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DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 30th June 1995.

Results

The profit earned and the dividends paid and proposed are set out in detail in the consolidated profit and loss account and notes. The net profit before taxation for the year was £10,211,466 and the taxation charge was £2,811,765.

Review of business

The Group's activities are reviewed on pages four to ten.

Ordinary dividends

On 3rd July 1995, an interim dividend of 3.1431p per share was paid. A final dividend of 3.3316p per share is proposed. The total dividend for the year will be 6.4747p per share and with tax credits will be the equivalent of a gross dividend of 8.0934p per share.

The final dividend, if confirmed, will be paid on 2nd January 1996 to shareholders on the register at the close of business on 14th November 1995.

Share capital

The agenda for the Annual General Meeting incorporates a resolution to renew for a further year the authority to purchase the company's own shares (both Ordinary and Preference) within certain limits.

Future prospects

The future prospects are commented on in the Chairman's statement.

Principal activities

The principal activity of the Group is industrial and commercial property investment and development. The trading interests are in building and estate development.

Donations

No political contributions were made during the year and donations to charities amounted to £735 (1994: £1,566).

Directors

The present Board is as shown on page 13 and all directors, with the exception of the two listed below, were in office throughout the year.

At a Board Meeting on 30th January 1995 Mr Rupert J Mucklow was appointed an executive director of the Company and Mr David F Austin was appointed a non-executive director of the Company. Both of these appointees offer themselves for re-election by the members at the forthcoming Annual General Meeting.

Mr Peter M Petherbridge retires by rotation and, being eligible, offers himself for re-election.

Mr P M Petherbridge is in business on his own account under the style of P M Petherbridge & Co., and that organisation has provided legal services to the Group and receives fees from the Group in the normal course of business. The fees incurred during the year under review amounted to £225,854 (1994: £168,419).

Other than Mr P M Petherbridge no other director had an interest in any contract material in relation to the Group's business.



DIRECTORS' REPORT

Two executive directors, Mr Albert J Mucklow and Mr G Clive Evans, have three year rolling service contracts with the Group.

The Company purchases directors' and officers' insurance to cover the indemnity to such directors and officers given under the Company's Article No. 152 (as permitted by Section 137 of the Companies Act 1989).

Directors' shareholdings

Particulars of the directors' shareholdings, as defined by Section 324 of the Companies Act 1985, in the share capital of the Company are as follows:

	Ordinary shares	
	at 30.6.95	at 30.6.94
Albert J Mucklow	2,295,473 (a)	2,297,449 (a)
G C Evans	214,808	214,808
R J Mucklow	869,207	858,207 *
D F Austin	3,510	— *
Allan J Mucklow	3,924,059	3,924,031
T Mucklow	2,091,268	3,062,324(b)
P M Petherbridge	13,766	13,766

The holdings marked (a) and (b) included non-beneficial interests in 1,000,000 and 971,056 Ordinary shares respectively. The holdings marked * were as at the date of appointment on 30th January 1995.

There were no movements in any of the directors' shareholdings between 1st July 1995 and 26th September 1995.

Substantial shareholdings

The following shareholders have notified the Company of an interest of 3% or more in the Ordinary share capital of the Company as at 30th June 1995:

	Ordinary shares	
M & G Group P.L.C.	8,405,032	8.61%
A.M.P. Asset Management plc	6,805,605	6.97%
Britannic Assurance PLC	4,102,250	4.20%
Prudential Corporation plc	3,520,000	3.60%
Mrs M A Hickman	3,515,719	3.60%
Citibank, N.A.	2,933,125	3.00%

So far as the directors are aware no person other than those mentioned above had an interest of 3% or more in the Ordinary share capital of the Company at 30th June 1995 or at 26th September 1995.

Properties

A professional review of the value of the Group's industrial and commercial properties was carried out by DTZ Debenham Thorpe at 30th June 1995.

This revaluation has been incorporated in the accounts resulting in a decrease of £3.238m in the industrial/commercial portfolio revaluation reserve.

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.

Internal Control

The Group has an established system of internal control which the directors believe to be appropriate to the business.

Corporate Governance

The Board of directors is responsible to shareholders for the management and control of the Company. The present Board consists of three executive directors and four



DIRECTORS' REPORT

non-executive directors. The Board meets four times during the year. The Boards of the operating companies meet monthly and at those meetings all main Board executive directors and at least one non-executive director are present.

While all major decisions have always been reserved to the Board the formal schedule of matters specifically reserved to it was adopted on 14th June 1994.

The formal terms of reference for the following committees were agreed on 14th June 1994:

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

The Audit committee and Remuneration committee comprise all four non-executive directors under the chairmanship of Mr David Austin. The Nomination committee comprises the four non-executive directors under the chairmanship of the Group Chairman.

The Company complies with those provisions currently in force of the Code of Best Practice recommended by the Committee on the Financial Aspects of Corporate Governance except as noted below:

1. Three of the four non-executive directors, who are all members of the Audit, Remuneration, and Nomination committees, are not "independent" as recommended by the Code. At the present juncture the Board does not consider it appropriate to increase the number of non-executive directors bearing in mind the small number of the Group's employees. However, Mr Trevor Mucklow and Mr Allan Mucklow although related to the Chairman are not involved in the daily running of the business; Mr Peter Petherbridge is the Company's legal adviser. All of the non-executive directors exercise their duties and responsibilities independently of the executive directors and are able to take outside professional advice in accordance with the agreed procedure at the Company's expense.
2. There is no specific period of appointment for the four non-executive directors as recommended by the Code. However, the Company's Articles of Association provide at least one-third of non-executive directors must submit themselves for re-election each year at the Annual General Meeting of the Company.

Close company provisions

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

Auditors

The present auditors, Messrs F E Sidaway, Son & Co., will retire from office at the forthcoming Annual General Meeting. At a Board Meeting on 12th September 1995, the directors resolved to recommend that Touche Ross & Co. be appointed auditors. A resolution will be proposed at the Annual General Meeting, in accordance with the Companies Act 1985, to appoint them and to authorise the directors to fix their remuneration.

By order of the Board

Derick Bromley *Secretary*

Haden Cross, Haden Cross Drive, Cradley Heath,
Warley, West Midlands B64 7JB

12th October 1995



*CONSOLIDATED
PROFIT AND LOSS
ACCOUNT*

for the year ended 30th June 1995

	Notes	1995 £000	1994 £000
Rental income and turnover continuing operations	2 & 3	21,489	20,527
Operating expenses	2 & 3	(5,069)	(3,962)
Operating profit continuing operations		16,420	16,565
Profit on disposal of properties		276	394
Profit on ordinary activities before interest		16,696	16,959
Interest receivable	4	896	335
Interest payable	5	(7,381)	(7,191)
Profit on ordinary activities before taxation		10,211	10,103
Taxation	7	(2,811)	(2,716)
Profit for the financial year		7,400	7,387
Dividends	8	(6,355)	(6,171)
Retained profit for the financial year	17	1,045	1,216
Earnings per share	9	7.54p	7.53p

The notes attached are an integral part of the accounts.



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*CONSOLIDATED
BALANCE SHEET*

at 30th June 1995

	Notes	1995 £000	1994 £000
Fixed assets			
Tangible	10	209,907	221,430
Current assets			
Stocks	11	2,940	4,653
Debtors — due within one year	12	5,096	4,169
— due after more than one year	12	2,186	2,134
Cash at bank and in hand		18,569	7,558
		28,791	18,514
Creditors: Amounts falling due within one year	13	(21,015)	(20,151)
Net current assets/(liabilities)		7,776	(1,637)
Total assets less current liabilities		217,683	219,793
Creditors: Amounts falling due after more than one year	14	(65,000)	(65,000)
Provisions for liabilities and charges	15	(754)	(747)
		151,929	154,046
Capital and reserves			
Non-equity share capital	16	675	675
Equity share capital	16	24,410	24,410
Reserves	17	126,844	128,961
		151,929	154,046

Albert J Mucklow

G C Evans

Approved by the Board on 12th October 1995

The notes attached are an integral part of the accounts.



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P A R E N T C O M P A N Y
B A L A N C E S H E E T

at 30th June 1995

	Notes	1995 £000	1994 £000
Fixed assets			
Investments	18	9,166	9,166
Current assets			
Debtors — due within one year	12	129,238	120,156
— due after more than one year	12	1,580	1,539
		130,818	121,695
Creditors: Amounts falling due within one year	13	(12,426)	(11,309)
Net current assets		118,392	110,386
Total assets less current liabilities		127,558	119,552
Creditors: Amounts falling due after more than one year	14	(65,000)	(65,000)
		62,558	54,552
Capital and reserves			
Non-equity share capital	16	675	675
Equity share capital	16	24,410	24,410
Reserves	17	37,473	29,467
		62,558	54,552

Albert J Mucklow

G C Evans

Approved by the Board on 12th October 1995

The notes attached are an integral part of the accounts.



*STATEMENT OF
DIRECTORS'
RESPONSIBILITIES*

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that year. In preparing those accounts, the directors confirm that they have:

- (a) selected accounting policies which they consider to be suitable and have applied them consistently;
- (b) made judgements and estimates that are reasonable and prudent;
- (c) followed applicable accounting standards; and
- (d) prepared the accounts on a going concern basis.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

to the Members of A & J Mucklow Group plc

We have audited the financial statements on pages 18 to 33 which have been prepared under the historical cost convention as modified by the revaluation of properties, and the accounting policies set out on page 24.

Respective Responsibility of Directors and Auditors

As described above, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group and are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements on pages 18 to 33 give a true and fair view of the state of affairs of the Company and of the Group at 30th June 1995 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

F E Sidaway, Son & Co.
Chartered Accountants
Registered Auditors

Warley
West Midlands

12th October 1995