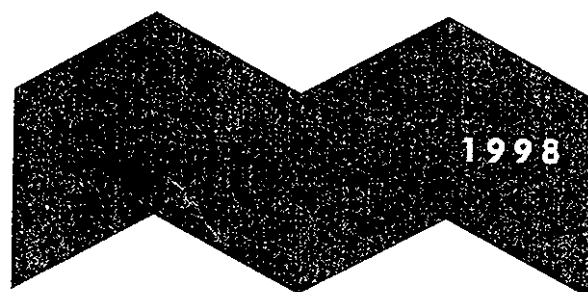


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1998 REPORT AND ACCOUNTS

MUCKLOW

A & J MUCKLOW GROUP plc



A37 *A3F6ICXP* 780
COMPANIES HOUSE 12/01/99
COMPANIES HOUSE 16/12/98
KLU *K9YQPBYP* 12295
COMPANIES HOUSE 08/12/98



A & J Mucklow Group develops and invests in high quality industrial and commercial property for long-term growth.

The Company's main objective is to maximise shareholders' value in terms of net assets, earnings and dividends per share. The Company has increased its Ordinary dividend every year for over thirty years.

C O N T E N T S

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FINANCIAL HIGHLIGHTS

Profit Before Tax	+ 12.9%
Net Asset Value per Share	+ 14.8%
Ordinary Dividend	+ 7.5%
Occupancy Level	96.3%

	1998	1997
Profit Before Tax	£13.36m	£11.83m
Property Portfolio Value	£267m	£240m
Equity Shareholders' Funds	£194m	£170m
Earnings per Share	10.61p	9.17p
Net Asset Value per Share	209p*	182p*
Dividend per Share	7.53p	7.00p
Gearing (Net of Cash)	30%	32%

* Includes surplus on land held as trading properties



CHAIRMAN'S STATEMENT

Successful Year

A professional review of the value of all our properties at 30 June 1998 year end has given rise to a total net asset value of 209p per Ordinary share — an increase of 14.8% over last year.

Pre-tax profit for the year under review advanced to £13.36m against £11.83m previously; the year's figure included a surplus on the sale of investment properties referred to below of £0.76m compared with £0.57m in the previous year. After deducting these surpluses, pre-tax profit on a like-for-like basis advanced by 11.9%.

The Board is recommending a final dividend of 4.0264p net which, together with the raised interim paid on 30 June 1998, will provide an increase in the total dividend per share for the year of 7.5%.

Industrial and Commercial Property

Market conditions continued favourable, and our improved profitability was primarily due to higher occupancy levels augmented by rent reviews. During the twelve months our vacancy level fell from 21,680 sq m to 16,802 sq m representing 3.7% of the total portfolio.

As reported at the interim stage, in the first half year we sold three of our older trading estates (Corngreaves, Old Park and Waterfall Lane — all located in the West Midlands) for a total of £11.19m

and a resulting surplus over book value of £0.68m. In the second half, a small area of industrial land was sold for a surplus of £0.08m, making the total of £0.76m profit on the sale of investment properties for the year.

During the year, expenditure on new property acquisitions and developments amounted in total to £16.88m. In the first half as previously reported we acquired six properties, which were two adjoining office buildings in Sheldon, Birmingham; an industrial site of 3.33 hectares in Wednesbury; a factory in Aston, Birmingham, and a motor car showroom and adjoining industrial building in Cheltenham.

In the second half year the 2,787 sq m office building in Coventry, pre-let to Coventry and Warwickshire Chamber of Commerce (referred to in my last Chairman's Statement) was completed and came on rental. Also during the

second half we commenced construction of three industrial units totalling 2,508 sq m on our Wates Way (Mitcham, Surrey) factory estate; these buildings have recently been completed and are now reserved. In addition, we agreed to purchase from Midlands Electricity plc their headquarters office complex at the top of Mucklow Hill, Halesowen, West Midlands. This prime property which occupies a site of 2.43 hectares is close to the Midlands motorway network and carries outline planning consent for 7,937 sq m of office space; of that area, 1,858 sq m of existing offices have already been let to ADT Fire and Security plc. The balance of 6,079 sq m will be developed as a prestige modern office park when Midlands Electricity vacate in December this year.

**... a total net
asset value of
209p per Ordinary
share ...**

**... an increase
in the total
dividend per
share for the
year of 7.5%.**

CHAIRMAN'S STATEMENT

**... market
conditions
continue to be
favourable.**

Since the year end we have agreed terms to acquire two industrial buildings in Tyseley, Birmingham — one building is let to the Post Office and the other, which is pre-let, is presently under construction and due for completion in November this year.

Value of Investment Properties

The policy which we have carried out over the past several years, of disposing of older property and reinvesting in assets of better quality, has already benefited us by accelerating the rise in our portfolio value. The value of our investment properties was reviewed by DTZ Debenham Thorpe at £267.27m at the year end and gave rise to a surplus of £20.98m — which has been added to revaluation reserve. DTZ Debenham Thorpe also valued our trading assets (mainly the residential land bank) at £12.02m, which produced a surplus over book value of £10.07m; that surplus has not been incorporated in the Accounts.

Trading Activities

Our trading activities now mainly relate to the sale of land with planning permission for residential development. Profit for the year amounted to £0.41m as compared with £0.72m in the previous year.

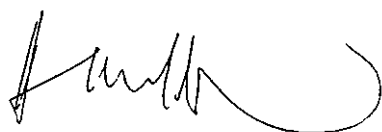
Prospects

At the time of writing this statement, market conditions continue to be favourable. However, it would be imprudent to ignore forecasts that the next trend in the UK economy may be downwards. Depending on the timing and severity of any downturn, we would doubtless be adversely affected. However, due to the improvements over the past few years in the quality of our portfolio and its lease profiles, I am confident that the Group is in better shape to cope with adverse conditions than ever before.

Colleagues

I would like to thank all my colleagues for the contribution which each has played in producing the successful results for the year.

**... our improved
profitability was
primarily due to
higher occupancy
levels augmented
by rent reviews.**



Albert J Mucklow
Chairman
14 October 1998

OPERATING REVIEW

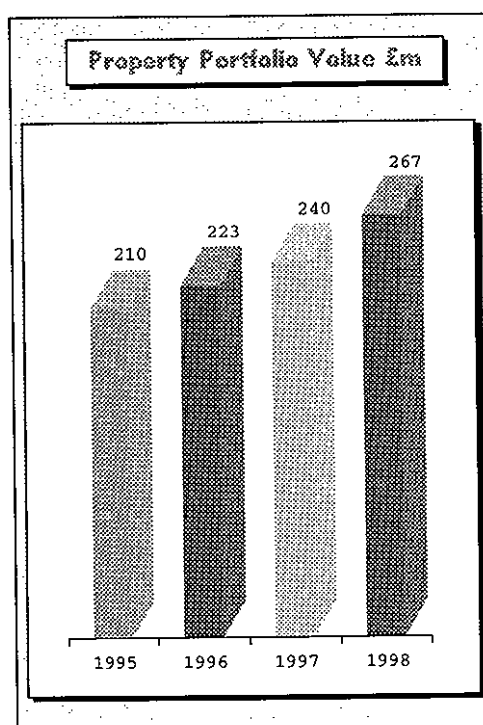
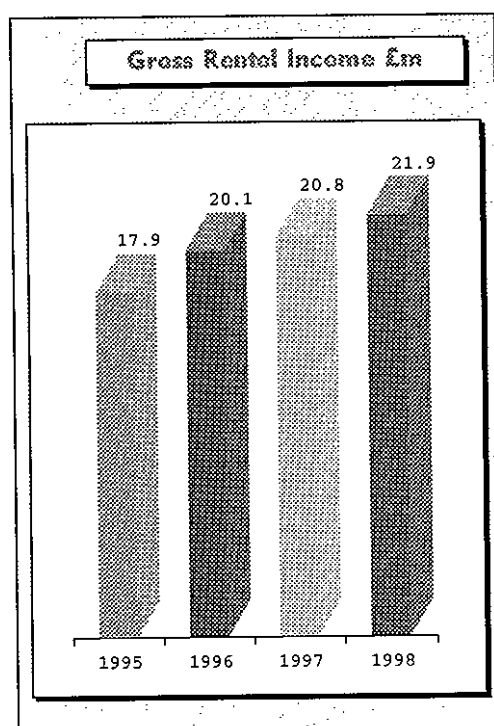
PROPERTY PORTFOLIO

At 30 June 1998

Summary of Portfolio					
	Total Developed Area		Tenants	Annual Rent	Value
	sq m	(sq ft)	Number	£	£m
Industrial	393,196	(4,232,361)	443	14,614,335	173.27
Office	37,903	(407,988)	53	5,879,522	76.52
Retail	18,668	(200,942)	8	1,374,000	17.48
Total	449,767	(4,841,291)	504	21,867,857	267.27

Average Rent on Let Space		
	sq m	(sq ft)
Industrial	£38.80	(£3.60)
Office	£155.00	(£14.40)
Retail	£73.60	(£6.84)

Total Vacant Space		
	sq m	(sq ft)
Industrial	16,633	(179,037)
Office	169	(1,819)
Retail	—	—
Total	16,802	(180,856)



OPERATING REVIEW

Overview

The demand for modern, well-located industrial accommodation remained strong throughout the year. The occupancy rate by the year end had increased to 96.3% and rental levels and property values had improved.

The Group's policy of upgrading and improving the quality of the property portfolio has continued during the year. The cost of new property acquisitions and capital expenditure amounted to £16.88m and property disposals totalled £11.44m.

Sales in the last four years of older, more management intensive industrial estates have now realised a total of £41m, while over £115m has been invested in new industrial, office and retail properties during the 1990s, offering better long-term growth prospects.

The property investment portfolio is now very modern and well balanced, with approximately 78% by value having been built in the 1980s and 1990s. The Group has broadened and strengthened the portfolio both geographically and by property type, whilst maintaining a strong presence in the Midlands and in industrial property.

Valuation

The value of the Group's industrial and commercial property was reviewed by DTZ Debenham Thorpe as at 30 June 1998. The total value was £267.27m (1997: £240.25m) which gave rise to a surplus over book value of £20.98m (8.5%). Industrial property increased in value by 10%, offices by 6% and retail property by 4%.

The gross annual rent-roll at the year end had increased by £1.03m to £21.87m. New acquisitions added £1.50m per annum, while property disposals reduced it by £1.22m. Additional income from rent reviews and new lettings increased the rent-roll by £0.31m and £0.44m respectively.

DTZ Debenham Thorpe also valued the trading properties as at 30 June 1998. The trading properties mainly comprise residential land and were valued at £12.02m (1997: £9.60m), showing a surplus over book value of £10.07m.

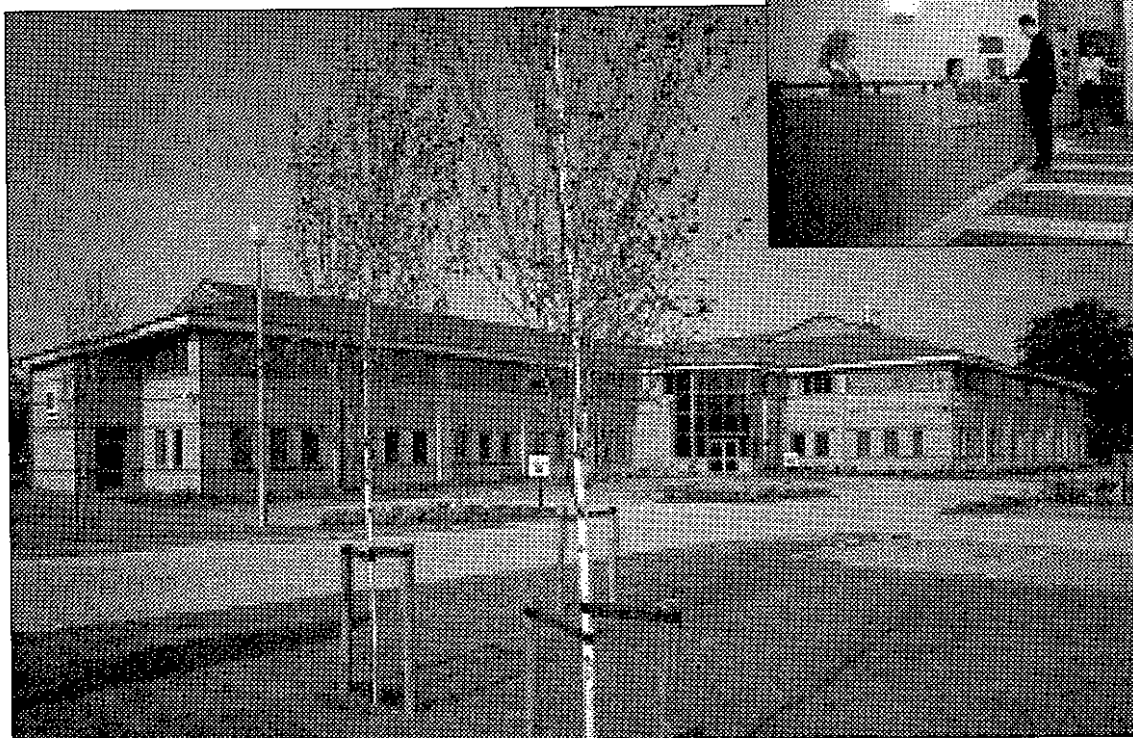
OPERATING REVIEW

Acquisitions

Acquisition policy has been focused towards investing in prominent, high quality properties and development sites in established business locations, where tenant demand is strong and rental prospects good.

Six acquisitions were made during the year. They included a pre-let office development at the entrance of the Binley Business Park, Coventry (2,787 sq m), two modern office buildings close to Birmingham International Airport at Sheldon, Birmingham (3,015 sq m) and a new industrial unit in Aston, Birmingham (3,467 sq m).

The Group also completed the acquisition of a prime 3.33 hectare industrial/warehouse site on the Black Country New Road, Wednesbury, West Midlands and acquired a pre-let car showroom on Tewkesbury Road, Cheltenham (1,128 sq m) and an adjoining industrial unit (5,483 sq m) on a 1.20 hectare site.



Binley Business Park, Coventry

Pre-let to Coventry and Warwickshire Chamber of Commerce and Training and Enterprise

OPERATING REVIEW

Acquisitions (continued)

The Group also agreed during the year to acquire the former Midlands Electricity headquarters office complex on Mucklow Hill, Halesowen, West Midlands. The site is very prominent and extends to 2.43 hectares with 8,300 sq m of existing office accommodation and approximately 450 car parking spaces.

Possession of part of the site, comprising a modern 1,858 sq m office building, was obtained during the year and subsequently let to ADT Fire and Security plc as their new regional headquarters. The remainder of the site will be vacated by Midlands Electricity in December 1998 and has planning consent to redevelop, to provide a prestige new office park.

Since the year end, the Group has purchased a recently constructed warehouse in Tyseley, Birmingham (1,300 sq m) let to the Post Office and agreed to acquire an adjoining pre-let industrial unit of 2,555 sq m on completion of the building works in November 1998. The total cost will be £2.14m and the two units will provide a combined rental income of £183,300 per annum.



Tewkesbury Road, Cheltenham
Pre-let to Ixion Motor Group

OPERATING REVIEW

Disposals

The Group has now virtually completed its property disposal programme. Three industrial estates producing a combined rental income of £1.22m per annum were sold during the year for £11.19m. The properties were fully let, mainly to local companies on short leases, and included the Group's first industrial estate at Cradley Heath, West Midlands, built in the 1950s. A small industrial site at Small Heath, Birmingham, was also sold during the year for £0.25m.

Lettings and Rent Reviews

Forty-two lettings were concluded during the year, involving 25,927 sq m. The vacant space as at 30 June was 16,802 sq m (1997: 21,680 sq m) representing 3.7% of the property portfolio.

Rent reviews during the year added £314,000 per annum to the rent-roll.



Golden Cross, Aston, Birmingham
Pre-let to Armstrong Fastenings

OPERATING REVIEW



Wates Way, Mitcham, Surrey
Completed August 1998 — Reserved

New Developments

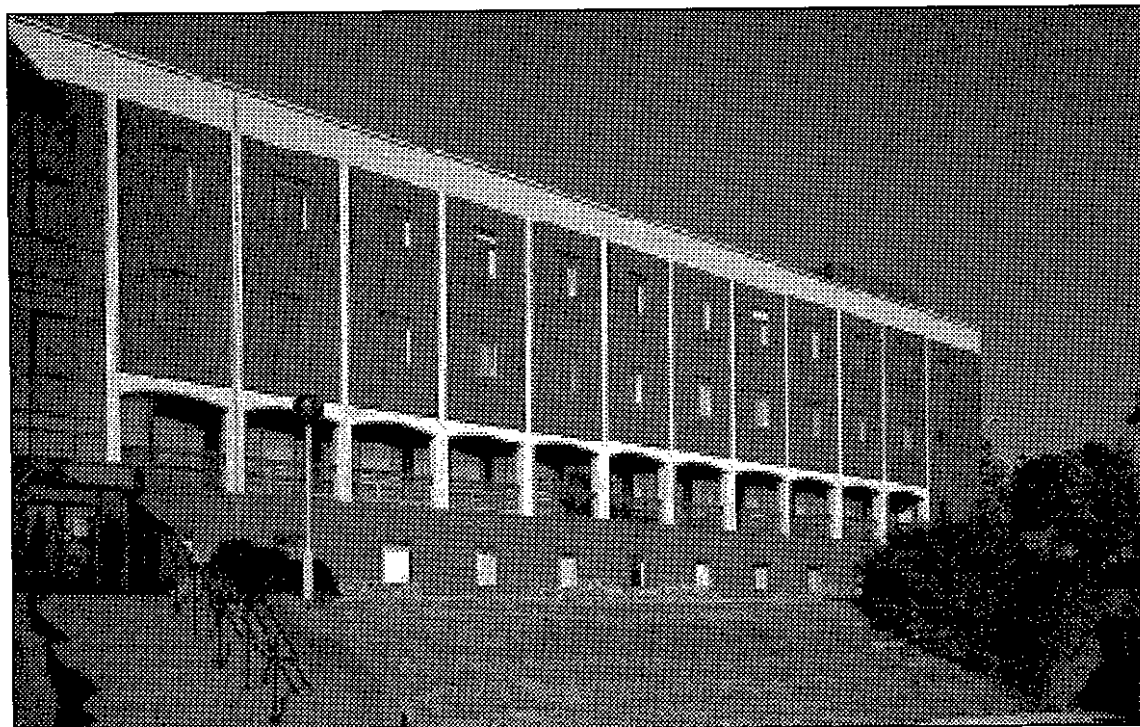
Construction started during the year on three new industrial units at Wates Way, Mitcham with a total area of 2,508 sq m. Since the year end the development has been completed and lease terms agreed with a large quoted company for the three units. No other developments were carried out.

Trading Property

The Group currently has planning consent for 602 residential units and owns over 160 hectares of other land with varying degrees of development potential.

A land disposal during the year amounted to £752,000.

OPERATING REVIEW



Mucklow Office Park (formerly Midlands Electricity headquarters), Halesowen

Pre-let to ADT Fire and Security

Outlook

The policy in recent years of investing in prominent, high quality buildings let on long leases to exceptional covenants has provided the Group with improved security and less volatility during changes in the property cycle.

Present market conditions remain favourable. However, should any downturn occur the Group has a strong balance sheet, a modern property portfolio and will be well positioned to take advantage of any investment or development opportunities which may arise.

Rupert J Mucklow

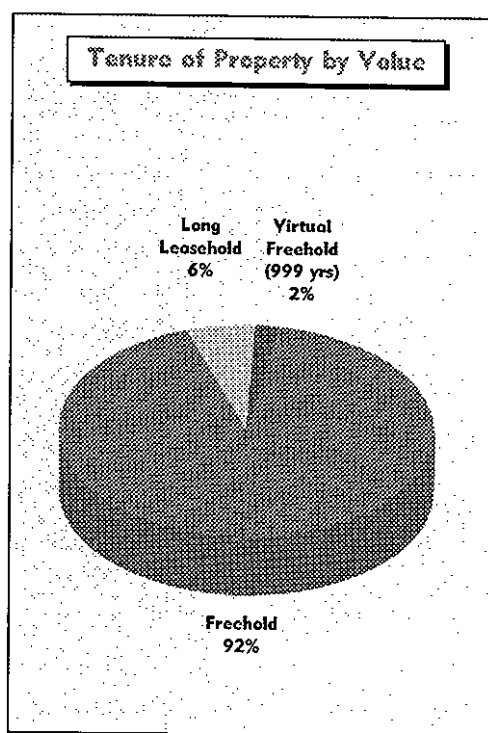
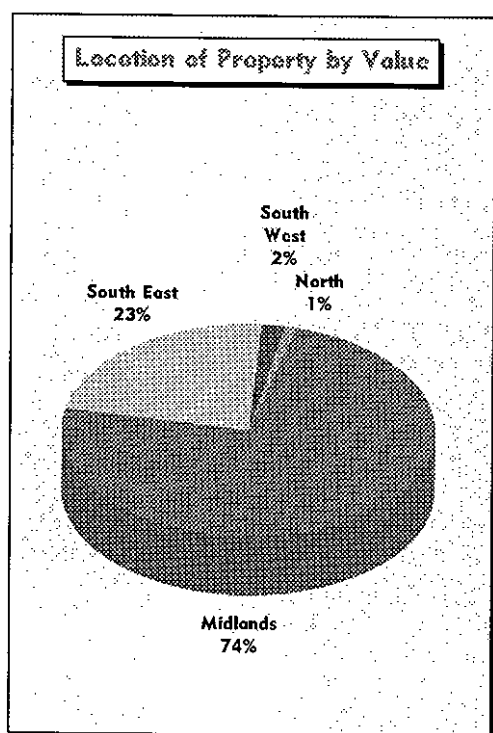
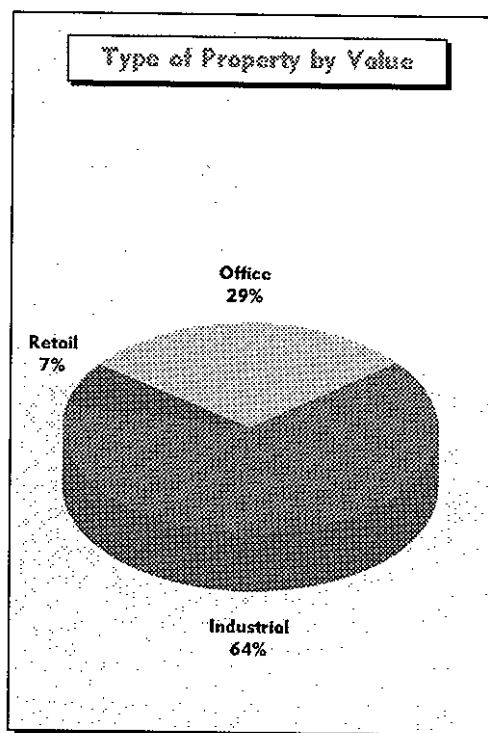
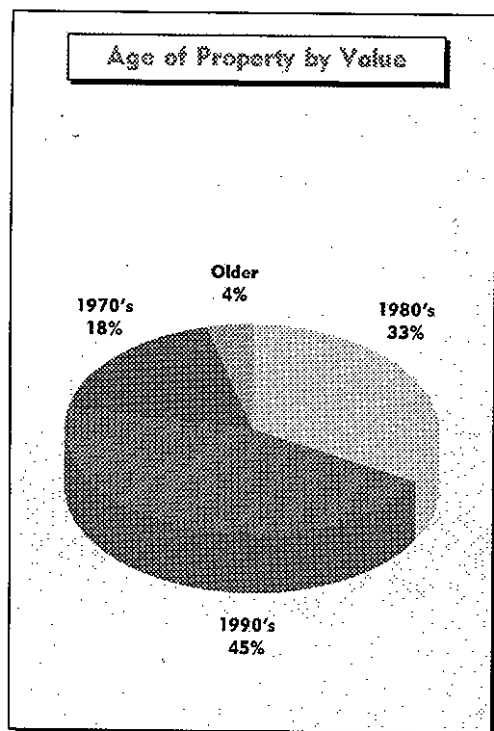
Managing Director

14 October 1998

PROPERTY DETAILS

PORTFOLIO ANALYSIS

At 30 June 1998



PROPERTY DETAILS

INDUSTRIAL PROPERTIES

With a Value in Excess of £1m

Midlands

Property	Built	Tenure	sq m (sq ft)	Principal Tenant
Value £1m-£5m				
Bewdley Road Stirchley, Birmingham	1972	Freehold	5,037 (54,220)	Booker plc
Bloomfield Park Tipton, West Midlands	1992-95	Freehold	8,933 (96,155)	Feneseal Ltd
Bordesley Trading Estate Bordesley, Birmingham	1984	Freehold	6,234 (67,103)	House of Hinds Ltd
Bull Ring Trading Estate Deritend, Birmingham	1986	Freehold	6,350 (67,280)	Peugeot Motor Company plc
Duddeston Mill Trading Estate Saltley, Birmingham	1977	Freehold	12,136 (130,550)	Electrocomponents plc
Forge Trading Estate Halesowen, West Midlands	1978	Freehold	7,231 (77,834)	Somers Handling plc
Forward Park Trading Estate Aston, Birmingham	1987	Freehold	5,097 (54,872)	Dollond & Aitchison Group plc
Hazelwell Mills Trading Estate Stirchley, Birmingham	1979	Freehold	8,968 (96,532)	Gutson Ltd
Long Acre Trading Estate Aston, Birmingham	1972	Freehold	5,794 (62,392)	Linpac Mouldings Ltd
Mucklow Hill Trading Estate Halesowen, West Midlands	1973-76	Freehold	11,768 (126,670)	Birwelco Ltd
St Andrews Trading Estate Bordesley, Birmingham	1985	Freehold	2,759 (29,705)	Broadland Foods Ltd
Tipton Trading Estate Tipton, West Midlands	1983	Freehold	5,140 (55,327)	Stanza Solutions Ltd
Triton Park Rugby, Warwickshire	1990	Freehold	7,220 (77,740)	Lodge Ignition Ltd
Aston Fields Trading Estate Bromsgrove, Worcestershire	1983-85	Freehold	5,603 (60,310)	UK Consumer Electronics Ltd
Golden Cross Aston, Birmingham	1997	Freehold	7,127 (76,715)	Moulinex Swan Holdings Ltd
Birchley Island Oldbury, West Midlands	1983	Freehold	3,859 (41,538)	Bridgestone Tyre (UK) Ltd
Tewkesbury Road Cheltenham, Gloucestershire	1972	Freehold	5,483 (59,020)	Delta Schoeller Ltd
Wulfrun Trading Estate Wolverhampton, West Midlands	1978	Freehold	10,359 (111,504)	Cloos (UK) Ltd

PROPERTY DETAILS

INDUSTRIAL PROPERTIES

With a Value in Excess of £1m

Midlands

Property	Built	Tenure	sq m (sq ft)	Principal Tenant
Value £5m-£10m				
Coleshill Trading Estate Coleshill, Birmingham	1970	Freehold	27,586 (296,936)	Danzas (UK) Ltd
Enterprise Trading Estate Dudley, West Midlands	1982	Freehold	15,707 (169,070)	Debenhams plc
Kelvin Way Trading Estate West Bromwich, West Midlands	1980	Freehold	25,991 (279,767)	SAS Group Services Ltd
Kings Hill Business Park Wednesbury, West Midlands	1992-94	Freehold	11,557 (124,400)	The Post Office
Shenstone Trading Estate Halesowen, West Midlands	1977	Freehold	15,910 (171,255)	Amari Plastics plc

Value in Excess of £10m

Saltley Business Park Saltley, Birmingham	1960-97	Freehold	100,413 (1,080,845)	Rover Group Ltd
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South East

Value £1m-£5m

Caxton Park Bedford, Bedfordshire	1990	Freehold	5,562 (59,885)	Fuji Photo Film (UK) Ltd
Monkton Park Farnham, Surrey	1989	Long Leasehold (125 years)	3,721 (40,103)	AVA Ltd
Parkside Witney, Oxon	1989	Freehold	4,651 (50,100)	Electronix Ltd
Redkirk Close Horsham, West Sussex	1988	Freehold	2,810 (30,194)	C Brewer & Sons Ltd
Western Avenue West Thurrock, Essex	1989	Freehold	4,409 (47,465)	The Post Office
Stratton Business Park Biggleswade, Bedfordshire	1997	Freehold	3,192 (34,350)	Carlton Comelim Circuits Ltd

Value £5m-£10m

Wates Way Mitcham, Surrey	1970-98	Freehold	9,351 (100,654)	Industrial Gas Springs Ltd
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Value in Excess of £10m

Crompton Fields Crawley, West Sussex	1989	Freehold	14,912 (160,550)	Duracell Batteries Ltd
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North

Value £1m-£5m

Hawkey Brook Trading Estate Wigan, Lancashire	1973-79	Freehold	11,819 (127,220)	BHW Components Ltd
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PROPERTY DETAILS

OFFICE PROPERTIES

With a Value in Excess of £1m

Midlands

Property	Built	Tenure	sq m (sq ft)	Principal Tenant
Value £1m-£5m				
Sheldon Court Coventry Road, Birmingham	1990	Freehold	3,015 (32,453)	Secretary of State for the Environment
36-38 George Road Edgbaston, Birmingham	1990	Long Leasehold (125 Years)	1,100 (11,862)	Secretary of State for the Environment
11/12 George Road Edgbaston, Birmingham	1987	Long Leasehold (125 Years)	1,727 (18,595)	ACT Financial Systems Ltd
14/15 Frederick Road Edgbaston, Birmingham	1988	Long Leasehold (125 Years)	943 (10,157)	Secretary of State for Health
9 Apex Court Edgbaston, Birmingham	1992	Long Leasehold (125 Years)	569 (6,134)	Liverpool Victoria Friendly Society Ltd
16 St Johns Church Street, Bromsgrove	1991	Freehold	1,151 (12,120)	National Westminster Bank plc
Oak Tree Court Binley, Coventry	1998	Long Leasehold (150 Years)	2,787 (30,000)	Coventry and Warwickshire Chamber of Commerce
Mucklow Office Park Mucklow Hill, Halesowen	1985	Freehold	1,858 (20,000)	ADT Fire and Security plc
Queenswood Northampton	1992	Freehold	934 (10,065)	Nationwide Building Society
Value £5m-£10m				
Castlebridge Marina Nottingham	1991	Freehold	4,034 (43,462)	United Friendly Group plc
Edgbaston Park Edgbaston, Birmingham	1993-95	Freehold	4,658 (50,178)	Royal Society for the Prevention of Accidents
Concorde House Trinity Park, Solihull	1991	Virtual Freehold (999 years)	2,241 (24,125)	Birmingham International Airport plc

South West

Value £1m-£5m

Pynes Hill Exeter, Devon	1991	Freehold	1,759 (18,950)	Secretary of State for the Environment
Springfield House Bristol, Avon	1988	Freehold	793 (8,540)	Lloyds TSB Group plc

PROPERTY DETAILS

OFFICE PROPERTIES

With a Value in Excess of £1m

South East

Property	Built	Tenure	sq m (sq ft)	Principal Tenant
Value £1m-£5m				
Dukes Gate Chiswick, London	1988	Freehold	1,669 (17,998)	Royal Life Estates Ltd
York House Farnborough, Hampshire	1990	Freehold	1,193 (12,842)	Equitas Management Services Ltd
Sunbury One Sunbury-on-Thames, Surrey	1987	Freehold	1,365 (14,705)	G E Information Services Ltd
309 Reading Road Henley-on-Thames, Oxon	1988	Freehold	1,126 (12,121)	Peek plc
South Downs Business Park Lewes, East Sussex	1995	Freehold	1,419 (15,276)	Halifax plc
Value in Excess of £10m				
Dukes Green Heathrow, Middlesex	1992	Freehold	3,538 (38,100)	Secretary of State for the Environment

RETAIL PROPERTIES

With a Value in Excess of £1m

Midlands

Property	Built	Tenure	sq m (sq ft)	Principal Tenant
Value £1m-£5m				
64/67 High Street Stourbridge, West Midlands	1995	Freehold	3,110 (33,482)	Wilkinson Hardware Stores Ltd
Greenlands Drive Redditch, Worcestershire	1987	Freehold	2,825 (30,409)	Homebase Group Ltd
Prospect Way Halesowen, West Midlands	1986	Freehold	2,972 (32,000)	Do It All Ltd
202-208 High Street Harborne, Birmingham	1984	Freehold	2,292 (24,681)	Safeway Food Stores Ltd
131/148 High Street Bordesley, Birmingham	1996	Freehold	1,114 (12,000)	Dixons Motors Property Ltd
Birchley Island Oldbury, West Midlands	1986	Freehold	5,219 (56,181)	Halfords Ltd
Tewkesbury Road Cheltenham, Gloucestershire	1998	Freehold	1,133 (12,196)	Ixion Motor Group Ltd

FIVE YEAR RECORD

Year to 30 June	1998 £000	1997 £000	1996 £000	1995 £000	1994 £000
Revenue					
Gross rental income	21,487	19,965	18,903	17,849	17,951
Net rental income	21,027	19,238	18,357	17,073	17,173
Other income	406	722	867	1,004	1,179
Operating profit	19,482	18,456	17,435	16,420	16,565
Profit on disposal of investment properties	755	569	—	276	394
Profit before taxation	13,363	11,832	10,508	10,211	10,103
Profit after taxation	10,391	8,986	8,708	7,400	7,387
Capital					
Equity shareholders' funds	194,365	170,333	153,554	151,254	153,371
Investment properties	267,270	240,246	223,188	209,577	221,024
Per Ordinary share					
Earnings	10.61p	9.17p	8.88p	7.54p	7.53p
Net dividend	7.5275p	7.0023p	6.6689p	6.4747p	6.2861p
Net asset value*	199p	174p	156p	155p	157p

* Excludes surplus on land held as trading properties.

MANAGEMENT AND PROFESSIONAL ADVISERS

Directors

Albert J Mucklow ACIS

Chairman

Aged 62. Joined the Group in 1956.

Appointed Chairman in 1976.

Rupert J Mucklow BSc

Managing Director

Aged 35. Joined the Group in 1990.

Appointed executive director in 1995
and Managing Director in 1996.

David F Austin FRICS

Senior Non-executive†*

Aged 59. Appointed to the Board in 1995.

A chartered surveyor and former joint senior
partner of Bucknall Austin. He is Chairman of the
Audit and Remuneration Committees.

David C Groom FCIB

Non-executive†*

Aged 59. Appointed to the Board in 1996.

A former regional area manager of
Midland Bank in Birmingham.

Allan J Mucklow

*Non-executive *†*

Aged 63. Joined the Group in 1957.

Appointed non-executive director in 1977.

Peter M Petherbridge

Non-executive

Aged 51. Appointed to the Board in 1990.

A solicitor practising as P M Petherbridge & Co.
devoting a large part of his time to the Group's
business.

Senior Management

M David Folkes MCIOB

Guy J Mucklow ACIS, CFA

Stephen N Murphy BSc, FRICS

David Rampling

Secretary and Registered Office

Derick Bromley ACIS

Haden Cross, Halesowen Road

Cradley Heath

West Midlands B64 7JB

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Company No. 717658

Auditors

Deloitte & Touche

Colmore Gate

2 Colmore Row

Birmingham B3 2BN

Stockbrokers

Warburg Dillon Read

1 Finsbury Avenue

London EC2M 2PP

Albert E Sharp

Temple Court

35 Bull Street

Birmingham B4 6ES

Bankers

Midland Bank plc

328 High Street

West Bromwich

West Midlands B70 8EL

Merchant Bankers

Warburg Dillon Read

2 Finsbury Avenue

London EC2M 2PP

Property Valuers

DTZ Debenham Thorpe

10 Colmore Row

Birmingham B3 2QD

Solicitors

P M Petherbridge & Co.

Haden Cross, Halesowen Road

Cradley Heath

West Midlands B64 7JB

Registrars

IRG plc

Bourne House

34 Beckenham Road

Beckenham, Kent BR3 4TU

* Member of Remuneration Committee

† Member of Audit Committee



DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 30 June 1998.

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 £13,362,986 and the taxation charge was £2,972,370.

Review of business

The Group's activities are reviewed on pages 4 to 10.

Ordinary dividends

On 30 June 1998, an interim dividend of 3.5011p per share was paid. A final dividend of 4.0264p per share is proposed. The total dividend for the year will be 7.5275p per share.

The final dividend, if confirmed, will be paid on 4 January 1999 to shareholders on the register at the close of business on 27 November 1998.

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.

The Company purchased on the open market a total of 1,000,000 of its own Ordinary shares for cancellation on 13 and 14 July 1998 at a price of 153p per share.

Adoption of new articles of association

The Company's current Articles of Association were adopted on 8 November 1988. Since that date there have occurred a number of changes to company regulation and practice, which the directors believe should now be reflected in the Company's Articles of Association. The Board therefore proposes that new Articles of Association should be adopted at an Extraordinary General Meeting, which will immediately follow the conclusion of the Annual General Meeting on 10 November 1998.

A notice convening the Extraordinary General Meeting and a circular explaining the changes accompanies this Report and Accounts.

Employee share ownership scheme

On 22 September 1998 the Company adopted the A & J Mucklow Group plc Share Ownership Scheme. This is an Inland Revenue approved profit-sharing scheme, under which all employees of the Group with a minimum period of service of five years (or employees with lesser service at the Board's absolute discretion) will be entitled to receive a limited number of free shares in the Company. The amount of shares receivable by each employee is regulated by tax legislation, and, subject to this, will be related to salary.

The shares to be used for the Scheme will be acquired by the trustees in the market, or otherwise from existing shareholders, with funds contributed by the Company. The amount of contributions by the Company will be decided upon by the Board from time to time.

Future prospects

The future prospects are commented on in the Chairman's statement on pages 2 and 3.

Principal activities

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

DIRECTORS' REPORT

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.

Property acquisitions and similar transactions are such that any calculation of the number of creditor days would prove meaningless.

Year 2000 and Euro

The "Millennium Bug" or "Year 2000 issue" refers to potential problems in the processing of data or operation of electronic equipment affected by the transition from 1999 to 2000.

The directors fully recognise the potential risks associated with the issue and are taking reasonable steps to ensure that the Group is prepared for the transition. The costs associated with the transition are not considered significant.

Preparations for the Euro are also in hand.

Environmental policy

The Group has adopted a policy to address the importance of environmental issues in the day-to-day running of the business.

There are two main elements to the policy. Firstly, 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.

The second element of the policy is to maintain an ongoing examination of the business activities of existing and new tenants 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 which might be considered to be an environmental hazard is reported and suitably dealt with.

Donations

No political contributions were made during the year and donations to charities amounted to £1,201 (1997: £795).

Directors

The present Board is as shown on page 17 and all directors were in office throughout the year.

Peter M Petherbridge, a non-executive director, retires by rotation and, being eligible, offers himself for re-election.

The two executive directors, Albert J Mucklow and Rupert J Mucklow, have one year rolling service contracts with the Group.

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 30.6.98	at 30.6.97
Albert J Mucklow	2,110,024 (a)	2,072,524 (a)
Rupert J Mucklow	943,254	918,382
David F Austin	3,510	3,510
David C Groom	3,000	3,000
Allan J Mucklow	3,971,783	3,971,783
Peter M Petherbridge	2,612,164 (b)	2,612,164 (b)

The holdings marked (a) and (b) included non-beneficial interests in 1,000,000 and 2,598,398 Ordinary shares respectively.

DIRECTORS' REPORT

Albert J Mucklow purchased 12,500 Ordinary shares on 6 July 1998. Rupert J Mucklow purchased 6,250 Ordinary shares on 6 July 1998. There were no other movements in any of the directors' shareholdings between 1 July 1998 and 15 September 1998.

None of the above directors had any beneficial interest in the Company's Preference shares or Debenture Stocks at either 30 June 1998 or 15 September 1998.

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 30 June 1998.

	Ordinary shares	Percentage holding
Prudential Corporation plc	8,407,832	8.61%
Britannic Assurance plc	5,835,850	5.98%

Properties

A professional review of the value of the Group's industrial and commercial properties was carried out by DTZ Debenham Thorpe at 30 June 1998.

This revaluation has been incorporated in the accounts resulting in an increase of £20.98m in the 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.

Statement on internal financial control

The Board of directors is responsible for establishing and maintaining a system of internal financial control which is appropriate to the size of the Group's business and which will provide reasonable, but not absolute, assurance against material misstatement or loss. The implementation and day-to-day operation of the control procedures is the responsibility of the executive directors, who are actively involved in the management of the business, and senior management. The Board regularly reviews the effectiveness of the internal control system.

The Group's internal financial control procedures operate within an established organisational structure with assigned responsibilities and authorities. 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 and the terms of their contract and performance are regularly reviewed. 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 standard of employee conduct expected by the Group is formally documented and communicated.

The Group operates a budgetary system with annual budgets being prepared containing monthly profit and loss 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 other exception reporting.

The Board reviews and approves all bank and other borrowing facilities. The Group is aware of the importance of information systems to the efficient running of its business and regularly reviews the information systems used.

The Board has reviewed the effectiveness of the system of internal financial control for the financial year and the period to the date of approval of the financial statements.

DIRECTORS' REPORT

Corporate governance

During the year the Group complied with all the applicable provisions of The Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (Cadbury Committee) with the following exceptions:

1. A majority of the non-executive directors are not "independent" in this sense as recommended by the code. Allan J Mucklow and Peter M Petherbridge are not "independent". However, Allan J Mucklow, although related to the Chairman, is not involved in the daily running of the business, and Peter M Petherbridge is the Group's legal adviser. Peter Petherbridge is not a member of either the Audit Committee or the Remuneration Committee. 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 Group'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 that up to one-third of the non-executive directors must offer themselves for re-election each year at the Annual General Meeting.

The Board of directors is responsible to shareholders for the management and control of the Company. The present Board consists of two executive directors and four non-executive directors. Board meetings are held on a regular monthly basis. There is a defined schedule of matters reserved for decision by the Board.

The Board has in place the following committees:

1. Audit Committee which comprises David F Austin (Chairman), David C Groom and Allan J Mucklow.
2. Remuneration Committee which comprises David F Austin (Chairman), David C Groom and Allan J Mucklow.
3. Nomination Committee which comprises the four non-executive directors under the chairmanship of the Group Chairman.

The two executive directors have service contracts, both of which have a one year rolling term.

Close company provisions

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

Auditors

Deloitte & Touche have expressed their willingness to continue in office. A resolution will be proposed at the Annual General Meeting, in accordance with the Companies Act 1985, to reappoint them and to authorise the directors to fix their remuneration.

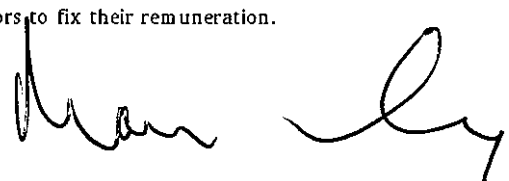
By order of the Board

Derick Bromley

Secretary

Haden Cross, Halesowen Road, Cradley Heath
West Midlands B64 7JB

14 October 1998



REPORT OF THE REMUNERATION COMMITTEE

Remuneration Committee

The Remuneration Committee consists of three non-executive directors, myself as Chairman, David C Groom and Allan J Mucklow. The Committee is responsible for the consideration and approval of the terms of service, remuneration, pension arrangements, and other benefits of the group executive directors. In carrying out its work the Committee has full regard to the Greenbury Code of Best Practice and has fully complied with Section A of the Best Practice Provisions annexed to the Stock Exchange Listing Rules. This report should be read in conjunction with the Directors' Report and with note 6 to the accounts, which constitutes part of this report.

The Committee consults the Group Chairman 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 B of the Best Practice Provisions annexed to the Stock Exchange Listing Rules.

Executive directors' remuneration

The main components of the executive directors' remuneration are:

1. pensionable salary which is reviewed on an individual basis each year;
2. benefits in kind which relate principally to the provision of a company car;
3. pension contributions.

A bonus of £52,000 was paid to Albert J Mucklow in July 1998 for the year under review.

Service contracts

The two executive directors, Albert J Mucklow and Rupert J Mucklow, have service contracts, both of which have a one year rolling term.


Non-executive directors do not have service contracts. Their remuneration (which is non-pensionable) is determined by the Board.

Pensions

Pension contributions are made by the Group into existing personal pension schemes on behalf of the executive directors. No Group company pension scheme is operated for the directors (see note 6 to the accounts).

Details of all elements of the remuneration package of each director are given in note 6 to the accounts. Details of directors' share interests are given in the Directors' Report.

The Committee believes that in the Group's circumstances the members in Annual General Meeting need not be invited to approve the remuneration policy set out in this report. As Chairman of the Committee I will be available at the Annual General Meeting to answer questions on any aspect of the remuneration policy.



David F Austin

Chairman of the Remuneration Committee

14 October 1998

REVIEW REPORT TO A & J MUCKLOW GROUP PLC BY DELOITTE & TOUCHE ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 20 and 21 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

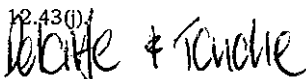
Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures or on the appropriateness of the bases used in determining directors' remuneration or on the ability of the Company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 20, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on pages 20 and 21 appropriately reflects the Company's compliance with the paragraphs of the Code specified for our review by Listing Rules

12.43(j)


Deloitte & Touche

Chartered Accountants

14 October 1998

Birmingham

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 deemed 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 26 to 41 which have been prepared under the accounting policies set out on pages 32 and 33.

Respective Responsibilities of Directors and Auditors

As described on page 24, 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.

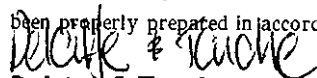
Basis of opinion

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, 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 give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants
and Registered Auditors

14 October 1998

Birmingham

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1998

		1998	1997
		(as restated)	
	Notes	£000	£000
Rental income		21,487	19,265
Operating expenses		(2,411)	(2,331)
Other income		406	722
Operating profit	2 & 3	19,482	18,456
Profit on disposal of investment properties		755	569
Profit on ordinary activities before interest		20,237	19,025
Interest receivable	4	648	387
Interest payable	5	(7,522)	(7,580)
Profit on ordinary activities before taxation		13,363	11,832
Taxation	7	(2,972)	(2,846)
Profit for the financial year		10,391	8,986
Dividends (including non-equity dividends)	8	(7,343)	(6,870)
Retained profit for the financial year	17	3,048	2,116
Earnings per share	9	10.61p	9.17p

All the above amounts are derived from continuing operations.

The format of the above consolidated profit and loss account has been changed by showing the profit on the sale of the trading properties as other income.

The notes attached are an integral part of the accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1998

		1998	1997
		(as restated)	
	Notes	£000	£000
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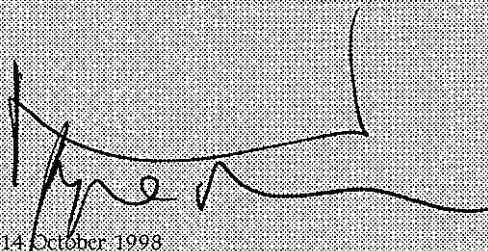
The notes attached are an integral part of the accounts.

CONSOLIDATED BALANCE SHEET

at 30 June 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible	10	267,478	240,554
Current assets			
Trading properties	11	1,944	2,020
Debtors — due within one year	12	3,557	3,139
— due after more than one year	12	1,615	1,577
Cash at bank and in hand		5,991	9,598
		13,107	16,334
Creditors: Amounts falling due within one year	13	(19,725)	(20,036)
Net current liabilities		(6,618)	(3,702)
Total assets less current liabilities		260,860	236,852
Creditors: Amounts falling due after more than one year	14	(65,000)	(65,000)
Provisions for liabilities and charges	15	(820)	(844)
		195,040	171,008
Capital and reserves			
Non-equity share capital	16	675	675
Equity share capital	16	24,410	24,410
Reserves	17	169,955	145,923
Shareholders' funds		195,040	171,008
Attributable to equity shareholders		194,365	170,333
Attributable to non-equity shareholders		675	675
		195,040	171,008

Albert J Mucklow
Rupert J Mucklow



Approved by the Board on 14 October 1998

The notes attached are an integral part of the accounts.

CONSOLIDATED BALANCE SHEET

at 30 June 1998

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Albert J Mucklow
Rupert J Mucklow

Approved by the Board on 14 October 1998

The notes attached are an integral part of the accounts.

PARENT COMPANY BALANCE SHEET

at 30 June 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible	10	710	700
Investments	18	9,163	9,165
		9,873	9,865
Current assets			
Debtors — due within one year	12	127,999	126,453
— due after more than one year	12	973	895
		128,972	127,348
Creditors: Amounts falling due within one year	13	(9,370)	(8,271)
Net current assets		119,602	119,077
Total assets less current liabilities		129,475	128,942
Creditors: Amounts falling due after more than one year	14	(65,000)	(58,000)
		64,475	63,942
Capital and reserves			
Non-equity share capital	16	675	675
Equity share capital	16	24,410	24,410
Reserves	17	39,390	38,857
Shareholders' funds		64,475	63,942
Attributable to equity shareholders		63,800	63,267
Attributable to non-equity shareholders		675	675
		64,475	63,942

Albert J Mucklow
Rupert J Mucklow

Approved by the Board on 14 October 1998

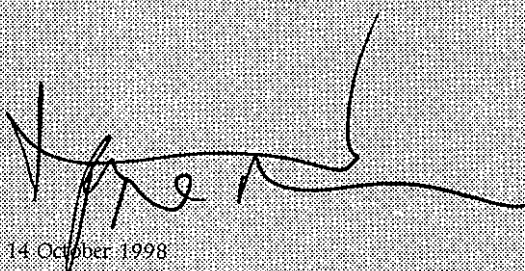
The notes attached are an integral part of the accounts.

PARENT COMPANY BALANCE SHEET

at 30 June 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible	10	710	700
Investments	18	9,163	9,165
		9,873	9,865
Current assets			
Debtors — due within one year	12	127,999	126,453
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Attributable to non-equity shareholders		675	675
		64,475	63,942

Albert J Mucklow
Rupert J Mucklow



Approved by the Board on 14 October 1998

The notes attached are an integral part of the accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 1998

	Notes	1998 £000	1997 £000
Cash flow from operating activities			
	1	17,449	22,153
Returns on investments and servicing of finance			
Interest received		549	354
Interest paid		(7,581)	(7,580)
Non-equity dividends paid		(33)	(93)
		(7,065)	(7,249)
Taxation			
Corporation tax paid		(2,872)	(2,745)
Corporation tax refunded		473	706
		(2,399)	(2,039)
Capital expenditure			
Purchase of tangible fixed assets		(16,057)	(12,076)
Sale of tangible fixed assets		11,465	9,800
Grants received		—	226
Grants repaid		—	(138)
		(4,592)	(2,118)
Equity dividends paid			
		(7,000)	(9,767)
(Decrease)/increase in cash in the period			
	2	(3,607)	980

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

1 Reconciliation of operating profit to cash flow from operating activities

	1998 £000	1997 £000
Operating profit	19,482	18,486
Depreciation	137	103
Loss on sale of fixed assets	3	29
Decrease in stocks	75	407
Decrease in debtors	1,000	740
Deposit for the acquisition of property at Mucklow Hill, Halesowen	(1,950)	—
(Decrease)/increase in creditors	(1,424)	2,349
Increase/(decrease) in other provisions	126	(31)
	17,449	22,183

2 Reconciliation of movement in cash to movement in net debt

(Decrease)/increase in cash in the period	(3,607)	980
Net debt as at 1 July	(55,402)	(56,382)
Net debt as at 30 June	(59,009)	(55,402)

3 Analysis of net debt

	1 July 1997 £000	Movement £000	30 June 1998 £000
Cash	9,598	(3,607)	5,991
Debenture due after one year	(65,000)	—	(65,000)
	(55,402)	(3,607)	(59,009)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £000	1997 £000
Profit for the financial year	10,391	8,986
Unrealised surplus on revaluation of properties	20,984	15,663
Total gains and losses for the financial year	31,375	24,649

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £000	1997 £000
Profit for the financial year	10,391	8,986
Dividends	(7,343)	(6,879)
Retained profit for the financial year	3,048	2,116
Unrealised surplus on revaluation of properties	20,984	15,663
	24,032	17,779
Shareholders' funds at 1 July	171,008	153,229
Shareholders' funds at 30 June	195,040	171,008

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1998 £000	1997 £000
Reported profit on ordinary activities before taxation	13,363	11,832
Realisation of property revaluation gains of previous years	8,221	7,447
Historical cost profit on ordinary activities before taxation	21,584	19,279
Historical cost profit for the year retained after taxation and dividends	11,269	9,563

NOTES TO THE ACCOUNTS

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with all applicable accounting standards, except that, as explained below, capital grants received relating to investment properties are deducted from the cost of the properties, rather than being amortised to the profit and loss account. The financial statements are in compliance with Section 230 and Schedule 4 of the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. A separate profit and loss account is not presented for the Company as permitted by Section 230 of the Companies Act 1985.

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.

Profits on sale of investment and trading properties

Profits on sale of investment properties and trading properties are taken into account on the completion of contracts. Profits arising from the sale of trading properties are included in the profit and loss account as other income as part of the operating profit of the Group. Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as exceptional items.

Cost of properties

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

Interest considered attributable to the financing of developments is capitalised in so far as the resultant book value of the relevant property is not likely to exceed the current market value. Interest is capitalised from the commencement of development to the earlier of six months after Practical Completion or when the development is substantially first let.

Valuation of properties

Investment properties held for the long term are valued at the balance sheet date at open market value. Surpluses and deficits attributable to the Group arising from revaluation are taken to revaluation reserve. Investment properties in the course of development are included in the balance sheet at the lower of cost and recoverable amount. Trading properties held for resale are stated at the lower of cost and net realisable value.

Depreciation

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

Depreciation is provided on plant and motor vehicles on a straight line basis over their estimated useful lives of between two and ten years.

NOTES TO THE ACCOUNTS

1 Accounting policies (continued)

Government grants

Capital grants received relating to the cost of building or refurbishing investment properties are deducted from the cost of the relevant property. This is not in accordance with Statement of Standard Accounting Practice No. 4, "Accounting for government grants", but is considered appropriate in order to present a true and fair view of the Group investment in such non-depreciating assets. Revenue grants are deducted from the related expenditure in accordance with Statement of Standard Accounting Practice No. 4.

Deferred taxation

Tax allowances relating to buildings and plant are deducted to arrive at taxable profit. No provision is made for deferred taxation resulting from these tax allowances as they are not expected to reverse in the foreseeable future.

Pension costs

The cost to the Group of contributions made to defined contribution plans is charged to the profit and loss account as incurred.

2 Rental income and turnover and operating profit

	1998 £000	1997 £000
<hr/>		
<i>(a) Operating profit</i>		
Gross rental income	21,487	19,965
Property outgoings	(460)	(727)
Net rental income	21,027	19,238
Turnover	796	1,322
Cost of sales	(390)	(600)
Other income	406	722
Administration expenses	(1,951)	(1,504)
Operating profit	19,482	18,356
<hr/>		
<i>(b) Profit on ordinary activities before taxation is stated after charging the following:</i>		
Operating leases — land and buildings	43	33
Depreciation	137	103
Auditors' remuneration:		
Audit	18	16
Other services	20	17
<hr/>		

NOTES TO THE ACCOUNTS

3 Segmental analysis

	Rental income and turnover		Operating profit		Net assets	
	1998	1997	1998	1997	1998	1997
	£000	£000	£000	£000	£000	£000
Investment properties	21,487	19,965	21,027	19,238	185,096	155,988
Trading properties	796	1,322	406	222	1,944	2,020
Administration	—	—	(1,951)	(1,594)	—	—
	22,283	21,287	19,482	18,456	187,040	158,008
Short-term investments					8,000	12,000
Net assets per balance sheet					195,040	171,008

4 Interest receivable

	1998	1997
	£000	£000
Interest on short-term deposits and investments	583	326
Mortgage interest	24	31
Other	41	30
	648	387

5 Interest payable

Debenture stocks	7,562	7,562
Bank loans and overdrafts	20	18
	7,582	7,580
The total has been allocated as follows:		
charged to revenue	7,522	7,580
capitalised to cost of properties in the course of development	60	—
	7,582	7,580

NOTES TO THE ACCOUNTS

6 Information regarding directors and employees

1998 1997
£000 £000

(a) Directors' emoluments including pension contributions

Fees	52	52
Management remuneration and taxable benefits	284	214
Pension contributions	14	13
	350	279

	Basic salary £000	Benefits Fees £000	in kind Pension £000	Bonus £000	Total 1998 £000	1997 £000
<i>Executive</i>						
Albert J Mucklow						
(highest paid director)	124	13	17	—	52	145
Rupert J Mucklow	78	—	7	14	—	94
<i>Non-Executive</i>						
David F Austin	—	13	—	—	13	13
David C Groom	—	13	—	—	13	13
Allan J Mucklow	—	13	2	—	15	13
Peter M Petherbridge	—	—	4	—	4	1
	202	52	30	14	52	279

Notes:

- i) There were no profit related salary payments.
- ii) Benefits in kind relate principally to the provision of a company car.
- iii) Two directors (1997: Two directors) were members of a defined contribution pension scheme.
- iv) Peter M Petherbridge is in business on his own account under the style of P M Petherbridge & Co., and that organisation provides 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 £187,032 (1997: £188,755). At 30 June 1998 Peter M Petherbridge was, in his capacity as solicitor to the Group, holding a £1,950,000 deposit for a third party in connection with the acquisition of a property at Mucklow Hill, Halesowen.
Other than Peter M Petherbridge, no other director had an interest in any contract material in relation to the Group's business.
- v) A consultancy fee of £45,000 was paid during the year to G Clive Evans, a former director of the Company. This was the second instalment under a three year consultancy agreement.

NOTES TO THE ACCOUNTS

6 Information regarding directors and employees (continued)

1998
Number

1997
Number

(b) Staff numbers and costs

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

Management	6	6
Administration	6	6
Property	8	8
Total employees	20	20

The aggregate payroll costs (including directors) were as follows:

	£000	£000
Wages and salaries	758	664
Social security costs	74	61
Pension costs	79	78
	911	803

(c) 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 1998 amounted to £78,523 (1997: £77,898).

7 Taxation

1998
£000

1997
£000

Taxation based on profit for the year:

Corporation tax at a rate of 31.0% (1997: 32.5%)	3,048	3,012
Adjustment in respect of prior year	(76)	(166)
	2,972	2,846

The taxation charge is disproportionately low, principally due to non-taxable profit of £605,000 on disposal of properties and capital allowances (deferred tax is not provided).

8 Dividends

On 4.9% net (formerly 7%) Cumulative Preference non-equity shares	33	33
On Ordinary equity shares		
Interim of 3.5011p per share (1997: 3.3344p)	3,419	3,255
Proposed final of 4.0264p per share (1997: 3.6679p)	3,891	3,582
	7,343	6,870

The final dividend for 1998 is payable on the revised share capital of 96,641,384 Ordinary shares following the cancellation of 1,000,000 Ordinary shares in July 1998.

9 Earnings per share

Calculated on the basis of 97,641,384 Ordinary shares and earnings of £10,357,541 (1997: £8,953,402).

NOTES TO THE ACCOUNTS

10 Tangible fixed assets

(a) Group

	Freehold £000	Leasehold £000	Plant and vehicles £000	Total £000
At 1 July 1997				
At valuation	221,791	18,455	—	240,246
At cost	—	—	746	746
Additions	12,897	3,781	65	16,743
Transfer	—	197	—	197
Disposals	(10,835)	—	(48)	(10,883)
Revaluation surplus	20,577	407	—	20,984
At 30 June 1998	244,430	22,840	763	268,033
Depreciation:				
At 1 July 1997	—	—	438	438
Charged in year	—	—	137	137
Disposals	—	—	(20)	(20)
At 30 June 1998	—	—	555	555
Net book value comprises:				
At valuation	244,430	22,840	—	267,270
At cost	—	—	208	208
At 30 June 1998	244,430	22,840	208	267,478
At 30 June 1997	221,791	18,455	309	240,554

The values of freehold and leasehold properties were reviewed at 30 June 1998 on an open market basis by DTZ Debenham Thorpe.

Additions to freehold properties include capitalised interest of £59,496 (1997: £Nil).

On a historical cost basis properties which have been revalued would be included at the following amounts:

	1998 £000	1997 £000
Freehold	145,577	135,354
Leasehold	15,556	11,578
	161,133	146,932

(b) Company

	Freehold £000
At 1 July 1997	700
Revaluation surplus	10
At valuation 30 June 1998	710

On a historical cost basis the freehold property would be included at £24,468.

NOTES TO THE ACCOUNTS

11 Trading properties

	1998	1997
	£000	£000
Land stock	1,944	2,020

12 Debtors

	1998		1997	
	Group	Company	Group	Company
	£000	£000	£000	£000
Falling due within one year				
Trade debtors	541	—	1,622	—
Deposit for property acquisition	1,950	—	—	—
Group undertakings	—	127,999	—	126,431
ACT recoverable	799	—	1,272	22
Prepayments and accrued income	267	—	245	—
	3,557	127,999	2,139	126,453
Falling due after more than one year				
ACT recoverable	973	973	895	895
Mortgages receivable	642	—	682	—
	5,172	128,972	4,716	127,348

The mortgages are repayable on disposal of the secured properties.

13 Creditors: Amounts falling due within one year

Rents and insurances in advance	4,726	—	3,781	—
Trade creditors	1,782	—	1,735	—
Corporation tax	4,292	1,845	4,114	925
Other creditors	—	—	1,663	—
Accruals	5,034	3,634	4,162	3,764
Proposed dividends	3,891	3,891	3,582	3,582
	19,725	9,370	20,035	8,271

NOTES TO THE ACCOUNTS

14 Creditors: Amounts falling due after more than one year	1998	1997
	£000	£000
13¼ per cent First Mortgage Debenture Stock 2000/05	5,000	5,000
11½ per cent First Mortgage Debenture Stock 2014	60,000	60,000
	65,000	65,000

Both of the Mortgage Debenture Stocks are repayable after more than 5 years. The 11½ per cent 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 undertaking and all the 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 13¼ per cent First Mortgage Debenture Stock 2000/05 is secured on certain freehold properties.

The Debenture Stocks are redeemable at par on their respective final redemption dates or in the case of the 13¼ per cent Stock at the Company's option between the earlier redemption and the final redemption date. The Company may purchase stock of either issue at any time in the market or by tender.

15 Provisions for liabilities and charges	1998	1997
	£000	£000
Provisions for work to complete and remedy houses and factories		
Balance at 1 July	844	865
Movement during the year	(24)	(21)
Balance at 30 June	820	844

16 Share capital	1998		1997	
	Authorised	Allotted, called up and fully paid	Authorised	Allotted, called up and fully paid
	£000	£000	£000	£000
Non-equity				
675,000 4.9% net (formerly 7.0%)				
Cumulative Preference shares of £1 each	675	675	675	675
Equity				
97,641,384 Ordinary shares of 25p each	24,410	24,410	24,410	24,410
19,658,616 Ordinary shares of 25p each	4,915	—	4,915	—
	30,000	25,085	30,000	25,085

The Company purchased on the open market a total of 1,000,000 of its own Ordinary shares for cancellation on 13 and 14 July 1998 at a price of 153p per share.

NOTES TO THE ACCOUNTS

17 Reserves

(a) Group

	Revaluation reserve £000	Redemption reserve £000	Profit and loss account £000	Total £000
At 1 July 1997	88,038	1,750	56,135	145,923
Retained profit	—	—	3,048	3,048
Surplus on revaluation	20,984	—	—	20,984
Realised revaluation gains	(8,221)	—	8,221	—
At 30 June 1998	100,801	1,750	67,404	169,955

Deferred taxation

No deferred tax has been provided. The amount of unprovided deferred tax at 31.0% can be analysed as follows:

	1998 £000	1997 £000
Accelerated capital allowances	10,181	10,018
Short-term timing difference	(205)	(208)
Surplus on revaluation	9,863	8,835
	19,839	18,445

(b) Company

	Revaluation reserve £000	Redemption reserve £000	Profit and loss account £000	Total £000
At 1 July 1997	676	1,750	36,431	38,857
Retained profit	—	—	523	523
Surplus on revaluation	10	—	—	10
At 30 June 1998	686	1,750	36,954	39,390

The profit for the year of the Company, before dividends, was £7,865,751 (1997: £7,053,000).

18 Investment in subsidiary undertakings

	1998 £000	1997 £000
Shares		
At cost	386	388
At valuation	8,777	8,777
	9,163	9,165

NOTES TO THE ACCOUNTS

19 Contingent liabilities

All bank overdrafts of the Group are secured by interlocking cross guarantees given by the Company and subsidiary undertakings.

20 Commitments

	1998 £000	1997 £000
<hr/>		
<i>(a) Capital</i>		
The amount of outstanding commitments for capital expenditure contracted for but not provided for in the consolidated balance sheet	1,950	4,578
The amount of capital expenditure authorised in addition to the above commitments	4,800	2,750
	<hr/>	

(b) Operating leases

The annual commitment under a non-cancellable operating lease is as follows:

Operating leases for land and buildings which expire in over five years	43	83
	<hr/>	

21 Subsidiary undertakings

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

Property investment and development

Barr's Industrial Limited
A & J Mucklow (Birmingham) Limited
A & J Mucklow (Investments) Limited
A & J Mucklow (Properties) Limited

Trading

A & J Mucklow & Co Limited



NOTICE OF MEETING

Notice is hereby given that the thirty-seventh Annual General Meeting of the Company will be held at The Chamber of Commerce, Edgbaston, Birmingham B15 3DH on Tuesday, 10 November 1998 at 11 a.m. for the following purposes:

As Ordinary Business

- 1 To receive the report and accounts for the year ended 30 June 1998 and the reports of the directors and auditors thereon.
- 2 To declare a final dividend on the Ordinary shares of 4.0264p per share for the year ended 30 June 1998.
- 3 To re-elect Peter M Petherbridge, who retires by rotation, as a director of the Company.
- 4 To reappoint Deloitte & Touche as auditors of the Company, and authorise the directors to fix their remuneration.
- 5 To transact any other ordinary business of the Company.

As Special Business

To consider and if thought fit to pass the following resolution which will be proposed as a special resolution:

Special Resolution

- 6 That the Company be authorised to make market purchases up to the date of the next Annual General Meeting (within the meaning of section 163 of the Companies Act 1985) of, and to cancel, up to 9,664,138 Ordinary shares of 25p each and up to 675,000 Preference shares of £1 each in its capital at a price of:
 - (a) in respect of Ordinary shares not more than 5 per cent above the average of the middle market quotations for such shares as derived from the London Stock Exchange Daily Official List for the 10 business days prior to making the purchases and not less than 25p per share (in each case exclusive of expenses); and
 - (b) in respect of Preference shares not more than 5 per cent above the average of the middle market quotations for such shares as derived from the London Stock Exchange Daily Official List for the 10 business days prior to making the purchases and not less than 50p per share (in each case exclusive of expenses).

By order of the Board

Derick Bromley

Secretary

14 October 1998

Registered Office:

Haden Cross, Halesowen Road

Cradley Heath

West Midlands B64 7JB

NOTICE OF MEETING

Any member of the Company entitled to attend and vote at the meeting may appoint another person or persons as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

Accompanying this notice (for Ordinary shareholders only) is a two-way form of proxy and this proxy should be completed and returned to the Company's registrars at IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 48 hours before the time fixed for the meeting. Completion of a proxy will not prevent a member from attending the meeting if subsequently he/she is able to do so.

Preference shareholders are reminded that under the Company's Articles of Association they are not entitled to vote at the above meeting. The report and accounts are sent to all debenture stockholders of the Company but holders of debenture stock are not entitled to vote at the above meeting.

The following documents will be available for inspection at the registered office of the Company on any weekday (except Saturdays) during normal business hours from the date of the foregoing notice until the date of the Annual General Meeting:

- 1 A statement of all transactions of each director and of his declarable family interests in each class of the share capital and debentures of the Company and its subsidiaries.
- 2 Copies of relevant service contracts of certain directors.

Such documents will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

The final dividend, if approved, will be paid on 4 January 1999 to all Ordinary shareholders on the register on 27 November 1998.

SHAREHOLDERS' DIARY

Annual General Meeting

10 November 1998

Results announced

For the half year to 31 December 1998

February 1999

For the year to 30 June 1999

September 1999

Ordinary dividends

Final for 1997/8

— announce

September 1998

— pay

January 1999

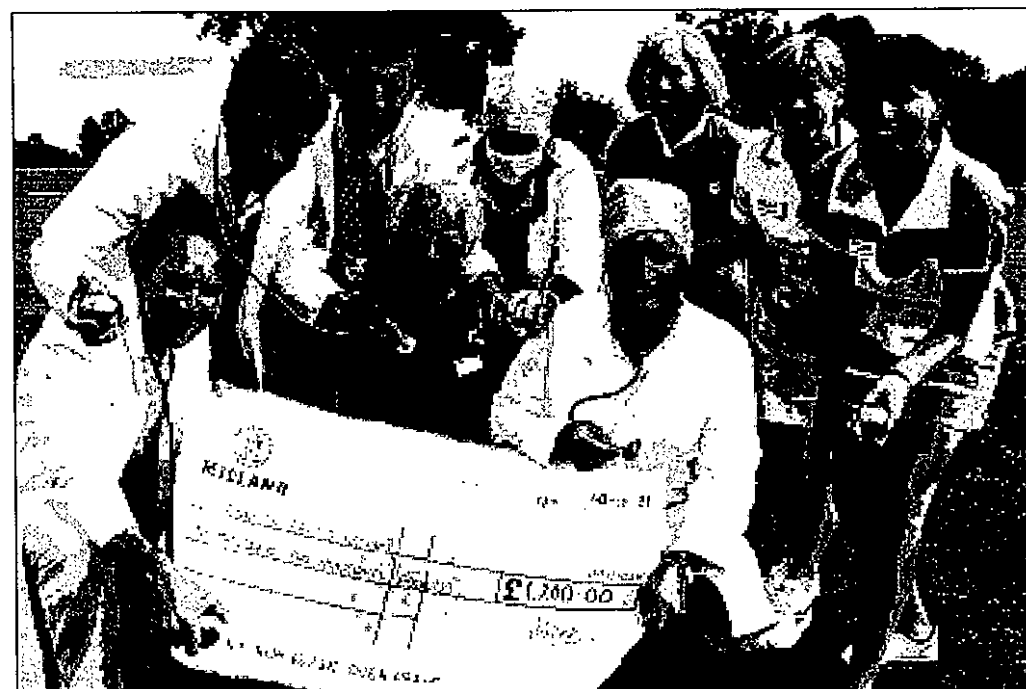
Interim for 1998/9

— announce

February 1999

— pay

June 1999



Midland Property Agents Boules Tournament

Over 200 surveyors and property professionals took part in the annual Midland Property Agents Boules Tournament organised by staff at A & J Mucklow Group. The event is now in its eighth year and raised £1,200 for a local children's hospice.



A & J Mucklow Group plc

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