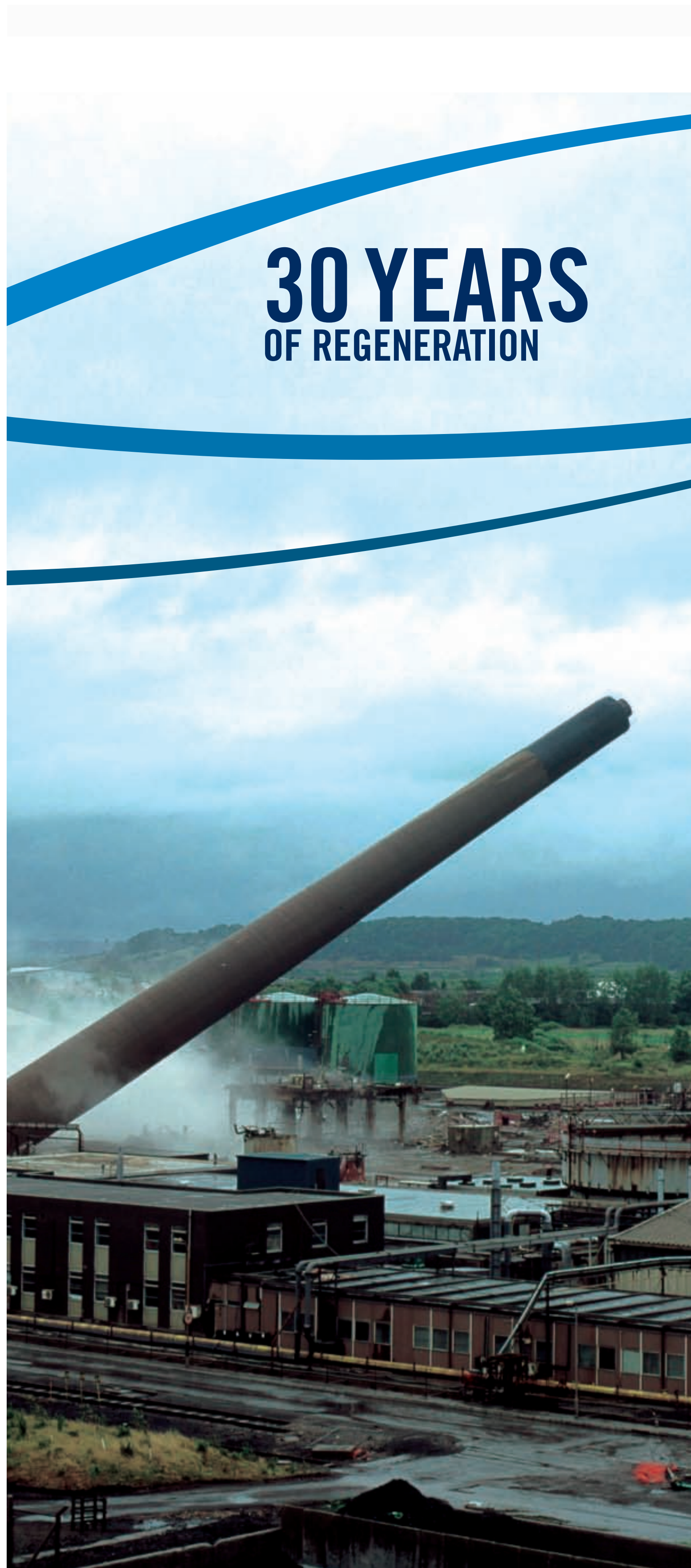
ST. MODWEN PROPERTIES PLC

ANNUAL REPORT 2009

THE UK'S LEADING REGENERATION SPECIALIST

WELCOME TO ST. MODWEN



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COVER PICTURE
RAF Northholt Support Wing — some of the 600,000 sq. ft of new accommodation provided for the MoD by Project MoDEL.

HIGHLIGHTS OF 2009

TRADING PROFIT*

£8.4m

(2008: £19.5m)

Despite another difficult year we continue to make a trading profit.

NET ASSETS PER SHARE

200p

(2008: 251p†)

After adjusting for the effect of the equity issue, our net asset value declined by 20%.

DEVELOPABLE ACRES

5,604

(2008: 5,020)

Our Hopper increased by 12%, and we delivered a strong flow of new planning consents.

GEARING

80%

(2008: 105%)

Gearing reduced as a result of the equity issue and a positive operational cash flow.

* Trading profit — excludes non-cash items such as revaluations and mark-to-market adjustments. The statutory loss for the year was £101.7m (2008 : £50.7m).

† Adjusted for equity issue in the year.

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

OUR STRATEGY

THE COMPANY'S STRATEGY IS TO ADD VALUE TO ALL ASSETS IT HOLDS 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.

ST. MODWEN AT A GLANCE

WE ARE THE LEADER IN REGENERATION

We are the UK's leading regeneration specialist and are proud to have built up over 30 years of experience in this field. During this time, we have amassed a land bank of over 5,600 developable acres and have transformed the UK landscape via thoughtfully planned sustainable communities, mixed use and town centre schemes, district centres and business and employment developments.

WE ARE A SAFE PAIR OF HANDS

Our varied portfolio of over 160 development projects covers the entire property spectrum which means we are not over exposed to a single scheme, tenant or sector. At the same time, our highly skilled in-house team ensures we can handle complex planning and marshalling issues and deliver high quality solutions for a wide variety of stakeholders.

WE ARE FINANCIALLY SECURE

Following this year s successful equity raising we are operating from a strong financial position. We have modest gearing and sufficient headroom within our banking facilities to ensure that we are well positioned to seize appropriate opportunities to add to our Hopper. Throughout the downturn we have continued to complete innovatively structured deals, which will form the basis of future years' profitability.

WE MAKE A POSITIVE DIFFERENCE

Our schemes act as the catalyst for wide scale comprehensive regeneration in the areas that need it the most. With each development we seek to leave a legacy by providing the right physical and economic infrastructure where businesses and communities can evolve and develop.

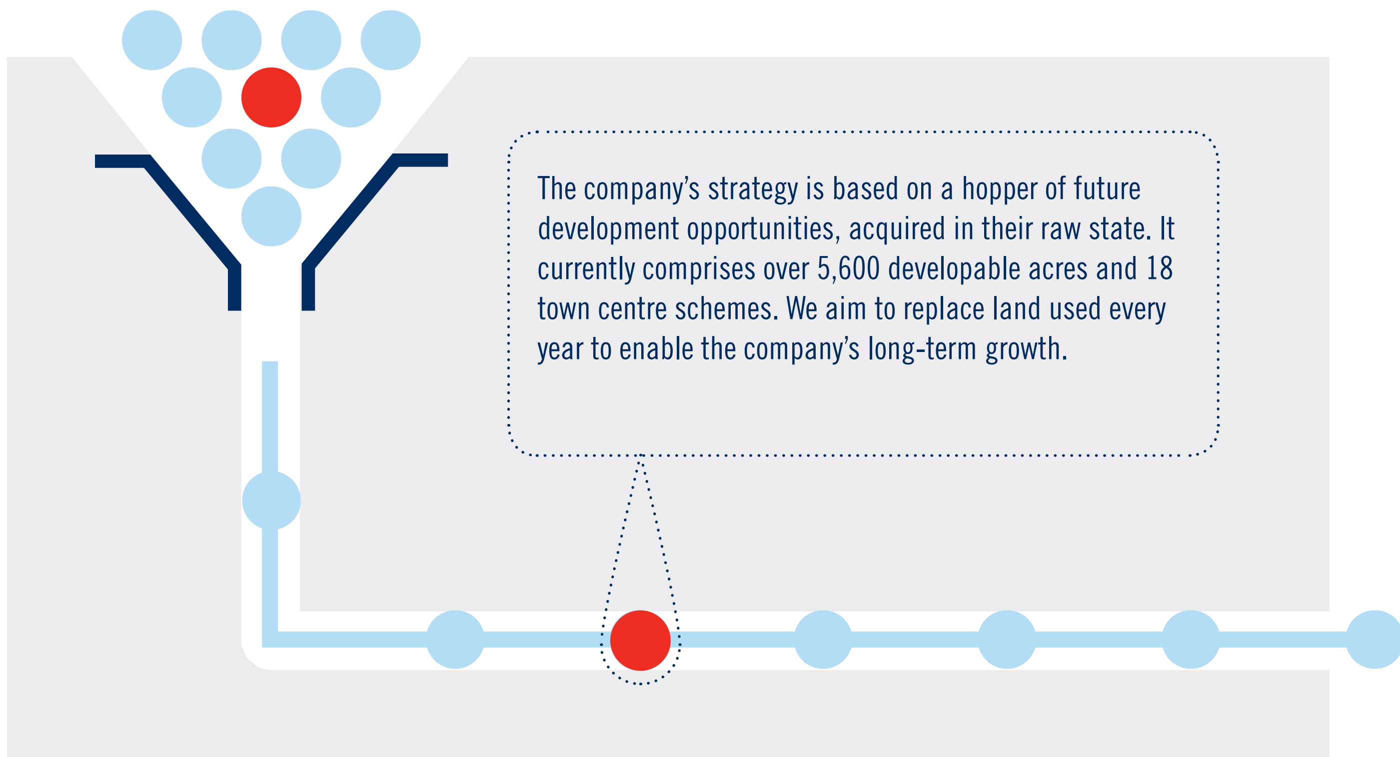
Across our portfolio, we have remediated and reclaimed millions of tonnes of soil and continue to employ the most technically advanced, environmentally friendly techniques to transform brownfield sites into green and thriving communities.

WE HAVE AN EXTENSIVE PORTFOLIO

We are active in all sectors of the property market, and have a strong presence across the UK. We are currently one of the few developers actively progressing with works on site, and have a number of major projects emerging from our extensive Hopper, which comprises:

- Over 5 million sq ft of retail space, with 25 schemes, of which 18 are town centre projects.
- Over 23 million sq ft of industrial and warehousing space.
- Over 6.5 million sq ft of office accommodation.

STAGE 1
THE HOPPER



The company's strategy is based on a hopper of future development opportunities, acquired in their raw state. It currently comprises over 5,600 developable acres and 18 town centre schemes. We aim to replace land used every year to enable the company's long-term growth.

FESTIVAL PARK & ETRURIA VALLEY, STOKE-ON-TRENT

PROJECT FOCUS: STAGE 1

The 305 acre former steel works and spoils tip site was acquired in four phases since 1988.

The first phase, our first major acquisition in North Staffordshire, was the 165 acre former National Garden Festival site which had been reclaimed for the Festival use following the closure of steel production in 1979.

The second phase, Festival Heights, completed in 2000. This 30 acre site was assembled from over 40 owners. The remediation works involved reclamation of a derelict greyhound stadium site and domestic refuse tip, utilising innovative treatment methods for landfill gas.

The last two phases, involved the acquisition of the remainder of the steelworks site, including the 500,000 sq ft rolling mill (which closed in 2000) to create the 115 acre Etruria Valley development in a joint venture with Corus.

STAGE 2
MARSHALLING

Our development and construction team, supplemented with skilled external professionals, has a proven track record in marshalling a wide range of projects through the complex and lengthy planning processes. We have particular expertise in site assembly, assessing and managing remediation risks, master planning and undertaking public consultation.

FESTIVAL PARK & ETRURIA VALLEY, STOKE-ON-TRENT

PROJECT FOCUS: STAGE 2

Significant reclamation and infrastructure works have been required to prepare for development, including three miles of roads, a fly-over and a new junction on the A53, and the construction of a canal bridge. The remediation of Etruria Valley required the demolition of the rolling mill and removal of approximately 750,000 sq ft of buried foundations including five blast furnaces over seven years. Over 95% of the 2.5 million tonnes of demolition materials were recycled and re-used on site.

The planning permissions that were secured enabled the regeneration of the sites into Stoke-on-Trent's most important mixed-use business park.

Another 65 acres remains available for further development, which is currently progressing through the masterplanning process and will provide a mix of commercial and residential opportunities.

STAGE 3
DELIVERY

Once marshalled, schemes are built-out or the land sold in response to market conditions. 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.

FESTIVAL PARK & ETRURIA VALLEY, STOKE-ON-TRENT

PROJECT FOCUS: STAGE 3

The development of Festival Park, together with the latest phases of Etruria Valley, has so far provided an investment of over £185 million and over 6,000 jobs in the area.

The successful and thriving mixed-use development includes over 400,000 sq ft of retail warehouses and supermarket, over 450,000 sq ft of offices, a four star 150 bedroom hotel, over 280,000 sq ft of industrial and trade park accommodation and over 100 new dwellings.

Etruria Valley 2009 highlights include:

- An 80,000 sq ft contact centre for Vodafone (pictured) – employing over 1,100 people.
- A new 9,900 sq ft head office for Hanley Economic Building Society.
- A new 35,900 sq ft factory for Wade Ceramics Ltd (completed January 2010).

REGIONAL PRESENCE

ST. MODWEN IS THE UK'S LEADING REGENERATION SPECIALIST. WE OPERATE THROUGH A NETWORK OF REGIONAL OFFICES IN ALL SECTORS OF THE PROPERTY INDUSTRY. THESE REGIONAL OFFICES ENABLE THE COMPANY TO MANAGE PROJECTS EFFECTIVELY AND UNDERSTAND LOCAL NEEDS.

NORTH WEST

01 NEWTON-LE-WILLOWS
– Vulcan Works

02 GLASGOW
– Pegasus Business Park
– Springburn

03 PRESTON
– Channel Way

04 BLACKBURN
– Evolution Park

05 SKELMERSDALE
– Town Centre

06 ECCLES
– Lankro Way

07 WIGAN
– Enterprise Park

08 MANCHESTER
– Wythenshawe
– Trafford Park
– Openshaw

09 LIVERPOOL
– East Lancs Road
– Great Homer Street

10 WIDNES
– Economic Development Zone
– Town Centre

11 WARRINGTON
– Trident Business Park

12 PRESCOT

13 CONNAH'S QUAY

14 ELLESMERE PORT

15 BURNLEY

YORKSHIRE & NORTH EAST

16 DARLINGTON
– Whessoe Road

17 SUNDERLAND

18 HULL
– Melton Park

19 DONCASTER
– Worcester Avenue
– Parkside

20 LINCOLN

NORTH STAFFORDSHIRE

21 STOKE-ON-TRENT
– Festival Park & Etruria Valley
– The Trentham Estate & Gardens
– Trentham Lakes
– Fenton 25

22 STONE
– Meaford Business Park

MIDLANDS

23 DERBY
– Hilton Depot

24 STAFFORD
– Lichfield Road
– St. Leonard's

25 BURTON-UPON-TRENT
– Barton Business Park

26 WOLVERHAMPTON
– Goodyear

27 TELFORD
– Brockton Business Park
– Queensway Business Park

28 WALSALL
– St. Matthew's Quarter
– Walsall Enterprise Park

29 BIRMINGHAM
– Washwood Heath
– Quinton Business Park

30 LONGBRIDGE

31 RUGBY
– Mill Road
– Newbold Road

32 WORCESTER
– Shrub Hill Industrial Estate
– Blackpole Trading Estate
– Great Western Business Park
– Gregorys Bank

33 STRATFORD-UPON-AVON
– Long Marston

34 COVENTRY
– Whitley Business Park

35 C
– Hednesford Town Centre

SOUTH WEST & SOUTH WALES

36 GLOUCESTER
– Quedgeley Business Park

37 NEWPORT, GWENT
– Glan Llyn (Llanwern)
– Celtic Business Park

38 DURSLEY, GLOS
– Littlecombe

39 AVONMOUTH, BRISTOL
– Access 18

40 TAUNTON
– Langford Mead
– Firepool

41 NEATH
– Coed Darcy

42 EXETER
– Skypark

43 PORT TALBOT
– Baglan Bay

44 WESTON SUPER MARE
– Westlands
– Locking Parklands

NORTHERN HOME COUNTIES

45 CRANFIELD
– Technology Park

46 BEDFORD
– Thurleigh Airfield
– Town Centre

47 ENFIELD
– Edmonton Green Town Centre

48 MILTON KEYNES
– Stratford Road

49 HATFIELD
– Town Centre

50 LETCHWORTH
– Letchworth Business Park

51 HEMEL HEM
– Maxsted Park

LONDON & SOUTH EAST

52 MILL HILL
– Inglis Barracks

53 STANMORE
– RAF Bentley Priory

54 UXBRIDGE
– RAF Uxbridge

55 THURROCK
– South Ockendon

56 LONDON
– Catford
– Elephant & Castle
– Leegate
– Wembley Central
– Hounslow

57 WOKING
– The Planets

58 BRIGHTON
– Woodingdean

59 BASINGSTOKE
– The Malls

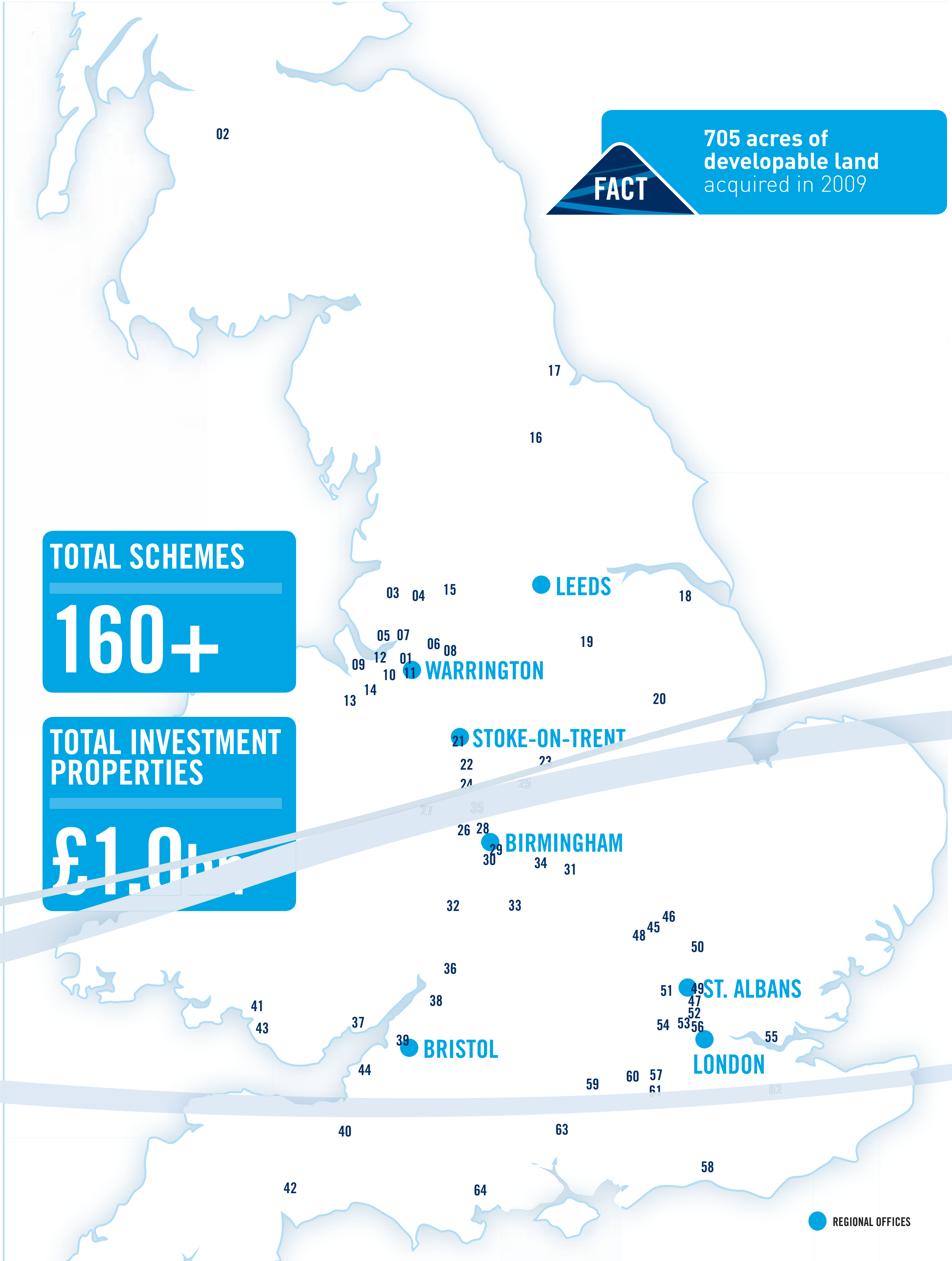
60 FARNBOROUGH
– Town Centre

61 GUILDFORD
– Henley Industrial Estate

62 YALDING
– Syngenta

63 EASTLEIGH
– Campbell Road

64 POOLE
– Discovery Court


705 acres of developable land acquired in 2009
FACT
TOTAL SCHEMES
160+
TOTAL INVESTMENT PROPERTIES
£1.0
LEEDS
WARRINGTON
STOKE-ON-TRENT
BIRMINGHAM
ST. ALBANS
BRISTOL
LONDON
REGIONAL OFFICES
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BUSINESS REVIEW

"WE ARE NOW BEGINNING TO SEE IMPORTANT SIGNS OF IMPROVEMENT"

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CHAIRMAN'S STATEMENT

I am pleased to report that the property market is showing some signs of recovery, and that your company is in good condition to benefit from this. Our finances are in good shape, our Hopper is full of opportunities, and we are beginning to find attractively-priced acquisitions.

Over the past twelve months, we have worked extremely hard to strengthen the company's position.

- We have refinanced the business with an issue of new equity.
- We have renegotiated and improved the covenants on our banking facilities.
- We have generated positive operational cash flow through a judicious programme of asset sales and a careful control of development expenditure.
- We have succeeded in delivering a trading profit* and have made real progress in our asset management activities.
- We have continued to marshal our schemes successfully through the planning process to ensure a pipeline of future activity and added value.
- We have preserved our core team throughout the downturn, and have consequently retained all of our key capabilities, undiminished.

St. Modwen's reputation as the UK's leading regeneration specialist has, if anything, been enhanced by our ability to continue to deliver schemes throughout this downturn. We are now looking forward to a gradual return to a more normal level of activity in our major markets.

Anthony Glossop
Chairman

RESULTS

Despite another extremely difficult year, we made a trading profit* of £8.4m (2008: £19.5m). We also generated a positive operational cash flow, and reduced gearing from 105% to 80%.

However, including revaluations and other non-cash items, we incurred a loss after tax for the year of £101.7m (2008: £50.7m). This loss was principally (£80.6m) incurred in the first half of the year, since when market conditions and the company's performance have significantly improved.

After adjusting for the effect of the equity issue, our net asset value declined by 20% to 200p per share (2008: 251p†).

TRADING AND VALUATIONS

The broad range and regional spread of our activities has enabled us to continue to find business even in difficult market conditions. We achieved property sales of £101m, and have steadily reduced our stock of unoccupied completed buildings.

However, compared with recent years, we have had a very low level of development activity. This, together with the absence of any meaningful cash flow from our residential land disposal programme, has placed more emphasis on the asset management aspect of our business. One long-term strategic objective has always been for our recurring income to be sufficient to cover the running and financing costs of the business. This year that has proved particularly valuable. Our team improved the rental income from our portfolio, in very challenging conditions.

Our valuations at 30th November 2009 represent what I hope is the end of a long period of adverse sentiment in the real estate investment market. The results for the year include a negative yield shift on average of 1.4%. The value of our commercial land has been reduced to reflect the lower values of the developments that will be undertaken on the land. The valuation of our residential land was also reduced significantly in the first half of the year, to reflect the depressed housing market. It is encouraging to note, however, that in this area at least, values had stabilized by the year end and no further write-down was required on our residential land in November. This is evidenced by four residential land sale transactions that we currently have in solicitors' hands, all for prices at or above November carrying values.

Throughout the period of market price deterioration, our strategy of constantly seeking to add value has helped to mitigate the unavoidable market value write-downs. During the year we achieved a number of important planning consents and advanced the status of several of our key schemes. Market related adjustments of £134m this year (2008: £129m) were offset

by added value gains arising from our marshalling and asset management activities of £27m (2008: £65m). Following these additional consents, we now have more than 20,000 residential plots with planning recognition in our Hopper, and the recovery of the residential market will make an important contribution to the company's future returns.

FINANCING

In May we announced a refinancing of the business, comprising new banking covenants and a Firm Placing and Placing and Open Offer of new shares. I was very pleased with the positive reaction to the equity issue, which attracted a number of significant new investors and which raised £101.6m net of costs. This new equity finance, together with the relaxation of our banking covenants, enabled us both to reduce our gearing levels and to continue to operate well within our banking covenants despite the prolonged and significant fall in property values.

DIVIDEND

Your board is not recommending a final dividend for the year, as we believe that the funds are currently better used in the operations of the business. We anticipate resuming the payment of dividends when we are once again generating net asset value increases.

STRATEGY

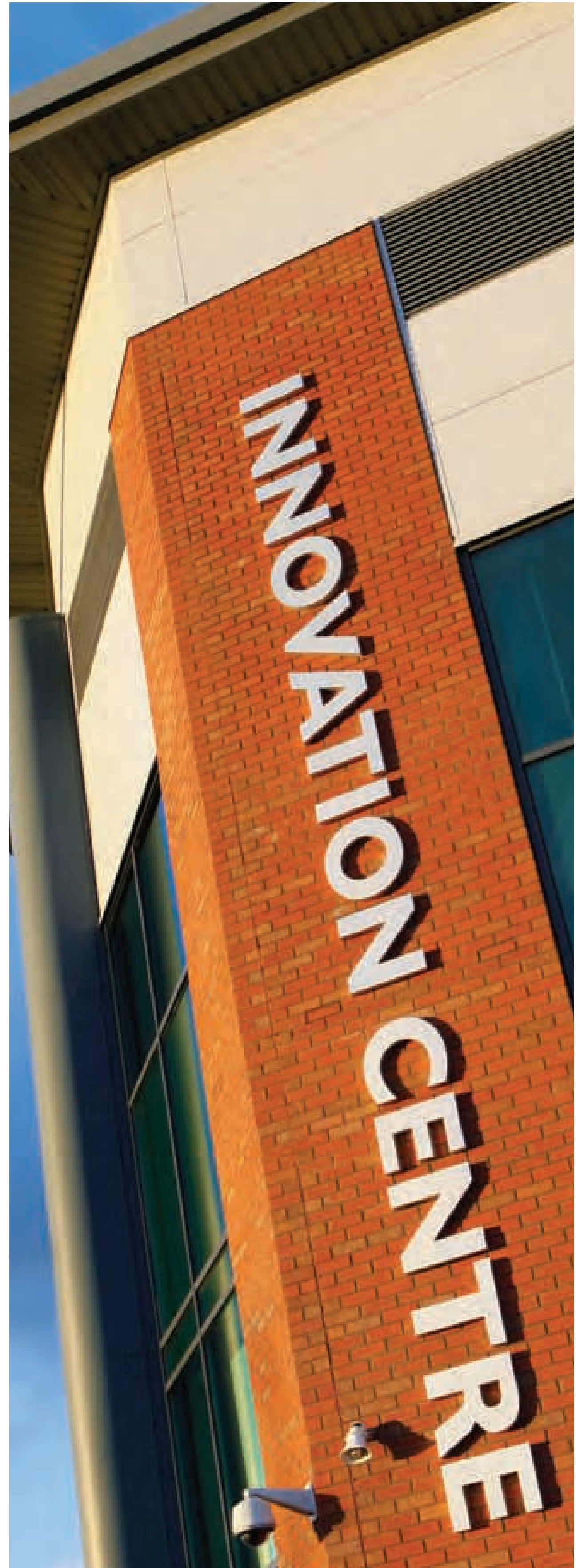
The economic downturn caused us to examine closely our business model and strategy; and I am pleased to say that they have not been found wanting.

We have therefore been able to adapt our activities to suit the changing conditions, scaling-back speculative schemes, but continuing to marshal sites for development on the back of pre-let or pre-sold opportunities. We have also continued to dispose of those mature assets to which we can add no further significant value. We have been able to nurture our recurring income (which now amounts to £43m per annum), by letting voids, by offering flexibility and value for money to tenants, and by retaining those income-producing assets where we felt that investment prices achievable could be improved. The broad range and regional spread of our business ensured that, whatever activity there was in the market, we have been able to respond to it.

All of this is a strong reaffirmation of our Hopper strategy, which now embraces more than 5,600 acres: regionally structured, prudently financed, with the emphasis on value creation and diversification.

Therefore, despite our focus on cash generation, we have continued to seek, and to find, long-term opportunities for the Hopper. Our acquisition of an extensive portfolio from BP, following on from last year's acquisition of their Llandarcy oil refinery, is a good example

BELOW
The £6 million Innovation Centre at Longbridge welcomed 11 new occupiers in 2009 and is now almost 100% let.



CHAIRMAN'S STATEMENT CONTINUED

of the excellent opportunities we are finding. The acquisition, which was undertaken after considerable due diligence, includes 566 acres of developable land. It will be self-financing and will have a 20-year development horizon that will enable the company to utilise fully its brownfield land remediation expertise. We also made other significant acquisitions at Exeter, Taunton and Doncaster, adding a total of 139 acres of developable land, at a total cost of £13m.

Looking ahead, I remain confident that St. Modwen's strategy is valid in the long-term, and will give us the opportunity to provide sector-leading returns to shareholders once again.

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 made.

We are currently in the process of making a number of changes to the composition of the board, as we continue to implement our long-term board succession strategy.

During the year Christopher Roshier and Mary Francis both stepped down as non-executive directors: Christopher, having completed 22 years' service, including a long spell as chairman of the Audit Committee and Senior Independent Director; and Mary, having completed 4 years' service, for most of which she was chairman of the Remuneration Committee.

At the forthcoming Annual General Meeting, Paul Rigg will also step down as non-executive director, having completed 6 years' service.

I would like to thank them all for the valued contribution that they have made to the guidance of the company during their time with us.

We have been fortunate to find excellent replacements in Katherine Innes Ker and Lesley James, the latter of whom has taken the chair of the Remuneration Committee.

We have also recruited Reeta Stokes as Company Secretary, assuming the role previously covered on a temporary basis by Tim Haywood, our Finance Director.

With these changes successfully implemented, and the board duly strengthened, the next steps in our non-executive succession strategy are to seek appropriate candidates for the roles of Chairman and Senior Independent Director, in time for my retirement and that of Ian Menzies-Gow in 2011. Ian and I will work to ensure that the process is seamless and that the board will continue to function as robustly and effectively as ever during this period of transition.

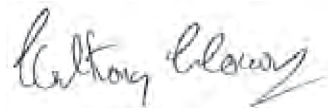
PROSPECTS

Property market prospects still remain uncertain. The economy may be slowly emerging from recession, but business confidence remains fragile, with continued pressure on rents and occupancy levels.

However, St. Modwen is well prepared for such conditions: our financial position is sound; our business model will increasingly create value; and we are in a good position to seize attractive opportunities to add further to the Hopper.

As yet our portfolio has not seen the resurgence in values experienced in other parts of the property market. But nevertheless I believe that we are now beginning to see important signs of improvement.

I am confident that 2010 will see the company returning to growth in profits and NAV.

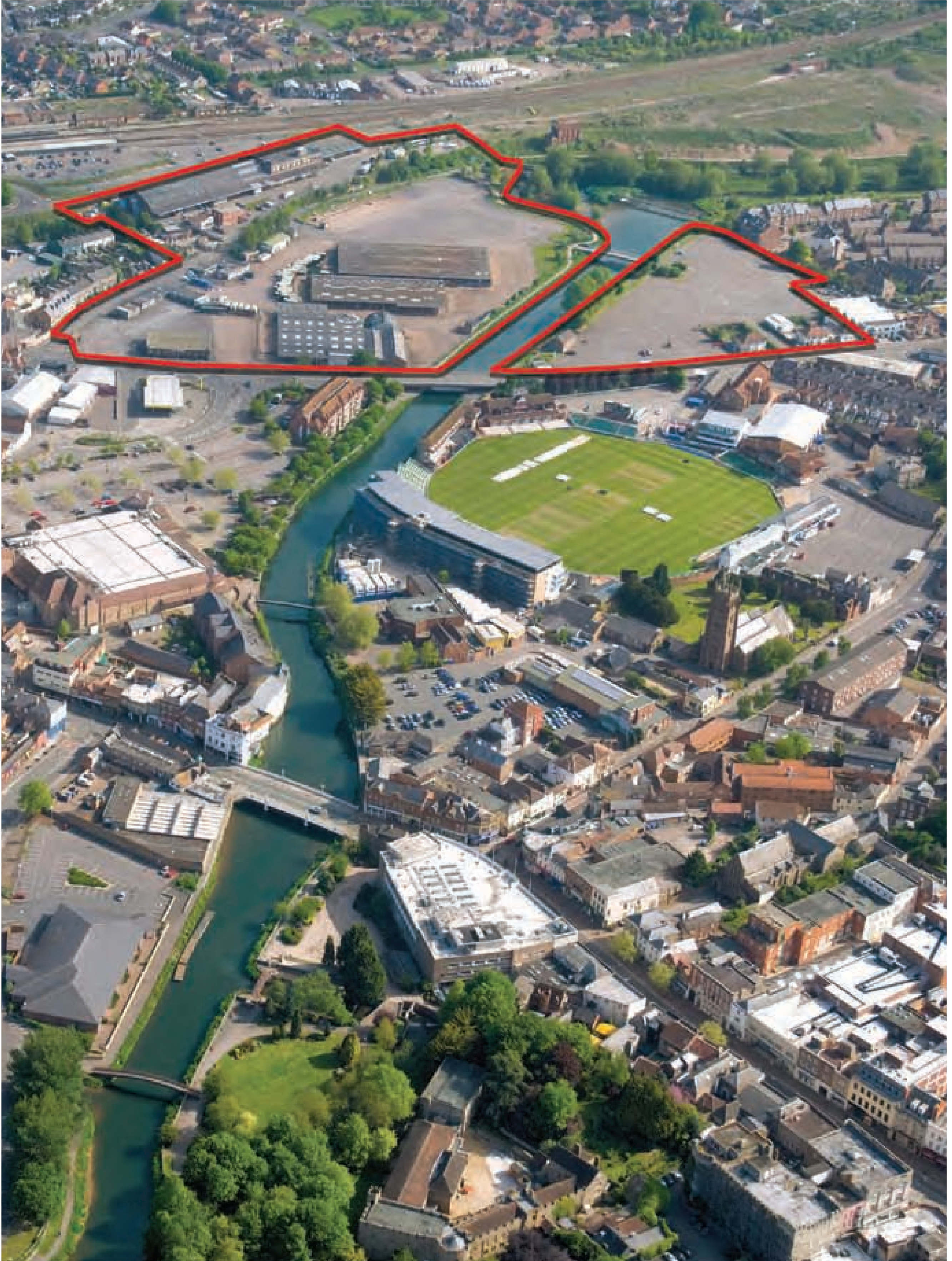


Anthony Glossop
Chairman
5th February 2010

* trading profit — excludes non-cash items such as revaluations and mark-to-market adjustments

† net asset value per share — adjusted as if the equity issue had taken place on 1st December 2007

BELOW
In April 2009, St. Modwen was selected as preferred developer for the £270 million regeneration of Firepool in Taunton.



BUSINESS REVIEW

OUR MARKET

St. Modwen is proud to be recognised as the UK's leading regeneration specialist, delivering complex schemes throughout the country and within all sectors of the property market.

Over the past two years we have experienced some of the worst property market conditions for decades. There has been a widespread lack of confidence and activity amongst housebuilders and commercial property occupiers, who are key to the profitability and growth of our business. There has also been a well-documented valuation crisis, which together with a shortage of bank finance has restricted investor appetite and triggered a rapid and significant reduction in property values.

It is with some relief that we are able to say that we believe that the worst of these conditions is now behind us. Although we have not seen evidence within our portfolio of the strong recovery of values recently reported for some prime assets, we are achieving transactions that underpin our current valuations. This leads us to believe that future valuation movements are more likely to be positive than negative.

In particular, we are pleased to have agreed four disposals of residential land at sites throughout the country, to a range of housebuilders, at prices at or ahead of our previous carrying values. Before the credit crunch, our residential land disposal programme was a major part of our development activities. With the gradual re-opening of residential markets, we expect to resume that activity and start to re-capture some of the value that has been written off our residential land holdings.

Notwithstanding the depressed state of the economy, we have found a few bright spots within our various markets. In particular, we are currently on site with two sizeable colleges of further education (at Rugby and Longbridge), with two foodstores (at Farnborough, Hampshire and Connah's Quay, Flintshire) and with several significant employment buildings (at Taunton and Stoke-on-Trent). These pre-sold transactions have enabled us to continue to be relatively active and to maintain a degree of momentum with our key strategic projects.

Although we believe that we have now reached the bottom of the cycle, the pace and extent of recovery from this point will be determined mainly by macro-economic factors outside of our control:

- Increasing unemployment and interest rate levels would represent significant threats to occupier and investor confidence.
- Future cuts in public spending may have a negative impact on local government's ability or willingness to support large-scale infrastructure or regeneration projects.

We have experienced extremely challenging markets in the past year, but are pleased that our business model has proved sufficiently robust for us to emerge relatively unscathed and in a strong position to take advantage of improving conditions.

COMPETITIVE AND REGULATORY ENVIRONMENT

In the recessionary post credit crunch market, the lack of readily-available finance has restricted the appetite and ability to compete of many developers. The dislocation of the residential market, combined with falling investment returns, and increasing levels of caution amongst occupiers has undermined the viability of a number of proposed schemes. As a result, development and acquisition activity has fallen to low levels.

Following our refinancing in the summer, we are now able to operate from a position of strength. This new competitive landscape is already beginning to provide us with opportunities, for acquisitions and for renegotiating schemes that have become unviable in present market conditions. We do not see this environment changing markedly in the short to medium-term. Consequently we have been in no rush to use our available funds on any but the most compelling transactions.

Despite this backdrop, the regulatory environment remains restrictive, wasteful and expensive. Planning process reforms have not worked, and the cost and timescale involved in obtaining planning permission continue to escalate with every new initiative, guidance and regulation. However, as one of our key skills is being able to work our schemes through the planning system, the more restrictive the system becomes, the more our skills are needed, and the greater the value that is created by our marshalling activities.

BUSINESS MODEL AND STRATEGY

St. Modwen's underlying purpose is to add value to the properties we control. We do not acquire or retain property unless we believe that we can add significant value to it by asset management, refurbishment or redevelopment.

In a declining market, such as the one we have recently been facing, new and different challenges have arisen, and our business model has been stress-tested to previously unthought-of levels. It is with some satisfaction therefore that we are able to reflect on the past two years, and on the reaffirmation of many long-standing elements of our business model:

- First and foremost our recurring income, generated from an extensive and diversified rent roll, enabled us to continue to operate profitably despite at times the almost total absence of any investment market for our new developments.
- Our long-standing emphasis on value creation enabled us to mitigate the worst effects of the deteriorating property investment market on our portfolio valuations, as we continued to marshal our Hopper through the planning process to extract maximum value.
- Our prudent approach to financing and excellent relationships with our key banks enabled us to address covenant issues proactively and at a realistic cost.

BELOW
The 62,000 sq ft Sainsbury's foodstore which was completed during the year as part of the redevelopment of Farnborough Town Centre.

BUSINESS REVIEW CONTINUED

BELOW
Parkside Doncaster
A 27 acre site which we acquired during the year.

- Our network of regional offices, supported by a strong central management team, ensured that we had a broadly-based programme of activity and that, even in very difficult market conditions, we were able to pull out of the Hopper projects for which there was a current market opportunity.
- Our skills in brownfield land remediation and other aspects of regeneration make us an attractive partner to landowners, local authorities and central government agencies.

Nevertheless the past two years have provided us with some useful lessons for the future evolution of the company. We will set more demanding hurdles before initiating speculative development schemes; and we will be more rigorous in exiting mature schemes to which no further value can be added, other than by market yield movements.

EMPLOYEES

St. Modwen's business model is based on a hands-on approach in all areas: asset management; marshalling; construction and development. As a result, the skill of our people is fundamental to our success. Therefore, particularly in these difficult times, we have sought to retain and incentivise them, and to continue to grow the abilities of the talented people who will be the drivers of the company's future expansion. With the current short-term financial constraints, this has been achieved by putting in place share options and deferred bonuses which seek to reward and lock-in key employees. We have also maintained our programme of internal promotion, with a number of staff taking on significant additional responsibilities during the year.

To avoid implementing any further enforced headcount reductions since the 20% in October 2008, we consulted widely with staff during the year and agreed a cost-reduction package that would enable us to keep our core team together. With effect from September therefore, we put in place a company-wide salary freeze, closed the company's final salary pension scheme to future accrual and also reduced employer contributions into the money purchase scheme until we are once again growing our net asset value and paying dividends.

FINANCIAL OBJECTIVES AND KEY PERFORMANCE INDICATORS

St. Modwen's financial objectives over the past year have been simple and obvious, namely: to manage through the downturn by running the business for cash flow; and to be in the best possible shape to profit from the opportunities that will undoubtedly arise.

Both of these objectives required us to adapt our activities to the deteriorating market conditions. We did this by:

- Reducing our expenditure;
- Seeking to drive down debt and gearing levels;
- Selling assets to which we could no longer add value;
- Eliminating speculative development activity; and
- Minimising any other non-funded commitments.

The success of these activities enabled us to be cash-generative during the year, notwithstanding the absence of cash inflow from residential land sales.

But despite all of these actions, market conditions were so adverse, and property values were falling to such an extent, that we were ultimately left with little alternative but to seek to refinance the business in May, in order to address bank covenant limits. The subsequent renegotiation of our banking covenants and the issuing of new equity (reported on in more detail below), addressed the risk of a future covenant breach. It also took away the need to sell further assets into a declining market, and put the company into a position of financial strength from which we could benefit from future opportunities.

The company is trading within all its banking covenants and its realistic forward projections show a continuation of that position.

Our key performance indicators are:

	Target	**Actual 2009**
Gearing[1]	75-100%	**80%**
Rental cover[2]	>100%	**97%**
Hopper replenishment[3]	>120%	**569%**
NAV growth[4]	upper quartile	**upper quartile**
Dividend growth[5]	in line with NAV growth	**n/a**

[1] Gearing = net debt as a percentage of shareholders' funds

[2] Rental cover = net rental income as a percentage of overheads and net interest (excluding non-cash items such as mark-to-market of swaps)

[3] Hopper replenishment = land acquired for the hopper as a percentage of land used in the year

[4] NAV growth = balance sheet total as a percentage of previous year. Target = upper quartile performance compared with FTSE350 real estate index over five years.

[5] Dividend growth = dividend per share as a percentage of previous year.

BUSINESS REVIEW CONTINUED

DEVELOPMENT AND PERFORMANCE OF THE BUSINESS

The Hopper - assembly and acquisition

Despite the financial constraints on the business, 2009 was another excellent year for acquisitions, and we were able to achieve this without significant cash outlay. Obtaining control of opportunities through self-financing transactions has always been part of our Hopper strategy, and this year our skills in deal structuring have enabled us to continue to build for the future without compromising the short-term requirements of the business.

Our total expenditure on new acquisitions during the year was only £13m. However, we were able to add 705 acres of developable land to the Hopper. As a result, our Hopper now stands at 5,604 developable acres. The Hopper is very broadly based, comprising some 174 separate schemes, across all sectors of the property market.

Hopper Analysis (acres)

	2009	2008
Developable		
Retail and leisure	**433**	314
Employment	**2,735**	2,324
Residential	**1,564**	1,462
Unspecified	**872**	920
	5,604	5,020

The most significant acquisitions that we made during the period were:

- BP Portfolio — we acquired a portfolio of former BP sites with 566 developable acres, situated primarily in South Wales. Together with our existing Coed Darcy site, this acquisition provides us with an exciting and significant development programme for the long-term regeneration of an area extending from Neath Port Talbot to Swansea.
- Skypark, Exeter — we entered into a partnership agreement with Devon County Council to develop the 107 acre Skypark scheme in Exeter, which will include 1.4 million sq ft of office and industrial/manufacturing space. We are currently working up the masterplan and the Section 106 agreement, with a view to starting construction in 2011.
- Firepool, Taunton — we completed a development agreement with Taunton Deane Borough Council for the £270m regeneration of this important town centre opportunity.
- Weston Super Mare — we also completed a development agreement with South West Regional Development Agency and the Homes and Communities Agency for a new 200 acre mixed use community at the former RAF Locking site, and expect to start work on site this spring.
- Sunderland — we acquired a seven acre parcel of land, formerly owned by glass manufacturer, Corning, adjacent to the 10-acre former Pyrex factory site that we purchased in 2008. The combined 17 acre site is now one of Sunderland's major strategic development zones, earmarked for a £10m mixed-use development which will provide 65,000 sq ft of office accommodation and 285, two-, three- and four-bedroom homes.
- Doncaster — we acquired a 27 acre site for £3m. To be known as 'Parkside Industrial Estate' it comprises 600,000 sq ft of existing buildings including a 250,000 sq ft warehouse and a 350,000 sq ft production building.
- Weston Super Mare — we acquired the 26 acre Westland Distribution Park site for £3.4m, reflecting a net initial yield of 13%. It currently comprises eight acres of open storage land and 335,000 sq ft of distribution and production facilities.

Marshalling

Our teams have continued to make very good progress in marshalling the schemes in our Hopper for future delivery, which is shown by the quantity and quality of planning permissions that we have obtained in the year:

Planning permissions obtained in the year

	No.	Sq Ft	Units
Residential	9		932
Retail	4	332,000	
Commercial	13	2,011,000	
Office	2	183,000	

BELOW
Whitley Business Park
The completed first phase of a 1.1 million sq ft office and industrial development adjacent to Jaguar's research and development centre in Coventry.

BUSINESS REVIEW CONTINUED

BELOW
The first phase of the £90 million Wembley Town Centre was completed in 2009.

The planning position on our residential land bank is now:

Planning status

	Acres	Units
Allocated in local plan or similar	242	6,134
Resolution to grant permission	323	5,230
Outline permission granted	519	7,887
Detailed permission granted	32	833
Sub-total — with planning recognition	1,116	20,084
No planning recognition	448	4,956
TOTAL	**1,564**	**25,040**

Although we have scaled back our construction programme in response to market conditions, and in particular have avoided starting any new speculative schemes, we have nevertheless remained active and have made significant progress on a number of important schemes:

- We are making excellent progress with our mixed use town centre schemes at Farnborough (with the completion of the 62,000 sq ft Sainsbury's foodstore and the 77-bed Travelodge Hotel) and at Wembley Central (with the completion of the first retail phase, anchored by TK Maxx, Peacocks and Bonmarché and the fit-out of the first phase of 32 apartments).
- We have recently begun building a pre-sold 52,000 sq ft foodstore for Morrisons and 20,000 sq ft of additional retail space at Connah's Quay, Flintshire, following demolition of a 1970's shopping centre.
- We have also continued to make excellent progress with the construction of the 150,000 sq ft Warwickshire College at our Rugby site, despite the insolvency of the main contractor. Using the skill and knowledge of our in-house construction team, we assumed direct responsibility for this construction programme thereby not only safeguarding numerous subcontractor jobs but also keeping the project on programme and within the original budget.
- We received planning consent and confirmation of funding for the flagship 250,000 sq ft Bournville College at Longbridge, and began work on site in October on this two-year project which is of great strategic importance to the area. The building of this six storey development will create hundreds of construction and associated jobs locally. The College will create a dynamic new learning environment for over 10,000 students in both further and higher education, and will provide a significant impetus for the regeneration of the former MG Rover facility.

Delivery

During the year, a number of our usual markets were highly illiquid or, in the case of residential land disposals, closed altogether. Investor confidence was low, as was the availability of finance, and realistic prices were difficult to obtain. Nevertheless, we adhered to our long-standing philosophy of disposing of those assets to which we could add no further value, and undertook a number of sales of mature properties or newly-completed developments in order to recycle cash for our other schemes.

We therefore realised disposal proceeds of £101m, benefitting from the wide range, varied lot sizes, and realistic pricing of our products. Some of the principal disposals in the period were:

- The Vodafone call centre in Stoke-on-Trent, sold to a private investor for £10.7m, reflecting a net initial yield of 8.0%.
- Part of the site at Thurleigh Business Park in Bedfordshire, to MSV Group Ltd for £5.3m, reflecting a net initial yield of 8.5%.
- A foodstore, let to Tesco for a further 62 years, at our Catford Shopping Centre in Lewisham, sold to a private investor for £9.1m, a net initial yield of 6.9%.
- A 39,000 sq ft cash and carry store let to Booker at Langford Mead Business Park in Taunton, Somerset for £2.9m, reflecting a net initial yield of 7.25%.

In the industrial/distribution sector we completed over 750,000 sq ft of new buildings, including:

- A 26,150 sq ft supply and distribution centre for East Riding of Yorkshire Council at Melton Business Park, Hull. The building was pre-sold to the Council for £2.25m.
- At the 200,000 sq ft Langford Mead Business Park in Taunton, part of our £100m redevelopment of a 65-acre former industrial estate and MoD site, we have built:
  - Two new bespoke buildings totalling 76,000 sq ft to form a new Heritage Centre for Somerset County Council's Historical Artefacts with a specifically designed and controlled environment which also allows wider public access; and
  - An 11,000 sq ft unit for West Country Feeds, the supplier of animal feeds and accessories.

BUSINESS REVIEW CONTINUED

BELOW
The new Heritage Centre, built for Somerset County Council at our Langford Mead Business Park in Taunton.

- A 22,400 sq ft facility for Staffordshire Fire and Rescue Service and a 36,000 sq ft factory and head office building for Wade Ceramics at our 400 acre Trentham Lakes Business Park development.
- Substantial progress has been made during the year at RAF Northolt, where, as part of Project MoDEL, over £150m is being invested to provide service personnel with brand new living, working and dining accommodation. This part of the project is due to complete in the summer of 2010, and remains on plan and on budget, with more than 95% of the 600,000 sq ft of buildings completed.

We also successfully completed a number of developments in the office and leisure parts of our business, including:

- The construction and fit-out of a pre-let call centre for Vodafone, an innovatively-designed 80,000 sq ft building which secured jobs for about 1,100 people in Stoke-on-Trent. This spacious and modern building achieved BREEAM "Very Good" rating, and is the largest commercial office building we have ever built in this region.

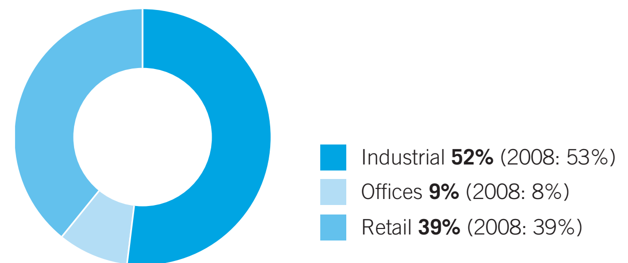
Encouragingly, we are now beginning to see signs of recovery in the residential land market, with bids received, or contracts exchanged at or above current book values, on four disposals totalling 34 acres.

Hands-on asset management remains a significant part of our business model, and our regional teams have been very active during the period, as we seek to mitigate the impact on our rent roll of the current difficult market conditions. We are, of course, mindful of the effect of rent reviews and lease renewals on asset valuations, but also very aware of the impact of void costs and loss of rent on our trading profit. We have therefore sought to minimise voids wherever possible, taking a pragmatic view of passing rents and seeking to work with those of our tenants who are experiencing difficulties.

The benefit of our overall approach to asset management is shown by the fact that our like-for-like gross rent roll has increased by £2.0m to £43.0m since 30th November 2008. This reflects our success in achieving £7.7m of new lettings to offset rent lost of £5.1m due to vacations and £0.6m due to tenant failures in the period.

Experiences, however, vary across our portfolio. For example, a number of our secondary shopping centres (including Edmonton Green, Elephant & Castle, and Catford) have strongly underpinned ERVs due to the competitive pressures brought about by near 100% occupancy levels. On the other hand, certain centres (including Basingstoke) are troubled by significant voids to which a highly competitive rent reduction is our principal response. These factors are reflected in the yields and ERVs used in our year end valuations.

Rental income by sector



We anticipate that 2010 will continue to see pressure on our net rents, as the macro-economic conditions continue to give rise to increased unemployment and a reduction in consumer spending. However, our rents are at the affordable end of the scale, which we believe will provide some insulation from the effect of further tenant failures.

Supplementing our traditional rent roll, our leisure activities at Trentham Gardens and Solihull Ice Rink, continue to perform strongly. The gardens, in particular had a very successful year, attracting 216,000 visitors (2008: 108,000) and recording a trading profit before interest of £1.7m (2008: £0.8m).

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

FINANCIAL REVIEW

In the trading profit table and throughout the financial review, certain numbers are quoted which include the group's share of joint ventures and associates as detailed in note 9

EQUITY ISSUE AND REFINANCING

In May 2009 we announced a refinancing of the business, comprising new banking covenants and a Firm Placing and Placing and Open Offer of new shares. Together these enabled us to reduce our gearing levels and to meet our banking covenants in the wake of a prolonged and significant fall in property values.

We were very heartened by the level of interest shown by both existing shareholders and new institutional investors, which enabled the issue to be undertaken without significant dilution of existing shareholders' interests. This was the first time that we had raised new equity for over 20 years, and the opportunity to participate was taken by a number of high quality new institutional investors, whose participation strengthens and diversifies our share register.

We continue to benefit from excellent and longstanding relationships with our principal banks (Lloyds Banking Group, RBS, HSBC, Barclays and Bank of Ireland), whose support was reflected in the terms and conditions that we obtained for our new banking arrangements, which stand favourable comparison with similar refinancing exercises undertaken by our peers.

The subsequent refinancing of our Sowcrest joint venture was also concluded satisfactorily, with the existing £38m Fortis bank facility for our Wembley scheme extended until June 2012.

INCOME STATEMENT

Trading profit

In very difficult conditions, we are pleased to have delivered a trading profit of £8.4m for the year. Our business model is based on core rental and other income covering the running costs of the company (property outgoings, overheads and interest), so that even when development profits are reduced, the company is still able to meet its commitments.

Trading Profit

(£m)*	2009	2008
Net rental income	**33.5**	33.2
Property profits[1]	**7.6**	20.9
Other income	**1.8**	7.3
Administrative expenses	**(14.1)**	(14.1)
Bank interest[2]	**(20.4)**	(27.8)
Trading Profit	**8.4**	19.5

* including the group's share of joint ventures and associates

[1] comprises results from development and disposal of investment properties before the deduction of net realisable value provisions of £15.8m (2008: £11.3m).

[2] excluding mark-to-market adjustments and other non-cash items of £5.1m (2008: £20.8m) in the group and £1.2m (2008: £2.9m) in joint ventures.

After the inclusion of revaluations and other non-cash items, we incurred a loss after tax for the year of £101.7m (2008: £50.7m).

Net rental income

The overall increase in net rental income was the result of a year of significant asset management activity in which the effect of asset disposals, tenant failures and vacations was more than offset by our successes in letting void space and newly-completed developments.

At 30th November 2009 the like-for-like gross rent roll, including our share of rent from joint ventures had increased from £41.0m to £43.0m. At the year end our overall voids had been held steady at 16.8% (2008:16.8%).

Property profits

Property profits, including our share of joint ventures, were £7.6m (2008: £20.9m), with significant contributions from a number of pre-let and pre-sold developments (including those for Vodafone, Wades, Morrisons and Somerset and East Riding councils), as well as property profits at Thurleigh, Catford and Bournville and Rugby Colleges.

Property Valuations

All of our investment properties (including land) are valued every six months by King Sturge and Co. at market value, and our work in progress is also independently assessed for any impairment issues.

Investment property (£m)*

	2009	2008
Residential land	**329**	324
Commercial land	**132**	150
Income producing		
Retail	**192**	233
Offices	**44**	38
Industrial	**194**	204
Total	**891**	949

* including the group's share of joint ventures and associates (excluding minimum lease payments).

The valuation of our investment properties reflects both market movements and the value added by our own activities, including the achievement of marshalling milestones in the planning process. The calculation of this added value reflects the present value of future cash flows, based on existing land prices and the current best estimate of costs to be incurred.

2009 was a year of considerable uncertainty in the real estate investment market, and our valuations at 30th November continue to reflect a weak secondary property market, and as a result, our investment property valuations have fallen by £107m (11%) during the year, and our assets for resale and work in progress carrying values by £16m (6%).

In the first half of the year, all elements of our portfolio were adversely affected, with significant market value movements in every sector. In the second half, the principal areas of down-valuation were our retail and commercial land holdings. We produced sizeable added value uplifts which helped to mitigate the worst effects of the adverse market movements.

Despite reports of positive valuation movements for prime assets in the latter part of 2009, we have not yet seen any material improvement in market conditions or values in our secondary property portfolio. However, it is encouraging to note that the rate of decline in our valuations has slowed considerably, with a net down-valuation of £87m for the first half being followed by a further down-valuation of £20m for the second half. For most of our portfolio, we now believe that we have reached the bottom of the cycle.

Property Valuation Movements (£m)*

	2009			2008
	H1	H2	**Total**	
Market value movement	(112)	(22)	**(134)**	(129)
Marshalling and asset management	25	2	**27**	65
Total	(87)	(20)	**(107)**	(64)

* including the group's share of joint ventures and associates

In particular, after suffering significant reductions over an 18 month period, we are pleased to report that the value of our residential land appears to have found a stable level, and we have in place a number of transactions that support the current values. We believe that this does not reflect the long-term value of residential land which we consider will return to more realistic levels once a functioning housing market is re-established. We therefore look forward to some positive valuation results on this part of the portfolio in the near future.

2009 Property Valuations — market value movements (£m)*

	H1		H2		**Total**	
Residential land	(16)	*(6%)*	(1)	*(0%)*	**(17)**	***(6%)***
Commercial land	(22)	*(14%)*	(10)	*(7%)*	**(32)**	***(20%)***
Income producing						
Retail	(52)	*(22%)*	(5)	*(4%)*	**(57)**	***(25%)***
Offices	(4)	*(10%)*	—	*0%*	**(4)**	***(10%)***
Industrial	(18)	*(9%)*	(6)	*(3%)*	**(24)**	***(12%)***
Total	(112)	*(12%)*	(22)	*(2%)*	**(134)**	***(14%)***

* including the group's share of joint ventures and associates

Administrative expenses

Towards the end of 2008, we took action to reduce our cost base to reflect the lower activity levels in the business. The impact of the resulting redundancy programme was a reduction in annualised costs of £3m. We continued to maintain a close control over costs in 2009, with a number of initiatives being implemented including:

- The permanent closure of our final salary pension scheme,
- The temporary suspension of company contributions to the remaining (money purchase) pension scheme, and
- A further headcount reduction of 12 due to natural wastage.

The closure of the defined benefit pension scheme resulted in a one-off curtailment gain of £0.7m.

Also included within administrative expenses is the cost of employee share options. The charge for the year increased to £0.6m (2008: £3.3m credit), as a result of the recovery of the share price following the equity issue and refinancing.

As a result of the above factors, administrative expenses (including our share of joint ventures) have remained flat during the year at £14.1m (2008: £14.1m).

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, which recorded a post-tax loss, of which our share was £22.1m (2008: £7.2m).

FINANCIAL REVIEW CONTINUED

Finance costs and income

Net finance charges (including our share of joint ventures) have reduced to £26.7m (2008: £51.5m). This was due to three principal factors: lower borrowing levels; reduced mark-to-market costs; partly offset by increased borrowing costs.

- The proceeds of the equity issue, and a positive net operational cash flow for the year, enabled us to drive average group borrowings down by £45m to £385m (2008: £430m).
- As a result of more stable interest rates than in 2008, the revaluation of our interest rate swap contracts to market value at year end resulted in a much lower charge to the Income Statement of £5.9m (2008: £18.3m). This charge recognises the negative market value of such contracts in the prevailing climate of very low interest rates.
- The impact of the renegotiation of our banking covenants was to increase the weighted average margin on our facilities by 113 basis points to 199 basis points. With the interest cost of 99% of our borrowings fixed, our total borrowing cost is currently 6.98%.

Net finance charges also include a charge of £0.2m (2008: £5.6m) for the amortisation of the discounted deferred consideration payable to the MoD in respect of Project MoDEL.

During 2009 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 credit for the year, including our share of joint ventures is 15% (2008: 37%).

This rate is substantially lower than the standard rate of UK Corporation Tax due primarily to restrictions under IAS on our ability to reflect the utilisation of the current year's tax losses against future taxable profits. As a result of this, we have an unrecognised deferred tax asset of £8m which we envisage will be crystallised in future years when the company resumes profitable trading.

It is anticipated that, with the continued utilisation of these losses and of other tax allowances, and the benefit in future years of approved tax planning activities, the effective rate of tax on future profits will be lower than the standard rate of UK Corporation Tax.

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

FINANCING, COVENANTS AND GOING CONCERN

Financing

The company entered the downturn with adequate secured facilities and excellent banking relationships. During the year we focussed the business on cash generation, and worked closely with our banks to ensure that appropriate covenants are in place.

The company's cash flow was adversely affected by the illiquidity of a number of our markets, but we were nevertheless able to realise £101m from our ongoing programme of asset disposals. This, together with our recurring net rental income, and close management of our working capital, enabled us to meet our administrative expenses, interest, and an £80m development and capital expenditure programme, whilst delivering a net reduction in borrowings from operational cash flows.

The table below shows an additional non-statutory analysis of the operational cash flow of the business.

Operational cash flow

	2009 £m	2008 £m
Net Rent	**26.1**	25.7
Property disposals	**100.9**	127.1
Property acquisitions	**(12.9)**	(12.2)
Capital expenditure	**(79.7)**	(190.3)
Working capital and other movements	**(6.3)**	64.1
Overheads, interest and tax	**(27.0)**	(34.0)
Net cash inflow/(outflow)	**1.1**	(19.6)

The total reduction in group borrowings amounted to £102.7m, resulting from the operational cash flow of £1.1m above and the net receipts of £101.6m from the equity issue, all of which was initially used to reduce our debt levels. Towards the end of the year, with market conditions becoming more favourable, we began selectively to make property acquisitions.

With the receipt of the proceeds from the equity issue, and the significant level of undrawn capacity within our existing arrangements, we took the opportunity to cancel £100m of our previous facilities. Consequently we now have total group facilities of £519m (2008: £619m).

Current net debt is £319m (2008: £422m), giving us a gearing of 80% (2008: 105%) and a headroom to meet future commitments of £200m. Including joint ventures and associates, total banking facilities are £764m (2008: £872m), net debt is £527m (2008: £625m) and gearing 106% (2008: 130%).

Our group facilities have a weighted average maturity of 3 years (2008: 4 years), with no maturities before November 2011.

The weighted average margin of our facilities has risen as a result of the new amendment agreements to 199 basis points (2008: 86 b.p.) over LIBOR. Our strategy had previously been to hedge two thirds of all borrowings, with the maturity of both hedges and facilities being aligned with individual schemes where applicable. Following the repayment of £101.6m of borrowings after the equity issue during the year, the amount of our debt at fixed rates rose to 99% (2008: 57%), and is unlikely to change materially from that level until 2011 when the first of the hedging contracts matures. The weighted average fixed interest payable under these hedges is 4.99 %.

Covenants

As part of the refinancing during the year, amendment agreements were put in place which substantially relaxed the covenants which apply to our banking facilities. The revised covenants are:

- Net assets must be greater than £250m (actual £401m);
- Gearing must not exceed 175 % (actual 80%); and
- Interest cover ratio (which excludes non-cash items, such as revaluation movements) must be greater than 1.25x (actual 1.7x).

The arrangement fees payable to the lenders and related advisory fees for these amendments amounted to approximately £2m.

Although current economic conditions still have an element of uncertainty, we have considered available market information, consulted with our advisers and applied our own knowledge and experience to the group's property portfolio. As a result of this, we believe the revised covenant levels are more than adequate for our worst-case scenarios, and that we will once again be able to manage our business for property, rather than bank covenant, reasons.

Going Concern

In our consideration of going concern, we have considered the factors described above, reviewed the group's future cash flow forecasts and valuation projections, which we believe are based on realistic assumptions, and believe, based on those forecasts and assumptions, that it is appropriate to prepare the financial statements of the group on the going concern basis.

Financial Statistics

	2009	2008
Net Borrowings	**£319m**	£422m
Gearing	**80%**	105%
Gearing, incl share of JV debt	**106%**	130%
Average debt maturity	**3 years**	4 years
Interest cover	**1.7x**	1.62x
Undrawn committed facilities	**£200m**	£185m

BALANCE SHEET

Net assets

At the year end, net asset value per share was 200p, a reduction of 51p (20%), after restating 2008 comparatives for the effect of the equity issued in 2009. 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 219p at 30th November 2009, a reduction of 57p (21%) in the year.

Net Assets

	2009 £m	2008 £m
Net Assets, beginning of year	**402.2**	467.7
Issue of new shares	**101.6**	—
Loss after tax	**(101.7)**	(50.7)
Dividends paid	**—**	(15.1)
Other	**(1.1)**	0.3
Net assets, end of year	**401.0**	402.2
Adjust for issue of new shares	**—**	101.6
Restated net assets	**401.0**	503.8
Deferred tax on capital allowances	**4.7**	4.3
Deferred tax on revaluations	**13.3**	31.2
Mark to market of interest rate swaps	**19.3**	14.6
Diluted EPRA NAV — total	**438.3**	553.9
— per share	**219p**	276p

In calculating the EPRA net asset value, we consider the fair value of inventories to be their book value.

FINANCIAL REVIEW CONTINUED

Investment properties

The total value of investment properties under our control, including 100% of joint ventures, reduced by £67m during the year to £1,035m (2008: £1,102m).

The independent valuations during the year ended 30th November 2009 resulted in net revaluation losses, including our share of joint ventures, of 11% (£107m), compared with the previous year end. Our properties are currently valued at the following weighted average equivalent yields:

Equivalent yields

	2009	2008
Retail	**9.9%**	7.8%
Industrial	**9.4%**	8.8%
Office	**8.7%**	7.9%
Total	**9.5%**	8.1%

Inventories

Inventories have reduced in the year from £228m to £193m reflecting the completion of the development programme started in previous years (including £86m relating to Project MoDEL) and the effect of disposals or transfers into investment properties of completed schemes. 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, but are assessed for impairment and net realisable value issues using independent external advice where appropriate. As a result, we have written down certain of our assets for resale and work in progress balances to reflect their net realisable value in current market conditions. The total provided amounted to £14.2m in the group and £1.6m in joint ventures.

OUTLOOK

Despite a difficult climate for occupiers, giving rise to low levels of demand for space, and continuing pressures on rents, we believe that our portfolio of flexible and affordable space is resilient.

Encouragingly, the residential market is showing signs of improvement. The sales of residential land we are currently progressing mark the restoration of some meaningful housebuilding activity, albeit from an extremely low base.

With our Hopper at record levels, and our finances sound, our marshalling and development skills will increasingly be applied, and as normal market conditions return, we will once again return to net asset value growth.

Bill Oliver
Chief Executive
5th February 2010

Tim Haywood
Finance Director

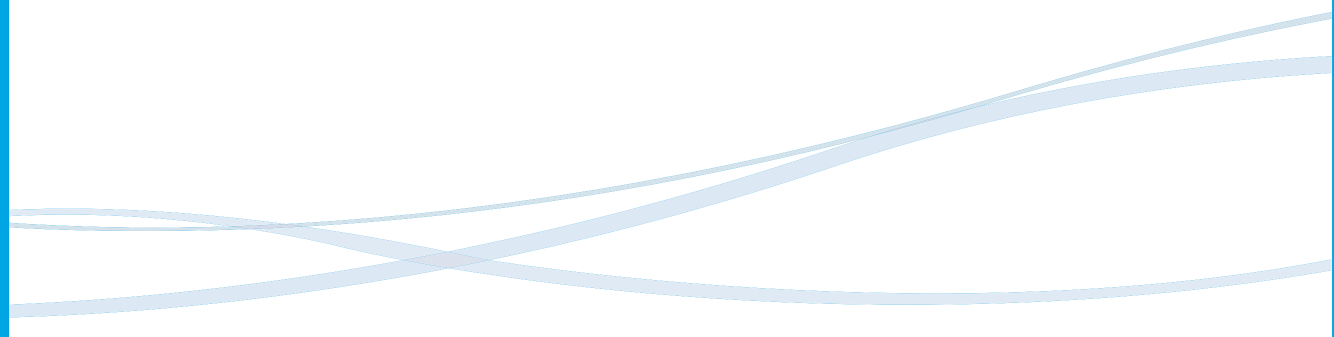
CASE STUDIES

BP PORTFOLIO — UK WIDE

WARWICKSHIRE COLLEGE, RUGBY

SKYPARK, EXETER

WYTHENSHAWE TOWN CENTRE, MANCHESTER



"WE ARE THE LEADER IN REGENERATION"
BP PORTFOLIO — UK WIDE

Having been selected as preferred developer in November 2008, 12 months later we completed the acquisition of a 2,500 acre portfolio of redundant BP sites across the UK. We have now acquired all of BP's redundant land in the UK.

The sale of the portfolio is only the second time that BP has approached the open market to dispose of its disused sites. The first occasion was our acquisition in May 2008 of the 1,060 acre Llandarcy Oil Refinery in Neath, South Wales which we are currently transforming into the £1.2 billion Coed Darcy urban village.

Over 2,000 acres of the portfolio is located in South Wales and together with Coed Darcy, these newly acquired sites will now form part of a £3 billion linked development that will completely transform an area extending from Neath Port Talbot to Swansea. This will take between 20-30 years to complete and will focus on four key areas: Education, Employment, Housing and Leisure.

"We are pleased to be renewing our partnership with St. Modwen via this latest transaction which leaves our portfolio of disused sites in a competent pair of hands and means that BP's proud history will live on through the regeneration projects that St. Modwen undertakes."

David Toman, BP's General Manager For Regeneration

This transaction, by which we acquired the portfolio for a nominal sum and received a dowry from BP to fund the remediation works, confirms our ability to continue adding strategic development sites to our Hopper. It is also a testament to our remediation expertise and skill as a developer, through which we have established lasting partnerships with significant international companies such as BP.

FACT

BP sites

Our regeneration of three of the former Welsh BP sites will create up to 16,000 jobs.

"WE ARE A SAFE PAIR OF HANDS"
WARWICKSHIRE COLLEGE, RUGBY

In early 2009 we were faced with the challenge of reacting to the insolvency of the main contractor on one of our key construction projects — the delivery of the new £35 million, 150,000 sq ft Warwickshire College in Rugby.

Determined that this would not impact the construction of the College, we acted quickly and found a solution to ensure we did not lose the momentum already gained. By taking a proactive view and using the skill and knowledge of our in-house construction team, we took over direct responsibility for the construction programme.

As a result, we were able to protect jobs on site as well as the businesses of the subcontractors. Crucially, we avoided any costly delays to this key project with works recommencing just three days after the contractor announced it had gone into administrative receivership. Building works remain on track to be completed in April 2010.

"By working very proactively, St. Modwen has not only been able to get the project back on site but also mitigate some of the effects upon the existing subcontractors. This is great news for all concerned and we look forward to the building progressing to a successful opening."

Chris Paget, Estate Director for Warwickshire College

The new Warwickshire College campus will sit on part of the 82 acre former Alstom Industrial complex, of which 400,000 sq ft is currently leased to Converteam, a supplier of electric power and propulsion packages. On the remaining 70 acres we have secured outline planning to develop a £120 million urban community — the largest brownfield development in Rugby.

FACT

Power Academy

The new College will include a Power Academy to train technicians for the new generation of power stations.

"WE MAKE A POSITIVE DIFFERENCE"
SKYPARK, EXETER

Emphasising the strength of our regional structure and our position as the UK's leading regeneration specialist, in March this year we were appointed by Devon County Council to develop the 107 acre, £210m Skypark site, north of Exeter International Airport.

The Skypark development will deliver 1.4 million sq ft of office and industrial/manufacturing space including a 30,000 sq ft Innovation Centre, which is expected to create around 6,500 jobs for the region.

The 20 year project is a fundamental part of the Exeter and East Devon New Growth Point and will be a major contributor to the growth of the regional economy.

The project will be a model of sustainable development as the Skypark proposals are designed to ensure the scheme will result in overall CO_2 emissions being reduced by at least a third. Other specific sustainable measures will include office and industrial buildings constructed to the recognised high environmental BREEAM excellent standard.

I am delighted to be leading the team that will actually deliver Skypark in this long term partnership with St. Modwen. They share our vision of a top quality, environmentally friendly and exemplary development which will help deliver the economic recovery of the Exeter area."

Councillor Humphrey Temperley, Devon County Council

The innovative partnership structure to be adopted for this joint venture with Devon County Council follows the Government's local asset backed vehicle (LABV) methodology and will allow the Council to participate in future value and decision making over the life of the partnership

FACT

Significant employment

Skypark will become the most significant employment site in the South West Peninsula.

"WE HAVE AN EXTENSIVE PORTFOLIO — 18 TOWN CENTRES" WYTHENSHAWE, MANCHESTER

For over 10 years, we have been spearheading the regeneration of Wythenshawe in Manchester. Once a flagship public sector development, the centre became very run down and dilapidated by the late 1990's. The town centre has since undergone a significant transformation and now boasts over 450,000 sq ft of retail and office space providing a vibrant retail heart which continues to thrive and improve as we progress additional development works.

In 2009, footfall in Wythenshawe increased considerably as 15 new retailers were welcomed into the town centre, giving an occupancy level of 97%. We are now gearing up to start work in 2010 on Etrop Court, the next development phase, of which 85,000 sq ft is pre-let.

"Our commitment to Wythenshawe remains as strong as when we first took a stake in the town centre. We are determined to build on the positive changes we have already made. The City Council is demonstrating the same belief and determination to make the town centre a better place."

Michelle Taylor, North West Regional Director, St. Modwen

By taking a 48,000 sq ft office building in Etrop Court, Manchester City Council is confirming its commitment to the ongoing regeneration of the town centre. The resulting influx of 500 City Council employees will have a positive impact on the town, bringing more trade to the shops and surrounding businesses.

St. Modwen has worked in partnership with Manchester City Council since 1997, and a masterplan for the vision for the next ten years has recently been agreed.

FACT

15 new retailers

Following the addition of 15 new retailers, town centre occupancy levels are at 97%.

CORPORATE GOVERNANCE

“WE ARE DEDICATED TO IMPROVING THE COMMUNITIES IN WHICH WE ARE ACTIVE”

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CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

Regeneration crosses the entire spectrum of the property industry and impacts the environment, communities and individuals alike. For us to continue to make a positive impact, we place great emphasis on Corporate Social Responsibility (CSR), seeking to excel in the following five key areas:

- Sustainability and environment
- Charities and awards
- Communities and partners
- Employment and people
- Health and safety

SUSTAINABILITY AND THE ENVIRONMENT

Carbon Reduction Commitment

From April 2010, the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme requires qualifying companies to measure, monitor and report their operating CO_2 emissions and to buy allowances from the government for each tonne of CO_2 produced. Year one of the scheme (to April 2011) will be a reporting year only to establish baselines. Subsequent years will require allowances to be bought in advance to cover companies' projected emissions.

As a qualifying company, we recognise that CRC has a positive role to play in maintaining the value of our portfolio. By improving the way we track our carbon emissions, and providing the appropriate incentives to put into place mitigation measures across our portfolio, the scheme will enable us to benefit from our leadership in some of these areas and to expand our reach into others.

Waste Management

Landfill is the principal mode of waste disposal in the UK. We have long recognised that landfill sites are a finite resource, and that reliance on land filling is unsustainable and a potential source of the greenhouse gases, carbon dioxide and methane.

As a result, we have chosen not to rely on landfill by actively minimising waste production and disposal across all of our sites via the implementation of an effective waste management system. Since 2008, all of our sites with a construction value of over £250,000 have required a detailed Site Waste Management Plan.

Coed Darcy waste management

Work is underway in South Wales to transform the site of a former refinery into a picturesque urban village of 4,000 homes, 500,000 sq ft of commercial space and 3,000 jobs.

In May 2008 the former Llandarcy oil refinery was purchased by St. Modwen from B.P. for a nominal sum. This was the first time that BP had approached the open market to dispose of its disused sites.

Expected to take up to 25 years to complete, remediation works are two years ahead of schedule and work has already started on the first phase of development. Recycling is the watchword on this project, where offsite disposal is seen as the absolute last resort.

Before we began our remediation works approximately 2,000 litres of oil were drained from the site per year. In the last ten months alone 500,000 litres of oil have been recovered to be converted to recycled fuel oil.

In addition, 10 kilometres of pipeline has been removed and sent for recycling, including 8,500 tonnes of steel and 220 tonnes of cables. So far 2.1m cu ft of concrete have been crushed, ready for reuse within the site for structural fill. A use has even been found for the contaminated sludge — 3.5m cu ft of which is likely to be turned into topsoil through bio-remediation.

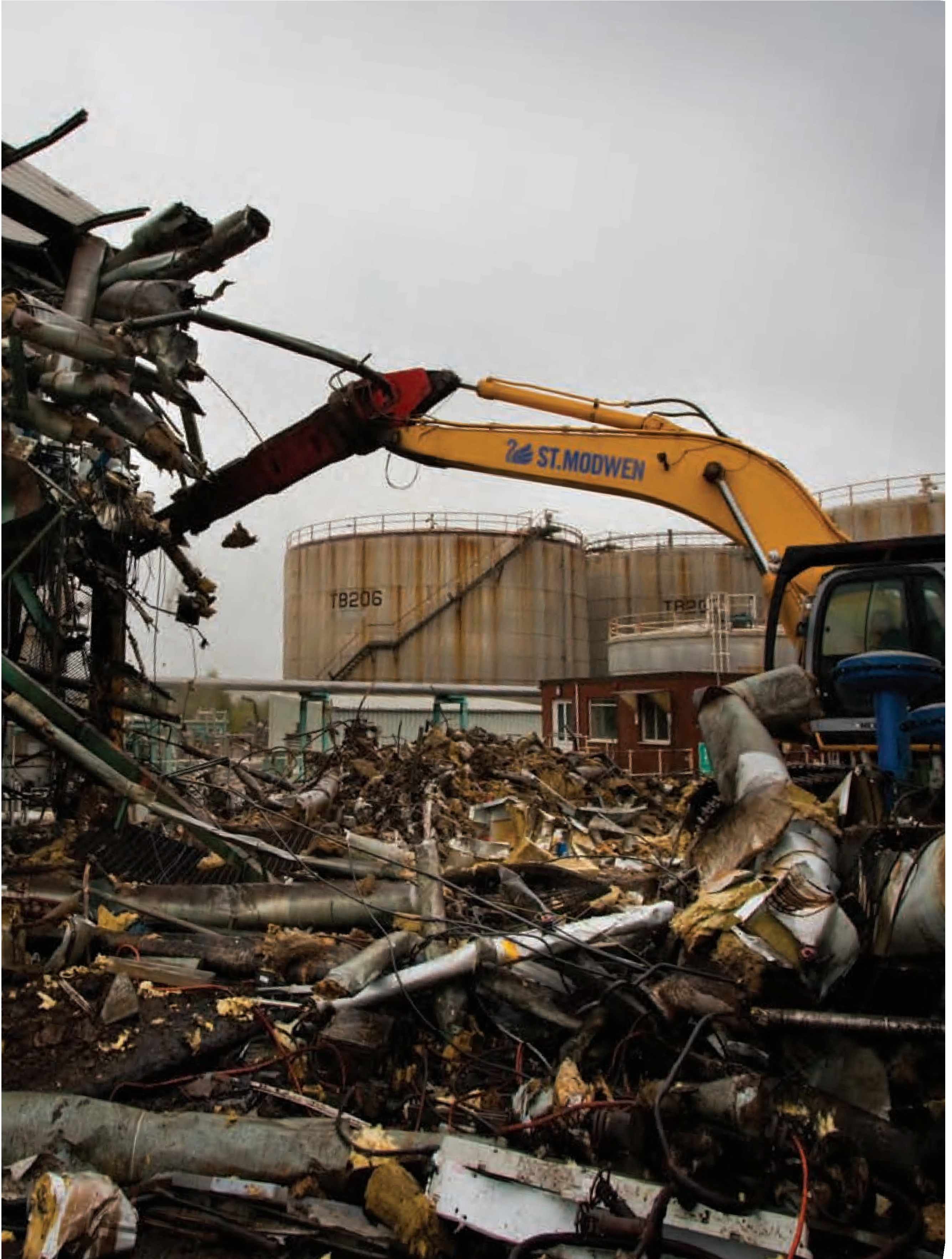
The vast scale of this project helps our drive for low energy processes, as there is ample room to treat materials on site thereby reducing truck movements, and eliminating off-site tipping at landfills.

A sustainable approach has also been taken to importing material for backfilling and landscaping. A local drift mine is supplying around 1.75m cu ft of blasted rock that would otherwise be sent to landfill. This will be used on the site to create development platforms.

Key Facts:

- The Coed Darcy project runs until 2026, by which time 4,000 residential units and 500,000 sq ft of commercial development will have been constructed, along with community centres, schools and a hospital.
- Infrastructure improvements include improvements to Junction 43 of the M4 and the construction of a southern link road.
- Coed Darcy is being developed through a partnership of local and national interests. Neath Port Talbot Council and The Prince's Foundation for the Built Environment have joined with us to form a site management company, to protect and deliver the vision of the scheme.

BELOW
The bitumen terminal at Coed Darcy which was demolished in 2009.



CORPORATE SOCIAL RESPONSIBILITY CONTINUED

BELOW
Etruria Valley, Stoke-on-Trent: 95% of materials arising from demolition are reclaimed for re-use on our sites.

Remediation and re-use of land

Careful re-use of land helps to minimise the impact of previously undeveloped 'greenfield' sites. It is no wonder, therefore, that the remediation of land for redevelopment is one of the most important aspects of regeneration.

Almost 100% of our building activity occurs on brownfield sites and we are proud to be the UK's leading expert in brownfield development, remediation and regeneration. This rewarding and important work involves us cleaning up the landscape and transforming derelict, disused or contaminated sites into thriving communities and business destinations that provide homes, jobs and a brighter environment. It is valued highly by our clients and partners who trust us to remove the risk from their former sites and leave a legacy to be proud of.

We employ the most sustainable and technically advanced remediation methods, ranging from pumping out hydrocarbon spillages, to baking the soil and employing innovative biodegradation techniques whereby micro-organisms are used to clean up the soil.

Example: BioTraps at Longbridge

We have been investigating and using innovative ground remediation solutions at the 468 acre Longbridge development in Birmingham.

This has included the use of 'BioTraps'; passive sampling devices to collect actively growing bacteria from groundwater. Combined with DNA testing, these devices detect bacteria with genes that enable them to degrade naturally organic pollutants present in the ground, left over from the site's former use as a car manufacturing facility.

Although extensively used in the USA, BioTrap technology is new to the UK and the study carried out at Longbridge was the first of its kind in the country.

The BioTrap studies at Longbridge provided clear evidence that bacteria capable of degrading organic pollutants are present and active in the site, enabling more sustainable, low cost remediation solutions.

Reusing buildings

Both modern and older buildings, even if unused or underused, are a valuable resource. If minimal energy and materials are required to make a building safe, habitable and efficient in energy usage, recycling an existing building can be more sustainable than rebuilding.

The re-use of buildings reduces the environmental costs of energy, water and building materials, minimising the environmental impacts of the development.

The long-term nature of the development plans for many of our sites often enable us to lease the existing accommodation, refurbishing if required, while we progress the longer-term solution through the planning system. In this way we do not take the step of demolishing buildings unless absolutely necessary.

Example: Wembley Central

In Wembley, we have refurbished an underused office development and a derelict multi-storey car park as part of our regeneration of the area. The existing six floors of office accommodation has been downsized to two with the remaining four, and a further floor being constructed on top, converted into new residential accommodation. The car park has been refurbished with substantial improvements made to the lighting and ventilation to create a more welcome and safer environment in keeping with the newly-transformed retail and residential areas of our scheme.

Reclamation

Where demolition is unavoidable, we ensure that as many of the materials as possible are reclaimed and re-used on site, either as hard core or integrated into the design of the new development. Across our entire portfolio an average of 95% of the demolition materials arising are re-used on site in this way. Through re-use and reclamation, we reduce the need for mining for new construction materials and their physical transport onto site. We also minimise unnecessary waste and off-site disposal.

Example: Llanwern, Newport

An excellent example of our reclamation of materials is at the former Llanwern Corus steelworks site in Newport, South Wales. Here we are progressing steadily with the remediation works and to date, have reclaimed an impressive amount of raw materials including 1,500 tonnes of iron ore, 3,000 tonnes of copper, 150,000 tonnes of steel and 400,000 tonnes of concrete.

Sustainable materials

We provide carefully designed sites with high quality buildings and look for the most environmentally effective solutions for our occupiers in terms of the whole life cost. We take several factors into consideration:

- We use as many renewable materials as possible — for example timber framed windows and linoleum flooring in preference to PVC.
- We assess the 'embodied energy' of materials (energy used in their production) against their effectiveness in keeping a building warm in winter and cool in summer — for example metal cladding has low embodied energy, a high recycled content and can be recycled at the end of its useful life. However, a concrete or brick cavity wall structure has a higher thermal mass, which can help to achieve a natural ventilation strategy.
- Our designs utilise standard sizes of building materials to avoid waste and off-site fabrication methods to reduce material use.
- We employ a highly skilled team of sustainability advisors to review material selections and advise on alternatives that offer enhanced environmental performance.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Example: Green Court, our new South West regional office

Our new BREEAM excellent rated regional office has been designed to showcase St. Modwen's ability to deliver buildings with high environmental credentials.

The building has been designed to be naturally ventilated with automatic opening windows linked to a Building Management System allowing for night-time cooling which, coupled with a high thermal mass, maintains a comfortable temperature throughout the day.

Maximum use is made of natural daylight. Intelligent lighting control systems help to reduce the energy consumption of the building whilst solar control glazing, brise soleil and a substantial roof overhang reduce the solar gain to prevent the building from overheating.

High insulation levels help to reduce the heating energy use and hence CO_2 emissions. All building products have been vetted for their environmental impact.

Completed in June 2009 the building has performed well through a warm summer and cold winter delivering energy savings in excess of 20% over a standard office building.

Sustainable workforce

Enhancing our sustainability needs the commitment to improving environmental performance at both the corporate and local level. Standards are set at Head Office and we ensure that our project teams follow best practice in sustainable development. We work with some of the world's leading environmental and sustainability specialists who ensure that we are implementing leading edge techniques and that we are able to disseminate our best practices across all of our schemes.

Sustainability targets

We adopt a long-term approach to achieving and improving our sustainability targets. A review of our targets will see us focus on the following areas for 2010:

— Reduction in energy use — particularly energy derived from the burning of non-renewable fossil fuels. We have added to our targets a requirement for 10% renewable energy sources in new building projects.

— Use of buildings — greater focus on the cost in use of buildings and the potential value this creates. During 2010 we will offer energy in use calculations to enable new occupiers to maximise their building's efficiency.

— Waste recycling — the target of recycling construction waste has increased from 60% in 2009 to 75%.

— Transport — more environmentally friendly forms of transport and locally sourced labour/materials will be given greater consideration in 2010. We will stipulate in all specifications the use of local labour and travel plans for contractors who work on our remediation, infrastructure and building projects.

— New initiatives — we will continue to look at cleaner ways of generating electricity, using renewable energy sources such as wind power, solar power, bio fuels and geothermal energy.

SUSTAINABLITY	2009 TARGET %	2009 ACHIEVED %
Remediated materials re-used or recycled	96%	**99%**
Demolition products reclaimed for retention on site or recycling	90%	**94%**
Construction project waste re-used or recycled	60%	**75%**
Energy consumption better than required by building regulations*	25%	**100%**
Building projects with at least 10% of power from a renewable energy source	5%	**33%**
Schemes with water usage reduction technologies	100%	**100%**
Schemes with water recycling technology	30%	**36%**

* on speculative projects in excess of 50,000sq.ft for industrial buildings and 25,000 sq.ft for offices

For our current building programme for 2010, we will achieve BREEAM excellent on our two college projects. At the new Warwickshire College the following sustainability measures are being incorporated into the scheme;

- 100% of the remediated material will be recycled or re-used
- The following renewable energy solutions will be provided
  - Wind turbine and photovoltaic cells
  - Ground and air source heat pumps
  - Combined heat and power unit
- Energy consumption better than required by building regulations
- Water usage reduction technologies
- Recycling of all recyclable construction waste

CHARITIES AND AWARDS

The St. Modwen Environmental Trust

The Trust is a fund established to provide support to community and environmental projects. It is affiliated to the Government's Landfill Tax Credit Scheme (LTCS) and is regulated by ENTRUST.

Our Environmental Trust is run by a board of trustees comprising representatives from the board of the company and a majority of independent trustees who have experience in environmental matters.

The Trust seeks to support environmental, historic building and public amenity schemes that have enduring and long-term benefits, and a high level of public engagement. The Trust largely operates by funding projects where alternative funding is unlikely to be available, targeting not-for-profit organisations (such as community groups, and charities who themselves are initiating the relevant projects).

In 2009 we have committed over £115,000 to helping nine individual projects across the UK .

Example: RSPB, Faxfleet Nature Reserve

The trust awarded £7,000 to the RSPB for the restoration of the Faxfleet Pond Nature Reserve which is situated close to our 116 acre Melton Business Park development in Hull.

The money for the Nature Reserve — a freshwater wetland — will help to maintain the natural habitat of rare and threatened wildlife. The work is also expected to attract and encourage other animals and insects to the Reserve including dragonflies, damselflies and the secretive and rare water shrew.

"Finding the money to carry out the management and restoration of such small wetland sites can be often very difficult so we are extremely grateful to The St. Modwen Environmental Trust for its generous donation towards the cost of the work ... we can now ensure that both the wildlife and local village residents can enjoy the pond's wildlife for many years to come."

Pete Short, RSPB Humber Sites Manager

In addition to those causes we have helped via the St. Modwen Environmental Trust, other charities and community organisations with whom we have worked closely in 2009 include the Donna Louise Trust, Coombs Wood Scout Group, the Race for Life and Trentham Watersports Association.

Example: Three Peaks Challenge

St. Modwen's North Staffordshire office employees and business contacts raised almost £12,000 in 2009 for the Donna Louise Children's Hospice in Stoke-on-Trent by completing the Three Peaks Challenge.

We would like to say a massive thank you and well done to everyone who took part in the Three Peaks Challenge. We are delighted with the money that has been raised...It costs around £400 per day per child to receive much needed respite care and the money raised by the St. Modwen teams will help us provide around 28 days of care — it makes a huge difference!

Melanie Mills, Head of Fundraising & PR for the Donna Louise Trust

Our excellence, skill and commitment to regeneration, development, sustainability and communities continued to win recognition in 2009, a year in which we won the following prestigious awards:

Property Week — Midlands Developer of the Year 2009

Awarded to our Midlands office in recognition of their broad portfolio of schemes designed to help revitalise and improve the commercial attractiveness of key locations across the region. Success criteria included demonstrating pioneering new techniques, management systems, quality architecture and innovative forms of funding.

Energy Institute — Environmental Award

This award recognises the importance of environmental issues in today's society. This accolade was awarded to our Coed Darcy scheme in South Wales, as the best new initiative to benefit the environment, having also shown management commitment and good prospects for wider application and sustainability.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

COMMUNITIES AND PARTNERS

Delivery

Our seven regional offices provide us with national, regional and local knowledge, presence and expertise. Our ability to supply this hands-on, local approach means that our regular partners — local authorities, key Government stakeholders, community groups and commercial organisations — continue to select us as their preferred developer to bring about important regeneration schemes across the country.

In a difficult economic climate, we have remained realistic about the deliverability and viability of our schemes. We have treated our partners and communities with the respect that they deserve and have refused to overpromise to secure short term and quick wins; preferring instead to focus on the long term goal of scheme completion. This approach may have initially given rise to a slowing down of certain schemes, but ultimately our determination and patience, and that of our partners, will be rewarded. We are now one of a very small number of developers on site with major developments across the UK and as we see many of our other schemes coming back to life, we are in a strong, financially robust position to deliver them.

Community consultation

We appreciate fully that, for our developments to be truly sustainable, we must provide opportunities for the local community to become involved in decisions that concern their future. Therefore, we place significant value on public consultation which can enhance the quality of our developments by:

- Bringing valuable local knowledge to bear;
- Encouraging links with local contractors, suppliers and labour; and
- Leading to greater and wider understanding of our development.

Example: AREVA, Staffordshire

In March, we consulted extensively with Stafford residents and other key stakeholders prior to submitting a planning application to redevelop AREVA T&D's current premises into a £55m, 350,000 sq ft business and science park. The application was submitted in May and received planning permission in July.

Over 200 people attended our two-day public consultation event, which was based on an open forum rather than formal presentation. Information and images illustrating proposals for the site were displayed with members of the St. Modwen and AREVA T&D teams available to answer questions and receive comments and feedback on the proposals.

As well as the formal public consultation event:

- A specific website for the development was set up,
- Over 1,000 letters were sent out, together with a series of press releases, and
- A two week public exhibition was held in the Guildhall Shopping Centre in central Stafford.

Community investment — public realm

Sustainable development doesn't stop with the site, it is about providing a complete solution for the entire community. This is why we actively invest in the communities in which we build via our commitment to the design, look and feel of public realm — the public spaces and amenities that form an important part of our schemes

Example: Wembley Central, new public square

We opened the new public square, which is the centrepiece of the first phase of our £90m redevelopment at Wembley Central, in the summer. It provides some much needed open public space to Wembley's thriving high street and has created a much more pleasant and safer environment for the local community to enjoy, as well as providing a natural meeting place for shoppers, residents and visitors to the town centre.

"The opening of this public square marks an important milestone for Brent Council and St. Modwen .We look forward to the new square being used as a place for the local community to come together. The opening of the new shops is a sign of the market's confidence in Wembley and something which local residents have looked forward to. We look forward to working with St. Modwen to bring an exciting calendar of events to the square for residents, shoppers and visitors."

Councillor Paul Lorber, Leader of Brent Council

EMPLOYMENT AND PEOPLE

Our commitment to employees

It is because of the skill, dedication and efforts of our employees that we have become the quality business we are today. We understand that it is vital to look after our employees and reward each of them accordingly. In the current difficult economic climate we have been forced to make some difficult decisions, but have sought to preserve our core skilled workforce, even if that has meant certain short-term sacrifices by our employees. The co-operation and willingness which has been shown during this difficult time bears great testimony to the loyalty and qualities of our people.

Equal opportunities

As a responsible employer we are duty bound to set an example to our customers, suppliers and all other organisations with whom we interact.

We are committed to equal opportunities for all employees from recruitment and selection through to training and development, appraisal and promotion to retirement. Everyone receives equal treatment regardless of their gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion.

Social inclusion

Over their lifecycle, our regeneration and development projects will help to trigger economic growth and create job opportunities for thousands of people across the UK. In addition to the employment opportunities generated by people and businesses moving into our schemes, there are also thousands of construction jobs created as the projects are developed.

We seek to work closely with local communities throughout our period of involvement with a scheme to ensure that these opportunities are fairly distributed and accessible to all.

Example: Social inclusion at Longbridge

We encourage the employment of local people. As part of the £1 billion regeneration of Longbridge, where we expect to create up to 10,000 new jobs, we are working very closely with the 'Employment Access Team' (EAT); an organisation comprising Birmingham City Council, the Learning and Skills Council and Jobcentre Plus. St. Modwen's support and participation in the EAT partnership will help to ensure that local people can benefit from and secure access to, the new employment opportunities that arise from the Longbridge development both during and beyond its 15 year project lifecycle. A key aim of this work is to get long-term unemployed people back into the workforce and to give local residents genuine access to training and jobs on the Longbridge development site.

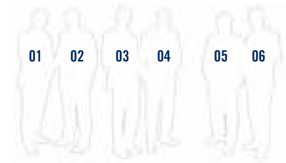
Health and safety

The Chief Executive has overall responsibility for our health and safety policy. By adopting this top down approach, safeguarding the health and safety of our employees, suppliers, the public and broader community alike sits at the top of our corporate agenda.

We do not normally carry out any construction work on site directly, therefore the health and safety procedures adopted by our contractors form a key part of our supplier selection, and are rigorously tested and monitored.

Consistent with previous years, we continued to produce excellent results in 2009 with no fatalities and no prosecutions for breaches of health and safety, placing us in the upper quartile of our sector in this area.

BOARD MEMBERS



01 ANTHONY GLOSSOP MA†

NON-EXECUTIVE CHAIRMAN

Aged 68. A director since 1976 and Chief Executive from 1982 to 2004. Executive Chairman from 2004 to 2008 and a non-executive Chairman since 2008. He is chairman of the Nomination Committee. He is also a non-executive director of Robinson PLC and a member of the Regeneration and Development Committee of the British Property Federation.

02 BILL OLIVER BSc, FCA

CHIEF EXECUTIVE

Aged 53. 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 46. 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 50. 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 SIMON CLARKE *†

Aged 44. A non-executive director appointed in 2004. Chairman of private company, Agricultural Industrial Services Ltd. Previously Deputy Chairman of Northern Racing PLC and a director and the Vice-Chairman of the Racecourse Association.

06 IAN MENZIES-GOW MA*†

Aged 67. A non-executive director appointed in 2002. Senior Independent Director since 23 February 2009. Formerly Chairman of Geest PLC and Derbyshire Building Society and prior to that held senior executive positions within the Hanson Group.

07 PAUL RIGG DL, CPFA*†

Aged 63. 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 Chairman of the Weald and Downland Open Air Museum Ltd.

08 LADY KATHERINE INNES KER MA, DPhil*†

Aged 49. A non-executive director appointed in October 2009. Formerly a non-executive director of The Television Corporation PLC, Fibernet Group plc, Williams Lea PLC, Gyrus Group PLC, Shed Media PLC, Bryant Group plc, Ordnance Survey, ITVDigital plc, and Oakley Capital. Currently Senior Independent Director of Tribal Group plc and a non-executive director of Taylor Wimpey PLC.

09 LESLEY JAMES CBE, MA, CCIPD *†

Aged 60. A non-executive director appointed in October 2009. Chairman of the Remuneration Committee. Formerly [illegible] of Tesco PLC and a non-executi[illegible] Queens Moat Houses plc; Care UK plc; Alpha Airports Group plc; Inspicio plc; Liberty International plc; and Selfridges plc. Currently a non-executive director of Anchor Trust and the West Bromwich Building Society.

10 JOHN SALMON FCA*†

Aged 66. 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 an advisory board member of Savile Group plc and a trustee and council member of the British Heart Foundation.

11 REETA STOKES ACIS

COMPANY SECRETARY

Aged 53. Joined the company in November 2009. Previously a senior manager in the secretariat of Alliance & Leicester plc, and ran her own business providing company secretarial services to public and private companies. Prior to that, was Deputy Company Secretary of McKechnie plc.

* member of Audit and Remuneration Committees
† member of the Nomination Committee

SENIOR MANAGEMENT

01 RUPERT WOOD BSc, MRICS
REGIONAL DIRECTOR — NORTHERN HOME COUNTIES

Aged 36. 4 years' service.

02 MIKE HERBERT
REGIONAL DIRECTOR — NORTH STAFFORDSHIRE

Aged 54. 19 years' service.

03 GUY GUSTERSON BSc, MBA
RESIDENTIAL DIRECTOR

Aged 39. 3 years' service.

04 TIM SEDDON BSc, MRICS
REGIONAL DIRECTOR — LONDON & SOUTH EAST

Aged 44. 4 years' service.

05 JOHN DODDS BSc, FRICS
REGIONAL DIRECTOR — MIDLANDS

Aged 53. 8 years' service.

06 RUPERT JOSELAND BSc, MRICS
REGIONAL DIRECTOR — SOUTH WEST & SOUTH WALES

Aged 39. 8 years' service.

07 MICHELLE TAYLOR BSc, MRICS
REGIONAL DIRECTOR — NORTH WEST

Aged 47. 20 years' service.

08 STEPHEN PROSSER BSc, MRICS
REGIONAL DIRECTOR — YORKSHIRE & NORTH EAST

Aged 46. 12 years' service.

CORPORATE GOVERNANCE REPORT

The board is committed to maintaining high standards of corporate governance within the company. Throughout the year ended 30th November 2009, the company has complied with Section 1 of the Combined Code on Corporate Governance issued in 2008 (the 'Code) except in relation to the following matters:

- The Code asks the board to identify each non-executive director it considers to be independent. Of the seven non-executive directors at the end of 2009, the board considers Ian Menzies-Gow, Lesley James, Katherine Innes Ker, Paul Rigg, and John Salmon to be fully 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 53.1m shares (26.52% of the company's issued share capital), gives him a very strong interest in challenging and scrutinising management to secure excellent performance from the company.
- 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, apart from the Chairman. 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 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 in 2004 which was endorsed by shareholders at the Annual General Meeting that same year. As of 11 February 2008 Anthony Glossop became non-executive Chairman. The roles of the Chairman and Chief Executive are carefully differentiated.

BOARD OF DIRECTORS AND COMMITTEES

The board operates within the terms of its written authorities, which include a schedule of matters reserved for the approval of the board. The board currently consists of the non-executive Chairman, three executive directors and six non-executive directors. 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 board meets not less than ten times during the year and the Chairman and the non-executive directors also meet without the executive directors being present. The programme of board meetings is tailored to enable some meetings to be held at the company's properties. In advance of each meeting, each director receives a board pack containing comprehensive briefing papers. Presentations on business and operational issues are made regularly to the board by senior management.

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.

Ian Menzies-Gow 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 director 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 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 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:

Audit Committee

The Audit Committee currently comprises all of the non-executive directors, apart from the Chairman. The Committee is chaired by John Salmon who, as a former partner of PricewaterhouseCoopers LLP, is considered by the board to have the required recent and relevant experience.

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.

CORPORATE GOVERNANCE REPORT CONTINUED

- 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 re-appointment.
- 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.

During the year, the Committee was assisted in the performance of these duties by the company's Internal Auditor, tasked with formalising and documenting internal control procedures and ensuring compliance.

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.

Nomination Committee

The Nomination Committee comprises Anthony Glossop (as chairman of the Committee), Ian Menzies-Gow, Paul Rigg and John Salmon. Mary Francis resigned on 30 September 2009 and Lesley James and Katherine Innes Ker joined on 19 October 2009.

The Committee is responsible for evaluating the balance of skills, knowledge and experience on the board and the structure, size and composition of the board and its committees; annually reviewing the performance of non-executive directors and board committees; recommending and reviewing new appointments to the board as they become due; and reviewing and approving board and committee succession.

During the year external consultants Zygos Partnerships were engaged to assist in a search for two new non-executive directors. Following a rigorous assessment process, the Committee recommended the appointments of Lesley James and Katherine Innes Ker to the board and they were duly appointed. The Committee also endorsed the appointment during the year of Reeta Stokes as Company Secretary.

Remuneration Committee

The composition and functions of the Remuneration Committee are set out in the Directors' Remuneration Report on page 58.

BOARD AND COMMITTEE ATTENDANCE

The attendance at board or Committee meetings during the year to 30 November 2009, was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
C.C.A.Glossop	10	1*	4*	2
S.J.Burke	11	—	—	—
T.P.Haywood	11	3*	—	—
W.A.Oliver	11	—	1*	—
S.W. Clarke	11	3	4	—
M.Francis (resigned 30th September 2009)	7	2	3	—
L.James (joined 19th October 2009)	2	—	1	—
K.Innes Ker (joined 19th October 2009)	2	—	1	—
R.I.Menzies-Gow	11	3	4	2
D.P.Rigg	11	3	4	2
C.E.Roshier (resigned 3rd April 2009)	4	1*	1*	—
J.H.Salmon	11	3	4	2
No. of meetings during the year	11	3	4	2

* In attendance, but not a member of the committee

BOARD EFFECTIVENESS

The Code recommends that the board undertake 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 2008/2009. The principal findings of the review were that "since the first review in 2005 many of the issues raised had improved significantly, and that there was a shared sense of strategic mission and vision… an improved process of risk management, good communication with shareholders and stakeholders, and …a highly committed and knowledgeable executive team". The principal areas identified as requiring further work were:

1. Clarity of board agendas and papers
2. Discussion of the corporate domain
3. Succession planning
4. The role of the Chairman

During 2008 progress was made against these recommendations in a number of areas, including the initiation of a management development programme to identify and develop talent; a growing focus on the macro-economic forces influencing the company's markets; and a redefinition of the role and time commitment of the non-executive Chairman. In 2009 attention was turned to succession planning and a number of personnel changes were made to the composition of the board, including the appointment of two new non-executive directors and a Company Secretary, and the initiation of a process to find successors for the roles of Chairman and Senior Independent Director.

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.

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 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; and
b) exposure to market risk, credit risk, liquidity risk and capital risk

are contained in note 16 to the group accounts.

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.

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

1. Economic/Property Risks

The risks identified included:

- Lack of liquidity for potential property investors
- Lack of demand for land from housebuilders
- Lack of demand for space from occupiers
- Investment yield movements
- Overexposure to single tenant / scheme / sector
- Changing public sector requirements

CORPORATE GOVERNANCE REPORT CONTINUED

The principal mitigating actions are:

- Use of realistic, but conservative, property valuations
- 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 the UK, which is normally subject to relatively low-risk low-returns from a stable and mature, albeit cyclical, economy and property market. By involvement with many sectors of that economy and that property market, we are well diversified, without venturing overseas.

The current economic climate, and the resultant illiquidity of UK financial and property markets, has increased risk levels in this area significantly. Property valuations have consequently been subject to higher degrees of volatility and uncertainty than in previous years. Increasing pressures on occupiers (and therefore on rental levels) are likely to continue to restrain any recovery of values in the short-term. However, strong, well-run companies will survive this downturn, and will benefit from enhanced opportunities and reduced competition when conditions improve. In the meantime, we will address this higher risk profile by maintaining our conservative stance to funding, development and acquisitions.

2. Financial Risks

The risks identified included:

- Lack of available funds
- Inability to balance cash flows to meet changing market conditions
- Interest rates
- Inability to manage business within existing banking covenants

The principal mitigating actions are:

- Detailed cash flow forecasting
- Recurring rent roll enabling interest costs to be met when development activity declines
- Acquisition transactions structured in self-financing manner
- Small number of high-quality banking relationships
- Hedging policy to contain interest rate risk

Assessment — The equity issue and the renegotiation of banking covenants during the year have significantly reduced the risk of the company not being able to manage within those covenants. In addition, the focus on reducing forward commitments and speculative development and progressing selective asset disposals has enabled us to optimize operational cash flows, and to offset the impact of very difficult market conditions. All of our banking facilities are now secured until at least November 2011, and we have £200m of available but undrawn facilities to finance future developments or acquisitions. Furthermore, we have once again recorded a trading profit in the year, with recurring income exceeding the overhead and interest costs of the business, which demonstrates our ability to succeed despite the lack of any material development activity.

3. Organisational/People factors

The risks identified included:

- Failure to retain or train skilled personnel
- Succession planning and talent management
- IT
- Disaster planning
- Need to manage cost base to meet lower activity levels

The principal mitigating actions are:

- Competitive remuneration packages
- Regular assessment of performance and identification of training needs
- Ongoing management of headcount
- Regular communication of strategic and tactical objectives
- Properly resourced and structured IT solutions
- Appropriate disaster recovery procedures

Assessment — Employee turnover has historically been low, indicating good retention levels. Vacancies have been few and are generally filled promptly, indicating the attractiveness of the company and remuneration packages. To support the long-term financial objectives, we will need to continue to improve the skills of our employees. In the short-term, we have continued to control our cost levels by closing the defined benefit pension scheme to future accrual and by introducing a temporary suspension of pension contributions: these measures enabled us to maintain intact our core team, and the changes were met with equanimity by staff who recognised the steps taken by the company to protect their continuing employment.

4. Regulatory factors

The risks identified included:

- Planning
- Tax
- 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 become more active in attempting to influence public policy debate, although meaningful and beneficial changes are very difficult to bring about, notwithstanding the formalities of extensive public consultation.

5. Failure to secure schemes

The risks identified included:

- Lack of availability of finance
- Competition
- Reputation

The principal mitigating actions are:

- Regional offices in touch with their local market
- Dedicated central resource to support regional teams
- 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 excellent reputation and restored financial capacity of the company have enabled us to win a number of schemes and to grow the Hopper to record levels, even in the current financially-constrained climate. We anticipate that the number of opportunities will increase as vendor expectations become more realistic and lenders begin to address the issues in their loan books. In this environment, with a reduced number of active competitors, we expect to be able to continue to source attractive acquisitions.

6. Social, ethical and environmental risks

The risks identified included:

- Health, safety & environment risk
- 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

Assessment — The initial assessment of environmental costs (and the subsequent optimising of remediation solutions) is an integral part of our acquisition and post-acquisition procedures. We seek to minimise or pass on any such environmental risks, and believe that the residual risk in this respect is acceptably low. In other social and ethical areas, the company has benefited from an excellent reputation, which 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
- Regular top-level meetings with local authorities, RDAs, and other government or quasi governmental bodies

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.

CORPORATE GOVERNANCE REPORT CONTINUED

8. Construction risk

The risks identified included:

- Build quality
- Remediation/contamination
- Liability issues
- Contractor failure

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
- Close monitoring of contractors' performance and financial viability

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.

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 in note F to the company accounts.

DIRECTORS' INTERESTS IN ORDINARY SHARES

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

	30th November 2009	30th November 2008
Beneficial		
S.J.Burke	**112,123**	26,938
S.W.Clarke	**7,112,657**	7,026,546
C.C. A.Glossop	**1,757,292**	1,607,933
T.P.Haywood	**155,324**	91,251
L.James	**10,000**	—
K.Innes Ker	**—**	—
I.Menzies-Gow	**14,814**	—
W.A Oliver	**314,157**	202,002
P.Rigg	**2,812**	1,875
J.Salmon	**18,000**	2,000
Non-beneficial		
C.C.A.Glossop	**180,000**	100,000

These interests do not include shares held under the share option schemes described in the Directors' Remuneration Report on page 63.

There has been no change in these beneficial interests between 30th November 2009 and 3rd February 2010.

SUBSTANTIAL INTERESTS

As at 3rd February 2010 the company had been notified 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)	27,462,539	13.71%
J.D.Leavesley and connected parties	18,543,382	9.25%
Kempen Capital Management	14,378,852	7.18%
BlackRock	10,686,153	5.33%
Co-operative Asset Management	9,533,284	4.76%
Aberforth Partners	8,771,568	4.38%
Legal & General Investment Management	7,096,686	3.54%
CBRE Global Real Estate Securities	6,213,246	3.10%

REAPPOINTMENT OF DIRECTORS

The directors listed on pages 48 and 49 constituted the board at the end of the year. Lesley James and Katherine Innes Ker, having been appointed during the year, offer themselves for election. John Salmon, Steve Burke and Simon Clarke will retire from the board in accordance with the provisions of the company's Articles of Association and offer themselves for re-election at the 2010 Annual General Meeting. Paul Rigg will retire from the board, and is not seeking re-election.

DIRECTORS' INTERESTS IN CONTRACTS

No contract existed during the year in relation to the company's business in which any director was materially interested.

CREDITOR PAYMENT POLICY

It is the company'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 2009 trade creditors represented an average of 31 days' purchases (2008: 30 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.

CAPITAL STRUCTURE

On 30th November 2009 there were 200,360,931 (2008: 120,773,954) ordinary shares of 10p in issue, each with one vote. During the year under review the company successfully completed a Firm Placing and Placing and Open Offer of 79,586,977 new ordinary shares of 10p each at 135p per share, raising a net £101.6m after costs.

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 staff 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. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The group operates a pension scheme which is open to all employees — see note 20 to the group accounts.

POLITICAL DONATIONS 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, including donations made by the St. Modwen Environmental Trust during the year, totalled £14,000 (2008: £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 Lesley James, 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 page 115).

ELECTRONIC COMMUNICATIONS

Each year the company produces and posts annual reports to all of its shareholders, at considerable cost to the company and the environment. In an effort to reduce the cost and the environmental burden and provide instant access, the board has agreed to make more use of electronic and website communication. Starting with the next half yearly report in 2010, all shareholder documentation will be published directly on our website (www.stmodwen.co.uk). Shareholders will be notified by email or post each time a document is published on the website and how to find it. The interim management statements will continue to be available via the website.

Shareholders who prefer to receive a printed copy will be able to elect to do so. Shareholders who have elected to receive electronic communications can at any time change their election and require the company to send them a paper copy of any document or information which has been posted on the company website.

Although electronic communications will become the default option, the company reserves the right to send printed documents by post, should the information be more suited to that format. If the company is required to restrict the sending of any documents or information to any shareholder due to the local laws of the jurisdiction in which the shareholder is resident or located and as a result, the company is not permitted to use electronic means to communicate with shareholders, it will send hard copies of the documents or information.

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 and the Companies Act 2006. It 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 AGM. The Remuneration Committee's terms of reference are available for inspection on the company's website.

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

COMPOSITION AND FUNCTION OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises Lesley James (Chairman), Simon Clarke, Ian Menzies-Gow, Katherine Innes Ker, 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.

During 2008-09 the Committee was assisted by Watson Wyatt, who were appointed as its independent remuneration advisers in June 2008. Watson Wyatt do no other work for the company. The Remuneration Committee was also assisted in its deliberations by the Chairman, the Chief Executive and the Company Secretary, who were not present when their own remuneration arrangements were under discussion.

REMUNERATION POLICY

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

- Base salary: reviewed annually in the light of information on the external market and other relevant factors such as internal relativities and individual performance.
- Annual bonus: the aim is to provide a clear and direct incentive. Bonus normally comprises a single cash payment awarded at the end of the financial year. Bonus targets require performance based on financial, operational and strategic measures at company and personal levels and provide an opportunity to earn up to a maximum of 125% of salary.
- Performance share plan: an annual award of shares normally with a face value of 150% of base salary which vest, subject to achievement of performance targets, in whole or in part after three years. The plan was agreed by shareholders in 2007 and provides the main incentive to sustained, longer term performance. The plan rules require challenging performance targets to be set for each award to vest and stipulate that the measures used should be appropriate in the prevailing economic environment and circumstances of the company.
- Pensions and benefits: executive directors' pension benefits are funded through either the defined benefit scheme (now closed), or the defined contribution scheme. executive directors also receive private medical insurance, life insurance and participate in the company car plan.
- Shareholdings: it has been the company's policy since 1st December 2006 that executive 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.

EXECUTIVE DIRECTORS' REMUNERATION IN 2008-09

The year under review was one of considerable challenge and difficulty for the company, its shareholders and its management team. At its meetings during the year, the Committee discussed in depth what constitutes fair pay for the company's executives in these circumstances and agreed it should focus on meeting the following objectives:

- To take account of shareholders' interests at a time of declining shareholder value
- To continue to motivate and retain the company's key executives
- To ensure that performance targets remain both stretching and relevant

- To incentivise the executive team to maintain a focus on the longer-term strength of the company, as well as grappling with the shorter-term challenges of the recession
- To ensure that decisions on executive directors' pay are aligned with decisions made for other employees of the company

The Committee was particularly mindful of the message it received from many institutional fund managers that they invest in St. Modwen because they have a high regard for its management team, led by the three executive directors. They see retention and motivation of the company's top team as a key objective for the Remuneration Committee. At the same time, the Committee was aware of the expectation from shareholders and their representative bodies that remuneration should reflect declines in shareholder value in current market conditions. Applying these objectives required the Committee to reach balanced judgements in relation to remuneration in 2008-2009 and in structuring remuneration for 2009-2010.

The overall effect was that the total remuneration of each of the executive directors was substantially lower in 2008-09 than in the previous year.

The remuneration arrangements for the year ended 30th November 2009 are set out below.

Base Salaries

Base salaries for the year beginning 1st December 2008 were reviewed having regard to market conditions and the salary review being implemented for other staff which was budgeted at a 3% increase. Salaries were set at the following levels: Bill Oliver (Chief Executive) — £424,360; Steve Burke (Construction Director) — £280,000; Tim Haywood (Finance Director) - £248,230. Bill Oliver and Tim Haywood received salary increases of 3% in line with other staff and Steve Burke received an increase of 21.7% reflecting his progression through his salary range following his appointment to the board in 2006 and in line with market data.

2008-09 Bonus Scheme

The executive directors had the opportunity to earn a total bonus of up to 125% of base salary, with performance measured against the following criteria:

- Net asset value at the year end
- Covenant compliance
- Gearing levels
- Land and property acquisitions and disposals
- Marshalling activity
- Personal elements including cost management

The executive directors' performance was assessed individually by the non-executive members of the board and the Committee against the targets, relying on audited information where appropriate, and having regard to the value which has been created for shareholders.

On the basis of that assessment, the bonus payments made to each of the executive directors, in accordance with the performance conditions, were: Bill Oliver 50% of maximum bonus, (62.5% of base salary); Steve Burke 60% of maximum bonus, (75% of base salary); Tim Haywood 16% of maximum bonus, (20% of base salary).

It was noted that in determining the awards, Bill Oliver had demonstrated outstanding commitment and leadership which kept the business intact in a most difficult period and Steve Burke had been largely responsible in acquiring the BP portfolio (not part of his normal duties) and had led the construction team to achieve all of its targeted objectives.

In addition to the above, Bill Oliver and Tim Haywood were each awarded £100,000 in respect of the successful equity raising and financial restructuring. In the normal course of events this would be considered a routine matter. However, the severity of prevailing market conditions demanded exceptional contribution from the Chief Executive and Finance Director. The differences in the terms on which comparable exercises were undertaken by other companies demonstrate that management could influence the outcome of the process substantially. The terms achieved by executive directors bore favourable comparison to those of our peers. The fundraising also achieved the objective of widening the shareholder base and attracting new investors to the group. In the light of this successful fundraising, the Remuneration Committee decided to make this special and one-off award.

DIRECTORS' REMUNERATION REPORT CONTINUED

The Committee was conscious that the resulting bonus payments could nevertheless be regarded as high and were due to be paid in cash at a time when shareholders had seen declines in the absolute value of their shares. Taking this into account, the Committee decided to make payment conditional on the executive directors undertaking to invest 50% of the bonus received, after payment of income tax and national insurance, in company shares and to retain those shares for a minimum period of three years.

In normal circumstances, once awarded, cash payments under the bonus scheme are a contractual right. Requiring the executive directors to invest the payments made to them into the company's shares was an exceptional decision, to which they agreed. Accordingly the shares purchased will not be forfeitable if an executive director leaves the company.

Deferred Bonus scheme

The deferred cash bonus plan was in place between 2004 and 2006. As a retention tool, participants received half their annual bonus in cash, with the other half in cash but deferred for a further three years. Performance conditions (which were not attached to equivalent bonuses paid below board level) were imposed but were not the principal motivation, being set below the company's trend line performance.

The bonuses that were earned in 2005 — 06, deferred for payment in 2010, amounted to: Bill Oliver £252,000; Tim Haywood £140,000; Steve Burke £74,000. The Remuneration Committee decided that as the performance targets were not met, these awards will therefore lapse.

Performance Share Plan (PSP)

Whilst the reduction in NAV experienced by St. Modwen was far less than many of our competitors, the condition applying to the 2007 PSP awards, due to vest in 2010, has not been met. The Remuneration Committee has determined that these awards will therefore lapse.

In the current economic climate, it is also expected that NAV growth will fall significantly short of the targets set for PSP awards that were made in 2008.

New PSP awards over shares were granted to executive directors in 2009 over shares to a face value of 125% of base salary (reduced from 150% in previous years). The shares will vest after three years, subject to achievement of performance targets over three financial years ending 31st May 2012. Performance will be measured against two targets.

The first is cumulative growth in net asset value per share (NAV growth). NAV growth of 5% will earn PSP shares worth 15.625% of base salary at the date of the award and growth of 20% will earn shares worth 62.5% of base salary. These levels of growth are lower than those set for the PSP award granted in 2008 but were agreed by the Committee, after very careful consideration, to be realistic but challenging in the current economic climate. The minimum NAV target was increased from the original scheme outlined in the 2008 annual report, following consultation with shareholders, to reflect the impact of the six month delay to implementation of the awards as a result of the equity issue in the period.

The second target is the company's Total Shareholder Return (TSR) relative to the FTSE350 Real Estate Index. TSR equal to the Index over the three financial years ending 31st May 2012, will earn PSP shares worth 15.625% of base salary at date of the award and TSR of 120% of the Index will earn shares worth 62.5% of base salary, with a straight line correlation between these points.

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

EXECUTIVE DIRECTORS' REMUNERATION 2009-10

The Remuneration Committee considered carefully the executive remuneration arrangements for 2009-10 having regard to operational and strategic priorities in a difficult market. It continued to seek to meet the objectives set out in the previous section, balancing the need to take account of shareholders' interests with the need to incentivise the executive team.

Executive directors' remuneration for 2009-10 comprises:

Base salary

No increases to base salaries were given for the year beginning 1st December 2009, in line with the policy adopted for the majority of employees.

Pensions and benefits

With effect from 1st September 2009, the final salary pension scheme, of which Steve Burke was a member, was closed for future benefit accrual. Employer contributions into this scheme previously amounted to 33.7% of salary. From that date, he became a member of the defined contribution scheme.

Also with effect from 1st September 2009, and anticipated to continue until 1st December 2010 (or the resumption of NAV growth, if later) contributions to the defined contribution scheme were reduced for all employees. Contributions for the executive directors were set at 5% of salary (previously 15% for both Bill Oliver and Tim Haywood).

Annual bonus

In current market conditions, it is essential to set clear, stretching and realistic targets which relate directly to the company's strategy for both the short and longer term.

The Committee agreed that the following performance conditions for the 2009-10 annual bonus comprise the principal elements for each executive director:

- Net asset value at the year end
- Covenant compliance
- Gearing levels
- Land and property acquisitions and disposals
- Marshalling activity
- Personal elements including cost management

The targets for each element are based on the budget as agreed by the board and are considered by the Committee to be stretching in current market conditions.

Payment of bonus will not be dependent on achievement of any single target in isolation, since the targets are all of key importance to the short and longer term health of the company and the Committee does not wish to distort behaviour by focussing on a single element. The potential maximum award is 125% of base salary, but the Committee will have regard to the value which has been created for shareholders when determining the total size of bonuses at the end of 2009-10.

Performance Share Plan (PSP)

The 2010 grant of shares under the PSP will vest according to performance in the three financial years between 30th November 2009 and 2012. These awards will be over shares to a face value of 125% of base salary.

The Remuneration Committee gave extensive consideration to the performance conditions to be set. The rules of the performance share plan approved by shareholders in 2007 require the Committee to set performance conditions for each annual grant which reflect current market conditions and the company's strategy. The company's clear goal continues to be the restoration of NAV growth.

The award will again be based on two performance conditions and will be measured against the following targets:

- 50% of the award will be based on cumulative NAV targets. NAV growth of 7.5% would vest 12.5% of the maximum award of 62.5%, resulting in 15.625% of salary as a PSP award. Growth of 30% or above in NAV would secure the maximum award under this performance condition.
- 50% of the award will be based on the company's relative TSR performance to the FTSE350 Real Estate Index. TSR equal to the Index over the three financial years ending 30th November 2012, will earn PSP shares worth 15.625% of base salary at date of the award and TSR of 120% of the Index will earn shares worth 62.5% of base salary, with a straight line correlation between these points.

The Committee will review these performance conditions when deciding PSP grants in future years, in order to reflect changes in the outlook for the sector and the company, and to ensure that awards remain challenging.

Share awards made to executive directors and other employees will remain within the overall limits allowed by the rules of the relevant plans.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2008-09 the level of the basic fee paid was maintained at the previous year's levels of £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.

For the year commencing 1st December 2009, non-executive directors' fees will be held at the same levels.

The Chairman's fee for his new non-executive role from 1 December 2008 was set at £125,000 per annum, and will be maintained at this level for the year commencing 1st December 2009.

SERVICE CONTRACTS

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

The non-executive directors have letters of appointment with 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.

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

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

Audited Information:

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 30th November 2009 was as follows:

	Salary/Fees £'000	Annual bonus £'000	Benefits £'000	Total emoluments excluding pensions and pension contributions **2009** **£'000**	2008† £'000
Executive					
W.A.Oliver	424	365	34	**823**	921
S.J.Burke	280	210	20	**510**	444
T.P.Haywood	248	150	21	**419**	493
Non-executive					
C.C.A.Glossop	125	—	15	**140**	303
S.W. Clarke	37	—	—	**37**	37
M.E.Francis (to 30 Sept 2009)	38	—	—	**38**	46
L.James (from 19 Oct 2009)	6	—	—	**6**	—
K.Innes Ker (from 19 Oct 2009)	5	—	—	**5**	—
R.I.Menzies-Gow	41	—	—	**41**	37
D.P.Rigg	37	—	—	**37**	37
C.E.Roshier (to 3 Apr 2009)	15	—	—	**15**	43
J.H.Salmon	46	—	—	**46**	46
	1,302	725	90	**2,117**	2,407

† 2008 totals for the executive directors include payment of deferred bonus earned in respect of 2005.

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.

EXECUTIVE SHARE OPTION SCHEMES

Date of Grant	W.A.Oliver	S.J.Burke	T.P.Haywood	Exercise Price	Exercise Period
August 2004*	105,610	46,315	—	236p	Aug 2007-Aug 2014
August 2005*	102,955	39,825	46,610	375p	Aug 2008-Aug 2015
As at 30 November 2009	208,565	86,140	46,610		

(i) All share options have vested in full, having met the performance conditions.

(ii) During the year C.C.A.Glossop exercised 590,000 share options at an exercise price of 83.9 pence per share. W.A.Oliver exercised 70,800 share options at an exercise price of 113.5 pence per share and 132,160 share options at 169.4 pence per share . The gain made on the exercise of the options was £1.39m for C.C.A.Glossop and £205,240 for W.A.Oliver.

*The exercise prices and numbers of shares under option have been adjusted to reflect the equity issue in the year.

PERFORMANCE SHARE PLAN

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
12 February 2008*	152,305	85,025	89,091	Feb 2011 — Feb 2018
24 July 2009	294,694	194,444	172,381	July 2012 — July 2019
Total	446,999	279,469	261,472	

*The numbers of shares have been adjusted to reflect the equity issue in the year

PSP awards granted in 2007 have lapsed, performance conditions not having been met.

The share price on 24th July 2009, the date of the latest grant, was 184p.

SAVINGS RELATED SCHEMES

	Balance at 30 Nov 2008*	Exercised	Granted	Balance at 30 Nov 2009	Exercise Price*	Exercise Period
C.C.A.Glossop	7,168	(6,292)	-	876	367p	Mar 2012
W.A.Oliver	—	—	6,941	6,941	224p	Oct 2014 — Mar 2015
T.P.Haywood	7,579	(4,719)	4,165	7,025	224p — 228p	Oct 2013 — Mar 2014
S.J.Burke	—	—	6,941	6,941	224p	Oct 2014 — Mar 2015

* The exercise prices and numbers of shares under option have been adjusted to reflect the equity issue in the year.

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
C.C.A.Glossop	Oct 2009	214.5p	6,292	-
T.P.Haywood	Oct 2009	214.5p	4,719	-

The share price on 30th November 2009 was 212p. The highest price during the year was 262p and the lowest price was 67p.

DIRECTORS' REMUNERATION REPORT CONTINUED

Unaudited Information:

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, and to future accrual in 2009.

Membership of the defined contribution section is available to all permanent employees including executive directors joining the company after 6 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 Nov 2009	Accrued pension 2009	Accrued pension 2008	Transfer Value 2009	Transfer Value 2008	Change in transfer value to 30th Nov 2009 less member contributions
		£'000 p.a.		£'000 p.a.		
C.C.A.Glossop	68	**261**	261	**4,966**	4,734	232
S.J.Burke	50	**25**	22	**404**	286	107

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 £248,000 has been paid in the year).

Notes relating to the defined benefits scheme:

1. Contributions of up to 7.5% were payable by members, effective 1st December 2004.
2. Accrued pension is that which would be paid annually at retirement age based on service to 31st August 2009.
3. Normal retirement age is 65, effective 1 December 2004.
4. 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 actual pension.
5. A spouse's pension of 50% of the full pension is payable after the death in retirement of a member.
6. Pension payments in respect of service in the Scheme after 5 April 1997 increase annually by the lower of the RPI increase and 5%. Pension in respect of service prior to 6 April 1997 increases annually by the lower of the RPI increase and 3%.
7. With effect from 1st September 2009, the defined benefits scheme was closed to future accrual.

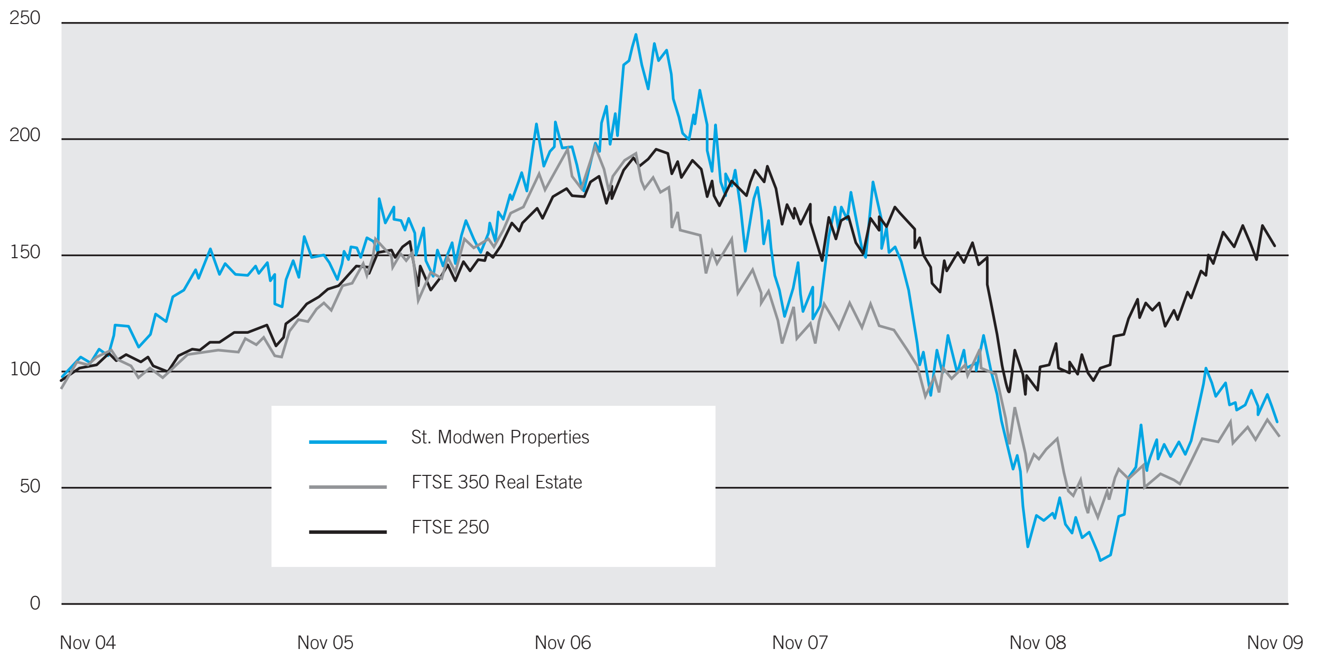
Contributions made on behalf of the remaining directors who are members of the defined contribution section of the pension scheme amounted to :

	2009 £'000	2008 £'000
W.A Oliver	**53**	62
S.J.Burke (from 1 September 2009)	**3**	—
T.P.Haywood	**31**	36

With effect from 1st September 2009, company contributions into the defined contribution section of the plan were reduced until further notice. It is anticipated that contributions will resume when the company achieves positive NAV growth.

Further information on the company's pension scheme is shown in note 20 to the group accounts.

Unaudited Information:

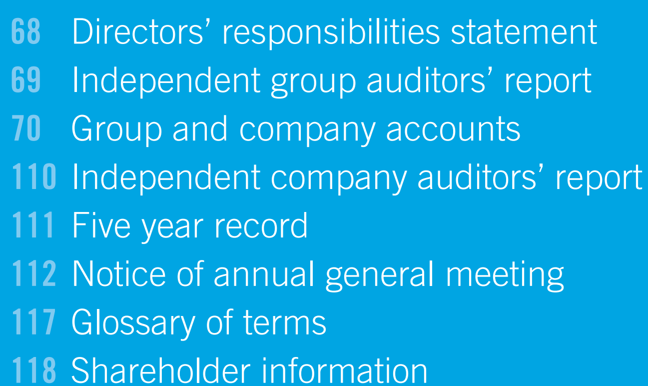


The company's total shareholder return is shown in the graph above against a broad equity market index. Since the company was a constituent of the FTSE 250 and FTSE Real Estate indices during the year, these are considered to be appropriate benchmarks for the graph.

Approved by the board and signed on its behalf by

Lesley James
Chairman, Remuneration Committee
5th February 2010

FINANCIAL STATEMENTS



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DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the persons who is a director at the date of approval of this annual report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The business review, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board

Bill Oliver
Chief Executive
5th February 2010

Tim Haywood
Finance Director

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 2009 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 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the group financial statements:

- Give a true and fair view of the state of the group's affairs as at 30th November 2009 and of its loss for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- The group financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The directors' statement contained within the Corporate Governance Report in relation to going concern; and
- The part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

OTHER MATTER

We have reported separately on the parent company financial statements of St. Modwen Properties PLC for the year ended 30th November 2009.

Stephen Griggs FCA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, United Kingdom
5th February 2010

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 30TH NOVEMBER 2009

	Notes	2009 £m	2008 £m
Revenue	1	**113.7**	146.5
Net rental income	1	**26.1**	25.7
Development (loss)/profit	1	**(9.3)**	9.0
Gains on disposal of investments/investment properties		**2.2**	0.1
Investment property revaluation losses	7	**(81.7)**	(49.7)
Other net income	1	**1.8**	7.3
Losses of joint ventures and associates (post-tax)	9	**(22.9)**	(8.9)
Administrative expenses	2	**(13.9)**	(14.0)
Loss before interest and tax		**(97.7)**	(30.5)
Finance cost	3	**(26.0)**	(49.3)
Finance income	3	**4.3**	6.7
Loss before tax		**(119.4)**	(73.1)
Tax credit	4	**17.7**	22.4
Loss for the year		**(101.7)**	(50.7)
Attributable to:			
Equity shareholders of the company	18	**(101.1)**	(51.7)
Minority interests	19	**(0.6)**	1.0
		(101.7)	(50.7)

	Notes	2009 pence	2008 pence
Basic and diluted loss per share (as restated)	5	**(59.7)**	(37.3)

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30TH NOVEMBER 2009

	Notes	2009 £m	2008 £m
Loss for the year		**(101.7)**	(50.7)
Pension fund:			
— actuarial losses	20	**(0.8)**	(0.4)
— deferred tax thereon		**0.2**	0.1
Total recognised income and expense		**(102.3)**	(51.0)
Attributable to:			
— Equity shareholders of the company	19	**(101.7)**	(52.0)
— Minority interests	19	**(0.6)**	1.0
Total recognised income and expense		**(102.3)**	(51.0)

GROUP BALANCE SHEET
AS AT 30TH NOVEMBER 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Investment property	7	**762.9**	814.3
Operating property, plant and equipment	8	**7.9**	4.3
Investments in joint ventures and associates	9	**41.3**	64.2
Trade and other receivables	10	**5.2**	20.6
		817.3	903.4
Current assets			
Inventories	11	**192.7**	228.1
Trade and other receivables	10	**47.0**	48.5
Cash and cash equivalents		**4.8**	12.7
		244.5	289.3
Current liabilities			
Trade and other payables	12	**(139.2)**	(131.1)
Borrowings	13	**(0.4)**	(0.4)
Tax payables	4	**(7.7)**	(5.7)
		(147.3)	(137.2)
Non-current liabilities			
Trade and other payables	12	**(188.9)**	(201.4)
Borrowings	13	**(323.2)**	(433.8)
Deferred tax	4	**(1.4)**	(18.1)
		(513.5)	(653.3)
Net assets		**401.0**	402.2
Capital and reserves			
Share capital	17	**20.0**	12.1
Share premium account	18	**102.8**	9.1
Capital redemption reserve	18	**0.3**	0.3
Retained earnings	18	**269.6**	371.3
Own shares	18	**(0.4)**	(0.1)
Shareholders' equity		**392.3**	392.7
Minority interests	19	**8.7**	9.5
Total equity		**401.0**	402.2

The group financial statements of St. Modwen Properties PLC, registered number 00349201, were approved by the board of directors on 5th February 2010 and were signed on its behalf by Bill Oliver and Tim Haywood.

Bill Oliver
Chief Executive

Tim Haywood
Finance Director

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH NOVEMBER 2009

	Notes	2009 £m	2008 £m
Operating activities			
Loss before interest and tax		**(97.7)**	(30.5)
Gains on the disposal of investments		**—**	(0.3)
(Gains)/losses on investment property disposals		**(2.2)**	0.2
Share of losses of joint ventures and associates (post-tax)	9	**22.9**	8.9
Investment property revaluation losses	7	**81.7**	49.7
Depreciation	8	**1.0**	0.5
Impairment losses on inventories	11	**14.2**	10.1
Decrease/(increase) in inventories		**6.5**	(29.8)
Decrease/(increase) in trade and other receivables		**0.6**	(3.1)
(Decrease)/increase in trade and other payables		**(13.5)**	53.3
Share options and share awards		**(0.3)**	3.9
Pension		**(0.8)**	(0.1)
Tax refund/(payment)	4 (c)	**3.2**	(4.8)
Net cash inflow from operating activities		**15.6**	58.0
Investing activities			
Investment property disposals		**31.3**	44.4
Investment property additions		**(28.0)**	(89.1)
Disposal of investments		**—**	0.9
Property, plant and equipment additions		**(1.5)**	(0.9)
Cash and cash equivalents acquired with subsidiary	14	**0.4**	—
Investment in associate	9	**—**	(2.3)
Interest received		**1.4**	2.5
Dividends received		**—**	4.0
Net cash inflow/(outflow) from investing activities		**3.6**	(40.5)
Financing activities			
Dividends paid	6	**—**	(14.1)
Dividends paid to minorities	19	**(0.2)**	(1.0)
Interest paid		**(17.9)**	(22.0)
Net proceeds on issue of share capital		**101.6**	—
New borrowings drawn		**44.2**	23.5
Repayment of borrowings		**(154.8)**	(9.1)
Net cash outflow from financing activities		**(27.1)**	(22.7)
Decrease in cash and cash equivalents		**(7.9)**	(5.2)
Cash and cash equivalents at start of year		**12.7**	17.9
Cash and cash equivalents at end of year		**4.8**	12.7

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30TH NOVEMBER 2009

Basis of preparation
The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as they apply to the group for the year ended 30th November 2009, applied in accordance with the provisions of the Companies Act 2006.

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

The 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 controlled is given in note (F) of the company's financial statements.

VSM Estates (Holdings) Limited is 50% owned by St. Modwen Properties PLC; however, under the funding agreement the group obtains the majority of the benefits of the entity and also retains the majority of the residual risks. This entity is therefore consolidated in accordance with SIC 12 "Consolidation — Special Purpose Entities".

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 that are not held by the group and are 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.

Properties
Investment properties
Investment properties, being freehold and leasehold properties held to earn rental income, for capital appreciation and/or for undetermined future use, are carried at fair value following initial recognition at the present value of the consideration payable. To establish fair value, investment properties are independently valued on the basis of market value. 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 commences, 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.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30TH NOVEMBER 2009

Investment properties continued
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.

Investment properties are not depreciated.

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

Cost comprises land, direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition. When inventory includes a transfer from investment properties, cost is recorded as the book value at the date of transfer. Net realisable value represents the estimated selling price less any further costs expected to be incurred to completion and disposal.

Finance costs
Interest incurred is not capitalised, but charged 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 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

Leases
The group as lessee
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.

Freehold interests in 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.

The group as lessor
Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

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

The tax currently payable is based on the taxable result for the year. The taxable result differs from the result as reported in the 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, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
— deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred 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.

Pensions
The group operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1st September 2009, to future accrual.

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

When a pension asset (net surplus) arises and the directors consider it is controlled by the company such that future economic benefits will be available to the company, it is carried forward in accordance with the requirements of IFRIC 14.

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

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30TH NOVEMBER 2009

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 assets 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 in accordance with the group's accounting policy on construction contracts (see below).

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

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

Dividend income
Dividend income from joint ventures is recognised when the shareholders' rights to receive payment have been established.

Construction contracts
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The extent to which the contract is complete is determined by the total costs incurred to date as a percentage of the total anticipated costs for the entire contract. Variations in contract work, claims and incentive payments are included only to the extent they have been agreed with the purchaser.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Government grants
Government grants relating to property are treated as deferred income and released to profit or loss over the expected useful life of the assets concerned.

Share-based payments
When employee share options are exercised the employee has the choice whether to have the liability settled by way of cash or the retention of shares. As it has been the company's experience to satisfy the majority of share options in cash, and new shares are not issued to satisfy employee share option plans, the group accounts for its share option schemes as cash-settled. 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.

Financial instruments
Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for any amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled, or they expire.

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.

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

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 in finance income or finance expense as appropriate.

Interest incurred is not capitalised, but charged to the income statement using the effective interest rate method.

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.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities. Equity instruments issued by the group are recorded at the proceeds received less direct issue costs.

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.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30TH NOVEMBER 2009

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

Going concern The financial statements have been prepared on a going concern basis. This is discussed in the Business Review, under the heading 'Financing, covenants and going concern'.

Valuation of investment properties Management has used the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is performed according to RICS rules, using appropriate levels of professional judgement for the prevailing market conditions.

Net realisable value of inventories The group has ongoing procedures for assessing the carrying value of inventories and identifying where this is in excess of net realisable value. Management's assessment of any resulting provision requirement, is where applicable, supported by independent information supplied by the external valuers. The estimates and judgements used were based on information available at, and pertaining to, 30th November 2009. Any subsequent adverse changes in market conditions may result in additional provisions being required.

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. Any changes to these estimates may impact the carrying values of investment properties and/or inventories.

The calculation of deferred tax assets and liabilities together with assessment of the recoverability of future tax losses. The recoverability of tax losses has been assessed and the accounts reflect the extent to which management believe recovery is likely against latent gains and future profits anticipated to be realised on the group's property portfolio.

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
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1 (revised 2007) Presentation of Financial Statements
IAS 23 (revised 2007) Borrowing Costs
IAS 24 (revised 2009) Related Party Disclosures
IAS 27 (revised 2008) Consolidated and Separate Financial Statements
IAS 32 (amended)/IAS 1 (amended) Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39 (amended 2008) Eligible Hedged Items
IFRS 1 (amended)/IAS 27 (amended) Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (amended) Share-based Payment — Vesting Conditions and Cancellations/Group Cash-settled Share-based Payment Transactions
IFRS 3 (revised 2008) Business Combinations
IFRS 7 (amended) Improving Disclosures about Financial Instruments
IFRS 8 Operating Segments
IFRS 9 Financial Instruments
IFRIC 9 (amended)/IAS 39 Embedded Derivatives
IFRIC 14 (amended) — Prepayments of a Minimum Funding Requirement
IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRIC 18 Transfer of Assets from Customers
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

1. REVENUE AND GROSS PROFIT

	2009 Rental £m	Development £m	Other £m	Total £m
Revenue	**34.3**	**74.5**	**4.9**	**113.7**
Cost of sales	**(8.2)**	**(83.8)**	**(3.1)**	**(95.1)**
Gross profit	**26.1**	**(9.3)**	**1.8**	**18.6**

	2008 Rental £m	Development £m	Other £m	Total £m
Revenue	33.7	101.8	11.0	146.5
Cost of sales	(8.0)	(92.8)	(3.7)	(104.5)
Gross profit	25.7	9.0	7.3	42.0

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 2009 was £122.7m (2008: £160.5m) and in addition to the amounts above included service charge income of £6.1m (2008: £5.3m), for which there was an equivalent expense, interest income of £2.9m (2008: £4.7m) and dividends received from joint ventures of £nil (2008: £4.0m).

Cost of sales in respect of rental income as disclosed above comprise direct operating expenses (including repairs and maintenance) related to the investment property portfolio and include £0.2m (2008: £0.3m) in respect of properties that did not generate any rental income.

During the year the following amounts were recognised (as part of development revenue and cost of sales) in respect of activity accounted for as construction contracts:

	2009 £m	2008 £m
Revenue	**27.7**	38.9
Cost of sales	**(25.3)**	(33.4)
Gross profit	**2.4**	5.5

Amounts due from customers of £0.9m (2008: £nil) were included in trade and other receivables in respect of contracts in progress at the balance sheet date.

Retentions due from customers in respect of construction contracts of £1.4m (2008: £0.5m) were included in trade and other receivables at the balance sheet date.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

2. OTHER INCOME STATEMENT DISCLOSURES

a. Administrative expenses

Administrative expenses have been arrived at after charging:

	2009 £m	2008 £m
Depreciation	1.0	0.5
Operating lease costs	1.1	1.3

b. Auditor's remuneration

	2009 £'000	2008 £'000
Fees paid to Deloitte LLP in respect of:		
The audit of the company's annual accounts	107	115
The audit of subsidiary companies and joint ventures pursuant to legislation	112	122
Total audit fees	219	237
Other audit services pursuant to legislation	309	58
Tax services	284	124
Total non-audit fees	593	182
Total fees	812	419

The above amounts include all amounts charged by the group auditor in respect of joint venture undertakings.

c. Employees

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

	2009 Number	2008 Number
Property	127	137
Leisure and other activities	61	74
Administration	40	50
	228	261

The total payroll costs of these employees were:

	2009 £m	2008 £m
Wages and salaries	9.1	11.3
Social security costs	1.1	1.4
Pension costs	0.7	0.8
	10.9	13.5

Details of the directors' remuneration is given in the directors' remuneration report.

2. OTHER INCOME STATEMENT DISCLOSURES CONTINUED

d. Share-based payments

The group has a save as you earn share option scheme open to all employees. Employees must 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.

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

	2009			2008		
		Weighted average price			Weighted average price	
	Number of options	All options £	Excluding PSP £	Number of options	All options £	Excluding PSP £
Outstanding at start of year	**4,920,691**	**2.88**	**3.17**	3,616,437	3.06	3.23
Re-basing of options following issue of share capital	**716,635**	**(0.39)**	**(0.44)**	—	—	—
Granted	**2,815,046**	**1.42**	**1.86**	1,816,505	2.38	2.80
Forfeited	**(535,265)**	**(3.28)**	**(3.28)**	(158,682)	(3.25)	(3.25)
Lapsed	**(513,700)**	**(4.78)**	**(4.78)**	—	—	—
Exercised	**(943,416)**	**(1.08)**	**(1.08)**	(353,569)	(1.86)	(1.86)
Outstanding at end of year	**6,459,991**	**2.00**	**2.46**	4,920,691	2.88	3.17
Exercisable at end of year	**1,144,467**	**2.70**	**2.70**	1,462,003	2.12	2.12

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

	Charge/ (credit) to income statement £m	Risk-free interest rate %	Expected volatility %	Dividend yield %	Share price £*
As at 30th November 2009	**0.6**	**0.1–2.2**	**0.1–80.2**	**—**	**2.28**
As at 30th November 2008	(3.3)	0.8–2.8	43.2–154.0	—	2.27

* Based on 90 day moving average.

The fair value of the balance sheet liability in respect of share options outstanding at the year end was £1.8m (2008: £2.3m) and included £0.9m (2008: £1.6m) in respect of options that had vested at the year end.

In arriving at fair value it has been assumed that, when vested, shares options are exercised in accordance with historical trends. Expected volatility was determined by reference to the historical volatility of the group's share price over a period consistent with the expected life of the options.

The weighted average share price at the date of exercise was £2.25 (2008: £3.95). The executive share options outstanding at the year end had a range of exercise prices between 97.0p and 456.0p (2008: 99.0p and 538.0p) with PSP options exercisable at £nil (2008: £nil). Outstanding options had a weighted average maximum remaining contractual life of 6.5 years (2008: 5.5 years).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

3. FINANCE COST AND FINANCE INCOME

	2009 £m	2008 £m
Interest payable on borrowings	17.3	23.7
Amortisation of loan arrangement fees	0.7	0.6
Amortisation of discount on deferred payment arrangements	1.7	7.8
Head rents treated as finance leases	0.2	0.2
Movement in fair value of interest rate derivatives	4.7	15.4
Interest on pension scheme liabilities (note 20)	1.4	1.6
Total finance cost	26.0	49.3

The finance cost on interest rate derivatives derives from financial liabilities held at fair value through profit or loss. All other finance costs derive from financial liabilities measured at amortised cost.

	2009 £m	2008 £m
Interest receivable on cash deposits	1.4	2.5
Credit in respect of discount on deferred receivables	1.5	2.2
Expected return on pension scheme assets (note 20)	1.4	2.0
Total finance income	4.3	6.7

4. TAXATION

a. Tax on loss on ordinary activities

	2009 £m	2008 £m
Tax (credit)/charge in the income statement		
Corporation tax		
Current year tax	—	0.2
Adjustments in respect of previous years	(1.2)	(2.0)
	(1.2)	(1.8)
Deferred tax		
Reversal of temporary differences	4.1	(2.9)
Impact of current year revaluations and indexation	(17.9)	(13.1)
Carry forward of tax losses	(2.1)	(3.2)
Adjustments in respect of previous years	(0.6)	(1.4)
	(16.5)	(20.6)
Total tax credit in the income statement	(17.7)	(22.4)
Tax relating to items charged to equity		
Deferred tax		
Actuarial losses on pension schemes	(0.2)	(0.1)
Tax credit in the statement of total recognised income and expense	(0.2)	(0.1)

4. TAXATION CONTINUED

b. Reconciliation of effective tax rate

	2009 £m	2008 £m
Loss before tax	**(119.4)**	(73.1)
Less: Joint ventures and associates	**22.9**	8.9
Pre-tax loss attributable to the group	**(96.5)**	(64.2)
Corporation tax at 28.00% (2008: 28.67%)	**(27.0)**	(18.4)
Permanent differences	**(0.3)**	1.6
Impact of current year revaluations and indexation	**5.0**	(3.2)
Difference between chargeable gains and accounting profit	**(1.2)**	1.0
Deferred tax asset not recognised	**7.6**	—
Current year credit	**(15.9)**	(19.0)
Adjustments in respect of previous years	**(1.8)**	(3.4)
	(17.7)	(22.4)
Effective rate of tax	**18%**	35%

The post tax results of joint ventures and associates are stated after a tax credit of £0.8m (2008: £7.0m). The effective tax rate for the group including joint ventures and associates is 15.4% (2008: 36.7%).

c. Balance sheet

	2009		2008	
	Corporation tax £m	Deferred tax £m	Corporation tax £m	Deferred tax £m
Balance at start of the year	**5.7**	**18.1**	12.3	38.8
Credit to the income statement	**(1.2)**	**(16.5)**	(1.8)	(20.6)
Credit directly to equity	**—**	**(0.2)**	—	(0.1)
Net refund/(payment)	**3.2**	**—**	(4.8)	—
Balance at end of the year	**7.7**	**1.4**	5.7	18.1

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

	2009			2008		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Property revaluations	**—**	**13.3**	**13.3**	—	31.2	31.2
Capital allowances	**—**	**4.7**	**4.7**	—	4.3	4.3
Appropriations to trading stock	**—**	**0.8**	**0.8**	—	1.0	1.0
Unutilised tax losses	**(13.2)**	**—**	**(13.2)**	(15.2)	—	(15.2)
Other temporary differences	**(4.2)**	**—**	**(4.2)**	(3.2)	—	(3.2)
	(17.4)	**18.8**	**1.4**	(18.4)	36.5	18.1

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

4. TAXATION CONTINUED

c. Balance sheet continued

At the balance sheet date, the group has:

— unused tax losses in relation to 2009 and prior years of £17.5m (2008: £7.4m), of which £9.9m (2008: £7.4m) has been recognised as a deferred tax asset; and

— deductions of £3.3m (2008: £7.8m) that will be available in subsidiary companies in future periods and have been recognised in full as a deferred tax asset.

In both cases a deferred tax asset has been recognised on the basis that the losses or deductions will shelter the latent gains anticipated to be realised on the group's property portfolio including those reflected in the deferred tax liability for property revaluations.

No deferred tax asset has been recognised in respect of the remaining £7.6m (2008: £nil) of current and prior year tax losses as it is not considered certain that there will be sufficient taxable profits available in the short term against which these can be offset.

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 calculation of basic and diluted earnings per share is set out below:

	2009 Number of shares	2008 Number of shares*
Weighted number of shares in issue	169,276,058	138,429,402
Weighted number of dilutive shares	—	—
	169,276,058	138,429,402

	2009 £m	2008 £m
Loss attributable to equity shareholders (basic and diluted)	(101.1)	(51.7)

	2009 pence	2008 pence
Basic and diluted loss per share	(59.7)	(37.3)

*To reflect the Firm Placing and Placing and Open Offer (as disclosed in note 17), the number of shares previously used to calculate the basic and diluted per share data have been amended. An adjustment factor of 1.15 has been applied based on the ratio of the company's share price of 219.3p on 13th May 2009, the day before the ex-entitlement date for the Firm Placing and Placing and Open Offer, and the theoretical ex-rights price of 191.2p per share.

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

The group's share options are accounted for as cash-settled share-based payments. In calculating diluted earnings per share, earnings have been adjusted for changes which would have resulted from share options being classified as equity-settled. Where applicable, the number of shares included in the calculation has also been adjusted accordingly.

6. DIVIDENDS

There were no dividends paid during the year. No final dividend is proposed.

	2009 p per share	2009 £m	2008 p per share	2008 £m
Paid				
Final dividend in respect of previous year	—	—	7.8	9.4
Interim dividend in respect of current year	—	—	3.9	4.7
	—	—	11.7	14.1

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 2007	473.4	373.5	846.9
Additions — new properties	8.4	0.4	8.8
Other additions	46.2	31.7	77.9
Net transfers (to)/from inventories (note 11)	(14.0)	14.9	0.9
Disposals	(9.7)	(60.8)	(70.5)
Deficit on revaluation	(37.2)	(12.5)	(49.7)
At 30th November 2008	467.1	347.2	814.3
Additions — new properties	15.2	—	15.2
Other additions	13.8	6.0	19.8
Net transfers from/(to) inventories (note 11)	15.4	(0.7)	14.7
Disposals	(10.0)	(9.4)	(19.4)
Deficit on revaluation	(45.6)	(36.1)	(81.7)
At 30th November 2009	**455.9**	**307.0**	**762.9**

Investment properties were valued at 30th November 2009 and 2008 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. King Sturge & Co are professionally qualified independent external valuers and have recent experience in the relevant location and category of the properties being valued.

The historical cost of investment properties at 30th November 2009 was £717.7m (2008: £680.5m).

As at 30th November 2009 £669.2m (2008: £776.8m) of investment property was pledged as security for the group's loan facilities.

Included within leasehold investment properties are £3.9m (2008: £3.9m) of assets held under finance leases.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

8. OPERATING PROPERTY, PLANT AND EQUIPMENT

	Operating properties £m	Operating plant and equipment £m	Total £m
Cost			
At 30th November 2007	2.6	4.3	6.9
Additions	—	0.9	0.9
Disposals	—	(0.2)	(0.2)
At 30th November 2008	2.6	5.0	7.6
Additions	4.4	0.4	4.8
Disposals	(0.1)	(0.6)	(0.7)
At 30th November 2009	**6.9**	**4.8**	**11.7**
Depreciation			
At 30th November 2007	0.4	2.6	3.0
Charge for the year	—	0.5	0.5
Disposals	—	(0.2)	(0.2)
At 30th November 2008	0.4	2.9	3.3
Charge for the year	0.1	0.9	1.0
Disposals	—	(0.5)	(0.5)
At 30th November 2009	**0.5**	**3.3**	**3.8**
Net book value			
At 30th November 2007	2.2	1.7	3.9
At 30th November 2008	2.2	2.1	4.3
At 30th November 2009	**6.4**	**1.5**	**7.9**

Tenure of operating properties:

	2009 £m	2008 £m
Freehold	**3.6**	0.3
Leasehold	**2.8**	1.9
	6.4	2.2

9. JOINT VENTURES AND ASSOCIATES

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

	2009 Key Property Investments Limited £m	2009 Other joint ventures and associates £m	2009 Total £m	2008 Key Property Investments Limited £m	2008 Other joint ventures and associates £m	2008 Total £m
Income statements						
Revenue	**25.9**	**1.2**	**27.1**	10.6	5.3	15.9
Net rental income	**7.2**	**0.2**	**7.4**	7.6	(0.1)	7.5
Development (loss)/profit	**(1.0)**	**—**	**(1.0)**	0.4	0.3	0.7
Loss on disposals of investment properties	**(0.1)**	**—**	**(0.1)**	(0.2)	—	(0.2)
Investment property revaluation losses	**(24.4)**	**(0.4)**	**(24.8)**	(13.5)	(1.4)	(14.9)
Administrative expenses	**(0.1)**	**(0.1)**	**(0.2)**	(0.1)	—	(0.1)
Loss before interest and tax	**(18.4)**	**(0.3)**	**(18.7)**	(5.8)	(1.2)	(7.0)
Finance cost	**(4.5)**	**(0.7)**	**(5.2)**	(7.9)	(1.1)	(9.0)
Finance income	**0.2**	**—**	**0.2**	0.1	—	0.1
Loss before tax	**(22.7)**	**(1.0)**	**(23.7)**	(13.6)	(2.3)	(15.9)
Taxation	**0.6**	**0.2**	**0.8**	6.4	0.6	7.0
Loss for the year	**(22.1)**	**(0.8)**	**(22.9)**	(7.2)	(1.7)	(8.9)

Included in other joint ventures and associates above are losses from associated companies of £0.2m (2008: £0.1m profit).

The group's share of the assets and liabilities of its joint ventures and associates is:

	2009 Key Property Investments Limited £m	2009 Other joint ventures and associates £m	2009 Total £m	2008 Key Property Investments Limited £m	2008 Other joint ventures and associates £m	2008 Total £m
Balance sheets						
Non-current assets	**116.7**	**15.9**	**132.6**	131.6	12.4	144.0
Current assets	**13.6**	**18.9**	**32.5**	24.1	23.9	48.0
Current liabilities	**(12.0)**	**(6.4)**	**(18.4)**	(12.5)	(25.3)	(37.8)
Non-current liabilities	**(82.2)**	**(23.2)**	**(105.4)**	(85.0)	(5.0)	(90.0)
Net assets	**36.1**	**5.2**	**41.3**	58.2	6.0	64.2
Equity at start of year	**58.2**	**6.0**	**64.2**	69.4	5.4	74.8
Investment in associate	**—**	**—**	**—**	—	2.3	2.3
Loss for the year	**(22.1)**	**(0.8)**	**(22.9)**	(7.2)	(1.7)	(8.9)
Dividends paid	**—**	**—**	**—**	(4.0)	—	(4.0)
Equity at end of year	**36.1**	**5.2**	**41.3**	58.2	6.0	64.2

Included in other joint ventures and associates above are net assets of £2.4m (2008: £2.6m) in relation to associated companies. These net assets comprise total assets of £3.6m (2008: £3.9m) and total liabilities of £1.2m (2008: £1.3m).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

9. JOINT VENTURES AND ASSOCIATES CONTINUED

Joint venture companies and associates 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
Sky Park Developments LLP	Joint venture	50%	Property development
Chertsey Road Properties Limited	Joint venture	50%	Property investment
Coed Darcy Limited	Associate	49%	Property investment and development

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

During the year the group entered into joint venture arrangements for Sky Park Developments LLP and Chertsey Road Properties Limited both of which were newly incorporated entities. No goodwill arose on the recognition of the group's initial interest in these joint ventures.

On 23rd May 2008 the group acquired a 49% holding in Coed Darcy Limited for £2.3m. No goodwill arose on the acquisition of the group's interest in this associate and there has been no adjustment to the provisional fair values recorded.

10. TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Non-current		
Other debtors	**5.2**	20.6
Current		
Trade receivables	**6.7**	3.0
Prepayments and accrued income	**7.9**	6.2
Other debtors	**26.7**	35.9
Amounts due from joint ventures	**5.7**	3.4
	47.0	48.5

IFRS 7 disclosures in respect of financial assets included above are provided in note 16.

11. INVENTORIES

	2009 £m	2008 £m
Properties held for sale	**55.2**	89.0
Properties under construction	**115.3**	113.6
Land under option	**22.2**	25.5
	192.7	228.1

The movement in inventories during the two years ended 30th November 2009 was as follows:

	£m
At 30th November 2007	209.3
Additions	112.5
Net transfers to investment property (note 7)	(0.9)
Disposals (transferred to development cost of sales) (note 1)	(92.8)
At 30th November 2008	228.1
Additions	63.1
Net transfers to investment property (note 7)	(14.7)
Disposals (transferred to development cost of sales) (note 1)	(83.8)
At 30th November 2009	**192.7**

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.

Included within disposals of inventories are net realisable value provisions made during the year of £14.2m (2008: £10.1m).

As at 30th November 2009, £67.8m (2008: £112.3m) of inventory was pledged as security for the group's loan facilities.

12. TRADE AND OTHER PAYABLES

	2009 £m	2008 £m
Current		
Trade payables	**15.0**	20.2
Amounts due to joint ventures	**3.5**	3.5
Other payables and accrued expenses	**70.1**	68.2
Provision for share options	**0.9**	0.9
Other payables on deferred terms	**30.4**	23.7
Derivative financial instruments	**19.3**	14.6
	139.2	131.1
Non-current		
Other payables and accrued expenses	**21.5**	21.3
Provision for share options	**0.9**	1.4
Other payables on deferred terms	**162.6**	174.8
Finance lease liabilities (head rents)	**3.9**	3.9
	188.9	201.4

IFRS 7 disclosures in respect of financial liabilities included above are provided in note 16.

The payment terms of the other payables on deferred terms are subject to contractual commitments. In the normal course of events the payments will be made in line with either the disposal of investment properties held on the balance sheet, or the commencement of development. Net cash outflows on the settlement of the deferred consideration will therefore be limited.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

13. BORROWINGS

	2009 £m	2008 £m
Current		
Floating rate unsecured loan notes	**0.4**	0.4
	0.4	0.4
Non-current		
Bank loans repayable between one and two years	**55.9**	—
Bank loans repayable between two and five years	**267.3**	376.1
Bank loans repayable after more than five years	**—**	57.7
	323.2	433.8

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:

2009	Floating rate borrowings			Interest rate swaps			
				Earliest termination		Latest termination	
	Drawn £m	Undrawn £m	Total £m	£m	%*	£m	%*
Less than one year†	**0.4**	**5.0**	**5.4**	**110.0**	**5.36**	**—**	**—**
One to two years	**55.9**	**34.1**	**90.0**	**130.0**	**4.67**	**80.0**	**4.70**
Two to three years	**162.4**	**91.6**	**254.0**	**—**	**—**	**80.0**	**5.54**
Three to four years	**28.0**	**42.0**	**70.0**	**—**	**—**	**40.0**	**4.56**
Four to five years	**76.9**	**23.1**	**100.0**	**—**	**—**	**—**	**—**
More than five years	**—**	**—**	**—**	**—**	**—**	**40.0**	**4.87**
	323.6	**195.8**	**519.4**	**240.0**	**4.99**	**240.0**	**4.99**

2008	Floating rate borrowings			Interest rate swaps			
				Earliest termination		Latest termination	
	Drawn £m	Undrawn £m	Total £m	£m	%*	£m	%*
Less than one year†	0.4	5.0	5.4	80.0	4.70	—	—
One to two years	—	—	—	110.0	5.36	—	—
Two to three years	121.5	28.5	150.0	50.0	4.63	80.0	4.70
Three to four years	197.2	46.8	244.0	—	—	80.0	5.54
Four to five years	57.4	62.6	120.0	—	—	40.0	4.56
More than five years	57.7	42.3	100.0	—	—	40.0	4.87
	434.2	185.2	619.4	240.0	4.99	240.0	4.99

* Weighted average interest rate.

† In addition to the principal amounts included above, £3.7m (2008: £2.2m) of interest payable was committed at the year end. These amounts all fall due within three months of the year end.

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.

£23.1m (2008: £42.3m) of the undrawn committed bank facilities are ring fenced for VSM Estates (Holdings) Limited.

The average rate of interest payable, before taking into account the effects of hedging, on borrowings outstanding during the year was 2.9% (2008: 3.7%). At 30th November 2009 the weighted average facility maturity of the bank debt was 3 years (2008: 4 years).

Interest rate profile

The interest rate profile of the group's borrowings after taking into account the effects of hedging is:

	Total £m	Floating rate debt £m	Fixed rate debt £m	Weighted average fixed interest rate (%)	Weighted maturity of derivatives (years)*
At 30th November 2009	**323.6**	**83.6**	**240.0**	**4.99**	**1.09**
At 30th November 2008	434.2	194.2	240.0	4.99	1.31

* Based on earliest termination dates.

The group's derivative financial instruments, which are classified as fair value through profit or loss, consist of sterling denominated interest swaps from floating rate to fixed rate and range from 4.32% to 5.97% (2008: 4.32% to 5.97%). In addition the group has a cap at 7.5% on a further £55m (2008: £58m) of floating rate debt. Details of the change in fair value of derivatives charged to the income statement are disclosed in note 3.

14. ACQUISITION OF SUBSIDIARY

On 20th November 2009 the group acquired 85% of the issued share capital of The Company Of Proprietors Of The Neath Canal Navigation for cash consideration of £1. On acquisition the company had cash of £0.4m and operating property with a book value of £3.3m offset by trade and other payables of £3.7m. No fair value adjustments were made to these amounts and no goodwill arose on the acquisition. This transaction has been accounted for by the purchase method of accounting.

The subsidiary did not contribute to the group's result for the year. If the acquisition had been completed on the first day of the financial year, it would have increased group revenues by £1.3m and the group's loss before tax by £nil.

15. 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:

	2009 £m	2008 £m
In one year or less	**1.3**	0.9
Between one and five years	**2.6**	2.8
In five years or more	**1.5**	1.5
	5.4	5.2

NOTES TO THE ACCOUNTS
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15. LEASING CONTINUED

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:

	2009 £m	2008 £m
In one year or less	**27.2**	27.3
Between one and five years	**71.1**	80.1
In five years or more	**178.6**	178.7
	276.9	286.1

Contingent rents, calculated as a percentage of turnover for a limited number of tenants, of £0.3m (2008: £0.4m) were recognised during the year.

Obligations under finance leases

Finance lease liabilities payable in respect of certain leasehold investment properties are as follows:

	2009		
	Minimum lease payments £m	**Interest £m**	**Principal £m**
Less than one year	**0.2**	**0.2**	**—**
Between one and five years	**0.9**	**0.9**	**—**
More than five years	**67.7**	**63.8**	**3.9**
	68.8	**64.9**	**3.9**

	2008		
	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	67.9	64.0	3.9
	68.9	65.0	3.9

Finance leases are for periods of up to 999 years from inception and a discount rate of 6.0% (2008: 6.0%) has been used to derive the fair value of the principal amount outstanding. All lease obligations are denominated in sterling.

16. FINANCIAL INSTRUMENTS

Categories and classes of financial assets and liabilities are as follows:

Financial assets		2009 £m	2008 £m
Loans and receivables:			
Cash and cash equivalents	a	**4.8**	12.7
Trade and other receivables	a	**36.4**	57.3
		41.2	70.0

Financial liabilities		2009 £m	2008 £m
Derivative financial instruments held at fair value through profit or loss	b	**19.3**	14.6
Amortised cost:			
Bank loans and overdrafts	a	**323.6**	434.2
Trade and other payables	a	**62.2**	77.2
Other payables on deferred terms	a	**193.0**	198.5
Finance lease liabilities (head rents)	a	**3.9**	3.9
		602.0	728.4

Trade and other receivables above comprise other debtors, trade receivables and amounts due from joint ventures as disclosed in note 10, for current and non-current amounts, after deduction of £7.9m (2008: £5.6m) of non-financial assets.

Trade and other payables above comprise trade payables, amounts due to joint ventures and other payables and accrued expenses as disclosed in note 12, for current and non-current amounts, after deduction of £47.9m (2008: £36.0m) of non-financial liabilities.

a) The directors consider that the carrying amounts recorded in the financial statements approximates their fair value.

b) Derivative financial instruments are carried at fair value. The fair value is calculated using quoted market prices relevant for the term and instrument.

The group's capital, market, credit and liquidity risks are discussed below.

Capital risk

The group manages its capital to ensure that the entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the company consist of debt (as disclosed in note 13), cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings (as disclosed in notes 17 and 18).

Market risk

Market risk is the potential adverse change in group income or group net worth arising from movements in interest rates or other market prices. Interest rate risk is the group's principal market risk and is considered below.

Interest rate risk management: The group is exposed to interest rate risk as it borrows funds at variable interest rates. The group uses a combination of variable rate borrowings and interest rate swaps to manage the risk.

NOTES TO THE ACCOUNTS
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16. FINANCIAL INSTRUMENTS CONTINUED

Market risk continued

Interest rate sensitivity: The following table details the group's sensitivity, after tax, to a 1% change in interest rates based on year end levels of debt.

1% increase in interest rates	2009 £m	2008 £m
Interest on borrowings	(2.3)	(3.1)
Effect of interest rate swaps	1.7	1.7
	(0.6)	(1.4)

1% decrease in interest rates	2009 £m	2008 £m
Interest on borrowings	2.3	3.1
Effect of interest rate swaps	(1.7)	(1.7)
	0.6	1.4

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations as they fall due.

The credit risk on the group's liquid funds and derivative financial instruments is limited because the counterparties are banks with high (generally AA) credit ratings. Bank deposits are only placed with banks in accordance with group policy that specifies minimum credit rating and maximum exposure. Credit risk on derivatives is closely monitored.

Trade and other receivables consist of amounts due from a large number of parties spread across geographical areas. The group does not have any significant concentrations of credit risk as the tenant base is large and diverse with the largest individual tenant accounting for £2.2m (2008: £2.0m) of gross rental income.

The carrying amount of financial assets, as detailed above, represents the group's maximum exposure to credit risk at the reporting date.

Included within trade and other receivables is £1.0m (2008: £0.7m) which is fully provided against as it represents estimated irrecoverable amounts. This allowance has been determined by a review of all significant balances that are past due considering the reason for non-payment and the creditworthiness of the counterparty. A reconciliation of the changes in this account during the year is provided below.

Movement in the allowance for doubtful debts	2009 £m	2008 £m
At start of year	0.7	0.7
Impairment losses recognised	0.7	(0.3)
Amounts written off as uncollectable	(0.2)	0.3
Impairment losses reversed	(0.2)	—
At end of year	1.0	0.7

Trade and other receivables include £2.4m (2008: £1.8m) which are past due as at 30th November 2009 for which no provision has been made because the amounts are considered recoverable. The following table provides an ageing analysis of these balances.

Number of days past due but not impaired	2009 £m	2008 £m
1-30 days	1.1	0.7
31-60 days	0.2	0.9
60 days +	1.1	0.2
	2.4	1.8

16. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

Liquidity risk is the risk that the group does not have sufficient financial resources available to meet its obligations as they fall due. The group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and through the use of bilateral facilities, overdrafts and cash with a range of maturity dates to ensure continuity of funding.

The equity issue in the year has reduced the group's liquidity risk compared to the prior year. The economic climate, although slightly improved, continues to provide a difficult backdrop to the group's operations. As such, the focus continues to be on reducing forward commitments by scaling back speculative development schemes, whilst continuing to marshal sites for development on the back of pre-let or pre-sold opportunities.

The maturity profile of the anticipated future cash flows for bank loans and overdrafts is shown in note 13. The maturity profile for the group's other non-derivative financial liabilities, on an undiscounted basis is as follows:

2009	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	More than 5 years £m	Total £m
Trade and other payables	**16.5**	**11.6**	**12.6**	**22.4**	**67.7**	**130.8**
Other payables on deferred terms	**—**	**11.9**	**19.0**	**164.9**	**7.7**	**203.5**
	16.5	**23.5**	**31.6**	**187.3**	**75.4**	**334.3**

2008	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	More than 5 years £m	Total £m
Trade and other payables	27.6	12.9	11.6	23.5	67.9	143.5
Other payables on deferred terms	—	12.2	11.6	182.0	—	205.8
	27.6	25.1	23.2	205.5	67.9	349.3

The group's approach to cash flow, financing and bank covenants is discussed further in the financial review section of the business review on pages 26 and 27.

17. SHARE CAPITAL

	Ordinary 10p shares No.	£m
Authorised:		
Equity share capital		
At start of year	150,000,000	15.0
Increase in authorised share capital	100,000,000	10.0
At end of year	**250,000,000**	**25.0**
Allotted and fully paid:		
Equity share capital		
At start of year	120,773,954	12.1
Issue of share capital	79,586,977	7.9
At end of year	**200,360,931**	**20.0**

On 8th June 2009 the company completed a Firm Placing and Placing and Open Offer of 79,586,977 ordinary shares of 10p each at £1.35 per share. Net proceeds were £101.6m after share issue costs.

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

18. RESERVES

	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Own shares £m
At 30th November 2007	9.1	0.3	437.4	(0.7)
Loss for the year attributable to shareholders	—	—	(51.7)	—
Pension fund actuarial losses (note 20)	—	—	(0.3)	—
Net share disposals	—	—	—	0.6
Dividends paid (note 6)	—	—	(14.1)	—
At 30th November 2008	9.1	0.3	371.3	(0.1)
Loss for the year attributable to shareholders	—	—	(101.1)	—
Pension fund actuarial losses (note 20)	—	—	(0.6)	—
Net shares acquired	—	—	—	(0.3)
Issue of share capital	93.7	—	—	—
At 30th November 2009	**102.8**	**0.3**	**269.6**	**(0.4)**

Own shares represents the cost of 273,330 (2008: 33,590) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2009 was £580,280 (2008: £38,292).

19. RECONCILIATION OF MOVEMENT IN EQUITY

	2009			2008		
	Equity shareholders £m	Minority interests £m	Total £m	Equity shareholders £m	Minority interests £m	Total £m
Total recognised income and expense	**(101.7)**	**(0.6)**	**(102.3)**	(52.0)	1.0	(51.0)
Dividends paid	**—**	**(0.2)**	**(0.2)**	(14.1)	(1.0)	(15.1)
Net (purchase)/disposal of own shares	**(0.3)**	**—**	**(0.3)**	0.6	—	0.6
Issue of share capital	**101.6**	**—**	**101.6**	—	—	—
Equity at start of year	**392.7**	**9.5**	**402.2**	458.2	9.5	467.7
Equity at end of year	**392.3**	**8.7**	**401.0**	392.7	9.5	402.2

20. PENSIONS

The group operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and, from 1st September 2009, is also closed to future accrual. The income statement includes:

— a credit of £0.5m (2008: £0.4m charge) for the defined benefit section, incorporating a curtailment gain of £0.7m (2008: £nil); and

— a charge of £0.4m (2008: £0.5m) for the defined contribution section.

20. PENSIONS CONTINUED

The last formal actuarial valuation of the scheme was at 5th April 2008, when the market value of the assets of the scheme was £32.9m, a funding level of 104%. The valuation was performed using the 'Projected Unit Credit Method' under IAS 19. The main actuarial assumptions were:

Investment rate of return:	pre-retirement	6.3 %pa
	post-retirement	4.8 %pa
Increase in earnings*		6.6 %pa
Increase in pensions		3.6 %pa

* Capped to 5.6% for certain members

The actuarial valuation of the defined benefit section, a final salary scheme, was updated to 30th November 2009 on an IAS basis by a qualified independent actuary. The major assumptions used by the actuary were:

	2009	2008	2007
Rate of increase in salaries†	—	4.8%	5.5%
Rate of increase in deferred pensions	**3.6%**	2.8%	3.5%
Rate of increase in pensions in payment			
Pre 6th April 1997 benefits	**3.0%**	2.8%	3.0%
Post 5th April 1997 benefits	**3.6%**	2.8%	3.5%
Discount rate	**5.5%**	6.2%	5.8%
Inflation assumption	**3.6%**	2.8%	3.5%

† Following the closure of the defined benefit section to future accrual, the assumption regarding the rate of increase in salaries is no longer applicable as retirement benefits will be based on salaries at 31st August 2009. Benefits earned up to the point of the scheme closure will be protected and will be increased in line with the retail prices index, subject to a maximum of 5% per annum.

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 26.8 years and non retired members for 27.7 years, based on the normal retirement age of 65).

The group expects to make contributions of £0.1m to the defined benefit section of the scheme for 2010 and in future years.

The fair values of assets in the defined benefit section of the scheme and the expected rates of return, based on market expectations, were:

	2009		2008		2007	
	%	**£m**	%	£m	%	£m
Equities	**5.6**	**17.0**	5.9	13.3	6.1	19.4
Bonds	**5.4**	**1.4**	7.2	0.5	5.8	0.4
Property	**5.6**	**8.4**	5.9	9.9	6.1	11.7
Cash and other assets	**4.1**	**0.3**	4.4	1.2	4.6	3.5
		27.1		24.9		35.0
Actuarial value of liabilities		**(26.9)**		(23.6)		(29.0)
Unrecognised surplus		**(0.2)**		(1.3)		(6.0)
Surplus in the scheme being fair value of pension asset net of deferred tax		**—**		—		—

The cumulative amount of actuarial gains and losses (before unrecognised surplus of £0.2m) recorded in the group statement of recognised income and expense is a loss of £2.0m (2008: £0.1m).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

20. PENSIONS CONTINUED

Analysis of the amount credited/(charged) to operating profit

	2009 £m	2008 £m	2007 £m
Current service cost	**(0.2)**	(0.4)	(0.5)
Curtailment gain	**0.7**	—	—
Total operating credit/(charge)	**0.5**	(0.4)	(0.5)

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

	2009 £m	2008 £m	2007 £m
Expected return on pension scheme assets	**1.4**	2.0	1.8
Interest on pension scheme liabilities	**(1.4)**	(1.6)	(1.5)
Total credited to finance costs and income	**—**	0.4	0.3

The actual return on pension scheme assets was a gain of £3.2m (2008: £7.0m loss). The expected return on pension scheme assets was calculated assuming cash and gilts will make returns in line with the yield on the 20 year gilt index and that equities and properties will return 1.5% above this. Corporate bonds have been assumed to return in line with the yield on the iboxx over 15 year corporate bond index.

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

	2009 £m	2008 £m	2007 £m
Difference between expected and actual return on assets	**1.8**	(8.9)	(0.1)
Experience gains and losses arising on fair value of scheme liabilities	**3.7**	(3.8)	(3.0)
Effects of changes in assumptions underlying the fair value of the scheme liabilities	**(7.4)**	7.6	5.8
Change in unrecognised surplus	**1.1**	4.7	(6.0)
Total actuarial loss	**(0.8)**	(0.4)	(3.3)

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
At start of year	**23.6**	29.0	31.1	29.8	24.0
Movement in year:					
Current service cost	**0.2**	0.4	0.5	0.5	0.6
Employee contributions	**0.1**	0.1	0.1	0.1	0.1
Interest cost	**1.4**	1.6	1.5	1.5	1.3
Actuarial gains and losses	**3.7**	(3.9)	(3.0)	—	4.4
Benefits paid	**(1.4)**	(3.6)	(1.2)	(0.8)	(0.6)
Curtailment gain	**(0.7)**	—	—	—	—
At end of year	**26.9**	23.6	29.0	31.1	29.8

20. PENSIONS CONTINUED

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
At start of year	**24.9**	35.0	33.9	29.3	24.0
Movement in year:					
Expected return on scheme assets	**1.4**	2.0	1.8	1.6	1.5
Contributions by employer	**0.3**	0.4	0.6	1.1	0.6
Employee contributions	**0.1**	0.1	0.1	0.1	0.1
Actuarial gains and losses	**1.8**	(9.0)	(0.2)	2.6	3.7
Benefits paid	**(1.4)**	(3.6)	(1.2)	(0.8)	(0.6)
At end of year	**27.1**	24.9	35.0	33.9	29.3
Surplus/(deficit) in scheme at end of year	**0.2**	1.3	6.0	2.8	(0.5)
Unrecognised surplus	**(0.2)**	(1.3)	(6.0)	—	—
Net surplus/(deficit)	**—**	—	—	2.8	(0.5)

History of experience gains and losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Difference between expected and actual return on scheme assets					
Amount	**1.8**	(9.0)	(0.2)	2.6	3.7
Percentage of scheme assets	**6.6%**	(35.7%)	(0.3%)	8.0%	13.0%
Experience gains and losses on scheme liabilities					
Amount	**3.7**	(3.8)	(3.0)	(1.1)	0.3
Percentage of fair value of scheme liabilities	**(13.8%)**	16.1%	10.3%	3.5%	(1.0%)
Changes in assumptions underlying the fair value of scheme liabilities					
Amount	**(7.4)**	7.6	5.8	0.9	(4.9)
Percentage of fair value of scheme liabilities	**(27.5%)**	32.2%	20.0%	2.9%	(16.4%)
Change in unrecognised surplus	**1.1**	4.7	(6.0)	—	—

21. CAPITAL COMMITMENTS

At 30th November 2009 the group had contracted capital expenditure of £796,000 (2008: £3,093,000). In addition the group's share of the contracted capital expenditure of its joint venture undertakings was £1,593,000 (2008: £162,000). All capital commitments relate to investment properties.

22. CONTINGENT LIABILITIES

The group has a joint and several unlimited liability with Vinci PLC to the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited (VSM). This is a guarantee in the ordinary course of business and would require the guarantors to step into VSM's place in the event of a default on Project MoDEL. Completion of the project is not considered onerous as the forecast revenues exceed the anticipated costs and it is not expected that there would be any net outflow in this regard.

The group 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 (2008: £18.4m).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

23. 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 and construction services to KPI for which it received fees totalling £6.5m (2008: £1.3m). The balance due to the group at the year end was £0.3m (2008: £nil). No interest is charged on this balance.

Holaw (462) Limited (Holaw)
During the year Holaw repaid £0.2m of its loan (2008: £0.1m). The balance due to the group at the year end was £0.3m (2008: £0.5m). No interest is charged on this balance.

Barton Business Park Limited (Barton)
The balance due to Barton at the year end was £3.4m (2008: £3.4m). No interest is charged on this balance.

Sowcrest Limited (Sowcrest)
During the year the group provided management services to Sowcrest for which it received fees totalling £0.2m (2008: £0.6m).

In addition, during the year £3.6m (2008: £1.2m) was paid to Sowcrest leaving an amount due from Sowcrest at the year end of £4.0m (2008: £0.4m). Interest is chargeable on £1.4m (2008: £nil) of the amount outstanding at a fixed rate of 10% (2008: nil).

Shaw Park Developments Limited (SPD)
The balance due to the group from SPD at the year end was £1.3m (2008: £2.2m). Interest is chargeable at 1.5% (2008: 1.5%) above base rate.

Skypark Developments LLP (Skypark)
The balance due to the group from Skypark at the year end was £0.3m, of which £0.2m relates to loan notes issued to the group in the year. The remaining £0.1m relates to purchase ledger funding provided by the group. No interest is charged on these balances.

Chertsey Road Properties Limited (CRP)
During the year, the group provided CRP with a loan of £0.3m and this balance was outstanding at the year end. No interest is charged on this balance.

St. Modwen Pension Scheme
The group occupies offices owned by the pension scheme with a value of £0.5m (2008: £0.5m). The balance due to the group at year end was £0.5m (2008: £0.1m).

Non-wholly owned subsidiaries
The company provides administrative, treasury and management services to subsidiary companies. 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	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Stoke-on-Trent Regeneration Limited	**—**	—	**(0.1)**	(0.2)	**(7.4)**	(4.2)
Stoke-on-Trent Regeneration (Investments) Limited	**—**	—	**—**	—	**(0.3)**	(0.2)
Uttoxeter Estates Limited	**—**	—	**—**	—	**(0.2)**	0.1
Widnes Regeneration Limited	**—**	—	**0.1**	0.1	**3.0**	2.2
Trentham Leisure Limited	**0.2**	0.8	**1.2**	1.6	**22.4**	21.4
Norton & Proffitt Developments Limited	**—**	—	**—**	—	**(0.3)**	(0.9)
VSM Estates (Holdings) Limited	**0.2**	0.2	**—**	—	**(8.5)**	(6.5)
	0.4	1.0	**1.2**	1.5	**8.7**	11.9

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 £0.7m (2008: £0.4m). No guarantees have been given or received from related parties.

Key management personnel
The directors are considered to be the group's key management personnel and their remuneration is disclosed in the directors' remuneration report.

COMPANY BALANCE SHEET
AT 30TH NOVEMBER 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	(E)	**0.7**	1.4
Investments	(F)	**239.3**	344.3
		240.0	345.7
Current assets			
Debtors	(G)	**475.0**	465.9
Cash at bank and in hand		**0.2**	7.4
Current liabilities			
Creditors: amounts falling due within one year	(H)	**(149.2)**	(134.2)
Net current assets		**326.0**	339.1
Total assets less current liabilities		**566.0**	684.8
Creditors: amounts falling due after more than one year	(H)	**(192.2)**	(288.9)
Net assets		**373.8**	395.9
Capital and reserves			
Called up share capital	(K)	**20.0**	12.1
Share premium account	(L)	**102.8**	9.1
Capital redemption reserve	(L)	**0.3**	0.3
Revaluation reserve	(L)	**164.7**	269.7
Profit and loss account	(L)	**86.4**	104.8
Own shares	(L)	**(0.4)**	(0.1)
Equity shareholders' funds		**373.8**	395.9

The company financial statements of St. Modwen Properties PLC, registered number 00349201, were approved by the board of directors on 5th February 2010 and were signed on its behalf by Bill Oliver and Tim Haywood.

Bill Oliver
Chief Executive

Tim Haywood
Finance Director

NOTES TO THE COMPANY ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

(A). ACCOUNTING POLICIES

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

Compliance with SSAP19 "Accounting for Investment Properties" requires departure from the Companies Act 2006 relating to depreciation and an explanation of the departure is given below.

Accounting convention
The financial statements have been prepared under the historical cost convention except for the revaluation of certain properties, derivative financial instruments and the defined benefit section of the company's pension scheme.

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 an 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 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 2006 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 SSAP19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment in subsidiary and joint venture companies
The investments in subsidiary and joint venture 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; and

— 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 taxation continued
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
Interest 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
When employee share options are exercised the employee has the choice whether to have the liability settled by way of cash or the retention of shares. As it has been the company's experience to satisfy the majority of share options in cash, and new shares are not issued to satisfy employee share option plans, the group accounts for its share option schemes as cash settled. 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 profit and loss account of the year in which they occur.

Pensions
The company operates a pension scheme with both defined benefit and defined contribution sections. The defined benefit section is closed to new members and from 1st September 2009, to future accrual.

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

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 16 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.

Operating leases
Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Cash flow statement
The company has taken advantage of the exemption permitted by FRS1 not to present a cash flow statement.

NOTES TO THE COMPANY ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

(B). (LOSS)/PROFIT FOR THE FINANCIAL YEAR

The company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The company's loss for the year ended 30th November 2009 was £17.8m (2008: £23.8m profit).

(C). OPERATING EXPENSES

(i) Audit fees

	2009 £'000	2008 £'000
Fees paid to Deloitte LLP in respect of:		
The audit of the company's annual accounts	107	115
Total audit fees	107	115
Other audit services pursuant to legislation	305	26
Tax services	109	86
Total non-audit fees	414	112
Total fees	521	227

(ii) Employees

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

	2009 Number	2008 Number
Property	127	137
Leisure and other activities	38	47
Administration	40	50
	205	234

	2009 £m	2008 £m
Wages and salaries	8.1	10.8
Social security costs	1.0	1.3
Pension costs	0.7	0.8
	9.8	12.9

(D). DIVIDENDS

There were no dividends paid during the year. No final dividend is proposed.

	2009 p per share	2009 £m	2008 p per share	2008 £m
Paid				
Final dividend in respect of previous year	—	—	7.8	9.4
Interim dividend in respect of current year	—	—	3.9	4.7
	—	—	11.7	14.1

The Employee Benefit Trust waives its entitlement to dividends.

(E). TANGIBLE FIXED ASSETS

	Long leasehold investment properties £m	Plant and equipment £m	Total £m
Cost or valuation			
At 30th November 2008	0.5	2.4	2.9
Additions	—	0.1	0.1
Disposals	(0.2)	(0.3)	(0.5)
At 30th November 2009	**0.3**	**2.2**	**2.5**
Depreciation			
At 30th November 2008	—	1.5	1.5
Charge for the year	—	0.6	0.6
Disposals	—	(0.3)	(0.3)
At 30th November 2009	**—**	**1.8**	**1.8**
Net book value			
At 30th November 2008	0.5	0.9	1.4
At 30th November 2009	**0.3**	**0.4**	**0.7**

Investment properties were valued at 30th November 2009 and 2008 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. King Sturge & Co are professionally qualified independent external valuers and have recent experience in the relevant location and category of the properties being valued.

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	Total £m
Valuation			
At 30th November 2008	276.0	68.3	344.3
Revaluation of investments	(83.6)	(21.4)	(105.0)
At 30th November 2009	**192.4**	**46.9**	**239.3**
Cost			
At 30th November 2009 and 30th November 2008	**76.2**	**26.5**	**102.7**

NOTES TO THE COMPANY ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

(F). INVESTMENTS HELD AS FIXED ASSETS CONTINUED

Subsidiary companies:

At 30th November 2009 the principal subsidiaries, all of which were held directly by the company, were as follows:

	Proportion of ordinary shares held	Nature of principal business
Redman Heenan Properties Limited	100%	Property investment
St. Modwen Developments Limited	100%	Property development
St. Modwen Investments Limited	100%	Property investment
St. Modwen Ventures Limited	100%	Property investment
Leisure Living Limited	100%	Leisure operator
Stoke-On-Trent Regeneration Limited	81%	Property development
Widnes Regeneration Limited	81%	Property development
Trentham Leisure Limited	80%	Leisure operator
Norton & Proffitt Developments Limited	75%	Property development
VSM Estates (Holdings) Limited	50%	Property development

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

Joint ventures

At 30th November 2009 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.

(G). DEBTORS

	2009 £m	2008 £m
Trade debtors	**0.1**	—
Amounts due from subsidiaries	**446.9**	452.1
Amounts due from joint venture and associated companies	**5.0**	3.1
Other debtors	**7.8**	3.3
Prepayments and accrued income	**2.6**	1.6
Corporation tax	**6.5**	—
Deferred tax asset (see note (J))	**6.1**	5.8
	475.0	465.9

(H). CREDITORS

	2009 £m	2008 £m
Amounts falling due within one year:		
Bank overdraft	—	10.4
Trade creditors	1.1	—
Amounts due to subsidiaries	117.0	96.5
Amounts due to joint venture and associated companies	3.5	3.5
Other tax and social security	1.1	—
Other creditors	2.5	2.3
Accruals and deferred income	4.7	6.9
Derivative financial instruments	19.3	14.6
	149.2	134.2

	2009 £m	2008 £m
Amounts falling due after more than one year:		
Bank loans	190.1	287.5
Other creditors	1.2	—
Accruals and deferred income	0.9	1.4
	192.2	288.9

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, all of which are wholly repayable within five years, is as follows:

	2009 £m	2008 £m
Less than one year	—	10.4
One to two years	62.5	—
Two to five years	127.6	287.5
Total	190.1	297.9

NOTES TO THE COMPANY ACCOUNTS
FOR THE YEAR ENDED 30TH NOVEMBER 2009

(J). DEFERRED TAXATION

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

	Provided		Unprovided	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Capital allowances in excess of depreciation	**0.1**	0.1	**—**	—
Other timing differences	**(6.2)**	(5.9)	**0.9**	0.9
	(6.1)	(5.8)	**0.9**	0.9

Reconciliation of movement on deferred tax asset included in debtors

	£m
Balance as at 30th November 2008	(5.8)
Profit and loss account	(0.3)
Balance as at 30th November 2009	**(6.1)**

Reconciliation of deferred tax liability included in pension scheme asset

	£m
Balance as at 30th November 2008	—
Profit and loss account	(0.2)
Statement of total recognised gains and losses	0.2
Balance as at 30th November 2009	**—**

(K). SHARE CAPITAL

	Ordinary 10p shares No.	**£m**
Authorised:		
Equity share capital		
At start of year	150,000,000	15.0
Increase in authorised share capital	100,000,000	10.0
At end of year	**250,000,000**	**25.0**
Allotted and fully paid:		
Equity share capital		
At start of year	120,773,954	12.1
Issue of share capital	79,586,977	7.9
At end of year	**200,360,931**	**20.0**

On 8th June 2009 the company completed a Firm Placing and Placing and Open Offer of 79,586,977 ordinary shares of 10p each at £1.35 per share. Net proceeds were £101.6m after share issue costs.

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 & loss account £m	Own shares £m
At start of year	9.1	0.3	269.7	104.8	(0.1)
Deficit on revaluation of investments	—	—	(105.0)	—	—
Retained loss for the year (note B)	—	—	—	(17.8)	—
Net share additions	—	—	—	—	(0.3)
Issue of share capital	93.7	—	—	—	—
Actuarial loss on pension scheme (note M)	—	—	—	(0.8)	—
Movement on deferred tax relating to pension asset (note J)	—	—	—	0.2	—
At end of year	**102.8**	**0.3**	**164.7**	**86.4**	**(0.4)**

Own shares represents the cost of £273,330 (2008: 33,590) shares held by the Employee Benefit Trust. The open market value of the shares held at 30th November 2009 was £580,280 (2008: £38,292). In addition the Employee Benefit Trust has £0.1m (2008: £1.7m) of cash and £10.3m (2008: £12.0m) due from the company that can only be used for the benefit of employees.

(M). PENSIONS

The company's pension schemes are the principal pension schemes of the group and details are set out in note 20 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:

	2009		2008	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Operating leases which expire:				
In one year or less	—	**0.1**	0.3	0.1
Between one and five years	—	**0.6**	—	0.6
In more than five years	**0.5**	—	0.5	—
	0.5	**0.7**	0.8	0.7

(O). CONTINGENT LIABILITIES

The company has a joint and several unlimited liability with Vinci PLC to the Ministry of Defence under guarantees in respect of the financial performance of VSM Estates (Holdings) Limited (VSM). This is a guarantee in the ordinary course of business and would require the guarantors to step into VSM's place in the event of a default on Project MoDEL. Completion of the project is not considered onerous as the forecast revenues exceed the anticipated costs and it is not expected that there would be any net outflow in this regard.

The 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 (2008: £18.4m).

Further, the company guarantees the performance of its subsidiaries in the course of their usual commercial activities.

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 2009 which comprise the Company Balance Sheet and the related notes A to O. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the parent company financial statements:

- Give a true and fair view of the state of the parent company's affairs as at 30th November 2009;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records or returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other Matter
We have reported separately on the group financial statements of St. Modwen Properties PLC for the year ended 30th November 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Stephen Griggs FCA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, United Kingdom
5th February 2010

FIVE YEAR RECORD

	2005 £m	2006 £m	2007 £m	2008 £m	**2009 £m**
Income statement					
Net rental income*	45.2	40.3	34.9	33.2	**33.5**
Property profits/(losses)*	39.3	44.6	54.5	9.7	**(8.2)**
Revaluation surplus/(deficit)*	44.9	55.6	62.8	(64.6)	**(106.5)**
Pre-tax profit/(loss)**	82.9	96.9	100.1	(73.1)	**(119.4)**
Earnings/(loss) per share (pence)	55.4	61.6	73.3	(37.3)†	**(59.7)**
Dividends paid per share (pence)	8.8	10.2	11.7	3.9	**—**
Dividend cover (times)	6.3	6.0	6.3	(11.0)	**—**
Net assets per share (pence) ‡	212.4	245.3	284.1	251.4	**200.1**
Balance sheet					
Investment properties	481.2	736.4	846.9	814.3	**762.9**
Investments	68.5	77.9	75.4	64.2	**41.3**
Inventories	36.1	65.9	209.3	228.1	**192.7**
Other net liabilities	(54.0)	(237.5)	(262.0)	(282.9)	**(277.1)**
Net borrowings	(207.8)	(252.9)	(401.9)	(421.5)	**(318.8)**
Net assets	324.0	389.8	467.7	402.2	**401.0**
Financed by					
Share capital	12.1	12.1	12.1	12.1	**20.0**
Reserves	308.7	373.7	446.8	380.7	**372.7**
Own shares	(0.4)	(0.8)	(0.7)	(0.1)	**(0.4)**
Minority interests	3.6	4.8	9.5	9.5	**8.7**
	324.0	389.8	467.7	402.2	**401.0**

* Including share of joint ventures
** Including post-tax results of joint ventures
† Restated to reflect the 2009 Firm Placing and Placing and Open Offer — see note 5
‡ 2005 to 2008 restated for comparability purposes on the assumption that the 2009 Firm Placing and Placing and Open Offer had occurred on 1st December 2004.

The figures above are all presented under IFRS.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixty-ninth Annual General Meeting (AGM) of St. Modwen Properties PLC will be held at 12 noon on Friday 26th March 2010 at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham, B31 2TS for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the report of the directors and the accounts for the year ended 30th November 2009.
2. To re-elect Steve Burke as a director.
3. To re-elect Simon Clarke as a director.
4. To re-elect John Salmon as a director.
5. To elect Lesley James as a director.
6. To elect Lady Katherine Innes Ker as a director.
7. To reappoint Deloitte LLP as auditors of the company to hold office until the conclusion of the next General Meeting at which accounts are laid and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

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

8. Ordinary Resolution
   That the directors' remuneration report for the year ended 30th November 2009 be approved.

9. 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 2011 or at the conclusion of the AGM 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 551 amount shall be £4,963,907.

10. 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 2011 or at the conclusion of the AGM 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 561 amount shall be £1,001,805.

11. Special Resolution
    That, in accordance with Article 10 of its Articles of Association and Section 701 of the Companies Act 2006, the company be and is hereby granted general and unconditional authority to make market purchases (as defined in Section 693 of the Companies Act 2006) 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 20,036,093 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 2011 or at the conclusion of the next AGM 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.

12. Special Resolution
    That with effect from the conclusion of the meeting:

    (i) the Articles of Association of the company be amended by deleting all the provisions of the company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006 are to be treated as provisions of the company's Articles of Association; and

    (ii) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the company in substitution for and to the exclusion of the existing Articles of Association.

13. Special Resolution
    That a general meeting other than an AGM may be called on not less than 14 clear days' notice.

By order of the board

Reeta Stokes
Company Secretary

3rd March 2010

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

Explanatory notes to the Resolutions

1 Resolution 1 is to receive the accounts and the reports of the directors and the auditors for the year ended 30th November 2009.

2 Resolutions 2 to 4 concern the re-election of directors retiring in accordance with the Articles of Association of the company. At this year's Annual General Meeting ("AGM"), the directors to retire by rotation will be Steve Burke, Simon Clarke and John Salmon. Each of the directors has undergone, during the year, a performance evaluation and the board remains satisfied that each director proposed for re-election remains committed to the role and continues to be an effective and valuable member of the board. Biographical details of these directors can be found on pages 48 and 49.

3 The Company's Articles of Association require any director appointed by the board to retire at the first AGM following his/her appointment. Accordingly, Lesley James and Lady Katherine Innes Ker, having been appointed on 19th October 2009, offer themselves for election in Resolutions 5 and 6. Their biographies are shown on pages 48 and 49.

4 Resolution 7 is proposed to re-appoint Deloitte LLP as auditors to hold office until the next general meeting of the company at which accounts are presented and to authorise the directors to determine the level of the auditors' remuneration.

5 Resolution 8 is to approve the Directors' Remuneration Report, which is included on pages 58 to 65 and provides details of the group's remuneration policy for the directors and senior executives. In accordance with the sections 439 and 440 of the Companies Act 2006, the vote on this resolution is advisory and no director's remuneration is conditional upon the passing of this resolution.

6 The existing general authority of the directors to allot shares and the current disapplication of the statutory pre-emption rights granted at the company's 2009 AGM expire at the conclusion of the forthcoming AGM.

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 551 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 561 amount").

Resolution 9, which will be proposed as an Ordinary Resolution, provides for the Section 551 amount to be £4,963,907 (being an amount equal to the authorised but unissued share capital of the company at the date of this report and representing 25% of the company's issued share capital at that date). The board has no intention at present to exercise the authority to allot shares under this resolution.

Resolution 10, which will be proposed as a Special Resolution, provides for the Section 561 amount to be £1,001,805 (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 AGM to be held next year or on 26th June 2011 if earlier, when the directors intend to seek renewal of the authorities.

6 Resolution 11 is to renew the authority for the company to purchase certain of its own shares 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.

7 Resolution 12 proposes to adopt new articles of association (the "New Articles") with immediate effect at this year's AGM in order to update the company's current Articles of Association (the "Current Articles"), primarily to take account of the coming into force of the Shareholders' Rights Regulation and the implementation of the remaining parts of the Companies Act 2006 (the "2006 Act").

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature reflect changes made by the 2006 Act and conform the language of the New Articles with that used in the model articles for public companies set out in The Companies (Model Articles) Regulations 2008 and have not been noted. As certain provisions of the Current Articles have been deleted and new provisions inserted, the New Articles are renumbered accordingly. The New Articles showing all the changes to the Current Articles are available for inspection as described.

Company's Objects

The provisions regulating the operations of the company are currently set out in the company's Memorandum and Articles of Association. The company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the company is authorised to undertake.

NOTICE OF ANNUAL GENERAL MEETING

The 2006 Act has considerably reduced the constitutional significance of a company's memorandum. It provides that a memorandum will record only the names of the subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act, the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are to be treated as forming part of the company's Articles of Association. Resolution 12 confirms the removal of these provisions for the company. As the effect of this resolution will be to remove the statement currently in the company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

Authorised share capital and unissued shares
The 2006 Act abolishes the requirement for a company to have an authorised share capital and this is reflected in the New Articles. The directors will still be limited as to the number of shares they can allot at any time because the allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

Voting by proxies on a show of hands
The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands, unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

Adjournments for lack of quorum
Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

Voting record date
Under the 2006 Act as amended by the Shareholders' Rights Regulations, the company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The Current Articles have been amended to reflect this requirement.

Articles which duplicate statutory provisions
Provisions in the Articles which replicate provisions contained in the Act are in the main to be removed from the New Articles. This is in line with both the approach advocated by the Government that statutory provisions should not be duplicated in the company's constitution and that of the company in the implementation of the 2006 Act.

8. Changes made to the 2006 Act by the Shareholders' Rights Regulations increase the notice period required for general meetings of the company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. AGMs will continue to be held on at least 21 clear days' notice.

   Before the Shareholders' Rights Regulations came into force on 3 August 2009, the company was able to call general meetings other than AGMs on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, Resolution 13 seeks such approval. The approval will be effective until the company's next AGM, when it is intended that a similar resolution will be proposed.

   The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

a) A member entitled to attend and vote at this meeting may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member. A proxy need not be a member but must attend the meeting in person. Proxy forms should be lodged with the registrars' office or submitted not later than 48 hours before the time for which the meeting is convened. Completion of the appropriate proxy form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.

b) To be valid, the Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received by the company's registrars before 12 noon on Wednesday 24 March 2010, in hard copy form either by post, by courier or by hand to the company's registrars, Equiniti Aspect House, Spencer Road, Lancing, BN99 6DA.

c) Any person to whom this notice is sent who is a person nominated under s146 Companies Act 2006 to enjoy information rights ("Nominated Person") may, under an agreement with the member who nominated him/her, have a right to be appointed, or have someone else appointed, as a proxy for the meeting. If a Nominated Person does not have this right or does not wish to exercise it, he or she may have a right under such an agreement to give the member voting instructions.

d) The statement of the rights of members in relation to the appointment of proxies in Note (a) does not apply to Nominated Persons.

e) As at 3rd March 2010 (being the last working day prior to the publication of this notice), the company's issued share capital consisted of 200,360,931 shares, carrying one vote each, which represents the total voting rights in the company as at that date.

f) The following documents are available for inspection during normal business hours at the registered office of the company on any business day and may also be inspected at the Marketing Suite, Innovation Centre, 1 Devon Way, Longbridge Technology Park, Birmingham, B31 2TS at least 15 minutes prior to the commencement of, and during the continuance of, the AGM:

   (i) copies of the directors' service contracts with the company;

   (ii) copies of the non-executive directors' letters of appointment; and

   (iii) a copy of the company's current Memorandum and the Articles of Association and the New Articles of Association.

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 24th March 2010 (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 AGM (and any adjournment(s) thereof) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual (available at www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or relates 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 by the company's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

i) Representatives of shareholders that are corporations will be required to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.

j) 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).

k) To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars' helpline on 08713 842 198 (or from overseas +44 1214 157047) 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. All forms must be signed and should be returned together in the same envelope.

l) You may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the Proxy Form) to communicate with the company for any purposes other than those expressly stated.

m) Any shareholder attending the meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

n) A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found on the company's website at www.stmodwen.co.uk.

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.

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 profit before interest and tax (excluding non-cash items such as investment property revaluations) plus the realisation of previous years' revaluations, as a percentage of net interest (excluding non-cash items such as mark-to-market of interest rate swaps).

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

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.

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

Annual General Meeting	26th March 2010
Announcement of 2010 interim results	July 2010
Announcement of 2010 final results	February 2011

Ordinary shareholdings at 30th November 2009

	Shareholders		Shares	
	No.	%	No. (m)	%
By shareholder				
By shareholder				
Directors and connected persons	26	0.39	53,403,706	26.65
Individuals	3,793	82.43	12,221,276	6.10
Insurance companies, nominees and pension funds	682	14.79	131,256,494	65.51
Other limited companies and corporate bodies	110	2.39	3,479,455	1.74

	Shareholders		Shares	
	No.	%	No. (m)	%
By shareholding				
Up to 500	1,118	24.25	278,013	0.14
501 to 1,000	825	17.89	638,071	0.32
1,001 to 5,000	1,671	36.24	3,873,975	1.93
5,001 to 10,000	420	9.11	3,029,388	1.51
10,001 to 50,000	356	7.72	7,532,349	3.76
50,001 to 100,000	68	1.47	4,983,697	2.49
100,001 to 500,000	85	1.84	19,741,993	9.85
500,001 to 1,000,000	22	0.48	16,494,417	8.23
1,000,001 and above	46	1.00	143,789,028	71.77

Registrars

The Registrars to the company are Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DH.
Shareholder enquiry line: 0871 384 2198.

The Registrars' website is: www.shareview.co.uk. Registering on this website will enable you, amongst other features, to view your St. Modwen Properties PLC shareholding online.

Share dealing service

Equiniti offer a telephone and internet share dealing service which allows you to buy or sell St. Modwen Properties PLC shares if you are a UK resident. Details can be found on their website www.shareview.co.uk/dealing. This arrangement is available at any time during market trading hours and provides an easy and convenient facility to trade shares offering real time prices through a range of market makers. Full terms and conditions for this service are available on the Shareview website. To trade over the telephone, please call 08456 037037.

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This annual report is printed on HannoArt Silk, comprising fibres sourced from sustainable forest reserves and bleached without the use of chlorine. The production mill for this paper operates to EMAS, ISO 14001 environmental and ISO 9001 quality standards.

BELOW
RAF Northolt — the officers' mess, refurbished during the year as part of Project MoDEL.

ST. MODWEN PROPERTIES PLC

Company Number 349201

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