



Our Ref: TPH/sja

28th January 2010

Ms. H. O'Sullivan,
Project Director,
The Auditing Practices Board Limited,
5th Floor, Aldwych House,
71-91 Aldwych,
London.
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Dear Ms. O'Sullivan,

RE: APB Consultation – Provision of Non-Audit Services by Auditors

Background

St. Modwen Properties PLC is a FTSE 250 listed company with a market capitalisation of approximately £400m, and net asset value also of approximately £400m. The Company is the UK's leading regeneration specialist, employing over 200 people with 7 regional offices and total assets under its control of £1b. The Company is audited by Deloitte LLP to whom fees have been paid over the last two years as follows:

	2009	2008
	£k	£k
Fees payable for the audit of the Company's annual accounts	107	115
The audit of subsidiary companies and joint ventures pursuant to legislation	112	122
Other services pursuant to legislation	46	58
Sub total	265	295
Tax services	284	124
Other services*	263	0
TOTAL FEES	812	419

* Principally comprising work done in respect of refinancing and equity issue – working capital review and giving opinion to sponsors

Response to Consultation Paper

We believe that the overall objective of any guidance or regulation in this area should be to obtain a sensible balance between on the one hand the clear proscription of services that may compromise the auditor's independence and, on the other hand, the use of common sense by audit committees and boards of directors in considering the nature of work requested of the auditor. Typically non-audit services are either those required of the auditor by law or regulation, or that need a similar level of independence and objectivity as the audit such that it is logical to engage the auditor.

1) Disclosure

We consider that investor confidence in the existing governance approach may be increased by enabling shareholders to understand better the nature of the non-audit services provided and the reasons for the auditor providing them. The narrow definition of audit fee merely as fees paid by the company to its statutory auditor in respect of the audit of the company can be misleading as it excludes other regulatory and statutory work under non-audit services. The resulting disclosure therefore fails to make a distinction between those services which represent a potential conflict to the auditor's independence and those that do not.

2. Quality and Safeguards

Our board of directors and audit committee understand very well the existing requirements under a corporate governance framework that requires them to ensure that there are no conflicts of interest, no threats to independence, but also to ensure that the choice of supplier for a particular piece of non-audit work can be done with the greatest regard for flexibility, quality and cost effectiveness. Evidence of this was the Board's recent decision to drop Deloitte as remuneration adviser on their appointment as auditors. Looking ahead, similar constraints will apply to our use of Drivers Jonas following their recent takeover by Deloitte.

The existing UK framework provides ample opportunity for competition between firms and for choice in the marketplace. Companies have the flexibility and freedom to leverage their auditors' existing knowledge of their business where appropriate. This was particularly significant for St. Modwen in its considerations of the provider for work in relation to its recent refinancing and equity issue, where the background and knowledgeable insight of the audit firm was leveraged to deliver a highly efficient, thorough and cost-effective piece of work, whilst the safeguards in place at Deloitte ensured that there was a clear segregation of duties from the audit team and that no conflicts of interest arose. We would not welcome a change to the flexibility available to us in this area represented by the introduction of additional regulation.

3. Flexibility and Choice

We do not consider that allowing the provision of non-audit services by a company's auditor undermines competition and choice. In fact we believe the opposite is the case. We have a greater choice where both auditors and non-auditors are each available to provide services.

In the current environment where there are only effectively four firms from which to choose for a piece of substantial work for a listed company, restricting that choice by eliminating the incumbent auditor would be counterproductive. Furthermore in the context of the underlying business model of auditing firms themselves, it may well be argued that unduly onerous restrictions on their ability to undertake non-audit work could further restrict the supply of firms willing to undertake audit work, which in turn could reduce the quality of professional staff attracted to such firms.

The existing auditing standards require the auditor to maintain independence, objectivity and integrity. These requirements give assurance as to the robustness and quality of the work performed. Further the auditor gains a unique perspective from reporting on the financial statements to the company's shareholders. Thus the auditor is trusted both by the company and critically by external shareholders to whom objectivity and independence is important. The provision of a range of non-audit services allows the maintenance of a breadth of skills that can be brought to bear in an audit.

Conclusion

At a time when the economy's recovery from the credit crisis remains fragile, the wider detrimental effects of introducing more restrictive standards around the provision of non-audit services should be avoided. We have benefited from our auditor providing services which enable prompt action to be taken, for example in securing our additional funding. Where assurance services have been required our auditors can apply their cumulative audit knowledge against a background of managing closely their objectivity and independence.

We should steer clear of any additional regulatory measures which would be both unnecessary and costly. However we do consider that clearer disclosure requirements might be helpful.

Yours sincerely,



Tim Haywood
Finance Director

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