



St. MODWEN PROPERTIES PLC

Head Office & Registered Office:

Sir Stanley Clarke House, 7 Ridgeway, Quinton Business Park, Birmingham B32 1AF

Tel: 0121-222-9400. Fax: 0121-222-9401.

email: info@stmodwen.co.uk web site: www.stmodwen.co.uk

Our Ref: CCAG/sja

21st June 2007

Sir Christopher Hogg,
Chairman,
Financial Reporting Council,
Aldwych House,
71-91 Aldwych,
London.
EC2B 4HN

Dear Sir Christopher,

RE: Review of the Impact of the Combined Code

Thank you for the copy of the consultation paper on the Impact of the Combined Code. I am pleased to set out my comments and those of my Board colleagues on the impact of the code on our business.

1. Is the 'Comply or Explain' Approach Working Efficiently?

The simple answer is "no". It appears that, for certain investors and representative groups, the option of providing an explanation for apparent non-compliance is assumed to be unacceptable. Based on discussions that we have had with a number of such organisations, there is a predisposition to a 'tick box' approach that treats any non-compliance (no matter how explained) as a cause for a negative vote.

Continued....

Directors:

C. C. A. Glossop, M.A. (Chairman), W. A. Oliver, B.Sc., F.C.A. (Chief Executive), S. J. Burke (Construction Director), T. P. Haywood, M.A., F.C.A. (Finance Director)

Non-Executive Directors:

S. W. Clarke, M. E. Francis, C.B.E., M.A., R. I. Menzies-Gow, M.A., D. P. Rigg, D.L., C.P.F.A., C. E. Roshier, M.A., F.C.A., J. H. Salmon, F.C.A.

Registration: England 349201.

We suggest that the FRC should (a) remind investors forcefully of the need to devote sufficient staff, of sufficient quality, to consider explanations carefully and be open to accepting those explanations; (b) encourage company boards to offer well-thought-through explanations where they are merited; and (c) reassure companies and investors that, since the 'tick box' problem is unlikely to disappear overnight, a proportion of negative votes or abstentions on resolutions where an explanation has been offered may be inevitable.

In our annual report this year we explained why we considered that a NED who had exceeded the Code's guideline length of service still made an important and independent contribution to board discussions. One investor body took the trouble to meet us to discuss this and other matters before the AGM, and recommended investors to accept our explanation. Another investor body, and some individual shareholders, made no attempt to discuss our explanation and recommended / voted against re-election of the director because he no longer "complied" with the Code. That is not a healthy state of affairs for either boards or investors. Our board does not like to receive negative votes, but on this occasion we felt we should not ascribe too much weight to the outcome.

2. What Impact has the Code had on smaller companies?

We are a growing company moving in to the FTSE 250 since the Code was implemented and we have found its impact manageable.

3. Non-Independent Non-Executive Directors ('NEDs') and the Definition of 'Independence'

We do have one issue in this area that affects us. The Clarke / Leavesley families control 42% of the company's share capital.

The Board feels that in these circumstances having a member of the family on the Board is sensible. Under the Code he is categorised as non-independent and as such would normally not be a member of Audit / Remuneration Committees. If he was a classic non independent – e.g. ex-employee, professional working with company or otherwise non 'independent' of management we would support that view. However if he is independent of management, as in our case, why should he be treated as a lesser director and excluded from such committees? The appointment of such a director to the audit / remuneration committees should require the approval of all the independent directors who should also be in a substantial majority on each of the two committees.

4. Board Workload

We do not have a problem with the Combined Code in this respect.

5. Reporting

There is, I believe, an overall concern that the overall effect of the Code, IFRS, Companies Act, and a litigious age has made companies very defensive in their communications to shareholders. Many reports now are quite simply indigestible and the true message of how the company is performing, its future prospects and its governance run the risk of getting lost in the verbiage.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. C. A. Glossop', with a long horizontal flourish extending to the right.

C. C. A. Glossop
Chairman