	416	–	416
Dividends receivable	(1,500)	(128)	(1,628)
At 30th November 2005	64,220	10,971	75,191

	Investment in subsidiary companies £'000	Investment in joint ventures £'000	Investment in associated companies £'000	Total £'000
(b) Company				
At 30th November 2004	211,309	41,988	9,567	262,864
Revaluation of investments	42,495	22,232	804	65,531
At 30th November 2005	253,804	64,220	10,371	328,395

Notes to the accounts

continued

12 Investments held as fixed assets (continued)

(c) Subsidiary companies

At 30th November 2005, the principal subsidiaries, all of whom, with the exception of St. Modwen Enterprises Limited, were registered and operated in England and Wales, were as follows:

	Proportion of ordinary shares held	Nature of principal business
Blackpole Trading Estate (1978) Limited	100%	Property investors
Boltro Properties Limited	100%	Property investors
Boughton Holdings	100%	Investment company
Chaucer Estates Limited	100%	Property investors
Festival Waters Limited	100%	Property developers
Leisure Living Limited	100%	Leisure operator
Redman Heenan Properties Limited	100%	Property investors
St. Modwen Developments Limited	100%	Property developers
St. Modwen Developments (Edmonton) Limited	100%	Property investors
St. Modwen Developments (Hillington) Limited	100%	Property investors
St. Modwen Developments (Longbridge) Limited	100%	Property investors
St. Modwen Developments (Long Marston) Limited	100%	Property investors
St. Modwen Developments (Quinton) Limited	100%	Property developers
St. Modwen Developments (Telford) Limited	100%	Property investors
St. Modwen Developments (Weston) Limited	100%	Property developers
St. Modwen Enterprises Limited	100%	Property investors
St. Modwen Investments Limited	100%	Property investors
St. Modwen Securities Limited	100%	Property developers
St. Modwen Ventures Limited	100%	Property investors
Walton Securities Limited	100%	Property investors
Stoke-on-Trent Regeneration Limited	81%	Property developers
Stoke-on-Trent Regeneration (Investments) Limited	81%	Property investors
Uttoxeter Estates Limited	81%	Property developers
Widnes Regeneration Limited	81%	Property developers
Trentham Leisure Limited	80%	Property and leisure operator
Norton & Proffitt Developments Limited	75%	Property developers

St. Modwen Enterprises Limited was registered and operated in the Isle of Man. The company is also the beneficial owner of the entire issued share capital of a number of non-trading companies.

(d) Joint ventures

	Key Property Investments Limited £'000	Others £'000	Total £'000
Fixed assets	139,235	4,158	143,393
Current assets	15,534	10,087	25,621
Current liabilities	(880)	(3,562)	(4,442)
Non-current liabilities	(92,802)	(7,550)	(100,352)
	61,087	3,133	64,220

At 30th November 2005, the joint ventures were:

	Percentage shareholding	Nature of business
Key Property Investments Limited	50%	Property investment/development
Holaw (462) Limited	50%	Property development
Barton Business Park Limited	50%	Property development
Sowcrest Limited	50%	Property development
Shaw Park Developments Limited	50%	Property development

Many of the joint venture agreements contain change of control provisions, as is common for such arrangements.

12 Investments held as fixed assets (continued)**(e) Associated companies**

At 30th November 2005, the associated companies, which were registered and operated in England and Wales, were as follows:

	Percentage shareholding	Nature of business
Northern Racing PLC	27%	Racecourse operator
Stoke-on-Trent Community Stadium Development Company Limited	15%	Stadium operator

The majority shareholder in Northern Racing PLC (which is listed on AIM) is the estate of the late Sir Stanley Clarke. The market value of our investment in Northern Racing PLC was £13.547m at the year end. The other shareholders in Stoke-on-Trent Community Stadium Development Company Limited are Stoke City Football Club Limited (49%) and the Council of the City of Stoke-on-Trent (36%). Stoke-on-Trent Regeneration Limited holds the remaining 15% of the equity in this company. The accounts of Northern Racing PLC are drawn up to 31st December each year. The accounts of Stoke-on-Trent Community Stadium Development Company Limited are drawn up to 31st May each year. Management accounts to 30th November 2005 have been used for consolidation purposes.

13 Stocks

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Work in progress (including freehold land for development):				
Developments in progress	72,821	77,506	-	-
Income producing development property	48,525	40,450	-	-
	121,346	117,956	-	-
Goods for resale	57	76	-	-
	121,403	118,032	-	-

14 Debtors

Amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	3,922	1,837	3	54
Amounts due from subsidiaries	-	-	174,280	185,190
Amounts due from joint venture and associated companies	5,325	5,061	4,569	5,064
Other debtors	9,594	4,173	15,492	7,118
Prepayments and accrued income	1,731	1,241	619	455
Deferred tax asset	-	-	1,649	1,512
	20,572	12,312	196,612	199,393

15 Creditors

Amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank overdraft (secured on specific property assets)	2,522	-	19,040	9,429
Floating Rate Guaranteed Unsecured Loan Notes 2009	19	41	-	-
Floating Rate Unsecured Loan Notes 2005	400	400	-	-
Payments on account	10,724	11,652	-	-
Trade creditors	5,237	5,292	352	-
Amounts due to subsidiaries	-	-	75,119	74,156
Corporation tax	1,662	7,371	-	-
Other taxation and social security	-	65	-	-
Other creditors	110	365	230	361
Accruals and deferred income	19,678	14,902	11,522	10,787
Proposed dividend	7,117	6,125	7,117	6,125
Amounts due to joint ventures and associated companies	355	-	355	-
	47,824	46,213	113,735	100,858

Notes to the accounts continued

16 Creditors

Amounts falling due after more than one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank and other loans (secured on specific property assets)	205,640	230,513	81,209	94,702
Accruals and deferred income	1,110	885	1,110	885
	206,750	231,398	82,319	95,587

17 Derivatives and other financial instruments

The company's interest rate risk profile and management strategy is highlighted in the OFR.

(a) Maturity profile of committed financial liabilities

	2005			2004		
	Drawn £'000	Undrawn £'000	Total £'000	Drawn £'000	Undrawn £'000	Total £'000
One year	2,941	2,478	5,419	441	5,000	5,441
One to two years	52,170	11,163	63,333	27,000	43,000	70,000
Two to five years	63,522	86,442	149,964	110,238	48,325	158,563
More than five years	89,948	5	89,953	93,275	12	93,287
Gross financial liabilities	208,581	100,088	308,669	230,954	96,337	327,291

Interest payable on the above loans is at a weighted average of 1.03% above LIBOR before taking into account the effects of hedging (see 17(b)). The weighted average period to maturity of borrowings was 5 years (2004: 5 years).

Of the loans repayable in more than five years, £34,953,000 is repayable in annual instalments until November 2021, when it will be fully repaid.

(b) Interest rate profile

The following interest rate profiles of the group's financial liabilities are after taking into account interest rate swaps entered into by the group.

	Total £'000	Floating rate financial liabilities* £'000	Fixed Rate Borrowings		
			Fixed rate financial liabilities £'000	Weighted average interest rate %	Weighted time for which rate is fixed (years)
At 30th November 2005	208,581	88,581	120,000	4.92	1.3
At 30th November 2004	230,954	110,954	120,000	5.11	1.6

* Of which £8,380,000 (2004: £8,620,000) was hedged by an interest rate collar with a cap of 6.00% and a floor of 5.43%.

(c) Fair values of financial assets and liabilities

	2005		2004	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments:				
Loans to joint ventures and associates	5,325	5,325	5,061	5,061
Cash	680	680	3,652	3,652
Short-term loans	(419)	(419)	(441)	(441)
Overdraft	(2,522)	(2,522)	–	–
Long-term loans	(205,640)	(205,640)	(230,513)	(230,513)
Derivative financial instruments:				
Interest rate swaps and collar	–	(281)	–	(538)

Market rates have been used to determine the fair value of derivative financial instruments.

18 Deferred taxation

	Provided		Unprovided	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
The amounts of deferred taxation provided and unprovided in the accounts are:				
Group				
Capital allowances in excess of depreciation	5,519	5,284	2,560	2,663
Appropriations to trading stock from investments	1,482	1,130	-	-
Other timing differences	(1,593)	(1,109)	-	-
	5,408	5,305	2,560	2,663
Revaluation of properties (including share of joint ventures)	-	-	30,023	21,902
	5,408	5,305	32,583	24,565
Company				
Capital allowances in excess of depreciation	994	251	-	-
Other timing differences	(2,643)	(1,763)	-	-
Revaluation of properties	-	-	-	(167)
	(1,649)	(1,512)	-	(167)

	Group £'000	Company £'000
Reconciliation of movement on group deferred tax liability		
Balance as at 30th November 2004	5,305	(1,512)
Profit and loss account	(243)	(137)
Statement of total recognised gains and losses	346	-
Balance as at 30th November 2005	5,408	(1,649)

19 Called-up share capital

	2005 £'000	2004 £'000
Authorised:		
Equity share capital		
150,000,000 Ordinary 10p shares	15,000	15,000
Allotted and fully paid:		
Equity share capital		
120,773,954 Ordinary 10p shares	12,077	12,077

Details of options, outstanding at 30th November 2005, to acquire ordinary shares in the company under the option schemes were as follows:

	Price per share	Options outstanding	Exercisable between	
Executive share option schemes	81.5p	50,000	March 2002 – March 2008	
	103.5p	25,000	September 2003 – September 2009	
	99.0p	500,000	November 2003 – November 2009	
	113.5p	94,000	September 2004 – September 2011	
	134.0p	424,692	September 2005 – September 2012	
	200.0p	738,000	August 2006 – August 2013	
	279.0p	651,000	August 2007 – August 2014	
	443.0p	523,000	August 2008 – August 2015	
	Savings related schemes	103.5p	172,805	May 2006 – November 2006
		125.0p	196,997	October 2007 – April 2008
182.0p		136,325	August 2008 – February 2009	
248.0p		123,237	October 2009 – April 2010	
	407.0p	73,315	October 2010 – April 2011	
Total		3,708,371		

Notes to the accounts continued

20 Reserves

	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit & loss account £'000	Own shares £'000
Group						
At 30th November 2004	9,167	9	356	114,236	133,499	(1,974)
Surplus on revaluation of investment properties	–	–	–	21,593	–	–
Prior years' revaluation surpluses realised	–	–	–	(11,514)	11,514	–
Share of joint venture revaluation	–	–	–	17,590	–	–
Retained profit for the year	–	–	–	–	23,965	–
Taxation on realisation of prior year surplus	–	–	–	–	(1,308)	–
Share disposals	–	–	–	–	–	1,530
At 30th November 2005	9,167	9	356	141,905	167,670	(444)
Company						
At 30th November 2004	9,167	9	356	177,171	70,564	(1,974)
Surplus on revaluation of investment properties	–	–	–	260	–	–
Prior years' revaluation surpluses realised	–	–	–	(67)	67	–
Surplus on revaluation of investments	–	–	–	65,531	–	–
Retained profit for the year	–	–	–	–	(4,037)	–
Taxation on realisation of prior year surplus	–	–	–	–	86	–
Share disposals	–	–	–	–	–	1,530
At 30th November 2005	9,167	9	356	242,895	66,680	(444)

'Own shares' represents the cost of 149,114 (2004: 679,868) shares held in the Employee Benefit Trust. Their open market value was £678,469 (2004: £2,073,597).

21 Group cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	2005 £'000	2004 £'000
Operating profit	39,451	33,801
Depreciation	554	308
(Increase)/decrease in debtors	(8,260)	11,529
Decrease/(increase) in stocks	6,332	(33,904)
Increase in creditors	5,674	3,185
Net cash inflow from operating activities	43,751	14,919

(b) Analysis of net debt

	At 30th November 2004 £'000	Cash flows £'000	At 30th November 2005 £'000
Cash			
Cash at bank and in hand	3,652	(2,972)	680
Bank overdraft	–	(2,522)	(2,522)
	3,652	(5,494)	(1,842)
Debt			
Debt due within one year	(441)	22	(419)
Debt due after one year	(230,513)	24,873	(205,640)
	(230,954)	24,895	(206,059)
Net Debt	(227,302)	19,401	(207,901)

22 Net asset value

	2005	2004
	pence	pence
Net assets per share	273.9	221.4
FRS19 deferred tax provision for disposal of investment properties	(27.0)	(20.3)
Fair value of interest rate derivatives (post-tax)	(0.2)	(0.3)
Triple net asset value per share	246.7	200.8
Fair value of investment in Northern Racing PLC (post-tax)	1.8	5.2
FRS19 deferred tax provision on potential clawback of capital allowances	4.6	4.4
Adjusted net assets per share	253.1	210.4

23 Commitments and contingencies

The company has guaranteed the loans and overdrafts of subsidiary companies, which at 30th November 2005 amounted to £nil (2004: £135,811,000) and has granted a fixed charge over its investment properties as security.

At 30th November 2005 the group had contracted capital expenditure of £18,000,000 (2004: £1,528,000).

24 Related party transactions**Group and Company**

All company disclosures should also be read as being group disclosures.

Key Property Investments Limited ('KPI')

During the year the group provided management services to KPI for which it received fees totalling £488,000 (2004: £504,000)

Holaw (462) Limited ('Holaw')

During the year the company lent Holaw a further £291,000. The balance due to the company at the year end was £656,000 (2004: £365,000). No interest is charged on the loan.

Barton Business Park Limited ('BBP')

During the year BBP repaid £58,000 of its loan. The balance due to the company at the year end was £1,079,000 (2004: £1,137,000). No interest is charge on the loan.

Sowcrest Limited ('Sowcrest')

During the year Sowcrest repaid its loan and lent £355,000 to the company. The balance due from the company at the year end was £355,000 (2004: £1,454,000). No interest is charged on the loan.

Shaw Park Developments Limited ('SPD')

During the year the group lent a further £752,000 to SPD. The balance due to the group at the year end was £2,234,000 (of which £1,482,000 was due to the company) (2004: £1,482,000, all of which related to the company). In addition the company lent £750,000 to Healnorth Limited a company controlled by our joint venture partner in SPD. Interest is chargeable on the loans at 1.5% above base rate.

Northern Racing PLC ('Northern')

During the year Northern repaid £17,000 of its loan. The balance due to the company at the year end was £606,000 (2004: £623,000). Subsequent to the year end, under arrangements put in place at the time of its flotation, Northern repaid the entirety of the £606,000. No interest is charged on loan.

Non-wholly owned subsidiaries

The company provides administrative and management services and provides a central purchase ledger system to subsidiary companies and makes no charge for these services. The company also operates a central treasury function which lends to and borrows from subsidiary companies as appropriate. Interest is charged/credited at market rates on such treasury transactions where there is a minority interest in the subsidiary company. Interest charged/(credited) during the year and net balances due (to)/from subsidiaries in which the company has less than a 90% interest were as follows:

	Interest		Balance	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Stoke-on-Trent Regeneration Limited	(737)	(601)	(13,355)	(9,362)
Stoke-on-Trent Regeneration (Investments) Limited	49	48	714	757
Uttoxeter Estates Limited	(5)	(6)	(71)	(91)
Widnes Regeneration Limited	85	(14)	2,081	1,704
Trentham Leisure Limited	1,065	612	20,813	17,628
Norton & Proffitt Developments Limited	99	71	5,764	5,173
	556	110	15,946	15,809

Shareholder information

Financial calendar

Record date for 2005 final dividend	7th April 2006
Annual General Meeting	21st April 2006
Payment of 2005 final dividend	28th April 2006
Announcement of 2006 interim results	July 2006
Payment of 2006 interim ordinary dividend	September 2006
Announcement of 2006 final results	February 2007

Ordinary shareholdings at 30th November 2005

	Number of holders	% of holders	Number of shares	% of shares
By shareholder				
Directors and connected persons	26	0.5	27,030,174	22.4
Individuals	4,210	84.6	37,883,056	31.4
Insurance companies, nominees and pension funds	643	12.9	53,687,755	44.4
Other limited companies and corporate bodies	101	2.0	2,172,969	1.8
	4,980	100.0	120,773,954	100.0

	Number of holders	% of holders	Number of shares	% of shares
By shareholding				
1 to 500	1,310	26.3	341,635	0.3
501 to 1,000	936	18.8	736,379	0.6
1,001 to 5,000	1,832	36.8	4,263,778	3.5
5,001 to 10,000	399	8.0	2,903,044	2.4
10,001 to 50,000	354	7.1	7,320,275	6.1
50,001 to 100,000	46	0.9	3,383,217	2.8
100,001 to 500,000	65	1.3	14,075,864	11.7
500,001 to 1,000,000	19	0.4	13,779,246	11.4
1,000,001 and above	19	0.4	73,970,516	61.2
	4,980	100.0	120,773,954	100.0

Principal institutional shareholders at 30th November 2005

	No.	Shares %
Thames River Capital	5,850,000	4.84
ING Investment Management	4,395,000	3.64
Barclays Global Investors Limited	4,317,419	3.57
Legal & General Investment Management Limited	3,119,253	2.58
M & G Investment Management Limited	2,497,728	2.07
Henderson Global Investors	2,298,800	1.90
Threadneedle Asset Management Limited	2,138,442	1.77

Annual general meeting

In accordance with the Directors' Remuneration Report Regulations 2002, shareholders will be asked to approve the Directors' Remuneration Report (set out on pages 40 to 44) for the year ended 30 November 2005.

The following resolutions have become routine business at the Annual General Meetings of most public companies, including St. Modwen Properties PLC, and relate to:

- Renewal of the authority for the directors to allot relevant securities and the renewal of the powers for the directors to allot equity securities for cash (Resolutions 6 and 7).

The existing general authority of the directors to allot shares and the current disapplication of the statutory pre-emption rights expire at the conclusion of the forthcoming Annual General Meeting.

Article 8.2 of the company's Articles of Association contains a general authority for the directors to allot shares in the company for a period (not exceeding five years) ("the prescribed period") and up to a maximum aggregate nominal amount ("the Section 80 amount") approved by a Special or Ordinary Resolution of the company. Article 8.2 also empowers the directors during the prescribed period to allot shares for cash in connection with a rights issue and also to allot shares for cash in any other circumstances up to a maximum aggregate nominal amount approved by a Special Resolution of the company ("the Section 89 amount").

The board has no intention at present to exercise the authority to allot shares.

Resolution 6, which will be proposed as an Ordinary Resolution, provides for the Section 80 amount to be £2,922,605 (being an amount equal to the authorised but unissued share capital of the company at the date of this report and representing 24% of the company's issued share capital at that date).

Resolution 7, which will be proposed as a Special Resolution, provides for the Section 89 amount to be £603,870 (representing 5% of the company's issued share capital).

The prescribed period for which these powers and authorities are granted will expire at the conclusion of the Annual General Meeting to be held next year (or on 20th July 2007 if earlier) when the directors intend to seek renewal of the authorities.

- Renewal of the authority for the company to purchase certain of its own shares (Resolution 8).

This resolution renews an existing authority for a further year. The directors believe it is advantageous to have such authority but would only exercise it if it was believed to be in the best interests of shareholders. At present, the board has no intention to exercise the authority.

Auditors

Ernst & Young LLP have expressed their willingness to remain in office and a resolution to reappoint them as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Notice of meeting

Notice is hereby given that the sixty-fourth Annual General Meeting of St. Modwen Properties PLC will be held at noon on Friday 21st April 2006 at the Ironmongers' Hall, Barbican, London EC2Y 8AA.

Ordinary business

1. To receive and adopt the report of the directors and the accounts for the year ended 30th November 2005.
2. To declare a final ordinary dividend of 5.9p per share.
3. To re-elect as directors:
 - i. Christopher Roshier
 - ii. Mary Francis
 - iii. John Salmon
 - iv. Ian Menzies-Gow
 - v. Tim Haywood
4. To reappoint Ernst & Young LLP as auditors and to authorise the directors to determine their remuneration.
5. To approve the directors' remuneration report contained on pages 40 to 44.

Special business

To consider and, if thought fit, pass the following resolutions:

6. Ordinary resolution

That the authority to allot relevant securities and equity securities conferred on the directors by Article 8.2 of the company's Articles of Association be and is hereby granted for the period ending on 20th July 2007 or at the conclusion of the Annual General Meeting of the company to be held after the date of the passing of this Resolution (whichever is the earlier) and for such period the Section 80 amount shall be £2,922,605.

7. Special resolution

That the power to allot relevant securities and equity securities conferred on the directors by Article 8.2 of the company's Articles of Association be and is hereby granted for the period ending on 20th July 2007 or at the conclusion of the Annual General Meeting of the company to be held after the date of the passing of this Resolution (whichever is the earlier) and for such period the Section 89 amount shall be £603,870.

8. Special resolution

That, in accordance with Article 10 of its Articles of Association and Section 166 of the Companies Act 1985, the company be and is hereby granted general and unconditional authority to make market purchases (as defined in Section 163 of the Companies Act 1985) of any of its own ordinary shares on such terms and in such manner as the board of directors may from time to time determine PROVIDED THAT the general authority conferred by this Resolution shall:

- (a) be limited to 12,077,395 ordinary shares of 10p each;
- (b) not permit the payment per share of more than 105% of the average middle market price quotation on the London Stock Exchange for the ordinary shares on the five previous dealing days or less than 10p (in each case exclusive of advance corporation tax (if any) and expenses payable by the company); and
- (c) expire on 20th July 2007 or at the conclusion of the next Annual General Meeting of the company to be held after the date of the passing of this Resolution (whichever is the earlier), save that if the company should before such expiry enter into a contract of purchase then the purchase may be completed or executed wholly or partly after such expiry.

By order of the board

T.P. Haywood

Secretary

13th February 2006

Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham
B32 1AF

Notes

1. Entitlement to Attend and Vote

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the company gives notice that only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the company (as the case may be) at 6 pm on Wednesday 19th April 2006 (the "Specified Time") will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at that meeting. Should the meeting be adjourned to a time not more than

48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the company gives notice of the adjourned meeting, at the time specified in the notice.

2. Appointment of Proxies

A member entitled to attend and vote at this meeting may appoint another person (whether a member or not) as his/her proxy, to attend and, on a poll, vote for him/her. Forms of proxy, one of which is enclosed, must be signed by the appointer and must be lodged at the registrar's office at least 48 hours before the meeting. A proxy need not be a member of the company.

3. Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 21st April 2006 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

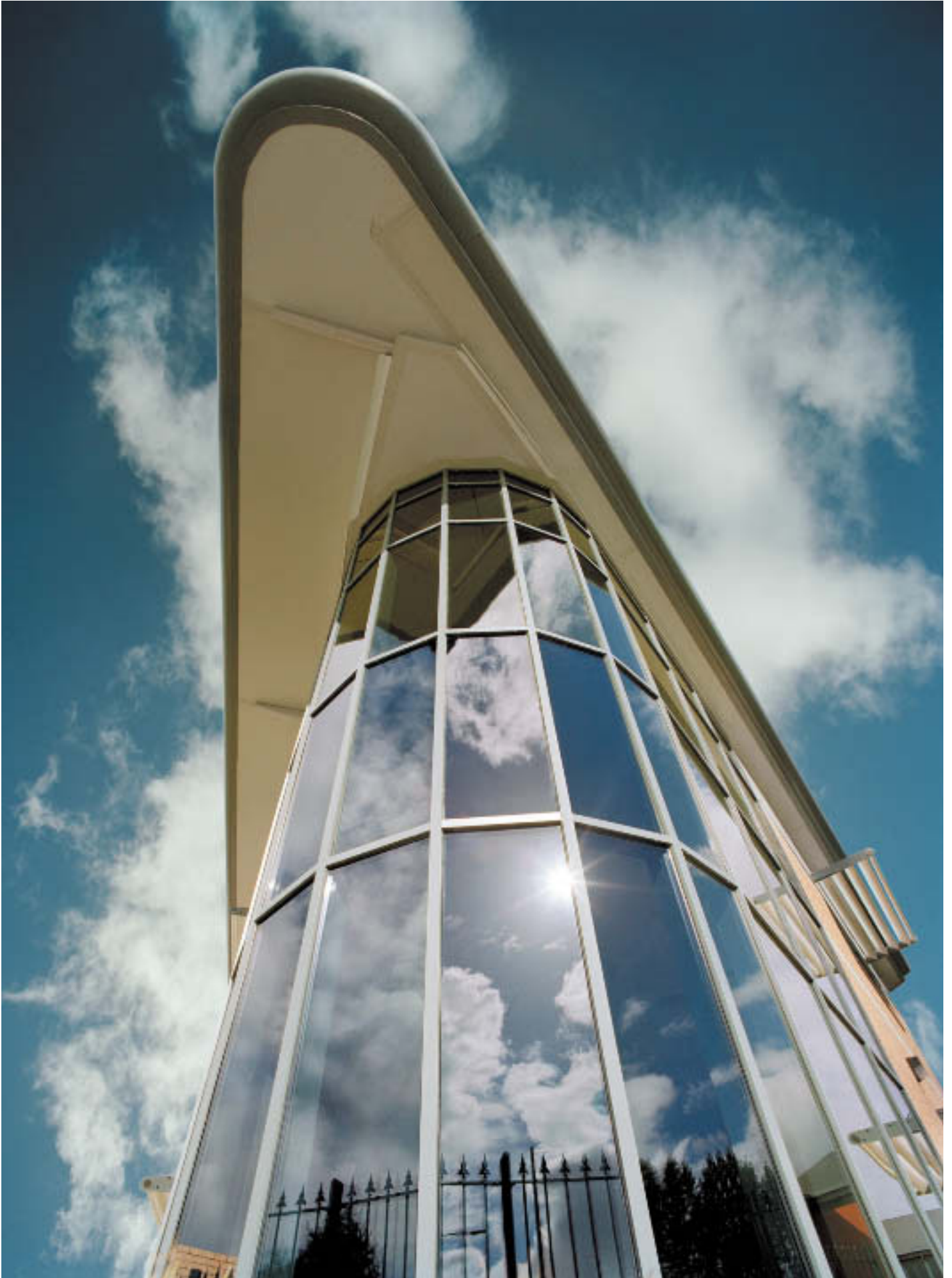
The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. Directors' Service Contracts

Copies of the contracts of service between the company and Anthony Glossop, Bill Oliver, Richard Froggatt and Tim Haywood are available for inspection at the registered office of the company on each business day during normal business hours and will be available on the day of the meeting, at the place of the meeting, from at least 15 minutes prior to the meeting until its conclusion. A register of directors' interests will also be available for inspection from the commencement of the meeting until its conclusion.

Five year record

	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m
Rental income	27.3	30.7	42.5	44.3	45.1
Property profits	16.1	24.0	25.2	34.0	41.2
Pre-tax profit	25.5	30.0	35.0	40.3	46.3
Earnings per share (pence)	15.2	17.1	20.1	25.0	28.7
Dividends per share (pence)	4.9	5.7	6.6	7.6	8.8
Dividend cover (times)	3.1	3.0	3.0	3.3	3.3
Net assets per share (pence)	136.5	159.7	184.9	221.4	273.9
Increase on prior year	18%	17%	16%	20%	24%
Net assets employed					
Investment properties	209.7	267.5	266.5	363.9	372.3
Investments	24.0	37.2	38.5	52.2	75.2
Work in progress	94.0	101.2	77.5	118.0	121.4
Other net liabilities	(22.1)	(39.2)	(24.2)	(39.4)	(30.3)
Net borrowings	(140.7)	(173.8)	(135.0)	(227.3)	(207.9)
Net assets	164.9	192.9	223.3	267.4	330.7
Financed by					
Share capital	12.1	12.1	12.1	12.1	12.1
Revaluation reserve	63.3	80.2	90.0	114.2	141.9
Profit and loss account	80.5	92.5	113.0	133.5	167.7
Other reserves	9.5	9.5	9.5	9.5	9.5
Own shares	165.4 (0.5)	194.3 (1.4)	224.6 (1.3)	269.3 (1.9)	331.2 (0.5)
Shareholders' funds	164.9	192.9	223.3	267.4	330.7



Trident Business Park, Warrington

A 20,000 sq ft office development was completed in the year as part of the redevelopment of this industrial estate.



St. Modwen Properties PLC

Head Office and Midlands Regional Office

Sir Stanley Clarke House
7 Ridgeway
Quinton Business Park
Birmingham
B32 1AF

Tel (0121) 222 9400
Fax (0121) 222 9401
www.stmodwen.co.uk
info@stmodwen.co.uk

Regional Offices

London & South East

Tel (020) 7499 5666
Fax (020) 7629 4262

South West

Tel (01173) 167780
Fax (01173) 167788

Yorkshire

Tel (0113) 272 7070
Fax (0113) 272 7079

North Staffordshire

Tel (01782) 281844
Fax (01782) 283670

North West

Tel (01925) 825950
Fax (01925) 284808