



St. MODWEN PROPERTIES PLC

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Our Ref: CCAG/sja

4th July 2007

P. Boyle Esq.,
Financial Reporting Council,
Aldwych House,
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London.
EC2B 4HN

Dear Paul,

RE: Choice in the UK Audit Market

Thank you for sending me a copy of the interim report of the Market Participants Group on Choice in the UK Audit Market.

Having consulted with my Board colleagues I am pleased to submit our response to this consultation exercise.

We have recently completed a tender process for the provision of audit and tax services, and consequently consider ourselves reasonably informed as to the state and nature of the market for such services. In choosing our preferred supplier, our principal criteria for selection were based around the quality and relevant experience of the engagement team personnel. We included a none 'Big Four' firm in our tender process, and remained open minded and willing to select this firm subject only to the principal criteria above.

We certainly agree with the basic premise of the study group, that choice in this area is limited, and with the premise that any further reduction in this choice would be potentially detrimental in both terms of quality and cost. In particular, given the increasing restrictions as to the additional services that can be procured from a company's incumbent auditor, it is increasingly difficult to procure such work efficiently and cost effectively.

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:

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However, we believe that the Group's inherent assumption that the solution to a market supply and demand issue can be addressed by regulation is flawed, for the following reasons:

1. The increased burden of further regulation will fall proportionately heaviest on smaller client companies and smaller audit firms.
2. Further restricting the ability of audit firms to provide additional services may lessen the attractiveness of the audit firm as an employer, leading to lower quality auditors and the provision of lower quality service.
3. In our experience, there are no barriers between incoming and outgoing auditors on transition.
4. Increasing shareholder involvement in the selection of an auditor is both impractical and undesirable (and in any event, investor groups and corporate governance agencies would likely have a strong inclination towards the safe harbour of a 'Big Four' auditor).

Although the other recommendations from the Group are predominantly targeted at the providers of audit services, we support the objective of attempting to minimise the number of meretricious claims against auditors, and are in principle in favour of the concept of changes to reduce auditor liability to insurable levels.

We believe that auditors beneath the 'Big Four' should be encouraged to compete by improving the quality of their people and processes.

One useful action, we believe, would be if stakeholders such as fund managers, corporate governance agencies and the like encouraged boards in the belief that having a non-'Big Four' auditor was not necessarily a negative (and we are pleased to note that the FRC itself follows this line). You are obviously saying it already but constant repetition may get the message through.

Yours sincerely,



C. C. A. Glossop
Chairman