

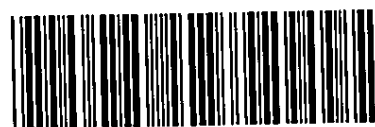
Registered number 04848576

A & J MUCKLOW (HALESOWEN) LTD

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2007

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COMPANIES HOUSE

A & J MUCKLOW (HALESOWEN) LTD

DIRECTORS	Rupert J Mucklow BSc D J Parker D Wooldridge FCCA ACIS
SECRETARY	D Wooldridge FCCA ACIS
REGISTERED OFFICE	60 Whitehall Road Halesowen West Midlands B63 3JS
REGISTERED NUMBER	04848576 England and Wales
AUDITORS	Deloitte & Touche LLP Birmingham

REPORT AND ACCOUNTS - 30 JUNE 2007

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A & J MUCKLOW (HALESOWEN) LTD

REPORT OF THE DIRECTORS

The Directors submit their Report and the Audited Accounts of the company for the period to 30 June 2007

ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary undertaking of the ultimate parent company A & J Mucklow Group plc registered number 00717658 in England and Wales

The Directors' report has been prepared in accordance with the special provisions relating to small companies under Section 246(4) of the Companies Act 1985

PRINCIPAL ACTIVITY

The Company has been dormant since incorporation in July 2003, but in September 2006 it acquired a property in Birmingham, West Midlands for £8.9m. The principal activity of the company is that of property investment.

CAPITAL CONTRIBUTION

During the year the parent company made a capital contribution of £10,100,000 to fund the Company's working capital requirements. Since the year end the company has received further capital contributions of £710,000.

DIRECTORS

The Directors who served throughout the period were Messrs Rupert J Mucklow and P M Petherbridge. P M Petherbridge resigned as a director of the company on 30 June 2007, D Justin Parker was appointed on 26 September 2006 and David Wooldridge was appointed on 12 September 2007.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

A & J MUCKLOW (HALESOWEN) LTD

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' RESPONSIBILITIES

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 these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

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

1 so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

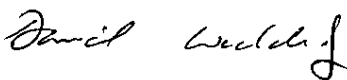
2 the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

AUDITORS

Deloitte & Touche LLP will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Approved by the Board of Directors on 14 February 2008
and signed on their behalf by



David Wooldridge
Company Secretary

A & J MUCKLOW (HALESOWEN) LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

A & J MUCKLOW (HALESOWEN) LTD

We have audited the financial statements of A & J Mucklow (Halesowen) Limited ("the Company") for the year ended 30 June 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 financial statements in accordance with applicable law and United Kingdom 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 judgements 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.

A & J MUCKLOW (HALESOWEN) LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

A & J MUCKLOW (HALESOWEN) LTD (CONTINUED)

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 June 2007 and of its loss 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
Chartered Accountants and Registered Auditors
Birmingham
United Kingdom

20 February 2008

A & J MUCKLOW (HALESOWEN) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
	Note	£	£
Gross rentals		2,697	-
Property outgoings		(87,743)	-
Net rental income		<u>(85,046)</u>	<u>-</u>
Administrative expenses		(21,033)	-
Operating loss	2	<u>(106,079)</u>	<u>-</u>
Deficit on revaluation of development properties		(208,031)	-
Loss on ordinary activities before interest		<u>(314,110)</u>	<u>-</u>
Other interest receivable and similar income	4	10,022	-
Interest payable and similar charges	5	(859)	-
Loss on ordinary activities before taxation		<u>(304,947)</u>	<u>-</u>
Taxation	6	71,848	-
Loss for the financial year		<u><u>(233,099)</u></u>	<u><u>-</u></u>

All activities derive from continuing operations

There are no recognised gains and losses other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses is presented.

BALANCE SHEET AS AT 30 JUNE 2007

Approved by the Board on 14 February 2008

Directors

A & J MUCKLOW (HALESOWEN) LTD

NOTES TO THE ACCOUNTS

30 JUNE 2007

1) Accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with all applicable United Kingdom accounting standards, except that, as explained below, capital grants received relating to investment properties are deducted from the cost of the property, rather than being amortised to the profit and loss account. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

All accounting policies have been applied consistently throughout the year and the preceding year.

b) Rental income

Gross rental income represents rents receivable for the year. Rent increases arising from rent reviews due during the year are taken into account only to the extent that such reviews have been agreed with tenants at the accounting date.

Lease incentives are amortised on a straight-line basis over the period to the next rent review.

All rental income arises in the UK.

c) Profits on the sale of investment properties

Profits on the sale of investment properties are taken into account on the completion of contracts. Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as exceptional items.

d) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Tax is recognised in the profit and loss account except for items that are reflected directly in reserves, where the tax is also recognised in reserves.

e) Cost of properties

An amount equivalent to the net development outgoings, including interest, attributable to properties held for development is added to the cost of such properties. A property is regarded as being in the course of development until Practical Completion.

A & J MUCKLOW (HALESOWEN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2007

1) Accounting policies (continued)

f) Valuation of properties

Investment properties held for the long term are valued at the balance sheet date at market value. Surpluses and deficits attributable to the company arising from revaluation are taken to revaluation reserve.

The company has changed its accounting policy for the valuation of properties under development. Previously they were valued at cost until completion, when they were transferred to investment properties and valued at open market value. The company has considered this policy and has decided to value properties under development at open market value to be consistent with the Group's policy for valuing developments. This has had no effect on current or prior year net assets. The profit and loss account is unaffected by this change in policy for the two years under review.

g) Depreciation

In accordance with the Statement of Standard Accounting Practice No 19 "Accounting for investment properties" no depreciation is provided in respect of freehold investment properties or leasehold properties with over 20 years to expiry. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

h) Government grants

Grants receivable in respect of investment properties are credited directly to the cost of the asset. This treatment is not in accordance with Schedule 4 to the Companies Act 1985 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 227(6) of the Companies Act 1985 in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account.

i) Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

A & J MUCKLOW (HALESOWEN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2007

1) Accounting policies (continued)

j) Cash flow statement

The directors have taken the exemption contained in Financial Reporting Standard No 1 (revised) from preparing a cash flow statement on the grounds that the Company is a wholly owned subsidiary of A & J Mucklow Group plc which itself has prepared a consolidated cash flow statement incorporating the Company

2) Operating loss

a) Is stated after crediting

	2007 £	2006 £
Rent from land and buildings (net of outgoings)	<u>(85,046)</u>	<u>-</u>

b) All audit costs are borne by A & J Mucklow & Co Limited The costs incurred by A & J Mucklow & Co Limited on behalf of the company are as shown below

Fees payable to the company's auditors for the audit of the company's annual accounts	1,500	1,500
Fees payable to the company's auditors for other services		
- tax advisory	<u>3,750</u>	<u>-</u>
Total fees payable to the company's auditors	<u>5,250</u>	<u>1,500</u>

3) Information regarding directors and employees

No director (2006 no director) received any emoluments from the company during the year 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

Two directors (2006 One director) were members of a defined contribution pension scheme operated by the Group One director (2006 one director) received contributions to his personal pension from another Group company

The average number of persons (directors) employed by the company during the year was as follows

	2007 No	2006 No
Management	<u>3</u>	<u>2</u>

A & J MUCKLOW (HALESOWEN) LTD

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2007

4) Other interest receivable and similar income

	2007 £	2006 £
Interest on short term deposit	<u>10,022</u>	<u>-</u>

5) Interest payable and similar charges

	2007 £	2006 £
Interest on overdue tax	<u>859</u>	<u>-</u>

6) Taxation

	2007 £	2006 £
<i>(a) Analysis of tax (credit)/charge in period</i>		
<i>Current tax</i>		
UK Corporation tax on loss for the period	(271,848)	-
REIT conversion charge	200,000	-
Total current tax – see 5 (b)	<u>(71,848)</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
Tax on ordinary activities	<u>(71,848)</u>	<u>-</u>
<i>(b) Factors affecting tax credit in period</i>		
Loss on ordinary activities before taxation	<u>(304,947)</u>	<u>-</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK Corporation tax of 30% (2006 30%)	(91,484)	-
Excess of capital allowances over depreciation	(151,418)	-
REIT conversion charge	200,000	-
Revaluation movements in profit and loss	62,409	-
Capitalised interest	(91,355)	-
Current tax credit for the period – see note 5 (a)	<u>(71,848)</u>	<u>-</u>

(c) Factors that may affect future tax charges

The directors anticipate that the current tax charge will remain below the statutory rate due to the fact that capital allowances are available on the investment properties which are not depreciated. These allowances have rarely been clawed back. If changes proposed in the 2007 Budget are ultimately enacted, the allowances relating to 'industrial buildings' cannot be clawed back and the appropriate deferred tax liability will be released.

The Chancellor's budget announced proposed changes to the future rate of corporation tax to reduce the rate to 28% (2006 30%). The Finance Bill was approved by the House of Commons on 26 June 2007 and will therefore have an effect on future deferred tax balances and on future tax charges.

A & J MUCKLOW (HALESOWEN) LTD

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2007

6) Taxation (continued)

A & J Mucklow Group plc, the ultimate holding company, elected in May 2007 to become a Real Estate Investment Trust (REIT) for UK tax purposes. As a result, no corporation tax will be due on future income or capital gains in respect of investment properties within the REIT group, of which A & J Mucklow (Halesowen) Limited is a member.

7) Fixed Assets

	Freehold £
At 1 July 2006	-
Additions	9,979,600
Capitalised Interest	304,519
Deficit on revaluation	(208,031)
	<u>10,076,088</u>

8) Debtors

	2007 £	2006 £
Amounts owed in respect of Predemanded Rent	2,697	1
VAT	31,257	-
Corporation tax	71,848	-
	<u>105,802</u>	<u>1</u>

9) Creditors

	2007 £	2006 £
Amounts owed by group undertakings	550,895	-
Trade Creditors	37,208	-
Accruals	171,657	-
	<u>759,760</u>	<u>-</u>

10) Share capital

	2007 £	2006 £
<u>Authorised</u>		
1 Ordinary Share of £1 each	<u>1</u>	<u>1</u>
<u>Allotted, called up and fully paid</u>		
1 Ordinary Share of £1 each	<u>1</u>	<u>1</u>

A & J MUCKLOW (HALESOWEN) LTD

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2007

11) Commitments

	2007 £	2006 £
<u>Capital</u>		
Capital expenditure contracted for but not provided for	<u>88,106</u>	<u>-</u>

12) Ultimate parent company and related party disclosures

The ultimate parent company and ultimate controlling party is A & J Mucklow Group plc, a company registered in England and Wales. Copies of the group financial statements of A & J Mucklow Group plc are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

As the company is a wholly owned subsidiary it has taken advantage of the exemption under Financial Reporting Standard No 8 "Related party disclosures" not to disclose transactions with other companies in the Group.

13) Reserves

	Profit and Loss Account £	Total £
At 1 July 2006	-	-
Retained Loss	(233,099)	(233,099)
Capital Contribution	10,100,000	10,100,000
At 30 June 2007	<u>9,866,901</u>	<u>9,866,901</u>

14) Post Balance Sheet Events

Since the year end the company has received a capital contribution of £710,000 from the parent company, A & J Mucklow Group plc.