Registered in England No. 349201.

St. MODWEN PROPERTIES PLC
ANNUAL REPORT 2004
PARTNERS IN REGENERATION

St. Modwen is a leading UK developer, specialising in regeneration and operating in all sectors of the property industry. The company has a strong network of regional offices, working in partnership with public and private sector organisations.

The company focuses on:
Town centre regeneration
Partnering industry
Brownfield renewal
Restoring heritage

Contents

The front cover shows a swan gliding across the lake at Trentham, reflecting St. Modwen's logo.

Highlights

- Twelfth successive year of record results
- Acquisition of more than 1,600 acres
- Expanded network of regional offices
- First major mixed use town centre scheme under construction
- Strong performance from development activities

St. Modwen at a glance

St. Modwen is a regeneration specialist operating through a network of six regional offices. These regional offices enable the company to understand local needs and to exercise on the spot control.

The company is extremely experienced at working in partnership and has joint ventures with many local authorities and other public sector organisations, and with major industrial concerns.

The company's strategy is based on a "hopper" of future development opportunities. With over 4,500 acres of developable land and 20 town or district centre schemes under its control, the company is able to marshal a wide range of projects through the planning and development process and into a reliable stream of realised profits.

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

The company's principal areas of specialisation are:-

Town centre regeneration

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

Partnering industry

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

Brownfield renewal

St. Modwen is one of the UK's leading experts in the large-scale renewal of brownfield land. The company has huge experience in the environmental clean-up, stabilisation, infrastructuring and redevelopment of such sites, having reclaimed hundreds of acres of brownfield land for both residential and commercial use. There is currently more than 1,000 acres of land in the hopper in the process of such redevelopment, including the massive Llanwern (former steelworks) and Avonmouth (former zinc smelter) sites.

Restoring heritage

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

Major schemes and regional offices

01 Poole
Discovery Court
02 Stratford upon Avon
Long Marston
03 Manchester
Harpurhey District Centre
Wythenshawe Town Centre
04 Derby
Hilton Depot
05 Milton Keynes
Stratford Road
06 *Bedford*
Thurleigh Airfield
Town Centre
07 Rugby
Mill Road
Newbold Road
08 Wolverhampton
Goodyear site
09 Surrey
Henley Industrial Estate
10 Worcester
Shrub Hill Industrial Estate
11 Accrington
Junction 7 Business Park
12 Preston
Channel Way

13 Stafford
Lichfield Road
St. Leonard's Site
14 Lincoln
Rushton Works
15 *Wigan*
Enterprise Park
16 Eastleigh
Campbell Road
17 Woking
The Planets
18 *Farnborough*
Farnborough Town Centre
19 Walsall
George Street
20 Longbridge
MG Rover Site
21 *Sunbury on Thames*
Kempton Point
22 Borehamwood
Business Centre
23 Cranfield
Cranfield Technology Park
24 Guiseley
Netherfield Road
25 Basingstoke
The Malls

26 Hatfield
Town Centre
27 Taunton
Trading Estate
28 Dudley
Zoo and Castle
29 Gloucester
Quedgeley Industrial Estates
30 Stoke on Trent
Festival Park
Trentham Gardens
Trentham Lakes
31 Kirkby
Town Centre
32 Widnes
Economic Development Zone
Town Centre
33 *Liverpool*
East Lancs Road
Great Homer Street
34 Newport, Gwent
Llanwern
35 Avonmouth, Bristol
BZL Smelter
36 Dursley, Glos
Littlecombe Village

37 Stone
Meaford Power Station
38 Birmingham
Lyndon House
Washwood Heath
39 *London*
Catford Shopping Centre
Edmonton Shopping Centre
Elephant & Castle
Shopping Centre
Hounslow
Leegate Centre
Newham
Wembley Central
40 Doncaster
Worcester Avenue

Regional Offices
London & South East
Midlands
North Staffordshire
North West
South West
Yorkshire

Chairman's statement

Anthony Glossop
Chairman

I am pleased to report on a twelfth successive year of record results; a year in which we increased significantly the scale of our development activities and one in which we acquired more than 1,600 acres of land across the UK for future redevelopment, together with further town centre regeneration opportunities.

Results
Profits before tax increased by 15% to £40.3m (2003: £35m), earnings per share grew by 24% to 25.0p (2003: 20.1p) and net assets per share increased by 20% to 221.4p (2003: 184.9p restated).

The results reflected a 5.5% growth in net rental income, a 35% growth in property profits and a £26m (5.5%) revaluation uplift on the investment property portfolio.

Our key performance measurement of total pre-tax return on average shareholders funds was 27.1% (2003 : 24.1%).

Dividends
Your board is recommending a final dividend of 5.1p (2003 : 4.4p) per ordinary share, making a total distribution for the year of 7.6p (2003 : 6.6p), an increase of 15%. This final dividend will be paid on 29th April 2005 to shareholders on the register on 8th April 2005.

Strategy
We remain committed to the strategy which has underpinned your company's continued prosperity. Through a network of regional offices – in the year we announced the establishment of further offices in the South West and Yorkshire – we carry out a programme of regeneration in our areas of speciality. These are: town centre regeneration; partnering industry in its restructuring; brownfield land renewal; and heritage restoration. Much of the programme is carried out with partners from both the public and private sectors.

The key to this strategy is the continuing acquisition of well-located future opportunities to top-up the hopper. We then need each year to marshal those opportunities through planning or further site assembly, to enable a regular and growing stream of deliverable projects.

Our financial objective is to double the size of the company every five years; an objective we have met for more than a decade.

Trading
Your company has had a good year in all aspects of its strategy.

Major new acquisitions included 600 acres of Corus's Llanwern steelworks, the remainder of MG Rover's Longbridge site, a 478 acre former MoD storage site at Long Marston, Warwickshire, a former power station site of 100 acres at Meaford, near Stone in Staffordshire, the remaining half of the Kirkby shopping centre (from our former joint venture partners), and the Malls shopping centre at Basingstoke. In addition, we entered into a number of development relationships with government bodies and local authorities.

Real progress was made in marshalling the next tranche of schemes coming out of the hopper, as is demonstrated in the operating and financial review. A notable feature of these schemes is the step change in scale that is becoming evident. Mixed use town centre regeneration schemes such as Edmonton, Wembley and Farnborough produce completed values in the order of £100m or more. This gives us the experience and credibility to approach even larger schemes, such as the Elephant & Castle, with greater confidence.

The operating and financial review also demonstrates the large number of schemes that were brought forward to contribute to profit in the year or are ready to contribute in the coming year.

Llanwern:
600 acres of non-operational land acquired from Corus

Chairman's statement
continued

Elephant and Castle:
Shopping centre acquired in 2002, now at the heart of Southwark Borough Council's £1.5bn regeneration masterplan.

Also as previously reported, we sold our investment in the Pubmaster operation to Punch Taverns realising a profit of £4.9m.

Governance
Corporate governance is an area of increasing focus amongst commentators and regulators. There is a view, held by some, of an increasing risk that entrepreneurism and hence financial performance, will be damaged by an overly prescriptive "tick-box" culture.

As a company that has always sought to manage its affairs to the highest standards of integrity and business competence, your board takes proper cognisance of corporate governance initiatives. Any departures, however minor, will be for good reasons in the spirit of the regulations and will be fully and openly explained.

It is our view that most regulatory initiatives can, indeed, be used as opportunities to create actual benefit for the company, rather than being mere matters of compliance. For example, the work initiated on risk assessment, health and safety and environmental performance have all improved the focus and performance of the business.

Directors and employees
Following the Annual General Meeting in April 2004, I succeeded Sir Stanley Clarke as chairman and Bill Oliver, who had already been responsible for the day-to-day operations of the company for the previous year as managing director, became chief executive. Sir Stanley remained on the board as a non-executive director and our life president.

Sadly in September Sir Stanley Clarke died after a long and courageous struggle against cancer. Not only did we lose an inspirational and charismatic leader, we also lost a good friend. Fortunately, Sir Stanley had always been adamant that business should never depend on one individual and had worked consistently in his later years to make sure that St. Modwen would not suffer on his departure.

The greatest tribute to him is that the business has continued as normal, which is demonstrated by these strong results. These could not have been achieved without the exceptional team of people employed at all levels and my personal appreciation goes to my board colleagues, all employees and to you, our shareholders, for their continued support.

Following Sir Stanley's death, his son Simon Clarke who is deputy chairman of Northern Racing PLC, joined the board as a non-executive director, to represent the continuing substantial interests of the Clarke / Leavesley families. Paul Rigg, former chief executive of West Sussex County Council, was also appointed as a non-executive director to fill the vacancy left by the retirement of Sir David Trippier at the last Annual General Meeting.

Prospects
The company has, yet again, had a good start to the year with transactions already exchanged or completed that will give rise to property profits in excess of £13m.

We are expecting that 2005 may, in some respects, be a more challenging year for the property industry than recent years have been. Nonetheless, I am looking forward with confidence to another year of progress for your company.

Operating and financial review
Introduction

Bill Oliver
Chief Executive

We continue to operate a broad-based development and disposal programme, covering the distribution, retail, industrial, office and residential land sectors of the market.

2004 highlights
A 35% increase in property profits to £34.0m (2003 : £25.2m) was the main driver behind a 15% increase in pre-tax profits to £40.3m (2003 : £35.0m).

Over 35 property disposals were completed in the period, with six properties earning over £2m and a further five properties in excess of £1m.

Three distribution facilities were completed in the year. A 270,000 sq.ft. manufacturing, distribution and head office complex was constructed for Duraflex at Tewkesbury; the fit-out contract was completed for the 317,000 sq.ft. distribution facility built in 2003 in Stoke on Trent for Screwfix; and following refurbishment and reletting we sold a 240,000 sq.ft. distribution unit at Telford.

In retail development we sold the 57,000 sq.ft. first phase of our Worcester Retail Park and completed the land assembly and disposal of a 10-acre site for a Tesco supermarket at Stafford.

We completed the rationalisation of our industrial estate at Huddersfield, relocating the principal tenant into refurbished accommodation. Most of the land and buildings were then sold during the year, in three separate disposals for a total consideration of £7.3m, with a 25,000 sq.ft. trade park under construction at the year-end. We also took advantage of a strong investment market and sold our properties at The Beeches, Saltney and at Capenhurst, as we considered we could not add significant additional value to them by further asset management or redevelopment.

We continued the construction of our office development at the Quinton Business Park, Birmingham. On Phase I, a 25,000 sq.ft. building was let to the Highways Agency and sold in the year to Standard Life. Three further buildings totalling 50,000 sq.ft. are under construction on Phase II, for completion during 2005. We will be relocating the group head office and the Midlands regional office to Quinton in August 2005.

Our brownfield residential land programme produced two significant disposals during 2004. Firstly, the sale of 8.5-acres at Springfields, Stoke on Trent, which was the remainder of the site of a redundant tile works and secondly a further 15-acre tranche of the former MoD site at Hilton, Derbyshire.

Regional review
The future growth strategy of the group will be secured by expanding and strengthening our regional structure. During the year we recruited a further seven development and construction staff to strengthen our four existing regional teams and to enable two further offices in Yorkshire and the South West to be operational early in 2005.

Operating and financial review
continued

Long Marston:
478 acres acquired from the Defence Estates.

Worcester Retail Park:
57,000 sq.ft. first phase (red) sold in the year; second phase (yellow) sold in 2005.

The Midlands is our most established region with total property assets, including our share of properties held in joint ventures, of £258m as at 30th November 2004. The region generated net rents of £17.1m during 2004.

The sites at Avonmouth, Llanwern, Quedgeley, Dursley and Taunton have been transferred from the Midlands region to establish the South West office.

Sites at Sheffield, Darlington, Huddersfield, and Doncaster have been transferred from the Midlands and North West regions to the newly formed Yorkshire office.

Acquisitions were made during the year at Longbridge, Birmingham, where a total of 414 acres was acquired in two transactions with MG Rover on a sale and leaseback basis for a total consideration of £57.5m. MG Rover has been granted 35-year leases at initial rents totalling £5.0m with 2.5% to 3.0% fixed annual uplifts.

At Llanwern, South Wales, we acquired 600 acres of non-operational land from Corus for £17.5m. Positive discussions have been held with Newport Council regarding the inclusion of the Llanwern site within the draft development plan for the East of Newport Expansion Area which is the subject of a planning inquiry in 2005.

A 478-acre site was also acquired at Long Marston, Stratford upon Avon from the Defence Estates for £12m. This site has 983,000 sq.ft. of existing industrial buildings which currently produce a rent of £1.0m per annum. The site will be run for income in the short term, pending the agreement of a redevelopment strategy with the local authority.

We have been selected by Cannock Chase Council as preferred developer for two sites in Hednesford Town Centre; and by South West Regional Development Agency for a 33-acre employment site in Ludgershall, Wiltshire.

Significant progress has also been made in bringing forward sites for redevelopment from within the hopper. A resolution to grant planning permission has been obtained for the Goodyear site at Wolverhampton. This 88-acre site will be redeveloped to provide 39-acres of residential development, 85,000 sq.ft. of offices, neighbourhood retail and a 525,000 sq.ft. rationalised Goodyear plant. Demolition and ground remediation works will commence in 2005.

Planning permission was also obtained for the first phase of the Longbridge development with Advantage West Midlands; for an office development at Oldbury, Birmingham; and for an Asda supermarket and multi-storey car park in Walsall

Harpurhey:
the new leisure centre, part of a 120,000 sq ft retail development.

Quinton Business Park:
25,000 sq.ft. building let to the Highways Agency and sold during the year.

The North West region based at Warrington had total property assets, including our share of properties held in joint venture, of £126m as at 30th November 2004. The region generated £9.2m of net rents during 2004.

The remaining 50% share of the Kirkby Shopping Centre, Merseyside, was acquired during the year from our joint venture partner, Mars Pension Trustees, with whom we had jointly owned the centre since 2001. The consideration was £11.25m with an initial yield of 7.6%. Masterplans have been discussed with Knowsley Borough Council for the redevelopment of the centre and surrounding area.

We have been selected as the preferred developer by Liverpool City Council for the £40m Great Homer Street regeneration project, which includes a large supermarket, market hall and other retail, health centre and community facilities. Planning permission will be pursued in 2005, together with land assembly to enable a site start to be made in 2007.

We have also been selected as preferred developer by Liverpool Land Company on a £40m employment scheme on the East Lancs Road.

A number of smaller property acquisitions were completed during the year at Burnley and Widnes.

At our major district centre development at Harpurhey, East Manchester, a joint venture with Manchester City Council and Asda, the letting and construction was substantially completed during 2004. The 120,000 sq.ft. of new retail development has been sold post year-end.

Planning permission has been obtained for the residential development of the 9-acre former Asda site at Halebank, Widnes, which will now be remediated and brought forward for sale in 2005. Planning has also been obtained for 200,000 sq.ft. of B8 warehousing at Accrington; for a 90,000 sq.ft. extension to our employment site at Wigan and for two smaller mixed-use schemes at Simms Cross and Liebig Court in Widnes.

The London region had total property assets, including our share of properties held in joint venture, of £202m as at 30th November 2004. The region generated £11.6m of net rents during 2004. The London region has seen a substantial increase in the scale of our town centre regeneration activities, with major schemes being undertaken at Edmonton Green, Wembley and Basingstoke and plans are now being prepared for a comprehensive redevelopment of our Elephant & Castle shopping centre.

Operating and financial review
continued

Huddersfield:
rationalisation of the industrial estate was completed in the year.

Meaford Power Station:
100 acre site acquired in the year.

Edmonton Green is the first of these mixed-use town centre regeneration schemes to commence on site. Demolition began in November on this project which includes a new leisure centre for the council, a new bus station, 173 residential apartments, a 66,000 sq.ft. Asda supermarket, a health centre and an additional 80,000 sq.ft. new retail space. The new development together with the retained existing retail will have a total end value of approximately £100m.

During the year, we were selected as the preferred development partner by Bedford Borough Council for a major town centre redevelopment of the bus station area in Bedford. We have subsequently commenced initial site assembly, acquiring three properties with a value of £5m and anticipate submitting a planning application in 2005.

In November we acquired a 65% leasehold interest in the Malls shopping centre in Basingstoke for £29.9m through our joint venture company Key Property Investments. The rent receivable from the 290,000 sq.ft. of retail space is currently £2.2m per annum which represents an initial yield of 6.8%. We will seek to maximise the income in the short term whilst there are significant redevelopment opportunities to be pursued in the medium term.

Planning permission was obtained for our joint venture development at Wembley Central, where agreement has now been reached in principle with Network Rail which will enable demolition to commence above the station in 2005. Planning permission was also obtained for a major mixed-use town centre regeneration at Hatfield, where site assembly has now commenced with the acquisition of a number of properties post year-end.

The North Staffordshire region had total property assets of £34m as at 30th November 2004.

Our major heritage project at Trentham Gardens, Stoke on Trent, commenced on site during 2004 with the completion of the 65,000 sq.ft. garden centre and the opening of the first phase of the retail village being achieved in the autumn. The levels of trade recorded to date at Trentham are higher than previously forecast, which gives us confidence for the second phase of construction which will commence in 2005.

We have acquired the 100-acre site of the former Meaford power station for £2.75m. The site has the benefit of a resolution to grant planning permission for up to 1.2m sq.ft. of B1, B2 and B8 uses, subject to the completion of a Section 106 Agreement relating to off-site highway works.

A number of smaller acquisitions were completed during the year at Burslem, Hanley and Crewe.

Planning permission and all other approvals have been obtained to enable the construction to commence in 2005 on a major £8m highway improvement scheme to access the A50 at Trentham Lakes. This will release a further major tranche of development on this manufacturing and distribution park. Planning applications have also been submitted to redevelop the former Victoria football ground for residential and office uses and to continue our successful trade park and office development at Etruria Valley.

The Hopper
As itemised within the regional reviews, 2004 was a very active period, with a total of over 1,600 acres having been acquired for the hopper for a total consideration of £130m and adding £8.8m per annum of initial rent to the group portfolio.

After the year-end, in the Midlands region, we have acquired a 20-acre site in Telford for £2.25m. The site comprises a 58,000 sq.ft. industrial unit together with 16-acres of vacant land. The site will be run for income with a long-term strategy of redevelopment.

Revaluation
The investment property portfolio showed a total revaluation increase, including our share of joint venture properties, of £26.1m, a 5.5% uplift in value. The valuations of the retail properties have benefited from a yield reduction of circa 1.25%, which accounts for £18m of the total revaluation uplift.

Marshalling
We have made a strong start to the new financial year, despite the fact that marshalling projects from the hopper into actual delivery remains a challenge because of the increasing complexity and delays of the planning process.

Trentham Gardens:
a 65,000 sq. ft. garden centre built and let to The Blue Diamond Group.

Operating and financial review
Case study: Edmonton Green Shopping Centre

Background

St. Modwen's involvement in the shopping centre began in 1999, when a 150 year lease was acquired and an agreement reached with the London Borough of Enfield for a 23-acre retail, leisure and mixed use development. Following effective asset management, the existing centre currently yields annual rent of £2.4m, and is now valued at £30.5m.

Edmonton Green
£100m plus mixed use development, due to be completed in 2007.

Multi storey car park
Demolition of the multi storey car park underway in November 2004.

Partnership

For five years we have worked closely with the London Borough of Enfield to help meet their aspirations to regenerate this tired and run-down area. We have consulted extensively with the local community, running the existing shopping centre and markets with a sensitive, hands-on local management team, ensuring that the development programme addresses community needs.

Such was the complexity of the scheme that the participation of many public and private sector organisations was required, including Transport for London, the Metropolitan Housing Trust, the London Borough of Enfield, Asda, Enfield Primary Care Trust, and London and Quadrant Housing Trust.

The market stalls
Relocated and upgraded in 2001 as the first phase of the overall project.

Regeneration

In November 2004 work began on site, with the demolition of the multi storey car park. The £100m development is due to be completed by 2007, providing 415,000 sq ft of retail space, 55,000 sq ft of leisure accommodation, together with new upper storey residential and office accommodation. The works will also include upgraded parking, a refurbished market area, a new primary care facility, and a major new bus terminus.

Operating and financial review
Case study: Goodyear

Background

Goodyear has manufactured tyres on the site since 1927, and even after the restructuring, remains one of the largest employers in the area.

St. Modwen acquired this 88-acre site in October 2002 via a sale and leaseback which enabled Goodyear to release value whilst retaining the right to remain in occupation on a flexible term basis. The company also undertook to assist Goodyear in using surplus space and within 9 months, a 33,000 sq ft office building was vacated and re-let to brokerage business Promise Finance, securing 120 new jobs.

Partnership

The arrangement with Goodyear involved the creation for the company of close links not only with Goodyear but also with Wolverhampton City Council. As Goodyear's manufacturing plans evolved a masterplan was drawn up enabling it to consolidate its operations in part of the site, releasing the balance for mixed used development. In late 2004, after extensive consultation a resolution to grant planning consent was obtained for the site's redevelopment.

Goodyear's 88-acre facility
Located in a predominantly residential suburb of Wolverhampton.

Regeneration

The outcome of this exercise will be that the existing industrial complex will be transformed into a thriving new neighbourhood through a £100m "lifeline" scheme comprising: 17 acres retained by Goodyear for its streamlined operations; 118,000 sq. ft. of new and refurbished office space; 39 acres of residential development; neighbourhood facilities (including a school, remodelled sports facilities, a GP surgery, day nursery and local amenities) together with public open space and a vital new road link.

By the time the scheme is completed there will be more jobs on the site than when St. Modwen first became involved, historic conflicts between residential and industrial areas will have been removed and Wolverhampton's residential land needs will have been in part provided by a major brownfield land release.

The former Goodyear head office
Now refurbished and let to Promise Finance in 2003.

Operating and financial review
Case study: Avonmouth

Background

In 2001, St. Modwen entered into an agreement with Australian company BZL to develop 70 acres of surplus land at its Avonmouth zinc smelting plant. Planning consent for a first phase of 62,000 sq ft of industrial/distribution units was obtained and these were developed by St. Modwen. In 2003, BZL closed its zinc smelting operation and sold the entire 212 acre site to the company. As part of the acquisition, St. Modwen assumed all the environmental obligations for the site from BZL. In the subsequent year the company has cleared the site, taken control of the remaining tipping and decontamination operations and prepared a masterplan.

Partnership

Avonmouth is a story of two partnerships. The first with BZL started as an exercise in realising value on surplus land, but culminated in facilitating a clean exit for BZL from its last UK operation. The second is an evolving one with Bristol City Council as St. Modwen's masterplan provides for a recycling park which could play a major role in the area's waste management strategy.

Site clearance
Decommissioning of the former zinc smelter works, part of the site clearance programme.

Regeneration

In a surprisingly short time with no intervening period of dereliction the zinc smelter plant has been demolished at a cost of some £2m and a robust regime for the site's future safekeeping put in place.

The emerging masterplan will see the whole 212 acre site brought back into use as a recycling Eco Park and a major employment site, recreating the jobs lost by the smelter's closure and replacing a potentially contaminating use with ones that will actually aid the environment.

The 212-acre site
Strategically located close to the M5 and M49 motorways and the Severn Bridge.

Demolition
The toppling of the main chimney was completed in 2004, a highlight of the site clearance.

Operating and financial review
Case study: Trentham Gardens, Stoke on Trent

New visitor centre
Part of the first phase of the retail village, opened in the year.

Background

St. Modwen acquired Trentham Gardens in 1996 from British Coal through a joint venture with British Coal's local management and Mr Willi Reitz a German wine and leisure investor. The aim was to re-instate this 750-acre wooded North Staffordshire estate as one of the UK's leading visitor destinations. After obtaining outline planning consent in 2003 detailed consent was obtained in November 2004 for the first phase of the £100m restoration and regeneration scheme.

Partnership

From the outset the company undertook extensive consultation with Stafford Borough Council, the planning authority, Staffordshire County Council, the neighbouring local authorities, the parish council, local action groups, English Heritage, English Nature and numerous historical societies. Out of this consultation a framework of a restoration project emerged on which there was extensive public consultation. A planning application followed and after further extensive discussions with interested parties a resolution to grant planning was obtained. A long and expensive delay ensued when the Secretary of State called in the application but the partnership forged in the consultation process stood the test and the enquiry found in favour of the scheme.

The statue of Perseus
A 19th century replica of Benvenuto Cellini's masterpiece, restored during 2004 to its former glory, forms the centrepiece of the Italian gardens.

Regeneration

The restoration of the historical Italian gardens, designed and created in the 19th century by Sir Charles Barry, is the centrepiece of the planned development. A team of leading garden and landscape designers such as Tom Stuart-Smith and Piet Oudolf have been commissioned to advise on the restoration and add contemporary flair to the historic gardens. The old ballroom complex has been replaced in 2004 by a garden centre and the first phase of a retail village. Over the next few years the remainder of the scheme including a monkey park, a winery, fishing lakes, holiday lodges, a model railway, a budget hotel and the remainder of the 200,000 sq ft retail operation will be developed.

Trentham Gardens
The world-famous Italian gardens at Trentham, after the initial phase of the restoration programme.

Operating and financial review
Financial review

Tim Haywood
Finance Director

Net asset value per share increased by 122% over the five years ending 30th November 2004.

Financial review 2004
Comments on the results
Our corporate objective remains to double net asset value per share every five years, whilst paying a progressive dividend. In the five years ending 30th November 2004 we have exceeded this target, with net asset value per share increasing by 122%, and dividends per share by 100%.

Over this five year period, the total annualised shareholder return was 30.5% per annum compared with 13.1% from the FTSE Real Estate index, and 4.1% from the FTSE 250 index (source: HSBC/ Datastream).

The continued progression of the share price (up 18% in the year to 305p on 30th November 2004) lifted the market capitalisation of the company to £368m, placing it comfortably in the FTSE250 index of leading shares.

Profit and Loss account
Net rental income received in the year, including our share of rent from joint ventures, increased by 5.5% (£2.0m) to £38.4m. Acquisitions in the year contributed £4.5m additional rent (of which Longbridge, and the remaining half of Kirkby Shopping Centre contributed £4.3m), helping to offset the £2.9m of rental income lost on disposals (principally Belle Vale Shopping Centre and Worcester Retail Park).

Following the recent acquisitions of Long Marston, The Malls Basingstoke, and the remainder of MG Rover's site at Longbridge, the gross portfolio rent receivable, including our share of rent from joint ventures, increased by 15.1% (£5.9m) to £44.8m as at 30th November 2004. A number of our sites are currently being managed in such a way as to enable development in the near future. This tends to lead to a higher level of voids. During the year under review, however, we managed to reduce our overall voids from 13.9% to 13.1%. We also added £0.4m to the annual rent roll from net lettings, even after allowing for voids created in preparation for development.

Property profits (which comprise profits on sale of both development properties and investments) increased by 35% in the year to £34.0m (2003: £25.2m). These profits were again achieved from a broad range of projects, of which 11 contributed more than £1m. Included in these profits was £12.5m from sales of industrial and distribution properties, £6.4m from retail developments, £2.4m from office developments, £7.8m from the sale of residential land and £4.9m relating to the disposal of our investment in Pubmaster.

Overheads increased during the year by £1.6m to £14.9m, principally as a result of recruitments and the regional expansion needed to match our increased activity.

We continue to adopt the policy of satisfying employee share options, when exercised, by purchasing the required number of shares in the market place, rather than issuing new share capital, which would dilute returns for existing shareholders. With 5.1m outstanding options (held by 112 employees), and a significant share price increase in the year, the impact has been a charge to the profit and loss account of £3.8m (2003: £4.2m). The company's option schemes (which comprise the SAYE scheme open to all employees, and the executive share option scheme, which is available to 36 senior and middle managers and directors) remain an important tool in the recruitment and retention of key staff, and in aligning employee interests with those of shareholders.

Portfolio analysis - income producing properties
Capital value by sector

- Industrial 54%
- Retail 40%
- Office 6%

Rental income by sector

- Industrial 58%
- Retail 36%
- Office 6%

Capital value by location

- Midlands 38%
- South 43%
- North 19%

The triennial valuation of the company's final salary pension scheme (which has been closed to new entrants since 1999) as at 5th April 2003, showed a deficit of £3.9m. The company has therefore provided £1.5m (2003: £1.2m) in the accounts, a sum which includes the regular cost of current service, and the amortisation of the past service deficit, as required under SSAP 24. Mindful of the ever-increasing cost associated with final salary schemes, the company took steps during the year to limit its exposure by introducing employee contributions, extending the normal retirement age and capping certain benefits.

Finance costs have increased to £17.2m (2003: £16.0m). Average group borrowings increased by £19m to £184m due to the steady programme of acquisitions in the year, while average joint venture borrowings remained unchanged at £159m. Despite rising interest rates during the year, the beneficial impact of the company's hedging strategy, and selective renegotiation of facilities resulted in a reduced weighted average rate of interest payable as at 30th November 2004 of 6.2% for group borrowings (2003: 6.4%). The cost of joint venture borrowings, which were not hedged to the same extent, rose to 5.8% (2003: 5.3%).

The group's borrowings are at variable rates of interest, although we actively manage our interest rate exposure using interest rate swaps. At the year-end, 56% of company net borrowings were hedged in this way (2003: 96%), and 51% of joint venture borrowings (2003: 58%)

The group does not capitalise interest on its developments or its investments, but expenses all interest as it arises.

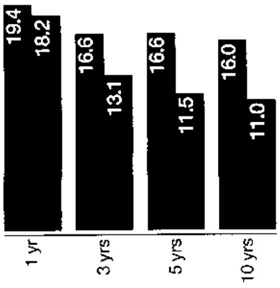
Taxation
The effective rate of tax charge for the year, including provision for deferred taxation, has fallen to 24.5% (2003: 28.4%) due to the availability of industrial building and capital allowances on recent acquisitions, and land remediation relief for expenditure on brownfield renewal. It is anticipated that, with the continued utilisation of capital allowances, the effective rate will remain below the standard rate of Corporation Tax. Benefit from tax planning activities is only recognised when the outcome is reasonably certain.

Cash flow
The company continues to produce a strong cash flow, based on recurring net rental income of £38m and an ongoing programme of asset disposals, which generated £42m in the year. This enabled us to fund a £60m development programme, together with property acquisitions of £130m during the year, with only a £92m increase in net debt.

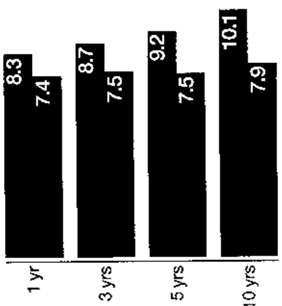
Furthermore, in managing our development programme we pay particular attention to its financing profile, controlling the timing of land payments and sales and the receipt of progress payments to optimise cash flows. This enables us to undertake an ever-increasing scale of development activity without excessive gearing.

Operating and financial review
Financial review continued

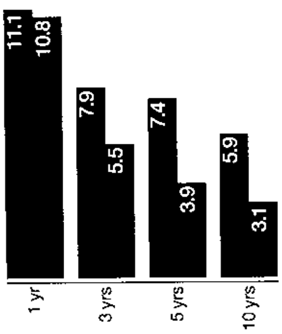
Total returns (%)



Income returns (%)



Capital returns (%)



■ St. Modwen
■ IPD

Comparison of actual investment portfolio returns with the Investment Property Databank (IPD)

Balance Sheet

Investment properties - The total value of investment properties, including 100% of joint ventures, increased by £140m during the year to £615m. Expenditure on the portfolio totalled £138m, of which the largest transactions were the £57m MG Rover acquisitions at Longbridge and £30m in our 50% joint venture company Key Property Investments Limited, in respect of the acquisition of The Malls, Basingstoke.

The independent valuation at 30th November 2004 resulted in an uplift on our share of the portfolio of 5.5% (£26.1m). This revaluation increase reflects a market value movement of £18.3m on our retail properties. The remaining uplift represents added value from the management and development of specific assets within the portfolio. Although many of our sites are situated in disadvantaged areas that currently qualify for relief from Stamp Duty Land Tax, this benefit, because it is potentially temporary, is not recognised within the valuation. Nor does the valuation include any hope value from future development activities or changes of use. Assets held in work in progress are carried at cost, not included in the annual valuation.

Other investments - Our 27.2% stake in Northern Racing PLC, an AIM-listed company, has been accounted for in accordance with UITF 31 (Exchanges of Businesses). As a result, the carrying value of our investment at 30th November 2004 is £9.6m. This represents the fair value of the assets acquired, plus post acquisition profits. Under UITF 31, we are not permitted to recognise the AIM market value of our stake, which, at the share price of 195p on 30th November 2004, was £18.7m.

Prior year restatement - The 2003 comparative balance sheet has been restated in accordance with UITF 38, our accounting for ESOP Trusts, to show the £1.3m investment in our own shares as a deduction from shareholders' funds.

Gearing and financing

As a result of the strong programme of acquisitions during the year, group net borrowings have increased to £227m (2003: £135m), representing a gearing ratio of 85% (2003: 60%). This is still at the lower end of our preferred gearing range of 75% to 125%, and therefore gives us ample headroom and flexibility to move swiftly to undertake further development and acquisitions. At this level, we have undrawn committed facilities of £96m.

In addition, the group's share of debt within joint ventures, which is secured solely upon the assets within the relevant joint venture, was £99m (2003: £97m).

The group is financed by shareholders' funds and bank debt of varying maturity profiles, which is appropriate to the needs of the group and reflects the type of assets in which it invests. At 30th November 2004, the weighted average debt maturity was 7 years (2003: 5 years).

Bank facilities, excluding joint ventures, totalled £327m at the year-end (2003: £219m).

Gearing is at the lower end of our preferred range... we have undrawn facilities of £96m

Net asset value per share
In calculating net assets per share of 221.4p, a provision has been made for deferred tax on the potential clawback of certain capital allowances. The company actively manages its tax affairs to ensure that this situation will not arise, and indeed this year's tax charge has benefited from such management. Without such a provision there would be a notional uplift of £5.3m or 4.4p per share (2003: £3.9m or 3.2p per share).

The effect of the fair value adjustment (FRS13) of marking the Group's interest rate derivatives to current market value would be to produce a notional liability after tax of £0.4m or 0.3p per share (2003: £0.3m or 0.2p per share). The effect of providing deferred tax on future disposals of investment properties would be to produce a notional liability of £24.6m or 20.3p per share (2003: £18.3m or 15.1p per share).

An adjustment to restate the company's investment in Northern Racing PLC to market value, would provide a notional uplift after tax of £6.2m or 5.2p per share (2003: £7.6m or 6.3p per share).

The adjusted net asset value after these adjustments has increased by 17.5% to 210.4p (2003: 179.1p) (see Note 22). Triple net asset value, that is after adjusting only for deferred tax on investment properties and marking derivatives to market value, has increased by 18.4% to 200.8p (2003: 169.6p).

International Financial Reporting Standards ("IFRS")
The Group will be required to adopt IFRS when preparing accounts for the year ended 30th November 2006. In next year's accounts we will identify the principal adjustments required for IFRS reporting, and present a pro-forma reconciliation of our UK GAAP numbers to IFRS in order to demonstrate the nature and extent of the likely adjustments on transition.

Corporate and social responsibility

Community

Building Partnerships

Community involvement in the company's projects is essential for their ultimate success. Consequently extensive consultation is undertaken via public and individual meetings with local representative groups and councillors. Local press are kept informed of all developments, and planning issues freely and openly debated with interested parties. The company has built strong and enduring relationships over many years in those areas in which it operates, and is proud to be seen as a key member of these communities. The company's track record of obtaining planning permissions, and its continuing success in securing development agreements with local authorities, is an endorsement of the time and effort put into ensuring that development proposals are properly consulted and fully endorsed.

Building Communities

The company seeks to build and develop sustainable communities from its regeneration projects. This is achieved by putting in place a robust infrastructure, including transport links, and community facilities including schools, medical and leisure centres, social clubs, libraries, and local shops. Some of these are provided through planning agreements, others on a voluntary basis. Equally important in the establishment of a healthy community, is the creation or preservation of local jobs, whether by working with existing landowners to help them restructure, or by providing opportunities to attract new employers.

In the station area of Rugby, the company is seeking to regenerate 125 acres of mainly redundant former heavy engineering facilities which, at their peak, provided employment for over 20,000 people. Working with Rugby Borough Council, English Nature and the Commission for Architecture and the Built Environment (CABE) over the last 18 months, the company has agreed a masterplan that will bring significant employment opportunities to the area, while rebuilding an entire community. This project will also involve:

- investment of £8.5m for remediation of the land, demolition of redundant factories and creation of new road infrastructure
- environmental enhancement, and integration with the built area, of the river Avon frontage and Oxford canal
- creation of a Centre of Vocational Excellence for Rugby College
- construction of 840 new homes
- creation of a central hub of community shops and facilities as a focus for the community

Our mixed use town centre schemes (such as Edmonton Green and Wembley) are often based in disadvantaged and deprived areas, where the incorporation of community uses is an integral part of our proposals. Examples of these include:

- an £11m community-run leisure centre and swimming pool
- a 22,000 sq ft primary health care centre
- a Police in the Community project centre
- a new bus terminus
- a new public square
- a high proportion of small, local occupiers for retail and market units, attracted or retained by the company's strategy of providing good value, affordable space

Environment

St. Modwen is committed to improving the built environment. The company's projects seek to transform areas of dereliction and decay into sustainable communities. The company's commitment to the environment is demonstrated in many ways:-

Sustainability

The company seeks to use sustainable designs in its developments, to minimise the impact of new buildings on the environment. Recent examples include:-

- Achieving the highest BREEM ratings for its new buildings at Ludgershall and Heron Business Park
- The environmentally sensitive treatment of surface water by the use of swales (a system of ditches and lagoons) at the company's new head office at Quinton or the system of soakaways (designed using sustainable urban drainage systems (SUDS) techniques) at Trentham Gardens
- The innovative use of lime stabilisation techniques at Trentham Lakes to minimise the quarrying and transportation impact of foundation materials. This approach reduced the amount of floor slab materials required by over 50,000 tonnes.
- Using timber from renewable sources in accordance with Forest Stewardship Council (FSC) best practice at Trentham Gardens
- The demolition of the Avonmouth zinc smelter generated over 38,000 tonnes of brick and concrete which was crushed and stockpiled on site for use under roads and parking areas. This will save on the need to import crushed quarried stone
- Reinforcing (rather than replacing) the existing landfill cap at Norton Colliery reduced the volume of clay that needed to be imported on to the site by over 195,000 tonnes thereby reducing the number of lorry movements to and from this urban site by over 16,000 trips.

Regeneration

The company acquires brownfield industrial sites, often with significant remediation issues. The company uses its expertise to remediate sites by seeking wherever possible to treat or recycle materials on site, removing them to landfill only as a last resort. Infrastructure will be provided or upgraded to alleviate traffic problems and public transport and alternative transport solutions will be adopted wherever practicable. New developments are built with good quality landscaping and provision of public open spaces.

The company enters into long-term land recycling projects, such as the 310-acre former British Steel site and derelict land at Festival Park, Stoke on Trent, which has been developed since 1988 to provide around one million square feet of retail warehouse, office and industrial accommodation. Extensive ground engineering and remodelling was undertaken in order to facilitate future developments in terms of foundation design. Excavation to depths of three metres was undertaken, which included the breaking out of mass concrete and brick foundations to smouldering houses and blast furnaces. This material was crushed to a 6F2 standard and re-compacted in layers to give a favourable development plateau ready to be utilised to accommodate standard strip and pad foundations.

The remediation and development of part of this site will continue into the next decade. Similarly the 400 acre site at Trentham Lakes which was acquired from British Coal in 1996 has been substantially reclaimed to transform a colliery into a business, leisure and distribution park, and a residential area. Recent acquisitions, including the 212 acre site from Britannia Zinc in Avonmouth and the 600 acres of former steelworks at Llanwern offer significant long-term opportunities for regeneration of a similar impact and magnitude.

The company uses its remediation skills to create good quality residential land from land previously used by traditional industry. This is of significant benefit in avoiding the use of greenfield sites for development, and is strongly supported by current government policy.

All property developed by the company has a fully traceable audit trail resulting in a Land Quality Statement for the end user which identifies ground conditions, gas and other monitoring, remediation work done, and test results. Remediation activity is based on a thorough assessment of the sources, pathways and targets of risk factors.

Wherever possible the company uses on-site containment or treatment techniques (such as the in situ bio-remediation process being undertaken at Llanwern), and avoids merely moving waste to landfill sites. The company's innovative approach in this area has enabled it to obtain a commercial use for over 40,000 tonnes of blue powder (treated zinc and lead waste) from the Avonmouth site, which would otherwise have been disposed of in a hazardous waste tip. Similarly, we will reprocess 400,000 tonnes of foundry sand from the former Lister Petter site at Dursley by a stabilisation process which locks in the contaminants within the soil. The processed material will be used to create plateaux for industrial and residential developments. By using this technique the sand can be retained on site and the need to import crushed rock for use beneath roads and buildings is substantially reduced. The net effect will be to reduce the number of lorry movements to and from the site by some 64,000 trips.

Social

Heritage

The company's heritage activities enable buildings and facilities of national significance, such as Trentham Gardens and Dudley Zoo and Castle, to be restored for the future enjoyment of the nation. Working in partnership with local authorities and national organisations, including English Heritage and English Nature, the company aims to deliver sensitive restoration underpinned by a sustainable, commercial rationale.

Employees

The company encourages staff to be involved in community initiatives in the locality in which they are based, with many of the company's senior management active participants in public consultation bodies and local strategic forums.

We closely monitor our employee policies and practices to ensure we maintain high standards, particularly in relation to equal opportunities in recruitment and career progression, as well as fair and equitable remuneration. We maintain our policy of giving full and fair consideration to the employment of disabled people, and for addressing the needs of those who may become disabled during the course of their employment with us.

Health and Safety

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

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

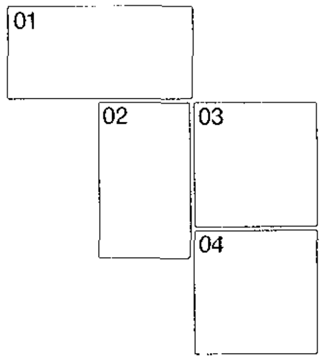
Detailed policies and procedures are documented and made available to all staff. The Health and Safety Forum, chaired by the Assistant Company Secretary, and reporting to the Chief Executive, meets regularly to discuss and resolve implementation issues. The procedures are reviewed by the board annually,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

Management responsibility

Because of the importance to the company of community, environment and social issues, they are the responsibility of the Chief Executive.

Directors and advisers

Auditors **Ernst & Young LLP**
Registrars **Lloyds TSB Registrars**
Stockbrokers **HSBC**



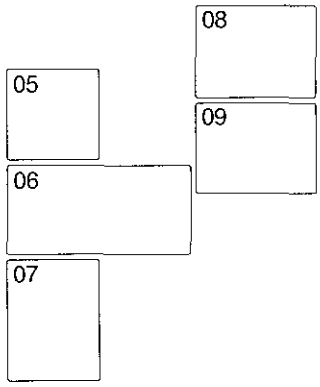
01 Anthony Glossop+ MA
Chairman
Aged 63. Joined the company in 1972 and appointed a Director in 1976. Chief Executive from 1982 to 2004. He is also a non-executive director of Northern Racing PLC, and of Robinson plc.

02 Richard Froggatt FRICS
Executive Director
Aged 55. Appointed a Director in 1995. Previously a director of Savills and Managing Director of Wilson Bowden Properties Limited.

03 Bill Oliver BSc, FCA
Chief Executive
Aged 48. Appointed a Director in 2000 and Chief Executive in 2004. Previously Finance Director of Dwyer Estates plc.

04 Tim Haywood MA, FCA
Finance Director
Aged 41. Appointed a Director in 2003. Previously Chief Financial Officer of Hagemeyer (UK) Limited.

* Member of Audit and Remuneration Committees
+ Member of Nomination Committee



05 Ian Menzies-Gow* MA
Non-Executive Director
Aged 62. Appointed a Director in 2002. Formerly Chairman of Geest PLC and prior to that held senior executive positions within the Hanson Group. Currently Chairman of Derbyshire Building Society.

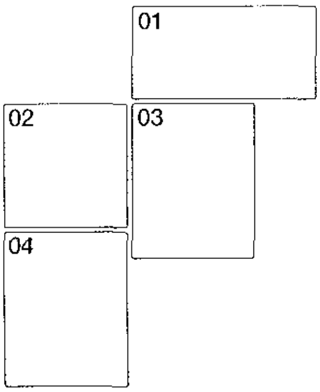
06 Christopher Roshier*+ MA, FCA
Non-Executive Director
Aged 58. Appointed a Director in 1987. He is a Chartered Accountant with over 20 years' experience in Corporate Finance. Chairman of the company's Audit and Remuneration Committees and Senior Independent Director. Currently chairman of Gibbs & Dandy PLC and a director of several other small private companies.

07 James Shaw* FRICS
Non-Executive Director
Aged 60. 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. Currently a director of the Simon Group and of Glenstone Property Investments Limited.

08 Simon Clarke*
Non-Executive Director
Aged 39. Appointed a Director in 2004. Currently Deputy Chairman of Northern Racing PLC and a Director and the Vice-Chairman of *the Racecourse Association.*

09 Paul Rigg* MA
Non-Executive Director
Aged 58. Appointed a Director in 2004. Formerly Chief Executive of West Sussex County Council, and a member of the Court and Council of the University of Sussex, and a Board member of Sussex Enterprise, Business Link (Sussex) and West Sussex Economic Partnership.

Senior management team



01 Derek West
Retail Development Director
Aged 57. 20 years' service.

02 Stephen Prosser
Regional Manager - Yorkshire
Aged 41. 7 years' service.

03 Steve Burke
Construction Director
Aged 45. 9 years' service.

04 Mike Herbert
Regional Director - North Staffordshire
Aged 49. 14 years' service.

05 John Dodds
Regional Director - Midlands
Aged 48. 3 years' service.

06 Nick Doyle
Regional Director - London and South East
Aged 42. 16 years' service.

05
06
07
08

07 Michelle Taylor
Regional Director - North West
Aged 42. 16 years' service.

08 Rupert Joseland
Regional Manager - South West
Aged 35. 3 years' service.

Directors' report

The directors present their report together with the audited accounts for the year ended 30th November 2004.

Review of results, activities and future prospects
The pre-tax profit for the year was £40.3m. The retained profit of £20.9m 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 7 to 23. The Chairman comments on future prospects in his statement on pages 5 and 6.

Dividend
The directors recommend the payment of a final dividend of 5.1p (2003: 4.4p) per ordinary share to be paid on 29th April 2005 to shareholders on the register on 8th April 2005. An interim dividend of 2.5p (2003: 2.2p) was paid on 3rd September 2004.

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

Directors and their interests
The names of the directors of the company are set out on pages 26 and 27.

Sir Stanley Clarke served as Chairman until 23rd April 2004 and thereafter as a non-executive director and Life President of the company until his death on 19th September 2004.

Sir David Trippier served as a non-executive director of the company until 23rd April 2004.

In accordance with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ("the Code"), Christopher Roshier offers himself for re-election to the board. The reasons for this are set out on page 33.

Simon Clarke (appointed 11th October 2004), Paul Rigg (appointed 1st November 2004), James Shaw and Bill Oliver will retire from the board in accordance with the provisions of the company's Articles of Association and offer themselves for re-election.

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

Directors' interests in ordinary shares
The interests of the directors and their families in the issued share capital of the company, are shown below:-

	30th November 2004	30th November 2003
Beneficial		
Sir Stanley Clarke*	**27,043,854**	27,043,854
C. C. A. Glossop	**1,696,275**	1,130,299
R. L. Froggatt	**415,000**	92,000
W.A. Oliver	**50,000**	–
S.W. Clarke	**1,559,333**	1,559,333
C. E. Roshier	**10,417**	10,417
J. N. Shaw	**10,000**	10,000
Non-beneficial		
Sir Stanley Clarke	**849,567**	849,567
C. C. A. Glossop	**30,000**	30,000

* Following the death in September 2004 of Sir Stanley Clarke, his shares are to be transfered into a trust, of which S.W. Clarke is to be one of the beneficiaries.

The above interests do not include shares held under the share option schemes described in the Directors' Remuneration Report on pages 36 to 39.

There has been no change in these interests since 30th November 2004.

Directors' report

Substantial interests
As at 14th February 2005 in addition to those noted above, the company had been notified of the following interests in more than 3% of its issued share capital:

Shareholder	Percentage of Ordinary Share Capital
J. D. Leavesley and connected parties	14.3%
Thames River Capital	5.1%
ING Investment Management	3.5%

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.

As at 30th November 2004 group trade creditors represented an average of 25 days' purchases (2003: 19 days).

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

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

The group operates a pension scheme which is open to all employees – see note 10 on page 47.

By order of the Board.

Tim Haywood
Secretary
14th February 2005

Registered Office:
Lyndon House
58/62 Hagley Road
Birmingham B16 8PE
Company number 349201

Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the Independent Auditors' Report to the Members set out on page 56, 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.

Corporate governance report

St. Modwen is committed to good corporate governance. The board of directors exercises effective control over the group and its activities while recognising its responsibility to shareholders and other interested parties. The procedures for applying these principles within the group are set out below. This should be read in conjunction with the Directors' Remuneration Report on pages 36 to 39.

Compliance with The Combined Code ("the Code")
Throughout the year ended 30th November 2004 the company has complied with the Code except for the following matters:

- The Code recommends that a chief executive should not go on to be the chairman of the same company. As disclosed in last year's annual report, the board recommended the appointment of former Chief Executive, Anthony Glossop, as Chairman of the company. This was endorsed by shareholders at the Annual General Meeting in April 2004.

- With the appointment during the year of Simon Clarke and Paul Rigg as non executive directors, the board of St. Modwen, including the Chairman, now comprises four executive and five non-executive directors. This complies with the Code, which recommends that at least half the board, excluding the Chairman, should comprise non-executive directors determined by the board to be independent. Prior to these appointments, the board's composition did not comply with the Code.

- The Code recommends that a majority of the members of the Nominations Committee, and all members of the Audit Committee are independent non-executive directors. Christopher Roshier would not qualify under the Code to be considered independent as he has served as a director for more than nine years. However, with the exception of Simon Clarke (who represents a significant shareholder), all non-executive directors are 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. The length of service of Christopher Roshier (17 years) is not considered to impair his independence, but rather to provide a depth of knowledge, insight into the business and commitment to the company which enables him more fully to carry out his duties. In accordance with the Code, he is standing for re-election at the forthcoming Annual General Meeting.

- The Code recommends that the board undertakes a formal and rigorous annual evaluation of its own performance. It is intended that evaluations, facilitated by an external assessor, will commence in 2005. Previously, an internal evaluation has been performed by the Chairman and the senior independent director.

Board composition
The composition of the board provides an appropriate blend of experience and qualifications, and the number of non-executive directors provides a strong base for ensuring appropriate corporate governance of the company. The board meets formally 11 times a year and its decisions are implemented by the executive directors. Every director attended all 11 meetings in the year, except for James Shaw (10), Sir Stanley Clarke (6), Simon Clarke (appointed in October 2004) (2), and Paul Rigg (appointed in November 2004) (1).

The board has agreed that in view of his chairmanship of both the Remuneration and Audit Committees, Christopher Roshier is identified as the senior independent director. He is available for consultation by shareholders, whenever appropriate.

The reappointment of non-executive directors is not automatic. It is intended that appointments will be for an initial term of three years, which may be extended by mutual agreement. Prior to each non-executive director offering himself to the members for re-election his reappointment must be confirmed by the Chairman in consultation with the remainder of the board. The terms and conditions of appointment of non-executive directors are available for inspection at the company's registered office during normal business hours, and at the AGM.

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

The criteria used for evaluating individual executive directors' performance are included in the Remuneration Report. Individual non-executive directors' performance is reviewed by the Chairman and Chief Executive. The performance of the board as a whole is continuously assessed in the context of the company's achievement of its strategic objectives and total shareholder return targets. Feedback is sought through external surveys from shareholders, analysts and other professionals within the investment community following the regular briefings, presentations and site visits undertaken by the company.

Corporate governance report continued

Board committees

In support of the principles of good corporate governance, the board has appointed the following committees, all of which have formal terms of reference which are available for inspection by shareholders and are posted on the company's website.

a) Remuneration Committee
The composition and function of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 36 to 39. The Remuneration Committee met formally once during the year, which meeting was attended by all members.

b) Audit Committee
The Audit Committee is chaired by the senior independent director and comprises all of 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.
Both meetings were attended by all members of the Committee.
The Finance Director attends part of these meetings but the Committee does meet without executive directors being present. The Committee has direct access to the auditors.

The Audit Committee's functions which have been undertaken during the year include:-

- Ensuring that appropriate accounting systems and financial controls are in operation and that the company's financial statements comply with statutory and other requirements
- Receiving reports from, and consulting with, the external auditors
- Reviewing the interim and annual results and considering any matters raised by the auditors
- Monitoring the scope, cost effectiveness and objectivity of the audit
- Monitoring the nature, scope and cost effectiveness of non-audit services provided by the external auditors and ensuring that, where such services are provided, the objectivity and independence of the external auditors is safeguarded
- Making an annual assessment of the external auditors and recommending, or not, their re-appointment
- Considering the need for an internal audit function
- Reviewing and monitoring of "whistle-blowing" arrangements within the company.

c) Nominations Committee
The Nominations Committee comprises the Chairman and the senior independent director. For the appointment of new non-executive directors during the year, a detailed specification was drawn up and agreed with all board members setting out the skills of and background from which it was felt a new director should be drawn. Soundings were then taken to identify suitable candidates, three of whom were interviewed. Recommendations were made by the Nominations Committee to the whole board for the appointment of Paul Rigg and Simon Clarke. The Committee met formally once during the year.

Risk management

The board recognises that it has overall responsibility for the identification and mitigation of risks and the development and maintenance of an appropriate system of internal control.

Accordingly, as part of the annual strategic review process, a top-down risk assessment is undertaken, which has identified the following principal risks faced by the company:-

- *Securing development and investment opportunities*
- Prior identification of macroeconomic and property market trends
- Changes in planning policy or Government structures
- Structuring the financing of the company in an innovative and competitive manner
- Recruitment and retention of key executives with the skills necessary to implement the company strategy successfully
- Maintaining the company's high reputation
- *Controlling construction (including forward pricing) and ground condition risks*

The board believes that, although some of these issues are outside its control, it has clear strategies for identifying, dealing with, and mitigating the impact of each of these risks. The main strategies deployed include:-

- Having a devolved management structure with regional offices covering local markets, whilst maintaining strong central control
- Marshalling the contents of its bank of development opportunities (the Hopper) to ensure a steady programme of activity
- Working in close partnership with local authorities and development agencies
- Committed financing arrangements with key banks
- Ensuring that excellent performance is rewarded with top quartile remuneration
- Aligning individual and corporate objectives via long-term and share-based incentive schemes
- Ensuring a culture, led from the board, of honesty, fairness and integrity throughout the company.

Corporate governance report continued

Internal control

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

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

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

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

In accordance with the Code, the Audit Committee has reviewed the need to establish an internal audit function, but continues to believe that in a company of its size, where close control over operations is exercised by the executive directors, the benefits likely to be gained would be outweighed by the costs of establishing such a function.

Shareholder relations

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

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

To simplify and encourage participation in voting on resolutions at our Annual General Meeting, the company is providing, for the first time this year, the opportunity to vote electronically through CREST (for further details see page 59).

Business standards

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

Directors' remuneration report

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

The Companies Act requires certain parts of the Remuneration Report to be audited. The audited information is separately identified.

Composition and function of the Remuneration Committee
The Remuneration Committee comprises Christopher Roshier, Ian Menzies-Gow, James Shaw, Simon Clarke and Paul Rigg, who are all non-executive directors of the company, although Christopher Roshier and Simon Clarke are not recognised as independent by the Code. The Committee considers all aspects of the executive directors' remuneration and administers the company's share option schemes. The remuneration of the non-executive directors is considered by the board following recommendations by the executive directors. No director participates in setting his own remuneration. The Committee is also aware of the remuneration paid to executives below board level.

Compliance
With the exceptions noted, on page 33, the company has complied throughout the period with the Code, and with the Directors' Remuneration Report Regulations 2002.

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

The policy requires the highest level of performance from executives, based on individual performance assessments by the Chief Executive and the Chairman, and by reference to pay levels in similar companies. Independent professional advice is sought by the Remuneration Committee from time to time to ensure that the policy remains appropriate. Such advice was last sought, from the Monks Partnership, in January 2003. No other services have been obtained from these external advisers during the year.

Base salaries
Each executive director receives a salary which reflects his responsibilities, experience and performance. Base salaries are reviewed annually and are established by reference to the median base salary for similar positions in comparable companies.

Service contracts
All of the executive directors have notice periods of twelve months. Non-executive directors have notice periods of three months.

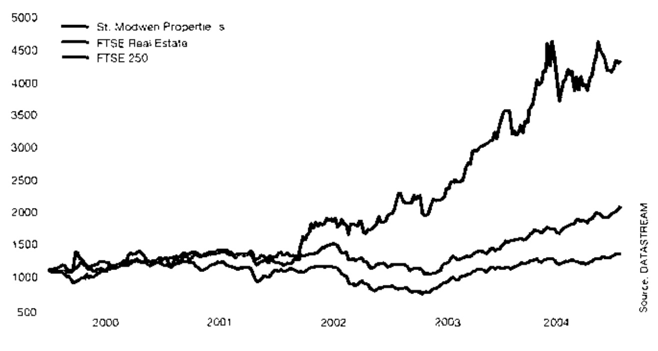
No director has any rights to compensation (apart from payment in lieu of notice, where appropriate). The non-executive directors do not have service contracts. Unless specifically approved by the board, executive directors are not permitted to hold external non-executive directorships. Anthony Glossop receives fees of £15,500 in respective of his service as a non-executive director of Robinson plc.

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

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

Performance-related remuneration
The Remuneration Committee has approved all performance-related remuneration in respect of the year to 30th November 2004, and the targets for achievement of such remuneration which were set at the beginning of the financial year.

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



Directors' remuneration report continued

Annual bonus
Executive directors participate in a performance linked annual bonus scheme. The levels of bonus are determined by the Remuneration Committee, taking into account both the level of profit and other personal targets. Executive directors were eligible to receive a maximum bonus of 70% of salary in 2004, payable on the achievement by the company of a demanding budget for profit for the year to 30th November 2004, and on the achievement of a number of personal targets, set individually for each executive director. These include the achievement of a target net asset value per share, creation of a development programme for future years, support for the regional offices, and replacement of land used. The Chairman makes recommendations to the Remuneration Committee for the levels of bonus payable to executive directors (other than himself) for the achievement of these personal targets, and the levels of bonus payable are set by the the Remuneration Committee. Annual bonuses do not form part of pensionable pay.

For the year to 30th November 2004, the annual bonuses paid to directors as a percentage of annual salary were as follows:- Anthony Glossop 70%; Bill Oliver 70%; Richard Froggatt 65%; Tim Haywood 50%

Deferred bonus
In order to continue to attract and retain key executives, and to align their interests with those of shareholders, the board believes that long-term incentives should form an important part of a competitive benefits package.

Consequently a performance-related bonus scheme is in place for the executive directors, other than the Chairman. Under the terms of the scheme, *the annual performance bonus paid will be matched and this amount held for payment at the end of three years. Payment of this deferred amount will be* subject to the company's net asset value growth over the relevant three year period exceeding RPI plus 5% per annum and the continued employment by the company of the director concerned (except in certain circumstances, such as death during the deferral period).

The amounts payable to directors in February 2008 in respect of the deferred bonus scheme are as follows:- Bill Oliver £175,000; Richard Froggatt £123,000; Tim Haywood £77,500.

Share options
The Remuneration Committee is responsible for supervising the company's Executive Share Option and Savings Related Share Option schemes in accordance with rules previously approved by shareholders. Executive directors (as well as other senior employees) are granted options over the company's shares. For options granted in 2004 under the company's Executive Share Option Scheme, (as in other recent awards) the performance target set was 5% per annum real growth in net asset value per share over the three year period from the date of grant. This target was selected to incentivise executives to aim for the continued long-term growth of the company, whilst delivering the short- and medium-term results which are the principal focus of the annual bonus schemes. Performance against these targets is objectively assessed from the audited accounts of the company.

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

Audited information

Executive Share Option Schemes

Date of Grant	C.C.A. Glossop	W.A. Oliver	R.L. Froggatt	T.P.Haywood	Exercise Price	Exercise Period
March 1999*	132,878	–	–	–	–	Mar 2002-Nov 2005
November 1999	500,000	–	–	–	99.0p	Nov 2003-Nov 2009
March 2000	–	150,000	–	–	106.0p	Mar 2004- Mar2010
September 2001	–	160,000	–	–	113.5p	Sep 2004 - Sep 2011
September 2002	–	172,000	159,000	–	134.0p	Sep 2005-Sep 2012
August 2003	–	112,000	90,000	70,000	200.0p	Aug 2006 - Aug 2013
August 2004	–	89,500	67,500	55,500	279.0p	Aug 2007-Aug 2014
As at 30th November 2004	**632,878**	**683,500**	**316,500**	**125,500**		
The movement during the year was as follows:-						
As at 30th November 2003	1,082,878	644,000	659,000	70,000		
Exercised in the year	(450,000)	(50,000)	(410,000)	–		
Granted in the year	–	89,500	67,500	55,500		
As at 30th November 2004	**632,878**	**683,500**	**316,500**	**125,500**		

* Granted under a long-term incentive plan which was discontinued in 1999.

Savings Related Schemes

	Balance at 30th Nov 2003	Exercised	Granted	Balance at 30th Nov 2004	Exercise Price	Exercise Period
C.C.A. Glossop	19,236	(15,976)	5,330	8,590	103.5p/248.0p	May 2006 – Apr 2010
W.A.Oliver	16,304	–	–	16,304	103.5p	May 2006 – Nov 2006
R.L. Froggatt	13,240	–	–	13,240	125.0p	Oct 2007 – Apr 2008
T.P.Haywood	3,500	–	3,997	7,497	182.0p/248.0p	Aug 2008 – Apr 2010

The share price as at 30th November 2004 was 305p. The highest price during the year was 330p and the lowest price was 230p.

For executive share option schemes, the exercise price of options granted in the year is the market price at the date of grant. For savings related schemes, the exercise price is 90% of the average market price for the three days prior to the grant.

Directors' remuneration report continued

Directors' remuneration

The remuneration of the directors for the year ended 30th November 2004 was as follows:

	Salary/Fees £'000	Annual bonus £'000	Benefits £'000	Total emoluments excluding pensions and pension contributions 2004 £'000	2003 £'000
Executive					
C.C.A. Glossop	268	187	22	**477**	454
W.A. Oliver	250	175	28	**453**	396
R.L. Froggatt	189	123	26	**338**	317
T.P. Haywood	155	78	19	**252**	151
Sir Stanley Clarke*	94	–	27	**121**	301
Non-executive					
S.W. Clarke	4	–	–	**4**	–
R.I. Menzies-Gow	26	–	–	**26**	25
D.P. Rigg	2	–	–	**2**	–
C.E. Roshier	37	–	–	**37**	35
J.N. Shaw	26	–	–	**26**	25
Sir Stanley Clarke*	99	–	29	**128**	–
Sir David Trippier**	10	–	–	**10**	25
	1,160	563	151	**1,874**	1,729

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

The figures above represent emoluments earned during the relevant financial year. Such emoluments are paid in the same financial year with the exception of performance related bonuses, which are paid in the year following that in which they are earned.

* Sir Stanley Clarke was executive Chairman of the company until 23rd April 2004. From that date, until his death on 19th September 2004, he was non-executive Life President.

**Payments in respect of the services of Sir David Trippier as a director include amounts paid to Sir David Trippier Associates Limited, a company which he controls.

During the year, payments in respect of consultancy services provided were made to former directors J.D.Leavesley and C.H.Lewis, of £3,000 each and £5,000 to Sir David Trippier. Benefits totalling £6,300 were provided by the company during the year to the widow of Sir Stanley Clarke.

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

The salaries of the executive directors have been increased with effect from 1st December 2004 to:-

C.C.A. Glossop	£300,000
W.A. Oliver	£310,000
R.L. Froggatt	£220,000
T.P. Haywood	£175,000

During the year, the following share options were exercised by directors:

	No. of shares	Market price at date of exercise	Exercise price	Gain £'000
C.C.A. Glossop	300,000	275p	51.5p	671
	150,000	275p	50.5p	337
	15,976	317p	84.5p	37
W.A. Oliver	50,000	294p	106p	94
R.L.. Froggatt	200,000	272.5p	99p	347
	100,000	272.5p	106p	167
	110,000	308p	113.5p	214
				1,867

Directors' remuneration report continued

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

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

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

	Age at 30th November 2004	Increase in accrued pension £ p.a.	Accrued pension at 30th November 2004 £ p.a.
C.C.A. Glossop	63	17,151	207,721
R.L. Froggatt	55	4,342	35,417

C.C.A. Glossop, having attained the age of 60, has ceased to accrue rights to further pensionable service and he is deferring his entitlement to receive his pension.

Notes relating to the defined benefits section:
1. Contributions of up to 7.5% are payable by members (effective 1st December 2004)
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 30th November 2004
4. Members have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included above
5. Normal retirement age is 65 (effective 1st December 2004)
6. Death in service benefits amount to a lump sum equal to the greater of four times basic salary at death or four times the average of gross earnings in the last four years. In addition a spouse's pension would be payable, equivalent to 50% of the full pension the member would have been entitled to had he worked to normal retirement age
7. A spouse's pension of 50% of the full pension is payable after the death in retirement of a member
8. Pension payments increase annually by the lower of the RPI increase and 5%
9. Pensionable salary increases are capped at RPI plus 2% annually (effective 1st December 2004)

W.A. Oliver and T.P. Haywood are members of the defined contribution section of the pension scheme and the company made contributions of £37,500 (2003: £32,500) and £23,250 (2003: £13,381) in respect of each of them during the period.

Further information on the company's pension scheme is shown in note 10 on pages 48 and 49.

Approved by the board and signed on its behalf by

Christopher Roshier
Chairman, Remuneration Committee
14th February 2005

Group Profit and Loss Account
For the year ended 30th November

	Notes	2004 £'000	2003 £'000
Turnover			
Group and share of joint ventures	1	**130,140**	136,081
Less share of joint ventures turnover		**(12,886)**	(13,304)
		117,254	122,777
Operating profit			
Group operating profit		**33,801**	34,538
Share of operating profit in joint ventures		**9,808**	9,486
Share of operating profit in associates		**967**	1,550
	1	**44,576**	45,574
Profit on sale of fixed assets	1	**12,964**	5,389
Net interest payable	2	**(17,202)**	(15,937)
Profit on ordinary activities before taxation	3	**40,338**	35,026
Taxation on profit on ordinary activities	6	**(9,861)**	(9,954)
Profit on ordinary activities after taxation		**30,477**	25,072
Equity minority interest		***(464)***	*(989)*
Profit attributable to shareholders		**30,013**	24,083
Dividends	7	**(9,132)**	(7,914)
Transferred to reserves		**20,881**	16,169
Basic and diluted earnings per ordinary share	8	**25.0p**	20.1p
Dividend per ordinary share	7	**7.6p**	6.6p

All activities derive from continuing operations.
A statement of the movement in reserves is shown in note 20 on page 54.

Balance sheets at 30th November

		Group		Company	
			Restated		Restated
		2004	2003	**2004**	2003
	Notes	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Tangible assets	11	**367,238**	269,023	**1,553**	1,399
Investments					
Share of joint ventures' gross assets		**147,765**	123,795		
Share of joint ventures' gross liabilities		**(105,777)**	(100,480)		
Share of joint ventures' net assets	12	**41,988**	23,315	**41,988**	23,315
Associated companies	12	**10,167**	9,198	**9,567**	8,598
Other investments	12	**–**	6,000	**211,309**	236,988
		419,393	307,536	**264,417**	270,300
Current assets					
Stocks	13	**118,032**	77,510	**–**	–
Debtors	14	**12,312**	23,801	**197,881**	77,395
Cash at bank and in hand		**3,652**	92	**5**	34
		133,996	101,403	**197,886**	77,429
Current liabilities					
Creditors: amounts falling due within one year	15	**(47,098)**	(51,710)	**(101,743)**	(115,977)
Net current assets/(liabilities)		**86,898**	49,693	**96,143**	(38,548)
Total assets less current liabilities		**506,291**	357,229	**360,560**	231,752
Creditors amounts falling due after more than one year	16	**(230,513)**	(127,941)	**(94,702)**	(8,500)
Provisions for liabilities and charges	18	**(5,305)**	(2,970)	**1,512**	85
Equity minority interests		**(3,103)**	(2,981)	**–**	–
Net assets		**267,370**	223,337	**267,370**	223,337
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	**114,236**	89,974	**177,171**	188,234
Profit and loss account	20	**133,499**	113,019	**70,564**	14,759
		269,344	224,602	**269,344**	224,602
Own shares		**(1,974)**	(1,265)	**(1,974)**	(1,265)
Equity shareholders' funds		**267,370**	223,337	**267,370**	223,337
Net assets per ordinary share	22	**221.4p**	184.9p		
Gearing		**85%**	60%		

The Report and Accounts were approved by the board of directors on 14th February 2005.
Signed on behalf of the board of directors by

C.C.A. Glossop
T.P. Haywood

Group cash flow statement
For the year ended 30th November

			2004		Restated 2003
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21(a)		**14,919**		31,010
Dividends received from joint ventures and associates			**1,378**		6,000
Returns on investments and servicing of finance					
Interest received		**397**		176	
Interest paid		**(12,383)**		(11,124)	
Dividends paid to minority shareholders		**(344)**		(613)	
Net cash outflow from returns on investments and servicing of finance			**(12,330)**		(11,561)
Taxation			**(9,902)**		(4,571)
Capital expenditure and financial investment					
Additions to investment properties		**(106,580)**		(13,177)	
Additions to operating properties and other tangible assets		**(1,188)**		(165)	
Sale of investment properties		**31,666**		38,347	
Sale of financial investments / other tangible assets		**10,885**		10	
			(65,217)		25,015
Acquisitions and disposals					
Investment in joint ventures and associates			**(11,669)**		(66)
Equity dividends paid			**(7,943)**		(7,187)
Cash (outflow)/inflow before use of liquid resources and financing			**(90,764)**		38,640
Financing					
Purchases of own shares		**(2,320)**		(151)	
Amounts received in respect of options exercised under executive share option schemes		**750**		317	
			(1,570)		166
Redemption of loan notes		**(14)**		(19)	
Increase/(decrease) in debt		**99,572**		(44,839)	
Net cash inflow/(outflow) from financing	21(b)		**99,558**		(44,858)
Increase/(decrease) in cash in the year	21(b)		**7,224**		(6,052)
Reconciliation of net cash flow to movement in net debt					
Increase/(decrease) in cash in the year			**7,224**		(6,052)
Cash flow from change in debt			**(99,572)**		44,839
Loan notes redeemed during the year			**14**		19
Change in net debt resulting from cash flows			**(92,334)**		38,806
Net debt at 1st December			**(134,968)**		(173,774)
Net debt at 30th November			**(227,302)**		(134,968)

Supplementary statements
For the year ended 30th November

	2004 £'000	2003 £'000
Group Statement of Total Recognised Gains and Losses		
Profit for the year	**30,013**	24,083
Taxation on realisation of prior years' revaluation surpluses	**(2,213)**	(1,231)
Unrealised surplus on revaluation of group investment properties (net of minority interests)	**21,030**	12,272
Unrealised surplus on revaluation of properties held by joint ventures	**5,044**	2,189
Unrealised surplus arising on acquisition of associate	**–**	886
Total recognised gains and losses since last annual report	**53,874**	38,199

	2004 £'000	2003 £'000
Note of Historical Cost Profits and Losses		
Reported profit on ordinary activities before taxation	**40,338**	35,026
Realisation of property revaluation gains of earlier years	**1,812**	5,564
	42,150	40,590
Historical cost profit for the year after taxation, minority interests and dividends	**20,480**	20,502

	2004 £'000	Restated 2003 £'000
Group Reconciliation of Movements in Shareholders' Funds		
Profit attributable to shareholders	**30,013**	24,083
Dividends	**(9,132)**	(7,914)
	20,881	16,169
Unrealised surplus on revaluation of group investment properties (net of minority interests)	**21,030**	12,272
Unrealised surplus on revaluation of investment properties held by joint ventures	**5,044**	2,189
Unrealised surplus arising on acquisition of associate	**–**	886
Taxation on realisation of prior years' revaluation surpluses	**(2,213)**	(1,231)
Shares purchased	**(2,320)**	(151)
Shares transferred to employees	**1,611**	303
Net additions to shareholders' funds	**44,033**	30,437
Opening shareholders' funds	**223,337**	194,317
Prior years' effect of UITF38	**–**	(1,417)
	267,370	223,337

Accounting policies

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

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

In preparing the financial statements for the current year the group has adopted UITF38 "Accounting for ESOP Trusts". UITF38 requires an entity's own shares held in employee share trusts to be recorded at cost and to be deducted from shareholders' funds rather than being shown as an asset. This has resulted in a restatement of opening reserves amounting to £1,265,000, with no effect on the profit and loss account.

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

Basis of consolidation
The group accounts consolidate the accounts of the company and its subsidiaries for the financial period ended 30th November 2004. Newly acquired subsidiaries are consolidated from the date control passes. Associated companies are consolidated using the equity accounting method and joint ventures are consolidated using the gross equity accounting method as required by FRS9.

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

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

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

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

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

The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

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

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

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

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

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

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

Financial instruments
Derivative instruments utilised by the group are interest rate 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

	2004 Turnover £'000	2004 Cost of sales £'000	2004 Profit £'000	2003 Turnover £'000	2003 Cost of sales £'000	2003 Profit £'000
Rental income						
Group	33,285	(4,139)	29,146	31,608	(4,644)	26,964
Share of joint ventures	10,991	(1,692)	9,299	10,852	(1,370)	9,482
Property development						
Group	82,498	(62,021)	20,477	88,495	(68,792)	19,703
Share of joint ventures	1,895	(1,334)	561	2,452	(2,347)	105
Other activities	1,471	(2,461)	(990)	2,674	(1,533)	1,141
	130,140	(71,647)	58,493	136,081	(78,686)	57,395
Share of operating profit in associates			967			1,550
Administrative and other operating expenses						
Group			(14,832)			(13,270)
Share of joint ventures			(52)			(101)
Operating profit			44,576			45,574
Profit on sale of investment			4,883			–
Profit on sale of investment properties – group			8,009			5,213
– joint ventures			72			176
			57,540			50,963

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

2 Net interest payable

	2004 £'000	2003 £'000
Interest payable on bank and other loans and overdrafts	12,397	11,065
Interest receivable	(437)	(176)
Group interest charge	11,960	10,889
Share of joint ventures' net interest	5,002	4,746
Share of associated companies' net interest	240	302
	17,202	15,937

3 Profit on ordinary activities before taxation

	2004 £'000	2003 £'000
The profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	308	194
Auditor's remuneration – audit services	60	49
– tax compliance services	63	41
– advice on Chepstow transaction	–	20

Notes to the accounts continued

4 Directors' remuneration

	2004 £'000	2003 £'000
Non executive directors' fees	**233**	110
Executive directors' salaries and benefits	**1,078**	1,119
Executive directors' performance related payments	**563**	500
	1,874	1,729
Gains on exercise of share options	**1,867**	–
Pension to former director	**1**	1
Consultancy payments to former directors	**11**	6
	3,753	1,736

5 Employees

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

	2004 *Number*	2003 *Number*
Admininstration	**18**	18
Property	**125**	151
Other activities	**59**	43
	202	212

The total payroll costs of these employees were:

	2004 £'000	2003 £'000
Wages and salaries	**8,350**	7,261
Social security costs	**959**	757
Pension costs	**1,419**	1,269
	10,728	9,287

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

	2004 £'000	2003 £'000
Property recoveries	**1,277**	1,673
Cost of sales	**870**	310
Overheads	**8,581**	7,304
	10,728	9,287

6 Taxation on profit on ordinary activities

(a) Analysis of charge in period

	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Current tax				
UK corporation tax on profits of the period	**9,640**		9,124	
Adjustments in respect of previous periods	**(2,174)**		(165)	
		7,466		8,959
Share of joint ventures' taxation	**1,151**		1,214	
Adjustments in respect of previous periods	**(460)**		34	
		691		1,248
Share of associates' taxation	**73**		312	
Adjustments in respect of previous periods	**(391)**		204	
		(318)		516
Total current tax (note(b))		**7,839**		10,723
Deferred tax				
Origination and reversal of timing differences (note 18)		**1,205**		(1,009)
Share of joint ventures origination and reversal of timing differences		**817**		240
Tax on profits on ordinary activities		**9,861**		9,954

Notes to the accounts continued

6 Taxation on profit on ordinary activities continued

(b) Factors affecting tax charge for period

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	40,338	35,026
Profit on ordinary activities at the standard rate of UK Corporation Tax	12,102	10,508
Disallowed expenses and non-taxable income	(631)	(142)
Capital allowances for the period in excess of depreciation	(1,330)	(496)
Short term timing differences	408	1,265
Net capital gains on disposal of investment properties	478	(375)
Other	(163)	(110)
Adjustments to tax charge in respect of previous periods (including joint ventures)	(3,025)	73
Total current tax	7,839	10,723

(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 £24.6m including share of joint ventures (2003: £18.3m).

The benefits of any tax planning are not recognised by the company until they are agreed with the Inland Revenue.

7 Dividends

		2004 £'000	2003 £'000
Ordinary 10p shares	- proposed final dividend of 5.1p (2003:4.4p)	6,125	5,274
	- interim dividend of 2.5p (2003:2.2p)	3,007	2,640
		9,132	7,914

8 Earnings per share

Earnings per ordinary share are calculated as follows:

(a) Basic earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders of £30,013,000 (2003: 24,083,000) by the weighted average number of shares in issue during the year (excluding the shares held for share incentive schemes which are owned by the company) of 120,036,689 (2003: 119,820,493)

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

9 Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The profit for the financial year of the parent company was £65,273,000 (2003: £485,000 loss).

10 Pensions

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

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 at 5th April 2003, when the market value of the net assets of the scheme was £18,864,000. The valuation was performed using the projected unit method. The main actuarial assumptions were:

Investment rate of return: pre-retirement	6.2% p.a.
post-retirement	4.7% p.a.
Increase in earnings	5.6% p.a.
Increase in pensions	2.6% p.a.

The valuation showed a funding level of 82%.

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

A full actuarial valuation of the defined benefit section was carried out at 5th April 2003 and updated to 30th November 2004 by a qualified independent actuary. The major assumptions used by the actuary for FRS17 purposes were:

	2004	2003	2002
Rate of increase in salaries	4.81%	5.77%	5.34%
Rate of increase in deferred pensions	2.81%	2.77%	2.34%
Rate of increase in pensions in payment	2.81%	2.77%	2.34%
Discount rate	5.29%	5.59%	5.72%
Inflation assumption	2.81%	2.77%	2.34%

Notes to the accounts continued

10 Pensions continued

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

	2004		2003		2002	
	%	£'000	%	£'000	%	£'000
Equities	**6.08**	**13,465**	6.52	12,002	6.26	10,327
Bonds	**5.08**	**–**	5.42	308	4.76	819
Property	**6.08**	**7,775**	6.52	7,327	6.26	6,854
Cash and other assets	**4.58**	**2,828**	5.02	637	4.76	633
		24,068		20,274		18,633
Actuarial value of liabilities		**(23,967)**		(21,625)		(17,154)
Surplus/(deficit) in the scheme		**101**		(1,351)		1,479
Related deferred tax (liability)/asset		**(30)**		405		(444)
Fair value pension asset/(liability)		**71**		(946)		1,035

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

	2004 £'000	Restated 2003 £'000	Restated 2002 £'000
Net assets excluding pension asset/(liability)	**267,370**	223,337	192,906
Pension asset/(liability)	**71**	(946)	1,035
Net assets including pension asset/(liability)	**267,441**	222,391	193,941

	2004 £'000	2003 £'000	2002 £'000
Profit and loss reserve excluding pension asset/(liability)	**133,499**	113,019	92,517
Pension asset/(liability)	**71**	(946)	1,035
Profit and loss reserve including pension asset/(liability)	**133,570**	112,073	93,552

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

	2004 £'000	2003 £'000	2002 £'000
Current service cost	**(671)**	(704)	(543)
Employee contributions	**14**	13	9
Total operating charge	**(657)**	(691)	(534)

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

	2004 £'000	2003 £'000	2002 £'000
Expected return on pension scheme assets	**1,297**	1,118	1,266
Interest on pension scheme liabilities	**(1,206)**	(978)	(937)
Net return	**91**	140	329

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

	2004 £'000	2003 £'000	2002 £'000
Difference between expected and actual return on assets (5.3%) (2003: 6.3%)	**1,283**	1,270	(3,052)
Experience gains and losses arising on present value of scheme liabilities (3.7%) (2003: 6.9%)	**(886)**	(1,496)	(48)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities (1.9%) (2003: 9.8%)	**(461)**	(2,124)	403
Total actuarial loss (0.3% of present value of scheme liabilities) (2003: 10.9%)	**(64)**	(2,350)	(2,697)

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

	2004 £'000	2003 £'000	2002 £'000
Surplus/(deficit) in scheme at beginning of the year	**(1,351)**	1,479	4,367
Movement in year:			
Current service cost	**(671)**	(704)	(543)
Employee contributions	**14**	13	9
Employer contributions	**2,082**	71	14
Other finance income	**91**	140	329
Actuarial loss	**(64)**	(2,350)	(2,697)
Surplus/(deficit) in scheme at the year end	**101**	(1,351)	1,479

Notes to the accounts continued

Reconciliation of increase in value of scheme's assets to FRS 17 disclosures:

	Gross £'000	Tax £'000	Net £'000
Value of scheme's assets			
Surplus/(deficit) in scheme at the end of year	101	(30)	71
Surplus/(deficit) in scheme at the start of year	(1,351)	405	(946)
Total increase/(fall) in value during year	1,452	(435)	1,017
FRS 17 disclosure:			
Profit and Loss Account - operating charge	(657)	198	(459)
- other finance income	91	(27)	64
Statement of Total Recognised Gains and Losses	(64)	19	(45)
Employer contributions	2,082	(625)	1,457
	1,452	(435)	1,017

11 Tangible fixed assets

(a) Group

	Freehold investment properties £'000	Long *leasehold* investment properties £'000	Operating properties £'000	Plant machinery and equipment £'000	Total £'000
Cost or valuation					
At 30th November 2003	168,113	98,422	2,380	1,155	270,070
Additions	98,909	7,671	50	1,138	107,768
Transfers to work in progress	(3,996)	(2,622)	–	–	(6,618)
Disposals	(17,740)	(5,917)	–	(390)	(24,047)
Surplus on revaluation	13,575	7,457	–	–	21,032
At 30th November 2004	**258,861**	**105,011**	**2,430**	**1,903**	**368,205**
Depreciation					
At 30 November 2003	–	–	140	907	1,047
Charge for the year	–	–	41	267	308
Disposals	–	–	–	(388)	(388)
At 30th November 2004	**–**	**–**	**181**	**786**	**967**
Net book value					
At 30th November 2004	**258,861**	**105,011**	**2,249**	**1,117**	**367,238**
At 30th November 2003	168,113	98,422	2,240	248	269,023
Tenure of operating properties					
Freehold			482		
Long leasehold			1,767		
			2,249		

(b) Company

	Long leasehold investment properties £'000	Plant machinery and equipment £'000	Total £'000
Cost or valuation			
At 30th November 2003	1,250	840	2,090
Additions	12	533	545
Disposals	(422)	(390)	(812)
Surplus on revaluation	180	–	180
At 30th November 2004	1,020	983	2,003
Depreciation			
At 30th November 2003	–	691	691
Charge for the year	–	147	147
Disposals	–	(388)	(388)
At 30th November 2004	–	450	450
Net book value			
At 30th November 2004	**1,020**	**533**	**1,553**
At 30th November 2003	1,250	149	1,399

(c) Freehold and long leasehold properties were valued at 30th November 2004 by King Sturge and Co and Colliers CRE, Chartered Surveyors, in accordance with the Appraisal and Valuation method of the Royal Institution of Chartered Surveyors, on the basis of open market value.

Notes to the accounts continued

11 Tangible fixed assets continued

(d) Historical costs of investment properties

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Freehold investment properties	**201,872**	116,203	–	–
Long leasehold investment properties	**71,639**	70,378	**508**	3,130
	273,511	186,581	**508**	3,130

12 Investments held as fixed assets

	Investment in joint ventures £'000	Investment in associated companies £'000	Investment in own shares £'000	Other investments £'000	Total £'000
(a) Group					
At 30th November 2003	23,315	9,198	436	6,000	38,949
Prior year adjustment UITF38	–	–	(436)	–	(436)
Investments in year	11,617	52	–	–	11,669
Disposals in year	–	–	–	(6,000)	(6,000)
Share of revaluation of assets	5,044	–	–	–	5,044
Share of tax on realisation of revaluations	(30)	–	–	–	(30)
Share of post tax profits less losses	3,292	1,045	–	–	4,337
Dividends receivable	(1,250)	(128)	–	–	(1,378)
At 30th November 2004	**41,988**	**10,167**	**–**	**–**	**52,155**

	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
(b) Company						
At 30th November 2003	230,988	23,315	8,598	436	6,000	269,337
Prior year adjustment UITF38	–	–	–	(436)	–	(436)
Investments in year	–	11,617	52	–	–	11,669
Disposals in year	–	–	–	–	(6,000)	(6,000)
Revaluation of investments	(19,679)	7,056	917	–	–	(11,706)
At 30th November 2004	**211,309**	**41,988**	**9,567**	**–**	**–**	**262,864**

(c) Joint ventures	KPI £'000	Others £'000	Total £'000
Fixed assets	121,531	3,850	125,381
Current assets	16,025	6,359	22,384
Current liabilities	(2,491)	(3,552)	(6,043)
Non-current liabilities	(94,185)	(5,549)	(99,734)
	40,880	1,108	41,988

KPI: Key Property Investments Limited

At 30th November 2004 the joint ventures were:

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

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

(d) Associated companies

At 30th November 2004, the associated companies, which were registered and operated in England and Wales, were as follows:

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

The majority shareholder in Northern Racing PLC is the estate of the late 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 PLC are drawn up to 31st December each year. The accounts of Stoke on Trent Community Stadium Development Company Limited are drawn up to 31st May each year. Management accounts to 30th November 2004 have been used for consolidation purposes.

Notes to the accounts continued

(e) Subsidiary companies

At 30th November 2004, the principal subsidiaries, all of whom, with the exception of St. Modwen Enterprises Limited, were registered and operated in England and Wales, were as follows:

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

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

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

13 Stocks

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Work in progress (including freehold land for development):				
Developments in progress	**77,506**	42,643	**–**	–
Income producing development property	**40,450**	34,833	**–**	–
	117,956	77,476	**–**	–
Goods for resale	**76**	34	**–**	–
	118,032	77,510	**–**	–

14 Debtors

Amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Trade debtors	**1,837**	2,822	**54**	1,072
Amounts due from subsidiaries	**–**	–	**185,190**	53,247
Amounts due from joint venture and associated companies	**5,061**	17,948	**5,064**	14,849
Other debtors	**4,173**	2,553	**7,118**	4,983
Prepayments and accrued income	**1,241**	478	**455**	3,244
	12,312	23,801	**197,881**	77,395

Notes to the accounts continued

15 Creditors

Amounts falling due within one year

	Group		Company	
	2004 £'000	Restated 2003 £'000	2004 £'000	Restated 2003 £'000
Bank overdraft (secured on specific property assets)	–	3,664	9,429	17,107
Bank loan (secured on specific property assets)	–	3,000	–	–
Floating Rate Guaranteed Unsecured Loan Notes 2009	41	55	–	–
Floating Rate Unsecured Loan Notes 2005	400	400	–	–
Payments on account	11,652	11,564	–	–
Trade creditors	5,292	1,721	–	–
Amounts due to subsidiaries	–	–	74,156	83,752
Corporation tax	7,371	8,918	–	–
Other taxation and social security	65	2,164	–	–
Other creditors	365	766	361	486
Accruals and deferred income	15,787	14,184	11,672	9,358
Proposed dividend	6,125	5,274	6,125	5,274
	47,098	51,710	101,743	115,977

16 Creditors

Amounts falling due after more than one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank and other loans	230,513	127,941	94,702	8,500

17 Financial instruments

a) Maturity Profile of Committed Financial Liabilities

	2004			2003		
	Drawn £000	Undrawn £000	Total £000	Drawn £000	Undrawn £000	Total £000
One year	441	5,000	5,441	7,119	3,633	10,752
One to two years	27,000	43,000	70,000	14,244	9,339	23,583
Two to five years	110,238	48,325	158,563	68,744	69,194	137,938
More than five years	93,275	12	93,287	44,953	1,714	46,667
Gross financial liabilities	230,954	96,337	327,291	135,060	83,880	218,940

Interest payable on the above loans is at a weighted average of 1.19% above LIBOR before taking into account the effects of hedging (see 17(b)). The weighted average period to maturity of borrowings was 7 years (2003: 5 years).

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.

				Fixed Rate Borrowings	
	Total £000	Floating rate financial liabilities* £000	Fixed rate financial liabilities £000	Weighted average interest rate %	Weighted time for which rate is fixed (years)
At 30th November 2004	**230,954**	**110,954**	**120,000**	**5.11**	**1.6**
At 30th November 2003	135,060	15,060	120,000	5.11	2.4

* Of which £8,620,000 was hedged by interest rate collars (2003: £8,860,000).

Notes to the accounts continued

c) Fair Values of Financial Assets and Liabilities

	2004		2003	
	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	**5,061**	**5,061**	17,948	17,948
Income due from other investments	–	–	1,187	1,187
Cash	**3,652**	**3,652**	92	92
Short-term loans	**(441)**	**(441)**	(7,119)	(7,119)
Long-term loans	**(230,513)**	**(230,513)**	(127,941)	(127,941)
Derivative financial instruments:				
Interest rate swaps and options	–	**(538)**	–	(328)

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

18 Deferred taxation

	Provided		Unprovided	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
The amounts of deferred taxation provided and unprovided in the accounts are:				
Group				
Capital allowances in excess of depreciation	**5,284**	3,911	–	–
Appropriations from investments to trading stock	**1,130**	–	–	–
Other timing differences	**(1,109)**	(941)	–	–
	5,305	2,970	–	–
Revaluation of investment properties (including share of joint ventures)	–	–	**24,565**	18,295
	5,305	2,970	**24,565**	18,295
Company				
Capital allowances in excess of depreciation	**251**	275	–	–
Other timing differences	**(1,763)**	(360)	–	–
Revaluation of investment properties	–	–	**(167)**	(348)
	(1,512)	(85)	**(167)**	(348)

Reconciliation of movement on group deferred tax liability	**Group £'000**	**Company £'000**
Balance as at 30th November 2003	2,970	(85)
Profit and loss account	1,205	(1,427)
Statement of total recognised gains and losses	1,130	–
Balance as at 30th November 2004	5,305	(1,512)

Notes to the accounts continued

19 Called-up share capital

	2004 £'000	2003 £'000
Authorised:		
Equity share capital		
150,000,000 Ordinary 10p shares	**15,000**	15,000
Allotted and fully paid:		
Equity share capital		
120,773,954 Ordinary 10p shares	**12,077**	12,077

Details of options, outstanding at 30th November 2004, to acquire ordinary shares in the company under the option schemes were as follows:

	Price per share	Options outstanding	Exercisable between
Executive share option schemes	51.5p	100,000	August 1998 - August 2005
	81.5p	150,000	March 2002 - March 2008
	103.5p	200,000	September 2003-September 2009
	99.0p	500,000	November 2003 - November 2009
	106.0p	200,000	March 2004 - March 2010
	113.5p	690,500	September 2004 - September 2011
	134.0p	935,000	September 2005 - September 2012
	200.0p	824,000	August 2006 - August 2013
	279.0p	722,000	August 2007 - August 2014
Savings related schemes	103.5p	177,369	May 2006 - November 2006
	125.0p	203,617	October 2007 - April 2008
	182.0p	137,550	August 2008 - February 2009
	248.0p	123,237	October 2009 - April 2010
Total		**4,963,273**	

20 Reserves

	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit & loss account £'000	Own shares £'000
Group						
At 30th November 2003	9,167	9	356	89,974	113,019	–
Prior year adjustment UITF38	–	–	–	–	–	(1,265)
Surplus on revaluation of investment properties	–	–	–	21,030	–	–
Prior years' revaluation surpluses realised	–	–	–	(1,812)	1,812	–
Share of joint venture revaluation	–	–	–	5,044	–	–
Retained profit for the year	–	–	–	–	20,881	–
Taxation on realisation of prior year revaluation surplus	–	–	–	–	(2,213)	–
Net share acquisitions in the year	–	–	–	–	–	(709)
At 30th November 2004	**9,167**	**9**	**356**	**114,236**	**133,499**	**(1,974)**
Company						
At 30th November 2003	9,167	9	356	188,234	14,759	–
Prior year adjustment UITF38	–	–	–	–	–	(1,265)
Surplus on revaluation of investment properties	–	–	–	180	–	–
Prior years' revaluation surpluses realised	–	–	–	463	(463)	–
Deficit on revaluation of investments	–	–	–	(11,706)	–	–
Retained profit for the year	–	–	–	–	56,141	–
Taxation on realisation of prior year revaluation surplus	–	–	–	–	127	–
Net share acquisitions in the year	–	–	–	–	–	(709)
At 30th November 2004	**9,167**	**9**	**356**	**177,171**	**70,564**	**(1,974)**

'Own shares' represents the cost of 679,868 (2003: 908,689) shares held in the Employee Benefit Trust. Their open market value was £2,073,597 (2003: £2,348,961).

Notes to the accounts continued

21 Group cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	2004 £'000	Restated 2003 £'000
Operating profit	**33,801**	34,538
Depreciation and amortisation charges	**308**	206
Decrease/(increase) in debtors	**11,529**	(13,729)
(Increase)/decrease in stocks	**(33,904)**	16,929
Increase/(decrease) in creditors	**3,185**	(6,934)
Net cash inflow from operating activities	**14,919**	31,010

(b) Analysis of net debt

	2003 £'000	Cash Flows £'000	2004 £'000
Cash			
Cash at bank and in hand	92	3,560	**3,652**
Bank overdraft	(3,664)	3,664	**–**
	(3,572)	7,224	**3,652**
Debt due within one year	(3,455)	3,014	**(441)**
Debt due after one year	(127,941)	(102,572)	**(230,513)**
	(131,396)	(99,558)	**(230,954)**
	(134,968)	(92,334)	**(227,302)**

22 Net asset value

	2004 pence	Restated 2003 pence
Net assets per share	**221.4**	184.9
FRS19 deferred tax provision for disposal of investment properties	**(20.3)**	(15.1)
Fair value of interest rate derivatives (post tax)	**(0.3)**	(0.2)
Triple net asset value per share	**200.8**	169.6
Fair value of investment in Northern Racing PLC (post tax)	**5.2**	6.3
FRS19 deferred tax provision on potential clawback of capital allowances	**4.4**	3.2
Adjusted net assets per share	**210.4**	179.1

23 Commitments and contingencies

The company has guaranteed the loans and overdrafts of subsidiary companies, which at 30th November 2004 amounted to £135,811,000 (2003: £122,441,000) and has granted a fixed charge over its investment properties as security.

At 30th November 2004 the group had contracted capital expenditure of £1,528,000 (2003: £nil).

24 Related party transactions

Key Property Investments Limited ('KPI')
During the year KPI repaid its loan. The balance due to the Group at the year end was £nil (2003: £11,448,000).

Holaw (462) Limited
The balance due to the Group at the year end was £365,000 (2003: £365,000).

Barton Business Park Limited ('BBP')
During the year the Group lent £205,000 to BBP. The balance due to the Group at the year end was £1,137,000 (2003: £932,000).

Sowcrest Limited ('Sowcrest')
During the year the Group lent £1,374,000 to Sowcrest. The balance due to the Group at the year end was £1,454,000 (2003: £80,000).

Great British Kitchen Company Limited ('GBK')
During the year the Group wrote off the loan of £443,000 due from GBK and sold the company. The balance due to the Group at the year end was £nil (2003:£443,000).

Northern Racing PLC ('Northern') formerly known as The Chepstow Racecourse PLC
During the year the group lent £11,000 to Northern. The balance due to the Group at the year end was £623,000 (2003: £612,000).

Shaw Park Developments Limited ('SPD')
During the year the Group lent £507,000 to SPD. The balance due to the Group at the year end was £1,482,000 (2003: £975,000).

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

We have audited the group's financial statements for the year ended 30th November 2004 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Group Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Financial Highlights, 'St. Modwen at a Glance', Major Schemes & Offices, Chairman's Statement, Operating & Financial Review, Corporate & social responsibility, Senior management team, Directors' Report, Corporate Governance, unaudited part of the Directors' Remuneration Report and five year record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30th November 2004 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham
14th February 2005

Shareholder information

Financial Calendar	
Record date for 2004 final dividend	8th April 2005
Annual General Meeting	22nd April 2005
Payment of 2004 final dividend	29th April 2005
Announcement of 2005 interim results	July 2005
Payment of 2005 interim dividend	September 2005
Announcement of 2005 final results	February 2006

Ordinary Shareholdings at 30th November 2004

	Shareholders		Shares	
	No.	%	No.	%
By shareholder				
Directors and connected persons	19	0.4	26,826,393	22.2
Individuals	4,345	85.3	43,312,453	35.9
Insurance companies, nominees and pension funds	632	12.4	48,823.604	40.4
Other limited companies and corporate bodies	98	1.9	1,811,504	1.5
	5,094	100.0	120,773,954	100.0

	Shareholders		Shares	
	No.	%	No.	%
By shareholding				
Up to 500	1,311	25.7	341,377	0.3
501 to 1,000	926	18.2	727,733	0.6
1,001 to 5,000	1,902	37.3	4,550,338	3.8
5,001 to 10,000	415	8.2	3,013,530	2.5
10,001 to 50,000	382	7.5	7,885,411	6.5
50,001 to 100,000	51	1.0	3,601,559	3.0
100,001 to 500,000	68	1.3	13,811,253	11.4
500,001 to 1,000,000	21	0.4	14,951,814	12.4
1,000,001 and above	18	0.4	71,890,939	59.5
	5,094	100.0	120,773,954	100.0

Principal institutional shareholders at 30th November 2004

	Shares	
	No.	%
Thames River Capital	6,084,713	5.1
Legal & General Investment Management Limited	3,882,160	3.2
ING Investment Management	3,724,273	3.1
Barclays Global Investors Limited	3,267,913	2.7
M & G Investment Management Limited	2,855,075	2.4
Henderson Global Investors	1,735,118	1.4
Threadneedle Asset Management Limited	1,543,100	1.3
JP Morgan Fleming Asset Management	1,440,434	1.2
Framlington Investment Management Limited	1,200,000	1.0

Annual General Meeting

In accordance with the Directors' Remuneration Report Regulations 2002, shareholders will be asked to approve the directors' remuneration report (set out on pages 36 to 39) for the year ended 30th November 2004.

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

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

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

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

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

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

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

  The prescribed period for which these powers and authorities are granted will expire at the conclusion of the Annual General Meeting to be held next year (or on 21st July 2006 if earlier) when the directors intend to seek renewal of the authorities.

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

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

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

Notice of meeting

Notice is hereby given that the sixty-fourth Annual General Meeting of St. Modwen Properties PLC will be held at noon on 22nd April 2005 at the Ironmongers' Hall, Barbican, London EC2Y 8AA.

Ordinary Business
1. To receive and adopt the report of the directors and the accounts for the year ended 30th November 2004.

2. To declare a final ordinary dividend of 5.1p per share.

3. To re-elect as directors:
   i. Simon Clarke
   ii. Bill Oliver
   iii. Paul Rigg
   iv. Christopher Roshier,
   v. James Shaw

4. To reappoint Ernst &Young LLP as auditors and to authorise the directors to determine their remuneration.

5. To approve the directors' remuneration report contained on pages 36 to 39.

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

6. Ordinary Resolution
That the authority to allot relevant securities and equity securities conferred on the directors by Article 8.2 of the company's Articles of Association be and is hereby granted for the period ending on 21st July 2006 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.

Notice of meeting continued

7. Special Resolution
That the power to allot relevant securities and equity securities conferred on the directors by Article 8.2 of the company's Articles of Association be and is hereby granted for the period ending on 21st July 2006 or at the conclusion of the Annual General Meeting of the company to be held after the date of the passing of this Resolution (whichever is the earlier) and for such period the Section 89 amount shall be £603,870.

8. Special Resolution
That, in accordance with Article 10 of its Articles of Association and Section 166 of the Companies Act 1985, the company be and is hereby granted general and unconditional authority to make market purchases (as defined in Section 163 of the Companies Act 1985) of any of its own ordinary shares on such terms and in such manner as the board of directors may from time to time determine PROVIDED THAT the general authority conferred by this Resolution shall:
(a) be limited to 12,077,395 ordinary shares of 10p each;
(b) not permit the payment per share of more than 105% of the average middle market price quotation on the London Stock Exchange for the ordinary shares on the five previous dealing days or less than 10p (in each case exclusive of advance corporation tax (if any) and expenses payable by the company); and
(c) expire on 21 July 2006 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
Tim Haywood, Secretary
14th February 2005

Lyndon House
58-62 Hagley Road
Edgbaston
Birmingham B16 8PE

Notes

1. **Entitlement to Attend and Vote**
In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the company gives notice that only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the company (as the case may be) at 6 p.m. on Wednesday 20 April 2005 (the "Specified Time") will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at that meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the company gives notice of the adjourned meeting, at the time specified in the notice.
2. **Appointment of Proxies**
A member entitled to attend and vote at this meeting may appoint another person (whether a member or not) as his/her proxy, to attend and, on a poll, vote for him/her. Forms of proxy, one of which is enclosed, must be signed by the appointer and must be lodged at the registrar's office at least 48 hours before the meeting. A proxy need not be a member of the company.
3. **Electronic proxy appointment through CREST**
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 22nd April 2005 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. **Directors' Service Contracts**
Copies of the contracts of service between the company and Mr C. C. A. Glossop, Mr W. A. Oliver, Mr R. L. Froggatt and Mr T.P. Haywood are available for inspection at the registered office of the company on each business day during normal business hours and will be available on the day of the meeting, at the place of the meeting, from at least 15 minutes prior to the meeting until its conclusion. A register of directors' interests will also be available for inspection from the commencement of the meeting until its conclusion.

Five year record

	2000 £m	2001 £m	2002 £m	2003 £m	**2004 £m**
Rental income	26.9	27.3	30.7	42.5	**44.3**
Property profits	13.7	16.1	24.0	25.2	**34.0**
Pre-tax profit	21.7	25.5	30.0	35.0	**40.3**
Earnings per share (pence)	12.6	15.2	17.1	20.1	**25.0**
Dividends per share (pence)	4.3	4.9	5.7	6.6	**7.6**
Dividend cover (times)					
Normal basis	2.9	3.1	3.0	3.0	**3.3**
On recurring income	1.1	1.2	0.6	0.9	**0.5**
Net assets per share (pence)	115.3	136.5	159.7	184.9	**221.4**
Increase on prior year	16%	18%	17%	16%	**20%**
Net assets employed					
Investment properties	187.2	209.7	267.5	266.5	**363.9**
Investments	14.4	24.0	37.2	38.5	**52.2**
Work in progress	63.4	94.0	101.2	77.5	**118.0**
Other net liabilities	(24.5)	(22.1)	(39.2)	(24.2)	**(39.4)**
Net borrowings	(101.3)	(140.7)	(173.8)	(135.0)	**(227.3)**
Net assets	139.2	164.9	192.9	223.3	**267.4**
Financed by					
Share capital	12.1	12.1	12.1	12.1	**12.1**
Revaluation reserve	50.6	63.3	80.2	90.0	**114.2**
Profit and loss account	67.5	80.5	92.5	113.0	**133.5**
Other reserves	9.5	9.5	9.5	9.5	**9.5**
	139.7	165.4	194.3	224.6	**269.3**
Own shares	(0.5)	(0.5)	(1.4)	(1.3)	**(1.9)**
Shareholders' funds	139.2	164.9	192.9	223.3	**267.4**

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