

St Modwen Developments Limited

Annual Report and Financial Statements

30 November 2007

Registered Number 00892832

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St Modwen Developments Limited

Directors' Report

The directors present their report and financial statements for the year ended 30 November 2007

Results and Dividends

The retained profit of £5,445,029 (2006 £5,548,350) has been transferred to reserves

The directors do not recommend the payment of a dividend for the year (2006 £15,000,000)

Principal Activity

The principal activity of the Company is that of property development and property investment

Review of the Business and Principal Risks and Uncertainties

The company operates within the property development and investment market. The core business, within that market, is the renewal of brownfield land. The investment property market has weakened but we will continue to try and find profitable opportunities.

The UK property market is extremely competitive. By contrast, the regulatory environment is restrictive and becoming increasingly more so. The process of recycling brownfield land is becoming steadily more challenging with risk-based environmental assessments requiring a very detailed level of understanding of the remediation process.

The company's key performance indicators during the year were as follows

	2007	2006	Change
	£'000	£'000	%
Turnover	28,659	19,313	48%
Operating profit	5,053	7,790	(35)%
Profit after tax	5,445	5,548	(2)%
Net assets	22,433	14,802	52%

The St Modwen Properties PLC group manages the company's operations on a day to day basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. Key performance indicators for the entire group are covered in the group's Annual Report, which does not form part of this report.

Financial Risk Policies

Cash flow and liquidity risk

The group's principal financing position comprises cash, and debt from its parent undertaking, St Modwen Properties PLC.

St Modwen Developments Limited

Credit risk

The company's principal financial assets are bank balances and trade debtors

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors

Creditor payment policy

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

During the year ended 30 November 2007 trade creditors represented an average of 59 days' purchases (2006 36 days'). This has been calculated by expressing year end creditors as a fraction of purchases made in the year, and multiplying the resulting fraction by 365 days

Directors

The following were directors of the company during the year

T P Haywood

S F Prosser

J A W Dodds

S J Burke

C C A Glossop

W A Oliver

M W Herbert

M Taylor

D A West

R Joseland

T A Seddon

R T Wood (appointed 11th Jan 08)

St Modwen Developments Limited

Disclosure of information to the auditors

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

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

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

Auditors

Deloitte & Touche LLP, our newly appointed Auditors, have conducted the audit for the year ended 30 November 2007 and have expressed a willingness to remain in office. A resolution to reappoint Deloitte & Touche LLP will be put forward at the Annual General Meeting

On behalf of the board



T P Haywood
Director

Date 25/9/08

Statement of Directors' Responsibilities in Relation to the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

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

Independent Auditors' Report to the Members of St Modwen Developments Limited

We have audited the company's financial statements for the year ended 30 November 2007 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

St Modwen Developments Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP

Registered auditor

Birmingham

United Kingdom

Date *25/9/08*

Profit and Loss Account

For the year ended 30 November

	Notes	2007 £	2006 £
Turnover	1	<u>28,658,527</u>	<u>19,313,090</u>
Operating profit	1	5,053,331	7,789,950
Profit on sale of fixed assets		1,657,000	-
Net interest receivable	3	856,883	3,638
Profit on ordinary activities before taxation	4	<u>7,567,214</u>	<u>7,793,588</u>
Taxation on profit on ordinary activities	5	(2,122,185)	(2,245,238)
Retained profit for the year	14	<u>5,445,029</u>	<u>5,548,350</u>

All activities derive from continuing operations

St Modwen Developments Limited

Balance Sheet

At 30 November

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	7	50,108,009	46,783,309
Investments	8	1,771,987	1,771,987
		<u>51,879,996</u>	<u>48,555,296</u>
Current assets			
Stocks	9	141,044,828	70,441,660
Debtors	10	3,430,804	2,796,550
Cash at bank and in hand		15,618,739	4,075,909
		<u>160,094,371</u>	<u>77,314,119</u>
Current liabilities			
Creditors amounts falling due within one year	11	(154,389,396)	(75,804,709)
Net current assets		<u>5,704,975</u>	<u>1,509,410</u>
Total assets less current liabilities		57,584,971	50,064,706
Creditors amounts falling due after more than one year – amounts due to parent company			
Provisions for liabilities and charges	12	(35,000,000) (152,441)	(35,000,000) (263,140)
Net assets		<u>22,432,530</u>	<u>14,801,556</u>
Capital and reserves			
Called up share capital	13	30,000	30,000
Revaluation reserve	14	6,200,756	4,373,822
Profit and loss account	14	16,201,774	10,397,744
Shareholders' funds		<u>22,432,530</u>	<u>14,801,566</u>

The Report and Accounts were approved by the Board of Directors on 25/9/08

Signed on behalf of the Board of Directors by



T.P. Haywood

Director

St Modwen Developments Limited

Supplementary Statements

For the year ended 30 November

	2007 £	2006 £
Statement of Total Recognised Gains and Losses		
Profit for the year	5,445,029	5,548,350
Unrealised surplus on revaluation of investment properties	1,826,934	3,961,060
Taxation on realisation of prior year revaluation deficit	359,001	-
Total recognised gains and losses for the year	<u>7,630,964</u>	<u>9,509,410</u>

	2007 £	2006 £
Reconciliation of Movements in Shareholders' Funds		
Profit attributable to shareholders	5,445,029	5,548,350
Dividends paid	-	(15,000,000)
Taxation on realisation of prior year revaluation deficit	359,001	-
Unrealised surplus on revaluation of investment properties	1,826,934	3,961,060
Net addition to/(deduction from) shareholders' funds	<u>7,630,964</u>	<u>(5,490,590)</u>
Opening shareholders' funds	14,801,566	20,292,156
Closing shareholders' funds	<u>22,432,530</u>	<u>14,801,566</u>

Accounting Policies

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

The company has taken advantage of the exemption under S228 of the Companies Act 1985 not to prepare Group accounts as it is included in the consolidated accounts of St Modwen Properties plc, its ultimate parent undertaking. These financial statements present information about the company as an individual undertaking and not about its group.

Basis of Preparation

The accounts have been prepared under the historical cost convention, modified by the revaluation of investment properties.

Turnover and Profit Recognition

Turnover represents sales of development properties, rental income receivable on a straight line basis to the first break point in the lease, and other recoveries. Profit on development properties is recognised on legal completion of sale.

Long Term Contracting

Profit is recognised on long-term contracts, if the outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Tangible Fixed Assets

Depreciation is not provided on investment properties which are subject to annual revaluations. Operating properties are depreciated by equal instalments over their expected useful lives at an annual rate of 2%.

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

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

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

Investment in Subsidiary and Joint Venture Companies

The investments in subsidiary and joint venture companies are included in the company's balance sheet at cost

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value, less amounts invoiced on account

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Interest

Interest incurred on properties in the course of development is charged to the profit and loss account

Cash Flow Statement

The company is a 100% subsidiary of St Modwen Properties PLC. Its cash flows are included in that company's consolidated cash flow statement. Consequently, the company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement

St Modwen Developments Limited

Notes to the Accounts

1. Turnover and Profit Analysis

	2007	
	Turnover £	Cost of sales £
Rental income	3,174,118	(705,950)
Property development	23,814,662	(22,896,621)
Other activities	1,669,747	-
	<u>28,658,527</u>	<u>(23,602,571)</u>
Administrative and other operating expenses		(2,625)
Operating profit		<u>5,053,331</u>

	2006	
	Turnover £	Cost of sales £
Rental income	3,284,547	(1,054,389)
Property development	13,334,735	(10,466,147)
Other activities	2,693,808	-
	<u>19,313,090</u>	<u>(11,520,536)</u>
Administrative and other operating expenses		(2,604)
Operating profit		<u>7,789,950</u>

The total turnover of the company for the year has been derived wholly in the UK

2. Information Regarding Directors and Employees

The group had no employees (2006 nil) and is managed by its parent company, St Modwen Properties PLC

None of the directors received any remuneration during the year (2006 - £Nil) The company had no employees (2006 nil) and is managed by its ultimate parent company, St Modwen Properties PLC

The remuneration of the directors is paid by other group undertakings for both the current financial year and the prior financial year and no part of their remuneration is specifically attributable to their services to this company

3. Net interest receivable

	2007 £	2006 £
Interest payable on bank and other loans and overdrafts	(2,369)	(8,227)
Bank interest receivable	859,252	11,865
Net interest receivable	<u>856,883</u>	<u>3,638</u>

4. Profit on ordinary activities before taxation

	2007	2006
	£	£
The profit on ordinary activities before taxation is stated after charging		
- depreciation of tangible fixed assets	2,604	2,604

Auditors' remuneration was borne by its parent company, St Modwen Properties PLC. The amounts borne were as follows

	2007	2006
	£	£
Fees payable to the company's auditors for the audit of the company's annual accounts	10,000	10,000
Fees payable to the company's auditors for other services to the company	3,000	3,000
- Tax services		
	<u>13,000</u>	<u>13,000</u>

The 2007 fees were payable to Deloitte & Touche LLP, the 2006 fees were payable to the incumbent auditors Ernst & Young LLP

5. Taxation on Profit on ordinary activities

	2007	2006
	£	£
(a) Analysis of charge in year		
Current tax		
UK Corporation Tax on profits of the year	2,250,000	2,265,000
Group Relief payable	-	48,000
Adjustments in respect of previous periods	(17,116)	(229,258)
Total current tax (note (b))	<u>2,232,884</u>	<u>2,083,742</u>
Deferred tax		
Origination and reversal of timing differences	12,688	55,000
Release of provision in respect of Industrial Buildings Allowances	(107,581)	-
Restatement of brought forward deferred tax provision to 28%	(9,982)	-
Adjustments in respect of previous periods	(5,824)	106,496
	<u>(110,699)</u>	<u>161,496</u>
Taxation on profits on ordinary activities	<u>2,122,185</u>	<u>2,245,238</u>

5. Taxation on Profit on ordinary activities (continued)

	2007 £	2006 £
(b) Factors affecting tax charge for year		
Profit on ordinary activities before tax	<u>7,567,214</u>	<u>7,793,588</u>
Profit on ordinary activities at the standard rate of UK Corporation Tax of 30%	2,270,164	2,338,076
Disallowed expenses and non-taxable income	30,000	29,924
Capital allowances for period in excess of depreciation	(51,000)	(55,000)
Adjustments in respect of previous periods	(17,116)	(229,258)
Other	836	-
	<u>2,232,884</u>	<u>2,083,742</u>

(c) Factors that may affect future tax charges

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

No provision has been made for the deferred tax asset arising as a result of gains or losses recognised on revaluing investment properties to market value. Such tax would become receivable only if the properties were sold. The total amount of unprovided deferred tax liability is £853,321 (2006 asset £279,707)

Full payment is made for group relief surrendered between related undertakings

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

6. Dividend

	2007 £	2006 £
Paid:		
- Current year interim dividend	<u>-</u>	<u>15,000,000</u>

7. Tangible Fixed Assets

	Freehold investment properties	Long leasehold investment properties	Long leasehold operating properties	Total
<i>Cost or Valuation</i>	£	£	£	£
At 30 Nov 2006	28,218,027	18,449,329	130,190	46,797,546
Additions	841,652	658,718	-	1,500,370
(Deficit) \ surplus on revaluation	(10,569)	1,837,503	-	1,826,934
At 30 Nov 2007	<u>29,049,110</u>	<u>20,945,550</u>	<u>130,190</u>	<u>50,124,850</u>
<i>Depreciation</i>				
At 30 Nov 2006	-	-	14,237	14,237
Charge for the year	-	-	2,604	2,604
At 30 Nov 2007	<u>-</u>	<u>-</u>	<u>16,841</u>	<u>16,841</u>
Net book value at 30 Nov 2007	<u>29,049,110</u>	<u>20,945,550</u>	<u>113,349</u>	<u>50,108,009</u>
Net book value at 30 Nov 2006	<u>28,218,027</u>	<u>18,449,329</u>	<u>115,953</u>	<u>46,783,309</u>

Freehold and long leasehold investment properties were valued as at 30 November 2007 and 30 November 2006 by King Sturge & Co, Chartered Surveyors in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of open market value

Historical cost of investment properties

	2007 £	2006 £
Freehold investment properties	30,561,812	29,720,160
Long leasehold investment properties	<u>14,196,450</u>	<u>13,537,732</u>
	<u>44,758,262</u>	<u>43,257,892</u>

8. Investments held as Fixed Assets

	Investment in subsidiary companies	Investment in joint ventures	Total
	£	£	£
At 30 November 2006	1,771,935	52	1,771,987
& 30 November 2007			

Investment in subsidiaries include

<i>Name</i>	<i>Proportion of shares held</i>	<i>Nature of principal Business</i>
St Modwen Developments (Quinton) Limited	100%	Property developers
St Modwen Developments (Edmonton) Limited	100%	Property investors
Trentham Leisure Limited	80%	Property and leisure operator
St Modwen Developments (Long Marston) Limited	100%	Property investors
Newcastle Regeneration Limited	100%	Dormant

The above companies are registered in England and Wales and the directors consider that the investments are worth at least the amount stated

Consolidated accounts are not prepared as the company is itself a wholly owned subsidiary

The investment in the joint ventures are

<i>Name</i>	<i>Proportion of shares held</i>	<i>Nature of principal Business</i>
Shaw Park Developments Limited	50%	Property developers
Barton Business Park Limited	50%	Property developers

9. Stocks

	2007	2006
	£	£
Gross work in progress	141,407,828	71,352,277
Less receipts on accounts	(363,000)	(910,617)
Work in progress	<u>141,044,828</u>	<u>70,441,660</u>

10. Debtors: amounts falling due within one year

	2007 £	2006 £
<i>Amounts falling due within one year</i>		
Trade debtors	1,233,789	1,258,245
Other debtors	919,679	1,534,777
Prepayments and accrued income	5,336	3,528
Amounts recoverable on contracts	1,272,000	-
	<u>3,430,804</u>	<u>2,796,550</u>

11. Creditors

	2007 £	2006 £
<i>Amounts falling due within one year</i>		
Floating Rate Guaranteed Unsecured Loan Notes 2009	5,437	5,437
Trade creditors	3,271,003	1,106,641
Amounts due to parent company	141,853,678	69,622,521
Corporation tax	1,891,864	2,265,000
Other taxation and social security	-	314,585
Other creditors	2,505,692	-
Accruals and deferred income	4,861,722	2,490,525
	<u>154,389,396</u>	<u>75,804,709</u>

Interest is paid at the base rate on the floating rate loan notes

12. Deferred Taxation

	Provided		Unprovided	
	2007	2006	2007	2006
	£	£	£	£
The amounts of deferred taxation provided and unprovided in the accounts are				
- capital allowances in excess of depreciation	152,441	263,140	-	-
- revaluation on investment properties	-	-	853,321	279,707
	<u>152,441</u>	<u>263,140</u>	<u>853,321</u>	<u>279,707</u>
Reconciliation of movement on deferred tax liability				
				£
Balance as at 30 November 2006				263,140
Profit and loss account (note 5)				(110,699)
Balance as at 30 November 2007				<u>152,441</u>

13. Called up share capital

	2007	2006
	£	£
Authorised		
Equity share capital 30,000 Ordinary £1 shares	<u>30,000</u>	<u>30,000</u>
Allotted and fully paid		
Equity share capital 30,000 Ordinary £1 shares	<u>30,000</u>	<u>30,000</u>

14. Reserves

	Revaluation Reserve	Profit & Loss Account
	£	£
At 30 November 2006	4,373,822	10,397,744
Revaluation of investment properties	1,826,934	-
Retained profit for the year	-	5,445,029
Tax on realisation of prior year revaluation deficit	-	359,001
At 30 November 2007	<u>6,200,756</u>	<u>16,201,774</u>

15. Commitments and Contingencies

The company has guaranteed the bank loans and overdrafts of certain fellow group companies, which at 30 November 2007 amount to £27,161,671 (2006 £18,488,096)

16. Related Party Transactions

As the company is wholly owned by the group, it has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose transactions with other companies wholly owned by the St Modwen Properties PLC group

17. Ultimate Parent Company

The ultimate parent company is St Modwen Properties PLC, a company registered in England. Copies of the Group report and accounts of St Modwen Properties PLC are available from the Registered Office at Sir Stanley Clarke House, 7 Ridgeway, Quinton Business Park, Birmingham, B32 1AF. This is the largest and smallest group into which this company is consolidated