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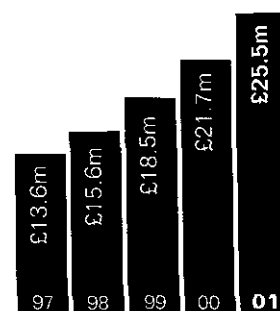
St. MODWEN PROPERTIES PLC
Annual Report 2001

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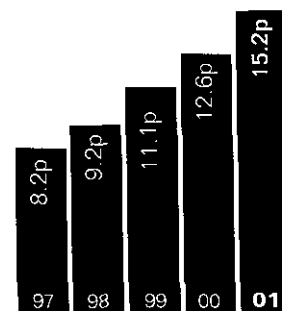
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Financial Highlights

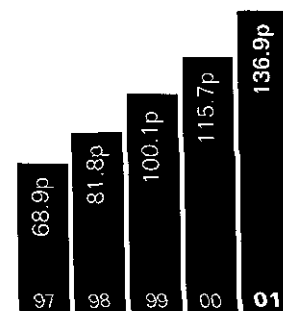
Profit before tax up 17%
to £25.5m



Earnings per share up 21%
to 15.2p



Net assets per share up 18%
to 136.9p

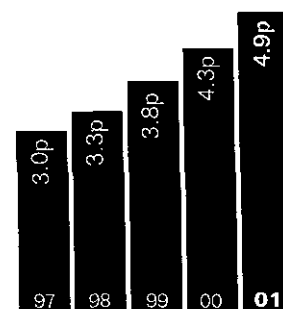


Trentham Lakes, Stoke-on-Trent.

A 178,000 sq. ft. distribution building let to Heywood Williams.

Over 4.2m tonnes of colliery spoil has been remodelled at Trentham Lakes in the creation of a high quality mixed use park.

Dividend per share up 14%
to 4.9p



A computer projection of the 564,000 sq. ft. distribution facility, pre-let to Argos, under construction at Barton Business Park, Staffordshire and pre-sold in 2002.

“Our land bank is larger, the opportunities we have are more exciting and our team is stronger.”

Chairman's Statement

RESULTS

I am very pleased to report a further year of record progress for the company.

Profit before tax increased by 17% to £25.5m (2000: £21.7m) and earnings per share rose 21% to 15.2p (2000: 12.6p).

One of our principal measurements of management performance is total pre-tax return on average shareholders' funds, which increased in the year to 25.4% (2000: 25.2%).

Net asset value per share increased during the year by 18% to 136.9p from 115.7p. This increase arose from a combination of retained earnings of £12m and a revaluation surplus of £13m representing an uplift of 6% on the value of the company's investment portfolio. This uplift is considerably higher than has been recently reported elsewhere in the sector and reflects real added value from active management on a number of specific investment properties rather than as a result of market yield movements.

DIVIDEND

Your board is recommending a final dividend of 3.3p (2000: 2.9p) per ordinary share, making a total distribution for the year of 4.9p (2000: 4.3p), an increase of 14%. This final dividend will be paid on 26 April 2002 to shareholders on the register on 22 March 2002.

STRATEGY

We continue to pursue our long-term objective of doubling the net worth of the company every five years, equivalent to a compound growth rate of 15% per annum. Growth above this level has been achieved over the last nine years. It has arisen from an expanding development programme balanced by a portfolio of income-producing properties, the rent from which together with other recurring income covers all of our overheads, interest and a growing dividend.

We have also continued to expand our hopper of future development and regeneration opportunities with major transactions completed in 2001 with Corus, Marconi, MG Rover and Mars Pension Fund. As a result of these and other acquisitions, our land bank is larger than ever and comprises 600 acres of potential residential land and 1,300 acres of land for commercial use, out of a total estate of over 4,000 acres.

BOARD CHANGES

At the next Annual General Meeting, both Jim Leavesley and Clive Lewis will be stepping down as non-executive directors, each having completed 15 years of service. Jim Leavesley deserves special appreciation as he was also a founding director of St Modwen Developments Limited when he and I started that company in Burton upon Trent in 1966. We have all benefited greatly from their wise counsel and I thank them most sincerely for their valued contribution to the success of the company.

During the year we appointed James Shaw as a non-executive director. He is highly experienced with a strong record of success. We are confident he will add value to the company.

FUTURE PROSPECTS

I am pleased to be able once again to conclude that your company has never been in better shape. Our land bank is larger, the opportunities we have are more exciting and our team is stronger.

The current year has started extremely well with more than £10m of development profit on sales already completed or exchanged in the first two months. Therefore, I am very confident that 2002 will be another record year.



Sir Stanley W. Clarke CBE, Hon. D.Univ.
Chairman
13 February 2002

Chief Executive's Operational Review

HIGHLIGHTS OF THE YEAR

We were more active in development terms during the year than in any previous period. We completed 38 buildings totalling 862,000 sq. ft. on 11 sites. In addition, we had a further 6 buildings under construction at the year-end totalling 765,000 sq. ft.

This high level of activity not only contributed to the record results which we are now reporting but has given the group the strongest future development programme it has ever had.

The year saw the final developments on a number of projects which have made regular contributions in recent years. The completion of the office building for nPower at Apex 6, Worcester and the second call-centre building for Egg at Pride Park, Derby marked our final involvement on those sites, as did the sale to Luton Airport of the last plot of land on our Cargo 10 development there.

Other important completions marked further progress on long-term sites which still have a considerable further contribution to make. At Coombs Wood, Halesowen, we completed a 55,000 sq. ft. distribution building for a local firm which was sold to a private investor. On the same

Anthony Glossop *Deputy Chairman and Chief Executive*

“Long-term regeneration with a strong regional capability lies at the heart of our strategy.”

Festival Park — a 37,500 sq. ft. headquarters for Royal Doulton constructed and sold by Stoke-on-Trent Regeneration Limited, a partnership with Stoke-on-Trent City Council.

site, we also completed 38,000 sq. ft. of small speculative business units which are carried forward into the coming year's sales programme.

At Trentham Lakes, Stoke-on-Trent, we completed a 54,000 sq. ft. distribution building which was sold to a local firm. We also completed a 178,000 sq. ft. distribution building for Heywood Williams and shortly after the year-end a 66,000 sq. ft. factory for Remploy, both of which are also carried forward for the 2002 sales programme.

We continued to be very active on our Festival Park development, also at Stoke-on-Trent, where we completed office buildings for George Hall and Royal Doulton which were sold in the year. We are also in the process of building a contact centre for Consignia which will be in the coming year's programme. On the same site, we built a speculative trade park of 31,000 sq. ft., all the units of which are now under offer to occupiers.

On our Barton Business Park joint venture with Prologis, in Staffordshire, we secured a pre-let of a 564,000 sq. ft. distribution facility for Argos which will be handed over later this year.

Coombs Wood, Halesowen — a 55,000 sq. ft. distribution building constructed and sold in the year.

Our residential land programme continued to make a major contribution with sales at Trentham Lakes, Stoke-on-Trent and Baswich, Stafford. The latter demonstrates the long-term nature of our business, the original development agreement having been entered into in 1991 with 10 years being taken to process the project through a local plan and then detailed planning considerations.

Trade park units at Festival Park.

Chief Executive's Operational Review

The uplift in the revaluation of the group's investment property portfolio was particularly pleasing. Our strategy is only to hold properties to which, in a flat market, we can add significant value by our own efforts. This strategy bore fruit in the year with the 6% uplift arising from specific action on a number of properties. Notably, we obtained planning consent for a further 40 acres of development at Thurleigh Airfield Business Park, Bedford, and we completed the first phase of refurbishment at Edmonton Shopping Centre, relocating and upgrading the market. We also benefited from further lettings, rental uplifts and the expiry of rent-free periods at our highly successful Wythenshawe Shopping Centre refurbishment, Bestwood Business Centre, Nottingham and Crewe Hall Enterprise Park.

The realistic nature of our external property valuations was demonstrated by the £3.3m surplus on the £26.6m sale of investment properties which were disposed of after we had completed our programme of adding value to them. Our aim is to hold our properties at values at which they can genuinely be sold, so that we are not restrained from disposal as part of our active management programme because of the risk of not achieving book value.

Despite the considerable programme of investment property sales, we have increased our rental income as a result of new acquisitions and letting void space. In some areas such as South East offices, demand has reduced, but overall we have managed to maintain positive progress.

Junction 7 Business Park,
Accrington — 875,000 sq. ft.
of industrial buildings on a 50
acre site acquired as part of a
portfolio from Marconi.

Longbridge, Birmingham — development agreement signed with MG Rover.

THE HOPPER

The achievement of our corporate objective of doubling net asset value every five years is dependent on having a substantial bank of long-term opportunities. It is, therefore, vital that we acquire on a regular basis such opportunities, many of which will have a development timescale of up to or even beyond ten years.

This year, we were notably successful. We entered into new development agreements with MG Rover,

in respect of its Longbridge, Birmingham site and Corus in respect of a further 90 acre site adjacent to our Festival Park development.

In addition, we acquired a 50% interest from Mars Pension Fund in two shopping centres in the North West at Belle Vale, Liverpool and Kirkby. These centres together comprise some 495,000 sq. ft. and both appear to have considerable medium to long-term development prospects. We now have thirteen shopping centres in our portfolio which play an important role in our urban regeneration programme.

Other acquisitions included a portfolio of properties purchased by our 50% joint venture company, Key Property Investments Limited, from Marconi, giving us sites in Accrington; Croxteth, Liverpool; Trafford Park, Manchester; Stafford; Rugby; Hemel Hempstead and Poole. These will provide useful short-term income whilst development prospects are worked on.

We also secured a valuable addition to our heritage leisure regeneration programme being selected by Dudley Metropolitan Council as the preferred developer of the 148 acre Castle Hill site.

Richard Froggatt *Executive Director
with responsibility for strategic acquisitions.*

Coombs Wood, Halesowen — regeneration of a former steelworks in partnership with Corus plc. 10 buildings totalling 105,500 sq. ft. constructed in 2001. The first project for 2002 is already under construction.

Chief Executive's Operational Review

Solihull — a 20,000 sq. ft. fitness centre constructed for Fitness First adjacent to Solihull Ice Rink.

PARTNERSHIP

Working with landowners and local authorities continues to be a major part of our regeneration strategy. The acquisitions referred to above all involve some form of partnership. There can be no single formula embracing the wide range of schemes that we undertake. One of our skills is devising structures that give the partner the correct solution to its property challenge, whilst providing a formula that will stand the test of commercial reality.

As we have stated frequently, working in partnership requires special skills. It is certainly harder in many respects than working alone because the property partner has to take into account both the property and non-property aspects of its partner's needs. Partnerships, particularly public/private partnerships can be difficult, but we have an enviable reputation for sticking to our task, even when the going gets rough, and bringing our partnerships through to a successful outcome.

We have recently entered into our fourth joint venture with Corus, a partnership which has seen us regenerate former steelwork sites at Halesowen, Stoke-on-Trent and Sheffield. Although these have not been straightforward and all have had issues which were not obvious at the outset, in each case, frequently from unpromising material, real regeneration has been achieved.

Our longest running local authority joint company is in Stoke-on-Trent with a track record now covering 8 years. In that time the joint venture has reclaimed or serviced 450 acres of land, and built or enabled others to construct 650,000 sq. ft. of buildings which now provide 2,300 jobs. In the process, an initial equity of £100,000 has been transformed into a current equity of over £7m.

We have been fortunate with our partners who have been equally willing to go the extra mile to make the partnerships fruitful. Our almost unique ability to deliver successful partnerships remains one of St. Modwen's key attributes.

Trentham Lakes — a 400 acre development in
Stoke-on-Trent on the site of the former Hem Heath Colliery.

“A balanced approach to
the issues of contamination and
the environment.”

Thirteen acres of residential land sold
for development at Trentham Lakes.

Chief Executive's Operational Review

Civic Centre, Wythenshawe, Manchester — after its highly successful £6m refurbishment.

REGENERATION

Long-term regeneration with a strong regional capability also lies at the heart of our strategy. Our areas of specialisation remain the same: regenerating town centres, reclaiming brownfield land, re-using former employment complexes and revitalising heritage leisure opportunities.

All of these disparate areas have profound and common themes: an understanding of the planning process, a balanced approach to issues of contamination and the environment, a hands-on control of construction and a flexible lateral-thinking approach to solutions.

These themes and our ability to handle them have been demonstrated in progress on major projects this year.

At Trentham Gardens, we obtained a planning consent after a public inquiry for the £100m regeneration of the 750-acre estate. This will include a major restoration of the gardens and woodlands

supported by a commercial development comprising hotels, restaurants, a garden centre and other leisure related retail and leisure attractions such as a monkey woodland and holiday lodges.

The 400-acre Trentham Lakes development on the site of the former Hem Heath Colliery has been transformed by a series of carefully devised ground reclamation schemes in which over 4.2m tonnes of colliery waste and other derelict ground have been remodelled to create a high quality mixed-use park from a former wilderness.

Wythenshawe Shopping Centre's success has come from a pragmatic understanding of the commercial realities coupled with meticulous attention to controlling the construction process. In an area where values are not high, the construction team managed to deliver the regeneration which has transformed the environment and the commercial success of the shopping centre within the tightest of budgets.

Chief Executive's Operational Review

Discovery Court, Poole — a 125,000 sq. ft. office complex acquired as part of a portfolio from Marconi.

THE FUTURE

As mentioned earlier, the activity in the last year means that we move into the current year with a very solid development programme. This gives us the luxury of already being able to formulate the programme for 2003 which is taking positive shape.

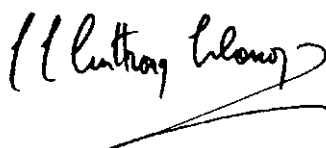
We take forward Castle Walk, our £20m shopping development in Newcastle under Lyme. The first phase was built and trading prior to the year end and was sold early in the new financial year. Further phases will come forward from Spring to late Summer of this year.

We have forward sold the Argos distribution building on our Barton Business Park joint venture with Prologis for £50m.

We have already completed one substantial 9 acre brownfield residential land sale at Trentham Lakes and have a number of other such sales programmed for later in the year.

Our speculative small industrial and business unit programme has provided us with completed buildings on seven sites, totalling 230,000 sq. ft. and these are already producing a steady stream of sales and lettings. We also carry forward completed buildings pre-let to Heywood Williams and Remploy, totalling 244,000 sq. ft. and the 42,000 sq. ft. pre-sold contact centre for Consignia.

Our hopper is better 'topped up' than ever following a successful series of acquisitions during 2001 while we also go forward with a stronger team following a programme of recruitment in all our offices.



Anthony Glossop
Deputy Chairman & Chief Executive

Castle Walk, Newcastle under Lyme — 34 shops and a new bus station: phase I completed in 2001 and sold in 2002.
Phase II under construction for completion in summer 2002.

“Total shareholder
returns of 26.2%
per annum over the
last ten years.”

Edmonton Shopping Centre
— refurbishment of the market, the first phase of a £30m regeneration project.

Financial Review

Bill Oliver *Finance Director*

RESULTS SUMMARY

The pre-tax profit for the year to 30 November 2001 increased by 17% to £25.5m (2000: £21.7m restated). This is the ninth consecutive year of profits growth.

Earnings per share increased by 21% to 15.2p (2000: 12.6p restated) and dividends have increased by 14% to 4.9p per share (2000: 4.3p).

Retained profits of £12m combined with £13m of revaluation surpluses to produce an 18% increase in net assets per share to 136.9p (2000: 115.7p restated).

We aim to produce increased value for shareholders in two ways, first by doubling net asset value per share every five years and secondly by paying an increasing dividend in line with the growth in recurring profits. In fact net asset value per share has increased by 139% in the last five years and dividends by 96%. This is equivalent to compound annual growth rates of 19% and 14% respectively.

CHANGE IN ACCOUNTING POLICIES

We have made changes in accounting policies to adopt UITF28 "Operating Lease Incentives" and FRS19 "Deferred Tax".

UITF28 requires the cost of lease incentives such as rent-free periods to be spread evenly over the lease term (or the period to first rent review if shorter). Previously, we had not recognised rent until after the expiry of rent-free periods. This change in policy has increased rents in the current period and prior year by £489,000 and £231,000 respectively.

FRS19 requires that deferred tax should be provided in full on most timing differences between tax and accounting treatments that are not permanent, although deferred tax is not required to be provided on our revaluation surplus. We have, therefore, changed our policy to make full provision for timing differences, which in our case arise primarily from capital and industrial building allowances. Our accounting policy had been to recognise deferred tax only to the extent that the potential tax liabilities were expected to crystallise.

In practice, when investment properties are sold it is unlikely that any balancing charges will be incurred. It is our view that the deferred tax provision that has been set up under FRS19 will not be crystallised and will on disposal of the properties be released to the profit & loss account.

The effect of adopting FRS19 is to decrease the tax charge for the current period by £119,000 following the release of £376,000 deferred tax previously provided on investment properties which were sold in the period. The tax charge for the prior year increased by £213,000. Our provision for deferred tax as at 30 November 2000 has been restated, reducing the net asset value at that date by £3,688,000.

FRS19 has no impact on the actual tax that we pay.

NORTHERN RACING

The group has a 35% shareholding in Northern Racing Limited. In common with other racecourse businesses, under certain circumstances, Northern Racing Limited does not recognise all racing income

Comparison of Annual Portfolio Returns with IPD

when it is earned but defers its recognition until later periods. With the completion during the year of the Go Racing media rights contract and the acquisition of further racecourses at Hereford and Sedgefield, we have taken the opportunity to review the accounting policy adopted in the group accounts. We believe it is more appropriate to record this income in the accounts in the year in which it is earned as this more accurately reflects the performance of Northern Racing Limited. The group has recognised income of £615,000 (2000: £nil) in the current year and made a prior year adjustment of £1,387,000.

OPERATING PROFIT

During the period, we continued our disposal programme for investment properties which no longer meet our target of producing ungeared returns of 15% per annum over a five year period. Nineteen properties were sold for total proceeds of £26.6m, generating a profit over book value of £3.3m (including £1.6m from our share of joint ventures).

We have spent £30m on the investment portfolio in the year, including £23m of acquisitions. In addition, shortly before the financial year end, our 50% joint venture company, Key Property Investments Limited, acquired a portfolio of income-producing properties from Marconi for £33m.

The net effect of these movements together with active management of the portfolio produced an increase of 6% in the net rental income of the group to £24.1m (2000: £22.7m).

Development profits in the year were down to £12.8m from £13.6m. However, there was a significant build-up in the development programme in the second half of the year on schemes, the sales of which have exchanged or completed in the two months following 30 November 2001, that will produce development profits in excess of £10m in 2002.

The inclusion of the results of Northern Racing, together with income from the £6m investment made during the year relating to Pubmaster, has increased the level of recurring other income by £1.5m in the period.

INTEREST

Net interest payable has increased to £10.7m (2000: £9.6m). Group net borrowings increased by £39m during the year, the cost of which was partially offset by falling interest rates. The weighted average rate of interest payable as at 30 November 2001 was down to 6.8% (2000: 7.9%).

The group's borrowings are at variable rates of interest and we manage our interest rate exposure by way of interest rate swaps and cap and collar

Financial Review

transactions. At the year end, 77% of net borrowings were hedged (2000: 73%).

The group has not capitalised interest on its developments or its investments, but has charged all interest as it has arisen to the profit and loss account.

TAXATION

The effective rate of taxation for the year was 25.6% (2000: 28.5%). The reduction in the taxation charge has arisen from the availability of capital losses brought forward from previous years and from the release of £376,000 from the FRS19 deferred tax provision in respect of the disposal of investment properties in the period. It is anticipated that with the continued utilisation of capital allowances the actual rate of tax payable will remain below the standard rate of corporation tax.

GEARING AND FINANCING

Group net borrowings have increased to £140.7m (2000: £101.3m), representing a gearing ratio of 85% up from 73%. This continues to be at the lower end of our preferred gearing range, leaving ample headroom for further acquisitions and development.

The group is financed by shareholders' funds and bank debt of varying maturity profiles. This is appropriate to the needs of the group and reflects the type of assets in which we invest. At 30 November 2001, the weighted average debt maturity was 7 years (2000: 8 years).

Bank facilities, excluding those for joint ventures, totalled £205m at the year end (2000: £156m), with additional and increased facilities provided in the period by Royal Bank of Scotland, Barclays and Fortis.

In addition to the above borrowings, the group's share of debt within joint ventures which is secured solely upon the assets within the relevant joint venture was £31.1m (2000: £16.2m).

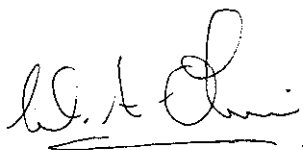
The effect of the fair value adjustment (FRS13) of marking the group's fixed debt and derivatives to current market rates would be to produce a notional liability after tax of £1.8m or 1.5p per share (2000: £1.0m or 0.8p per share).

SHAREHOLDERS' RETURNS

The group measures the ungeared returns from its investment portfolio against the Investment Property Data Bank (IPD) all property total return index. St. Modwen continues to strongly out perform the index.

The analysis of total shareholder returns for the property sector produced by HSBC ranks St. Modwen 2nd for the ten-year period ended December 2001. Our total shareholder return was 26.2% per annum compared with 11.6% per annum for the FTSE All Share Index and 10.1% for the Property Sector.

With this level of historic performance and our hopper of future development opportunities continuing to expand, it is disappointing to have seen our shares trade during the year at a 20% discount to net asset value, with a price/earnings ratio as low as 8.



W. A. Oliver
Finance Director

Analysis of Properties

as at 30 November 2001

	South £m	Midlands £m	North £m	Total £m	Held by Group Companies* %	Held by Group Companies* £m	Held by Joint Ventures £m	Rent- Roll £m	Square Feet '000
Retail	96.2	22.7	29.0	147.9	46	97.4	50.5	14.5	2,112
Industrial	29.6	53.3	51.4	134.3	41	109.0	25.3	13.4	5,792
Office	31.4	8.3	1.9	41.6	13	27.4	14.2	4.0	473
	157.2	84.3	82.3	323.8	100	233.8	90.0	31.9	8,377

* includes £24.1m of properties included in development stock

Portfolio Analysis

Principal Income Producing Properties

	Rent-Roll £m	Area sq. ft.
Farnborough town centre (50% Joint Venture)	3.2	340,000
Edmonton Green Shopping Centre	1.8	375,000
Wythenshawe Shopping Centre	1.7	410,000
Belle-Vale Shopping Centre (50% Joint Venture)	1.6	325,000
Thurleigh Business Park, Bedford	1.4	320,000
Kirkby Shopping Centre (50% Joint Venture)	1.4	170,000
Catford Shopping Centre	1.0	145,000
Leegate Shopping Centre, London	1.0	130,000
High Street, Hounslow	0.9	70,000
Crewe Hall Enterprise Park	0.9	290,000
Shrub Hill Industrial Estate, Worcester	0.8	270,000
Wigan Enterprise Park	0.8	385,000
Walsall Outlet Centre	0.7	105,000
	17.2	3,335,000

Directors and Advisers

Non-Executive Directors *Left to right*

Auditors

Ernst & Young LLP

Registrars

**Lloyds TSB
Registrars**

The Causeway, Worthing,
West Sussex BN99 6DA.

Stockbrokers

HSBC Securities

James Shaw[†] FRICS

Aged 57. Appointed a Director in 2001. Previously Property Director of Associated British Ports Holdings plc, Managing Director of Thorn High Street Properties and Property Director of Courage.

Christopher Roshier[†] MA, FCA

Aged 55. Appointed a Director in 1987. He is a Chartered Accountant with over 20 years' experience in Corporate Finance. Mr Roshier chairs the company's Audit and Remuneration Committees.

Sir David Trippier[†] RD, JP, DL, MSI

Aged 55. Appointed a Director in 1992. Minister for Construction and Urban Affairs 1987-1989. He is currently Chairman of W. H. Ireland Group PLC, stockbrokers, and Murray V.C.T. Plc. He is also a director of a number of other listed and private companies.

James Leavesley^{*}

Aged 71. Appointed a Director in 1986.
Formed St. Modwen Developments in 1966 with Sir Stanley Clarke. He is the Chairman of a number of private companies.

Clive Lewis[†] Hon. D.Litt., FRICS

Aged 65. Appointed a Director in 1986.
He is a Past President of the Royal Institution of Chartered Surveyors, a director of Town Centre Securities plc and Freeport plc, and Chairman of the Bank of England Property Forum.

Executive Directors

Sir Stanley Clarke CBE, Hon. D.Univ.

Chairman
Aged 68. Appointed a Director in 1986.
Formed St. Modwen Developments Limited in 1966.

Anthony Glossop MA

Deputy Chairman, Chief Executive
Aged 60. Appointed a Director in 1976.
Previously Chief Executive of Redman Heenan International plc.

Richard Froggatt FRICS

Executive Director
Aged 52. Appointed a Director in 1995. Previously a director of Savills and Managing Director of Wilson Bowden Properties Limited.

Bill Oliver BSc, FCA

Finance Director
Aged 45. Appointed a Director in January 2000. Previously Finance Director of Dwyer Estates plc.

^{*} Member of Audit Committee

[†] Member of Audit and Remuneration Committees

Shareholder Information

Financial Calendar

Record date for 2001 final dividend	22 March 2002
Annual General Meeting	19 April 2002
Payment of 2001 final dividend	26 April 2002
Announcement of 2002 interim results	July 2002
Payment of interim ordinary dividend	September 2002
Announcement of 2002 final results	February 2003

Ordinary Shareholdings at 30 November 2001

	Shareholders		Shares	
	No.	%	No.	%
By shareholder				
Directors and connected persons	22	0.5	53,423,058	44.2
Individuals	4,253	89.0	17,444,816	14.5
Insurance companies, nominees and pension funds	408	8.5	48,415,030	40.1
Other limited companies and corporate bodies	94	2.0	1,491,050	1.2
	<u>4,777</u>	<u>100.0</u>	<u>120,773,954</u>	<u>100.0</u>

	Shareholders		Shares	
	No.	%	No.	%
By shareholding				
Up to 500	1,201	25.1	302,367	0.2
501 to 1,000	853	17.9	655,570	0.5
1,001 to 5,000	1,815	38.0	4,345,968	3.6
5,001 to 10,000	417	8.7	3,074,517	2.6
10,001 to 50,000	360	7.5	7,310,844	6.0
50,001 to 100,000	36	0.8	2,483,273	2.1
100,001 to 500,000	56	1.2	11,446,422	9.5
500,001 to 1,000,000	20	0.4	15,656,685	13.0
1,000,001 and above	19	0.4	75,498,308	62.5
	<u>4,777</u>	<u>100.0</u>	<u>120,773,954</u>	<u>100.0</u>

Principal institutional shareholders at 30 November 2001

	Shares	
	No.	%
Henderson Global Investors Limited	13,324,294	11.0
JP Morgan Fleming Asset Management	3,905,131	3.2
M & G Investment Management Limited	3,840,000	3.2
Framlington Investment Management Limited	2,965,000	2.5
Co-operative Insurance Society	2,475,000	2.1
Baring Asset Management Limited	2,340,866	1.9
Merrill Lynch Investment Managers	2,057,870	1.7
Gartmore Investment Management Limited	1,810,440	1.5
Legal & General Investment Management Limited	1,332,300	1.1
Clerical Medical & General Life Assurance	1,203,866	1.0
Kempen & Co NV	1,180,000	1.0

Directors' Report

The directors present their report together with the audited accounts for the year ended 30 November 2001.

REVIEW OF RESULTS, ACTIVITIES AND FUTURE PROSPECTS

The pre-tax profit for the year was £25.5m. The retained profit of £12.3m is to be transferred to revenue reserves.

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

A review of activities is given in the Operational and Financial Reviews on pages 4 to 16. The Chairman comments on future prospects in his statement on page 3.

DIVIDEND

The directors recommend the payment of a final dividend of 3.3p (2000: 2.9p) per ordinary share to be paid on 26 April 2002 to shareholders on the register on 22 March 2002. An interim dividend of 1.6p (2000: 1.4p) was paid on 14 September 2001.

GOING CONCERN

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

CORPORATE GOVERNANCE

Throughout the year ended 30 November 2001 the company has complied with the provisions set out in the Combined Code on Corporate Governance ("the Combined Code").

St. Modwen is committed to the principles of good corporate governance. The board of directors exercises effective control over the group and its activities while recognising its responsibility to be accountable to shareholders and other interested parties. Set out below are how these principles are applied within the group. This should be read in conjunction with the Board's Report on Directors' Remuneration on pages 24 to 26.

BOARD COMPOSITION AND COMMITTEES

The board is currently composed of four executive directors and five non-executive directors. This composition provides an appropriate blend of experience and qualifications, and the number of non-executives provides a strong base for ensuring appropriate corporate governance of the company. The board meets formally 11 times a year and its decisions are implemented by the executive directors.

The board has agreed that in view of his chairmanship of both the Remuneration and Audit Committees, Mr C. E. Roshier is identified as the senior independent director.

The other non-executive directors considered by the board to be independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement are Mr C. H. Lewis, Mr J. N. Shaw and Sir David Trippier.

The remaining non-executive director, Mr J. D. Leavesley, is not considered to be independent.

The reappointment of non-executive directors is not automatic. Currently each non-executive director has to offer himself for re-election to the members every three years. Prior to offering himself for re-election his reappointment must be confirmed by the Chairman in consultation with the remainder of the board.

In support of the principles of good corporate governance, the board has appointed the following committees, both of which have a formal constitution and are chaired by Mr C. E. Roshier.

a) Remuneration Committee

The composition and function of the Remuneration Committee are set out in the Board's Report on Directors' Remuneration on pages 24 to 26.

b) Audit Committee

The Audit Committee has written terms of reference and comprises the non-executive directors. Two meetings were held during the year and additional meetings may be requested by either the auditors or the non-executive directors. The Finance Director attends these meetings but the committee can meet without executive directors and has direct access to the auditors.

The board considers itself to be 'small' under the provisions of the Combined Code and accordingly is not required to operate a Nominations Committee. The board's policy is for the Chairman to agree selection criteria with all board members. The final decision on appointments rests with the full board.

It is intended that appointments will be for an initial term of three years which may be extended by mutual agreement.

INTERNAL CONTROL

The board recognises that it has overall responsibility for the system of internal control.

Accordingly, during the period under review the directors have reviewed the effectiveness of the system of internal control 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, a report on receivables and a comparison of committed expenditure against available facilities. 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, contracts and commitments and there is a formal schedule of matters, including major investment and development decisions and strategic matters, that are reserved for board approval.

Internal control, by its nature, provides only reasonable and not absolute assurance against material misstatement or loss.

In accordance with the Combined Code, the board has reviewed the need to establish an internal audit function, but continues to believe that the benefits likely to be gained would be outweighed by the costs of establishing such a function.

INVESTOR RELATIONS

The executive directors have a programme of meetings with institutional shareholders and analysts. The company's Annual General Meeting is 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, Mr C. E. Roshier, the Chairman of the Audit and Remuneration Committees, will be available to answer appropriate questions.

DIRECTORS AND THEIR INTERESTS

The names of the directors of the company are set out on page 18.

Sir Stanley Clarke, Mr C. C. A. Glossop and Mr J. N. Shaw retire from the board in accordance with the provisions of the company's Articles of Association and offer themselves for re-election. Mr J. D. Leavesley and Mr C. H. Lewis will retire at the Annual General Meeting after 15 years of service.

Directors' Report

The interests of directors and their families in the issued share capital of the company, as required to be notified to the company pursuant to Sections 324 and 328 of the Companies Act 1985 or which are required to be entered in the Register of Directors' Interests maintained under Section 325 of the Act, are shown below.

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

DIRECTORS' INTERESTS IN ORDINARY SHARES

The interests of the directors who held office during the year, and those of their families, in the ordinary shares of the company were as follows:

	30 November 2001	30 November 2000
Beneficial		
Sir Stanley Clarke	27,043,854	27,012,773
C. C. A. Glossop	1,064,722	1,064,722
R. L. Froggatt	6,968	6,968
J. D. Leavesley	8,270,252	8,270,252
C. H. Lewis	839,520	839,520
I. J. G. Napier (appointed 24/07/01 resigned 10/1/02)*	3,000	—
C. E. Roshier	10,417	10,417
J. N. Shaw (appointed 17/10/01)	10,000	—
Sir David Trippier	18,350	18,350
Non-beneficial		
Sir Stanley Clarke	849,567	849,567
J. D. Leavesley	4,107,554	4,107,554

* Mr Napier resigned following his appointment as Chief Executive of Taylor Woodrow plc.

The above interests do not include shares held under the long-term share incentive scheme for executive directors as described in the Board's Report on Directors' Remuneration on pages 24 to 26.

The company is not aware of any change in these interests since 30 November 2001.

SUBSTANTIAL INTERESTS

As at 13 February 2002, in addition to those noted above, the company had been notified of the following interests in more than 3% of its issued share capital:

Shareholder	Percentage of Ordinary Share Capital
Henderson Global Investors Limited	10.9%
J. P. Morgan Fleming Asset Management	3.2%
M&G Investment Management Limited	3.2%

CREDITOR PAYMENT POLICY

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

At 30 November 2001 the group's trade creditors outstanding represented approximately 36 days' trade purchases (2000: 51 days).

EMPLOYEES

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

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

The group operates a pension scheme which is open to all employees.

ENVIRONMENT

The group recognises the importance of maintaining and improving the environment and seeks to minimise any adverse effects of its operations. The group encourages energy conservation and recycling where appropriate.

A large part of the group's development programme is centred on the regeneration of brownfield sites. The group's development process breathes new life into areas of dereliction and contributes towards creating a sustainable environment for future generations.

HEALTH & SAFETY

Health and safety is a matter of primary concern. Accordingly, it is the group's policy to manage its activities so as to avoid any unnecessary or unacceptable risk to the health and safety of its employees, its contractors and members of the public.

ANNUAL GENERAL MEETING

Shareholders will be asked to approve at the Annual General Meeting the following Resolutions as special business. These resolutions have become routine business at the Annual General Meetings of most public companies, including St. Modwen Properties PLC, and relate to:

- renewal of the authority for the directors to allot relevant securities and the renewal of the powers for the directors to allot equity securities for cash (Resolutions 5 and 6).

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

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

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

Resolution 5, which will be proposed as an Ordinary Resolution, provides for the Section 80 amount to be £2,922,605 (being an amount equal to the authorised but unissued share capital of the company at the date of this report and representing 24% of the company's issued share capital at that date).

Resolution 6, which will be proposed as a Special Resolution, provides for the Section 89 amount to be £603,870 (representing 5% of the company's issued share capital). The prescribed period for which these powers and authorities are granted will expire at the conclusion of the Annual General Meeting to be held next year (or on 19 July 2003 if earlier) when the directors intend to seek renewal of the authority.

- renewal of the authority for the company to purchase certain of its own shares (Resolution 7).

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

AUDITORS

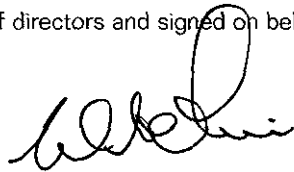
During the year Ernst & Young LLP were appointed as auditors and have expressed their willingness to remain in office and a resolution to reappoint them as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on behalf of the board

W. A. Oliver

Secretary

13 February 2002



Registered Office:

Lyndon House

Hagley Road

Birmingham B16 8PE

Company Number 349201

Board's Report on Directors' Remuneration

COMPOSITION AND FUNCTION OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises Mr C. H. Lewis, Mr C. E. Roshier, Mr J. N. Shaw and Sir David Trippier, all non-executive directors of the company. The Committee considers all aspects of the executive directors' remuneration and administers the company's share option schemes and long-term share incentive scheme. The remuneration of the non-executive directors is considered by the board following recommendations by the executive directors. No director participates in setting his own remuneration.

COMPLIANCE

The company complied throughout the period with the Combined Code.

REMUNERATION POLICY

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

The policy requires the highest level of performance from executives; and as well as individual performance assessment, pay levels in similar companies are referred to. Independent professional advice is sought from time to time to ensure that the policy remains appropriate. Such advice was last sought in December 2000.

BASE SALARIES

Base salaries are reviewed annually and are established by reference to the median base salary for similar positions in comparable companies.

SERVICE CONTRACTS

The contracts of service for the executive directors are terminable by the company on periods of notice of twelve months or less.

The non-executive directors do not have service contracts.

INCENTIVE SCHEMES

Annual Bonus

Executive directors, with the exception of the Chairman, participate in a performance linked annual bonus scheme. The levels of bonus are determined by the Remuneration Committee, taking into account the level of pre-tax profit and other personal targets. Subject to achieving the pre-determined targets, executive directors were eligible to receive a maximum bonus of 70% of salary in 2001. An additional *ex gratia* payment was made to one director reflecting his contribution during the year.

Share Options

The Remuneration Committee is responsible for supervising the company's Executive Share Option and Savings Related schemes in accordance with rules approved by shareholders in general meeting. For options granted in 2001, the performance target set was 5% per annum real growth in net asset value per share over the three year period from the date of grant.

Long-term Share Incentive Scheme

It was decided in 1999 to make no further grants under this scheme. In accordance with the terms of the scheme 21,234 shares were issued to Mr Froggatt on 28 August 2001 in respect of grants made in 1997. The grant of rights under this scheme made during the 1998 financial year matured in 2001. The earnings per share performance target was exceeded and the company was ranked 2nd when compared with a peer group of fourteen companies in relation to total shareholders' return for the period 31 March 1998 to 31 March 2001. Accordingly 132,878 shares will be available for release to Mr Glossop and 85,981 to Mr Froggatt on 31 March 2002.

	Shares held in trust at 1.12.00	Released in Year		Shares held in trust at 30.11.01	Exercise period
	No.	No.	Value £	No.	
R. L. Froggatt	148,601	62,620	67,943	85,981	Mar 2002–Mar 2005
C. C. A. Glossop	228,456	—	—	228,456	Mar 2001–Mar 2005

Dividends in respect of the shares held in the long-term share incentive scheme have been waived.

Executive Share Option Scheme

Date of Grant	Number of Shares			Exercise price	Exercise period
	R. L. Froggatt	C. C. A. Glossop	W. A. Oliver		
22 August 1994	—	150,000	—	50.5p	Aug 1997–Aug 2004
8 September 1995	—	300,000	—	51.5p	Sept 1998–Sept 2005
2 November 1999	200,000	500,000	—	99.0p	Nov 2003–Nov 2009
21 March 2000	100,000	—	200,000	106.0p	Mar 2004–Mar 2010
3 September 2001	110,000	—	160,000	113.5p	Sept 2004–Sept 2011

No options were exercised by the directors under this scheme during the year.

Savings Related Scheme

	Balance at 1.12.00	Exercised	Granted	Balance at 30.11.01	Exercise price	Exercise period
Sir Stanley Clarke	31,081	(31,081)	—	—	55.5p	
R. L. Froggatt	31,081	(31,081)	—	—	55.5p	
C. C. A. Glossop	15,976	—	3,260	19,236	84.5p/103.5p	Sept 2004–Mar 2008
W. A. Oliver	—	—	16,304	16,304	103.5p	Mar 2006–Mar 2008

The share price at the date of exercise of the above options was 104.5p. The share price as at 30 November 2001 was 107.5p. The highest price during the year was 120.5p and the lowest price was 95.5p.

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 30 November 2001, other than the value of shares released under the long-term share incentive scheme (as noted on page 24), was as follows:

	Salary/Fees £'000	Annual bonus £'000	Benefits £'000	Gains on share options £'000	Total emoluments excluding pensions and pension contributions	
					2001 £'000	2000 £'000
Executive						
Sir Stanley Clarke	200	—	71	15	286	272
R. L. Froggatt	155	150	11	15	331	206
C. C. A. Glossop	225	146	12	—	383	287
W. A. Oliver	155	93	13	—	261	235
Non-Executive						
J. D. Leavesley	21	—	—	—	21	20
C. H. Lewis†	21	—	—	—	21	20
I. J. G. Napier	7	—	—	—	7	—
C. E. Roshier	29	—	—	—	29	25
J. N. Shaw	3	—	—	—	3	—
Sir David Trippier	21	—	—	—	21	20
	837	389	107	30	1,363	1,085

Benefits arise from employment by the company. These benefits do not form part of directors' final pensionable pay. As the company currently enjoys a contribution holiday on its pension scheme, no contributions to the scheme were payable in respect of the executive directors.

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 usually paid in the year following that in which they are earned.

† Payments in respect of the services of C. H. Lewis as a director include amounts paid to Penloo Consulting Limited, a company which he controls.

Board's Report on Directors' Remuneration

PENSIONS

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

	Age at 30 November 2001	Increase in accrued pension (note 2) £ p.a.	Accrued pension at 30 Nov 2001 (note 3) £ p.a.
R. L. Froggatt	52	3,639	18,815
C. C. A. Glossop	60	39,283	181,553

Notes:

1. No contributions are paid by the directors under the terms of the defined benefits scheme.
2. The increase in accrued pension during the year excludes any increase for inflation.
3. Accrued pension is that which would be paid annually at retirement age based on service to 30 November 2001.
4. Members of the defined benefits scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

Mr W. A. Oliver is a member of the defined contribution section of the Pension Scheme and the pension fund made contributions of £23,250 in respect of him during the period.

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. In relation to the defined contribution section, this is available to all permanent employees including directors joining the company after 6 April 1999. Contributions are invested by an independent investment manager on behalf of each employee. It is not anticipated that there will be any further entrants to the defined benefits section of the scheme.

Sir Stanley Clarke is receiving a pension equal to the maximum permitted by the Inland Revenue from an approved scheme based on his earnings and length of service.

Further information on the company's defined benefit pension scheme is shown in note 10 on page 36.

Christopher Roshier

Chairman, Remuneration Committee
13 February 2002

Directors' Responsibilities in Relation to Financial Statements

The following statement, which should be read in conjunction with the Auditors' Report to the Members set out on page 27, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing these financial statements, the directors, following discussions with the auditors, consider that they have

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards.

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

Independent Auditors' Report to the Members of St. Modwen Properties PLC

We have audited the group's financial statements for the period ended 30 November 2001, which comprise Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Accounting Policies and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

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

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

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises Chairman's Statement, Chief Executive's Operational Review, Financial Review, Directors' Report and Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30 November 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The logo for Ernst & Young LLP, featuring a stylized, handwritten-style signature of the firm's name in black ink.

Ernst & Young LLP

Birmingham

13 February 2002

Group Profit and Loss Account

For the year ended 30 November

	Notes	2001 £'000	2000 restated £'000
Turnover			
Group and share of joint ventures	1	74,427	82,659
Less share of joint ventures turnover		(8,459)	(7,118)
		<u>65,968</u>	<u>75,541</u>
Operating profit			
Group operating profit		27,823	28,148
Share of operating profit in joint ventures		4,387	2,944
Share of operating profit in associates		<u>735</u>	<u>139</u>
	1	32,945	31,231
Profit on sale of investment properties	1	3,268	103
Net interest payable	2	<u>(10,716)</u>	<u>(9,595)</u>
Profit on ordinary activities before taxation	3	25,497	21,739
Taxation on profit on ordinary activities	6	<u>(6,516)</u>	<u>(6,196)</u>
Profit on ordinary activities after taxation		18,981	15,543
Equity minority interest		<u>(755)</u>	<u>(348)</u>
Profit attributable to shareholders		18,226	15,195
Dividends	7	<u>(5,891)</u>	<u>(5,164)</u>
Transferred to reserves		<u>12,335</u>	<u>10,031</u>
Basic earnings per ordinary share	8	15.2p	12.6p
Diluted earnings per ordinary share	8	15.0p	12.5p
Dividends per ordinary share	7	4.9p	4.3p

All activities derive from continuing operations.

A statement of the movement in reserves is shown in note 20 on page 44.

Balance Sheets

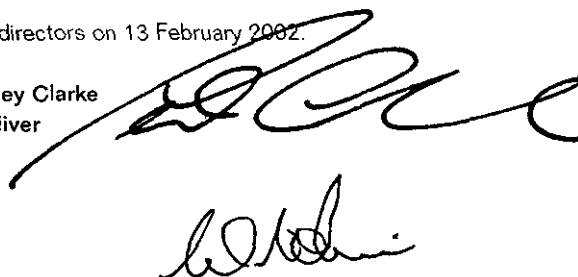
At 30 November

	Notes	GROUP		COMPANY	
		2001 £'000	2000 restated £'000	2001 £'000	2000 restated £'000
Fixed assets					
Tangible assets	11	212,222	189,292	1,700	1,656
Investments					
Joint ventures					
Share of gross assets		49,453	30,599		
Share of gross liabilities		(37,073)	(19,642)		
Share of net assets	12	12,380	10,957	12,380	10,957
Associated companies	12	5,543	3,424	4,943	2,824
Other investments	12	6,130	176	200,078	168,429
		<u>236,275</u>	<u>203,849</u>	<u>219,101</u>	<u>183,866</u>
Current assets					
Stocks	13	94,040	63,357	—	—
Debtors	14	10,417	7,838	38,570	31,800
Cash at bank and in hand		200	8,137	37	4
		<u>104,657</u>	<u>79,332</u>	<u>38,607</u>	<u>31,804</u>
Current liabilities					
Creditors: amounts falling due within one year	15	(33,933)	(32,921)	(48,067)	(45,150)
Net current assets/(liabilities)		<u>70,724</u>	<u>46,411</u>	<u>(9,460)</u>	<u>(13,346)</u>
Total assets less current liabilities		<u>306,999</u>	<u>250,260</u>	<u>209,641</u>	<u>170,520</u>
Creditors: amounts falling due after more than one year	16	(136,734)	(105,831)	(44,000)	(30,500)
Provisions for liabilities and charges	18	(2,994)	(3,688)	(280)	(294)
Equity minority interests		(1,910)	(1,015)	—	—
Net assets		<u>165,361</u>	<u>139,726</u>	<u>165,361</u>	<u>139,726</u>
Capital and reserves					
Called up share capital	19	12,077	12,077	12,077	12,077
Share premium account	20	9,167	9,167	9,167	9,167
Merger reserve	20	9	9	9	9
Capital redemption reserve	20	356	356	356	356
Revaluation reserve	20	63,280	50,625	139,066	111,552
Profit and loss account	20	80,472	67,492	4,686	6,565
Equity shareholders' funds		<u>165,361</u>	<u>139,726</u>	<u>165,361</u>	<u>139,726</u>
Net assets per ordinary share		136.9p	115.7p		
Gearing		85%	73%		

The Report and Accounts were approved by the board of directors on 13 February 2002.

Signed on behalf of the board of directors by

Sir Stanley Clarke
W. A. Oliver



Group Cash Flow Statement

For the year ended 30 November

	Notes	2001 £'000	2000 £'000
Net cash (outflow)/inflow from operating activities	21(a)	(6,242)	23,197
Dividends received from joint ventures		3,635	1,250
Returns on investments and servicing of finance			
Interest received		213	194
Interest paid		(9,898)	(8,033)
Net cash outflow from returns on investments and servicing of finance		(9,685)	(7,839)
Taxation		(5,689)	(5,296)
Capital expenditure and financial investment			
Additions to investment properties		(29,535)	(27,446)
Additions to operating property and other tangible assets		(564)	(1,524)
Acquisition of investment		(6,000)	—
Sale of investment properties		21,863	8,478
Sale of operating property and other tangible assets		—	8
Net cash outflow from capital expenditure and financial investment		(14,236)	(20,484)
Acquisitions and disposals			
Investment in joint ventures and associates		(1,744)	—
Equity dividends paid		(5,408)	(4,804)
Cash outflow before use of liquid resources and financing		(39,369)	(13,976)
Financing			
Issue/(redemption) of loan notes		333	(148)
Increase in debt		30,437	24,380
Net cash inflow from financing	21(b)	30,770	24,232
(Decrease)/increase in cash in the period	21(b)	(8,599)	10,256
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(8,599)	10,256
Cash inflow from increase in debt		(30,437)	(24,380)
Loan notes (issued)/redeemed during the year		(333)	148
Change in net debt resulting from cash flows		(39,369)	(13,976)
Net debt at 1 December		(101,349)	(87,373)
Net debt at 30 November		(140,718)	(101,349)

Supplementary Statements

For the year ended 30 November

	2001 £'000	2000 restated £'000
Group Statement of Total Recognised Gains and Losses		
Profit for the financial year	18,226	15,195
Unrealised surplus on revaluation of group investment properties (net of minority interests)	11,904	11,064
Unrealised surplus/(deficit) on revaluation of properties held by joint ventures	1,396	(145)
Total recognised gains and losses for the year	31,526	26,114
Prior year adjustments	(2,139)	
Total recognised gains and losses since last annual report	29,387	
	2001 £'000	2000 restated £'000
Note of Historical Cost Profits and Losses		
Reported profit on ordinary activities before taxation	25,497	21,739
Realisation of property revaluation gains of earlier years	645	10
Historical cost profit before taxation	26,142	21,749
Historical cost profit for the year after taxation, minority interests and dividends	12,980	10,041
	2001 £'000	2000 restated £'000
Group Reconciliation of Movements in Shareholders' Funds		
Profit attributable to shareholders	18,226	15,195
Dividends	(5,891)	(5,164)
	12,335	10,031
Surplus on revaluation of investment properties (net of minority interests)	11,904	11,064
Unrealised surplus/(deficit) on revaluation of properties held by joint ventures	1,396	(145)
Net addition to shareholders' funds	25,635	20,950
Opening shareholders' funds	139,726	120,864
Prior year adjustments	—	(2,088)
Closing shareholders' funds	165,361	139,726

Accounting Policies

The accounts and notes have been prepared in accordance with applicable accounting standards. In the current year the Group has adopted FRS19 and UITF28. The impact on the results of the prior period is shown in note 25.

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

Accounting Convention

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

Basis of Consolidation

The group accounts consolidate the accounts of the company and its subsidiaries for all financial periods ended 30 November 2001. Newly acquired subsidiaries are consolidated from the effective date of their acquisition. Associated companies are consolidated using the equity accounting method and joint ventures are consolidated using the gross equity accounting method as required by FRS9.

Turnover and Profit Recognition

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

Tangible Fixed Assets

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

Investment in Subsidiary and Associated Companies

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

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of the separable net assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and, in accordance with FRS10, is capitalised in the group balance sheet in the year of acquisition. Goodwill is amortised over its useful life (not exceeding 20 years).

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

Investment Properties

In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated.

However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

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

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value, less amounts invoiced on account. Cost includes materials and labour, net of any grants received. Transfers from investments to stock are made at value not cost.

Deferred Taxation

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

Interest

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

Pension Costs

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

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

Financial Instruments

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

Notes to the Accounts

1. Turnover and Profit Analysis

	2001			2000 restated		
	Turnover £'000	Cost of sales £'000	Profit £'000	Turnover £'000	Cost of sales £'000	Profit £'000
Rental income						
Group	24,456	(2,861)	21,595	23,649*	(3,583)	20,066
Share of joint ventures	2,816	(325)	2,491	3,212	(579)	2,633
Property development						
Group	39,059	(28,241)	10,818	50,885	(37,586)	13,299
Share of joint ventures	5,643	(3,668)	1,975	3,906	(3,561)	345
Other activities	2,453	(1,541)	912	1,007	(1,324)	(317)
	<u>74,427</u>	<u>(36,636)</u>	<u>37,791</u>	<u>82,659</u>	<u>(46,633)</u>	<u>36,026</u>
Share of operating profit in associates			735			139
Administrative and other operating expenses						
Group			(5,502)			(4,900)
Share of joint ventures			(79)			(34)
Operating profit			<u>32,945</u>			<u>31,231</u>
Profit on sale of investment properties						
— group			1,673			103
— joint ventures			1,595			—
Profit before interest			<u>36,213</u>			<u>31,334</u>

* Turnover for 2000 has been adjusted by £231,000 in respect of UITF28. (See note 25(c).)

2. Net Interest Payable

	2001 £'000	2000 £'000
Interest payable on bank and other loans and overdrafts	9,552	8,464
Interest receivable	(206)	(194)
Group interest charge	9,346	8,270
Share of joint ventures' net interest	1,250	1,186
Share of associated companies' net interest	120	139
	<u>10,716</u>	<u>9,595</u>

3. Profit on Ordinary Activities before Taxation

	2001 £'000	2000 £'000
The profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	194	135
Amortisation of investment in own shares	142	100
Auditors' remuneration — audit services	40	42
— taxation advice	43	55

Remuneration for audit services for the company was £4,000 (2000: £3,900). For non-audit services the charge was £43,000 (2000: £55,000).

Notes to the Accounts

4. Directors' information

	2001 £'000	2000 £'000
Directors' emoluments		
Non-executive directors' fees	102	85
Executive directors' salaries and benefits	842	799
Executive directors' performance related payments	389	201
	<u>1,333</u>	<u>1,085</u>
Gains on the exercise of share options	30	31
Charge in respect of long-term share incentive scheme	68	100
Pension to former directors	1	1
	<u>1,432</u>	<u>1,217</u>

Disclosure of individual directors' remuneration, is shown in the Board's Report on Directors' Remuneration on pages 24 to 26.

Sir Stanley Clarke, Mr R. L. Froggatt and Mr C. C. A. Glossop are members of the defined benefit section of the St. Modwen Properties PLC pension scheme. Mr W. A. Oliver is a member of the defined contribution section of the St. Modwen Properties PLC pension scheme. The non-executive directors are not members of the scheme.

5. Employees

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

	2001 Number	2000 Number
Administration	14	13
Property	108	95
Other activities	33	31
	<u>155</u>	<u>139</u>
The aggregate payroll costs of these persons were:	£'000	£'000
Wages and salaries	4,075	3,503
Social security costs	401	342
	<u>4,476</u>	<u>3,845</u>

6. Taxation on Profit on Ordinary Activities

	2001 £'000	2001 £'000	2000 restated £'000	2000 restated £'000
(a) Analysis of Charge in Period				
<i>Current Tax</i>				
UK corporation tax on profits of the period at 30% (2000: 30%)	6,071		5,860	
Adjustments in respect of previous periods	(215)		(398)	
		5,856		5,462
Share of joint ventures taxation	1,486		521	
Adjustments in respect of previous periods	(132)		—	
		1,354		521
Total current tax (note (b))		7,210		5,983
<i>Deferred Tax</i>				
Origination and reversal of timing differences (note 18)		(694)		213
Tax on profit on ordinary activities		6,516		6,196

6. Taxation on Profit on Ordinary Activities continued

(b) Factors Affecting Tax Charge For Period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	25,497	21,739
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2000: 30%)	7,649	6,522
Disallowed expenses and non-taxable income	(55)	45
Capital allowances for period in excess of depreciation	(257)	(213)
Short-term timing differences	575	—
Capital gains less losses brought forward on disposal of investment properties	(442)	(27)
Other	87	54
Adjustments to tax charge in respect of previous periods (including joint ventures)	(347)	(398)
Current tax charge for period (note (a))	7,210	5,983

(c) Factors That May Affect Future Tax Charges

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

No provision has been made for deferred tax on gains recognised on revaluing investment properties to market value. Such tax would become payable only if the properties were sold. The total amount unprovided is £14.5m (including share of joint ventures).

7. Dividends

	2001 £'000	2000 £'000
Ordinary 10p shares — proposed final dividend of 3.3p (2000: 2.9p)	3,967	3,484
— interim dividend of 1.6p (2000: 1.4p)	1,924	1,680
	5,891	5,164

Dividends receivable on shares held under share incentive schemes have been waived by the Trustees.

8. Earnings per Share

Earnings per ordinary share are calculated as follows:

- Basic earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders of £18,226,000 (2000: £15,195,000) by the weighted average number of shares during the year (excluding the shares held for share incentive schemes which are owned by the company) of 120,213,493 (2000: 120,111,929).
- Diluted earnings per share, which takes into consideration the dilution of earnings per share if the outstanding share options were exercised, are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares of 121,122,673 (2000: 121,032,248).
- The weighted average number of shares used in the basic and diluted earnings per share calculation can be reconciled as follows:

Weighted average number of shares in issue during the year (excluding shares held by long-term share incentive scheme)	120,213,493
Weighted average number of share options to be exercised at below fair value	909,180
Weighted average number of shares used in diluted earnings per share calculation	121,122,673

Notes to the Accounts

9. Profit of Parent Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The profit for the financial year of the parent company was £4,012,000 (2000: £2,031,000 (restated)).

10. Pensions

The group operates a pension scheme in the UK with both defined benefit and defined contribution sections.

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. The last formal actuarial valuation of the scheme was as at 5 April 2000, when the market value of the net assets of the scheme was £25,152,000. The valuation was performed using the projected unit method. The main actuarial assumptions were:

Investment rate of return: pre-retirement	6.5% p.a.
post-retirement	5.0% p.a.
Increase in earnings	6.0% p.a.
Increase in pensions	3.0% p.a.

The valuation showed a funding level of 149%. Following the valuation, the group implemented benefit enhancements which reduced the funding level to 136% and continues to enjoy a contribution holiday.

A new pension accounting standard, FRS17, must be used for the figures that will be shown in the accounts at 30 November 2003 and subsequent years. Under transitional arrangements the group is required to disclose the following information about the scheme and the figures that would have been shown under FRS17 in the current balance sheet.

A full actuarial valuation was carried out at 5 April 2000 and updated to 30 November 2001 by a qualified independent actuary. The major assumptions used by the actuary for FRS17 purposes were:

	At 30 November 2001
Rate of increase in salaries	5.30%
Rate of increase in deferred pensions	2.30%
Rate of increase in pensions in payment	2.30%
Discount rate	5.54%
Inflation assumption	2.30%

The assets in the scheme (excluding defined contribution assets) and the expected rate of return were:

	Long-term rate of return expected at 30 November 2001	Value at 30 November 2001 £'000
Equities & Property	6.12%	20,449
Bonds	4.62%	662
Other	4.62%	389
Total market value of assets		21,500
Present value of scheme liabilities		(17,133)
Surplus in the scheme		4,367
Related deferred tax liability		(1,310)
Net pension asset		3,057

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

	At 30 November 2001
Net assets excluding pension asset	165,361
Pension asset	3,057
Net assets including pension asset	168,418
	At 30 November 2001
Profit and loss reserve excluding pension asset	80,472
Pension reserve	3,057
Profit and loss reserve	83,529

11. Tangible Fixed Assets

(a) Group	Freehold investment properties £'000	Long leasehold investment properties £'000	Operating properties £'000	Plant, machinery and equipment £'000	Total £'000
<i>Cost or valuation</i>					
At 30 November 2000	134,990	52,170	1,789	949	189,898
Additions	13,783	15,752	421	143	30,099
Transfer (to)/from work in progress	(352)	1,663	—	—	1,311
Disposals	(17,930)	(2,260)	—	(11)	(20,201)
Surplus on revaluation	8,347	3,557	—	—	11,904
At 30 November 2001	138,838	70,882	2,210	1,081	213,011
<i>Depreciation</i>					
At 30 November 2000	—	—	—	606	606
Charge for the year	—	—	30	164	194
Disposals	—	—	—	(11)	(11)
At 30 November 2001	—	—	30	759	789
Net Book Value					
At 30 November 2001	138,838	70,882	2,180	322	212,222
At 30 November 2000	134,990	52,170	1,789	343	189,292
<i>Tenure of operating properties:</i>					
Freehold			482		
Long leasehold			1,698		
			2,180		
(b) Company			Long leasehold investment properties £'000	Plant, machinery and equipment £'000	Total £'000
<i>Cost or valuation</i>					
At 30 November 2000			1,475	579	2,054
Additions			—	89	89
Surplus on revaluation			65	—	65
At 30 November 2001			1,540	668	2,208
<i>Depreciation</i>					
At 30 November 2000			—	398	398
Charge for the year			—	110	110
At 30 November 2001			—	508	508
Net Book Value					
At 30 November 2001			1,540	160	1,700
At 30 November 2000			1,475	181	1,656

(c) Freehold and long leasehold investment properties were valued as at 30 November 2001 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 open market value.

(d) Historical cost of investment properties

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Freehold investment properties	95,534	100,033	—	—
Long leasehold investment properties	53,734	38,579	3,130	3,130
	149,268	138,612	3,130	3,130

Notes to the Accounts

12. Investments held as Fixed Assets

(a) Group	Investment in joint ventures £'000	Investment in associated companies £'000	Investment in own shares £'000	Other investments* £'000	Total £'000
At 30 November 2000	10,957	2,037	176	—	13,170
Prior year adjustment (note 25(a))	—	1,387	—	—	1,387
As restated	10,957	3,424	176	—	14,557
Investments in year	284	1,504	96	6,000	7,884
Share of revaluation of assets	1,396	—	—	—	1,396
Share of post-tax profits less losses	3,378	615	—	—	3,993
Dividends receivable	(3,635)	—	—	—	(3,635)
Amortisation and appropriation	—	—	(142)	—	(142)
At 30 November 2001	12,380	5,543	130	6,000	24,053

(b) Company	Investment in subsidiary companies £'000	Investment in joint ventures £'000	Investment in associated companies £'000	Investment in own shares £'000	Other investments* £'000	Total £'000
At 30 November 2000	171,485	10,957	1,437	176	—	184,055
Prior year adjustments (note 25(d))	(3,232)	—	1,387	—	—	(1,845)
As restated	168,253	10,957	2,824	176	—	182,210
Investments in year	—	284	1,504	96	6,000	7,884
Revaluation of investments	25,695	1,139	615	—	—	27,449
Amortisation	—	—	—	(142)	—	(142)
At 30 November 2001	193,948	12,380	4,943	130	6,000	217,401

* Being the investment made during the year in respect of Pubmaster via an intermediate investment vehicle, Lanecloud Limited.

12. Investments held as Fixed Assets continued

(c) Joint Ventures

At 30 November 2001, the joint venture companies, which were registered and operated in England and Wales, were as follows:

	Percentage shareholding	Nature of principal business	Joint venture partner
Key Property Investments Limited	50%	Property investors/developers	Salhia Real Estate Company K.S.C. (Kuwait)
Holaw (462) Limited	50%	Property investors/developers	Rotch Property Group Limited
Barton Business Park Limited	50%	Property investors/developers	Prologis Developments Limited
Clarke London Limited	50%	Property investors/developers	Singer & Friedlander Limited
Sowcrest Limited	50%	Property investors/developers	Rotch Property Group Limited
Great British Kitchen Company Limited	50%	Property investors/developers	British Food Trust & Mr S. Anthony

The group's share of the net assets of the joint ventures were as follows:

	Key Property Investments Limited £'000	Holaw (462) Limited £'000	Barton Business Park Limited £'000	Clarke London Limited £'000	Sowcrest Limited £'000	Great British Kitchen Company Limited £'000	Total £'000
Fixed assets	25,375	3,700	—	—	—	73	29,148
Current assets	16,023	3	1,518	869	1,875	17	20,305
Current liabilities	(1,036)	(444)	(578)	(831)	(163)	(2)	(3,054)
Non-current liabilities	(28,474)	(2,977)	(770)	—	(1,675)	(123)	(34,019)
	11,888	282	170	38	37	(35)	12,380

(d) Associated Companies

At 30 November 2001, the associated companies, which were registered and operated in England and Wales, were as follows:

	Percentage shareholding	Nature of principal business
Northern Racing Limited	35%	Holding company
Stoke-on-Trent Community Stadium Development Company Limited	15%	Stadium operators

The majority (65%) shareholder in Northern Racing Limited is Stanley Clarke Leisure Limited, a company controlled by Sir Stanley Clarke.

The other shareholders in Stoke-on-Trent Community Stadium Development Company Limited are Stoke City Football Club Limited (49%) and the Council of the City of Stoke-on-Trent (36%). Stoke-on-Trent Regeneration Limited holds the remaining 15% of the equity in this company.

The accounts of Northern Racing Limited are drawn up to 31 December each year. The accounts of Stoke-on-Trent Community Stadium Development Company Limited are drawn up to 31 May each year, and management accounts to 30 November 2001 have been used for consolidation purposes.

(e) Own Shares

Investment in own shares represents shares acquired by Maurant & Co. Trustees Limited in respect of share incentive schemes.

These shares are held at the lower of market value and residual value (being the lowest exercise price of any outstanding options).

554,520 shares with a market value of 107.5p per share were held at 30 November 2001 (2000: 600,230). Dividends have been waived on these shares. 314,437 of the shares are held under option to employees in the long-term share incentive scheme (2000: 377,057).

Notes to the Accounts

12. Investments held as Fixed Assets continued**(f) Subsidiary companies**

At 30 November 2001, the principal subsidiaries, all of whom, with the exception of St. Modwen Enterprises Limited, were registered and operated in England and Wales, were as follows:

	Proportion of ordinary shares held	Nature of principal business
Blackpole Trading Estate (1978) Limited	100%	Property investors
Boltro Properties Limited	100%	Property investors
Chaucer Estates Limited	100%	Property investors
Lawnmark Limited	100%	Investment company
Leisure Living Limited	100%	Leisure operator
Redman Heenan Properties Limited	100%	Property investors
St. Modwen Developments Limited	100%	Property developers
St. Modwen Developments (Belle Vale) Limited	100%	Property investors
St. Modwen Developments (Edmonton) Limited	100%	Property investors
St. Modwen Developments (Kirkby) Limited	100%	Property investors
St. Modwen Developments (Quinton) Limited	100%	Property developers
St. Modwen Enterprises Limited	100%	Property investors
St. Modwen Investments Limited	100%	Property investors
St. Modwen Securities Limited	100%	Property developers
St. Modwen Ventures Limited	100%	Property investors
Walton Securities Limited	100%	Property investors
Stoke-on-Trent Regeneration Limited	81%	Property developers
Stoke-on-Trent Regeneration (Investments) Limited	81%	Property investors
Uttoxeter Estates Limited	81%	Property developers
Widnes Regeneration Limited	81%	Property developers
Norton & Proffitt Developments Limited	75%	Property developers
Trentham Leisure Limited	75%	Property and leisure operator

St. Modwen Enterprises Limited was registered and operated in the Isle of Man.

The company is also the beneficial owner of the entire issued share capital of a number of non-trading companies.

13. Stocks

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Work in progress (including freehold land for development):				
Developments in progress	69,901	44,755	—	—
Income producing development property	24,077	18,547	—	—
	93,978	63,302	—	—
Goods for resale	62	55	—	—
	94,040	63,357	—	—

14. Debtors

Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	1,489	2,555	4	—
Amounts due from subsidiaries	—	—	29,695	28,105
Amounts due from joint venture and associated companies	3,996	2,769	3,996	2,769
Other debtors	3,488	2,411	3,856	898
Prepayments and accrued income	1,444	103	1,019	28
	<u>10,417</u>	<u>7,838</u>	<u>38,570</u>	<u>31,800</u>

15. Creditors:

Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank overdraft (secured on specific property assets)	662	—	7,740	7,015
Bank loan (secured on specific property assets)	3,000	3,466	—	—
Floating Rate Guaranteed Unsecured Loan Notes 2009	122	189	—	—
Floating Rate Unsecured Loan Notes 2005	400	—	—	—
Payments on account	6,841	7,859	—	—
Trade creditors	6,179	6,226	—	200
Amounts due to subsidiaries	—	—	33,092	32,095
Amounts due to joint venture and associated companies	825	—	825	—
Corporation tax	6,045	5,297	264	190
Other taxation and social security	133	1,389	133	471
Other creditors	39	766	357	415
Accruals and deferred income	5,720	4,245	1,689	1,280
Proposed dividend	3,967	3,484	3,967	3,484
	<u>33,933</u>	<u>32,921</u>	<u>48,067</u>	<u>45,150</u>

16. Creditors:

Amounts falling due after more than one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank and other loans	<u>136,734</u>	<u>105,831</u>	<u>44,000</u>	<u>30,500</u>

Notes to the Accounts

17. Financial Instruments

The group's policies as regards derivatives and financial instruments are set out in the Financial Review on pages 14 to 16 and the accounting policies on page 32. The group does not trade in financial instruments. All financial instruments are denominated in sterling.

Short-term debtors and creditors have been omitted from all disclosures.

	Group 2001			Group 2000		
	Drawn £'000	Undrawn £'000	Total £'000	Drawn £'000	Undrawn £'000	Total £'000
(a) Maturity Profile of Committed Financial Liabilities						
One year	4,184	4,838	9,022	3,655	5,000	8,655
One to two years	260	—	260	30,500	14,500	45,000
Two to five years	98,974	59,601	158,575	16,035	8,965	25,000
More than five years	37,500	—	37,500	59,296	18,204	77,500
Gross financial liabilities	140,918	64,439	205,357	109,486	46,669	156,155

Interest payable on loans repayable in more than five years is 1.45% above LIBOR.

(b) Interest Rate Profile

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

	Total £'000	Floating rate financial liabilities* £'000	Fixed rate financial liabilities £'000	Fixed Rate Borrowings		
				Weighted average interest rate %	Weighted average time for which the rate is fixed Years	Weighted average period until maturity Years
At 30 November 2001	140,918	61,918	79,000	5.83	4	7
At 30 November 2000	109,486	79,486	30,000	6.76	6	8

* Of which £29,340,000 was hedged by interest rate options (2000: £44,000,000).

Interest on floating rate liabilities is based on LIBOR.

(c) Fair Values of Financial Assets and Liabilities

Below is a table comparing book values and fair values of all the group's financial assets and liabilities.

	2001		2000	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Primary financial instruments:				
Fixed asset investments	6,000	6,000	—	—
Loans to joint ventures and associates	3,996	3,996	2,769	2,769
Income due from other investments	880	880	—	—
Cash	200	200	8,137	8,137
Loans from joint ventures and associates	(825)	(825)	—	—
Short-term loans	(4,184)	(4,184)	(3,655)	(3,655)
Long-term loans	(136,734)	(136,734)	(105,831)	(105,831)
Derivative financial instruments:				
Interest rate swaps and options	—	(2,585)	—	(1,397)

Market rates have been used to determine the fair value of derivative financial instruments. The fair value of non-current financial assets and liabilities have been calculated by discounting expected future cash flows at the group's weighted average interest rate. The fair values so calculated are not materially different from book values.

17. Financial Instruments continued

(d) Hedging

As explained in the financial review on pages 14 to 16, the group's policy is to hedge interest rate exposure by using derivative financial instruments.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	2001			2000		
	Gains £'000	Losses £'000	Net £'000	Gains £'000	Losses £'000	Net £'000
Unrecognised gains and losses at 1 December	—	(1,397)	(1,397)	103	(976)	(873)
Gains and losses arising in previous years that were recognised in the year	—	380	380	(25)	243	218
Gains and losses arising before 1 December that were not recognised in the year	—	(1,017)	(1,017)	78	(733)	(655)
Gains and losses arising in the year that were not recognised in the year	—	(1,568)	(1,568)	(78)	(664)	(742)
Unrecognised gains and losses on hedges at 30 November	—	(2,585)	(2,585)	—	(1,397)	(1,397)
Gains and losses expected to be recognised in the next financial year	—	(801)	(801)	—	(380)	(380)
Gains and losses expected to be recognised after the next financial year	—	(1,784)	(1,784)	—	(1,017)	(1,017)

18. Deferred taxation

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

Group

Capital allowances in excess of depreciation
Other timing differences

Revaluation of properties (including share of joint ventures)

Company

Capital allowances in excess of depreciation
Revaluation of properties

Reconciliation of movement on group deferred tax liability

Balance as at 30 November 2000
Profit and loss credit

Balance as at 30 November 2001

	Provided		Unprovided	
	2001 £'000	2000 restated £'000	2001 £'000	2000 restated £'000
Capital allowances in excess of depreciation	3,569	3,688	—	—
Other timing differences	(575)	—	—	—
	2,994	3,688	—	—
Revaluation of properties (including share of joint ventures)	—	—	14,498	10,414
	2,994	3,688	14,498	10,414
Capital allowances in excess of depreciation	280	294	—	—
Revaluation of properties	—	—	(444)	(464)
	280	294	(444)	(464)
Balance as at 30 November 2000	3,688			
Profit and loss credit	(694)			
Balance as at 30 November 2001	2,994			

Notes to the Accounts

19. Called up share capital

	2001 £'000	2000 £'000
Authorised:		
Equity share capital		
150,000,000 Ordinary 10p shares	15,000	15,000
Allotted and fully paid:		
Equity share capital		
120,773,954 Ordinary 10p shares:	12,077	12,077

Details of options, outstanding at 30 November 2001, to acquire ordinary shares in the company under the option schemes were as follows:

Executive share option schemes	Price per share	Options granted	Exercisable between
	29.5p	100,000	March 1996 – March 2003
	50.5p	150,000	August 1997 – August 2004
	51.5p	600,000	August 1998 – August 2005
	81.5p	750,000	March 2002 – March 2008
	103.5p	575,000	September 2003 – September 2009
	99.0p	700,000	November 2003 – November 2009
	106.0p	600,000	March 2004 – March 2010
	113.5p	1,062,500	September 2004 – September 2011
Savings related schemes			
	55.5p	62,781	October 2001 – April 2002
	62.5p	140,933	October 2002 – April 2003
	61.0p	93,837	October 2003 – April 2004
	84.5p	121,044	October 2004 – April 2005
	103.5p	197,910	May 2006 – November 2006
		5,154,005	

20. Reserves

	Share Premium Account £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Revaluation Reserve £'000	Profit & Loss Account £'000
Group					
At 30 November 2000	9,167	9	356	50,625	69,631
Prior year adjustments:					
Northern Racing (note 25(a))	—	—	—	—	1,387
FRS19 Deferred Tax (note 25(b))	—	—	—	—	(3,688)
UITF28 Lease Incentives (note 25(c))	—	—	—	—	162
As restated	9,167	9	356	50,625	67,492
Surplus on revaluation of investment properties	—	—	—	11,904	—
Prior years' revaluation surpluses realised	—	—	—	(645)	645
Share of joint venture revaluation	—	—	—	1,396	—
Retained profit for the year	—	—	—	—	12,335
At 30 November 2001	9,167	9	356	63,280	80,472
Company					
At 30 November 2000	9,167	9	356	113,397	6,859
Prior year adjustments (note 25(d))	—	—	—	(1,845)	(294)
As restated	9,167	9	356	111,552	6,565
Surplus on revaluation of investment properties	—	—	—	65	—
Surplus on revaluation of investments	—	—	—	27,449	—
Retained loss for the year	—	—	—	—	(1,879)
At 30 November 2001	9,167	9	356	139,066	4,686

21. Group Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	2001 £'000	2000 restated £'000
Operating profit	27,823	28,148
Depreciation and amortisation charges	336	235
Increase in debtors	(2,586)	(5,537)
Increase in stocks	(31,994)	(5,860)
Increase in creditors	179	6,211
Net cash (outflow)/inflow from operating activities	(6,242)	23,197

Operating cash flows derive from continuing activities in both 2001 and 2000.

(b) Analysis of net debt

	At 30 November 2000 £'000	Cash Flows £'000	At 30 November 2001 £'000
Cash			
Cash at bank and in hand	8,137	(7,937)	200
Bank overdraft	—	(662)	(662)
	8,137	(8,599)	(462)
Debt			
Debt due within one year	(3,655)	133	(3,522)
Debt due after one year	(105,831)	(30,903)	(136,734)
	(109,486)	(30,770)	(140,256)
Total	(101,349)	(39,369)	(140,718)

22. Capital commitments

At 30 November 2001, the group had contracted capital expenditure of £nil (2000: £3,500,000).

23. Commitments and contingencies

The company has guaranteed the loans and overdrafts of subsidiary companies, which at 30 November 2001 amounted to £104,685,000 (2000: £81,887,000), and has granted a fixed charge over its investment properties as security.

Notes to the Accounts

24. Related party transactions

Key Property Investments Limited (KPI)

During the year KPI declared dividends to the group of £1,000,000 and paid dividends to the group of £1,750,000 (2000: declared £2,000,000, paid £1,250,000). The group advanced £2,000,000 to KPI as shareholder funding for the acquisition of the Marconi portfolio. This loan was outstanding at the year end.

Holaw (462) Limited (Holaw)

During the year the group invested £284,000 in this joint venture. In addition, it advanced £369,000 to Holaw. This loan was outstanding at the year end.

Barton Business Park Limited (BBP)

The loan of £770,000 made to BBP in previous years remained outstanding at the year end.

Clarke London Limited (CLL)

During the year CLL declared and paid dividends to the group of £2,525,000 (2000: £nil). In addition, CLL advanced £807,000 to the group. This loan was outstanding at the year end.

Sowcrest Limited

During the year Sowcrest declared and paid a dividend of £110,000 to the group (2000: £nil). In addition Sowcrest repaid its debt to the group of £496,000 and advanced £18,000 to the group. This loan was outstanding at the year end.

Great British Kitchen Company Limited (GBK)

During the year the group advanced £245,000 to GBK. This loan was outstanding at the year end.

Northern Racing Limited (Northern)

During the year the group subscribed for £1,504,000 of new share capital in Northern to finance the acquisition of further race courses. An additional loan of £612,000 was made to Northern by the group. This loan was outstanding at the year end. The amounts subscribed for share capital and amounts advanced by way of loan were made by both shareholders in direct proportion to their existing shareholdings.

25. Prior year adjustments

The results of the prior period have been restated to reflect the following prior year adjustments:

(a) Northern Racing Limited

In common with other racecourse businesses, under certain circumstances, Northern Racing Limited does not recognise all racing income when it is earned but defers its recognition until later periods. With the completion during the year of the Go Racing media rights contract and the acquisition of further racecourses at Hereford and Sedgefield, the directors have taken the opportunity to review the accounting policy adopted in the group accounts. The directors believe it is more appropriate to record this income in the accounts in the year in which it is earned as this more accurately reflects the performance of Northern Racing Limited. The group has recognised income of £615,000 (2000: £nil) in the current year and made a prior year adjustment of £1,387,000.

(b) FRS19 Deferred Taxation

This accounting standard requires full provision for deferred taxation to be made for all timing differences. This has resulted in a prior year charge of £3,668,000. The effect on the prior year profit and loss account was a £213,000 charge.

(c) UITF28 Lease Incentives

This abstract requires lease incentives to be recognised over the term of the lease. This has resulted in a prior year credit of £231,000 gross and £162,000 (net of tax). As permitted by UITF28, the prior year adjustment relates to leases commencing after 30 November 1999.

(d) The company values its investments to reflect the changes in their underlying net assets. The above prior year adjustments require the company balance sheet to be restated. The introduction of FRS19 requires a charge of £294,000 to be made in the profit and loss account of the company for the year ended 30 November 2000. The remaining prior year adjustments, being a net reduction of £1,845,000, are included in the revaluation reserve of the company.

Five Year Record

	1997	1998	1999	2000 restated	2001
	£m	£m	£m	£m	£m
Rental income					
(including share of Joint Ventures)	16.9	22.0	23.2	26.9	27.3
Development contribution	7.8	9.5	10.2	13.6	12.8
Pre-tax profit	13.6	15.6	18.5	21.7	25.5
Assets Employed					
Investment properties	131.5	148.3	158.7	187.2	209.7
Investments	3.0	12.6	14.2	14.6	24.1
Work in progress	39.7	43.7	55.8	63.4	94.0
Other net liabilities	(12.1)	(17.1)	(20.4)	(24.2)	(21.7)
Net borrowings	(79.5)	(88.7)	(87.4)	(101.3)	(140.7)
	82.6	98.8	120.9	139.7	165.4
Financed by					
Share capital	12.0	12.1	12.1	12.1	12.1
Revaluation reserve	16.5	25.0	39.7	50.6	63.3
Profit and loss account	45.1	52.2	59.6	67.5	80.5
Other reserves	9.0	9.5	9.5	9.5	9.5
Shareholders' Funds	82.6	98.8	120.9	139.7	165.4
Earnings per share (pence)	8.2	9.2	11.1	12.6	15.2
Dividends per share (pence)	3.0	3.3	3.8	4.3	4.9
Dividend cover (times)					
Normal basis	2.7	2.8	2.9	2.9	3.1
On recurring income	1.1	1.0	1.1	1.1	1.2
Net assets per share (pence)	68.9	81.8	100.1	115.7	136.9
Increase on prior year	20%	19%	22%	16%	18%

Notice of Meeting

Notice is hereby given that the sixty-first Annual General Meeting of St. Modwen Properties PLC will be held at 12 noon on 19 April 2002 at the Ironmongers' Hall, Barbican, London EC2Y 8AA.

Ordinary Business

1. To receive and adopt the report of the directors and the accounts for the year ended 30 November 2001.
2. To declare a final ordinary dividend of 3.3p per share.
3. To re-elect Sir Stanley Clarke, Mr C. C. A. Glossop and Mr J. N. Shaw as directors.
4. To reappoint Ernst & Young LLP as auditors and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 as special resolutions.

5. 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 19 July 2003 or at the conclusion of the Annual General Meeting of the company to be held after the date of the passing of this Resolution (whichever is the earlier) and for such period the Section 80 amount shall be £2,922,605.

6. 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 19 July 2003 or at the conclusion of the Annual General Meeting of the company to be held after the date of the passing of this Resolution (whichever is the earlier) and for such period the Section 89 amount shall be £603,870.

7. Special Resolution

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

- (a) be limited to 12,077,395 ordinary shares of 10p each;
- (b) not permit the payment per share of more than 105% of the average middle market price quotation on the London Stock Exchange for the ordinary shares on the five previous dealing days or less than 10p (in each case exclusive of advance corporation tax (if any) and expenses payable by the company); and

(c) expire on 19 July 2003 or at the conclusion of the next Annual General Meeting of the company to be held after the date of the passing of this Resolution (whichever is the earlier), save that if the company should before such expiry enter into a contract of purchase then the purchase may be completed or executed wholly or partly after such expiry.

By order of the board
W. A. Oliver Secretary

Lyndon House
Hagley Road
Edgbaston
Birmingham B16 8PE
13 February 2002

Notes

1. A member entitled to attend and vote at this meeting may appoint another person (whether a member or not) as his/her proxy, to attend and, on a poll, vote for him/her. Forms of proxy, one of which is enclosed, must be signed by the appointer and must be lodged at the registrar's office at least 48 hours before the meeting. A proxy need not be a member of the company.
2. Copies of the contracts of service between the company and Sir Stanley Clarke, Mr C. C. A. Glossop, Mr W. A. Oliver and Mr R. L. Froggatt are available for inspection at the registered office of the company on each business day during normal business hours and will be available on the day of the meeting, at the place of the meeting, from at least 15 minutes prior to the meeting until its conclusion. A register of directors' interests will also be available for inspection from the commencement of the meeting until its conclusion.
3. 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 17 April 2002 (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.

Trentham Gardens, Stoke-on-Trent — planning permission obtained in 2001
for the £100m regeneration of this 750 acre estate.

“St. Modwen benefits from its ability to
undertake successfully a very wide range
of property projects.”

St. MODWEN PROPERTIES PLC

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