ST.MODWEN

THE UK'S LEADING REGENERATION SPECIALIST

ST. MODWEN PROPERTIES PLC
ANNUAL REPORT 2007

▲ **LITTLECOMBE VILLAGE, DURSLEY**
THE COMPANY'S FIRST TRUE URBAN VILLAGE DEVELOPMENT. IN PARTNERSHIP WITH SWERDA, MORE THAN HALF THE SITE HAS BEEN REMEDIATED, WITH THE FIRST PHASE OF INFRASTRUCTURE AND EMPLOYMENT SPACE UNDER CONSTRUCTION. THE RIVER CAM HAS BEEN OPENED UP, AND RESIDENTIAL DEVELOPMENT WILL COMMENCE IN 2008

FOUR SPECIALIST AREAS:

Town centre regeneration

Partnering industry

Brownfield land renewal

Heritage restoration

BUSINESS REVIEW

CSR REVIEW

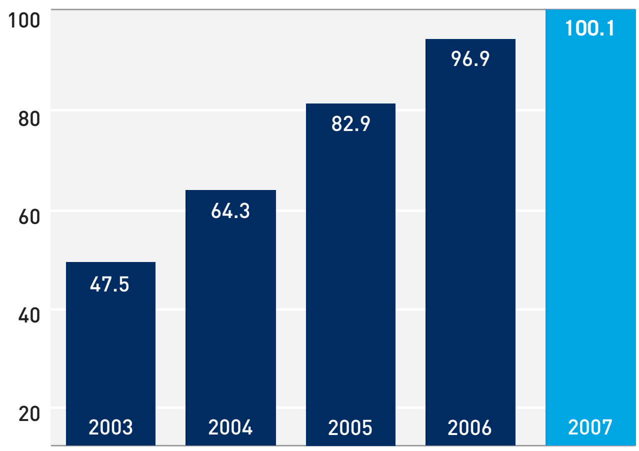
FINANCIAL STATEMENTS

The report of the directors comprises the business review and CSR review sections of the annual report and has been drawn up and presented in accordance with English Company Law.

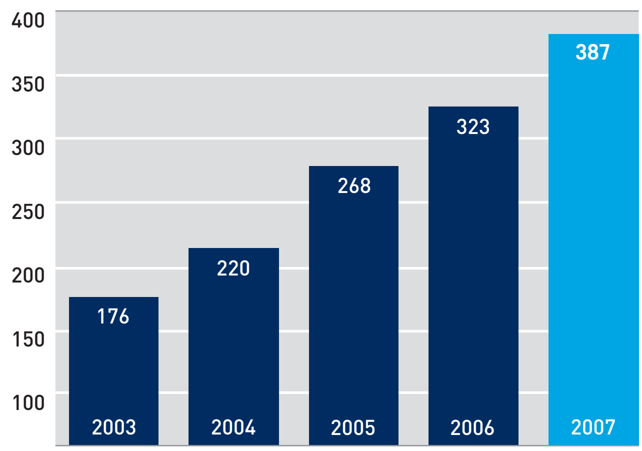
▲ **LONGBRIDGE**
DEMOLITION IN PROGRESS.
OVER 2M SQ FT OF REDUNDANT FACTORY SPACE HAS BEEN DEMOLISHED WITH OVER 90% OF THE DEMOLITION PRODUCTS SENT FOR RECYCLING OR REUSED ON SITE (A PARTNERSHIP PROJECT WITH AWM)

FINANCIAL HIGHLIGHTS

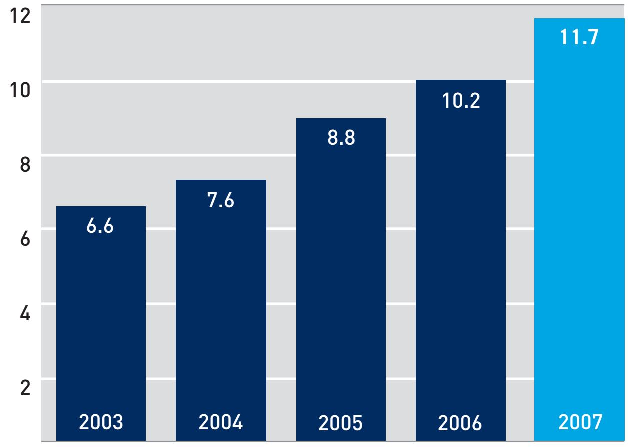
PROFIT BEFORE TAX (£ million) **+3%**



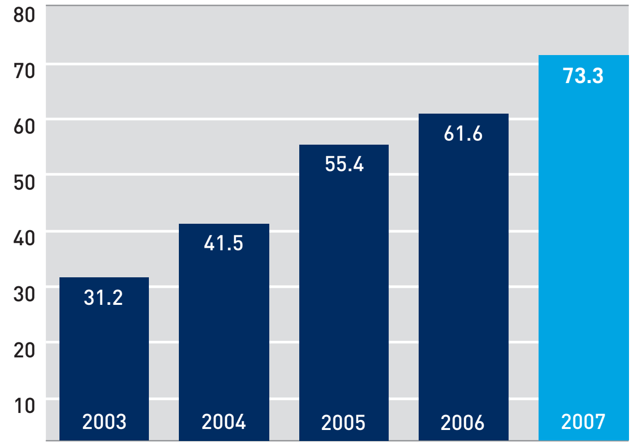
NET ASSETS PER SHARE (p) **+20%**



DIVIDEND PER SHARE (p) **+15%**



EARNINGS PER SHARE (p) **+19%**



- Profit before tax increased by 3% to £100.1m (2006: £96.9m).
- Earnings per share up 19% to 73.3p (2006: 61.6p).
- Net assets per share increased by 20% to 387p (2006: 323p).
- Proposed final dividend of 7.8p per share (2006: 6.8p) increasing total dividends for the year by 15% to 11.7p (2006: 10.2p).

BUSINESS REVIEW

THE UNDERLYING PURPOSE OF ALL ST. MODWEN'S ACTIVITY IS TO ADD VALUE TO THE PROPERTIES IT CONTROLS

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report on a 15th successive year of record results. The success in achieving a significant increase in realised property profits and valuation uplifts arising from asset management and planning activities more than compensated for the valuation reductions arising from the correction in investment property yields which we suffered in the second half.

Net assets per share increased by 20% to 387p (2006: 323p). Profit before tax increased by 3% to £100.1m (2006: £96.9m). Earnings per share grew by 19% to 73.3p (2006: 61.6p).

Our key performance measurement of return on equity (now calculated after tax) was 21.9% (2006: 21.3%).

DIVIDEND

Your board is recommending a final dividend of 7.8p (2006: 6.8p) per ordinary share, making a total distribution for the year of 11.7p (2006: 10.2p), an increase of 15%. This final dividend will be paid on 4th April 2008 to shareholders on the register on 14th March 2008.

"WE ARE NOW REGARDED AS THE UK'S LEADING REGENERATION SPECIALIST."

STRATEGY

Your company's strategy, being essentially long-term, is not altered because of the current weakness in the investment market, although its short-term implementation is obviously affected by market considerations.

This market weakness in fact serves to highlight the differentiation of your company from many of its peers which I referred to in last year's report. Growth through realised profits and revaluations based on actually adding value has always been at the heart of our strategy and should stand us in good stead in this more difficult climate. Also our exposure to a broad range of market sectors and geographic areas through seven regional offices gives us the ability to take advantage of whatever opportunities there are.

We are now regarded as the UK's leading regeneration specialist which is evidenced by our selection by BP as the developer of the Coed Darcy site and by West Lancashire District Council and English Partnerships as their preferred partner for the redevelopment of Skelmersdale town centre.

In both these cases, our skills as a master developer which have been honed over the past two decades on schemes such as Hilton, Derbyshire (joint venture with MOD); Trentham Lakes, Stoke-on-Trent (joint venture with Stoke-on-Trent City Council); Longbridge, Birmingham; and Llanwern, Newport proved attractive to the selecting organisations. With the acknowledged need for major regeneration initiatives, the recognition of our skills in this important area should help to underwrite your company's future prosperity.

Two key elements of the strategy are the continued acquisition of well-located opportunities to top up the hopper and their marshalling through the planning and development process to ultimate delivery. In both areas, this year has seen continued success as is set out in the business review.

Availability of finance is a critical success factor for a property business. We have always operated a policy of reviewing our funding requirements on a regular basis and currently have all our facilities secured through to 2011 with a realistic degree of headroom and at competitive margins.

SUSTAINABILITY

We remain committed to managing our affairs with the highest standards of integrity and to ensuring that communities and the environment are respected in our developments. In the CSR review, we set out how we go about achieving these commitments.

DIRECTORS AND EMPLOYEES

Achieving the results for the year in the current climate is a tribute to the quality and strength of the team at all levels in the organisation. My thanks go to everyone for the efforts they have put in to bring about another successful year.

We have been recruiting extensively to cope with the challenges of growth and the sheer scale of the hopper and I have been delighted with the quality of our new colleagues. At the same time, it has been a real pleasure to see how so many of our existing team have risen to the challenge and developed their own skills to take more responsibility within the organisation.

By way of example, Rupert Wood, who has been with us less than two years, has been promoted to head the new Northern Home Counties region and Rupert Joseland and Stephen Prosser, who formed the new South West and Yorkshire offices three years ago, have been promoted to regional director.

The increased strength in depth in the company enables my own role to continue to evolve. I am now becoming non-executive. I will continue to give support to Bill Oliver and the executive in maintaining the company's standing in the market as well as undertaking the normal role of a non-executive chairman.

PROSPECTS

There will undoubtedly be some further deterioration in the market value of investment properties, particularly in the first half of 2008, and we cannot be immune from the effects of that. However, we are planning that overall the year will see growth in the company's net asset value, albeit at a lower level than in the recent past, and we would expect to maintain our recent pattern of dividend growth. The company has a well-founded development and marshalling programme and we are achieving a regular flow of occupational transactions.

Our ambition remains to double net asset value per share on a 5-year basis, but in the short term growing at that rate is clearly unrealistic whilst today's market conditions prevail, and we will not be tempted to try to force the pace of growth faster than prudent market judgements will allow.

Our confidence in the longer term is undiminished. We are continuing, therefore, to invest in people, regional offices and acquisitions for the hopper so that we will be in good shape when the market stabilises.

Anthony Glossop
Chairman
8th February 2008

ST. MODWEN AT A GLANCE

THE COMPANY FOCUSES ON FOUR AREAS:

TOWN CENTRE REGENERATION

Many centres that were developed during the 1960s and 1970s now require substantial refurbishment and updating to meet the demands of the contemporary shopper, to accommodate new trends in town centre living, and to bring back into these centres community and business uses. St. Modwen has substantial experience in revitalising town centres, and is currently engaged on a number of such schemes, including major projects at Edmonton Green, Farnborough, Skelmersdale and Wembley.

EDMONTON GREEN

PARTNERING INDUSTRY

Restructuring of traditional industries has left numerous former employment complexes potentially available for redevelopment. St. Modwen has established joint ventures with companies such as Alstom, Corus, Goodyear, BP and Ford to undertake the redevelopment of such sites, often through innovative sale and leaseback arrangements which provide the required flexibility for the landowner.

GOODYEAR

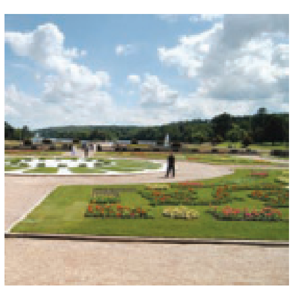
BROWNFIELD LAND RENEWAL

St. Modwen is the UK's leading expert in the large-scale renewal of brownfield land. The company has huge experience in the remediation, remodelling, infrastructuring and redevelopment of such sites, having reclaimed hundreds of acres of brownfield land for both residential and commercial use. There is currently well over 1,000 acres of land in the hopper in the process of such development, including the massive Llanwern (former steelworks) and Avonmouth (former zinc smelter) sites.

AVONMOUTH

HERITAGE RESTORATION

The company has applied similar skills to a number of heritage, leisure-related projects. In these projects, an enabling commercial development finances an otherwise non-viable heritage restoration scheme. Two such schemes currently being undertaken are: the £100m transformation of Trentham Gardens at Stoke-on-Trent into a major leisure and commercial visitor attraction; and a similar project at Dudley in the West Midlands, which will incorporate the existing zoo and medieval castle into a new visitor attraction.



TRENTHAM GARDENS

NORTH WEST

01 **NEWTON-LE-WILLOWS**
Vulcan Works

02 **GLASGOW**
Pegasus Business Park
Springburn

08 **PRESTON**
Channel Way

09 **BLACKBURN**
Medipark

10 **SKELMERSDALE**
Town Centre

11 **ECCLES**
Lankro Way

12 **WIGAN**
Enterprise Park

13 **MANCHESTER**
Wythenshawe
Trafford Park

14 **LIVERPOOL**
East Lancs Road
Great Homer Street

15 **WIDNES**
Economic Development Zone
Town Centre

NORTH STAFFORDSHIRE

16 **STOKE-ON-TRENT**
Festival Park
Trentham Gardens
Trentham Lakes

17 **STONE**
Meaford Power Station

MIDLANDS

18 **DERBY**
Hilton Depot

19 **STAFFORD**
Lichfield Road
St. Leonard's

20 **BURTON-UPON-TRENT**
Barton Business Park

21 **WOLVERHAMPTON**
Goodyear

22 **TELFORD**
Brockton Business Park
Queensway Business Park

23 **WALSALL**
St. Matthew's Quarter

24 **DUDLEY**
Castle Hill

25 **BIRMINGHAM**
Washwood Heath
Quinton Business Park

26 **LONGBRIDGE**

27 **RUGBY**
Mill Road
Newbold Road

28 **WORCESTER**
Shrub Hill Industrial Estate

29 **STRATFORD-UPON-AVON**
Long Marston

30 **COVENTRY**
Whitley

SOUTHWEST

31 **GLOUCESTER**
Quedgeley Industrial Estates

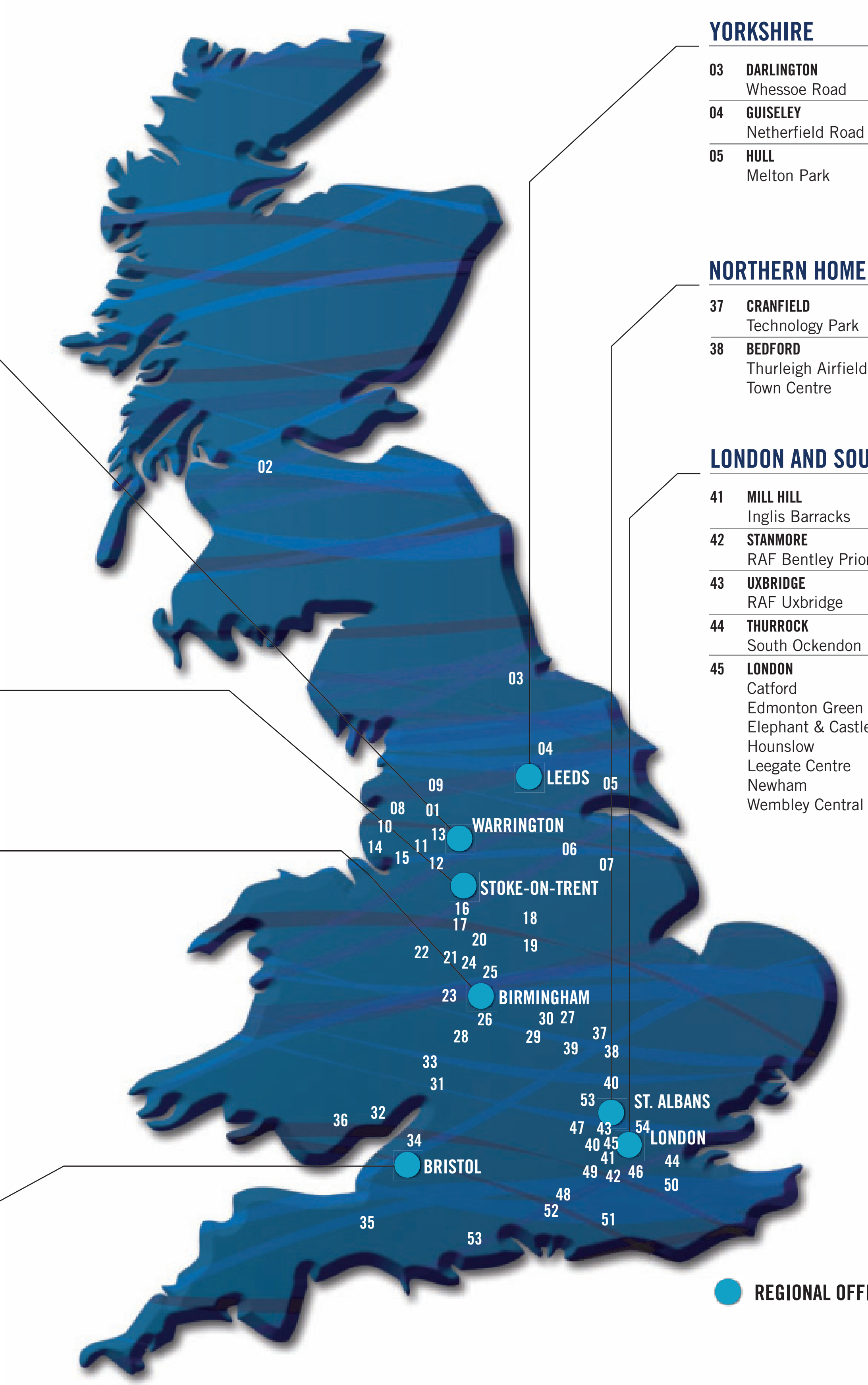
32 **NEWPORT, GWENT**
Llanwern

33 **DURSLEY, GLOS**
Littlecombe Village

34 **AVONMOUTH, BRISTOL**
Access 18

35 **TAUNTON**
Trading Estate

36 **NEATH**
Coed Darcy



YORKSHIRE

03	**DARLINGTON**	Whessoe Road
04	**GUISELEY**	Netherfield Road
05	**HULL**	Melton Park
06	**DONCASTER**	Worcester Avenue
07	**LINCOLN**	Rushton Works

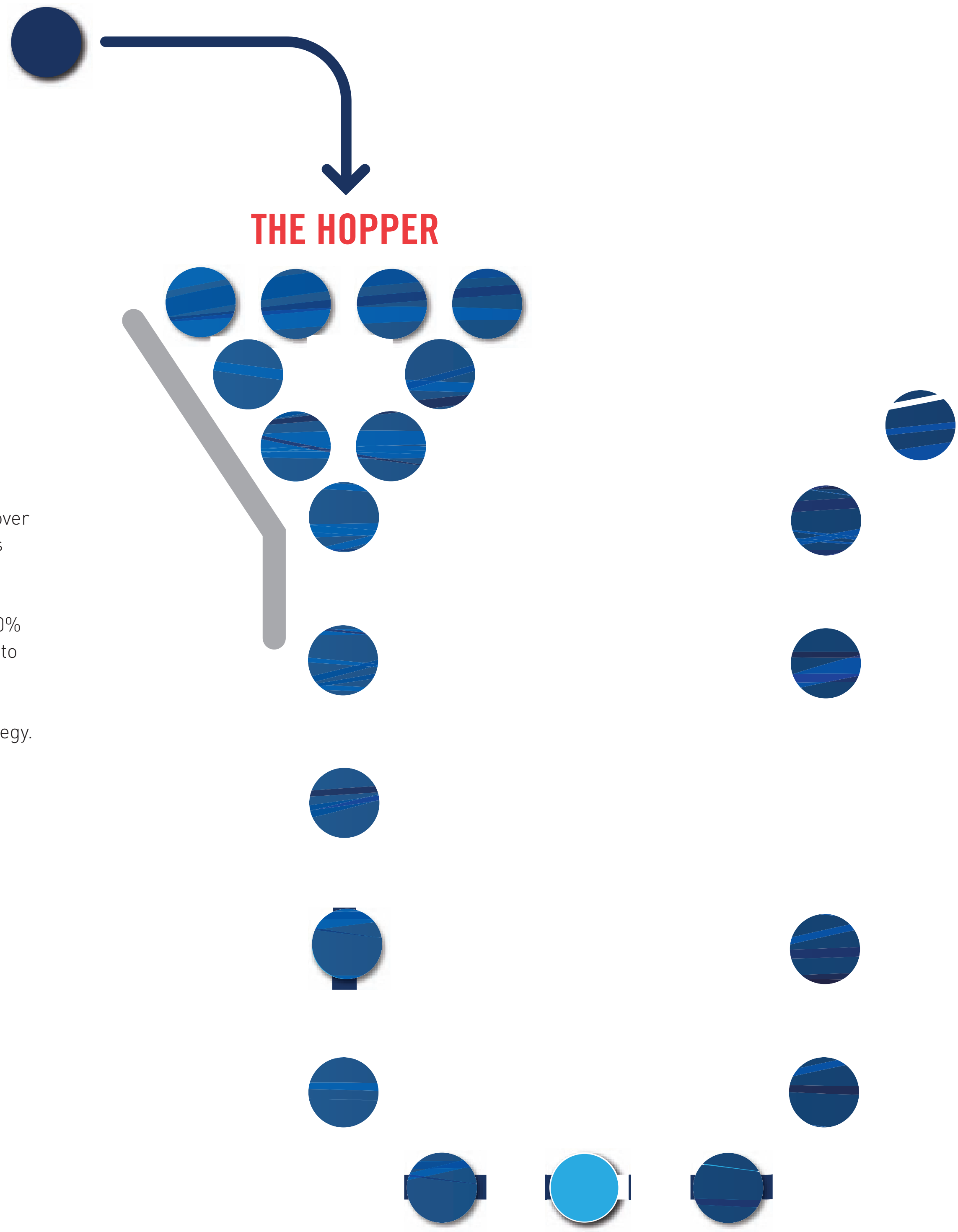
NORTHERN HOME COUNTIES

37	**CRANFIELD**	Technology Park
38	**BEDFORD**	Thurleigh Airfield Town Centre
39	**MILTON KEYNES**	Stratford Road
40	**HATFIELD**	Town Centre

LONDON AND SOUTH EAST

41	**MILL HILL**	Inglis Barracks
42	**STANMORE**	RAF Bentley Priory
43	**UXBRIDGE**	RAF Uxbridge
44	**THURROCK**	South Ockendon
45	**LONDON**	Catford Edmonton Green Elephant & Castle Hounslow Leegate Centre Newham Wembley Central
46	**WOKING**	The Planets
47	**BASINGSTOKE**	The Malls
48	**FARNBOROUGH**	Town Centre
49	**SURREY**	Henley Industrial Estate
50	**YALDING**	Syngenta
51	**BOGNOR REGIS**	Town Centre
52	**EASTLEIGH**	Campbell Road
53	**POOLE**	Discovery Court
54	**WALTHAMSTOW**	

THE HOPPER STRATEGY

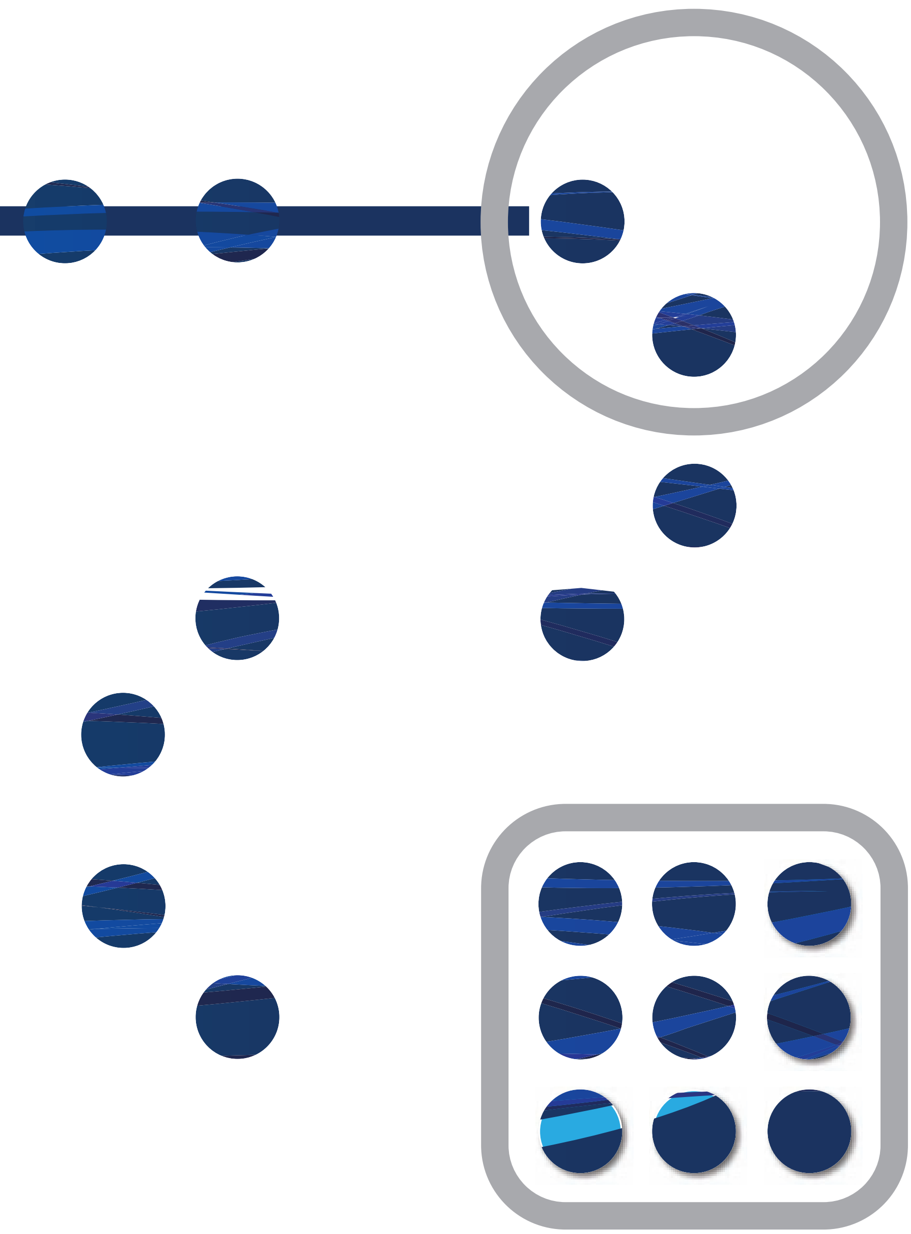


1

THE HOPPER

The company strategy is based on a hopper of future development opportunities, acquired in their raw state.
It currently comprises over 5,000 developable acres and 18 town centre schemes. One of our targets is to replace 120% of land used every year to ensure the long-term continuation of the company's growth strategy.

THE COMPANY'S AMBITION IS TO DOUBLE ITS NET ASSET VALUE PER SHARE EVERY FIVE YEARS, THROUGH A MIXTURE OF REALISED PROFITS AND REVALUATION SURPLUSES. BY MARSHALLING AN EXTENSIVE HOPPER OF DEVELOPMENT OPPORTUNITIES, BY DELIVERING BUILT-OUT SCHEMES ACROSS ALL SECTORS OF THE PROPERTY MARKET, AND BY REGULARLY RECYCLING CAPITAL INTO THE ACQUISITION OF NEW OPPORTUNITIES, THE COMPANY HAS CONSISTENTLY EXCEEDED THIS TARGET OVER THE LAST 15 YEARS.



2

MARSHALLING

The company's own team, supplemented with skilled external professionals, has a proven track record in marshalling a wide range of projects through the complex and lengthy planning and development processes. It has particular expertise in site assembly, assessing and managing remediation risks, masterplanning and undertaking public consultation.

3

DELIVERY

Schemes once marshalled are built-out in response to market conditions, with a mixture of pre-let and speculative buildings forming the company's substantial annual construction programme. Where the use requires a specialist developer such as a housebuilder, land may be sold under tight development control principles. Assets are disposed of once no further significant value can be added, and the capital is then recycled into new schemes, enabling the entire process to begin again.

WEMBLEY CENTRAL, WEMBLEY
THE FIRST PHASE OF THIS PROJECT PROVIDES 85 APARTMENTS FOR GENESIS HOUSING ASSOCIATION WITH A COMBINATION OF NEW BUILD AND REFURBISHED OFFICE SPACE. THE SECOND PHASE PROVIDING PRIVATE APARTMENTS AND RETAIL AND LEISURE SPACE WILL BE CONSTRUCTED IN 2008 (A PARTNERSHIP PROJECT WITH ROTCH)

OPERATIONAL REVIEW

OUR MARKET

We are the country's leading regeneration specialist, operating within all sectors of the UK property market.

The property investment market peaked in the first half of 2007, since when prices for investment properties have fallen. There is limited transactional evidence to support the various projections being discussed in the market. The consensus, if there is one, is that prices will fall during 2008 by 10–15%, caused by a yield shift of up to 1/2% on average. What is ignored is the base from which the fall is taking place. Prudent appraisals and valuations, which we believe have always been our hallmark, are obviously less vulnerable than aspirational ones.

The owner of a property without asset management or development opportunities appears to be at the mercy of the market. However, our portfolio was created on the principle that we should not hold any property to which we could not add significant value by our own efforts. That puts us in a significantly better position than many of our peers.

The occupational market remains variable, as it has been for a considerable time, but it still offers good opportunities for an active developer, particularly one who has exposure to a broad range of sectors and geographic areas. The retail market is undoubtedly tougher, but the level of interest in our major mixed use town centre schemes remains encouraging. The business park market has remained difficult, but we have continued to do well in the small office unit market. The industrial market remains solid, with a number of large bespoke requirements supplementing a steady stream of owner-occupier demand for smaller units.

Residential land is an important market for us. There is undoubtedly a more cautious approach to this market, but we continue to see good levels of interest for our product of remediated, fully serviced land with all necessary consents in place.

Our long-term strategy mitigates the effect of a difficult market on St. Modwen. Apart from the prudent approach to appraisals, the emphasis on adding value, and the diversity of our exposure to both different property sectors and geographic areas, we also benefit from:

- The size and diversity of the hopper, providing the range of opportunity to enable us to align our development activities to market needs and prevailing conditions
- A strong balance sheet with confirmed banking facilities for all our commitments with significant headroom for further activity
- A strong and experienced management, development and construction team

◀ **STEVE BURKE** –
CONSTRUCTION DIRECTOR

BILL OLIVER –
CHIEF EXECUTIVE

TIM HAYWOOD –
FINANCE DIRECTOR

COMPETITIVE AND REGULATORY ENVIRONMENT

The UK property market is normally extremely competitive. Natural barriers to entry are generally low. Finance is usually readily available (although the recent credit crunch is likely to see a flight to quality by lenders) 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. Numerous attempts to simplify and speed up the planning process have not worked and the cost and timescale involved in obtaining planning permission continue to escalate with every new initiative, guidance and regulation.

However, to a considerable extent, the above regulatory challenges create an environment in which a developer such as St. Modwen with appropriate skills and determination, a strong balance sheet and a willingness to take the long-term view, can continue to succeed.

BUSINESS MODEL AND STRATEGY

The underlying purpose of all St. Modwen's activity is to add value to the properties it controls. The aim is that no property 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 – over a five to fifteen year horizon.

In a declining market, such as the one we are currently facing, the challenge is even greater. We seek to meet this challenge by a strategy which emphasises value creation, cost control and local market knowledge. Through a network of regional offices, supported by a strong central construction management team, we create a broadly based programme of activity, pulling out of the hopper the projects for which there is a current market opportunity. In December 2007 we were pleased to announce the expansion of this network to seven offices by the creation of a Northern Home Counties region to service our existing schemes in the area such as at Bedford, Cranfield, Hatfield, and Thurleigh, and to seek out new opportunities.

The key to our strategy remains 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 short-term realisation. The normal development horizon is five years or more.
- Broadly based – St. Modwen is not a sectoral specialist. We can successfully deliver a wide range of outputs and, therefore, adjust the mix of our development programme to match market conditions.
- 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, undertaking town centre regeneration, partnering industry in its restructuring, brownfield land renewal, and heritage restoration.
- 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.

The hopper comprises more than 5,000 acres of developable land, excluding Coed Darcy, a 1,000 acre site for which we were selected as the preferred developer in 2007. The purchase of this site is forecast to complete in 2008.

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

VULCAN WORKS, NEWTON-LE-WILLOWS
ANOTHER MAJOR DEMOLITION PROJECT WITH 600,000 SQ FT DEMOLISHED TO DATE AND INITIAL INFRASTRUCTURE DUE TO COMMENCE TO OPEN UP 40 ACRES OF RESIDENTIAL LAND (A PARTNERSHIP PROJECT WITH KPI)

consistency of future performance depends on the successful interaction of these elements.

Another important aspect of our business model is long-term partnerships with the public sector and other major landowners, having more such arrangements than any other comparable company.

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.

EMPLOYEES

One of the major challenges for the company is to recruit and retain a team capable of handling the range and complexity of projects which we undertake. Many of our key staff have been with us for a number years, but that core needs regular replenishment with recruits of as good, if not better, quality.

One of the prerequisites of staff retention is the provision of career development opportunities. Our growing size now enables (and, indeed, requires) us to put in place more structured career paths than previously. This is evidenced by the promotions in the year to Regional Director of Rupert Joseland and Stephen Prosser, and of Rupert Wood to Regional Manager in our new Northern Home Counties office.

We now have sufficient critical mass to embark on a more structured people development programme, and have recruited a people development manager to initiate such a programme in early 2008. This will help us grow talented people who will be the drivers of the company's future expansion. We encourage employees to improve their skills by obtaining additional relevant qualifications, and support them by appropriate paid time-off for study and by payment for courses and course materials.

We have also strengthened the central services team to support the growth of the regional teams, with the recruitment in the year of a company secretary, financial controller, internal auditor, and a further regional financial controller. This has enabled the regions to expand their operational activities, whilst a strong central framework of procedures and control is maintained.

FINANCIAL OBJECTIVES AND KEY PERFORMANCE INDICATORS

The company has a financial model with an ambition to double net asset value per share every five years. This has been achieved for over a decade, and still remains the company's key long-term target. It should be emphasised that this is a five-year target and does not assume a straight-line progression of 15% per annum compound. In volatile periods, such as the present, annual progression will undershoot the average, but this will hopefully be balanced by outperformance in more favourable years.

Our key performance indicator for return on equity has been amended to incorporate the effect of tax, and as such a post-tax return of 17.5% (equivalent to the previous pre-tax target of 25%) is now targeted.

Year	Net assets per share Growth[1]		Return on Equity[2]
2007	20.0%		21.9%
2006	20.3%		21.3%
2005	22.0%		22.9%
2004	25.2%		21.3%
2003	15.4%		19.1%
Cumulative	154%	Average	21.3%
Target	100%		17.5%

1 Net asset figures prior to 30th November 2004 are restated on an IFRS basis, but do not reflect the reclassification of certain work in progress assets and their subsequent revaluation.
2 Return on equity = profit after tax as a percentage of average equity.

The company's other key performance indicator is to replace opportunities used in the year by new acquisitions at a rate of 120%. In the past year this KPI was not achieved; land used amounted to 224 acres and developable land acquired totalled 211 acres. However, siginificant progress was made on negotiations on the Coed Darcy opportunity which, on completion, would add a further 420 developable acres.

DEVELOPMENT AND PERFORMANCE OF THE BUSINESS

THE HOPPER – ASSEMBLY AND ACQUISITION

2007 was another active year with 28 acquisitions, including 12 new sites and 16 for land assembly exercises at our mixed use town centre projects.

Our total expenditure on acquisitions (including 100% of joint ventures) during the year was £56m. As a result, the hopper (including 100% of joint ventures) now stands at 7,621 acres, of which 5,045 is developable. 349 of these developable acres have an intended future retail/leisure use; 2,358 acres for employment; 1,165 acres for residential; and 1,173 acres for as yet unspecified uses.

Significant acquisitions during the period included:

- Whitley – The acquisition of 53 acres of surplus land near Coventry, from Jaguar and the City Council opens the way for the creation of a high-class business park, for which outline planning consent already exists.
- Eccles – A 36-acre chemical works in Salford, Manchester. The site was purchased from Akcros Chemicals Ltd which has taken two occupational leases of 30 years and 6 years. It adjoins Eccles town centre, and has

medium-term opportunities for mixed use development.

- Worcester – 20 acres, strategically located between M5 Junctions 6 and 7. The City of Worcester Local Plan identifies the land as being a potential relocation site for Worcester City Football Club, with whom a development agreement has been exchanged.
- Widnes – The acquisition of 14 acres from Croda and the adjoining 20 acre council site, has assembled a major employment site in Widnes Waterfront.

Many of the assets in our hopper are, not acquired outright, with control being obtained through development agreements. This trend continued during 2007 with our selection as preferred developer for a number of important projects, including:

- Medway – The company has been chosen as Medway Council's preferred 'investment partner' to deliver long-term investment to transform Medway into the new city of the Thames Gateway.
- Walthamstow – Selected by Waltham Forest Council for the Arcade site in respect of which a development agreement has now been exchanged.

MARSHALLING

We have continued to make good progress in marshalling projects for future delivery, as evidenced by the quantity and quality of planning permissions obtained in the year, as detailed in the table below.

PLANNING PERMISSIONS OBTAINED IN THE YEAR

	No.	Sq Ft	Units
Residential	18		7,806
Retail	14	1,087,000	
Commercial	29	5,587,000	
Office	10	933,000	

In particular, we obtained planning consent on the following major schemes:

- Llanwern – Outline planning consent was obtained for this major mixed use development which is described in greater detail in the case study section.
- Rugby – Planning consent has been obtained for the mixed use redevelopment by Key Property Investments ("KPI", our joint venture with Salhia Real Estate KSC) of 100 acres of the former GEC industrial estates in Rugby, including a new campus for Warwickshire College, 100,000 sq ft of employment accommodation and 770 dwellings.
- Great Homer Street, Liverpool – Outline planning consent was obtained for this major mixed use development which is described in greater detail in the case study section.
- Vulcan Works, Newton-le-Willows – Part of the KPI Alstom portfolio and also a joint venture with Ashtenne Ltd on our combined sites. The successful outcome of the calling in inquiry resulted in planning permission for 630 homes on the overall 64 acre site. Work on the initial infrastructure has begun.

LONGBRIDGE INNOVATION CENTRE
THE FIRST OUTPUT FROM LONGBRIDGE'S REGENERATION — A 45,000 SQ FT INNOVATION CENTRE NOW OVER 50% OCCUPIED (DEVELOPED IN CONJUNCTION WITH AWM)

Elsewhere we continue to move forward the planning position on major sites:

- Yalding – A planning application has been submitted for the mixed use redevelopment of this former Syngenta site, comprising 315,000 sq ft of employment space and 350 residential units.
- Longbridge – A preferred option has been identified from the consultation process on the Area Action Plan. This crystallises the shape of the site's future development for an employment-led mixed use scheme, and should be adopted by late 2008.

Significant achievements on our major town centre projects include:

- Wythenshawe – The latest phase of the £130m regeneration of the town centre has been launched with the opening of a new £20m Asda food store. Planning applications have been submitted for a further 55,000 sq ft of retail, leisure and office development.
- Hatfield – The £100m mixed use regeneration scheme was further advanced by the exchange of a key agreement with the Royal Mail, and the grant of the CPO.
- Basingstoke – An 87,000 sq ft anchor store has been sold on a long lease to Primark.
- Farnborough – The £80m redevelopment of the town centre, including a 50,000 sq ft foodstore pre-sold to Sainsbury's, began in May and the current phases should be completed in 2008/2009.

Our substantial construction programme continues to deliver new schemes for future years:

- Longbridge Technology Park – The 45,000 sq ft Innovation Centre has been completed and is being let to a range of technology-based businesses, with more than 50% now occupied.
- Edmonton Green – The leisure centre at the heart of this £100m mixed use scheme is now open. The residential units have been handed over to our Housing Association partners, four months ahead of programme. Work on the next phase, the construction of a 66,000 sq ft ASDA foodstore and additional retail units, is well underway.
- Quedgeley, Gloucestershire – 30,445 sq ft of the second phase of distribution/industrial units now under construction has been pre-let, while a further 91,000 sq ft will be available by the spring.

It is in the nature of our business that occasional setbacks are encountered, and not all of the progress in this period has therefore been positive. However, the diversity and range of the hopper is a key strength of the company, meaning that no individual project is critical to our overall success. Two such events that arose during this period were:

- St Matthew's Quarter, Walsall – We were saddened that the listed Shannon's Mill building, which was to form the centrepiece of our £40m retail and residential regeneration scheme, was lost to an arson attack in August. Although this event will delay and may alter the ultimate development, we were fully insured and expect to suffer no financial loss.

- Elephant & Castle – We were disappointed not to be selected by Southwark Borough Council for its proposed £2bn redevelopment. However, as we are the owners of a key part of the site, we will work with the selected developers and Southwark to maximise the value of our holdings. All bid costs had been written off as they were incurred.

DELIVERY

The year saw more than 100 transactions completed.

Residential land sales from our brownfield land renewal programme have again figured prominently in the year with disposals at:

- RAF Eastcote – The first disposal from the MoDEL portfolio, a 19 acre residential land sale to Taylor Wimpey for £60m.
- RAF West Ruislip – Also from the MoDEL portfolio, a 21 acre residential land sale to Cala Homes for £81m, after obtaining planning consent for 415 homes and an 80 unit retirement home.
- Guiseley – 7 acres of residential land, acquired as part of the Invensys portfolio in 2002, sold to Bellway for £12m after obtaining planning consent and site remediation.
- Boughton Road, Rugby – 10 acres of residential land, part of a former factory site acquired by KPI from Marconi in 2002. The site was sold to Taylor Wimpey for £15m, following the granting of outline planning consent for 270 homes.

Development and lettings in the industrial/distribution sector have also been significant. During the year we completed 1,100,000 sq ft of new buildings and 450,000 sq ft of refurbishments, including:

- Trafford Park, Manchester – A pre-let of a 430,000 sq ft distribution centre to adidas for its UK headquarters forward sold by KPI to NFU Mutual for £33m. The building was completed in November.
- Barton Business Park, Burton upon Trent – A 150,000 sq ft distribution unit sold by Barton Business Park Limited (a joint venture with Prologis) to Close Brothers for £9.5m.
- Trentham Lakes and Centre 500 – Construction and sale of a number of speculatively built employment buildings totalling 140,000 sq ft.
- Longbridge – Sale of a 21,000 sq ft existing unit at Cofton Centre, and commencement of construction of two speculative units totalling 75,000 sq ft, an early phase of the wider Longbridge regeneration programme.

In order to fund this construction and remediation programme, it has been a consistent policy of the company to recycle its capital resources by selling completed developments and any assets where it is no longer possible for us to add further significant value. To this end, we disposed of Junction 7 Business Park, Accrington to GE Capital for £25m. This 50 acre managed estate, acquired by KPI in 2001 as part of the Marconi portfolio, had been successfully asset managed and 4 acres have been retained for new speculative development.

CRANFIELD TECHNOLOGY PARK
A PARTNERSHIP WITH CRANFIELD UNIVERSITY. THE LATEST PHASE OF CONSTRUCTION PROVIDES THIS HIGH QUALITY 39,000 SQ FT MULTI OCCUPATION OFFICE FACILITY FOR FIRMS GROWING OUT OF THE INNOVATION CENTRE

We have also ended our 18-year association with horse racing with the sale of Northern Racing PLC. The amount realised for the group's 27.2% shareholding was £17.7m, an uplift of £6.7m on our carrying value – a very successful conclusion to the earliest of our property related operating activities.

Our construction team, at the end of the year, were on site with 50 schemes including 5 major town centre regeneration projects; ground remediation works at Llanwern, Longbridge, Goodyear, Etruria Valley and Goodyear; and the provision of 1,700,000 sq ft of employment space.

This extensive construction activity will form the backbone of our development programme for 2008 and will ensure that we have available product in all sectors and all regions. This will be initiated in stages depending on the success of previous phases, levels of interest, and market requirements.

We continue to devote considerable resources to improving both the value and income of the property we own through a variety of asset management activities. During the year ended 30th November 2007, our in-house team undertook:

- 86 lease renewals, securing rent roll of £1.5m;
- 144 rent reviews, achieving an uplift in rents of £0.7m (12%); and
- 310 new lettings, producing additional rent roll of £7.8m.

which more than offset the 305 vacations (rent roll £7.4m).

At Trentham, despite very poor summer weather, the gardens attracted 150,000 visitors (2006: 133,000) and, with a total of 2.2m visitors to the site (2006: 2.1m), and the completion of the second phase of the retail scheme, a trading profit before interest of £0.9m (2006: £0.3m) was achieved. Extensive works continued on this heritage restoration scheme, with the completion of the 120-bedroom hotel that has been pre-let to Golden Tulip (subsequently acquired by Whitbread).

[For further details of projects referred to in this business review, and other projects, see our website www.stmodwen.co.uk]

TULIP HOTEL, TRENTHAM GARDENS
A 120 BEDROOM HOTEL FOR WHITBREAD, RECENTLY COMPLETED AS PART OF THE COMPANY'S £100M TRENTHAM GARDENS PROJECT (IN PARTNERSHIP WITH MR WILLI REITZ)

FINANCIAL REVIEW

PROFIT BEFORE TAX

The principal factors behind the increase in profit before tax in the year are shown in the table below:

PROFIT BEFORE TAX	£m*	
Year ended 30th November 2006		**96.9**
Net rental income rose	1.7	
Property profits increased by	3.2	
We disposed of our interest in Northern Racing	6.7	
Valuation gains increased by	7.2	
Administrative expenses rose	(0.8)	
Finance charges† increased by	(8.1)	
Amortisation of deferred consideration increased by	(6.1)	
Other items	(0.6)	
Year ended 30th November 2007		**100.1**

* The variances identified above include the company's share of joint venture activities.

† Excluding amortisation of deferred consideration.

Throughout this financial review certain numbers are quoted which include the group's share of joint ventures as detailed in note 9.

NET RENTAL INCOME

Net rental income for the year, including our share of rent from joint ventures, increased by 5% to £34.9m (2006: £33.2m). The impact of disposals and acquisitions on net rental income in the year was an increase in net rent of £0.5m. Additionally, we have a number of longer-term multi-phase projects, where new lettable space is not sold on a piecemeal basis, but retained until the completion of the wider development (examples include Trentham Gardens, Edmonton Green and Longbridge Innovation Centre). The retention of these assets has resulted in an increase in net rental income of £0.5m.

At 30th November 2007, the gross rent roll, including our share of rent from joint ventures, had increased to £41.2m (2006: £35.3m). This increase reflects both the development of new space referred to previously, and also a number of notable successes from our asset management activities.

Consequently, during the year under review, our overall voids fell to 15.2% (2006: 18.5%), which is consistent with our development strategy for the portfolio. The recent Government announcement of the imposition of business rates on vacant properties represents an unnecessary additional financial burden to businesses like ours, and a potential annual cost in excess of £3m. We have a programme established to mitigate this cost, aimed at reducing our level of void properties.

PROPERTY PROFITS

Property profits, including our share of joint ventures, increased by 22% to £54.5m (2006: £44.6m). More than 100 individual property disposals were completed in the period, of which 11 contributed profits over £1m. Included in these numbers is a gain of £6.7m from the disposal in the year of our shareholding in Northern Racing PLC.

VALUATION GAINS

All of our investment properties (including land) are valued every six months by King Sturge and Co. at market value.

The valuation of our investment properties reflects both market movements and the value added by the company's activities. The latter includes the achievement of marshalling milestones in the planning process (including allocations in local plans, obtaining planning permissions, and resolution of Section 106 agreements). The calculation of this added value incorporates the present value of future cash flows, based on existing land prices and the current best estimate of costs (incorporating appropriate contingencies) to be incurred, but also deducting an allowance for a developer's profit to be realised at the point of development.

As has been widely documented, 2007 saw the end of a long period of yield compression for investment property. In the first half of the year, yields were flat and the second half saw the beginning of a reversal (yield expansion). The properties within our portfolio are not immune to such market movements, and the results for the year include a yield expansion on average (all in the second half) of 0.25%, resulting in valuation decreases of £24.1m. Additionally, the discount factor used to calculate future cash flows included in the year end valuations was increased from 6% to 7% to reflect the increased cost of borrowing: the impact of this change was a further reduction in the valuation of £8.1m.

Notwithstanding these significant adverse movements, we nevertheless achieved net valuation gains in the second half of £14.2m and in the full year of £62.8m (2006: £55.6m) (including our share of joint ventures). These were obtained through achieving marshalling milestones (such as those at Llanwern, Rugby, Goodyear, Stoke and Newton-le-Willows described previously), and the value added by our redevelopment and asset management activities (at Longbridge, Edmonton and Trentham Gardens amongst others).

VALUATION GAINS (£m)	Total	1st Half	2nd Half
Marshalling milestones	62.3	40.8	21.5
Asset management and development	32.7	7.8	24.9
Market yield movement	(24.1)	—	(24.1)
Discount rate movement	(8.1)	—	(8.1)
Total	**62.8**	**48.6**	**14.2**

ADMINISTRATIVE EXPENSES

Administrative expenses (including our share of joint ventures) have increased during the year by £0.8m to £16.5m, due to the continuing programme of recruitment and the regional expansion needed to match our increased activity. Offsetting these additional costs was a substantial (£3.1m) fall in the cost of employee share options following a period where the share price has fallen significantly (in line with the quoted real estate sector as a whole).

During the year we recruited extensively to strengthen our development, finance and construction teams. We now have 131 employees in our seven regional offices and head office, with a further 59 undertaking site management and 98 in our operating ventures.

JOINT VENTURES AND ASSOCIATES

Our share of the post-tax results of joint ventures and associates is shown on the income statement as one net figure. A full analysis of the underlying details is disclosed in note 9. The principal joint venture in which the group is involved is Key Property Investments Limited from which our post-tax return was £11.1m (2006: £9.3m). Our 27.2% interest in the post-tax results of our associate, Northern Racing PLC, is also included under this heading in the comparative figures for 2006.

ST MATTHEW'S QUARTER, WALSALL
WORK ON THE ROOF DECK OF THE 1,000 SPACE MULTI-STOREY CAR PARK. PART OF THE FIRST PHASE WHICH INCLUDED AN ASDA AND 41 APARTMENTS FOR A HOUSING ASSOCIATION (A PARTNERSHIP WITH GOOLD ESTATES)

FINANCE COSTS AND INCOME

Net finance charges (including our share of joint ventures) have increased to £35.3m (2006: £21.1m).

During the year average group borrowings increased by £113m to £348m, and average LIBOR (upon which our borrowing costs are based) increased by 114 basis points. The impact of these changes was in part offset by a combination of successful hedging and renegotiation of facilities. As a result, underlying group bank interest costs increased by £3.9m and the hedged average rate of interest payable as at 30th November 2007 increased to 6.5% (2006: 6.0%).

The revaluation of our interest rate swap contracts to market value at year end resulted in a charge to the Income Statement of £0.7m (2006: £2.0m credit), recognising the decreasing value of such contracts in the prevailing climate of falling interest rates.

Net finance charges also includes a full year's charge of £9.9m (2006: £3.8m for four months) for the amortisation of the discounted deferred consideration payable to the MOD in respect of Project MoDEL.

During 2007 the group has continued to expense all interest as it has arisen, and has not capitalised any interest on its developments or its investments.

TAXATION

The effective rate of tax for the year, including our share of joint ventures, and with full provision for deferred taxation, has fallen to 8.9% (2006: 23.8%). This rate is substantially lower than the 30% standard rate of UK Corporation Tax due primarily to the benefits of approved tax planning activities and the impact of Budget changes (mainly re-basing the deferred tax provision to 28%, and the release of previous provisions for the clawback of balancing allowances).

TAX RATE	%
Standard rate	30.0
Approved tax planning activities	(9.7)
Rebasing of deferred tax provisions	(6.0)
Release of clawback provisions	(4.2)
Other	(1.2)
Total	**8.9**

It is anticipated that, with the continued utilisation of indexation and land remediation allowances and the benefit in future years of approved tax planning activities, the effective rate of tax will revert to a higher level than 2007, but will still remain below the standard rate of UK Corporation Tax.

Benefit from tax planning activities is only recognised when the outcome is reasonably certain.

EDMONTON GREEN
THE COMPLETED APARTMENTS, CONSTRUCTED FOR A CONSORTIUM OF REGISTERED SOCIAL LANDLORDS, TOGETHER WITH THE NEW PRIMARY CARE TRUST FACILITY AND LEISURE CENTRE

CASH FLOW AND FINANCING

The company continues to produce a strong cash flow, based on recurring net rental income of £35m (including our share of joint ventures) and an ongoing programme of asset disposals, which generated £136m in the year. This, together with new bank facilities put in place during the year, enabled us to meet our administrative expenses, dividends and interest, and to invest in a £168m development programme and in property acquisitions and capital expenditure of £107m.

In the uncertain times following the recent credit crunch, it is clear that availability of finance will be a critical success factor for many property businesses. Our finance strategy has for many years been to maintain an appropriate gearing level to ensure that a good operational performance is converted into excellent shareholder returns. To this end, we target a preferred gearing range of 75% to 125%. Despite an extensive programme of investment during the year, our current gearing level of 86% remains well within the target range.

Interest cover has fallen from 7.9 times in 2006 to 6.6 times. Excluding revaluation gains (a more realistic measure of the company's ability to service its debt), adjusted interest cover is still 3.2 times (2006: 4.4 times). This underlines our ability to continue to invest in a development programme appropriate for market conditions.

We also have in place a financial structure that is both cost-effective and flexible. 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. The majority of the bank debt is provided through bilateral revolving credit facilities, providing us with the flexibility to draw and repay loans, and sell and acquire assets as opportunities arise.

During the year we undertook a substantial refinancing programme, including; the refinancing of our principal joint venture, Key Property Investments, via a five year £200m facility (with Bank of Scotland, HBOS and Bank of Ireland); a £45m extension to our existing HBOS facility; a new £50m facility with Lloyds TSB; and a £46m development facility with Fortis Bank for our Sowcrest joint venture's activities at Wembley.

As a result of this, the group's banking facilities have increased to £569m (30th November 2006: £458m), with a weighted average maturity of 5 years (2006: 5 years). Current net debt is £402m (2006: £253m), giving us a gearing of 86% (2006: 65%). Including joint ventures, total banking facilities are £815m (2006: £659m), net debt is £580m (2006: £439m) and gearing 105% (2006: 88%).

We now have undrawn, but committed, facilities of £167m (2006: £205m) available to finance future expansion (of which £40m is ring-fenced for Project MoDEL expenditure within VSM). Moreover, the terms of these facilities have also been improved, with a weighted average margin of 81 basis points (2006: 100 b.p.) over LIBOR. Terms have also been agreed for a further £135m of new facilities which will be put in place early in 2008 to enable the company to action its projected development programme and to capitalise on the expected buying opportunities presented by current market conditions.

It is reassuring in the current uncertain credit environment that all of our existing facilities are in place until 2011/12, and are with banks with whom we have long-standing relationships. The interest cost of 68% of our debt is fixed by hedging contracts (2006: 62%). The weighted average fixed interest payable under these hedges is 5.0%, which compared very favourably to three month LIBOR of 6.6% as at 30th November 2007.

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.

Financial Statistics	2007	2006
Net borrowings	£402m	£253m
Gearing	86%	65%
Gearing, including share of JV debt	105%	88%
Average debt maturity	5 years	5 years
% debt hedged	68%	62%
Interest cover, excluding valuation gains	3.2	4.4
Undrawn committed facilities	£167m	£205m
Return on equity	21.9%	21.3%

BALANCE SHEET

NET ASSETS

At the year end, net asset value per share was 387p, an increase of 64p (20%). In common with other property companies, we also use the diluted EPRA NAV measure of net assets which analysts also use in comparing the relative performance of such companies. The adjustments required to arrive at our adjusted net assets measure are shown in the table below.

Adjusted net assets per share were 430p at 30th November 2007, an increase of 70p (19%) in the year.

NET ASSETS	2007 £m	2006 £m
Net assets, beginning of year	389.8	324.0
Profit after tax	93.7	75.9
Dividends paid	(13.5)	(11.5)
Other	(2.3)	1.4
Net assets, end of year	467.7	389.8
Deferred tax on capital allowances	2.8	7.3
Deferred tax on revaluation surpluses	48.4	39.2
Mark to market of interest rate swaps	0.7	(2.0)
Diluted EPRA NAV		
– total	519.6	434.3
– per share	430p	360p

INVESTMENT PROPERTIES

The total value of investment properties under our control, including 100% of joint ventures, increased by £98m during the year to £1,134m.

The independent valuation at 30th November 2007 resulted in an uplift in the value of our portfolio including our share of joint ventures of 6.8% (£62.8m), compared with the previous year end. Our properties are currently valued at the following weighted average yields:

	Equivalent yield
Retail	6.7%
Industrial	8.0%
Office	7.6%

INVENTORIES

Inventories have increased in the year from £66m to £209m reflecting the extensive development programme (including £60m relating to Project MoDEL). Assets held in inventories principally comprise development projects that are on site and under construction and have not been pre-sold, and other assets that are held for resale at the period end.

Assets held in inventories are not included in the annual valuation.

QUINTON BUSINESS PARK, BIRMINGHAM
AN AERIAL VIEW SHOWING THE FIRST THREE PHASES OF THE DEVELOPMENT OF THE PARK, INCLUDING THE COMPANY'S HEAD OFFICE

INVESTMENTS IN ASSOCIATES

Our 27.2% stake in Northern Racing PLC, an AIM-listed company, was sold during the year, generating a profit of £6.7m.

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 and expand the hopper
- How we marshal projects through land assembly, planning and construction to create annual development programmes
- Whether the occupational market across the various sectors will be sufficiently strong to support those programmes
- Whether there is a reasonable investment/owner-occupier market to purchase the output from those programmes

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

- The experienced teams within our network of regional offices and the long-term relationships that they build give us a good prospect of identifying and securing the right opportunities
- Regular detailed reviews of all live projects mean that issues associated with marshalling schemes can be identified and addressed in a timely manner
- By operating across a wide range of property sectors, we spread the risk of an occupational downturn in any particular sector
- Our headroom in existing facilities gives us some scope, if necessary, to hold income-generating properties until the market conditions are right for sale

The future prospects for the company are good, and the net asset value should continue to improve, even in today's market conditions.

W.A. Oliver Chief Executive
T.P. Haywood Finance Director
8th February 2008

WHITLEY, COVENTRY
53 ACRES OF SURPLUS LAND ACQUIRED FROM JAGUAR AND COVENTRY CITY COUNCIL, WITH CONSENT FOR DEVELOPMENT AS A BUSINESS PARK

LLANWERN
A 600 ACRE MIXED USE DEVELOPMENT, FOR WHICH PLANNING PERMISSION HAS BEEN OBTAINED. INFRASTRUCTURE WORK TOGETHER WITH THE FIRST RESIDENTIAL PHASES WILL COMMENCE IN 2008

MARSHALLING THROUGH PLANNING
LLANWERN

BACKGROUND

We acquired the 600 acre site, formerly part of the Corus steelworks, in 2004 for £17.5m. It comprised the offices, coal and iron ore stockyards, blast furnace and steelmaking plant of the Llanwern works. Corus undertook to demolish the historic structures down to slab level. We assumed total responsibility for historic environmental liabilities.

This project exemplifies three of our core areas of expertise, namely the winning of appropriate planning consents, the remediation of contaminated brownfield land, and the masterplanning and delivery of major mixed use schemes. It is also illustrative of the long-term nature of much of our hopper, with redevelopment of the site from acquisition expected to take 20 years to complete.

MARSHALLING

During 2007, after an extensive programme of public consultation, we obtained outline planning consent for a £1bn sustainable, mixed use development, comprising a new urban village of 4,000 homes with full supporting community facilities and 1.5m sq ft of employment space.

LLANWERN
EARLY REMEDIATION WORKS TAKING PLACE ON THE SITE

BROWNFIELD REMEDIATION

We have assessed the areas requiring remediation against our masterplan, and have already started to excavate foundations, break up slabs and re-engineer the ground formations. In the process, we have reclaimed over 1,000 tonnes of scrap metal, and are reusing the crushed aggregates on site. We are also reusing green waste to generate soil on site, and are recycling slag, coke and other waste products for a variety of uses. Areas requiring more specialised remediation have been identified for future treatment.

DELIVERY

Further progress on ground remediation and remodelling and the initial phase of the infrastructure works is scheduled for 2008, which should also see the first dwellings and employment buildings being developed.

PROJECT PROGRESS

2004
Site acquired

2004-2007
Planning process

2006-2014
Ground remediation

2008-2020
Infrastructure

2008-2023
Residential land sales/
commercial development

2024
Project completion

GREAT HOMER STREET
ANOTHER MAJOR MIXED USE PROJECT FOR WHICH PLANNING CONSENT HAS BEEN OBTAINED (A PARTNERSHIP PROJECT WITH LIVERPOOL CITY COUNCIL)

LOCAL AUTHORITY PARTNERSHIP
GREAT HOMER STREET, LIVERPOOL

BACKGROUND

We were selected by Liverpool City Council in 2004 as the preferred developer for a £150m mixed use regeneration project on 45 acres in North Liverpool.

This flagship project is an important example of a large-scale complex mixed use regeneration scheme, redeveloping an area of significant deprivation. We are drawing on our considerable experience of partnerships with the public sector to work together with Liverpool City Council to deliver a scheme that meets its aspirations.

MARSHALLING

During 2007 we reached a significant milestone in a lengthy public consultation process when we obtained outline planning consent for a scheme comprising a 115,000 sq ft superstore, 80,000 sq ft of other retail accommodation, a new market and market hall, 480 homes, and facilities for a Primary Care Trust centre, new library, leisure facilities as well as 80,000 sq ft of employment space. There will also be new public realm leading from the scheme into Everton Park.

GREAT HOMER STREET
AN AREA OF SIGNIFICANT DEPRIVATION

Work is now under way on land acquisition and detailed planning of the scheme including preparation for a compulsory purchase and road closure procedure. Construction is expected to begin in 2009.

Four industrial sites in the surrounding area (Larch Lea, Gilmoss, Brasenose and Clegg Street) have been acquired to provide alternative locations for businesses being relocated as part of the redevelopment.

PROJECT PROGRESS

- **2004** Selected as preferred developer
- **2004-2007** Planning approval
- **2007-2009** Site assembly
- **2009-2012** Construction
- **2013** Project completion

PROJECT MoDEL
RAF NORTHOLT — WORK IN PROGRESS ON NEW FACILITIES FOR THE MINISTRY OF DEFENCE, WHICH CLEARS THE WAY FOR THE REDEVELOPMENT OF OTHER MOD BASES IN WEST LONDON

INNOVATIVE TRANSACTION & STRUCTURE
PROJECT MoDEL

BACKGROUND

Together with Vinci PLC we were selected by the UK Ministry of Defence (MOD) in 2006 for Project MoDEL, a complex and innovative public–private partnership which will enable the MOD to consolidate their real estate in north-west London onto a single site at RAF Northolt.

This project draws on our abilities to structure a transaction so as to meet the complex needs of our partner. In this case, these included: the relocation of a variety of activities into new accommodation; marshalling sites through the planning system; maximising value from an orchestrated disposal process; and the provision of finance for a complex multi-phase scheme.

DELIVERY

During 2007 we achieved substantial progress on many aspects of this project.

The primary focus of the project is the £150m redevelopment of RAF Northolt. This will create the MOD's first integrated core site in London providing service personnel with new living, working and messing accommodation plus sports, social, health and welfare facilities. During the year substantial progress was made on the initial phases of this construction programme, which is currently on schedule and on budget.

BENTLEY PRIORY
ANOTHER MoDEL PROJECT WHICH WILL PROVIDE: A MUSEUM LINKED TO THE SITE'S HERITAGE WITH THE BATTLE OF BRITAIN; THE RESTORATION OF THE LISTED BUILDING; AND NEW RESIDENTIAL ACCOMMODATION

In addition, we successfully completed the disposal of two of the six surplus sites under this project, namely: RAF Eastcote – a 19 acre residential land sale to Taylor Wimpey for £60m; and RAF West Ruislip – a 21 acre residential land sale to Cala Homes for £81m, after obtaining planning consent for 415 homes and an 80 unit retirement home. Marshalling of the remaining four disposal sites is proceeding according to plan.

PROJECT PROGRESS

2006
Sites acquired

2007
Sale of Eastcote/West Ruislip

2007-2009
Construction of RAF Northolt

2009
Sale of Bentley Priory

2009-2011
Sale of Mill Hill/ Uxbridge

2011
Project completion

COOMBS WOOD, HALESOWEN
AN AERIAL VIEW OF THE
COMPLETED DEVELOPMENT

LONG-TERM PROJECT
COOMBS WOOD, HALESOWEN

BACKGROUND

This 85 acre former steelworks was acquired from Corus in 1995 and has been gradually remediated and developed over the last twelve years.

This scheme illustrates our key skills of working in long-term partnership with industry and undertaking the remediation of a really challenging brownfield site to reclaim it for reuse.

Coombs Wood is one of the most successful commercial developments in the Black Country, attracting a range of occupiers including manufacturing, distribution and office users, many of them local companies. In addition to a number of bespoke buildings, we have rolled out a succession of speculative schemes covering small business units, distribution space, and offices, all of which have been well received.

DELIVERY

2007 saw substantial completion of this scheme with the sale of the last industrial unit and completion of the final phase 13,000 sq ft office scheme. A total of 485,000 sq ft of office and industrial accommodation has been developed on the site, creating over 1,000 jobs.

COOMBS WOOD, HALESOWEN
ONE OF THE BUILDINGS FROM THE LATEST PHASE OF THIS DEVELOPMENT

PROJECT PROGRESS

1995
Site acquired

1995-1998
Masterplanning

1998
Infrastructure

1998-2008
Development phases

2008
Project completion

CSR REVIEW

CORPORATE SOCIAL RESPONSIBILITY AT THE HEART OF OUR BUSINESS

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

INTRODUCTION

As the UK's leading regeneration specialist, we recognise the significant impact that our activities have on the environment and the communities in which we work. We recognise that managing these activities responsibly brings long-term benefits to our shareholders as well as our other stakeholders.

One of the company's key strengths is its ability and willingness to undertake difficult and long term projects, focusing on:

- Town centre regeneration – the refurbishment and revitalisation of tired town centres;
- Partnering industry – enabling the reuse of redundant former employment complexes;
- Brownfield land renewal – the remediation of contaminated brownfield land; and
- Heritage restoration – the restoration of heritage assets of both local and national importance.

At the very heart of all of our business is the principle of sustainability – the need to conserve scarce resources and avoid compromising the inheritance of future generations.

The other principle underlying our business is to conduct it to the highest ethical standards, treating others as we would wish to be treated ourselves.

Our business depends critically on the behaviour of our employees and the professionals and contractors who help deliver our projects. We seek to treat them with respect and to encourage them in the delivery of our projects to give equal respect to all our stakeholders.

The following pages set out our CSR principles and illustrate the progress we have made in the year.

PRINCIPLES & ETHICS

We strive to maintain the highest standards of ethical conduct and corporate responsibility, by acting with integrity in our dealings with our business partners, stakeholders and with each other.

Consequently, in all of our business we adhere to the following principles:

- We seek to make a positive contribution to society as a whole, and specifically the communities in which we operate.
- We treat all partners, suppliers and employees fairly, without regard to race, colour, creed, gender, age, sexual orientation or disability.
- We require our suppliers to operate to similar high standards as ourselves.
- Compliance with laws and regulations is required as an absolute minimum standard.
- Reputable business practices must be applied.
- Conflicts of interest must be declared and appropriate arrangements made to ensure that those with a material interest are not involved in the decision making process.
- Improper payments or inducements of any kind are prohibited.
- Reporting of business performance is undertaken in such a way that stakeholders are fully and properly informed concerning the business's true performance, risks and opportunities in a timely manner.

SUSTAINABILITY

We are committed to improving the built environment, whilst undertaking projects that seek to transform areas of dereliction and decay into sustainable communities.

Each one of our projects poses its own environmental challenges. In tackling these challenges, we seek to:

- Identify the potential impact of our developments on the environment;
- Design development solutions which meet the requirements of the planning and environmental regulators;
- Implement the development so it protects and where practicable enhances the environment, repairing the damage done by previous generations; and
- Particularly recycle materials, conserve energy, reduce consumption of raw materials and minimise waste production.

We apply our approach to sustainable development at all stages of our work: in the way we use land and buildings; in site and building design; and in our construction methods. The following section provides more detail about our approach, with case studies drawn from our regeneration projects over the last year.

▲ **STRETTON** A VIEW OF THE FINAL PHASE OF STRETTON BUSINESS PARK ACROSS THE COVENTRY CANAL

1. SUSTAINABLE LOCATION

- **Reusing land** – The recycling and returning of previously developed land to beneficial use safeguards the countryside and helps to preserve natural habitats. It helps tackle the blight of dereliction in communities by bringing poor quality sites back into use, and enables the reuse of existing infrastructure and utilities. Moreover, the decontamination and remediation of polluted land will improve the environment. As a specialist in regeneration, we already have extensive experience in the reuse of previously developed sites. In 2007 94% (2006: 91%) of our building activity was on brownfield land.

- **Reusing buildings** – The refurbishment and reuse of a building is generally a better option than its demolition and replacement with a new building from an environmental point of view, and we seek to apply this principle whenever it is practicable to do so. The reuse of buildings reduces the environmental costs involved in the demolition and construction processes, and enables reuse of existing utility infrastructure. However, this has to be set against the practicability of reusing an old building.

CASE STUDIES

Reusing land – Longbridge, Birmingham – We have demolished over 2 million sq ft of redundant buildings from the former MG Rover car plant, and are currently remediating 159 acres of contaminated brownfield land for a mixed use development that will provide 10,000 jobs, 1,500 homes and a new district centre.

Reusing buildings – Wembley Central – We are refurbishing a redundant 40,000 sq ft office building by converting two floors to residential and adding an additional residential floor, whilst converting the remaining space to a business centre. At the same time the derelict multi-storey car park is being remodelled to meet Parkmark standard so as to play an integral part in the £100m mixed use regeneration scheme.

2. SITE DESIGN

- **Providing transport choices** – Accessibility is a key consideration in all our new developments. For a variety of reasons, both social and planning, people tend not to live in close proximity to their place of work. This has led to a dramatic increase in travel demand, leading to increased CO_2 emissions, congestion, and long commuting times and it also creates accessibility problems for people without access to a car. We believe that sustainable communities must seek to reconnect housing, workplace, and amenities, via provision of public and sustainable transport linkages and integrated land-use planning.

- **Community engagement** – Sustainable communities are places where people want to live and work, now and for generations to come. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run and offer equality of opportunity and good service for all. In all our projects, we consider it essential to engage with local communities to establish what they want to see developed, and how it should be managed.
- **Enhancing the environment** – We ensure in our developments that protected species and habitats are safeguarded or new habitats provided, with site design allowing for the movement of protected wildlife (for example by the provision of bat corridors without bright lights, badger tunnels under roads). We also seek to enhance the wildlife value of sites by the retention or introduction of native species appropriate to the site and prevailing conditions, the creation of new wildlife habitats and corridors, and by limiting the area of hard surfaces.
- **Managing flood risk** – Sustainable communities are protected as far as possible from flooding, have safe access and escape should flooding nevertheless occur, and do not increase the flood risk of areas elsewhere. We seek to incorporate sustainable urban drainage systems (SUDS) in all of our developments, by the appropriate use of permeable surfaces, rainwater harvesting systems, ponds and seasonal wetlands, swales and soakaways, and by extensive tree planting.

CASE STUDIES

Providing transport choices – Edmonton Green, Enfield – A new 26 stand bus station, built in partnership with Transport for London, forms the centrepiece of our major mixed use regeneration scheme.

Community engagement – Dursley – We engaged in extensive consultation with the local community in the process of obtaining planning for this 92 acre mixed use development, and are establishing a community interest company to manage the community infrastructure, including a biomass heating system which lies at the heart of the scheme, and have recruited a full-time community liaison officer.

Enhancing the environment – The St. Modwen Environmental Trust – during 2006 we established the Trust with an annual budget of £300,000, to support projects that seek to improve the local environment in areas in which the company is active.

Managing flood risk – Quedgeley West Business Park – We have used four types of SUDS techniques at this former MOD depot site. These are: a dry pond with throttled outflow; porous paving; Wavin Aqua cellular storage; and swales. Together, these significantly reduce peak run-off rates, preventing flooding both on site and downstream.

TRENTHAM LAKES
THE PETS AT HOME EXTENSION SEEN ACROSS THE BALANCING POND, WHICH HAS BECOME A HAVEN OF WILDLIFE

3. BUILDING DESIGN

- **Energy efficiency** – Burning fossil fuels contributes to atmospheric pollution resulting in climate change, and damage to the environment and public health. We respect the three cardinal principles of reducing energy usage: be lean – use less energy; be clean – use energy efficiently; and be green – use renewables.

  Methods of reducing the energy demands of our buildings are considered at the outset of development. These include: building layout and orientation; window placement to avoid overheating; low U values to prevent unwanted heat loss/gain; high building mass to help keep buildings warm in winter and cool in summer; low air permeability to reduce draughts and hence limit uncontrolled heat losses in winter; the use of natural ventilation; and the introduction of smart controls on heating and lighting to avoid waste.

- **Conserving water** – Water resources are becoming increasingly scarce as demand continues to increase rapidly due to growing population and changing lifestyles and the predicted effects of climate change. The key to water conservation is water efficiency rather than restriction of use. Conservation of water can be achieved in buildings through the installation of features such as dual flush toilets, water efficient taps and rainwater harvesting systems.

CASE STUDIES

Energy efficiency: Reducing energy demand – Edmonton Green – A low energy strategy has been adopted throughout the development. The residential units were designed with high levels of insulation to minimise energy use. Average U values were 27% above those required by Building Regulations. Additionally, low energy lighting was specified throughout, reducing CO_2 emissions to less than 45kg/m^2/year, and enabling the development to achieve an Eco-Homes rating of Good.

Energy efficiency: Integrating renewable energy – Trentham Lakes – Mine gas from this former colliery site is being extracted and used to generate up to 4 megawatts of electricity, as well as preventing some 240 million cubic metres of methane from the mines being vented to the atmosphere.

Conserving water – Trafford Park – We have installed a rainwater harvesting system for the new adidas warehouse, which has the capacity to store 75 cubic metres of collected rainwater. This will dramatically cut mains water usage, as well as attenuating run-off from the development, hence reducing the risk of flooding.

EDMONTON GREEN
A BUS STATION NEEDN'T BE DULL – THE NEW 16 STAND FACILITY IN LONDON'S FIFTH BUSIEST BUS TERMINAL

4. CONSTRUCTION

- **Sustainable materials** – Our resources are not limitless. 'Non-renewable' resources have built up over millions of years and are being rapidly consumed by the construction industry. However, sustainable materials are becoming more readily available at reasonable costs and can be sourced locally. To ensure that the most sustainable material is chosen for our developments the following factors are considered: the mass of materials, the 'embodied energy' of the materials (the energy used in their production), their recycled content and the potential to recycle materials at the end of their life.
- **Minimising waste** – Land filling is currently the principal mode of waste disposal in the UK. Landfill sites are a finite resource that may pollute water, soil and air in surrounding areas. Reliance on land filling is an unsustainable activity and a potential source of carbon dioxide and methane, both greenhouse gases contributing to climate change. In all of our developments we seek to reduce waste generation at all stages of our construction works and ensure that waste generated is disposed of in a sustainable way. For many years we have sought to avoid the use of landfill. On major sites our target is to eliminate landfill entirely from ground remediation schemes and to seek to recycle the maximum amount possible from demolition activity and in 2007 94% of all our waste materials were dealt with on site.
- **Preventing pollution** – The construction industry is a major source of pollution, responsible for 4% of particulate emissions, more water pollution incidents than any other industry and thousands of noise complaints every year. Construction activities can also disrupt ecological communities. We monitor contractors on all of our sites to ensure that best practice measures to prevent pollution and ensure environmental protection are implemented.

CASE STUDIES

Sustainable materials – Etruria Valley – In 1998 we built the temporary steel stock yard using recyclable clay blocks. In 2007 1.8 million of these have been lifted for reuse following the closure of the yard.

Minimising waste – Longbridge – Approximately 95% of all demolition materials are being reclaimed and reused. To date, this includes 22,000 tonnes of steel sent for recycling, and over 200,000 tonnes of brickwork and concrete which is being crushed and reused on site. 365,000 litres of fuel which leaked into the ground during the operation of the former MG Rover car plant have been recovered and sold back to refiners

Preventing pollution – Ludgershall – We are working with the contractor to champion industry-leading pollution-prevention measures on this site: energy and water usage on site will be monitored and reduction targets set; air pollution will be measured and minimised; Environment Agency procedures will be followed to safeguard against water pollution; and special measures have been taken to protect the site's ecology during construction, including reptile-proof fencing and the programming of site clearance works to minimise disruption to nesting birds.

LLANWERN
THE SORT OF CHALLENGE WE FACE REGULARLY: THE CONCRETE WILL BE PROCESSED INTO RE-USABLE AGGREGATE, AND THE STEEL REINFORCEMENT SENT FOR RECYCLING

5. SUSTAINABILITY TARGETS

We are in the process of establishing firm, deliverable targets across a range of our activities to ensure that our commitment to sustainability is both real and evidenced. This process is well advanced in our traditional areas of brownfield land, contract management and commercial development, where we now have established targets. In emerging areas, such as apartment building, we are evaluating the balance between environmental aspiration and commercial reality and expect to establish targets over the coming year.

All our new schemes now benefit from:

- The use of our Sustainability Guide developed during 2007. This embodies a Sustainability Assessment System. Using this assessment tool we will identify, with greater accuracy, all of the environmental impacts of our projects and so achieve continual improvement in our sustainability performance.
- Site waste management plans. Through these, we will manage the waste generated by both our and our land purchasers' construction activities, limiting waste and maximising recycling.

The targets we have established and our actual performance levels in 2007 are:

	2007 %	2008 %	2009 %
Brownfield land remediation On all of our brownfield sites where we need to remediate soils, we employ a variety of technologies to seek to eliminate off-site disposal. In addition, we maximise the recycling of metals or other recyclable materials from this process.			
Target: Percentage of remediated materials reused or recycled	94	95	96
Demolition On all our demolition projects we aspire to retain or recycle all demolition products on-site, with the exception of asbestos. This is achieved by a combination of crushing and screening aggregates and mulching green waste for future use on-site, and segregating other materials such as metals, glass and wood for recycling.			
Target: Percentage of demolition products reclaimed for retention on-site or recycling	88	89	90
Construction waste Construction waste generated from our projects will be reused or recycled through the application of our Site Waste Management Plans. Adopting sustainable principles we will implement the following hierarchy – avoid, reduce, reuse and recycle.			
Target: Percentage of construction project waste reused or recycled	20	40	50
Commercial Buildings On our new commercial speculative building projects, we intend to increase progressively the proportion of our buildings achieving at least a very good BREEAM rating.			
Target: Percentage of speculative industrial units in excess of 25,000 sq ft achieving at least a very good BREEAM rating	22	60	75
Target: Percentage of speculative offices in excess of 5,000 sq ft achieving at least a very good BREEAM rating	52	70	75

	2007 %	2008 %	2009 %
Reduced energy use On all our building projects we intend to reduce progressively their energy consumption in use.			
Target: Energy consumption reduction above that involved in achieving Building Regulations on speculative projects in excess of 50,000 sq ft for industrial buildings and 25,000 sq ft for offices	5	20	25
Water Our buildings will be designed to reduce water consumption through design efficiencies and/or water recycling technologies.			
Target: Percentage of schemes with water usage reduction technologies	65	100	100
Target: Percentage of schemes with water recycling technologies	20	25	30

HEALTH & SAFETY

The company gives high priority to safeguarding 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 wherever appropriate;
- Co-operation of staff in promoting safe and healthy conditions and systems of work is required;
- An adequate advisory service in matters of health & 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 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.

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

We ourselves undertake no construction work on site directly, therefore our assessment of a subcontractor's or main contractor's health and safety procedures forms a key part of our supplier selection process, and is a vital element in our health and safety controls. We ensure that health and safety audits are performed on all of our projects.

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 & safety consultant.

The company's health and safety performance continues to be very good, with no prosecutions for breaches of health and safety, and no fatalities.

HEALTH & SAFETY TARGETS	2007 %	2008 %	2009 %
The HSE's construction industry average is an Accident Incident Frequency Rate with respect to the number of hours worked on site of 10 .			
Target: Accident Incident Frequency Rate in relation to number of hours on site	‹10	‹9	‹8

COMMUNITIES AND SOCIAL INCLUSION

Many of the projects undertaken by the company – often in partnership with local authorities and other public sector bodies – are in areas of significant deprivation. We are therefore often at the forefront of attempts to address issues of social exclusion, by providing local jobs and improving local amenities, infrastructure and affordable housing stocks. Outstanding examples in the last year included: the completion of a £27m state-of-the-art new leisure centre at Edmonton Green (in partnership with Enfield Borough Council); and the launch of a major speculative programme for small and medium enterprises in the city of Stoke-on-Trent involving 83 units totalling 287,000 sq ft.

Once a project is under way, active participation in local community activities is a key feature of the company's approach. We deploy a combination of initiatives 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, local radio stations and community wardens.
- Encouraging community participation in our developments. At Trentham Gardens we have a team of 46 volunteers, 6 from special needs groups, and 7 from groups supporting the rehabilitation of the long-term unemployed (including the Prince's Trust).
- Incorporating non-intrusive, but high levels of security facilities in our schemes to reassure and protect the vulnerable.
- Sponsoring local sport, leisure and charitable activities, including the Trentham Water Sports Association that provides access to water sports for universities, schools, disabled groups and local community initiatives, and the Dursley Bowls Club for whom we provided new changing rooms, kitchen and other clubhouse facilities.

At a number of our sites, we provide free, or heavily subsidised, space and facilities for the use of local charities. These include: free use of our Trentham Gardens site for a number of charities including the Race for Life, the Donna Louise Trust, and the Douglas MacMIllan Hospice, which together raised £750,000 from Trentham events; and the provision in our Edmonton Green Shopping Centre of 10,000 sq ft of heavily subsidised accommodation for an integrated network of training and employment charities and not for profit organisations, together with 15,000 sq ft of community theatre and arts-related facilities.

CASE STUDIES

Worcestershire Resource Exchange (WRE) was opened by the Duckworth Worcestershire Trust in 2004 in some underutilised first floor space on our Gregory's Bank Industrial Estate in Worcester. WRE is a 'scrap-store' which collects clean and safe waste from a range of industries and businesses and sells it as inexpensive resources. Customers of the Exchange include teachers and other educators, community play workers, arts groups, Guide and Scout groups, as well as members of the public. WRE also operates a Community Re-paint scheme: collecting unwanted paint from retailers, businesses and households, and redistributing them for reuse. In 2007, the Trust approached us to see if we could help them find some larger premises to meet the growing needs of the community. We identified a unit of nearly 8,000 sq ft at Shrub Hill Industrial Estate, close to the city centre, which we refurbished in conjunction with WRE and the new centre opened in May 2007.

Our VSM Estates subsidiary supported **Ruislip High School** in Hillingdon in its successful bid for Specialist Status in Maths and by providing funds for a new Maths and Computing Suite for the school. The donation reflects our ongoing commitment to making a positive contribution to local communities across the London Borough of Hillingdon in which we are very active though our projects in Northolt, West Ruislip and Uxbridge.

EMPLOYEES

We encourage our employees to play an active role in fulfilling the company's corporate social responsibility. Schemes adopted by the St. Modwen Environmental Trust require a project champion from amongst the employees and we support employees taking an active role in local community bodies.

▲ **LONGBRIDGE**
AN AERIAL VIEW OF LONGBRIDGE, SHOWING THE DEMOLITION PROGRESSING FROM THE WEST WORKS THROUGH THE NORTH AND SOUTH WORKS TO THE EAST WORKS AND POWERTRAIN. NANJING'S OPERATION IS LOCATED IN THE CENTRE, AND THE FUTURE IS REPRESENTED BY THE INNOVATION CENTRE, AND NEW OFFICE BUILDING IN THE LEFT FOREGROUND

BOARD MEMBERS

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* Member of audit and remuneration committees

† Members of nominations committee

01 ANTHONY GLOSSOP MA† NON-EXECUTIVE CHAIRMAN

Aged 66. A director since 1976 and Chief Executive from 1982 to 2004. Previously Chief Executive of Redman Heenan International plc. He is also a non-executive director of Robinson PLC.

02 BILL OLIVER BSc, FCA CHIEF EXECUTIVE

Aged 51. Joined the company as Finance Director in 2000. Appointed Managing Director in 2003 and Chief Executive in 2004. Previously Finance Director of Dwyer Estates plc after a career in the housing industry.

03 TIM HAYWOOD MA, FCA, FINANCE DIRECTOR

Aged 44. Joined the company in 2003. Previously Chief Financial Officer of Hagemeyer (UK) Limited, after a career with Williams Holdings PLC.

04 STEVE BURKE CONSTRUCTION DIRECTOR

Aged 48. Joined the company as Construction Director in 1995 and appointed to the main board as a director in November 2006. Previously contracts director and construction manager with a number of national contracting companies (including Balfour Beatty and Clarke Construction).

05 CHRISTOPHER ROSHIER MA, FCA

Aged 61. A non-executive director appointed in 1987. Senior Independent Director. He is a Chartered Accountant with over 20 years' experience in Corporate Finance. Currently chairman of Gibbs & Dandy PLC and Deutsche Land Management LLP and a director of two overseas investment companies.

06 JOHN SALMON FCA*†

Aged 63. A non-executive director appointed in 2005. Chairman of the Audit Committee. Formerly a partner of PricewaterhouseCoopers LLP, and a member and former Deputy Chairman of their Supervisory Board. Currently a senior adviser to IDDAS and a trustee and member of Council of the British Heart Foundation.

07 MARY FRANCIS MA, CBE*†

Aged 59. A non-executive director appointed in 2005. Chairman of the Remuneration Committee. 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 Centrica plc, Aviva plc and Alliance & Leicester plc.

08 SIMON CLARKE*

Aged 42. A non-executive director appointed in 2004. Previously Deputy Chairman of Northern Racing PLC and Director and the Vice-Chairman of the Racecourse Association.

09 IAN MENZIES-GOW MA*†

Aged 65. A non-executive director appointed in 2002. Formerly Chairman of Geest PLC and Derbyshire Building Society, and prior to that held senior executive positions within the Hanson Group.

10 PAUL RIGG DL, CPFA*†

Aged 61. A non-executive director appointed in 2004. Formerly Chief Executive of West Sussex County Council. He is a director of the Chichester Festival Theatre Ltd, and a non-executive director and trustee of the Weald and Downland Open Air Museum Ltd.

SENIOR MANAGEMENT

01 JOHN DODDS BSc, FRICS
REGIONAL DIRECTOR – MIDLANDS

Aged 51. 6 years' service.

02 MIKE HERBERT
REGIONAL DIRECTOR – NORTH STAFFORDSHIRE

Aged 52. 17 years' service.

03 RUPERT JOSELAND BSc, MRICS
REGIONAL DIRECTOR – SOUTH WEST

Aged 38. 6 years' service.

04 STEPHEN PROSSER BSc, MRICS
REGIONAL DIRECTOR – YORKSHIRE

Aged 44. 10 years' service.

05 TIM SEDDON BSc, MRICS
REGIONAL DIRECTOR – LONDON AND SOUTH EAST

Aged 43. 2 years' service.

06 MICHELLE TAYLOR BSc, MRICS
REGIONAL DIRECTOR – NORTH WEST

Aged 45. 16 years' service.

07 RUPERT WOOD BSc, MRICS
REGIONAL MANAGER – NORTHERN HOME COUNTIES

Aged 34. 18 months' service.

08 JON MESSENT LLB, Solicitor
COMPANY SECRETARY

Aged 43. 1 year's service

CORPORATE GOVERNANCE REPORT

St. Modwen is committed to the highest standards of corporate governance. The board of directors, through the executive directors and management, exercises effective control over the group and its activities, recognising its responsibility 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 55 to 61.

Throughout the year ended 30th November 2007 the company has complied with the principles set out in Section 1 of the Combined Code on Corporate Governance 2006 ("The Code") except for the following matters:

- 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 2007, 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 twenty years, but the board is satisfied that he maintains an independent and rigorous approach to all of its business and accordingly considers him to be independent. 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-executive directors 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 all members of the Audit and Remuneration Committees are independent non-executive directors. Each of these Committees comprises all of the non-executive members of the board except for Christopher Roshier. As explained above, Simon Clarke is not a fully independent director under the Code, but the board considers that its discussions benefit from his involvement 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 the chairman of the same company. As explained in previous years' annual reports, the board recommended the appointment of former Chief Executive Anthony Glossop as Chairman of the board. This was endorsed by shareholders at the Annual General Meeting in April 2004. As of 11th February 2008 Anthony Glossop became non-executive Chairman. The roles of the Chairman and Chief Executive are carefully differentiated.

PRINCIPAL ACTIVITIES

The company acts as the holding company of a group of property investment and development companies. A list of the subsidiary and associated undertakings affecting the profit or net assets of the group is included at page 103.

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's decisions are implemented by the executive directors. 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 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.

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.

The terms and conditions of appointment of all directors are available for inspection at the company's registered office during normal business hours, and at the AGM.

The board is supplied with timely and relevant information regarding the business, through regular monthly and ad hoc reports, 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 and all board members have access via the Company Secretary to independent advice if required

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. 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 page 55.

b) Audit Committee
The Audit Committee, which currently comprises all of the non-executive directors except for Christopher Roshier, is chaired by John Salmon.

The company's Finance Director, Financial Controller and Internal Auditor attend Audit Committee meetings but the Committee also meets without management being present and has private sessions with the auditors. The Committee has direct access to the internal and external 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 internal and external auditors.
- Reviewing the interim and annual results and reports to shareholders, and considering any matters raised by the internal and external auditors.
- Considering the appropriateness of the accounting policies of the company used in preparing its financial statements.
- Monitoring the integrity of the financial statements of the group and formal announcements relating to the group's financial performance, and reviewing significant financial reporting judgements contained therein.
- Reviewing the effectiveness of the group's internal audit function.
- Reviewing and monitoring the independence and objectivity of the company's external auditors.
- 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.
- Reviewing "whistle-blowing"arrangements within the company.
- Reviewing its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommending any changes it considers necessary to the board for approval.

Given the increasing size, complexity and geographical scope of the company's operations, the company has proceeded with the appointment of an internal auditor tasked with formalising and documenting internal control procedures and ensuring compliance. The newly appointed internal auditor took up her role on 2nd January 2007.

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.

As part of the regular review of its providers of professional services, the board put the audit out to a tender process involving a number of firms, including Ernst & Young, the incumbent auditors. This process was completed in 2007 and Deloitte & Touche LLP were selected as the company's auditors.

c) Nominations Committee

The Nominations Committee was reconstituted in 2006 and now comprises Anthony Glossop (as chairman of the Committee), Mary Francis, Ian Menzies-Gow, Paul Rigg and John Salmon.

For the appointment of the Company Secretary 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 candidates should be drawn. Since a suitable candidate was not already known to the company it was necessary to instruct a search agency. A recommendation was made by the Nominations Committee to the board for the appointment of Jon Messent as Company Secretary.

BOARD AND COMMITTEE ATTENDANCE

The board met eleven times during the year. The Audit Committee met three times, the Nominations Committee once, and the Remuneration Committee four times. All members attended all meetings except that Simon Clarke and Paul Rigg were unable to attend two board meetings. Ian Menzies-Gow and Christopher Roshier were each unable to attend one board meeting. Paul Rigg was unable to attend two Remuneration Committee meetings, and Simon Clarke and Ian Menzies-Gow one.

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 2005 and 2006. 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 improvement were identified: maximising board contribution; succession planning; and risk analysis. Actions taken to address these areas were:

- Sharpened focus of board agendas and papers.
- Reviewed levels of authority and board involvement in major project acquisitions.
- Increased time given to strategy and risk analysis.
- Identified structure for succession planning.

For 2007 the next formal evaluation has been commenced with Boardroom Review to review the board's progress against previous action items, and to establish whether there are further improvements required.

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.

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 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 is currently working in conjuction with FAST (Federation Against Software Theft) to achieve their Gold Accreditation for software licensing compliance. The company already holds Bronze and Silver awards. All necessary steps to achieve the Gold award were undertaken in 2007 and an application will be made in 2008.

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. In the year under review, no material loss was suffered by a failure of internal control.

The analysis of the business's key risks was also reviewed and redefined in the light of current experience.

The company's policies with respect to its:

a) financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and

b) exposure to price risk, credit risk, liquidity risk and cash flow risk

are contained in the notes to the accounts at pages 86 and 89.

RISKS AND UNCERTAINTIES

The key business risks facing the company, their potential impact and mitigation, are reviewed regularly. This year the risks were assessed against a set of scenarios, and were found to be still appropriate.

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. ORGANISATIONAL/PEOPLE FACTORS

The risks identified included:

- Succession planning and talent management;
- IT;
- Disaster planning;
- Failure to recruit.

The principal mitigating actions are:

- Targeted recruitment procedures;
- Competitive remuneration packages;
- Strong performance-related link to remuneration;
- Regular assessment of performance and identification of training needs;
- Tailored training programme;
- Regular communication of strategic and tactical objectives;
- Properly resourced and structured IT solutions;
- Appropriate disaster recovery procedures.

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 its remuneration packages. To support the financial objectives, we will need to continue to improve the employee base.

2. ECONOMIC/PROPERTY RISKS

The risks identified included:

- Demand for space from occupiers;
- Rental levels;
- Investment yield;
- Relative sector performance;
- Overexposure to single tenant/scheme;
- Site assembly risk;
- Occupational risks;
- Investment value risk;
- Changing public sector requirements.

The principal mitigating actions are:

- Regular dialogue with industry experts and commentators;
- Use of high quality professional advisers;
- The hopper and geographical spread gives flexibility and facilitates diversification;
- Emphasis on value creation through active property management and development.

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. REGULATORY FACTORS

The risks identified included:

- Planning;
- Tax;
- Technology;
- Lease structures.

The principal mitigating actions are:

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

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.

4. FINANCIAL RISKS

The risks identified included:

- Lack of available funds;
- Interest rates;
- Taxation.

The principal mitigating actions are:

- Small number of high-quality banking relationships;
- Hedging policy to contain interest rate risk;
- Benchmarking of costs of finance;
- 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 SCHEMES

The risks identified included:

- Competition;
- Overheated market;
- People;
- Reputation.

The principal mitigating actions are:

- 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;
- Availability of adequate finance;
- Flexible and innovative approach to acquisitions in response to changing market conditions;
- Raising the profile of the company as the country's leading regeneration specialist.

Assessment – The increasing focus on the regions to deliver acquisitions, and the growing reputation and financial capacity of the company, have enabled us to deliver more than the target of replacing 120% of land used over the past five years.

6. SOCIAL, ETHICAL AND ENVIRONMENTAL RISKS

The risks identified included:

- Health, safety & environment risk;
- Climate change;
- Business ethics;
- Internal controls;
- Customer satisfaction.

The principal mitigating actions are:

- 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;
- 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. REPUTATIONAL RISKS

The risks identified included:

- Failure to deliver on promises;
- Involvement with controversial schemes/partners;
- Failure to live up to expectations.

The principal mitigating actions are:

- Adherence to system of principles and ethics;
- Thorough and proactive PR to get messages across clearly;
- Inclusion of reputational issues as an item in scheme selection process;
- A strong culture of propriety led from the board.

Assessment – The company enjoys an excellent reputation with its stakeholders (including investors, business partners and employees). This is based on, and reinforced by, a strong set of principles and consistent delivery of promises.

8. CONSTRUCTION RISK

The risks identified included:

- Build quality;
- Remediation/contamination;
- Liability issues.

The principal mitigating actions are:

- 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;
- 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 passed on or minimised where possible, but cannot be eliminated. In our recent experience, the residual risks have been acceptably low.

DIRECTORS AND THEIR INTERESTS

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 2006 Christopher Roshier offers himself for re-election to the board. The reasons for this are set out on page 48.

Bill Oliver, John Salmon, Mary Francis and Christopher Roshier 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 in the issued share capital of the company are shown below:

	30th November 2007	30th November 2006
Beneficial		
S.J. Burke	**13,240**	–
S.W. Clarke	**3,859,332**	3,859,332
M.E. Francis	**1,000**	1,000
C.C.A. Glossop	**1,707,933**	1,707,933
T.P. Haywood	**87,823**	66,823
W.A. Oliver	**188,304**	188,304
P. Rigg	**1,875**	–
C.E. Roshier	**10,417**	10,417
J. Salmon	**2,000**	–
Non-beneficial		
C.C.A. Glossop	**100,000**	100,000

The above interests do not include shares held under the share option schemes detailed in the directors' remuneration report on page 59.

There has been no change in these interests between 30th November 2007 and 8th February 2008.

SUBSTANTIAL INTERESTS

As at 14th January 2008 in addition to those noted above, the company had been notified, in accordance with the Financial Services and Markets Act 2000, of the following interests in more than 3% of its issued share capital:

Shareholder	Number of Ordinary Shares Held	Percentage of Ordinary Share Capital
Lady Clarke and family holdings (excluding S.W. Clarke)	30,271,420	25.1%
J.D. Leavesley and connected parties	17,307,477	14.3%
ING Investment Management	10,038,746	8.3%
Scottish Widows Investment Partnership	5,264,049	4.4%
Thames River Capital	4,430,000	3.7%
Legal and General Investment Management	4,041,039	3.4%

ACQUISITION OF THE COMPANY'S OWN SHARES

During the year ended 30th November 2007 the company purchased 150,000 ordinary shares of 10p each in the company and transferred them into the company's employee benefit trust. The aggregate consideration paid for these shares amounted to £813,783. The total of ordinary shares purchased in the year constitutes 0.12% of the company's authorised and issued share capital.

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 2007 trade creditors represented an average of 26 days' purchases (2006: 25 days). This has been calculated by expressing year end creditors as a fraction of purchases made in the year, and multiplying the resulting fraction by 365 days.

EMPLOYEES

The group encourages employee involvement and places emphasis on keeping its employees informed of the group's activities and performance. The company's executive runs quarterly management meetings at which senior employees are informed about information affecting them as employees, where their feedback is sought on decisions likely to affect their interests, and where a common awareness is achieved of the financial and economic factors affecting the company's performance. This information is then cascaded to staff at the company's head office and regional offices. 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, to the continued employment of staff who become disabled, and to their continued career development and promotion.

The group operates a pension scheme which is open to all employees – see pages 91 to 94.

POLITICAL AND CHARITABLE DONATIONS

The company did not make any political donations in the year. Details of the company's charitable activities are included in the CSR review. Direct charitable donations during the year totalled £8,000 (2006: £7,000).

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. 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, John Salmon, the chairman of the Audit Committee, and Mary Francis, the chairman of the Remuneration Committee, 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 pages 112 and 113).

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 Combined Code 2006 and the Companies Act, complies with the FSA's Listing Rules, and has been approved by both the Remuneration Committee and the board. Shareholders will be invited to approve this report at the Annual General Meeting. 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 was reconstituted in April 2007 and now comprises Mary Francis (Chairman), Simon Clarke, Ian Menzies-Gow, Paul Rigg and John Salmon.

The Committee considers all aspects of the executive directors' remuneration and administers the company's share schemes. The remuneration of the non-executive directors is considered by the board following recommendations by the executive directors. No director participates in setting their own remuneration. The Committee also reviews and notes annually the remuneration trends across the company and any major changes in employee benefits structures.

The company has complied throughout the period with the Directors' Remuneration Report Regulations 2002.

REMUNERATION POLICY AND MAIN ELEMENTS OF REMUNERATION

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 with demanding targets, in order to align the interests of directors and shareholders and to reward success.

The overall aim is that the fixed elements of executive directors' remuneration (base salaries and pension benefits) should be set at around the median of the range paid by comparable companies, and that superior performance should be rewarded through total remuneration in the upper quartile of the range. These benchmarks gear rewards to high performance, and seek to ensure that the company can attract and retain executives of suitable calibre in the sector's very competitive labour market.

The Committee undertook a full review of the remuneration arrangements for executive directors in 2005–06 and the resultant recommendations were approved by shareholders at last year's Annual General Meeting. The new arrangements were accordingly implemented for the first time in 2006–07. They comprise:

- Base salary: Reviewed annually in the light of external market movements and other relevant factors such as internal relativities. Base salary levels were checked in the 2005–06 review and set around the median of external comparators.
- Annual bonus: The aim is to provide a clear and direct incentive. Bonus comprises a single payment awarded at the end of the financial year. Bonus levels depend on performance against a financial target (growth in net asset value per share during the year in question) and personal targets. Awards range from 10% of base salary if the minimum performance target is met, to 125% for performance at the maximum.
- Performance share plan: An annual award of shares which vests after three years and provides the main incentive to sustained, longer term performance. The level of vesting depends on performance against two cumulative financial targets – growth in net asset value per share and growth in total shareholder returns. Awards are normally worth 125% of base salary and levels of vesting range from 25% of base salary if the minimum net asset value growth performance target is met but the Total Shareholder Return ("TSR") is less than 0%, to 150% if both targets are met in full.
- Pensions: Executive directors' pension benefits are funded through either the defined benefit scheme (now closed), or the defined contribution scheme.
- Shareholdings: Since 1st December 2006 it has been the company's policy that excutive directors are expected to build up their shareholdings in the company over a five year period to be, at a minimum, the value of one times base salary.

THE COMMITTEE'S WORK IN 2006–07

During 2006–07, the Committee held four meetings. Its main activities were implementing the new remuneration arrangements for executive directors; monitoring the remuneration (including share scheme) arrangements for staff below board level, especially at regional director and equivalent levels; and preparing the 2007–08 remuneration decisions. The latter have required careful consideration, both because of the declining and rapidly changing market conditions commented on elsewhere in this Annual Report, and because the recruitment market for high quality staff nevertheless remains tight and relativities between executive board members and senior staff have narrowed and in a few cases reversed. Full details of the remuneration arrangements for the year ending 30th November 2008 will be provided in the 2007–08 Annual Report and changes to the Performance Share Plan awards made in February 2008 are set out in the section on Performance-Related Remuneration below.

Deloitte & Touche LLP ("Deloitte") acted as external advisers to the Remuneration Committee until 2007. Deloitte were closely involved in the comprehensive review of the remuneration arrangements for executive directors referred to above. Upon Deloitte's appointment as external auditors to the company, the Committee terminated their role as remuneration advisers. We are grateful for the advice and support they provided to us. New remuneration advisers will be appointed in 2008.

The remainder of this report sets out in more detail the remuneration arrangements in the year ended 30th November 2007.

SERVICE CONTRACTS

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

The non-executive directors do not have service contracts. 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).

Unless specifically approved by the board, executive directors are not permitted to hold external non-executive directorships. Anthony Glossop receives fees of £16,500 per annum which he retains in respect of his service as a non-executive director of Robinson PLC. He received no fees in respect of his service as a non-executive director of Northern Racing PLC, of which he ceased to be a director on 22 June 2007.

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

C.C.A. Glossop	1st December 1988
W.A. Oliver	24th January 2000
S.J. Burke	1st January 2006
T.P. Haywood	14th April 2003

BASE SALARIES

As reported in last year's Annual Report & Accounts, following advice from Deloitte, the executive directors' base salaries were increased to levels around the market median for comparable external positions. The salary leves are set out on page 57 of this report.

Since 1st December 2005, the Chairman has been paid a base salary only. He does not receive annual bonus options or performance shares. Mr Glossop's salary for the year 2006–07 is set out on page 60.

References to executive directors in the paragraphs below exclude the Chairman.

PERFORMANCE-RELATED REMUNERATION

The Remuneration Committee has approved all performance-related remuneration in respect of the year to 30th November 2007, and the targets for achievement of such remuneration which were set at the beginning of the financial year

BONUS SCHEME

Executive directors participated in a performance-linked cash bonus scheme which was payable in one instalment on the publication of the results for the year ended 30th November 2007. The executive directors were eligible to receive a total bonus of up to 125% of base salary (up to 62.5% allocated towards achievement of financial targets and up to 62.5% towards achievement of personal targets).

The levels of bonus award were determined by the Remuneration Committee on the basis of performance against the financial and personal targets. The financial target set by the Committee for the year to 30th November 2007 was based on growth in net assets per share with growth of 10% earning the minumum bonus of 10% of base salary, growth of 15% earning a bonus of 50% of base salary, and growth of 20% earning the maximum bonus of 62.5% of base salary. Awards would be pro-rated between these points.

Personal targets were set individually for each executive director, and focused on actions necessary to secure the company's long-term growth such as replenishment of the hopper, realising marshalling opportunities, and deepening talent and succession planning below board level. The Remuneration Committee has, in accordance with its terms of reference, no restrictions on the factors it can take in to account in determining the appropriateness and relevance of the remuneration policy.

The Chairman makes recommendations to the Remuneration Committee for the levels of bonus payable to executive directors against both the financial and personal targets, supported by audited figures in respect of the financial targets. Decisions on the levels of bonus payable are taken by the Remuneration Committee. Annual bonuses do not form part of pensionable pay.

For the year to 30th November 2007, the bonuses paid to directors as a percentage of annual salary were as follows: Bill Oliver 122.5%; Steve Burke 122.5%; Tim Haywood 117.5%. These bonuses represented 100% of the maximum of 62.5% for achievement of the net asset growth target, the out-turn being growth of 20%. The balance represents the bonus paid for the achievement of the personal targets set for each executive director. Given the strong growth in net assets in 2007 and the achievement of almost all the personal targets set for each executive director, the Committee agreed that bonuses at this level were justified.

The bonus arrangements described above were introduced in 2007 following the Committee's comprehensive review of executive directors' remuneration. The previous bonus scheme provided for higher awards of up to 140% of base salary, payable in two equal instalments. The amounts potentially payable to directors (provided the company's net assets per share growth over the relevant three year period exceeds RPI plus 5% per annum and the director concerned continues to be employed by the company) in future years in respect of the second instalments of the bonuses earned in 2004 to 2006 are as follows:

	2008 £'000	2009 £'000	2010 £'000	Total £'000
W.A. Oliver	175	217	252	644
S.J. Burke	50	60	74	184
T.P. Haywood	77	123	140	340

SHARE SCHEMES

The Remuneration Committee is responsible for overseeing the company's Performance Share Plan ("PSP"), Executive Share Option and Savings Related Share Option schemes in accordance with rules previously approved by shareholders. The PSP, introduced in 2007, is the long-term incentive for executive directors, and the Executive Share Option Scheme rewards other senior employees. The company has under consideration the inclusion of senior staff below board level in the PSP (in which case they would cease to participate in the Executive Share Option scheme) but has decided that the present arrangements should remain in place for the year ending 30th November 2008.

As notified to shareholders before the 2007 Annual General Meeting, PSP awards to executive directors in 2007 were equal to 150% of salary. The awards will vest after three years according to performance against two financial targets.

The first is cumulative real growth in net asset value per share ("net asset growth") 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-term and medium-term results which are the principal focus of the bonus scheme. Net asset growth of 33% will earn PSP shares worth 31.25% of base salary; growth of 50% will earn shares worth 100% of base salary; and growth of 75% will earn shares worth 125% of base salary. Awards will be pro-rated between these points. The second target is the company's total shareholder return ("TSR"). If TSR over the three years from the date of grant is 75% or more the PSP grant achieved as a result of net asset growth will be enhanced by 20%. No adjustment will be made if TSR is between 0% and 75%. Awards will be reduced by 20% if TSR is at or below 0%. The combined effect of the two targets is that the minimum vesting of PSP shares will be worth 25% of base salary and the maximum will be worth 150%. No shares will vest unless net asset growth is at least 33% over the three year period.

The executive directors did not take part in the executive share option scheme in 2007, but have rights over options granted to them in previous years. 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 per share 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 do 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.

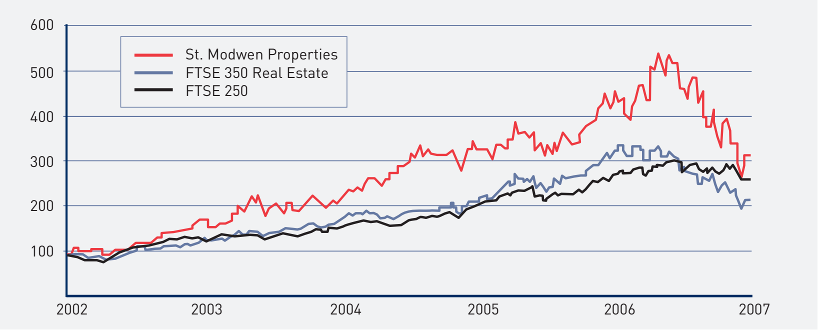
Executive directors may also participate in the company's savings-related share schemes on the same terms as all other employees.

2008 PSP PERFORMANCE CONDITIONS

The Remuneration Committee has given extensive consideration to the performance targets to be set for PSP grants to the executive directors for the period 2007–08 to 2009–10. It has decided that in the difficult market conditions facing the company, the targets for cumulative net asset growth per share should be reduced to 9% for the minimum award of shares worth 31.25% of base salary, and 44% for the maximum award of shares worth 125% of base salary.

Awards will be pro-rated between these two points. The choice of only maximum and minimum net asset targets marks a change from the 2007 award (described above), where a mid-point target was also identified and secured shares worth 100% of base salary.

TOTAL SHAREHOLDER RETURN 2002–2007



The company's total shareholder return is shown in the graph 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.

The Committee agreed that the targets for TSR growth should remain the same as in 2006–07. Any awards secured against the net asset growth targets will accordingly be reduced by 20% if TSR grows by zero or less and will be increased by 20% if TSR grows by 75% or more. No adjustment will be made if TSR growth is between zero and 75%. The potential range of total PSP awards for the three years beginning 2007–08 will thus be the same as in the previous year: from shares worth 25% of base salary if net asset growth is at the minimum target and TSR growth is at or below 0%, to shares worth 150% of base salary if the maximum net asset target is met and TSR growth is 75% or more. The Committee considers that the performance conditions are demanding in the light of current and prospective market conditions, and provide appropriate incentives to the executive directors to deliver value to shareholders.

NON-EXECUTIVE DIRECTORS' FEES

The level of non-executive directors' fees is recommended to the board by the Chairman and executive directors, having taken independent advice on market practice. For 2007 the level of the basic fee paid was £35,000 per director with additional payments of £8,000 to the Chairman of the Audit Committee and the Chairman of the Remuneration Committee and of £5,300 to the Senior Independent Director.

For the year commencing 1st December 2007, non-executive directors' fees have been set at £37,000 per director, with additional payments of £9,000 to the Chairman of the Audit Committee and the Chairman of the Remuneration Committee and of £6,000 to the Senior Independent Director.

Non-executive directors are not permitted to participate in the company's bonus, share or pension schemes.

Audited Information:

EXECUTIVE SHARE OPTION SCHEMES*

Date of Grant	C.C.A. Glossop	W.A. Oliver	S.J. Burke	T.P. Haywood	Exercise Price	Exercise Period
November 1999	500,000	—	—	—	99p	Nov 2003 – Nov 2009
September 2002	—	60,000	—	—	134p	Sept 2005 – Sept 2012
August 2003	—	112,000	—	—	200p	Aug 2006 – Aug 2013
August 2004	—	89,500	39,250	—	279p	Aug 2007 – Aug 2014
August 2005	—	87,250	33,750	39,500	443p	Aug 2008 – Aug 2015
August 2006	—	75,300	34,500	41,800	478p	Aug 2009 – Aug 2016
As at 30th November 2006	500,000	424,050	107,500	81,300		

* All share options granted in 2004 or earlier have vested and are no longer subject to performance conditions. Those granted in 2005 or later will vest if the real growth in the net asset value per share of the company is at least 5% per annum over the relevant three year period.

Details of Executive Share 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
W.A. Oliver	May 2007	713.5p	90,000	525
T.P. Haywood	August 2007	510p	55,500	128

PERFORMANCE SHARE PLAN SCHEME

Directors' maximum entitlements, subject to the satisfaction of performance conditions, are as follows:

Date of Grant	W.A. Oliver	S.J. Burke	T.P. Haywood	Exercise Period
May 2007	87,235	45,317	50,981	May 2010–April 2017

SAVINGS RELATED SCHEMES

Date of Grant	Balance at 30th Nov. 2006	Exercised	Granted	Balance at 30th Nov. 2007	Exercise Price	Exercise Period
C.C.A. Glossop	6,072	—	—	6,072	£2.48–4.335	Oct 2009–Mar 2012
W.A. Oliver	3,713	—	—	3,713	£4.335	Oct 2011–Mar 2012
S.J. Burke	13,240	(13,240)	3,383	3,383	£4.84	Oct 2012–Mar 2013
T.P. Haywood	7,497	—	—	7,497	£1.82–2.48	Oct 2008–Mar 2010

Details of Savings Related Share 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
S.J. Burke	October 2007	517p	13,240	52

The share price as at 30th November 2007 was 424p. The highest price during the year was 730p and the lowest price was 363p.

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 30th November 2007 was as follows:

	Salary/Fees £'000	Annual bonus £'000	Benefits £'000	Total emoluments excluding pensions and pension contributions 2007 £'000	2006 £'000
Executive					
S.J. Burke	200	245	13	458	—
C.C.A. Glossop	350	—	23	373	321
T.P. Haywood	225	264	20	509	362
W.A. Oliver	385	472	29	886	644
Non-executive					
S.W. Clarke	35	—	—	35	33
M.E. Francis	43	—	—	43	37
R.I. Menzies-Gow	35	—	—	35	33
D.P. Rigg	35	—	—	35	33
C.E. Roshier	40	—	—	40	44
J.H. Salmon	43	—	—	43	37
	1,391	981	85	2,457	1,544

All benefits for the executive directors (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 previous years' 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 £10,000 to Sir David Trippier. Benefits totalling £45,847 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 at the Annual General Meeting 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. The defined benefits section of the scheme was closed to new members in 1999.

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.

Audited Information:

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

	Age at 30th November 2007	Accrued Pension 2007 £'000 p.a.	Accrued Pension 2006 £'000 p.a.	Transfer Value 2007 £'000	Transfer Value 2006 £'000
C.C.A. Glossop	66	240	233	3,961	4,008
S.J. Burke	48	19	16	203	174

C.C.A. Glossop, who had been a deferred pensioner since his normal retirement age of 60, elected to draw his pension from 1st April 2006. The accrued pension disclosed above represents the annual pension currently in payment (of which £238,000 has been paid in the year).

Notes relating to the defined benefits scheme:

1. Contributions of up to 7.5% are payable by members, effective 1st December 2004. Scheme members within five years of normal retirement age on 1st December 2004 pay no contributions.
2. Accrued pension is that which would be paid annually at retirement age based on service to 30th November 2007.
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 (age 60 for Scheme members within five years of normal retirement age on 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 three years. In addition, a spouse's pension would be payable, equivalent to 50% of the full pension the member would have been entitled to 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% per annum cumulatively (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).

Contributions made on behalf of the remaining directors who are members of the defined contribution section of the Pension Scheme amounted to:

	2007 £'000	2006 £'000
T.P. Haywood	34	30
W.A. Oliver	58	54

Approved by the board and signed on its behalf by

Mary E. Francis

Chairman, Remuneration Committee
8th February 2008

Further information on the company's pension scheme is shown in note 19 on pages 91 to 94.

FINANCIAL STATEMENTS

A FIFTEENTH SUCCESSIVE YEAR OF RECORD RESULTS

DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report, directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under IFRSs (IFRSs) as adopted by the European Union. The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Each director at the date of approval of this report confirms that:

1) so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
2) they have taken all steps necessary to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

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.

The report of the directors, as defined on page 1, has been approved by the board of directors.

By order of the board

W.A. Oliver
Chief Executive

T.P. Haywood
Finance Director

8th February 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. MODWEN PROPERTIES PLC

We have audited the group financial statements of St. Modwen Properties PLC for the year ended 30th November 2007 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Balance Sheet, the Group Cash Flow Statement, and the related notes 1 to 22. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of St. Modwen Properties PLC for the year ended 30th November 2007.

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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 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 the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group 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 group 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 group 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 group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30th November 2007 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the group financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
8th February 2008

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 30TH NOVEMBER 2007

	Notes	2007 £m	2006 £m
REVENUE	1	**127.5**	128.1
Net rental income	1	**26.3**	24.3
Development profit	1	**32.4**	14.6
Gains on disposal of investments/investment properties		**11.4**	27.2
Investment property revaluation gains	7	**60.3**	49.0
Other net income	1	**2.4**	2.4
Joint ventures and associates (post-tax)	9	**12.6**	11.0
Administrative expenses	2	**(16.4)**	(15.6)
PROFIT BEFORE INTEREST AND TAX		**129.0**	112.9
Finance cost	3	**(32.5)**	(20.0)
Finance income	3	**3.6**	4.0
PROFIT BEFORE TAX		**100.1**	96.9
Taxation	4	**(6.4)**	(21.0)
PROFIT FOR THE YEAR		**93.7**	75.9
ATTRIBUTABLE TO:			
Equity shareholders of the company	17	**88.4**	74.4
Minority interests	18	**5.3**	1.5
		93.7	75.9

	Notes	2007 pence	2006 pence
Basic earnings per share	5	**73.3**	61.6
Diluted earnings per share	5	**72.4**	61.6
Proposed final dividend per share	6	**7.8**	6.8
Interim dividend paid	6	**3.9**	3.4
Total dividend		**11.7**	10.2

GROUP BALANCE SHEET

AS AT 30TH NOVEMBER 2007

	Notes	2007 £m	2006 £m
Non-current assets			
Investment property	7	**846.9**	736.4
Operating property, plant and equipment	8	**3.9**	3.8
Investments in joint ventures, associates and other investments	9	**75.4**	77.9
Trade and other receivables	10	**8.9**	4.0
		935.1	822.1
Current assets			
Inventories	11	**209.3**	65.9
Trade and other receivables	10	**31.6**	58.4
Cash and cash equivalents		**17.9**	7.0
		258.8	131.3
Current liabilities			
Trade and other payables	12	**(127.3)**	(109.3)
Borrowings	13	**(0.4)**	(49.2)
Tax payables	4	**(12.3)**	(3.7)
		(140.0)	(162.2)
Non-current liabilities			
Trade and other payables	12	**(128.0)**	(143.7)
Borrowings	13	**(419.4)**	(210.7)
Deferred tax	4	**(38.8)**	(47.0)
		(586.2)	(401.4)
Net assets		**467.7**	389.8
Capital and reserves			
Share capital	16	**12.1**	12.1
Share premium account	17	**9.1**	9.1
Capital redemption reserve	17	**0.3**	0.3
Retained earnings	17	**437.4**	364.3
Own shares	17	**(0.7)**	(0.8)
Shareholders' equity		**458.2**	385.0
Minority interests	18	**9.5**	4.8
Total equity		**467.7**	389.8

These financial statements were approved by the board of directors on 8th February 2008 and were signed on its behalf by Anthony Glossop and Tim Haywood.

Anthony Glossop
Chairman

Tim Haywood
Finance Director

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH NOVEMBER 2007

	Notes	2007 £m	2006 £m
Operating activities			
Profit before interest and tax		**129.0**	112.9
Gains on investment property disposals		**(11.4)**	(27.2)
Share of profit of joint ventures and associates (post-tax)	9	**(12.6)**	(11.0)
Investment property revaluation gains	7	**(60.3)**	(49.0)
Depreciation	8	**0.6**	0.9
Increase in inventories		**(109.2)**	(24.8)
Decrease in trade and other receivables		**19.1**	1.4
Decrease/(increase) in trade and other payables		**1.2**	(6.1)
Share options and share awards		**0.1**	0.3
Pension funding		**(0.2)**	(0.7)
Tax received/(paid)	4(c)	**1.8**	(7.5)
Net cash (outflow) from operating activities		**(41.9)**	(10.8)
Investing activities			
Investment property disposals		**44.4**	87.5
Investment property additions		**(124.2)**	(95.5)
Property, plant and equipment additions		**(0.7)**	(0.7)
Interest received		**1.8**	0.1
Dividends received		**4.0**	1.6
Net cash (outflow) from investing activities		**(74.7)**	(7.0)
Financing activities			
Dividends paid	6	**(12.9)**	(11.2)
Dividends paid to minorities	18	**(0.6)**	(0.3)
Interest paid		**(18.1)**	(14.6)
Purchase of own shares		**(0.8)**	(1.2)
New borrowings drawn		**159.9**	73.1
Repayment of borrowings		**—**	(19.2)
Net cash inflow from financing activities		**127.5**	26.6
Increase in cash and cash equivalents		**10.9**	8.8
Cash and cash equivalents at start of year		**7.0**	(1.8)
Cash being cash and cash equivalents at end of year		**17.9**	7.0

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30TH NOVEMBER 2007

	Notes	2007 £m	2006 £m
Profit for the year		**93.7**	75.9
Pension fund:			
— actuarial gains and losses	19	**(3.3)**	2.5
— deferred tax thereon	19	**0.9**	(0.7)
Total recognised income and expense		**91.3**	77.7
Attributable to:			
— Equity shareholders of the company	18	**86.0**	76.2
— Minority interests	18	**5.3**	1.5
Total recognised income and expense		**91.3**	77.7

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH NOVEMBER 2007

Basis of preparation

The group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as they apply to the group for the year ended 30th November 2007 applied in accordance with the provisions of the Companies Act 1985.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties, derivative financial instruments and the defined benefit section of the group's pension scheme.

The group's functional currency is pounds sterling and its IFRS accounting policies are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of St. Modwen Properties PLC and the entities it controls. Control comprises the power to govern the financial and operating policies of the investee and is achieved through direct or indirect ownership of voting rights or by contractual agreement. A list of the principal entities is given in note F of the company's financial statements on page 103.

All entities are consolidated from the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group transactions, balances, income and expense are eliminated on consolidation.

Minority interests represent the portion of profit or loss and net assets in entities that is not held by the group and is presented separately within equity in the group balance sheet.

Interests in joint ventures

The group recognises its interest in joint ventures using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the group's share of its net assets, less distributions received and less any impairment in value of individual investments. The income statement reflects the group's share of the jointly controlled entities' results after interest and tax.

Financial statements of jointly controlled entities are prepared for the same reporting period as the group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the group.

The group statement of recognised income and expense reflects the group's share of any income and expense recognised by the jointly controlled entities outside the income statement.

Interests in associates

The group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting, as described above.

Other investments

Other investments, comprising entities over which the group does not have a significant influence, are held at fair value.

Properties

Investment properties

Investment properties, being freehold and leasehold properties held for capital appreciation and/or to earn rental income, are carried at fair value following initial recognition at the present value of the consideration payable. To establish fair value, investment properties are independently valued on an open market basis. Any surplus or deficit arising is recognised in the income statement for the period.

Once classified as an investment property, a property remains in this category until development with a view to sale is authorised, at which point the asset is transferred to inventories at current valuation.

Where an investment property is being redeveloped for continued use as an investment property, the property remains within investment property and any movement in valuation is recognised in the income statement.

Investment property disposals are recognised on completion. Profits and losses arising are recognised through the income statement and the profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset.

Inventories

Inventories principally comprise properties held for sale, properties under construction and land under option.

Pre-sold properties under construction are accounted for at cost plus attributable profit less payments received on account. Attributable profit is ascertained based on the estimated outcome of the development and the amount of the work undertaken to date.

All land held under option agreements is intended for use by the group in the normal course of its activities and is recorded at the lower of cost and net realisable value within inventories.

Properties that are anticipated to be sold within twelve months of the balance sheet date are classified as properties held for sale within inventories.

Transfers from investment property are made at book value not cost and are then carried as current assets at the lower of this value and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Properties acquired from third parties exclusively with a view to sale are carried at the lower of cost and net realisable value within inventories.

Finance costs

Finance costs incurred are not capitalised, but written off to the income statement on an accruals basis.

Operating property, plant and equipment

Operating property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all operating property, plant and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Leasehold operating properties	— over the shorter of the lease term and 25 years
Plant, machinery and equipment	— over 2 to 5 years

Freehold properties, which comprise land, are not depreciated.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Non-property assets held under finance leases are capitalised at the inception of the lease with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Non-property assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold investment properties are accounted for as finance leases with the present value of guaranteed minimum ground rents included within the carrying value of the property and within long-term liabilities. On payment of a guaranteed ground rent, virtually all of the cost is charged to the income statement, as interest payable, and the balance reduces the liability.

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

Lease incentives

Lease incentives, including rent-free periods and payments to tenants, are allocated to the income statement on a straight-line basis over the lease term.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is evidence that the group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other payables

Trade and other payables on deferred payment terms are initially recorded by discounting the nominal amount payable to net present value. The discount to nominal value is amortised over the period of the deferred arrangement and charged to finance costs.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, loans and borrowings are measured at amortised cost.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the group intends to settle its current tax assets and liabilities on a net basis.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Derivative financial instruments and hedging

The group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. The group has determined that the derivative financial instruments in use do not qualify for hedge accounting and, consequently, any gains or losses arising from changes in the fair value of derivatives are taken to the income statement.

Pensions

The group operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members.

The cost of providing benefits under the defined benefit section is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement immediately if the benefits have vested.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised income and expense in the year in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

In periods when the defined benefit section of the group's pension scheme is in surplus, the directors review the recoverability of this surplus to determine whether recognition, in part or in full, is appropriate at the balance sheet date.

Contributions to defined contribution schemes are recognised in the income statement in the year in which they become payable.

Own shares
St. Modwen Properties PLC shares held by the group are classified in shareholders' equity and are recognised at cost.

Dividends
Dividends declared after the balance sheet date are not recognised as liabilities at the balance sheet date.

Revenue recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of property
Revenue arising from the sale of property is recognised on legal completion of the sale. Where revenue is earned for development of property not owned, this is recognised when the group has substantially fulfilled its obligations in respect of the transaction.

Construction contracts
Revenue arising from construction contracts is recognised only when the outcome of the contract can be ascertained with reasonable certainty. The amount of revenue recognised is based on the estimated outcome and the amount of the work undertaken to date.

Rental income
Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

Share-based payments
The group accounts for its share option schemes as cash-settled share-based payments as new shares are not issued to satisfy employee share option plans. The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model and amortised through the income statement over the vesting period. The liability is remeasured at each balance sheet date. Revisions to the fair value of the accrued liability after the end of the vesting period are recorded in the income statement of the year in which they occur.

Cash and cash equivalents
Cash and cash equivalents comprises cash balances and short-term deposits with banks.

Use of estimates and judgements
To be able to prepare accounts according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial accounts. These estimates are based on the group's systems of internal control, historical experience and the advice of external experts (including qualified professional valuers and actuaries) together with various other assumptions that management and the board of directors believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

The areas requiring the use of estimates and critical judgements that may significantly impact the group's earnings and financial position are:

- revenue and cost recognition on developments between current and future periods. A number of the group's projects and contracts span more than one accounting period and management make judgements, based on the group's systems of internal control, as to how revenues and costs should be allocated between periods;
- valuation of investment properties. The group's investment properties are valued by a qualified external valuer at market value;
- estimation of remediation and other costs to complete for both development and investment properties. In making an assessment of these costs there is inherent uncertainty and the group has developed systems of internal control to assess and review carrying values and the appropriateness of estimates made;
- the calculation of deferred tax assets and liabilities, together with assessment of the recoverability of deferred tax assets;
- calculation of the net present value of pension scheme liabilities. In calculating this liability it is necessary for actuarial assumptions to be made, including discount and mortality rates and the long term rate of return upon scheme assets. The group engages a qualified actuary to assist with determining the assumptions to be made and evaluating these liabilities.

Impact of standards and interpretations in issue but not yet effective
The group has considered all new IASB and IFRIC standards and interpretations with an effective date after the date of this financial information. The new standards and interpretations that may have an impact on the group financial statements are:

		Applicable period
IFRS 7	Financial Instruments: Disclosures	Year ending 30th November 2008
IAS 1	Amendment — Presentation of Financial Statements: Capital Disclosures	Year ending 30th November 2008
IAS 23	Amendment — Borrowing Costs	Year ending 30th November 2009
IRFIC 14–IAS 19	The Limit on a Defined Benefit Asset	Year ending 30th November 2009
IFRS 8	Operating Segments	Year ending 30th November 2010
IAS 1	Amendment — Comprehensive Amendment	Year ending 30th November 2010
IFRS 3	Amendment — Comprehensive Amendment	Year ending 30th November 2010
IAS 32	Amendment — Amendments relating to puttable instruments and obligations arising on liquidation	Year ending 30th November 2010

- Upon adoption of IFRS 7, the group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically, the group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.
- The directors do not consider that the adoption of IAS 1 in respect of capital disclosures will have a material impact on the group's financial statements in the period of initial application.
- The directors have adopted the principles of IFRIC 14–IAS 19 in assessing the recoverability of the group's defined benefit pension asset.
- The directors are currently assessing the impact of the amendments to IAS 23 and 32; IFRS 8; and the comprehensive amendments to IAS 1 and IFRS 3 (and the consequential amendments to IAS 27, 28 and 29).

The adoption of the following IASB and IFRIC standards and interpretations are not expected to have an impact on the financial statements of the group.

		Applicable period
IFRS 11–IFRS 2	Group and Treasury Share Transactions	Year ending 30th November 2008
IFRIC 12	Service Concession Agreements	Year ending 30th November 2009
IFRIC 13	Customer Loyalty Programmes	Year ending 30th November 2009

NOTES TO THE ACCOUNTS

1 REVENUE AND GROSS PROFIT

	2007			
	Rental	**Development**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
Revenue	**30.3**	**91.1**	**6.1**	**127.5**
Cost of sales	**(4.0)**	**(58.7)**	**(3.7)**	**(66.4)**
Gross profit	**26.3**	**32.4**	**2.4**	**61.1**

	2006			
	Rental	Development	Other	Total
	£m	£m	£m	£m
Revenue	29.4	92.9	5.8	128.1
Cost of sales	(5.1)	(78.3)	(3.4)	(86.8)
Gross profit	24.3	14.6	2.4	41.3

The group operates exclusively in the UK and all of its revenues derive from its portfolio of properties which the group manages as one business. Therefore, the financial statements and related notes represent the results and financial position of the group's sole business segment.

The group's total revenue for 2007 was £134.2m (2006: £133.3m) and in addition to the amounts above included service charge income of £4.9m (2006: £4.8m), for which there was a corresponding expense, and interest income of £1.8m (2006: £0.4m).

Property operating expenses relating to investment properties that did not generate any rental income were £0.2m (2006: £0.1m).

2 OTHER INCOME STATEMENT DISCLOSURES

a. Administrative expenses

	2007	2006
	£'000	£'000
Depreciation	**611**	875
Operating lease costs	**766**	55

b. Auditors' remuneration

	2007		2006
	Deloitte & Touche LLP	**Ernst & Young LLP**	Ernst & Young LLP
	£'000	**£'000**	£'000
Fees paid to auditors in respect of:			
— Fees payable for the audit of the company's annual accounts	**105**	**—**	156
— The audit of subsidiary companies and joint ventures pursuant to legislation	**90**	**5**	104
— Other services pursuant to legislation	**25**	**—**	25
— Tax services	**167**	**—**	95
— Services related to recruitment and remuneration	**86**	**44**	—
— Other services	**—**	**—**	36
Total fees	**473**	**49**	416

The 2007 figures shown include fees paid to Deloitte & Touche LLP prior to their appointment, and Ernst & Young post their resignation, as auditors. The above amounts include all amounts charged by the group auditors in respect of joint venture undertakings.

2 OTHER INCOME STATEMENT DISCLOSURES (CONTINUED)

c. Employees

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

	2007 (number)	2006 (number)
Property	**129**	126
Leisure and other activities	**68**	71
Administration	**44**	46
	241	243

The total payroll costs of these employees were:

	2007 £m	2006 £m
Wages and salaries	**12.1**	10.3
Social security costs	**1.5**	1.3
Pension costs	**0.8**	0.8
Share based payments	**—**	3.1
	14.4	15.5

Details of the directors' remuneration is given in the directors' remuneration report on pages 55 to 61.

d. Share-based payments

The group has a save as you earn share option scheme open to all employees. Employees must remain in service for a period of five years from the date of grant before exercising their options. The option period ends six months following the end of the vesting period. The group also has an executive share option scheme and performance share plan ("PSP"), full details of which are given in the directors' remuneration report on pages 55 to 61.

The following table illustrates the number and weighted average exercise price of, and movements in, share options during the year. As the PSP includes the grant of options at nil exercise price, the weighted average prices below are calculated including and excluding the options under this plan:

	2007			2006		
	Number of options	Weighted average price All options £	Weighted average price Excluding PSP £	Number of options	Weighted average price All options £	Weighted average price Excluding PSP £
Outstanding at start of year	**3,390,130**	**2.69**	**2.69**	3,708,371	2.19	2.19
Granted	**685,043**	**3.88**	**5.29**	615,267	4.72	4.72
Lapsed	**(12,838)**	**(2.48)**	**(2.48)**	(261,331)	(3.00)	(3.00)
Exercised	**(445,898)**	**(1.55)**	**(1.55)**	(672,177)	(1.62)	(1.62)
Outstanding at end of year	**3,616,437**	**3.06**	**3.23**	3,390,130	2.69	2.69
Exercisable at year end	**1,562,731**	**1.77**	**1.77**	1,290,972	1.34	1.34

2 OTHER INCOME STATEMENT DISCLOSURES (CONTINUED)

Share options are priced using a Black-Scholes valuation model. The fair values calculated and the assumptions used are as follows:

	Fair value of balance sheet liability £m	Risk-free interest rate %	Expected volatility %	Dividend yield %	Share price £*
As at 30th November 2007	**6.2**	**4.6–5.3**	**24.0–40.4**	**2.3**	**4.69**
As at 30th November 2006	8.2	5.3	20.0	2.2	5.38

* Based on 90 day moving average.

In arriving at fair value it has been assumed that all shares options are exercised on the day of vesting. Expected volatility was determined by reference to the historical volatility of the group's share price over a period consistent with the expected life of the options.

The weighted average share price at the date of exercise was £5.90 (2006: £4.89). The executive share options outstanding at the year end had a range of exercise prices between 103.5p and 538.0p (2006: 81.5p and 478.0p) with PSP options exercisable at £nil. Outstanding options had a weighted average remaining contractual life of 6.1 years (2006: 6.2 years).

3 FINANCE COST AND FINANCE INCOME

	2007 £m	2006 £m
Interest payable on borrowings	**(19.6)**	(14.3)
Amortisation of discount on deferred payment arrangements	**(9.9)**	(3.8)
Amortisation of refinancing expenses	**(0.6)**	(0.2)
Head rents treated as finance leases	**(0.2)**	(0.2)
Movement in market value of interest rate derivatives (note 15)	**(0.7)**	—
Interest on pension scheme liabilities (note 19)	**(1.5)**	(1.5)
Total finance cost	**(32.5)**	(20.0)
Interest receivable on cash deposits	**1.8**	0.4
Movement in market value of interest rate derivatives (note 15)	**—**	2.0
Expected return on pension scheme assets (note 19)	**1.8**	1.6
Total finance income	**3.6**	4.0

4 TAXATION

a. Tax on profit on ordinary activities

	2007 £m	2006 £m
Tax charged in the income statement		
Corporation tax charge		
Tax on current year profits	**8.1**	11.7
Adjustments in respect of previous years	**(0.1)**	(1.7)
	8.0	10.0
Deferred tax (credit)/charge		
(Reversal)/origination of temporary differences	**(11.7)**	0.6
Impact of current year revaluations	**11.8**	9.6
Adjustments in respect of previous years	**(1.7)**	0.8
	(1.6)	11.0
Total tax charge in the income statement	**6.4**	21.0
Tax relating to items charged or credited to equity		
Deferred tax		
Actuarial gains and losses on pension schemes (note 19)	**(0.9)**	0.7
Tax (credit)/charge in the statement of total recognised income and expense	**(0.9)**	0.7

b. Reconciliation of effective tax rate

	2007 Total tax £m	2006 Total tax £m
Profit before tax	**100.1**	96.9
Less: Joint ventures and associates	**(12.6)**	(11.0)
Pre-tax profit attributable to the group	**87.5**	85.9
Corporation tax at 30%	**26.3**	25.8
Permanent differences	**1.6**	2.2
Release of temporary differences in respect of industrial buildings	**(6.7)**	—
Release of deferred tax following rate change from 30% to 28%	**(2.9)**	—
Recognition of deferred tax asset for losses previously unrecognised	**(6.1)**	—
Investment property revaluation gains	**(3.3)**	(5.0)
Differences between chargeable gains and accounting profit	**(0.7)**	(1.1)
Current year charge	**8.2**	21.9
Adjustments in respect of previous years	**(1.8)**	(0.9)
	6.4	21.0
Effective rate of tax	**7%**	24%

The post tax results of Joint Ventures and Associates are stated after a tax charge of £2.8m (2006: £2.7m). the effective tax rate for the Group including Joint Ventures and Associates is 8.9% (2006: 23.8%).

The UK Government announced that balancing allowances and balancing charges on industrial buildings were to be abolished wih effect from 21st March 2007. Accordingly, temporary differences in respect of industrial buildings held for rental have been released.

The UK Government announced that they would reduce the corporation tax rate for large companies to 28% with effect from 1st April 2008. Accordingly, deferred tax adjustments have been restated to 28% as this is the rate at which they are expected to reverse.

4 TAXATION (CONTINUED)

c. Balance sheet

	2007 Corporation tax £m	2007 Deferred tax £m	2006 Corporation tax £m	2006 Deferred tax £m
Balance at start of the year	**3.7**	**47.0**	1.7	35.3
Charge to the income statement	**8.0**	**(1.6)**	10.0	11.0
Charge directly to equity	**—**	**(0.9)**	—	0.7
Net refund/(payment)	**1.8**	**—**	(7.5)	—
Other	**(1.2)**	**(5.7)**	(0.5)	—
Balance at end of the year	**12.3**	**38.8**	3.7	47.0

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

	2007 Asset £m	2007 Liability £m	2007 Net £m	2006 Asset £m	2006 Liability £m	2006 Net £m
Property revaluations	**—**	**48.4**	**48.4**	—	39.2	39.2
Capital allowances	**—**	**2.8**	**2.8**	—	7.3	7.3
Appropriations to trading stock	**—**	**1.4**	**1.4**	—	1.4	1.4
Other temporary differences	**(14.3)**	**0.5**	**(13.8)**	(5.4)	4.5	(0.9)
	(14.3)	**53.1**	**38.8**	(5.4)	52.4	47.0

There is no unprovided deferred tax.

d. 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.

The benefits of any tax planning are not recognised by the group until the outcome is reasonably certain.

5 EARNINGS PER SHARE

The group's share option schemes are accounted for as cash-settled share-based payments as it is the group's practice not to issue new shares in satisfaction of employee options. The potential dilutive effect on earnings per share on the assumption that such shares were to be issued is set out below:

	2007 Number of shares	2006 Number of shares
Weighted number of shares in issue*	**120,636,100**	120,628,368
Weighted number of dilutive shares†	**1,506,851**	76,550
	122,142,951	120,704,918

	2007 £m	2006 £m
Earnings (basic and diluted)	**88.4**	74.4

	2007 pence	2006 pence
Basic earnings per share	**73.3**	61.6
Diluted earnings per share	**72.4**	61.6

* Shares held by the Employee Benefit Trust are excluded from the above calculations.

† In calculating diluted earnings per share, earnings have been adjusted for changes which would have resulted from the option being classified as equity settled. The number of shares included in the calculation has also been adjusted accordingly.

6 DIVIDENDS

Dividends paid during the year comprised the final dividend in respect of 2006 and the interim dividend in respect of 2007. The proposed final dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these financial statements.

	2007		2006	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	**6.8**	**8.2**	5.9	7.1
Interim dividend in respect of current year	**3.9**	**4.7**	3.4	4.1
Total	**10.7**	**12.9**	9.3	11.2
Proposed				
Current year final dividend	**7.8**	**9.4**	6.8	8.2

The Employee Benefit Trust waives its entitlement to dividends.

7 INVESTMENT PROPERTY

	Freehold investment properties £m	Leasehold investment properties £m	Total £m
Fair value			
At 30th November 2005	349.1	132.1	481.2
Additions — new properties	21.7	176.9	198.6
Other additions	51.3	21.7	73.0
Transfers to inventories (note 11)	(5.1)	—	(5.1)
Disposals	(50.6)	(9.7)	(60.3)
Surplus on revaluation	29.1	19.9	49.0
At 30th November 2006	395.5	340.9	736.4
Additions — new properties	38.0	5.0	43.0
Other additions	32.4	31.3	63.7
Transfers to inventories (note 11)	(13.2)	(20.9)	(34.1)
Disposals	(21.6)	(0.8)	(22.4)
Surplus on revaluation	42.3	18.0	60.3
At 30th November 2007	**473.4**	**373.5**	**846.9**

Investment properties were valued at 30th November 2007 and 2006 by King Sturge & Co, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value.

Included within leasehold investment properties are £3.9m (2006: £3.9m) of assets held under finance leases.

Further details of the movements in investment property are given on pages 20, 21 and 24 of the business review.

8 OPERATING PROPERTY, PLANT AND EQUIPMENT

	Operating properties £m	Plant, machinery and equipment £m	Total £m
Cost			
At 30th November 2005	2.4	3.1	5.5
Additions	0.2	0.5	0.7
At 30th November 2006	2.6	3.6	6.2
Additions	—	0.7	0.7
At 30th November 2007	**2.6**	**4.3**	**6.9**
Depreciation			
At 30th November 2005	0.2	1.3	1.5
Charge for the year	0.2	0.7	0.9
At 30th November 2006	0.4	2.0	2.4
Charge for the year	—	0.6	0.6
At 30th November 2007	**0.4**	**2.6**	**3.0**
Net book value			
At 30th November 2005	2.2	1.8	4.0
At 30th November 2006	2.2	1.6	3.8
At 30th November 2007	**2.2**	**1.7**	**3.9**

Tenure of operating properties:

	2007 £m	2006 £m
Freehold	**0.3**	0.3
Leasehold	**1.9**	1.9
	2.2	2.2

9 JOINT VENTURES, ASSOCIATES AND OTHER INVESTMENTS

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

	2007			2006		
	Key Property Investments Limited £m	Other joint ventures £m	Total £m	Key Property Investments Limited £m	Other joint ventures £m	Total £m
Income statements						
Revenue	**35.6**	**5.5**	**41.1**	10.7	3.9	14.6
Net rental income	**8.5**	**0.1**	**8.6**	8.7	0.2	8.9
Development profit	**4.3**	**2.0**	**6.3**	(0.3)	1.2	0.9
Gains on disposals of investment/ investment properties	**4.4**	**—**	**4.4**	1.9	—	1.9
Investment property revaluation gains	**1.8**	**0.7**	**2.5**	6.1	0.5	6.6
Administrative expenses	**(0.1)**	**—**	**(0.1)**	(0.1)	—	(0.1)
Profit before interest and tax	**18.9**	**2.8**	**21.7**	16.3	1.9	18.2
Finance cost	**(5.8)**	**(0.7)**	**(6.5)**	(5.5)	(0.3)	(5.8)
Finance income	**0.1**	**—**	**0.1**	0.7	—	0.7
Profit before tax	**13.2**	**2.1**	**15.3**	11.5	1.6	13.1
Taxation	**(2.1)**	**(0.7)**	**(2.8)**	(2.2)	(0.5)	(2.7)
Profit for the year	**11.1**	**1.4**	**12.5**	9.3	1.1	10.4
Group's share of associate's profit (27%)			**0.1**			0.6
			12.6			11.0

During the year ended 30th November 2007 the group disposed of its entire shareholding in Northern Racing PLC, realising a profit of £6.7m. This gain is recorded as part of "Gains on disposal of investments/investment properties".

The group's share of the balance sheet of its joint ventures and associates, together with the cost of other investments, is:

	2007			2006		
	Key Property Investments Limited £m	Other joint ventures £m	Total £m	Key Property Investments Limited £m	Other joint ventures £m	Total £m
Balance Sheets						
Non-current assets	**136.7**	**6.8**	**143.5**	145.4	4.5	149.9
Current assets	**26.2**	**17.7**	**43.9**	21.0	7.8	28.8
Current liabilities	**(10.4)**	**(5.5)**	**(15.9)**	(5.6)	(0.9)	(6.5)
Non-current liabilities	**(83.1)**	**(13.6)**	**(96.7)**	(98.5)	(7.4)	(105.9)
Net assets	**69.4**	**5.4**	**74.8**	62.3	4.0	66.3
Equity at start of year	**62.3**	**4.0**	**66.3**	54.5	2.9	57.4
Profit for the year	**11.1**	**1.4**	**12.5**	9.3	1.1	10.4
Dividends paid	**(4.0)**	**—**	**(4.0)**	(1.5)	—	(1.5)
Equity at end of year	**69.4**	**5.4**	**74.8**	62.3	4.0	66.3
Group's share of joint ventures' net assets			**74.8**			66.3
Group's share of associate's net assets			**—**			11.0
Investment in Stoke on Trent Community Stadium Development Company Limited			**0.6**			0.6
			75.4			77.9

9 JOINT VENTURES, ASSOCIATES AND OTHER INVESTMENTS (CONTINUED)

Joint venture companies, associates and other investments comprise:

Name	Status	Interest	Activity
Key Property Investments Limited	Joint venture	50%	Property investment and development
Barton Business Park Limited	Joint venture	50%	Property development
Sowcrest Limited	Joint venture	50%	Property development
Holaw (462) Limited	Joint venture	50%	Property investment
Shaw Park Developments Limited	Joint venture	50%	Property development
Stoke on Trent Community Stadium Development Company Limited	Other investment	15%	Stadium operator

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

Further details of the movements in joint ventures, associates and other investments are given in pages 21 and 25 of the business review.

10 TRADE AND OTHER RECEIVABLES

	2007 £m	2006 £m
Non-current		
Other debtors	**8.9**	—
Derivative financial instruments (note 15)	**—**	1.2
Pension fund surplus (note 19)	**—**	2.8
	8.9	4.0
Current		
Trade receivables	**5.0**	2.6
Prepayments and accrued income	**1.7**	2.6
Other debtors	**19.7**	45.0
Amounts due from joint ventures	**3.2**	7.6
Derivative financial instruments (note 15)	**2.0**	0.6
	31.6	58.4

11 INVENTORIES

	2007 £m	2006 £m
Properties held for sale	**88.5**	37.9
Properties under construction	**100.0**	10.8
Land under option	**20.8**	17.2
	209.3	65.9

The movement in inventories during the two years ended 30th November 2007 is as follows:

	£m
Balance at 30th November 2005	36.1
Additions	103.0
Transfers from investment property (note 7)	5.1
Disposals (transferred to cost of sales) (note 1)	(78.3)
Balance at 30th November 2006	65.9
Additions	168.0
Transfers from investment property (note 7)	34.1
Disposals (transferred to cost of sales) (note 1)	(58.7)
Balance at 30th November 2007	**209.3**

The directors consider all inventories to be current in nature. The operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues including the strength of the property market.

As at 30th November 2007 £12.4m of inventory was pledged as security for the group's loan facilities.

12 TRADE AND OTHER PAYABLES

	2007 £m	2006 £m
Current		
Trade payables	**5.6**	4.9
Amounts due to joint ventures	**4.1**	0.1
Other payables and accrued expenses	**45.9**	43.8
Other payables on deferred terms	**70.5**	60.2
Derivative financial instruments (note 15)	**1.2**	0.3
	127.3	109.3
Non-current		
Other payables and accrued expenses	**3.1**	1.9
Other payables on deferred terms	**121.0**	138.9
Finance lease liabilities (head rents) (note 14)	**3.9**	2.9
	128.0	143.7

The payment terms of the other payables on deferred terms, all of which relate to VSM Estates (Holdings) Limited, are subject to contractual commitments which are expected to allow for realisation of the related assets and settlement of the liability on a basis which is at least cash neutral over a minimum period of ten years.

13 BORROWINGS

	2007 £m	2006 £m
Current		
Bank loans	—	48.8
Floating rate unsecured loan notes	0.4	0.4
	0.4	49.2
Non-current		
Bank loans repayable between two and five years	295.4	129.4
Bank loans repayable after more than five years	124.0	81.3
	419.4	210.7

All bank borrowings are secured by a fixed charge over the group's property assets.

Maturity profile of committed bank facilities

The majority of the group's bank debt is provided by bilateral revolving credit facilities, providing the flexibility to draw and repay loans as required. The maturity profile of the group's committed facilities is set out below.

2007	Floating rate borrowings			Interest rate swaps			
	Drawn £m	Undrawn £m	Total £m	Earliest termination £m	Earliest termination %*	Latest termination £m	Latest termination %*
Less than one year	0.4	5.0	5.4	60.0	4.82	30.0	5.17
One to two years	—	—	—	80.0	4.70	—	—
Two to three years	—	—	—	80.0	5.54	30.0	4.47
Three to four years	164.7	85.3	250.0	20.0	4.48	80.0	4.71
Four to five years	130.7	13.3	144.0	—	—	80.0	5.54
More than five years	124.0	46.0	170.0	—	—	20.0	4.47
Total	419.8	149.6	569.4	240.0	4.99	240.0	4.99

2006	Floating rate borrowings			Interest rate swaps			
	Drawn £m	Undrawn £m	Total £m	Earliest termination £m	Earliest termination %*	Latest termination £m	Latest termination %*
Less than one year	48.8	16.2	65.0	—	—	—	—
One to two years	—	—	—	60.0	4.82	30.0	5.17
Two to three years	—	—	—	80.0	4.71	—	—
Three to four years	47.0	80.3	127.3	—	—	30.0	4.47
Four to five years	82.4	22.6	105.0	20.0	4.47	80.0	4.71
More than five years	81.3	79.2	160.5	—	—	20.0	4.47
Total	259.5	198.3	457.8	160.0	4.72	160.0	4.72

* Weighted average interest rate.

13 BORROWINGS (CONTINUED)

Most of the interest rate swaps are extendable at the bank's option; therefore, the tables above show the dates of normal termination and extended termination.

£40m (2006: £79m) of the undrawn committed bank facilities are ring fenced for VSM Estates (Holdings) Limited.

Interest payable on the above loans is at a weighted average of 7.1% (2006: 6.0%) before taking into account the effects of the hedging. At 30th November 2007 the weighted average facility maturity of the bank debt was 5 years (2006: 5 years).

Interest rate profile

The interest rate profile of the group's borrowings after taking into account the effects of its interest rate derivative financial instruments is:

	Total £m	Floating Rate Debt £m	Fixed Rate Debt £m	Weighted average fixed interest rate (%)	Weighted maturity of derivatives (years)*
At 30th November 2007	**419.8**	**179.8**	**240.0**	**4.99**	**1.75**
At 30th November 2006	259.5	99.5	160.0	4.72	2.25

* Based on earliest termination dates.

14 LEASING

Operating lease commitments where the group is the lessee

The group leases certain of its premises, motor vehicles and office equipment under operating leases. Future aggregate minimum lease rentals payable under non-cancellable operating leases are as follows:

	2007 Other £m	2006 Other £m
In one year or less	**0.8**	0.6
Between one and five years	**0.7**	0.8
In five years or more	**0.2**	0.2
	1.7	1.6

Operating leases where the group is the lessor

The group leases out its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2007 £m	2006 £m
In one year or less	**27.0**	22.9
Between one and five years	**74.8**	59.9
In five years or more	**140.0**	114.6
	241.8	197.4

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.3m (2006: £0.4m) were recognised during the year.

Obligations under finance leases

Finance lease liabilities are payable as follows:

		2007	
	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**0.2**	**0.2**	**—**
Between one and five years	**0.8**	**0.8**	**—**
More than five years	**68.1**	**64.2**	**3.9**
	69.1	**65.2**	**3.9**

		2006	
	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.2	0.2	—
Between one and five years	0.8	0.8	—
More than five years	68.3	65.4	2.9
	69.3	66.4	2.9

15 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group manages its interest rate risk through interest rate swaps with the objective of fixing two-thirds of its floating rate debt. Typically interest rate swaps have a maturity of 3 to 5 years at inception and the majority are in the form of knock-out options. The group's finance strategy is discussed in more detail in the business review.

The counter-parties to all derivative financial instruments are UK and European banks, all of whom also lend to the group.

	Balance at 30th November 2005 £m	Mark to market £m	Balance at 30th November 2006 £m	**Mark to market £m**	**Balance at 30th November 2007 £m**
Non-current assets	0.1	1.1	1.2	**(1.2)**	**—**
Current assets	0.2	0.4	0.6	**1.4**	**2.0**
Current liabilities	(0.4)	0.1	(0.3)	**(0.9)**	**(1.2)**
Non-current liabilities	(0.4)	0.4	—	**—**	**—**
Net value	(0.5)		1.5		**0.8**
Amount credited/(charged) to the income statement			2.0		**(0.7)**

All other financial assets and liabilities are non-interest bearing with a fair value equivalent to their cost with the following exceptions:

— cash, which earns interest at floating rates based on daily bank deposit rates; and

— finance leases, which have a fair value of £3.9m (2006: £2.9m).

The group's credit risk is primarily attributable to its trade and other receivables. The amounts in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Further details of the group's risk policies and financial instruments are provided in the business review on page 23.

16 SHARE CAPITAL

		2007 £m	2006 £m
Authorised:			
Equity share capital			
150,000,000	Ordinary 10p shares	**15.0**	15.0
Allotted and fully paid:			
Equity share capital			
120,773,954	Ordinary 10p shares	**12.1**	12.1

See note 2d for details of outstanding options to acquire ordinary shares.

17 RESERVES

	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Own shares £m
At 30th November 2005	9.1	0.3	299.3	(0.4)
Profit for the year attributable to shareholders	—	—	74.4	—
Pension fund actuarial gains and losses (note 19)	—	—	1.8	—
Net share acquisitions	—	—	—	(0.4)
Dividends paid (note 6)	—	—	(11.2)	—
At 30th November 2006	9.1	0.3	364.3	(0.8)
Profit for the year attributable to shareholders	—	—	88.4	—
Pension fund actuarial gains and losses (note 19)	—	—	(2.4)	—
Net share disposals	—	—	—	0.1
Dividends paid (note 6)	—	—	(12.9)	—
At 30th November 2007	**9.1**	**0.3**	**437.4**	**(0.7)**

'Own shares' represents the cost of 137,854 (2006: 167,306) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2007 was £584,501 (2006: £951,971).

18 RECONCILIATION OF MOVEMENT IN EQUITY

	2007 Equity shareholders £m	2007 Minority interests £m	2007 Total £m	2006 Equity shareholders £m	2006 Minority interests £m	2006 Total £m
Total recognised income and expense	**86.0**	**5.3**	**91.3**	76.2	1.5	77.7
Dividends paid	**(12.9)**	**(0.6)**	**(13.5)**	(11.2)	(0.3)	(11.5)
Net disposal/(purchase) of own shares	**0.1**	**—**	**0.1**	(0.4)	—	(0.4)
Equity at start of year	**385.0**	**4.8**	**389.8**	320.4	3.6	324.0
Equity at end of year	**458.2**	**9.5**	**467.7**	385.0	4.8	389.8

19 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 income statement charge was £0.4m (2006: £0.5m) for the defined benefit section and £0.4m (2006: £0.3m) for the defined contribution section.

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 valuation was performed using the 'Projected Unit Cost Method' under IAS 19. The main actuarial assumptions were:

Investment rate of return:	pre-retirement	6.3% p.a.
	post-retirement	4.8% p.a.
Increase in earnings*		5.9% p.a.
Increase in pensions		2.9% p.a.

* Capped to 4.9% for certain members.

The valuation showed a funding level of 95%.

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30th November 2007 on an IAS basis by a qualified independent actuary. The major assumptions used by the actuary were:

		2007	2006	2005
Rate of increase in salaries		**5.5%**	5.1%	4.8%
Rate of increase in deferred pensions		**3.5%**	3.1%	2.8%
Rate of increase in pensions in payment				
	Pre-6th April 1997 benefits	**3.0%**	3.0%	2.8%
	Post-5th April 1997 benefits	**3.5%**	3.1%	2.8%
Discount rate		**5.8%**	5.0%	4.9%
Inflation assumption		**3.5%**	3.1%	2.8%

19 PENSIONS (CONTINUED)

The mortality rates adopted are from the PA92 year of birth and medium cohort tables (which assume that, for example, male members who are currently retired are expected to draw their pensions for 24.9 years and non-retired members for 27.1 years, based on the normal retirement age of 65).

The group expects to make contributions of £0.4m to the defined benefit section of the scheme in 2008. As the defined benefit section of the scheme is a closed scheme valued under the 'Projected Unit Cost Method' the service cost is likely to increase in future years as members approach retirement.

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

	2007		2006		2005	
	%	**£m**	%	£m	%	£m
Equities	**6.1**	**19.4**	5.8	18.0	5.7	16.7
Bonds	**5.8**	**0.4**	4.9	0.3	4.7	0.3
Property	**6.1**	**11.7**	5.8	9.8	5.7	8.4
Cash and other assets	**4.6**	**3.5**	4.3	5.8	4.2	3.9
		35.0		33.9		29.3
Actuarial value of liabilities		**(29.0)**		(31.1)		(29.8)
Unrecoverable surplus		**(6.0)**		—		—
Surplus/(deficit) in the scheme (note 10 and note 12)		**—**		2.8		(0.5)
Related deferred tax (liability)/asset (note 4)		**—**		(0.8)		0.2
Fair value of pension asset/(liability) net of deferred tax		**—**		2.0		(0.3)

Given the current uncertainty in both the equity and property markets, and with due consideration of the recently issued IFRIC guidance on the recognition of pension scheme assets, the directors do not consider it appropriate to recognise the surplus arising in the defined benefit section of the scheme at this time.

The cumulative amount of actuarial gains and losses (before unrecoverable surplus of £6.0m) recorded in the group statement of recognised income and expense is £5.0m (2006: £2.3m).

Analysis of the amount charged to operating profit

	2007	2006	2005
	£m	£m	£m
Current service cost	**(0.5)**	(0.5)	(0.6)
Employee contributions	**0.1**	0.1	0.1
Total operating charge	**(0.4)**	(0.4)	(0.5)

Analysis of the amount credited/(charged) to finance costs and income

	2007	2006	2005
	£m	£m	£m
Expected return on pension scheme assets	**1.8**	1.6	1.5
Interest on pension scheme liabilities	**(1.5)**	(1.5)	(1.3)
	0.3	0.1	0.2

19 PENSIONS (CONTINUED)

Analysis of the amount recognised in the group statement of recognised income and expense

	2007 £m	2006 £m	2005 £m
Difference between expected and actual return on assets	**(0.1)**	2.7	3.8
Experience gains and losses arising on fair value of scheme liabilities	**(3.0)**	(1.1)	0.3
Effects of changes in the demographic and financial assumptions underlying the fair value of the scheme liabilities	**5.8**	0.9	(4.9)
Change in unrecoverable surplus	**(6.0)**	—	—
Total actuarial (loss)/gain	**(3.3)**	2.5	(0.8)

Analysis of the movement in the fair value of the scheme liabilities

	2007 £m	2006 £m	2005 £m
Beginning of year	**31.1**	29.8	24.0
Movement in year:			
Current service cost	**0.5**	0.5	0.6
Employee contributions	**(0.1)**	(0.1)	(0.1)
Interest cost	**1.5**	1.5	1.3
Actuarial gains and losses	**(2.8)**	0.2	4.6
Benefits paid	**(1.2)**	(0.8)	(0.6)
End of year	**29.0**	31.1	29.8

Analysis of the movement in the fair value of the scheme assets

	2007 £m	2006 £m	2005 £m
Beginning of year	**33.9**	29.3	24.0
Movement in year:			
Expected return on scheme assets	**1.8**	1.6	1.5
Contributions by employer	**0.6**	1.1	0.6
Actuarial gains and losses	**(0.1)**	2.7	3.8
Benefits paid	**(1.2)**	(0.8)	(0.6)
End of year	**35.0**	33.9	29.3
Surplus/(deficit) in scheme at the year end	**6.0**	2.8	(0.5)
Unrecoverable surplus	**(6.0)**	—	—
Net surplus/(deficit)	**—**	2.8	(0.5)

19 PENSIONS (CONTINUED)

History of experience gains and losses

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Difference between expected and actual return on scheme assets					
Amount	**(0.1)**	2.7	3.8	1.3	1.3
Percentage of scheme assets	**(0.3%)**	8.0%	13.0%	5.3%	6.3%
Experience gains and losses on scheme liabilities					
Amount	**(3.0)**	(1.1)	0.3	(0.9)	(1.5)
Percentage of fair value of scheme liabilities	**10.3%**	3.5%	(1.0%)	3.7%	6.9%
Changes in assumptions underlying the fair value of scheme liabilities					
Amount	**5.8**	0.9	(4.9)	(0.5)	(2.1)
Percentage of fair value of scheme liabilities	**20.0%**	2.9%	(16.5%)	(1.9%)	(9.8%)
Change in unrecoverable surplus	**(6.0)**	—	—	—	—
Total actuarial gain/(loss) recognised in the statement of recognised income and expense					
Amount	**(3.3)**	2.5	(0.8)	(0.1)	(2.3)
Percentage of present value of scheme liabilities	**(11.4%)**	8.0%	(2.8%)	(0.3%)	(10.9%)
Deferred taxation attributable to pension movements (note 4)	**0.9**	(0.7)	0.3	—	0.7
Pension scheme movement for the year net of deferred tax	**(2.4)**	1.8	(0.5)	(0.1)	(1.6)

20 CAPITAL COMMITMENTS

At 30th November 2007 the group had contracted capital expenditure of £14,184,000 (2006: £11,592,000).

21 CONTINGENT LIABILITIES

The group has a joint and several unlimited liability with Vinci PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited.

The group is also party to a joint and several guarantee to Fortis Bank in respect of the performance of Sowcrest Limited which is limited to £18.4m.

22 RELATED PARTY TRANSACTIONS

Transactions between the group and its non-wholly owned subsidiaries, joint ventures and associates are as follows:

Key Property Investments Limited ('KPI')

During the year the group provided management services to KPI for which it received fees totalling £2.4m (2006: £0.5m).

Holaw (462) Limited ('Holaw')

During the year Holaw repaid £0.1m of its loan (2006: £nil). The balance due to the group at the year end was £0.6m (2006: £0.7m). No interest is charged on the loan.

Barton Business Park Limited ('Barton')

During the year Barton repaid £0.4m (2006: £0.7m) of its loan reducing the balance to £nil (2006: £0.4m). In addition to the repayment of loan, a further £3.5m (2006: £nil) was advanced to the group and remains due to Barton. No interest is charged on balances outstanding.

Sowcrest Limited ('Sowcrest')

During the year the group received £2.9m from Sowcrest (2006: paid £2.3m to Sowcrest). The balance due to Sowcrest at the year end was £0.8m (2006: £1.9m due from Sowcrest). No interest is charged on the loan.

Shaw Park Developments Limited ('SPD')

The balance due to the group from SPD at the year end was £2.2m (2006: £2.2m). The loan is secured and interest is chargeable at 1.5% (2006: 1.5%) above base rate. At the beginning of the year the group was also due £2.2m from Healnorth Limited, a company controlled by our joint venture partner in SPD. This amount was repaid in full during the year.

St. Modwen Pension Scheme

During the year the group sold properties to the pension scheme for consideration of £2.1m (2006: £2.8m). The group occupies offices owned by the pension scheme with a value of £0.6m (2006: £0.6m).

22 RELATED PARTY TRANSACTIONS (CONTINUED)

Non-wholly owned subsidiaries

The company provides administrative and management services and provides a central purchase ledger system to subsidiary companies. In addition, the company also operates a central treasury function which lends to and borrows from subsidiary undertakings as appropriate. Management fees and interest charged/(credited) during the year and net balances due (to)/from subsidiaries in which the company has a less than 90% interest were as follows:

	Management fees		Interest		Balance	
	2007	2006	**2007**	2006	**2007**	2006
	£m	£m	**£m**	£m	**£m**	£m
Stoke-on-Trent Regeneration Limited	**—**	—	**(1.0)**	(0.8)	**(5.1)**	(20.8)
Stoke-on-Trent Regeneration (Investments) Limited	**—**	—	**0.1**	—	**0.2**	0.3
Uttoxeter Estates Limited	**—**	—	**—**	—	**—**	—
Widnes Regeneration Limited	**—**	—	**0.3**	0.2	**3.7**	5.2
Trentham Leisure Limited	**0.4**	0.4	**1.5**	1.3	**24.5**	20.0
Norton & Proffitt Developments Limited	**—**	—	**—**	—	**9.1**	3.7
VSM Estates (Holdings) Limited	**0.3**	0.8	**—**	—	**(1.7)**	—
	0.7	1.2	**0.9**	0.7	**30.7**	8.4

With the exception of SPD, all amounts due to the group are unsecured and will be settled in cash. All amounts above are stated before provisions for doubtful debts of £0.4m (2006: £nil). No guarantees have been given or received from related parties.

Key management personnel

The group's key management personnel are the executive directors (whose remuneration is disclosed in the directors' remuneration report) and senior management whose aggregate remuneration totalled £1.7m (2006: £1.7m).

COMPANY BALANCE SHEET

AT 30TH NOVEMBER 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Tangible assets	(E)	**1.1**	1.3
Investments	(F)	**389.0**	344.5
		390.1	345.8
Current assets			
Debtors	(G)	**400.2**	296.6
Cash at bank and in hand		**17.0**	—
Current liabilities			
Creditors: amounts falling due within one year	(H)	**(147.8)**	(114.1)
Net current assets		**269.4**	182.5
Total assets less current liabilities		**659.5**	528.3
Creditors: amounts falling due after more than one year	(H)	**(228.8)**	(127.1)
Net assets excluding pension asset/(liability)		**430.7**	401.2
Defined benefit pension asset	(M)	**—**	2.0
Net assets		**430.7**	403.2
Capital and reserves			
Called up share capital	(K)	**12.1**	12.1
Share premium account	(L)	**9.1**	9.1
Capital redemption reserve	(L)	**0.3**	0.3
Revaluation reserve	(L)	**314.5**	259.0
Profit and loss account	(L)	**95.4**	123.5
Own shares	(L)	**(0.7)**	(0.8)
Equity shareholders' funds		**430.7**	403.2

These financial statements were approved by the board of directors on 8th February 2008 and were signed on its behalf by Anthony Glossop and Tim Haywood.

Anthony Glossop
Chairman

Tim Haywood
Finance Director

NOTES TO THE COMPANY ACCOUNTS

A ACCOUNTING POLICIES

Basis of preparation

The accounts and notes have been prepared in accordance with applicable UK GAAP.

Compliance with SSAP 19 "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.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts and VAT.

Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

Interest receivable

Interest receivable is recognised on the accruals basis.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all plant, machinery and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Plant, machinery and equipment — over 2 to 5 years

Depreciation is not provided on investment properties which are subject to annual revaluations.

Investment properties

In accordance with SSAP 19, 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 SSAP 19. 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 SSAP 19 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.

Investment in subsidiary, joint venture and associated companies

The investments in subsidiary, joint venture 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 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.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Interest
Income paid is charged to the profit and loss account on an accruals basis.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Share-based payment
The company accounts for its share option schemes as cash-settled share-based payments as new shares are not issued to satisfy employee share option plans. The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model and amortised through the profit and loss account over the vesting period. The liability is remeasured at each year end. Revisions to the fair value of the accrued liability after the end of the vesting period are recorded in the profit and loss account of the year in which they occur. Further details are set out in note 2 of the group financial statements.

Pensions
The company operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members.

The cost of providing benefits under the defined benefit section is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the profit and loss account immediately if the benefits have vested.

The interest element of the defined benefit cost represents the change in present value of scheme obligations. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the year in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

In periods when the defined benefit section of the company's pension scheme is in surplus, the directors review the recoverability of this surplus to determine whether recognition, in part or in full, is appropriate at the balance sheet date.

A ACCOUNTING POLICIES (CONTINUED)

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Derivative financial instruments and hedging

The company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. The company has determined that the derivative financial instruments in use do not qualify for hedge accounting and, consequently, any gains or losses arising from changes in the fair value of derivatives are taken to the profit and loss account.

Full details of the company's derivative financial instruments are given in note 15 to the group financial statements.

Own shares

St. Modwen Properties PLC shares held by the company are classified in shareholders' equity and are recognised at cost.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, loans and borrowings are measured at amortised cost.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and expense.

Cash flow statement

The company has taken advantage of the exemption permitted by FRS 1 not to present a cash flow statement.

B PROFIT FOR THE FINANCIAL YEAR

The company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The company's loss for the year was £12.8m (2006: £59.9m profit).

C OPERATING EXPENSES

(i) Audit fees

	2007 £'000	2006 £'000
Fees paid to Deloitte and Touche LLP (2006: Ernst & Young LLP) in respect of:		
— Fees payable for the audit of the company's annual accounts	**105**	156
— Other services pursuant to legislation	**25**	25
— Tax services	**82**	2
— Other services	**86**	36
	298	219

(ii) Employees

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

	2007 (number)	2006 (number)
Property	**129**	126
Leisure and other activities	**44**	47
Administration	**44**	46
	217	219

The total payroll costs of these employees were:

	2007 £m	2006 £m
Wages and salaries	**11.7**	9.9
Social security costs	**1.4**	1.2
Pension costs	**0.8**	0.8
Share-based payments	**—**	3.1
	13.9	15.0

D DIVIDENDS

Dividends paid during the year comprised the final dividend in respect of 2006, approved at the AGM, and the interim dividend in respect of 2007.

	2007		2006	
	p per share	£m	p per share	£m
Paid				
Final dividend in respect of previous year	**6.8**	**8.2**	5.9	7.1
Interim dividend in respect of current year	**3.9**	**4.7**	3.4	4.1
Total	**10.7**	**12.9**	9.3	11.2
Proposed				
Current year final dividend	**7.8**	**9.4**	6.8	8.2

The Employee Benefit Trust waives its entitlement to dividends.

E TANGIBLE FIXED ASSETS

	Long leasehold investment properties £m	Plant, machinery and equipment £m	Total £m
Cost or valuation			
At 30th November 2006	0.7	1.6	2.3
Additions	—	0.2	0.2
Disposals	(0.1)	—	(0.1)
At 30th November 2007	**0.6**	**1.8**	**2.4**
Depreciation			
At 30th November 2006	—	1.0	1.0
Charge for the year	—	0.3	0.3
At 30th November 2007	**—**	**1.3**	**1.3**
Net book value			
At 30th November 2007	**0.6**	**0.5**	**1.1**
At 30th November 2006	0.7	0.6	1.3

Investment properties were valued at 30th November 2007 and 2006 by King Sturge & Co, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value.

Long leasehold investment properties are currently let under operating leases for the purpose of generating rental income.

F INVESTMENTS HELD AS FIXED ASSETS

	Investment in subsidiary companies £m	Investment in joint ventures £m	Investment in associated companies £m	Total £m
At 30th November 2006	260.6	72.9	11.0	344.5
Revaluation of investments	54.1	1.4	—	55.5
Disposals	—	—	(11.0)	(11.0)
At 30th November 2007	**314.7**	**74.3**	**—**	**389.0**

Subsidiary companies:
At 30th November 2007 the principal subsidiaries, all of which were held directly by the company, were as follows:

	Proportion of ordinary shares held	Nature of principal business
Boughton Holdings	100%	Investment company
Chaucer Estates Limited	100%	Property investors
Leisure Living Limited	100%	Leisure operator
Redman Heenan Properties Limited	100%	Property investors
St. Modwen Developments Limited	100%	Property developers
St. Modwen Investments Limited	100%	Property investors
St. Modwen Securities Limited	100%	Property developers
St. Modwen Ventures Limited	100%	Property investors
Stoke-on-Trent Regeneration Limited	81%	Property developers
Uttoxeter Estates Limited	81%	Property developers
Widnes Regeneration Limited	81%	Property developers
Trentham Leisure Limited	80%	Leisure operator
Norton & Proffitt Developments Limited	75%	Property developers
VSM Estates (Holdings) Limited	50%	Property developers

All principal subsidiaries are registered and operate in England and Wales.

Joint ventures
At 30th November 2007 the joint ventures were:

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

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

Associated companies:
During the year ended 30th November 2007 the company disposed of its entire shareholding in Northern Racing PLC, realising a profit of £6.7m.

G DEBTORS

	2007 £m	2006 £m
Trade debtors	**0.2**	0.1
Amounts due from subsidiaries	**380.9**	252.3
Amounts due from joint venture and associated companies	**2.8**	6.8
Other debtors	**11.9**	33.2
Prepayments and accrued income	**1.2**	0.7
Derivative financial instruments*	**2.0**	1.8
Deferred tax asset (see note (J))	**1.2**	1.7
	400.2	296.6

* Included in this amount is £nil (2006: £1.2m) which is due in more than one year.

H CREDITORS

	2007 £m	2006 £m
Amounts falling due within one year:		
Bank overdraft	**24.8**	19.5
Amounts due to subsidiaries	**103.3**	80.1
Amounts due to joint venture and associated companies	**4.2**	0.2
Other tax and social security	**0.1**	—
Other creditors	**0.5**	0.1
Accruals and deferred income	**13.7**	13.9
Derivative financial instruments	**1.2**	0.3
	147.8	114.1

	2007 £m	2006 £m
Amounts falling due after more than one year:		
Bank loans	**227.4**	127.1
Accruals and deferred income	**1.4**	—
	228.8	127.1

All bank borrowings are secured by a fixed charge over the property assets of the company and its subsidiaries.

I BORROWINGS

The maturity profile of the bank borrowings is as follows:

	2007 £m	2006 £m
Less than one year	**24.8**	19.5
One to two years	**—**	—
Two to five years	**211.0**	114.4
More than five years	**16.4**	12.7
Total	**252.2**	146.6

The bank borrowings can be further analysed as follows:

	2007 £m	2006 £m
Wholly repayable within five years	**235.8**	133.9
Not wholly repayable in five years	**16.4**	12.7
	252.2	146.6

J DEFERRED TAXATION

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided		Unprovided	
	2007 £m	2006 £m	2007 £m	2006 £m
Capital allowances in excess of depreciation	**1.0**	1.0	**—**	—
Other timing differences	**(2.2)**	(2.7)	**—**	—
Revaluation of properties	**—**	—	**—**	(0.1)
	(1.2)	(1.7)	**—**	(0.1)

Reconciliation of movement on deferred tax asset included in debtors

	£m
Balance as at 30th November 2006	(1.7)
Profit and loss account	0.5
Balance as at 30th November 2007	**(1.2)**

Reconciliation of deferred tax liability included in pension scheme asset

	£m
Balance as at 30th November 2006	0.8
Profit and loss account	0.1
Statement of total recognised gains and losses	(0.9)
Balance as at 30th November 2007	**—**

K SHARE CAPITAL

		2007 £m	2006 £m
Authorised:			
Equity share capital			
50,000,000	Ordinary 10p shares	**15.0**	15.0
Allotted and fully paid:			
Equity share capital			
120,773,954	Ordinary 10p shares	**12.1**	12.1

See note 2d of the group financial statements for details of outstanding options to acquire ordinary shares.

L RESERVES

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account £m	Own shares £m
At 30th November 2006	9.1	0.3	259.0	123.5	(0.8)
Surplus on revaluation of investments (note F)	—	—	55.5	—	—
Retained (loss)/profit for the year (note B)	—	—	—	(12.8)	—
Net share additions	—	—	—	—	0.1
Dividends paid (note D)	—	—	—	(12.9)	—
Actuarial gain on pension scheme (note M)	—	—	—	(3.3)	—
Movement on deferred tax relating to pension asset (note J)	—	—	—	0.9	—
At 30th November 2007	**9.1**	**0.3**	**314.5**	**95.4**	**(0.7)**

'Own shares' represents the cost of 137,854 (2006: 167,306) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2007 was £584,501 (2006: £951,971).

M PENSIONS

The company's pension schemes are the principal pension schemes of the group and details are set out in note 19 of the consolidated financial statements. The directors are satisfied that this note, which contains the required IAS 19 "Employee Benefits" disclosures for the group, also covers the requirements of FRS 17 "Retirement Benefits" for the company.

N OPERATING LEASE COMMITMENTS

Operating lease commitments where the company is the lessee

Annual commitments under non-cancellable operating leases are as follows:

	2007		2006	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Operating leases which expire:				
In one year or less	**—**	**0.1**	—	0.1
Between one and five years	**0.3**	**0.4**	0.3	0.4
	0.3	**0.5**	0.3	0.5

O CONTINGENT LIABILITIES

The company has a joint and several unlimited liability with Vinci PLC and the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited.

The company is also party to a joint and several guarantee to Fortis Bank in respect of the performance of Sowcrest Limited which is limited to £18.4m.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. MODWEN PROPERTIES PLC

We have audited the parent company financial statements of St. Modwen Properties PLC for the year ended 30th November 2007 which comprise the Company balance sheet and the related notes A to O. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of St. Modwen Properties PLC for the year ended 30th November 2007 and on 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Report of the Directors is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company'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 parent company financial statements 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30th November 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
8th February 2008

FIVE YEAR RECORD

	2003 £m	2004 £m	2005 £m	2006 £m	**2007** **£m**
Rental income*	42.5	44.3	45.2	40.3	**34.9**
Property profits*	25.2	34.0	39.3	44.6	**54.5**
Revaluation surplus*	14.5	26.1	44.9	55.6	**62.8**
Pre-tax profits†	47.5	64.3	82.9	96.9	**100.1**
Earnings per share (pence)	31.2	41.5	55.4	61.6	**73.3**
Dividends paid per share (pence)	6.6	7.6	8.8	10.2	**11.7**
Dividend cover (times)	4.7	5.5	6.3	6.0	**6.3**
Net assets per share (pence)	175.5	219.8	268.3	322.8	**387.3**
Increase on prior year	15%	25%	22%	20%	**20%**
Net assets employed					
Investment properties	266.5	454.2	481.2	736.4	**846.9**
Investments	38.1	49.9	68.5	77.9	**75.4**
Inventories	77.5	48.1	36.1	65.9	**209.3**
Other net liabilities	(35.1)	(59.4)	(54.0)	(237.5)	**(262.0)**
Net borrowings	(135.0)	(227.3)	(207.8)	(252.9)	**(401.9)**
Net assets	212.0	265.5	324.0	389.8	**467.7**
Financed by					
Share capital	12.1	12.1	12.1	12.1	**12.1**
Reserves	198.2	252.2	308.7	373.7	**446.8**
Own shares	(1.3)	(1.9)	(0.4)	(0.8)	**(0.7)**
Minority interests	3.0	3.1	3.6	4.8	**9.5**
	212.0	265.5	324.0	389.8	**467.7**

* Including share of joint ventures.

† Including post-tax profit of joint ventures.

Figures prior to 30th November 2004 are restated on an IFRS basis, but do not reflect the reclassification of certain work in progress assets.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixty-seventh Annual General Meeting of St. Modwen Properties PLC will be held at noon on Friday, 28th March 2008 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 2007.
2. To declare a final ordinary dividend of 7.8p per share.
3. To re-elect as directors:
   i. William Oliver
   ii. John Salmon
   iii. Mary Francis
   iv. Christopher Roshier
4. To reappoint Deloitte & Touche LLP as auditors and to authorise the directors to determine their remuneration.
5. To approve the directors' remuneration report contained on pages 55 to 61.

Special Business

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

6. **Ordinary Resolution**
   That the authority to pay non-executive directors' fees in accordance with Article 112.1 of the company's Articles of Association be and is hereby increased so that such fees paid in the aggregate to all non-executive directors shall not in any year exceed the sum of £600,000, and such maximum shall be increased on each anniversary of the date of adoption of this resolution by the movement in the Retail Prices Index.
7. **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 26th June 2009 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.
8. **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 26th June 2009 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.
9. **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 26th June 2009 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

Jon Messent
Secretary
8th February 2008

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

Notes

a) Deloitte & Touche 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.

b) The level of aggregate fees for non-executive directors was last revised at the company's Annual General Meeting in 2004. Given the increase in fees awarded in the intervening period, and given the change to non-executive status of Anthony Glossop, the level of aggregate fees permitted requires to be increased to £600,000.

c) 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 7, 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 8, 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 26th June 2009 if earlier) when the directors intend to seek renewal of the authorities.

d) Renewal of the authority for the company to purchase certain of its own shares (Resolution 9).
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.

e) 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.

f) Copies of the contracts of service between the company and Mr C.C.A. Glossop, Mr W.A. Oliver, Mr S.J. Burke and Mr T.P. 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.

g) 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 p.m. on Wednesday 26th March 2008 (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.

h) 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 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 approprate 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 to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received b 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 CRESR Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CRESR 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 prcocedures in CREST for any particula messages. Norma system timings and limitations will therefore appli 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 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) of the Uncertificated Securities Regulations 2001.

(i) Multiple Corporate Representatives

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that

1. If a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

2. If more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk- for further details of this procedure.

(j) Multiple Proxy appointment

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

2. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars helpline on 0871 384 2198 or you may photocopy the form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

GLOSSARY OF TERMS

Annualised net rents are gross rents as at a reporting date plus, where rent reviews are outstanding, any increases to estimated rental value (as determined by the group's external valuers), less any ground rents payable under head leases.

BREEAM – Building Research Establishment Environmental Assessment Method – an industry-wide system of standards to assess sustainable developments and measure the environmental impact of buildings.

Capital allowances deferred tax provision – In accordance with IAS 12, full provision has been made for the deferred tax arising on the benefit of capital allowances claimed to date. However, in the group's experience, the liabilities in respect of capital allowances provided are unlikely to crystallise in practice and are therefore excluded when arriving at EPRA NAV.

Community interest company is a limited company conducting a business or other activity for community benefit, not purely for private advantage. The assets and profits are dedicated to community purposes.

Compulsory purchase order (CPO) is the compulsory acquisition of land by a planning authority, undertaken in the public interest and with pre-defined timescales and compensation arrangements.

CSR — corporate and social responsibility.

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

EPRA net asset value (EPRA NAV) is the balance sheet net assets, excluding fair value adjustments for debt and related derivatives, deferred taxation on revaluation and capital allowances.

EPRA net assets per share is EPRA net assets divided by the diluted number of shares at the period end.

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

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based on the timing of the income received.

Gearing is the level of the group's bank borrowing (excluding finance leases) expressed as a percentage of net assets.

Hopper is the bank of property comprising all of the land under the group's control, whether wholly owned or through joint ventures or development agreements.

IFRS – International financial reporting standards.

Initial yield is the annualised net rent expressed as a percentage of the valuation.

Interest cover is the number of times group net interest payable is covered by profit before interest and taxation.

IPD is the Investment Property Databank Ltd., a company that produces an independent benchmark of property returns.

Knock-out options are interest rate swap contracts in which the bank has the right to terminate at a fixed point during the contract.

Market value is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the group's external valuers).

In accordance with usual practice, the group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Marshalling is the process of progressing projects through planning and development.

Net rental income is the rental income receivable in the period after payment of ground rents and net property outgoings.

Pre-sold projects are those projects where we are constructing buildings that have been specified by, and designed for, or adapted by, a specific client under a specific construction contract. On such projects, profit is recognised using the stage completion method.

Property profits includes profits made on sales of investment properties, properties held for sale and properties under construction.

Rent roll is the gross rent plus rent reviews that have been agreed as at the reporting date.

Return on equity – A key performance indicator, measuring profit after tax as a percentage of average equity.

Section 106 agreements are legally binding agreements reached with local planning authorities under S106 of the Town and Country Planning Act 1990. They address the impact of proposed developments on the local community and often involve a financial contribution by the developer.

Voids is the estimated rental value of vacant properties expressed as a percentage of the total estimated rental value of the portfolio, excluding development properties.

Weighted average debt maturity – Each tranche of group debt is multiplied by the remaining period to its maturity and the result is divided by total group debt in issue at the period end.

Weighted average interest rate is the group loan interest and derivative costs per annum at the period end, divided by total group debt in issue at the period end.

SHAREHOLDER INFORMATION

Financial Calendar	
Record date for 2007 final dividend	14th March 2008
Annual General Meeting	28th March 2008
Payment of 2007 final dividend	4th April 2008
Announcement of 2008 interim results	July 2008
Payment of 2008 interim ordinary dividend	September 2008
Announcement of 2008 final results	February 2009

Ordinary Shareholdings at 30th November 2007

	Shareholders		Shareholders	
	No.	%	No.	%
By shareholder				
Directors and connected persons	31	0.6	39.7	32.9
Individuals	3,970	81.8	24.2	20.0
Insurance companies, nominees and pension funds	740	15.3	54.8	45.4
Other limited companies and corporate bodies	110	2.3	2.0	1.7

	Shareholders		Shares	
	No.	%	No.m	%
By shareholding				
Up to 500	1,304	26.9	0.3	0.3
501 to 1,000	927	19.1	0.7	0.6
1,001 to 5,000	1,755	36.2	4.0	3.4
5,001 to 10,000	371	7.6	2.7	2.2
10,001 to 50,000	333	6.9	7.1	5.9
50,001 to 100,000	52	1.1	3.8	3.2
100,001 to 500,000	69	1.4	14.5	12.0
500,001 to 1,000,000	17	0.3	12.9	10.6
1,000,001 and above	23	0.5	74.7	61.8

Principal institutional shareholders at 30th November 2007

	Shares	
	No. (m)	%
ING Investment Management	9.7	8.0
Scottish Widows	5.3	4.4
Thames River Capital	4.4	3.7
Legal & General Investment Management Limited	4.0	3.3
M & G Investment Management Limited	2.6	2.2
Dimensional Fund Advisers	2.4	2.0
Barclays Global Investors Limited	1.9	1.6
Henderson Global Investors	1.8	1.5
ABP Investments	1.5	1.3
AXA Framlington Investment Management Limited	1.4	1.2
Brewin Dolphin	1.2	1.0
Smith & Williamson	1.2	1.0
The Clarke and Leavesley families and trusts together hold	51.4	42.5

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Equiniti Registrars

Stockbrokers
Landsbanki Securities (UK) Limited

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TRENTHAM ▲
ONE OF CHARLES BARRY'S ITALIANATE PAVILIONS AND HIS BALUSTRADE, FAITHFULLY RESTORED AS PART OF THE TRENTHAM GARDENS PROJECT

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