Company number 00717658

Mucklow

Real estate
Investors
And developers

A&J Mucklow Group plc
Annual Reports and Accounts
For the year ended 30 June 2008

A & J Mucklow Group was founded in the West Midlands in 1933 and listed on the London Stock Exchange in 1962. Its principal activity is to develop and invest in modern industrial and commercial buildings in prominent locations around the Midlands.

The Group's main objective is the long-term enhancement of shareholder value through dividend and capital appreciation

Contents

Front cover Tachbrook Park, Leamington Spa

IFRS loss before tax

£26·7m

(2007 profit £33 4m)

Property portfolio written down by

£40 9m (13 4%)

(2007 up £16 5m)

Ordinary dividend per share[1] up 20% to

17·68p

(2007 14 73p)

Adjusted net asset value per share[2] down 15% to

379p

(2007 445p)

Property portfolio initial yield 6 5% Equivalent yield 7 2%

£20·0m

fixed rate 15 year loan agreed at

5 59%

Year end gearing (net of cash)

13%

(2007 7%)

Net rental income up 12 1% to

£15·2m

Occupancy level

93%

(2007 94%)

Notes

[1] Recommended final dividend of 9 65p (2007 8 04p) making the total in respect of the year ended 30 June 2008 17 68p (2007 14 73p)

[2] EPRA (European Public Real Estate Association) net asset value excluding deferred tax and including the surplus on trading properties and the mark to market of debt, see note 9 for details

Strategy

Our long-term objective remains focused on accumulating a quality portfolio of modern, income producing properties, with potential for long-term rental and capital growth The three main areas of our strategy are

- **Selectively acquiring and disposing of investment properties**
- **Developing new properties for long-term investment**
- **Actively managing our assets to enhance value**

Chairman's Statement

Over the last 12 months there has been a significant adjustment in the pricing of land and commercial properties across the UK, as a result of tighter credit conditions and a change in investor attitude After several years of steady capital growth, we have written down the value of our property portfolio by £41 2m through our income statement, for the year ending 30 June 2008, which has created a substantial loss for the period and reduced our adjusted net asset value per share by 14 8%

A correction in property yields had been expected for some time, as the investment market became overheated and the returns from commercial property were below the cost of borrowing However, the speed and severity of the decline in values has been far greater than anticipated, particularly towards the end of our financial year and although our business remains in good health, with low gearing and an increase in property rental profits, the reduction in the value of our assets has had a negative impact on these results

Results
Pre-tax loss for the year ended 30 June 2008 under IFRS‡ was £26 7m, compared with a profit of £33 4m for the corresponding period last year The loss is attributed to a £41 2m reduction in the market value of the Group's investment properties and development land, compared with a surplus of £16 3m last year

EPRA diluted earnings per share† increased during the period from 17 75p to 23 13p per share The underlying rental profits before tax*, excluding deficits on the revaluation of the property portfolio, premium on the redemption of debenture stock and profit on the disposal of investment and trading properties, was 23 6% higher at £11 9m (2007 £9 6m) Net rental income rose by 12 1%, from £13 5m to £15 2m

EPRA (adjusted) net asset value per share†, including the current value of our trading properties, fell during the year from 445p to 379p per share as a result of the fall in property values Shareholders' funds reduced to £222 7m (2007 £259 3m), while borrowings net of cash amounted to £29 2m (2007 £17 6m), representing 13% of Shareholders' funds (2007 7%)

The Board is recommending the payment of a final dividend of 9 65p per Ordinary share, making a total for the year of 17 68p per share, an increase of 20% over last year's total of 14 73p per share If approved by shareholders, the dividend will be paid on 2 January 2009, to shareholders on the register at the close of business on 28 November 2008

Shareholders are reminded that the dividend consists of two elements a property income distribution (PID) and a non-PID The allocation of the dividend between PID and non-PID may vary over time The allocation of the final dividend per share between PID and non-PID will be 7 72p PID and 1 93p non-PID The PID dividend is subject to the deduction of withholding tax at the basic rate (20% for 2008/09) Certain classes of shareholder can claim exemption from the withholding tax Forms are available from our website (www mucklow com) The non-PID element will be paid as a normal dividend

The Board intend to seek shareholder approval for the authority to buy back up to 15% of the Group's Ordinary share capital at an EGM to be held after the AGM on 11 November 2008 Our share price is currently at a significant discount to the revised net asset value Further details will be provided in the EGM circular to Shareholders

Property Review
Our strategy of selling secondary and non-core assets over the last few years, in a buoyant investment market, has proved to be the right decision, now that property values are falling in response to higher funding costs and a general economic slowdown The majority of our remaining investment properties are very modern and securely let to strong covenants and continue to provide us with good long-term growth prospects

The development programme has also been successful, with approximately 70% of new space being reserved or let We completed three speculative developments during the year at Worcester, Dudley and Wednesbury totalling 109 000 sq ft and commenced construction on a further 115,000 sq ft at Dudley We have also agreed terms to develop a pre-let 128,500 sq ft building at one of our sites at Coventry, which is conditional on the outcome of a planning appeal, which may take some time to process

The leasing market for good quality industrial space around the Midlands has remained fairly active throughout the year We have maintained our vacancy levels at around 7%, including the new developments and managed to achieve rental growth of approximately 2% on the existing property portfolio

The recent introduction of business rates on vacant industrial properties and the anticipated slowdown in occupier demand over the next 12 months has temporarily put a hold on any further speculative developments However, we are continuing to market various commercial sites for pre-lets and exploring ways to add value through active management

DTZ Debenham Tie Leung reviewed the value of our investment properties at 30 June 2008 The investment portfolio, including commercial land and new developments, was valued at £264 4m, which showed a deficit for the year of £40 9m (13 4%) The average equivalent yield on our investment properties increased from 6 0% to 7 2% during the year and the value of our development land fell by 9 5%

We sold 2 3 acres of residential land in the first half year for £2 7m, with a book value of £0 1m No further sales were made in the second half year The value of the trading properties was also reviewed by DTZ Debenham Tie Leung as at 30 June 2008 The total value was £5 7m (2007 £10 0m) which showed a surplus of £4 8m over book value, equivalent to 8p per share

The balance sheet remains in good shape with total borrowings of £31 4m and net gearing of only 13% at 30 June 2008 In May 2008, we agreed to borrow £20m from Lloyds TSB Bank plc, at a fixed rate of 5 59% for a period of 15 years The funds have been used to pay off existing revolving credit facilities, providing additional cash to help fund any new investment or development opportunities that arise

In May 2008 we also strengthened our Board with the appointment of Stephen Gilmore as an independent non-executive director Stephen is a corporate lawyer and was previously Partner in charge of the Birmingham office of Cobbetts LLP

Outlook

The economic indicators for the next 12 months do not look very favourable which could impact on the UK occupier market and cause a further deterioration in property values Fortunately, we are in a strong position of having low gearing and a modern portfolio of quality let properties with very few leases expiring over the next few years

We anticipate a challenging period ahead Our main focus will be towards maintaining our occupancy levels and using our cash wisely, during these uncertain times We shall continue to watch the investment market closely and when appropriate, we intend to use our strong financial position to start buying quality investment properties on attractive terms across the Midlands

Rupert J Mucklow
Chairman
29 September 2008

‡ International Financial Reporting Standards
† See note 9 for the calculations
* See the property and financial review on page 9 for the calculations

Property and Financial Review

The severe economic and property market declines over the last twelve months have led to the most challenging conditions the Group has faced since the early 1990s Despite this environment, the fundamentals of the Group remain strong, with low debt levels, a well let, quality portfolio with a high occupancy rate and a 12% increase in net rental income

The Group remains lean, efficient and tightly managed

Strategy

The Group's long-term investment strategy remains unchanged Our objective is to maintain a balanced portfolio of modern, income producing properties with potential for future rental and capital growth The three main areas of our strategy remain

- Selectively acquiring and disposing of investment properties,
- Developing new properties for long-term investment, and
- Actively managing our assets to enhance value

We remain a selective developer of well located, quality property and a counter-cyclical investor in investment property We believe that the precise timing of acquisitions and disposals is crucial in boosting returns from our existing property portfolio In addition, the pro-active approach to the management of our assets allows us additional opportunity to enhance overall value

Investment

Following our conversion to a REIT in July 2007, the decision was made to make the main geographical focus of our business the Midlands Region

Given the recent dramatic adjustment of pricing in the UK property sector, our decision to dispose of over £100m of secondary, ex-growth assets over the last few years has proved more than justified This realigning of our investment portfolio to more quality stock has allowed us, to some extent, to insulate ourselves from the worst effects of the pricing adjustment that has affected the secondary property market Our portfolio now comprises mainly modern, securely let properties benefiting from the following characteristics

- No one tenant represents more than 3% of current passing rent,
- No one building or estate represents more than 7% of the portfolio valuation,
- Diversity of portfolio across the industrial, office and retail sectors,
- The retail element represents only 10% of the portfolio and comprises strategically located, single let investments with future development and asset management potential, and
- Average unexpired lease length in excess of 7 1 years

At the beginning of the financial year we purchased a modern 48,000 sq ft industrial investment located in Leamington Spa, adjoining our existing holding at Tachbrook Park, for £3 7m The property is well let and produces a rent of £252,500 per annum

Given the steep decline in property values across the UK over the course of the year, we have adopted a cautious approach to the purchase of investments We expect to encounter more suitable buying opportunities towards the end of this year and the beginning of next, at which time we will utilise our position of low gearing to take advantage of any suitable investments

Apex Park, Worcester
Developed 2008

21% let/reserved

Location	Junction 6, M5 motorway
Type	Office
Size	4,500–13,000 sq ft
Total area	28,000 sq ft (4 buildings)
Rental value	£0 4m per annum

Property and Financial Review

Development

Our strategy of developing high quality, well located, modern business accommodation has proved fruitful over the course of the last year with 259,443 sq ft of space developed of which 71% is pre-let or reserved These lettings represent an additional rent of £0 9m per annum Developments over the year have included

- Three speculative developments at Apex Park, Worcester (28,000 sq ft — offices), Yorks Park, Dudley (41,000 sq ft — industrial) and Wednesbury One (40,000 sq ft — industrial) have been completed,
- Following the purchase of 5 7 acres of land in December 2007, planning permission was also received for Phase 2 of Yorks Park, Dudley comprising three industrial units totalling 115,000 sq ft This phase is due to complete in autumn 2008 and all three units have been pre-let at a combined rent of £0 6m per annum, and
- An existing 32,000 sq ft industrial estate in Coleshill has been extensively refurbished to create a quality trade park

In addition we have agreed terms to develop a 128,500 sq ft bespoke building, subject to a successful planning appeal, on our site at Torrington Avenue, Coventry The development will be let on completion to an exceptional covenant on a 25 year lease

All the remaining commercial development land, comprising approximately 30 acres, is being actively marketed to prospective tenants Given the present uncertainty of the occupier market we feel it prudent to put on hold any further speculative development until a more confident and stable market returns

Asset management

This aspect of our strategy forms a key focus for the Group Through a systematic hands-on approach we have sought to drive additional value in terms of both rental and capital growth Despite the completion of an additional 259,443 sq ft of new developments and an increasingly challenging occupier market we have managed to maintain our occupancy level at around 93%

We are continually reviewing our portfolio for value enhancing opportunities During the last financial year we have agreed lease renewals on 91,500 sq ft, reviews on 333,367 sq ft and re-geared leases on 63,550 sq ft, with reviews increasing our rental income by £0 2m per annum, including a 20% increase in passing rent at our 24,681 sq ft Waitrose store in Harborne, Birmingham

During the year we purchased a strategic corner site to enhance our overall land holding at Enterprise Trading Estate, Merry Hill for a price of £0 2m

As at 30 June 2008 our investment portfolio, including commercial land and new developments, was valued at £264 4m by DTZ Debenham Tie Leung, which showed a deficit for the year of £40 9m (13 4%) The average equivalent yield on our investment properties increased during the year from 6 0% to 7 2%, with industrial at 7 3%, offices at 7 2% and retail at 6 5% at our year end

Trading properties

In August 2007 we completed the sale of 2 3 acres of residential land at Mellings Farm, Wigan for £2 6m This reflected a surplus over book value of £2 5m

The Group's trading properties mainly comprise residential land and were valued by DTZ Debenham Tie Leung as at 30 June 2008 at £5 7m (2007 £10 0m), which shows a surplus of £4 8m over book value

Wednesbury One, Wednesbury
Developed 2008

100% let/reserved

Location	Black Country New Road (A41)
Type	Industrial/warehouse
Size	20,000 sq ft
Total area	40,000 sq ft (2 units)
Rental value	£0 2m per annum

Property and Financial Review

Financial performance

For the first time we have presented our income statement in three column format (on page 36 of the annual report), showing the adjusted income and expense on a consistent basis with previous years, excluding the impact of revaluation movements, profits on the disposal of investment properties, debenture redemption premium, and their tax effects, deferred tax and the impact of REIT conversion At a pre-tax level, the adjusted profit of £14 4m (2007 £19 7m) shows a decrease from the prior year of £5 3m However, the decision to dispose of a significant amount of our trading properties (which remain taxable following our conversion to a REIT) increased the prior year pre-tax profits by £7 6m

The requirement of International Financial Reporting Standards to include revaluation movements on the investment property portfolio in the income statement has resulted in a £41 2m charge in 2008, against a credit of £16 3m in the prior year In addition, the Group's conversion to a Real Estate Investment Trust on 1 July 2007 led to a tax credit of £25 7m in the prior year, being £31 4m of deferred tax released, offset by a £5 7m REIT conversion charge A reconciliation of the movement in our post-tax results is shown below

	£000
Profit for the financial year ended 30 June 2007	51,969
Increase in net rental income	1,644
Reduction in profits realised from trading properties	(7,605)
Reduction in administration costs	218
Reduction in profit realised from investment properties	(2,199)
Change in property portfolio valuation	(57,491)
Reduction in net finance costs	406
Debenture premium realised in the prior year	4,949
Net tax release following REIT conversion	(25,673)
Reduction in current tax payable	5,959
Other deferred tax movements	562
Loss for the financial year ended 30 June 2008	(27,261)

The Group has also presented below an analysis of the underlying rental performance before tax, which excludes the impact of EPRA adjustments, premium on redemption of debenture and related tax and we have also presented separately the profit on sale of trading properties The directors consider that this further analysis of our income statement gives shareholders a useful comparison of our underlying performance for periods shown in the consolidated financial statements

Our underlying rental performance has improved significantly over last year, with a 12% improvement in net rental income reflecting the Group's focus on vacancy levels, the acquisition of an investment property, letting of completed development properties, and improvements in rent at review and on renewal Only one investment property was acquired in the year, increasing passing rent by £0 3m, and no disposals of rent producing properties took place Stripping out the trading profits, revaluation movements and other items, pre-tax profit rose by £2 3m, as shown below As disclosed in note 9 to the accounts, EPRA adjusted earnings also rose by £3 2m, with EPRA adjusted earnings per share ("eps") rising 30 3%, from 17 75p in 2007 to 23 13p in 2008

We have saved around £2 7m of corporation tax in the current financial year as a result of our conversion to a Real Estate Investment Trust and, in anticipation of this saving, we have previously announced an increase in the Ordinary dividend payable in respect of the current financial year by 20%, with the interim dividend of 8 03p per share paid on 1 July 2008 and the final dividend of 9 65p, if approved by shareholders, payable on 2 January 2009

The interim dividend was paid as 80% Property Income Distribution ("PID"), attracting a 20% withholding tax for shareholders who are not eligible for gross payment, and 20% as a normal dividend The final dividend of 9 65p will be paid as 7 72p per share (80%) being PID and the balance of 1 93p as a normal dividend The level of dividend that must be distributed by way of a PID is determined by the tax legislation Consequently, the phasing out of Industrial Building Allowances, the reduction in the rate of capital allowances on plant and machinery from 25% to 20% and the introduction of the lower 10% rate for integral features will reduce the adjustments required to profits in order to calculate the minimum PID obligation in future years

Underlying Financial Performance

2008	Total £000	**Investment/ development £000**	Trading properties £000	Other items £000
Rental income	15,772	**15,772**	—	—
Property outgoings	(591)	**(591)**	—	—
Net rental income	15,181	**15,181**	—	—
Sale of trading properties	2,653	—	2,653	—
Carrying value of trading properties	(98)	—	(98)	—
Property outgoings on trading properties	(2)	—	(2)	—
Net income from trading properties	2,553	—	2,553	—
Administration expenses	(2,778)	**(2,778)**	—	—
Operating profit before net (losses)/gains on investment	14,956	**12,403**	2,553	—
Profit on disposal of investment property	48	—	—	48
Net losses on revaluation	(41 169)	—	—	(41,169)
Operating (loss)/profit	(26,165)	**12,403**	2,553	(41,121)
Finance income	60	**60**	—	—
Finance costs	(604)	**(604)**	—	—
Total finance costs	(604)	**(604)**	—	—
(Loss)/profit before tax	**(26,709)**	**11,859**	**2,553**	**(41,121)**

2007				
Rental income	14,285	**14,285**	—	—
Property outgoings	(748)	**(748)**	—	—
Net rental income	13 537	**13,537**	—	—
Sale of trading properties	10,680	—	10,680	—
Carrying value of trading properties	(518)	—	(518)	—
Property outgoings on trading properties	(4)	—	(4)	—
Net income from trading properties	10,158	—	10,158	—
Administration expenses	(2,996)	**(2,996)**	—	—
Operating profit before net gains on investment	20,699	**10,541**	10,158	—
Profit on disposal of investment property	2,247	—	—	2,247
Net gain on revaluation	16,322	—	—	16,322
Operating profit	39,268	**10,541**	10,158	18,569
Finance income	209	**209**	—	—
Finance costs	(1,159)	**(1,159)**	—	—
Loss on redemption of debenture	(4,949)	—	—	(4,949)
Total finance costs	(6,108)	**(1,159)**	—	(4,949)
Profit before tax	**33,369**	**9,591**	**10,158**	**13,620**

Presented above is an analysis of the underlying rental performance before tax, which excludes the impact of EPRA adjustments premium on redemption of debenture and the profit on sale of trading properties The directors consider that this further analysis of our income statement gives shareholders a useful comparison of our underlying performance for the periods shown in the consolidated financial statements

Property and Financial Review

Net assets have fallen from £259 3m to £222 7m, mostly reflecting the £41 2m property portfolio revaluation write down recognised in the income statement

Our gearing has increased from 7% to 13%, reflecting £29 2m (2007 £17 6m) of net debt This level of debt equates to only 11% of the DTZ valuation of our investment and development portfolio of £264 4m, a very low level of gearing compared to other REITs and quoted property companies This has arisen as a direct result of our disposal programme in the last few years and provides us with significant headroom to raise additional debt, if required, for investment property acquisitions or to fund share buy-backs

During the year we took the opportunity to refinance some of our existing variable rate revolving credit drawdowns into longer term, fixed rate debt £20 0m was raised from Lloyds TSB Bank plc until 2023 The money raised paid off existing revolving credit drawdowns with HSBC, which had increased during the year, freeing up those facilities to fund our working capital requirements, reducing our average cost of fixed rate debt from 10 9% to 6 6% and increasing the average expiry of fixed rate debt from 7 years to 14 years Our HSBC facilities consist of a £10m overdraft, a £15m revolving credit facility expiring in 2010 and a £20m revolving credit facility expiring in 2012, of which £6 5m was utilised at 30 June 2008 All facilities are secured against specific properties held by the Group

We have not acquired or disposed of any investment, development or trading properties since the year end, but once pricing for investment properties stabilises we intend to acquire modern, securely let properties, primarily located in the Midlands, at yields in excess of our cost of debt

As noted in the Chairman's statement on page 2, we intend to seek approval from shareholders to acquire up to 15% of our Ordinary share capital The equity market for REITs has been particularly difficult over the last twelve months In common with other companies, we have seen a significant reduction in our share price, particularly in the second half of this calendar year, with our shares now trading at a significant discount to the 30 June 2008 net asset value, making share buy-backs more attractive than in previous years The Group has not bought back any shares for over six years

Analysis of borrowings at 30 June

	2008 **£000**	2007 £000
11 5% First Mortgage Debenture Stock 2014	**4,203**	4,203
Preference Share Capital	**675**	675
Cash and Short-Term Deposits	**(2,203)**	(1,252)
Overdraft	**76**	—
Long-term loan	**19,936**	—
Borrowings from revolving credit facility	**6,500**	14,000
Net Debt and Preference Share Capital	**29,187**	17,626
Net Assets	**222,680**	259,292
Gearing (net of cash)	**13%**	7%

Yorks Park, Dudley
Developed 2008

85% let/reserved

Location	Dudley Southern Bypass (A461)
Type	Industrial/warehouse
Size	18,000–40,000 sq ft
Total area	156,000 sq ft (5 units)
Rental value	£0 8m per annum

Property and Financial Review

Outlook

It seems likely that the existing economic and property market conditions will remain testing for the foreseeable future Against this backdrop it is paramount that we maintain a strong discipline in both the management of our business and the employment of our resources We are, without doubt, well placed to take advantage of this current downturn from our position of low gearing supported by a modern, quality portfolio When market conditions feel appropriate we intend to commence purchasing quality investment properties that show clear future growth potential

Despite the current challenges and the recent write-down in the value of the portfolio, our aim remains to maximise long-term returns for shareholders through actively managing income and keeping void levels low

We remain confident in our strategy and are approaching the 2008/2009 Financial Year with determination and thoughtful consideration

Justin Parker
Managing Director
29 September 2008

David Wooldridge
Finance Director

Summary of property portfolio as at 30 June 2008

AREA

Let Space sq ft
2,654,278

Industrial	2,310,423
Offices	172,314
Retail	171,541

Vacant Space sq ft
205,066

Industrial	176,966
Offices	28,100
Retail	—

Total space sq ft
2,859,344

Industrial	2,487,389
Offices	200,414
Retail	171,541

RENT/VALUE

Current rent £m pa
16·1

Industrial	11 9
Offices	2 6
Retail	1 6

ERV £m pa
18·3

Industrial	13 4
Offices	3 2
Retail	1 7

Capital value £m
264·4

Industrial	165 1
Offices	42 0
Retail	23 7
Investment Portfolio	230 8
Land/Development	33 6

Summary of portolio as at 30 June 2008

AVERAGE RENT psf

Current rent £psf (let space)

6·05

Industrial	5 14
Offices	15 24
Retail	9 04

ERV £psf (incl. voids)

6·90

Industrial	5 39
Offices	15 82
Retail	9 90

Growth potential % (incl. voids)

+13·7%

Industrial	+12 6
Offices	+23 0
Retail	+6 3

NET RETURNS

Initial Yield %

6·5

Industrial	6 8
Offices	5 9
Retail	6 4

Reversion Yield %

7·5

Industrial	7 7
Offices	7·2
Retail	6 8

Equivalent Yield %

7·2

Industrial	7·3
Offices	7 2
Retail	6 5

Principal properties at 30 June 2008

Industrial	Area sq ft
Access Point, Leamington Spa	48,147
Bewdley Road, Stirchley, Birmingham	54,220
Birchley Island, Oldbury	41,534
Bull Ring Trading Estate, Birmingham	69,054
Camp Hill, Birmingham	124,270
Coleshill Trading Estate, Birmingham	189,657
Coleshill Trade Park, Birmingham	31,993
Crompton Fields, Crawley, West Sussex	160,551
Enterprise Trading Estate, Dudley	175,813
Forge Trading Estate, Halesowen	77,102
Forward Park Trading Estate, Birmingham	54,872
Golden Cross, Aston, Birmingham	76,722
Hazelwell Mills Trading Estate, Stirchley	96,189
Kings Hill Business Park, Wednesbury	124,420
Knightsbridge Park, Worcester	48,145
Long Acre Trading Estate, Birmingham	62,392
Middlemarch, Coventry	45,091
Mucklow Hill Trading Estate, Halesowen	97,265
Redfern Industrial Park, Tyseley, Birmingham	41,499
Roman Park, Coleshill	84,916
St Andrews Trading Estate, Birmingham	29,705
Shenstone Trading Estate, Halesowen	168,621
Star Gate, Birmingham	87,314
Stratton Business Park, Biggleswade, Bedfordshire	34,359
Tachbrook Link, Leamington Spa	85,312
Triton Park, Rugby	77,698
Wednesbury One, Wednesbury	172,466
Yorks Park Phase 1, Dudley	41,366

Offices	
Apex House, Apex 6 Business Park, Worcester	18,606
Apex Park, Worcester	28,100
Century House, Apex 6 Business Park, Worcester	23,061
Concorde House, Trinity Park, Solihull	24,125
Dukes Gate, Chiswick, London	17,855
Mucklow Office Park, Mucklow Hill, Halesowen	34,703
Oak Tree Court, Binley Business Park, Coventry	30,000
309 Reading Road, Henley-on-Thames, Oxon	12,121
60 Whitehall Road, Halesowen	21,233

Retail	
Birchley Island, Oldbury	56,181
131/148 High Street, Bordesley	12,000
202–208 High Street, Harborne	24,681
64/67 High Street, Stourbridge	33,482
Prospect Way, Halesowen	32,000
Tewkesbury Road, Cheltenham	12,196

Directors and Officers

■ **Rupert J Mucklow** BSc
Chairman‡
Aged 45

Joined the Group in 1990 Appointed executive director 1995, Managing Director 1996, Deputy Chairman 2001 and Executive Chairman 2004 Chairman of the Nomination Committee

■ **D Justin Parker** BSc MRICS
Managing Director
Aged 43

Joined the Group as Managing Director in January 2004 Previously National Head of Investment at DTZ Debenham Tie Leung

■ **David Wooldridge** FCCA ACIS
Finance Director
Aged 36

Joined the Group in 1996 Appointed Company Secretary in 2002 and Finance Director in July 2007

■ **David F Austin** FRICS
Senior Independent Non-Executive*†‡
Aged 69

Appointed to the Board in 1995 A chartered surveyor and former joint senior partner of Bucknall Austin Chairman of the Audit and Remuneration Committees

■ **Stephen Gilmore** LLB
Independent Non-Executive *†‡
Aged 53

Appointed to the Board in 2008 A qualified solicitor, was previously partner in charge of the Birmingham office of Cobbetts LLP

■ **Paul A Ludlow** FRICS
Independent Non-Executive *†‡
Aged 62

Appointed to the Board in 2007 A former Managing Director of Severn Trent Property Ltd until the sale of the business to Prologis

* Member of the Remuneration Committee
† Member of the Audit Committee
‡ Member of the Nomination Committee

Senior Management and Professional Advisers

Senior Management

Jesse S J Stokes MRICS
Development

Mark Vernon MRICS
Investment

M David Folkes MCIOB
Residential Land/Development

David Rampling
Estate Management/Property Leasing

David J Tuft
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Birmingham, B4 6BH

Directors' Report

The directors present their annual report and audited accounts for the year ended 30 June 2008

Principal activities
The principal activities of the Group are industrial and commercial property investment and development

Results
The loss for the year and the dividends paid and proposed are set out in detail in the consolidated income statement and notes The net loss before taxation for the year was £26 7m and the taxation charge was £0 6m

Review of business
Details of the Group's activities and a review of the business are set out in the Chairman's Statement and Property and Financial Review on pages 2 to 12

Details of the Key Performance Indicators used by the directors to assist in the management of the business and to provide evidence of the achievement of its strategies, are included in the table below

Key Performance Indicators

	2008	2007
Revaluation (deficit)/surplus		
— Income statement (£000s)	**(41,169)**	16,322
— Statement of recognised income and expense (£000s)	**236**	167
Rental income on the retained portfolio (£000s)	**15,274**	14,031
Vacant space (%)	**7**	6

Key risk areas for the Group

Risk area	Mitigation
Investment portfolio ■ Tenant default ■ Change in demand for space ■ Market pricing affecting value	■ Portfolio diversification between industrial, office and retail properties with different tenant profiles, covenants, building sizes and lease lengths ■ Building specifications not tailored to one user ■ Not reliant on one single tenant or business sector ■ Focused on established business locations for investment acquisitions and developments ■ Continual focus on current vacancies and expected changes
Development ■ Speculative development exposure on lettings ■ Cost/time delays on contracts ■ Inability to acquire land ■ Holding too much development land	■ Limiting exposure to speculative development ■ Buildings designed to be suitable for a range of tenants ■ Speculative development is focused on small to medium sized occupiers in well-established business locations ■ Use of main contractors on fixed price contracts, with contingencies built into appraisals ■ The main Board carefully considers all development land acquisitions to ensure exposure is limited to reasonable levels and that prices paid are realistic

Risk area	Mitigation
Financial ■ Reduced availability or increased cost of debt finance ■ REIT compliance	■ Low gearing policy ■ Large, unencumbered property portfolio available as security ■ Existing facilities sufficient for spending commitments ■ Internal procedures in place to track compliance
People ■ Retention/recruitment	■ Key man insurance ■ Remuneration structure reviewed ■ Regular assessment of performance

Ordinary dividends

On 1 July 2008, an interim dividend for the period ended 31 December 2007 of 8 03p per share was paid A final dividend of 9 65p per share is proposed The total dividend, paid and proposed for the year will be 17 68p per share

The final dividend, if confirmed, will be paid on 2 January 2009 to shareholders on the register at the close of business on 28 November 2008

Employee share ownership scheme

On 25 October 2002 the Company adopted the A & J Mucklow Group plc Share Incentive Plan This is an HM Revenue & Customs approved share scheme, under which all employees of the Group with a minimum period of service of six months prior to the start of an accumulation period are eligible to participate HM Revenue & Customs allows monthly employee contributions of £125 (or 10% of salary if lower) Under the scheme an employee can buy Partnership shares from their monthly pre-tax salary up to an initial maximum of the lower of £125 or 3% of salary The Company has agreed to match each share purchased by the employee on the basis of one for one An allocation of free shares can also be made under the scheme up to a limit of £3,000 per employee The amount, if any, of free shares allocated will be decided upon annually by the Remuneration Committee

The first annual accumulation period began on 29 November 2002 During the year 14,326 (2007 13,408) Ordinary shares were purchased, including 6,644 (2007 5,962) free shares, at a cost to the Group of £49 315 (2007 £52,431) The allocation of shares was not subject to performance criteria

Future prospects

The future prospects are commented on in the Chairman's Statement on page 3

Creditors' payment policy

The Group seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with suppliers when the details of each transaction are settled The Group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders

The average number of creditor days for the Group was 12 (2007 10) The Company had no trade creditors at 30 June 2008 The average number of creditor days for the Company in 2007 was 2 The creditor days figure is significantly affected by property acquisitions and similar transactions

Environmental and social policy

The Group has an environmental and social policy addressing the importance of those issues in the day-to-day running of the business, which is detailed below

Business activities

The Group's principal activity is to develop and invest in commercial and industrial properties in prominent locations, with a bias towards the Midlands Our main objective is the long-term enhancement of shareholder value through dividend and capital appreciation

Directors' Report

Group structure
A & J Mucklow Group plc has five (2007 seven) main subsidiaries for property development and investment All of the Group's properties are wholly owned

Properties let to a single tenant are tenant managed, and portfolio managers at A & J Mucklow Group plc monitor the management of the sites regularly

On multi-let properties the day-to-day management is outsourced to managing agents, who report to portfolio managers at A & J Mucklow Group plc

Environmental policy
There are five main areas of the environmental policy

- An independent environmental report is required for all potential acquisitions, which considers, amongst other matters, the historic and current usage of the site and the extent of any contamination present
- Consideration is given in the design process of development and refurbishment projects to the choice of materials used to avoid the use of materials that are hazardous to health or damaging to the environment
- An ongoing examination of the business activities of existing and new tenants is carried out to prevent pollution risks occurring The Group monitors all incoming tenants through its insurance programme to identify potential risk, and high-risk business activities are avoided As part of the active management of the portfolio any change in tenant business practice considered to be an environmental hazard is reported and suitably dealt with
- All sites are visited at least annually and any obvious environmental issues are reported to the Board
- All leases prepared after the adoption of the policy will commit occupiers to observe any environmental regulations

We are also improving the environmental performance of our development properties At our Wednesbury One, Yorks Park and Apex Park developments, BREEAM (Building Research Establishment Environmental Assessment Method) is being used to assess the impact of the schemes, with the aim of securing a 'Very Good' rating as a minimum It is intended that the experience gained during the project at Wednesbury One will be used to improve the environmental performance of other schemes within the portfolio, which will also be assessed using BREEAM

Any problems are referred to the Managing Director immediately and the Board of Directors at the next Board meeting

Social policy
The activities of the Group are carried out in a responsible manner, taking into account the social impact The two main areas of social impact have been identified as planning and developments/refurbishments

Planning
The Group considers the impact on the surrounding areas and communities where planning permissions are to be submitted and considers the legitimate concerns of interested parties as part of the process

Developments and refurbishments
Development and refurbishment projects are subcontracted The Group monitors the works, directly and in conjunction with project managers on larger projects, to ensure they are carried out in accordance with relevant guidelines and laws All subcontractors are assessed to ensure that they have sufficient resources to meet legal requirements

Head office and administration
The Group moved head offices in 2006 and a health and safety review was carried out

We have introduced procedures to reduce the waste produced by the Group, including incentives for company car drivers to move to more CO_2 efficient vehicles and reducing the volume of paper used

Review and responsibility
The Social and Environmental policy, which applies to all companies in the Group, will be reviewed annually as part of the Group's Turnbull Committee meetings Rupert Mucklow has main Board responsibility for social and environmental issues Responsibility for health and safety, equal opportunities and business ethics is given to the whole Board

Donations
No political contributions were made during the year and donations to charities amounted to £3,175 (2007 £2,150)

Directors
The present Board is as shown on page 16 David Wooldridge was appointed as Finance Director on 1 July 2007 Stephen Gilmore was appointed as a non-executive director on 13 May 2008

Rupert Mucklow (Chairman) David Austin (non-executive director) and Stephen Gilmore (non-executive director) retire by rotation and, being eligible, offer themselves for re-election

The three executive directors, Rupert J Mucklow, Justin Parker and David Wooldridge, have one-year rolling service contracts with the Group Non-executive directors do not have service contracts

Directors' shareholdings
Particulars of the directors' shareholdings, as defined by Section 324 of the Companies Act 1985, in the Ordinary share capital of the Company are shown below

There were no other movements in any of the directors' shareholdings between 1 July 2008 and 2 September 2008

None of the above directors had any beneficial interest in the Company's Preference shares or Debenture Stock at either 30 June 2008 or 2 September 2008

	Ordinary shares	
Directors' shareholdings	**at 30 June 2008**	at 30 June 2007 or appointment if later
Rupert J Mucklow	**734,302**	724,593
Justin Parker	**9,054**	3,810
David Wooldridge	**17,098**	9,131
David F Austin	**9,330**	9 330
Paul A Ludlow	—	—
Stephen Gilmore	—	—

Substantial shareholdings
The families of Albert J Mucklow (Honorary President, previous Chairman and father of the Chairman), Allan J Mucklow (retired non-executive director and uncle of the Chairman) and Margaret A Hickman (aunt of the Chairman) (the Concert Party) collectively have an interest in 21,734,212 (2007 21,781,990) Ordinary shares representing 36 23% (2007 36 31%) of the issued Ordinary Share Capital

In addition to the holdings noted above, on 9 September 2008, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following rights as a shareholder of the Company

Substantial shareholdings	**Number**	**%**
Barclays plc*	9,114,165	15 19
Tellin (Bermuda) Ltd	3,831,530	6 39
Wesleyan Assurance Society†	3,020,000	5 03
Standard Life Investments†	2,406,458	4 01
NFU Mutual Insurance Society Ltd†	2,174,248	3 62

* Including 6,992,509 shares included in the Concert Party holding referred to above
All of the above holdings are directly held, unless marked with a †

Capital structure
Details of the authorised and issued share capital are shown in note 20 The company has one class of ordinary shares which carry no right to fixed income Each share carries the right to one vote at general meetings of the company The preference shares carry 7% interest but do not carry voting rights The percentage of the issued nominal value of the ordinary shares is 99% of the total issued nominal value of all share capital

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights

Details of employee share schemes are set out in the Directors' Report on page 19 Shares held by the trust abstain from voting

No person has any special rights of control over the Company's share capital and all issued shares are fully paid

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Combined Code, the Companies Act and related legislation The Articles themselves may be amended by special resolution of the shareholders The powers of the directors are described in the Statement of Corporate Governance on page 23

Directors' Report

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

Going concern
After making enquiries, the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

Close company provisions
The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988

Properties
A professional review of the value of the Group's industrial and commercial properties was carried out by DTZ Debenham Tie Leung at 30 June 2008

This revaluation has been incorporated in the accounts, resulting in a net decrease of £40 9m in reserves Of this revaluation, £41 2m has been recognised in the income statement, with the balance going through the statement of recognised income and expense

Financial instruments
Details of the exposure of the Company and its subsidiaries (included in the consolidation) to market risk, credit risk, or liquidity and cash flow risk from financial instruments can be found in note 24 to the accounts

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
A resolution to reappoint Deloitte & Touche LLP as the Company's Auditors will be proposed at the forthcoming Annual General Meeting

By order of the Board

David Wooldridge

David Wooldridge
Secretary

60 Whitehall Road, Halesowen
West Midlands, B63 3JS
29 September 2008

Statement of Corporate Governance

FRC Combined Code

The Company has complied with the Code provisions set out in Section 1 of the June 2006 FRC Combined Code on Corporate Governance throughout the year ended 30 June 2008, except provisions B 1 1 and C 3 1 as disclosed below

The Company has applied the principles set out in Section 1 of the Code, including both the main principles and supporting principles, by complying with the Code as reported above Further explanation of how the principles and supporting principles have been applied is set out below

The executive directors have not received a significant proportion of their salary as performance related bonuses, as suggested by code provision B 1 1 The Remuneration Committee considered this and proposed that a new Long-Term Incentive Plan be introduced for executive directors that will, subject to performance conditions being met, enable the executive directors to earn a significant proportion of their total remuneration based on performance Although Rupert Mucklow is an executive director, as Chairman he will not participate in the proposed plan The Long-Term Incentive Plan was approved by Shareholders in November 2007 and the first award was granted in December 2007 Further details are included below and in the Board Report on Directors' Remuneration

Up to his retirement on 31 October 2007, David Groom FCIB was considered to have recent, relevant financial experience After David Groom's retirement, no member of the Audit Committee had recent, relevant financial experience as suggested by code provision C 3 1, however, the Audit Committee considers that the valuation of properties is the most judgemental item in the financial statements of the Group and therefore considers it appropriate for the Audit Committee to consist of two qualified property surveyors who have recent, relevant experience in the valuation of properties The Audit Committee Chairman will continue to review the appropriateness of the experience of the members of the Audit Committee on an ongoing basis

The Board

The Board comprised three executive directors Rupert J Mucklow (Chairman), Justin Parker (Managing Director) and David Wooldridge (Finance Director), and three non-executive directors David Austin (Senior Independent Non-Executive), David Groom and Paul Ludlow until David Groom's retirement on 31 October 2007 The Board comprised the remaining five directors until the appointment of Stephen Gilmore as an independent non-executive director on 13 May 2008 The Board now once again comprises three executive and three non-executive directors

The Board of directors is responsible to shareholders for the management and control of the Company The Board operates within agreed matters reserved for its approval, which cover the key areas of the Group's affairs, including all aspects of strategy, material property acquisitions, disposals and financing arrangements The roles and responsibilities of the Chairman and Managing Director are defined in writing, with the Chairman responsible for the administration of the Board, whilst the Managing Director co-ordinates the Group's business and implements strategy The terms and conditions of the non-executive directors are available for inspection at the Company's office during normal working hours

Board meetings are held on a monthly basis and each Board member is provided with a report pack which contains financial and operational information The Board is responsible for agreeing the major matters affecting the running of the business, as well as monitoring and reviewing performance and operating risks

A key area of consideration for the Group is the independence of non-executive directors The Board has considered the Code's indicators of a lack of independence for non-executive directors and, as previously stated, David Austin and Paul Ludlow are considered to be independent for the reasons stated below

David Austin was appointed as a non-executive director in 1995, and has therefore been on the Board for more than nine years, a factor suggested by the Code as a potential indicator of a lack of independence The Board considers that David Austin is fully independent of the Group and he remains the Senior Independent Non-Executive Director Mr Austin has confirmed in writing that there are no matters which, if considered, would impair his independence The Board also considers that Mr Austin brings extensive knowledge and experience of property matters to the Group

Paul Ludlow was appointed as a non-executive director on 1 March 2007 The Board has considered Mr Ludlow's position and the fact that he has had no previous involvement with the Group and confirms that he is independent

Stephen Gilmore was appointed as a non-executive director on 13 May 2008 The Board has considered

Statement of Corporate Governance

Mr Gilmore's position and the fact that he has had no previous involvement with the Group and confirms that he is independent

The executive directors have not received, but are potentially able to receive, a significant proportion of their salary based on performance and are further paid modestly in relation to comparable companies within the sector Rupert Mucklow (Chairman), Justin Parker (Managing Director) and David Wooldridge (Finance Director) are eligible for an annual cash bonus of up to 60% of annual basic salary Justin Parker was also eligible for a Long-Term Incentive Plan which could pay out up to 50% of his annual basic salary, but this scheme has been replaced by the Long-Term Incentive Plan (2007 Performance Share Plan) introduced last year

The Remuneration Committee had considered the remuneration of the executive directors, and appointed Deloitte & Touche LLP to give advice and recommendations on Long-Term Incentives As a result of this review, the Board proposed a new Long-Term Incentive Plan for the executive directors (excluding the Chairman), which has been approved by shareholders Further details are included in the Board Report on Directors' Remuneration Deloitte & Touche LLP are the Group's Auditors and tax advisers Deloitte & Touche LLP were paid £12,900 for services to the Remuneration Committee in the year ended 30 June 2008

The Board agreed to introduce annual performance appraisals in 2004 and the first appraisal was held in August 2005 The Board as a whole considered its performance and the performance of its subcommittees

The Chairman carried out the review of the non-executive directors, the non-executives reviewed the Chairman, and the Chairman and non-executives reviewed the remaining executive directors The questions set out in the Higgs guidance were considered, where relevant to the Group The conclusion of this review was that the Board and its committees continue to operate effectively

All directors are required to submit themselves for re-election every three years

Rupert Mucklow, David Austin and Stephen Gilmore are seeking re-election as directors at the 2008 Annual General Meeting

Rupert Mucklow BSc (45), Chairman, joined the Group in 1990 Mr Mucklow was appointed as executive director in 1995, Managing Director in 1996, Deputy Chairman in 2001 and Executive Chairman in 2004

David Austin (69), Senior Independent Non-Executive Director, was appointed to the Board in 1995 Mr Austin is a chartered surveyor and former joint senior partner of Bucknall Austin He acts as chairman of the Audit and Remuneration Committees The Chairman confirms that, following a full performance appraisal, David Austin continues to be effective and demonstrates commitment to his role

Stephen Gilmore (53) was appointed as a non-executive director on 13 May 2008, having previously been partner in charge of the Birmingham office of Cobbetts LLP

All directors have access to the advice and services of the Company Secretary and there are procedures in place for a director to obtain independent professional advice, where necessary, at the Company's expense

The attendance of the directors at scheduled Board meetings during the year ended 30 June 2008 is as follows

	Board	Audit	Remuneration	Nomination
Number held	12	3	2	1
Rupert J Mucklow	12/12	n/a	n/a	1/1
Justin Parker	12/12	n/a	n/a	n/a
David Wooldridge	12/12	n/a	n/a	n/a
David F Austin	11/12	3/3	2/2	1/1
David C Groom*	3/4	1/1	—	—
Paul Ludlow	12/12	2/3	2/2	1/1
Stephen Gilmore†	2/2	1/1	1/1	—

n/a indicates not a member of that committee

* David Groom retired as a director on 31 October 2007

† Stephen Gilmore was appointed as a director on 13 May 2008

Board Committees

The Board has three subcommittees, the Audit Committee, the Remuneration Committee and the Nomination Committee David Austin (Senior Independent Non-Executive Director) acts as Chairman for the Audit and Remuneration Committees Rupert J Mucklow (Group Chairman) acts as Chairman of the Nomination Committee Written terms of reference have been agreed for each of these committees, and these are available on request from the Company Secretary or from the Company's website (www mucklow com)

Audit Committee

The Audit Committee comprised David Austin FRICS (Senior Independent Non-Executive), Paul Ludlow FRICS and David Groom FCIB until 31 October 2007 From 1 November 2007 until 12 May 2008 the Committee comprised David Austin FRICS and Paul Ludlow FRICS From 13 May 2008 the Committee comprises David Austin FRICS, Paul Ludlow FRICS and Stephen Gilmore LLB

The Audit Committee meets regularly

- To monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company s financial performance, reviewing significant financial reporting judgements contained in them,
- To monitor and review the effectiveness of the Company's internal controls,
- To make recommendations to the Board, for it to be put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor,
- To review and monitor the external Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, and
- To develop and implement policy on the engagement of the external Auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken

The whole Board reviews internal controls at Turnbull Committee meetings

Representatives of Deloitte & Touche LLP, the Company's Auditors, and senior management may attend the Audit Committee meetings at the invitation of the Committee

The Audit Committee annually reviews the level of effectiveness of the external Auditors, audit and non-audit fees paid to Deloitte & Touche LLP and the internal independence policies of Deloitte & Touche LLP The Committee does not consider that there is any risk to the independence or objectivity of the audit

Since the start of the financial year, the Audit Committee has

- Reviewed the preliminary announcement and the interim report As part of these reviews the Committee received a report from the external Auditors on their audit of the annual report and accounts and review of the interim report,
- Reviewed and agreed the scope of the audit work to be undertaken by the Auditors,
- Agreed the fees to be paid to the external Auditors,
- Reviewed the need for an internal audit function, and
- Reviewed the appointment of the external Auditors as auditors and tax advisers

Remuneration Committee

The Remuneration Committee comprised David Austin FRICS (Senior Independent Non-Executive), Paul Ludlow FRICS and David Groom FCIB until 31 October 2007 From 1 November 2007 until 12 May 2008 the Committee comprised David Austin FRICS and Paul Ludlow FRICS From 13 May 2008 the Committee comprises David Austin FRICS, Paul Ludlow FRICS and Stephen Gilmore LLB

The Remuneration Committee measures the performance of the executive directors and key members of senior management before recommending their annual remuneration

The Committee consults the Chairman and Managing Director about its proposals and has access to professional advice from inside and outside the organisation

The Report of the Board to the shareholders on Directors' Remuneration is set out on pages 28 to 31

Statement of Corporate Governance

Nomination Committee
The Nomination Committee comprised Rupert J Mucklow (Group Chairman), David Austin FRICS (Senior Independent Non-Executive), Paul Ludlow FRICS and David Groom FCIB until 31 October 2007 From 1 November 2007 to 12 May 2008 the Committee comprised Rupert J Mucklow, David Austin FRICS and Paul Ludlow FRICS From 13 May 2008 the Committee comprises Rupert J Mucklow, David Austin FRICS, Paul Ludlow FRICS and Stephen Gilmore LLB

The Committee will normally hold meetings when requested by the Chairman of the Committee

The Committee will be responsible for

- Reviewing changes to the Board and making recommendations to the Board, including succession planning,
- Considering the most appropriate method of recruitment for new Board members, and
- Any other work set by the Board of directors

The Committee will have access to external professional advisers (legal or otherwise), where required to fulfil its responsibilities listed above

For the appointment of Stephen Gilmore as a new non-executive director, the Nomination Committee agreed the required skills and background of a suitable candidate with the Board The Board then sought soundings and recommendations from a number of Midlands professionals The Board considers that this process identified a number of suitable candidates who were independent of the Group As a result, it was not considered necessary to appoint external search agents or to use open advertising

The Board approved the Nomination Committee's recommendation to appoint Stephen Gilmore as a non-executive director with effect from 13 May 2008

Shareholders
The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received either verbally or in writing All shareholders have at least 20 working days' notice of the Annual General Meeting where all directors and committee members intend to be available to answer questions

At the Annual General Meeting all votes are dealt with on a show of hands and the level of proxy votes is indicated Votes on separate issues are proposed as separate resolutions

Shareholders have access to the preliminary press announcement which is issued through the Company website, www mucklow com

The Chairman and Finance Director regularly update the Board with the views of shareholders and analysts

Internal control
The Board is responsible for the system of internal control and the review of its effectiveness

The Board has previously introduced an ongoing process for identifying, evaluating and managing the significant risks faced by the Group The process has been in place throughout the current year and up to the date of approval of this annual report and accounts The process is regularly reviewed by the Board, based on reports from management, and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party

Key features of the system of internal control include

- The executive directors' close involvement in all aspects of the day-to-day operations of the business, including regular meetings with senior management to review all aspects of the business,
- A comprehensive financial reporting and forecasting system,
- Defined schedule of matters reserved for the Board, and
- Twice yearly internal controls meetings of the Board, to discuss the effectiveness of internal controls and formally consider business risks Issues are also raised at monthly Board meetings as appropriate

Group strategy is regularly reviewed at the monthly Board meetings and progress on developments is reported at each Board meeting

Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention

No internal audit function is considered necessary because of the size of the Group and the systems and procedures already in place The need for an internal audit function is reviewed annually

Statement on internal control

The directors are responsible for the system of internal control and for reviewing its effectiveness Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss The Board has reviewed the effectiveness of the system of internal control for the financial year and the period to the date of approval of the financial statements The key control procedures are described under the following six headings

1. **Financial reporting**
   The Group operates a budgetary system with annual rolling budgets containing monthly income statement, balance sheet and cash flow information The preparation of these budgets incorporates a review of the commercial and other risks facing the Group together with the identification of the key performance indicators to be used by management in monitoring the Group's financial activities and managing the commercial risks faced by the Group Actual performance against budget is monitored monthly at main Board meetings using the established performance indicators and exception reporting

2. **Quality and integrity of personnel**
   The Group recognises the importance of the quality and integrity of its personnel and attention is paid to the experience and capabilities of staff and their training needs The standards of employee conduct expected by the Group are formally documented and communicated

3. **Operating unit controls**
   The Group has a comparatively simple operating structure which comprises four investment companies and a trading company The subsidiary companies are all based in one location, which is at the Registered Office, and conform to the same reporting and control requirements as the Group

4. **Computer systems**
   The Group is reliant on an effective computer system to operate its business The system that it uses is both modern and simple, being a file server based network which operates 20 PCs The principal operating software is provided by Qube, a leading supplier of generic software to the property management industry It is fully integrated which provides comfort on the integrity of data transfer between the accounts and property management suites The Group has a contingency plan in place to cater for complete loss or failure of its own data processing facility and has taken the necessary steps to ensure the security of data on the network

5. **Controls over central functions**
   The implementation and day-to-day operation of the control procedures is the responsibility of the executive directors and senior management Given the nature and size of the Group's business, the executive directors review and approve all significant transactions, particularly those relating to property purchases and sales, capital expenditure and borrowing arrangements

   The Group uses external managing agents on its property portfolio and the terms of their contracts and performance are regularly reviewed

6. **Role of the executive directors**
   Day-to-day management of the Group's activities is delegated by the Board to the executive directors All operating units report to the executive directors They monitor the effectiveness of operations and report to the monthly Board meetings

Board Report on Directors' Remuneration

Introduction
The Directors' Remuneration Report Regulations 2002 (the "regulations") introduced new disclosure requirements for directors' remuneration This report has been prepared in accordance with those regulations and a resolution will be proposed at the forthcoming Annual General Meeting to consider and approve this report

The regulations require the Auditors to report to the Company's members as to whether in their opinion the part of the report which requires auditing has been properly prepared in accordance with the Companies Act 1985 as amended by the regulations The table of directors' emoluments in this report is audited as part of this report The remaining information within this report is unaudited

Remuneration Committee
The Remuneration Committee consisted of three non-executive directors until 31 October 2007 me as Chairman, Paul Ludlow and David Groom On 31 October 2007 David Groom vacated his office as a director and as a member of the Committee On 13 May 2008 Stephen Gilmore was appointed as a non-executive director and became a member of the Committee The Committee now consists of myself as Chairman, Paul Ludlow and Stephen Gilmore The Committee is responsible for the consideration and approval of the terms of service, remuneration, pension arrangements and other benefits of the Group's executive directors This Report should be read in conjunction with the Directors' Report which constitutes part of this Report

The remuneration of the non-executive directors is determined by the Board of directors, without the participation of the non-executive directors Non-executive directors do not receive any pension or share scheme benefits from the Group

The Committee consults the Group Chairman and Managing Director on its proposals and has access to professional advice from outside and inside the Group The policy of the Committee is to provide a competitive remuneration package to executive directors to attract, retain and motivate those individuals and ensure that the Group is managed successfully in the interests of shareholders In forming remuneration policy, the Remuneration Committee has given full consideration to Section 1(B) of the Combined Code

The remuneration of the executive directors does not currently have a significant performance related element The Remuneration Committee has considered this area of non-compliance and has resolved that Rupert J Mucklow (Chairman), Justin Parker (Managing Director) and David Wooldridge (Finance Director) should be eligible for an annual cash bonus Having considered comparator company evidence, the Committee decided that the maximum bonus payable should be limited to 60% of annual basic salary The bonus will be non-pensionable The Remuneration Committee will have discretion over the level of bonus paid, and will consider the following factors when assessing the amount to be paid

- Financial performance in the year,
- Individual performance in the year,
- Strategic decisions taken for the long term, which affect profits and/or net assets in the short term,
- Total shareholder return, and
- The overall remuneration of the individual

Justin Parker was eligible for a Long-Term Incentive Plan which could pay out up to 50% of his annual basic salary No award was made under this scheme and the scheme has been replaced by the 2007 Performance Share Plan disclosed below

The Remuneration Committee has considered the remuneration arrangements of the executive directors and has proposed that a new Long-Term Incentive Plan be introduced for executive directors (excluding the Chairman) and senior management at the Remuneration Committee's discretion

The A & J Mucklow Group plc 2007 Performance Share Plan ("the plan") consists of annual awards in the form of nominal-priced options worth up to a maximum of 75% of annual basic salary

The vesting of awards is subject to stretching performance conditions such that full vesting of the awards under the plan would require top decile total shareholder return performance compared to the FTSE All Share Real Estate Sector For median total shareholder return performance compared to the FTSE All Share Real Estate Sector 20% of the award will vest (i e an award of 15% of annual base salary) For below median performance, the award will lapse

For Justin Parker only, a transitional arrrangement was proposed, as he will not be entitled to awards under the old scheme in 2008, 2009, 2010 or future years An award of 75% of salary which will vest after 18 months, subject to the satisfaction of performance conditions, has been granted

The Remuneration Committee considers that the annual bonus, in conjunction with the proposed Long-Term Incentive Plan, will align the interests of the executive directors with shareholders generally Our aim is to only provide exceptional salaries for exceptional performance

Executive directors' remuneration

The main components of the executive directors' remuneration are

1 salary which is reviewed on an individual basis each year on 1 July,
2 an annual cash bonus,
3 in respect of Justin Parker and David Wooldridge, a share-based Long-Term Incentive Plan,
4 benefits in kind which relate principally to the provision of a company car,
5 pension contributions,
6 an all employee, HM Revenue & Customs approved, share incentive plan Further details of the scheme are given in the Directors' Report

Benefits in kind are not pensionable

On 1 July 2008 the basic salary of the directors was increased by 4%, except for Mr Wooldridge, whose basic salary was increased to £140,000

A detailed audited summary of the directors' emoluments is given below

Directors' emoluments (audited)	**Basic Salary £000**	**Fees £000**	**Benefits in kind £000**	**Pension £000**	**Share scheme £000**	**Total 2008 £000**	2007 £000
Executive							
Rupert J Mucklow	239	—	24	36	4	**303**	307
Justin Parker	210	—	27	32	4	**273**	296
David Wooldridge (appointed 1 July 2007)	120	—	9	12	4	**145**	—
Peter Petherbridge (terminated 30 June 2007)	—	—	—	—	—	**—**	401
Non-executive							
David F Austin	—	26	—	—	—	**26**	24
David C Groom (retired 31 October 2007)	—	5	—	—	—	**5**	21
Paul A Ludlow	—	22	—	—	—	**22**	7
Stephen Gilmore (appointed 13 May 2008)	—	3	—	—	—	**3**	—
	569	56	60	80	12	**777**	1,056

Board Report on Directors' Remuneration

Notes

i) There were performance related bonus payments in the prior year

ii) Benefits in kind principally relate to the provision of a company car and fuel benefits

iii) Rupert J Mucklow, Justin Parker and David Wooldridge are members of a defined contribution pension scheme

iv) The Group currently operates a HM Revenue & Customs approved all employee Share Incentive Plan Further details are given in the Directors' Report on page 19 During the year Rupert J Mucklow received 1,307 Ordinary shares, with a value of £4,463, Justin Parker received 1,308 Ordinary shares with a value of £4,467 and David Wooldridge received 1,307 Ordinary shares with a value of £4,463 at a cost to each director of £1,500 (excluding tax relief) Non-executive directors are not eligible for the scheme

v) Peter M Petherbridge was the sole proprietor of P M Petherbridge & Co, employing his own staff and renting space at the Group's head office For the year ended 30 June 2007 P M Petherbridge & Co received £24,003 in respect of administration fees, net of rent payable to the Group

At 30 June 2007 P M Petherbridge & Co were holding £Nil relating to deposits P M Petherbridge left the Group on 30 June 2007

Service contracts

The three executive directors, Rupert J Mucklow, Justin Parker and David Wooldridge, have service contracts which have a one-year rolling term The contracts are dated 1 July 1997 in respect of Rupert J Mucklow, 3 October 2003 in respect of Justin Parker and 12 September 2007 in respect of David Wooldridge Non-executive directors do not have service contracts The terms and conditions for the non-executive directors are available on request

Executive directors' contracts provide for termination payments equal to salary and the value of other benefits for the period remaining under the contract

Pensions

Pension contributions are made by the Group into existing defined contribution personal pension schemes on behalf of Rupert J Mucklow, Justin Parker and David Wooldridge No Group company pension scheme is operated for the other directors

Total shareholder return

The graph below shows the total return of the Company's shares compared to the FTSE 350 Real Estate price index, which has been selected as the most relevant index for quoted real estate companies

Mucklow (A & J) Group plc — Total Return on Investment

1 July 2003 — Mucklow (A & J) Group plc — FTSE 350 REAL ESTATE — 30 June 2008

Long-Term Incentive Plan ("LTIP")

Details of options for directors who served during the year are as follows

Name of director	Scheme	1 July 2007	Granted	Price paid for award	30 June 2008†	Exercise price	Date from which exercisable	Expiry date*
Justin Parker	Transitional award†	—	56,200	—	56,200	25p	3/06/2009	3/12/2017
Justin Parker		—	56,200	—	56,200	25p	3/12/2010	3/12/2017
David Wooldridge		—	32,114	—	32,114	25p	3/12/2010	3/12/2017

* 10 years from 4 December 2007

† An award of 75% of salary which will vest after 18 months (i e in July 2009) subject to the satisfaction of performance conditions (i e halfway through the 'gap' period from January 2008 to January 2011) This is a specific arrangement for the initial grant to the Managing Director under the Plan and will not be repeated

Awards from October 2008 will be made annually, over shares worth up to a maximum of 75% of salary and will vest three years later subject to the satisfaction of performance conditions

No options were exercised during the year

The vesting of the above awards will be subject to performance conditions over a three year period as given on page 29

Awards will not normally be capable of exercise prior to the third anniversary of the date of grant

The rules of the Plan are available for inspection at the Company's registered office, 60 Whitehall Road, Halesowen, West Midlands, B63 3JS

There have been no variations to the terms and conditions or performance criteria for share options during the financial year

The market price of the ordinary shares at 30 June 2008 was 300p and the range during the year was 261p to 417p

As Chairman of the Remuneration Committee, I intend to be available at the Annual General Meeting to answer questions on any aspect of the remuneration policy

Approved by and signed for and on behalf of the Board

David F Austin
Senior Independent Non-Executive Director
29 September 2008

Independent Auditors' Report to the Members of A & J Mucklow Group plc

We have audited the Consolidated and Parent Company financial statements (the "financial statements") of A & J Mucklow Group plc for the year ended 30 June 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Parent Company Cash Flow Statements, and the related notes 1 to 30 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Property and Financial Review that is cross-referred from the Review of Business section of the Directors' Report

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 review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

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 and the part of the Directors' Remuneration Report to be audited 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 Group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its loss for the year then ended,
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 June 2008,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements

Separate opinion in relation to IFRSs

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 30 June 2008 and of its loss for the year then ended

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
29 September 2008

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration 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 The directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with IFRSs as adopted by the European Union The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances a fair presentation will be achieved by compliance with all applicable IFRSs However, directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' responsibility statement
We confirm that to the best of our knowledge

a the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and

b the management report, or 'Review of Business' which is incorporated into the Directors Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Rupert Mucklow
Chairman

David Wooldridge
Finance Director

Financial Statements

Contents

Consolidated Income Statement

for the year ended 30 June 2008

		2008			2007		
	Notes	**Adjusted income & expense £000**	**Adjustments £000**	**Total income & expense £000**	Adjusted income & expense £000	Adjustments £000	Total income & expense £000
Revenue	2	**18,425**	**—**	**18,425**	24,965	—	24,965
Gross rental income relating to investment properties	2	**15,772**	**—**	**15,772**	14,285	—	14,285
Property outgoings		**(591)**	**—**	**(591)**	(748)	—	(748)
Net rental income relating to investment properties		**15,181**	**—**	**15,181**	13,537	—	13,537
Proceeds on sale of trading properties	2	**2,653**	**—**	**2,653**	10,680	—	10,680
Carrying value of trading properties sold		**(98)**	**—**	**(98)**	(518)	—	(518)
Property outgoings relating to trading properties		**(2)**	**—**	**(2)**	(4)	—	(4)
Net income from trading properties		**2,553**	**—**	**2,553**	10,158	—	10,158
Administration expenses		**(2,778)**	**—**	**(2,778)**	(2,996)	—	(2,996)
Operating profit before net (losses)/gains on investment		**14,956**	**—**	**14,956**	20,699	—	20,699
Profit on disposal of investment properties		**—**	**48**	**48**	—	2,247	2,247
Net (losses)/gains on revaluation of investment and development properties	3	**—**	**(41,169)**	**(41,169)**	—	16,322	16,322
Operating profit/(loss)	4	**14,956**	**(41,121)**	**(26,165)**	20,699	18,569	39,268
Finance income	6	**60**	**—**	**60**	209	—	209
Finance costs		**(604)**	**—**	**(604)**	(1,159)	—	(1,159)
Exceptional loss on redemption of debenture		**—**	**—**	**—**	—	(4,949)	(4,949)
Total finance costs	6	**(604)**	**—**	**(604)**	(1,159)	(4,949)	(6,108)
Profit/(loss) before tax	4	**14,412**	**(41,121)**	**(26,709)**	19,749	13,620	33,369
Current tax		**(535)**	**—**	**(535)**	(4,154)	(2,340)	(6,494)
Current tax — REIT entry charge		**—**	**—**	**—**	—	(5,736)	(5,736)
Deferred tax (charge)/credit		**—**	**(17)**	**(17)**	343	(922)	(579)
Deferred tax released on REIT conversion		**—**	**—**	**—**	—	31,409	31,409
Total tax (charge)/credit	7	**(535)**	**(17)**	**(552)**	(3,811)	22,411	18,600
Profit/(loss) for the financial period		**13,877**	**(41,138)**	**(27,261)**	15,938	36,031	51,969
Basic and diluted (loss)/earnings per share	9			**(45 44p)**			86 62p

All operations are continuing

Notes

The Group has presented the income statement in a three-column format, so as to present adjusted amounts to exclude the impact of EPRA adjustments, premium on redemption of debenture and related tax The directors consider that the adjusted figures give a useful comparison for the periods shown in the consolidated financial statements

Consolidated Balance Sheet

at 30 June 2008

	Notes	2008 £000	2007 £000
Non-current assets			
Investment and development properties	10	**262,991**	286,768
Property, plant and equipment	11	**1,657**	1,726
Trade and other receivables	12	**332**	370
		264,980	288,864
Current assets			
Trading properties	13	**912**	921
Trade and other receivables	14	**3,993**	4,306
Cash and cash equivalents	15	**2,203**	1,252
		7,108	6,479
Total assets		**272,088**	295,343
Current liabilities			
Trade and other payables	16	**(13,410)**	(7,745)
Borrowings	17	**(76)**	—
Tax liabilities		**(4,464)**	(9,295)
		(17,950)	(17,040)
Non-current liabilities			
Borrowings	18	**(31,314)**	(18,878)
Deferred tax	19	**(144)**	(133)
		(31,458)	(19,011)
Total liabilities		**(49,408)**	(36,051)
Net assets		**222,680**	259,292
Equity			
Called up ordinary share capital	20	**14,998**	14,998
Revaluation reserve	21	**1,055**	927
Share-based payment reserve	22	**48**	—
Redemption reserve	22	**11,162**	11,162
Retained earnings	22	**195,417**	232,205
Total equity	23	**222,680**	259,292
Net assets per Ordinary share			
— Basic and diluted	9	**371p**	432p
— Adjusted	9	**379p**	445p

Rupert J Mucklow
David Wooldridge

Approved by the Board on 29 September 2008

The notes attached are an integral part of the accounts

Parent Company Balance Sheet

at 30 June 2008

	Notes	2008 £000	2007 £000
Non-current assets			
Investment and development properties	10	—	2,050
Investments	28	**186,902**	19,833
		186,902	21,883
Current assets			
Trade and other receivables	14	**30,228**	109,623
Corporation tax recoverable		**8,153**	4,737
Cash and cash equivalents		**8**	8
		38,389	114,368
Total assets		**225,291**	136,251
Current liabilities			
Trade and other payables	16	**(8,485)**	(36,497)
Non-current liabilities			
Borrowings	18	**(11,378)**	(18,878)
Total liabilities		**(19,863)**	(55,375)
Net assets		**205,428**	80,876
Equity			
Called up ordinary share capital	20	**14,998**	14,998
Share-based payment reserve	22	**48**	—
Redemption reserve	22	**11,162**	11,162
Retained earnings	22	**179,220**	54,716
Total equity	23	**205,428**	80,876

Rupert J Mucklow
David Wooldridge

Approved by the Board on 29 September 2008

Consolidated Statement of Recognised Income and Expense

for the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Gain on revaluation of development and owner-occupied properties	3	**236**	167
Deferred tax liability on items taken to equity	7	**6**	(34)
Reversal of deferred tax on REIT conversion		**—**	19
Net gain recognised directly in equity		**242**	152
(Loss)/profit for the year		**(27,261)**	51,969
Total recognised income and expense for the year	**23**	**(27,019)**	52,121

There are no other recognised items of income or expense for the current or prior year periods for the Parent Company and accordingly no statement of recognised income and expense is presented for the Parent Company

Consolidated Cash Flow Statement
for the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Cash flows from operating activities			
Operating (loss)/profit		**(26,165)**	39,268
Adjustments for non-cash items			
— Unrealised net revaluation losses/(gains) on investment and development properties		**41,169**	(16,322)
— Profit on disposal of investment properties		**(48)**	(2,247)
— Depreciation and other non-cash items		**93**	35
— Profit on sale of fixed assets		**(23)**	—
Other movements arising from operations			
— Decrease in trading properties		**47**	361
— Decrease/(increase) in receivables		**367**	(1,608)
— Decrease in payables		**(678)**	(268)
Net cash generated from operations		**14,762**	19,219
Interest received		**42**	192
Interest paid		**(1,522)**	(1,535)
Premium on redemption of debenture stock		**—**	(4,949)
Preference dividends paid		**(47)**	(47)
Corporation tax paid		**(5,367)**	(4,919)
Net cash inflow from operating activities		**7,868**	7,961
Cash flows from investing activities			
Acquisition and property development		**(14,859)**	(24,401)
Grants received		**293**	—
Sales of investment properties		**48**	14,136
Expenditure on property, plant and equipment		**(89)**	(11)
Net cash outflow from investing activities		**(14,607)**	(10,276)
Cash flows from financing activities			
Net increase in borrowings		**12,513**	2,301
Equity dividends paid		**(4,823)**	(8,501)
Net cash inflow/(outflow) from financing activities		**7,690**	(6,200)
Net increase/(decrease) in cash and cash equivalents		**951**	(8,515)
Cash and cash equivalents at 1 July		**1,252**	9,767
Cash and cash equivalents at 30 June	15	**2,203**	1,252

Parent Company Cash Flow Statement
for the year ended 30 June 2008

	2008 £000	2007 £000
Cash flows from operating activities		
Operating profit	**132,707**	41,686
Adjustments for non-cash items		
— Unrealised revaluation losses on investment properties	**—**	56
— Impairment of investment in subsidiaries	**644**	—
Other movements arising from operations		
— Increase in receivables	**(84,354)**	(9,219)
— Decrease in payables	**(32,830)**	(22,795)
Net cash generated from operations	**16,167**	9,728
Interest received	**1**	159
Interest paid	**(380)**	(1,027)
Premium on redemption of debenture stock	**—**	(4,949)
Preference dividends paid	**(47)**	(47)
Corporation tax refunded	**—**	—
Corporation tax paid	**(3,416)**	(4,918)
Net cash inflow/(outflow) from operating activities	**12,325**	(1,054)
Cash flows from investing activities		
Expenditure on property, plant and equipment	**(2)**	(54)
Net cash outflow from investing activities	**(2)**	(54)
Cash flows from financing activities		
Net (decrease)/increase in borrowings	**(7,500)**	2,301
Equity dividends paid	**(4,823)**	(8,501)
Net cash outflow from financing activities	**(12,323)**	(6,200)
Net decrease in cash and cash equivalents	**—**	(7,308)
Cash and cash equivalents at 1 July	**8**	7,316
Cash and cash equivalents at 30 June	**8**	8
Cash and cash equivalents consists of		
Cash at bank	**—**	—
Short-term deposits	**8**	8

Notes to the Accounts

1 Accounting policies

Basis of preparation of financial information

A & J Mucklow Group plc is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is given on page 17

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulation

The financial statements are prepared under the historical cost convention, except for the revaluation of investment properties, development properties and owner-occupied properties and deferred tax thereon and certain financial assets, with consistent accounting policies to the prior year

The preparation of financial statements requires the use of estimates and assumptions that affect reported amounts of assets and liabilities during the reporting period These estimates and assumptions are based on management's best knowledge of the amount, event or actions Actual results may differ from those amounts

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries Control is assumed where the Parent Company has the power to govern the financial and operational policies of the subsidiary

As permitted by Section 230 of the Companies Act 1985, the income statement of the Parent Company is not presented as part of these accounts The Parent Company's profit for the financial year after taxation amounted to £134 1m

Unrealised gains and losses on intra-group transactions and intra-group balances are eliminated from the consolidated results

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

IFRS 8	Operating Segments
IFRIC 4	Determining whether an Arrangement contains a lease
IFRIC 5	Rights to Interests Arising from Decommissioning Restoration and Environmental Rehabilitation Funds
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interim reporting and impairments
IFRIC 11	IFRS 2 — Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group

Implementation of IFRS 7

In the current financial year the Group adopted International Financial Reporting Standard 7 'Financial Instruments Disclosures' (IFRS 7) which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 'Presentation of Financial Statements' (IAS 1) The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital

1 Accounting policies (continued)

Revenue recognition

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

Rental income from operating leases is recognised on a straight-line basis over the term of the lease

Lease incentives are amortised on a straight-line basis over the lease term

Property operating expenses are expensed as incurred Service charges and other recoverables are credited against the related expense

Revenue and profits on sale of investment and trading properties

Revenue and profits on sale of investment properties and trading properties are taken into account on the completion of contracts The amount of profit recognised is the difference between sale proceeds and the carrying amount

Dividends and interest income

Dividend income from investments in subsidiaries is recognised when shareholders' rights to receive payment have been established Interest income is recognised on an accruals basis when it falls due

Cost of properties

An amount equivalent to the total 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

Interest associated with direct expenditure on investment properties which are undergoing development or major refurbishment and development properties is capitalised Direct expenditure includes the purchase cost of a site or property for development properties, but does not include the original book cost of investment property under development or refurbishment Interest is capitalised gross from the start of the development work until the date of practical completion, but is suspended if there are prolonged periods when development activity is interrupted The rate used is the rate on specific associated borrowings or, for that part of the development costs financed out of general funds, the average rate

Valuation of properties

Investment properties are valued at the balance sheet date at market value Where investment properties are being redeveloped the property continues to be treated as an investment property Surpluses and deficits attributable to the Group arising from revaluation are recognised in the income statement Valuation surpluses reflected in retained earnings are not distributable until realised on sale Properties under development, which were not previously classified as investment properties, are valued at market value until practical completion, when they are transferred to investment properties Valuation surpluses and deficits attributable to properties under development are taken to revaluation reserve until completion, when they are transferred to retained earnings Where the valuation is below historic cost, the deficit is recognised in the income statement

Owner-occupied properties are valued at the balance sheet date at market value Valuation changes in owner-occupied property are taken to revaluation reserve Where the valuation is below historic cost, the deficit is recognised in the income statement

Trading properties held for resale are stated at the lower of cost and net realisable value

Critical accounting judgements and key sources of estimation uncertainty

Management has made judgements over the valuation of properties that has a significant effect on the amounts recognised in the financial statements Management has used the valuation performed by its independent valuers as the fair value of its investment, development, owner-occupied and trading properties The valuation is based upon assumptions including future rental income and an appropriate discount rate The valuers also use market evidence of transaction prices for similar properties

Notes to the Accounts

1 Accounting policies (continued)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset

Depreciation on revalued buildings is charged to income On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings

Plant and equipment is stated at cost less accumulated depreciation, less any recognised impairment

Depreciation

Depreciation is provided on buildings, motor vehicles and fixtures and fittings on a straight-line basis over the estimated useful lives of between two and twenty-five years Investment properties are not depreciated

Government grants

Capital grants received relating to the cost of building or refurbishing investment properties are deducted from the cost of the relevant property Revenue grants are deducted from the related expenditure

Share-based payments

The cost of granting equity-settled share options and other share-based remuneration is recognised in the income statement at their fair value at grant date They are expensed straight-line over the vesting period, based on estimates of the shares or options that eventually vest Options are valued using the Monte Carlo simulation model

Deferred taxation

Deferred taxation is provided in full on temporary differences that result in an obligation 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 Temporary differences arise from the inclusion of items in taxation computations in periods different from when they are included in the financial statements Deferred tax is provided on temporary differences arising from the revaluation of fixed assets Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

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 income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Tax is recognised in the income statement except for items that are reflected directly in equity, where the tax is also recognised in equity

Pension costs

The cost to the Group of contributions made to defined contribution plans is expensed when the contributions fall due

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of separable net assets Where the fair value of the cost of acquisition exceeds the fair value attributable to such assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition

1 Accounting policies (continued)

Goodwill is reviewed annually for impairment Under the Group's previous policy, £134,728 of goodwill has been written off directly to reserves as a matter of accounting policy This would be credited to the income statement on disposal of the business to which it related

Group undertakings

Investments are included in the balance sheet at cost less any permanent diminution in value

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for any amounts it may have to pay If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at the effective rate computed at initial recognition

Available for sale assets

Mortgages receivable held by the Group are classified as being available for sale and are stated at fair value Fair value is determined in the manner described in note 12 Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, which are recognised directly in the income statement Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss recognised in the investments revaluation reserve is included in profit or loss for the period

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlements or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

Notes to the Accounts

2 Revenue

	2008 £000	2007 £000
Total rental income from investment and development properties	**15,772**	14,285
Proceeds on sale of trading properties	**2,653**	10,680
	18,425	24,965
Finance income (note 6)	**60**	209
Total revenue	**18,485**	25,174

3 Segmental analysis — primary segments

	2008 £000	2007 £000
Investment and development properties		
— Net rental income	**15,181**	13,537
— Profit on disposal	**48**	2,247
— (Deficit)/gain on revaluation of investment properties	**(38,440)**	16,754
— Deficit on revaluation of development properties	**(2,729)**	(432)
	(25,940)	32,106
Trading properties		
— Proceeds on sales	**2,653**	10,680
— Carrying value on sales	**(98)**	(518)
— Property outgoings	**(2)**	(4)
	2,553	10,158
Administration expenses	**(2,778)**	(2,996)
Operating (loss)/profit	**(26,165)**	39,268
Net financing costs — ordinary	**(544)**	(950)
— exceptional	**—**	(4,949)
(Loss)/profit before tax	**(26,709)**	33,369
The property revaluation (deficit)/surplus has been recognised as follows		
Income statement		
— Investment properties	**(38,440)**	16,754
— Development properties	**(2,729)**	(432)
	(41,169)	16,322
Statement of recognised income and expense		
— Development and owner-occupied properties	**236**	167
Total revaluation (deficit)/surplus for the period	**(40,933)**	16,489

3 Segmental analysis — primary segments (continued)

	2008 £000	2007 £000
Balance sheet — segment assets		
Investment and development properties		
— Segment assets	**265,906**	290,735
— Segment liabilities	**(6,243)**	(6,373)
	259,663	284,362
Trading properties		
— Segment assets	**912**	921
— Segment liabilities	**—**	(1)
	912	920
Other activities		
— Unallocated assets	**3,067**	2,435
— Unallocated liabilities	**(11,774)**	(10,799)
— Net borrowings	**(29,188)**	(17,626)
	(37,895)	(25,990)
Net assets	**222,680**	259,292
Capital expenditure		
Investment and development properties	**15,929**	24,460
Property, plant and equipment	**162**	94
	16,091	24,554
Depreciation		
Investment and development properties	**—**	—
Property, plant and equipment	**93**	98
	93	98

All operations and income are derived from the United Kingdom

Notes to the Accounts

4 Profit for the year

	2008 **£000**	2007 £000
Profit for the year has been arrived at after charging/(crediting)		
Depreciation of property, plant and equipment	**93**	98
Profit on the sale of fixed assets	**(23)**	(63)
Net losses/(gains) on revaluation of investment and development properties	**41,169**	(16,322)
Staff costs (see note 5)	**1,585**	1,879
Professional fees incurred for REIT conversion	**—**	181

The amount shown above for professional fees incurred for REIT conversion includes amounts payable to Deloitte & Touche LLP, which are also disclosed below

Auditors' remuneration — Deloitte & Touche LLP

	2008 **£000**	2007 £000
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	**37**	36
Fees payable to the Company's Auditors and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	**12**	12
Other services pursuant to legislation	**9**	7
	58	55
Other services relating to taxation	**115**	125
	173	180

All of the above items are included in administration expenses

The fees paid to the Group's Auditors in the current and prior year in respect of other services primarily relate to corporate tax compliance work and corporate tax advice, VAT advice, and advice on the impact of International Financial Reporting Standards and becoming a REIT on the Group The level of fees paid to Deloitte & Touche LLP for non-audit services during the year has been reviewed by the Audit Committee, who are satisfied that there is no risk of the independence of the audit being compromised

The use of Deloitte & Touche LLP as tax advisers is considered to be appropriate given the complexity of the Group's tax affairs, which requires a detailed knowledge of the structure and history of the organisation

5 Staff costs (including directors)

Staff numbers and costs

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

	2008 number	2007 number
Management	**4**	5
Administration	**5**	5
Property	**8**	7
Total employees	**17**	17

The Parent Company has no employees other than directors and no staff costs The remuneration of the directors is paid by another Group undertaking for the current and prior financial year and no part of their remuneration is specifically attributable to their services for this company

The aggregated payroll costs (including directors) were as follows

	2008 £000	2007 £000
Wages and salaries	**1,208**	1,285
Termination payment	**—**	235
Share-based payment	**81**	50
Social security costs	**153**	168
Pension costs	**143**	141
	1,585	1,879

Pension arrangements

The Group operates defined contribution plans for qualifying permanent staff with payments invested with the Standard Life Assurance Company

Pension contributions (including directors) paid in the year ended 30 June 2008 amounted to £142,934 (2007 £141,019)

6 Net financing costs

	2008 £000	2007 £000
Finance costs on		
Debenture stock	**483**	1,068
Preference share dividend	**47**	47
Capitalised interest	**(1,432)**	(508)
Bank overdraft and loan interest payable	**1,506**	552
Total finance costs — ordinary	**604**	1,159
Premium on redemption of debenture stock	**—**	4,949
Total finance costs	**604**	6,108
Finance income on		
Short-term deposits	**6**	13
Bank and other interest receivable	**54**	196
Total finance income	**60**	209
Net finance costs	**544**	5,899

In December 2006 the Group redeemed £11 70m of its 11 5% First Mortgage Debenture Stock 2014 at a price of £141 81 per £100 of stock

The total cost of redemption was £16 65m, leading to a premium on redemption of £4 95m This exceptional premium reduced the reported tax charge for 2007 by £1 48m

Notes to the Accounts

7 Taxation

	2008 £000	2007 £000
Tax charge		
Current tax		
— Corporation tax charged at 29 5% (2007 30%)	**877**	4,154
— Prior year adjustment	**(342)**	—
— Tax in respect of property disposals	**—**	2,340
	535	6,494
Current tax		
— REIT conversion charge	**—**	5,736
Total current tax	**535**	12,230
Deferred tax		
— Deferred tax on property revaluations	**—**	922
— Other deferred tax	**17**	(166)
— Prior year adjustment	**—**	(177)
— Release on conversion to REIT	**—**	(31,409)
Deferred tax charge/(credit)	**17**	(30,830)
Total tax charge/(credit) in the income statement	**552**	(18,600)
Tax recognised in equity		
Deferred tax	**(6)**	15

The charge for the year can be reconciled to the profit per the income statement as follows

	2008 £000	2007 £000
(Loss)/profit on ordinary activities before tax	**(26,709)**	33,369
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 29 5% (2007 30%)	**(7,879)**	10,010
Effect of		
Indexation relief and tax base difference on investment properties	**—**	(2,441)
Capital allowances	**—**	(629)
Other deferred tax movements	**17**	(264)
REIT exempt income and gains	**8,742**	—
REIT conversion charge	**—**	5,736
REIT conversion on deferred tax provisions	**—**	(31,404)
IFRS 2 charge	**14**	—
Expenses not deductible for tax purposes	**—**	102
Adjustments in respect of prior years	**(342)**	290
	552	(18,600)

The Group became a Real Estate Investment Trust (REIT) on 1 July 2007 Under the REIT regime properties which are developed and then sold within three years do not benefit from the tax exemption provided to a REIT No deferred tax has been provided in respect of this potential tax liability as the Group has no current plans to dispose of such development properties The value of development properties at 30 June 2008 was £28 60m (2007 £28 14m) and if the tax exemption was lost the amount of tax payable on this value would be £nil (2007 £0 02m)

The United Kingdom Government has enacted provisions reducing the standard rate of corporation tax to 28% with effect from 1 April 2008 Therefore, the standard rate of tax applicable to the Group is 29 5% (2007 30%) in the year ended 30 June 2008 and will be 28% thereafter

8 Dividends

	2008 £000	2007 £000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 30 June 2007 of 8 04p (2006 7 48p) per share	**4,823**	4,487
Interim dividend for the year ended 30 June 2008 of 8 03p (2007 6 69p) per share	**4,818**	4,014
	9,641	8,501

The directors propose a final dividend for the year ended 30 June 2008 of 9 65p (2007 8 04p) per Ordinary share, totalling £5,789,227

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements

The final dividend, if approved, will be paid on 2 January 2009 to shareholders on the register at the close of business on 28 November 2008

9 (Loss)/profit, earnings per share and net asset value per share

(Loss)/profit before tax

The adjusted profit before tax has been amended from the (loss)/profit before tax as follows

	2008 £000	2007 £000
(Loss)/profit before tax	**(26,709)**	33,369
Premium on redemption of debenture stock	—	4,949
Profit on disposal of investment properties	**(48)**	(2,247)
Net losses/(gains) on revaluation of investment and development properties	**41,169**	(16 322)
Adjusted profit before tax	**14,412**	19,749

Earnings per share

The basic and diluted loss per share of 45 44p (2007 earnings 86 62p) has been calculated on the basis of the weighted average of 59,991,990 Ordinary shares and loss of £27 26m (2007 earnings £51 97m) The adjusted earnings per share has been amended from the basic and diluted earnings per share by the following

	2008 £000	2007 £000
Earnings	**(27,261)**	51,969
Profit on disposal of investment properties	**(48)**	(2,247)
Tax charged on profit on disposal of investment properties (note 7)	—	2,340
Net losses/(gains) on revaluation of investment and development properties	**41,169**	(16,322)
REIT conversion charge	—	5,736
Deferred tax	**17**	(30,830)
EPRA adjusted earnings	**13,877**	10,646
Premium on redemption of debenture stock	—	4,949
Tax thereon at 30%	—	(1,485)
Adjusted earnings	**13,877**	14,110
EPRA diluted earnings per share	**23 13p**	17 75p
Adjusted (and adjusted diluted) earnings per share	**23 13p**	23 52p

9 (Loss)/profit, earnings per share and net asset value per share (continued)

The Group presents an adjusted earnings per share figure as the directors consider that this is a better indicator of the performance of the Group

There are no dilutive shares Options over 176,628 Ordinary shares were granted in the year as part of the first award under the 2007 Performance Share Plan The vesting conditions for these shares have not been met, so they have not been treated as dilutive in these calculations

Net asset value per share

The net asset value per share of 371p (2007 432p) has been calculated on the basis of the number of equity shares in issue of 59,991,990 and net assets of £222 68m (2007 £259 29m) The adjusted net asset value per share has been calculated as follows

	2008	2007
	£000	£000
Equity shareholders' funds	**222,680**	259,292
Valuation of land held as trading properties	**5,748**	9,995
Mark to market on debt	**(500)**	(1,341)
Book value of land held as trading properties	**(912)**	(921)
Deferred tax	**144**	133
	227,160	267,158
EPRA (adjusted) net asset value per share	**379p**	445p

10 Investment and development properties

Group	**Investment**	**Development**	**Total**
	£000	**£000**	**£000**
At 1 July 2007	258,631	28,137	286,768
Acquisitions	4,139	959	5,098
Additions	2,538	8,293	10,831
Capitalised interest	42	1,390	1,432
Transfer	7,774	(7,774)	—
Grant	(293)	—	(293)
Revaluation deficit	(38,440)	(2,405)	(40,845)
At 30 June 2008	234,391	28,600	262,991

The above comprises £248 0m (2007 £270 0m) of freehold and £15 0m (2007 £16 8m) of leasehold properties

	Freehold	**Leasehold**	**Total**
	£000	**£000**	**£000**
Properties held at valuation			
Cost	144,579	13,461	158,040
Valuation surplus	103,402	1,549	104,951
Valuation	247,981	15,010	262,991

10 Investment and development properties (continued)

Investment and development properties have been included at market value after having deducted an amount of £0 19m (2007 £0 22m) in respect of lease incentives and letting fees included in trade and other receivables

The properties are stated at their 30 June 2008 market value and are valued by DTZ Debenham Tie Leung, professionally qualified external valuers, in accordance with the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors DTZ Debenham Tie Leung have recent experience in the relevant location and category of the properties being valued A reconciliation to the amount included above is set out below

	£000
DTZ valuation as at 30 June 2008	264,415
Owner-occupied property included in property, plant and equipment	(1,221)
Lease inducements	(193)
Other adjustments	(10)
Investment and development properties as at 30 June 2008	262,991

Additions to freehold and leasehold properties include capitalised interest of £1 43m (2007 £0 51m) The capitalisation rate used was 6 5% (2007 6 1%) The total amount of interest capitalised included in freehold and leasehold properties is £4 28m (2007 £2 85m) Properties valued at £107 24m (2007 £87 90m) were subject to a security interest

Company	**Freehold £000**
At valuation 1 July 2007	2,050
Transfer to subsidiary	(2,050)
At valuation 30 June 2008	—

11 Tangible fixed assets and owner-occupied property

Group	**Freehold £000**	**Plant and vehicles £000**	**Total £000**
At 1 July 2007	1,309	826	2,135
Additions	—	162	162
Disposals	—	(131)	(131)
Revaluation deficit	(88)	—	(88)
At 30 June 2008	1,221	857	2,078
Depreciation			
At 1 July 2007	—	409	409
Charged in year	—	93	93
On disposals	—	(81)	(81)
At 30 June 2008	—	421	421
Net book value			
At 30 June 2008	1,221	436	1,657
At 30 June 2007	1,309	417	1,726
Properties held at valuation			
Cost	948	—	948
Valuation surplus	273	—	273
Valuation	1,221	—	1,221

Owner-occupied properties are valued by DTZ Debenham Tie Leung on the same basis as the investment properties See note 10 for details

Notes to the Accounts

12 Non-current trade and other receivables

	2008 £000	2007 £000
Mortgages receivable	**332**	370

The figures shown above are after deducting a provision for bad and doubtful debts of £0 11m (2007 £0 12m)

The directors consider that the carrying amount of trade and other receivables is their fair value Fair value is determined by discounting the expected future value of repayments

The mortgages are receivable on the disposal of the secured properties

13 Trading properties

	2008 £000	2007 £000
Land stock	**912**	921

14 Trade and other receivables

Group	2008 £000	2007 £000
Falling due in less than one year		
Trade debtors	**1,689**	2,431
Other debtors	**—**	1
Prepayments and accrued income	**2,304**	1,874
	3,993	4,306

Included in prepayments is an amount of £2 09m (2007 £1 63m) relating to lease incentives which are amortised to the lease end No provision for impairment is held against the lease incentives as the directors expect to recover the value over the life of the relevant leases

Company	2008 £000	2007 £000
Falling due in less than one year		
Group undertakings	**30,219**	109,611
Prepayments and accrued income	**9**	11
VAT	**—**	1
	30,228	109,623

The directors consider that the carrying amount of trade and other receivables approximates to their fair value No provision for impairment is held against the Group undertaking balances, as the Group expects to recover the balances in full from the subsidiary companies through day-to-day transactions and intercompany dividends

Trade Debtors

No interest is charged on the receivables An allowance has been made for estimated irrecoverable amounts from rent income of £0 07m (2007 £0 05m) This allowance has been determined by reference to past default experience

The Company has provided fully for those receivable balances that it does not expect to recover This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the creditworthiness of the counterparty

14 Trade and other receivables (continued)

Included in the Company's trade receivable balance are debtors with a carrying amount of £0 9m (2007 £1 4m) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable The Company does not hold any collateral over these balances The average age of receivables not impaired is 17 days (2007 30 days)

Ageing of past due but not impaired receivables

Number of days past due	2008 £000	2007 £000
1 – 30 days	**873**	1,408
30 – 60 days	**6**	—
60 – 90 days	**1**	17
90 days +	**(15)**	(35)
Balance at 30 June past due but not impaired	**865**	1,390
Current	**824**	1,041
Balance at 30 June	**1,689**	2,431

Movement in the allowance for doubtful debts (net of VAT)

	2008 £000	2007 £000
At 1 July	**52**	105
Impairment losses recognised	**27**	9
Amounts written off	**2**	(35)
Amounts recovered during the year	**(8)**	(27)
Balance at 30 June	**73**	52

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date The concentration of credit risk is limited due to the tenant base being large and unrelated Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts

Ageing of impaired trade receivables

Number of days past due	2008 £000	2007 £000
1 – 30 days	**28**	—
30 – 60 days	**—**	—
60 – 90 days	**—**	—
90 days +	**58**	61
	86	61

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

Notes to the Accounts

15 Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank and in hand	**895**	1,244
Short-term deposits	**1,308**	8
	2,203	1,252

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less The carrying amount of these assets approximates to their fair value

16 Trade and other payables

Group	2008 £000	2007 £000
Deferred income in respect of rents and insurances	**4,527**	4,334
Trade and other payables	**1,472**	965
Ordinary dividend	**4,818**	—
Accruals	**2,593**	2,446
	13,410	7,745
Company		
Group undertakings	**3,386**	36,093
Trade payables	**—**	3
Ordinary dividend	**4,818**	—
Accruals	**281**	401
	8,485	36,497

The directors consider that the carrying amount of trade and other payables approximates to their fair value

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs For most suppliers interest is charged if payment is not made within the required terms Thereafter, interest is chargeable on the outstanding balances at various rates The Group has financial risk management policies in place to ensure that all payables are paid within the credit timescale

17 Borrowings — bank overdraft

	2008 £000	2007 £000
Bank overdraft (repayable on demand)	**76**	—

The Group's overdraft facility is reviewed annually

18 Borrowings

Group	2008 £000	2007 £000
11 5% First Mortgage Debenture Stock 2014	**4,203**	4,203
Bank loan	**19,936**	—
Revolving credit facility	**6,500**	14,000
675,000 (2007 675,000) Preference shares of £1 each	**675**	675
	31,314	18,878

Company		
11 5% First Mortgage Debenture Stock 2014	**4,203**	4,203
Revolving credit facility	**6,500**	14,000
675,000 (2007 675,000) Preference shares of £1 each	**675**	675
	11,378	18,878

The 11 5% First Mortgage Debenture Stock 2014 is secured by first legal mortgages on certain freehold and leasehold properties and by a first floating charge on the undertakings and all property assets and rights present and future including any uncalled capital of A & J Mucklow (Properties) Limited, a wholly owned subsidiary undertaking of the Company

The 11 5% First Mortgage Debenture Stock 2014 is redeemable at par on the final redemption date The Company may purchase the stock at any time in the market or by tender During the prior year the Group redeemed £11 70m of the 11 5% First Mortgage Debenture Stock 2014 at a cost of £16 59m

In 1999 the Group arranged a £20m revolving credit facility with HSBC Bank plc Security has been given over certain freehold properties held by the Group During 2005 the facility was reviewed and the facility now expires in 2010 On 19 June 2000, the revolving credit was reduced to £15m On 22 March 2007, a further revolving credit of £20m was agreed with HSBC Bank plc with expiry in 2012 Of the total £35m revolving credit facilities, £6 5m (2007 £14m) was utilised at 30 June 2008

On 20 May 2008, a loan of £20m was agreed with Lloyds TSB Bank plc with expiry on 22 May 2023 Interest at 5 59% is payable quarterly, with repayment of the capital due at the end of the term The loan is secured against certain freehold and leasehold properties held by a subsidiary company

The Preference shares carry the right to a fixed cumulative dividend of 7% per share per annum This amount is payable half yearly in arrears on 30 June and 31 December each year Until the abolition of Advance Corporation Tax in 1999, the rate applicable to the Preference shares was 4 9% net

In the event of the Company being wound up, the Preference shares entitle the holder to repayment of the capital paid up plus a premium and any arrears of dividend (net of tax credit) The premium payable on each share will be based on the excess (if any) over par of the average daily middle-market quotations during the six months immediately preceding the relevant date, less arrears of dividend (net of tax credit)

The Preference shares carry no right to vote at General Meetings

Notes to the Accounts

19 Deferred tax

Group	1 July 2007 £000	Recognised in income £000	Recognised in equity £000	30 June 2008 £000
Valuation surplus on properties	71	—	(6)	**65**
Capital allowances	62	17	—	**79**
Other timing differences	—	—	—	**—**
Total deferred tax	133	17	(6)	**144**

The Group and Company have no unrecognised deferred tax assets or liabilities

20 Share capital

	2008 £000	2007 £000
Authorised		
Equity		
117,300,000 (2007 117,300,000) Ordinary shares of 25p each	**29,325**	29,325
Allotted, Called Up and Fully Paid		
Equity		
59,991,990 (2007 59,991,990) Ordinary shares of 25p each	**14,998**	14,998

Options over 176,628 Ordinary shares were granted in the year The conditions for vesting are disclosed in the Board Report on Directors' Remuneration on pages 28 to 31 If the vesting conditions are met, the first award is intended to be settled by the issue of new shares

In addition to the above, the Company has £675,000 (2007 £675,000) at nominal value of £1 Preference shares authorised and in issue, representing 4% (2007 4%) of the Company's capital These are classified within non-current borrowings, see note 18

21 Revaluation reserve

Group	Property revaluation reserve £000	Related deferred tax £000	Total £000
At 1 July 2007	999	(72)	927
Surplus on development and owner-occupied properties	236	6	242
Transfer of development property to investment property	(114)	—	(114)
At 30 June 2008	1,121	(66)	1,055

The revaluation reserve represents the revaluation surplus on the revaluation of development and owner-occupied properties As this reserve is made up of unrealised profits and losses, it is not available for distribution to shareholders until realised through sale

The deferred tax relates to the unrealised valuation surpluses included in this reserve

22 Equity reserves

Group	Share-based payment reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 July 2007	—	11,162	232,205	243,367
Loss for the financial year	—	—	(27,261)	(27,261)
Charge for year	48	—	—	48
Dividends paid	—	—	(9,641)	(9,641)
Transfer on reclassification of development property	—	—	114	114
At 30 June 2008	**48**	**11,162**	**195,417**	**206,627**
Company				
At 1 July 2007	—	11,162	54,716	65,878
Profit for the financial year	—	—	134,145	134,145
Charge for year	48	—	—	48
Dividend paid	—	—	(9,641)	(9,641)
At 30 June 2008	**48**	**11,162**	**179,220**	**190,430**

The Capital Redemption Reserve represents the nominal value of Ordinary shares redeemed by the Company in prior years

23 Reconciliation of movements in equity

Group	2008 £000	2007 £000
Opening net assets	**259,292**	215,672
Total recognised income and expense	**(27,019)**	52,121
Shares to be issued	**48**	—
Dividends	**(9,641)**	(8,501)
Closing net assets	**222,680**	259,292
Company		
Opening net assets	**80,876**	51,438
Total recognised income and expense	**134,145**	37,939
Shares to be issued	**48**	—
Dividends	**(9,641)**	(8,501)
Closing net assets	**205,428**	80,876

Notes to the Accounts

24 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Group consists of debt, which includes the borrowings disclosed below, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued Ordinary share capital, reserves and retained earnings as disclosed in notes 22 and 23

Gearing ratio

The Board reviews the capital structure of the Group on a regular basis As part of this review, the Board considers the cost of capital and the risks associated with each class of capital The Group has a target maximum gearing ratio of 50% determined as the proportion of debt (net of cash) to equity The gearing ratio at the year end is as follows

	2008	2007
	%	%
Net debt to equity	**13**	7

Debt is defined as long and short-term borrowings, as detailed below, net of cash Equity includes all capital and reserves of the Group attributable to equity holders of the parent

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements, although there are restrictions on the level of interest that can be paid due to conditions imposed on Real Estate Investment Trusts

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements

The Group's principal financial assets are bank balances and cash disclosed in note 15, trade and other receivables disclosed in note 14 and mortgages disclosed in note 12 The Group's principal financial liabilities are debenture loans, bank borrowings, Preference share capital and overdrafts as disclosed in notes 17 and 18

Financial risk management objectives

The Group seeks to minimise the effects of market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk by using a combination of fixed and floating rate debt instruments with varying maturity profiles No interest rate hedging or trading in financial instruments was entered into during the period under review The Group's policy is not to enter into or trade in derivative financial instruments

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates For the last few years, the Group's low level of gearing and surplus cash have reduced the risk to changes in interest rates The Board reviewed the increase in borrowing requirements and forecast cash flows and decided to enter into a long term fixed rate loan to reduce the exposure to variable interest rates

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note

24 Financial instruments (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the balance sheet date For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year

If interest rates had been 0 5% higher and all other variables were constant, the Group's loss for the year would increase by £0 03m (2007 profit decrease by £0 07m), mainly attributable to interest rates on its variable rate borrowings

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in long-term fixed rate debt

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults The Group only transacts with entities that are highly rated The Group's exposure and the credit ratings of its counterparties are monitored and the transactions concluded are spread amongst approved counterparties

The maximum credit risk on financial assets at 30 June 2008 is £6 3m (2007 £5 7m)

The Group's credit risk is primarily attributable to its trade and mortgage receivables The amounts included in the balance sheet are net of allowances for bad and doubtful debts An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The Group has no significant concentration of credit risk, with exposure spread over a large number of tenants covering a wide variety of business types Concentration of credit did not exceed 3% of annual rent to any one tenant at any time during the year

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities Included below is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay The tables include both interest and principal cash flows

24 Financial instruments (continued)

	Weighted average effective interest rate %	Less than one month £000	1–3 months £000	3 months to 1 year £000	1–5 years £000	5+ years £000	Total £000
2008							
Variable interest rate instruments	**5 82**	**88**	**—**	**—**	**6,500**	**—**	**6,588**
Fixed interest rate instruments	**6·64**	**266**	**276**	**1,098**	**6,600**	**36,298**	**44,538**
		354	**276**	**1,098**	**13,100**	**36,298**	**51,126**
2007							
Variable interest rate instruments	6 59	3	—	—	14,000	—	14,003
Fixed interest rate instruments	10 88	266	—	266	2,123	5,648	8,303
		269	—	266	16,123	5,648	22,306

The interest payable on the revolving credit facility, which is included in the variable rate instruments above, is included as payable within one month as moneys are drawn down on a monthly basis The principal is included when the facility is due to expire

As the preference shares carry no right to redemption, no repayment of principal has been included in the figures Interest payments for ten years have been included in both of the above tables

The Group's policy for financing the business was mainly through the use of fixed rate long-term loans to manage interest rate risk In December 2006 the Group redeemed £11 7m of the 11 5% Debenture Stock 2014 and refinanced it with a five-year Revolving Credit Facility In May 2008 the Group borrowed £20 0m from Lloyds TSB Bank plc for 15 years at a fixed rate of interest

The Group had undrawn revolving credit facilities of £28 5m at 30 June 2008 (2007 £21 0m), which expire in 2010 and 2012 The Group has a £10 0m overdraft facility which expires in less than one year £10 0m of this facility was undrawn as at 30 June 2008 (2007 £10 0m was undrawn) The Group has a fully drawn £20 0m fixed rate loan facility which expires at 2023 (2007 £nil)

The fair values of financial liabilities are disclosed below, except for the fair value information on available for sale financial assets, cash and cash equivalents and short-term receivables and payables which is given in notes 12, 14, 15 and 16

Fair values **As at 30 June 2008**	Book value £000	Fair value £000	Fair value adjustment £000	% of book value
11 5% First Mortgage Debenture Stock 2014	**4,203**	**5,447**	**1,244**	**30**
Bank loan	**19,936**	**19,219**	**(717)**	**(4)**
Revolving credit facility	**6,500**	**6,500**	**—**	**—**
Overdraft	**76**	**76**	**—**	**—**
Preference shares	**675**	**648**	**(27)**	**(4)**
Net debt and Preference share capital	**31,390**	**31,890**	**500**	**2**
Fair values **As at 30 June 2007**				
11 5% First Mortgage Debenture Stock 2014	4,203	5,544	1,341	32
Revolving credit facility	14,000	14,000	—	—
Preference shares	675	648	(27)	(4)
Net debt and Preference share capital	18,878	20,192	1,314	7

24 Financial instruments (continued)

The fair value of the Debenture Stock is based on the mid price at the close of business of that instrument as sourced from the Daily Official List for 30 June 2008 and 30 June 2007 respectively The fair value of the bank loan has been externally valued by discounting expected cash flows at prevailing interest rates at the year end The fair value of the revolving credit has been calculated by discounting expected cash flows at prevailing interest rates at the year end and is not materially different to book value The fair value of the Preference share capital has been based on its latest trade as it had not been quoted on the Daily Official List since 13 September 2002

Group	2008 £000	2007 £000
Sterling financial assets		
Floating rate (not hedged)	**1,337**	333
Fixed rate	**70**	67
Non-interest bearing	**234**	249
	1,641	649
Company		
Sterling financial assets		
Floating rate (not hedged)	**8**	8

Financial assets are cash at bank and in hand, short-term deposits and mortgages receivable At 30 June 2008 £1 3m was invested on the money market overnight at 3 68% There were no money market deposits at 30 June 2007 Cash at bank is at floating rate based on base rate

The fair value of financial assets is not materially different to book value

25 Contingent liabilities

The bank overdrafts and loans of the Group are secured by interlocking cross guarantees given by the Company and subsidiary undertakings All of the overdrafts and loans are included in the consolidated balance sheet

The Company and certain subsidiaries have, in the normal course of business, given guarantees in respect of development contracts of subsidiary undertakings

26 Operating leases

The Group leases out all of its investment properties under operating leases

Future aggregate minimum rentals receivable under non-cancellable operating leases are

	2008 £000	2007 £000
Not later than one year	**14,959**	13,456
Later than one year but not later than five years	**45,816**	42,889
Later than five years	**33,148**	32,980
	93,923	89,325

The Group as lessor

Property rental income earned during the year was £15 8m (2007 £14 3m) Direct operating expenses arising on the investment property in the period amounted to £0 6m (2007 £0 7m) None of the Group's properties held for rental purposes has been disposed of since the year end No one tenant accounts for more than 3% of annual passing rent Lease terms vary depending upon the property use and the lease length, but no tenant has the option to purchase a property at the end of their lease

27 Commitments

	2008 £000	2007 £000
The amount of outstanding commitments for capital expenditure contracted for but not provided for in the consolidated balance sheet	**1,585**	7,422

28 Related party transactions

Company	£000
As at 1 July 2007	19,833
Capital contributions to subsidiaries	167,713
Impairment	(644)
As at 30 June 2008	**186,902**

The shares in the subsidiary undertakings are stated at cost, less any provision for impairment

The Group has a related party relationship with its subsidiaries and its directors Transactions between the Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the Company and its subsidiaries are disclosed below In addition, the remuneration of the key management personnel (including directors) of the Group, are disclosed in aggregate below and are provided in detail in the audited part of the Directors' Remuneration Report

The Company undertakes the following transactions with its active subsidiaries

- Providing day-to-day funding, and
- Providing capital contributions, net of dividends received, of £34 2m (2007 receiving dividends, net of capital contributions provided, of £31 9m)

Remuneration and key management personnel

The remuneration of the key management personnel (including directors) of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 28 to 31

Company	2008 £000	2007 £000
Short-term employee benefit	**1,154**	1,275
Termination benefits	**—**	235
Post-employment benefits	**133**	131
Share-based payment	**29**	44
	1,316	1,685

There have been no related party transactions with directors

29 Share-based payments

Equity-settled share option scheme

The Group has a share option scheme for certain employees of the Group The vesting period is 3 years, except for the transitional award to Justin Parker, which has a vesting period of 18 months If the options remain unexercised after a period of 10 years from the date of grant, the options expire Options are forfeited if the employee leaves the Group before the options vest

Details of the share options outstanding during the year are as follows

	2008		2007	
	Number of share options	**Exercise price in p**	Number of share options	Exercise price in p
Outstanding at 1 July 2007	—	—	—	—
Granted during the year	**176,628**	**25**	—	—
Outstanding at 30 June 2008	**176,628**	**25**	—	—
Exercisable at 30 June 2008	—	—	—	—

The aggregate of the estimated fair values of the options granted during the year is £0 2m (2007 £nil)

The inputs into the Monte Carlo simulation model are as follows

	2008	2007
Share price at valuation date	**280p**	—
Exercise price	**25p**	—
Expected volatility	**32%**	—
Risk free rate	**4 69%**	—
Expected dividend yield	**4 61%**	—

Expected volatility was determined by calculating the historical volatility of the Group's share price over a term commensurate with the expected life of each option

The Group recognised total expenses of £0 1m (2007 £nil) related to equity-settled share-based payment transactions in the financial year ended 30 June 2008

30 Subsidiary undertakings

A & J Mucklow Group plc, the ultimate Parent Company, is a public limited company registered in England and Wales, domiciled in the United Kingdom The Company's registered office is 60 Whitehall Road, Halesowen, West Midlands, B63 3JS The Company is the holding company for the Group

A & J Mucklow Group plc has the following wholly owned principal subsidiary undertakings All were registered and operated in England and Wales

Property investment and development

A & J Mucklow (Halesowen) Limited
A & J Mucklow (Investments) Limited
A & J Mucklow (Properties) Limited
Penbrick Limited

Trading

A & J Mucklow & Co Limited

Five Year Record

	IFRS				UK GAAP
	2008	2007	2006	2005	2004
	£000	£000	£000	£000	£000
Revenue					
Gross rental income	**15,772**	14,285	14,351	16,045	17,893
Net rental income	**15,181**	13 537	13,610	15,708	17,536
Other income	**2,553**	10,158	2,254	1,162	3,659
Profit on disposal of investment properties	**48**	2,247	707	1,096	1,527
Operating (loss)/profit	**(26,165)**	39,268	37,909	27,352	19,142
(Loss)/profit before taxation	**(26,709)**	33,369	36,434	9,444	13,880
Capital					
Net assets	**222,680**	259,292	215,672	193,134	202,567
Property portfolio	**264,212**	288,077	258,557	228,045	238,723
Per Ordinary Share					
Earnings	**(45 44)p**	86 62p	45 24p	16 68p	20 56p
Ordinary dividend*	**17 68p**	14 73p	13 71p	12 76p	11 88p
Net asset value†	**371p**	432p	360p	322p	338p

* Representing interim paid and final proposed dividend for the year
† Excludes surplus on land held as trading properties

The financial information shown in the above table has been prepared under UK GAAP for the financial year ended 30 June 2004, and under IFRS for the financial years ended 30 June 2005, 2006, 2007 and 2008

Shareholder Diary

Annual General Meeting		11 November 2008
Results announced		
For the half year to 31 December 2008		February 2009
For the year to 30 June 2009		September 2009
Ordinary dividends		
Final for 2007/2008	— announce	3 September 2008
	— pay	2 January 2009
Interim for 2008/2009	— announce	February 2009
	— pay	June 2009

Glossary

Adjusted earnings per share (EPS) are EPRA earnings per share including the premium on redemption of debenture stock excluding tax thereon

Adjusted net asset value per share is EPRA net asset value, excluding deferred tax and including the surplus on trading properties and the mark to market of debenture stock

Base rate is the rate at which the Bank of England lends to other financial institutions

Book value is the amount at which assets and liabilities are reported in the financial statements

BREEAM is the European Building Research Establishment Environmental Assessment Method

Company is A & J Mucklow Group plc

Development construction cost is the total cost of construction of a project to completion, excluding site values and finance costs

Development properties are properties held for development purposes and shown as tangible fixed assets in the balance sheet

Earnings per share (EPS) is earnings, in pence, attributable to each equity share, and consists of underlying profit/(loss) after tax divided by the diluted weighted average number of shares in issue during the period

EPRA is the European Public Real Estate Association

EPRA earnings are the profit/(loss) after taxation excluding investment property revaluations and gains/(losses) on disposals, REIT conversion costs and their related taxation whether deferred or otherwise

Equivalent yield represents the return a property will produce based upon the timing of the income received In accordance with usual practice, the equivalent yields (as determined by the Group's external valuers) assume rent received annually in arrears and on values after deducting prospective purchasers' costs

Estimated rental value (ERV) is the Group's external valuers' opinion as to the open market rent, which on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property

Finance lease is a lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee

Gearing is total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds

Group is A & J Mucklow Group plc and its subsidiaries

IFRS is International Financial Reporting Standards

Interest cover is the number of times net interest payable is covered by underlying profit before net interest payable and taxation

Lease incentives are any incentive offered to occupiers to enter into a lease Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs For accounting purposes, under IFRS, the value of the rent-free period is spread over the non-cancellable life of the lease

LIBOR is the London Interbank Offered Rate, the interest rate charged by one bank to another for lending money

Mark to market is the difference between the book value of an asset or liability and its market value

Market value in relation to property assets is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers) In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agents and legal fees

Net asset value (NAV) per share is total equity divided by the number of Ordinary shares in issue at the period end

Net rental income is the rental income receivable in the period after payment of ground rents and net property outgoings Net rental income will differ from annualised net rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum guaranteed rent reviews and lease incentives

Occupancy rate is estimated rental value of let units expressed as a percentage of the total estimated rental value of the portfolio, excluding development properties

Planning Consent gives consent for a development, and covers matters such as use and design Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed Outline planning consent establishes the broad outline of the scheme and is subject to the later approval of the details of the design

Pre-let is a lease signed with an occupier prior to completion of a development

Property Income Distribution (PID) As a REIT the Group is now obliged to distribute 90% of the tax exempt profits These dividends, which are referred to as PIDs, are subject to withholding tax at the basic rate of income tax Certain classes of shareholders may qualify to receive the dividend gross See our website (www mucklow com) for details The Group can also make other (normal) dividend payments which are taxed in the usual way

Qualifying activities/qualifying assets is the ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation

Real Estate Investment Trust (REIT) is a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax A & J Mucklow Group converted to REIT status on 1 July 2007

Total shareholder return is the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock

Trading properties are properties held for trading purposes and shown as current assets in the balance sheet

Vacancy space is the estimated rental value of vacant properties expressed as a percentage of the total estimated rental value of the portfolio, excluding development properties

Yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties

Yield shift is a movement (negative or positive) in the equivalent yield of a property asset

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