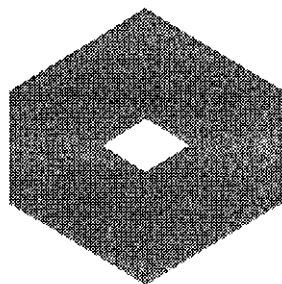


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# **A&J MUCKLOW**

GROUP PLC



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COMPANIES HOUSE  
COMPANIES HOUSE

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0263  
15/01/00  
07/01/00

**ANNUAL REPORT AND ACCOUNTS 1999**



## MANAGEMENT AND PROFESSIONAL ADVISERS

### Directors

Albert J Mucklow ACIS

*Chairman*

Aged 63. Joined the Group in 1956.

Appointed Chairman in 1976.

Rupert J Mucklow BSc

*Managing Director*

Aged 36. Joined the Group in 1990.

Appointed executive director in 1995

and Managing Director in 1996.

David F Austin FRICS

*Senior Independent Non-executive\**†

Aged 60. 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 60. Appointed to the Board in 1996.

A former regional area manager of Midland Bank in Birmingham.

Allan J Mucklow

*Non-executive \**†

Aged 64. Joined the Group in 1957.

Appointed non-executive director in 1977.

Peter M Petherbridge

*Non-executive*

Aged 52. 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

Telephone: (0121) 550 1841

Facsimile: (0121) 550 7532

Internet: [www.mucklow.com](http://www.mucklow.com)

Company No. 717658

\* Member of Remuneration Committee

† Member of Audit Committee

### Auditors

Deloitte & Touche

Colmore Gate

2 Colmore Row

Birmingham B3 2BN

### Stockbrokers

Warburg Dillon Read

1 Finsbury Avenue

London EC2M 2PP

Albert E Sharp Securities

Temple Court

35 Bull Street

Birmingham B4 6ES

### Bankers

HSBC Bank plc

The Bridge

Walsall

West Midlands WS1 1LN

### 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

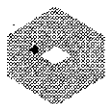
### Registrars

IRG plc

Bourne House

34 Beckenham Road

Beckenham, Kent BR3 4TU



## DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 30 June 1999.

### 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 £20,875,315 and the taxation charge was £3,523,197.

### Review of business

The Group's activities are reviewed on pages 4 to 11.

### Ordinary dividends

On 1 July 1999, an interim dividend of 3.7637p per share was paid. A final dividend of 4.3284p per share is proposed. The total dividend for the year will be 8.0921p per share.

The final dividend, if confirmed, will be paid on 4 January 2000 to shareholders on the register at the close of business on 26 November 1999.

### Share capital

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. A further tranche of 4,866,000 Ordinary shares were purchased for cancellation on 5 May 1999 at a price of 174p.

Accompanying this report and accounts is a Notice convening an Extraordinary General Meeting which will immediately follow the Annual General Meeting, the purpose of which is to renew for a further year the authority to purchase the Company's own shares (both Preference and Ordinary) within certain limits, and to seek approval for waivers of obligations under Rule 9 of the City Code on Takeovers and Mergers. A circular which accompanies the Notice of the Extraordinary General Meeting explains the reasons for these resolutions.

### 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) are 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.

During the year, employees of the Company (including the two executive directors — see note 6) were awarded 40,831 shares with a value of £60,414.

### Future prospects

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

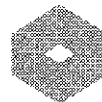
### Principal activities

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

### 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 number of creditor days for the Group was 16 (1998: 21); however, property acquisitions and similar transactions are such that any calculation of the number of creditor days is of limited use.



## DIRECTORS' REPORT

### **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 Group is continuing its millennium compliance programme to ensure minimal disruption to its business from the date change.

The Group's internal computer systems have been upgraded in the normal course of business. To date, only minimal costs have been incurred by the Group in seeking to achieve millennium compliance.

Our managing agents, DTZ Debenham Thorpe, have visited all of the investment properties which we own to carry out a risk assessment. No problems have been identified to date. Where tenancies are let on full repairing leases, we have requested the relevant tenants confirmation as to whether they have taken steps to ensure compliance.

An internal review has highlighted those suppliers who are considered necessary for our business to continue largely unaffected over the period. These suppliers have been written to for assurances that their systems will not prevent continuity of their service. No responses received have given cause for concern.

We have prepared a contingency plan in case events do not proceed as anticipated and we are monitoring events as and when they occur.

The Group cannot give assurances that no problems will occur, but the directors believe that the steps taken will reduce the impact of any "Millennium Bug" problems on the business. Any cost to the Group is not likely to be significant.

The Group has considered the effect that the UK's potential entry into the euro zone will have on its business and has performed a preliminary review to check compliance. As no decision has yet been made by the UK Government on a date for a referendum, the Board does not consider that further detailed work should be carried out at this stage but continues to monitor events to see if steps need to be taken.

### **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 £2,759 (1998: £1,201).

### **Directors**

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

David C Groom, non-executive director, and Rupert J Mucklow, Managing Director, retire by rotation and, being eligible, offer themselves for re-election.

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



## DIRECTORS' REPORT

### 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 as follows:

|                      | Ordinary shares |                 |
|----------------------|-----------------|-----------------|
|                      | at 30 June 1999 | at 30 June 1998 |
| Albert J Mucklow     | 1,747,574(a)    | 2,110,024(a)    |
| Rupert J Mucklow     | 975,551         | 943,254         |
| David F Austin       | 6,705           | 3,510           |
| David C Groom        | 3,000           | 3,000           |
| Allan J Mucklow      | 4,012,799       | 4,012,799       |
| Peter M Petherbridge | 2,612,168(b)    | 2,612,168(b)    |

The holdings marked (a) and (b) included non-beneficial interests in 1,000,000 and 2,598,402 Ordinary shares respectively.

Rupert J Mucklow sold 4,515 Ordinary shares at 173.5p on 7 July 1999 and purchased 5,817 Ordinary shares at 174p on the same date. There were no other movements in any of the directors' shareholdings between 1 July 1999 and 13 September 1999.

None of the above directors had any beneficial interest in the Company's Preference shares or Debenture Stocks at either 30 June 1999 or 13 September 1999.

### 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 1999.

|   | Ordinary shares | Percentage holding |
|---|-----------------|--------------------|
| Prudential Corporation plc                | 7,807,832       | 8.50%              |
| Britannic Assurance plc                   | 4,898,850       | 5.33%              |
| Framlington Investment Management Limited | 2,950,000       | 3.21%              |
| Wesleyan Assurance Society                | 2,820,000       | 3.07%              |
| Mrs M A Hickman                           | 2,769,884       | 3.02%              |

### 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 1999.

This revaluation has been incorporated in the accounts resulting in an increase of £19.42m 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.

### 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

30 September 1999



## STATEMENT OF CORPORATE GOVERNANCE

In June 1998 the Combined Code was issued by the London Stock Exchange. This Code is based on the report of the Hampel Committee and sets out Principles of Good Corporate Governance and Code provisions which consolidate the work of earlier Cadbury and Greenbury Committees. Section 1 of the Code is applicable to companies.

A narrative statement on how the Company has applied the Principles and a statement explaining the extent to which the provisions of the Code have been complied with appears below.

The Code establishes fourteen Principles of Good Corporate Governance which are split into the four areas described as follows.

### **Directors**

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. The Chairman is responsible for the administration of the Board, whilst the Managing Director co-ordinates the Company's business and implements strategy. All directors have the right to take independent professional advice where necessary.

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.

The Board has established a number of standing committees. Each committee operates within defined terms of reference. The main committees are:

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.

### **Directors' remuneration**

The Remuneration Committee, under the chairmanship of David F Austin, 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 page 23.

### **Relations with 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 are available to answer questions. Shareholders have access to the preliminary press announcement which is issued through the company website, [www.mucklow.com](http://www.mucklow.com).

### **Accountability and audit**

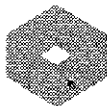
Detailed reviews of the performance and financial position are included in the Chairman's statement on pages 2 and 3 and the Managing Director's report on pages 4 to 11 to present a balanced and understandable assessment of the Group's position and prospects. The directors' responsibilities for the accounts are described on page 24.

### **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 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. The key control procedures are described under the following five headings.

#### **1. Financial reporting**

The Group operates a budgetary system with annual rolling budgets 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 exception reporting.



## STATEMENT OF CORPORATE GOVERNANCE

### Statement on internal financial control (continued)

#### 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 is formally documented and communicated.

#### 3. Operating unit financial controls

The Group has a comparatively simple operating structure which comprises four main 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 17 PCs. The principal operating software is provided by Estate Computer Systems, 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. Details of the Group's Year 2000 compliance can be found on page 19.

#### 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 purchase and sales, capital expenditure and borrowing arrangements. The Group uses external managing agents on its property portfolio and the terms of their contract and performance are regularly reviewed.

### Exceptions to Compliance with Combined Code

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. Except for the items outlined below, the company has complied throughout the accounting period ended 30 June 1999 with the provisions set out in Section 1 of the Code. The exceptions are:

#### Code Provisions

**A.3.2** Only half of the non-executive directors (i.e. 2 out of 4) are independent as defined by the Code. The Board does not consider it appropriate at this stage, given the size of the Group, to elect another non-executive director.

**A.6.2** Under the Company's articles of association which were adopted in November 1998, the Managing Director has been exempted from retiring by rotation by Clause 96 which states that "the office of Managing Director shall not, while holding that office, be subject to retirement by rotation". However, the Company intends to update its policy to comply with the Code and henceforth the Managing Director will be subject to retirement by rotation in line with the other directors.

**B.1.4** The executive directors do not have a significant proportion of their salary based on performance and are further paid modestly in relation to comparable companies within the sector. The executive directors have significant shareholdings in the Company which ensures that their interests are aligned with those of Shareholders. As such, no performance based remuneration is considered necessary.

**B.2.2** The remuneration committee includes one non-executive director who is not independent as defined by the Code. The Board does not consider it appropriate at this stage, given the size of the Group, to elect another non-executive director.

**C.2.1** As there was no requirement at the date of the 1998 Annual General Meeting there was no detailed announcement of the proxy vote results. We will be following the current recommendation in announcing results of proxy votes at all future general meetings.

**C.2.4** Under the recommendations, the notice of Annual General Meeting and related papers should be sent out at least 20 working days prior to the meeting. The Group will be complying with that recommendation for the current and future meetings. For the 1998 Annual General Meeting the Group met the Companies Act requirement in providing 21 clear days' notice.

**D.2.2** The need for an internal audit function is not considered necessary given the size and lack of complexity of the business.

As permitted by the London Stock Exchange, the Company has complied with the Code Provision D.2.1 on internal control by reporting on internal financial control in accordance with the guidance on internal financial control and financial reporting that was issued in December 1994.



## BOARD REPORT ON DIRECTORS' REMUNERATION

### 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. 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 1(B) of the Combined Code, except for pension benefits as detailed below.

### 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. in respect of Rupert J Mucklow only, pension contributions; and
4. an all employee, Inland Revenue approved, share scheme. Further details of the scheme are given in the Directors' Report.

Albert J Mucklow withdrew his pension from the Standard Life Assurance Company scheme (referred to at note 6 to the accounts) during the year. Albert J Mucklow has arranged his own pension provision, towards which the Group makes no contributions.

Benefits in kind are pensionable in respect of Rupert J Mucklow only. The Remuneration Committee has carefully considered this exception to the recommendation in Section 1(B) of the Combined Code and is of the opinion that, in the circumstances of the Group, this policy is appropriate in motivating and retaining key personnel.

### 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 Rupert J Mucklow. No Group company pension scheme is operated for the other 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.

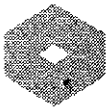
### David F Austin

Chairman of the Remuneration Committee

30 September 1999





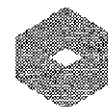


## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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; and
- (c) followed applicable accounting standards.

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 42 which have been prepared under the accounting policies set out on pages 32 and 33.

### Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including, as described on page 24, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or by the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the statement on pages 21 and 22 reflects the compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the corporate governance procedures or the Group's internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, 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.

### 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 1999 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*  
**Deloitte & Touche**

Chartered Accountants  
and Registered Auditors  
30 September 1999

Birmingham



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1999

|  | Notes | 1999<br>£000 | 1998<br>£000 |
|--|-------|--------------|--------------|
| <b>Rental income</b>                                 |       | 22,465       | 21,487       |
| Operating expenses                                   |       | (2,519)      | (2,411)      |
| Other income   |       | 998          | 406          |
| <b>Operating profit</b>                              | 2 & 3 | 20,944       | 19,482       |
| Profit on disposal of investment properties          |       | 7,340        | 755          |
| <b>Profit on ordinary activities before interest</b> |       | 28,284       | 20,237       |
| Other interest receivable and similar income         | 4     | 176          | 648          |
| Interest payable and similar charges                 | 5     | (7,585)      | (7,522)      |
| <b>Profit on ordinary activities before taxation</b> |       | 20,875       | 13,363       |
| Taxation   | 7     | (3,523)      | (2,972)      |
| <b>Profit for the financial year</b>                 |       | 17,352       | 10,391       |
| Dividends (including non-equity dividends)           | 8     | (7,467)      | (7,343)      |
| <b>Retained profit for the financial year</b>        | 16    | 9,885        | 3,048        |
| Earnings per share                                   | 9     | 18-05p       | 10-61p       |

All the above amounts are derived from continuing operations.

The notes attached are an integral part of the accounts.



## CONSOLIDATED BALANCE SHEET

**at 30 June 1999**

|   |       | 1999     | 1998          |
|---|-------|----------|---------------|
|   |       |          | (as restated) |
|   | Notes | £000     | £000          |
| <b>Fixed assets</b>                                     |       |          |               |
| Tangible  | 10    | 266,212  | 267,478       |
| <b>Current assets</b>                                   |       |          |               |
| Trading properties                                      | 11    | 1,747    | 1,944         |
| Debtors — due within one year                           | 12    | 1,142    | 3,557         |
| — due after more than one year                          | 12    | 614      | 1,615         |
| Cash at bank and in hand                                |       | 40,831   | 5,991         |
|   |       | 44,334   | 13,107        |
| Creditors: Amounts falling due within one year          | 13    | (31,212) | (20,545)      |
| <b>Net current assets/(liabilities)</b>                 |       | 13,122   | (7,438)       |
| <b>Total assets less current liabilities</b>            |       | 279,334  | 260,040       |
| Creditors: Amounts falling due after more than one year | 14    | (65,000) | (65,000)      |
|   |       | 214,334  | 195,040       |

### Capital and reserves

|                            |    |        |         |
|----------------------------|----|--------|---------|
| Non-equity share capital   | 15 | 675    | 675     |
| Equity share capital       | 15 | 22,944 | 24,410  |
| Revaluation reserve        | 16 | 96,331 | 100,801 |
| Capital redemption reserve | 16 | 3,216  | 1,750   |
| Profit and loss account    | 16 | 91,168 | 67,404  |

### Shareholders' funds

|   |  |         |         |
|---|--|---------|---------|
|   |  | 214,334 | 195,040 |
| Attributable to equity shareholders     |  | 213,659 | 194,365 |
| Attributable to non-equity shareholders |  | 675     | 675     |
|   |  | 214,334 | 195,040 |

**Albert J Mucklow**  
**Rupert J Mucklow**

Approved by the Board on 30 September 1999

The notes attached are an integral part of the accounts.



## PARENT COMPANY BALANCE SHEET

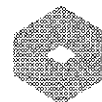
at 30 June 1999

|   | Notes | 1999<br>£000    | 1998<br>£000   |
|---|-------|-----------------|----------------|
| <b>Fixed assets</b>                                     |       |                 |                |
| Tangible  | 10    | 725             | 710            |
| Investments   | 18    | 9,163           | 9,163          |
|   |       | <b>9,888</b>    | <b>9,873</b>   |
| <b>Current assets</b>                                   |       |                 |                |
| Debtors — due within one year                           | 12    | <b>138,321</b>  | 127,999        |
| — due after more than one year                          | 12    | —               | 973            |
|   |       | <b>138,321</b>  | <b>128,972</b> |
| Creditors: Amounts falling due within one year          | 13    | <b>(19,658)</b> | (9,370)        |
| <b>Net current assets</b>                               |       | <b>118,663</b>  | <b>119,602</b> |
| <b>Total assets less current liabilities</b>            |       | <b>128,551</b>  | <b>129,475</b> |
| Creditors: Amounts falling due after more than one year | 14    | <b>(65,000)</b> | (65,000)       |
|   |       | <b>63,551</b>   | <b>64,475</b>  |
| <b>Capital and reserves</b>                             |       |                 |                |
| Non-equity share capital                                | 15    | <b>675</b>      | 675            |
| Equity share capital                                    | 15    | <b>22,944</b>   | 24,410         |
| Revaluation reserve                                     | 16    | <b>701</b>      | 686            |
| Capital redemption reserve                              | 16    | <b>3,216</b>    | 1,750          |
| Profit and loss account                                 | 16    | <b>36,015</b>   | 36,954         |
| <b>Shareholders' funds</b>                              |       | <b>63,551</b>   | <b>64,475</b>  |
| Attributable to equity shareholders                     |       | <b>62,876</b>   | 63,800         |
| Attributable to non-equity shareholders                 |       | <b>675</b>      | 675            |
|   |       | <b>63,551</b>   | <b>64,475</b>  |

Albert J Mucklow  
Rupert J Mucklow

Approved by the Board on 30 September 1999

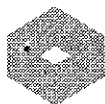
The notes attached are an integral part of the accounts.



## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 1999

|  | Notes    | 1999<br>£000 | 1998<br>£000 |
|--|----------|--------------|--------------|
| <b>Cash flow from operating activities</b>             | 1        | 22,555       | 17,449       |
| <b>Returns on investments and servicing of finance</b> |          |              |              |
| Interest received                                      | 219      | 549          |              |
| Interest paid  | (7,634)  | (7,581)      |              |
| Non-equity dividends paid                              | (17)     | (33)         |              |
|  |          | (7,432)      | (7,065)      |
| <b>Taxation</b>  |          |              |              |
| Corporation tax paid                                   | (3,271)  | (2,872)      |              |
| Corporation tax refunded                               | 753      | 473          |              |
|  |          | (2,518)      | (2,399)      |
| <b>Capital expenditure and financial investment</b>    |          |              |              |
| Purchase of tangible fixed assets                      | (13,654) | (16,057)     |              |
| Sales of tangible fixed assets                         | 41,295   | 11,465       |              |
|  |          | 27,641       | (4,592)      |
| <b>Equity dividends paid</b>                           |          | (3,891)      | (7,000)      |
| <b>Financing</b>                                       |          |              |              |
| Market purchases of equity share capital               | (10,015) | —            |              |
| Revolving credit facility                              | 8,500    | —            |              |
|  |          | (1,515)      | —            |
| <b>Increase/(decrease) in cash in the period</b>       | 2        | 34,840       | (3,607)      |



## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### 1 Reconciliation of operating profit to cash flow from operating activities

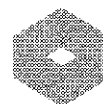
|  | 1999          | 1998          |
|--|---------------|---------------|
|  |               | (as restated) |
|  | £000          | £000          |
| Operating profit   | 20,944        | 19,482        |
| Depreciation   | 117           | 137           |
| (Profit)/loss on sale of fixed assets                              | (12)          | 3             |
| Decrease in stocks   | 196           | 75            |
| (Increase)/decrease in debtors                                     | (299)         | 1,000         |
| Deposit for the acquisition of property at Mucklow Hill, Halesowen | 1,950         | (1,950)       |
| Decrease in creditors  | (341)         | (1,298)       |
|  | <u>22,555</u> | <u>17,449</u> |

### 2 Reconciliation of movement in cash to movement in net debt

|   |                 |                 |
|---|-----------------|-----------------|
| Increase/(decrease) in cash in the period | 34,840          | (3,607)         |
| Increase in borrowing in the period       | (8,500)         | —               |
| Net debt as at 1 July                     | (59,009)        | (55,402)        |
| Net debt as at 30 June                    | <u>(32,669)</u> | <u>(59,009)</u> |

### 3 Analysis of net debt

|                               | 1 July<br>1998  | Movement      | 30 June<br>1999 |
|-------------------------------|-----------------|---------------|-----------------|
|                               | £000            | £000          | £000            |
| Cash                          | 5,991           | 34,840        | 40,831          |
| Revolving credit facility     | —               | (8,500)       | (8,500)         |
| Debentures due after one year | (65,000)        | —             | (65,000)        |
|                               | <u>(59,009)</u> | <u>26,340</u> | <u>(32,669)</u> |



## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|   | <b>1999</b> | <b>1998</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| Profit for the financial year                   | 17,352      | 10,391      |
| Unrealised surplus on revaluation of properties | 19,424      | 20,984      |
| Total gains and losses for the financial year   | 36,776      | 31,375      |

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

|   | <b>1999</b> | <b>1998</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| Reported profit on ordinary activities before taxation                    | 20,875      | 13,363      |
| Realisation of property revaluation gains of previous years               | 23,894      | 8,221       |
| Historical cost profit on ordinary activities before taxation             | 44,769      | 21,584      |
| Historical cost profit for the year retained after taxation and dividends | 33,779      | 11,269      |

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|   | <b>1999</b> | <b>1998</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| Profit for the financial year                   | 17,352      | 10,391      |
| Dividends                                       | (7,467)     | (7,343)     |
| Retained profit for the financial year          | 9,885       | 3,048       |
| Unrealised surplus on revaluation of properties | 19,424      | 20,984      |
| Market purchases of equity share capital        | (10,015)    | —           |
| Net increase in shareholders' funds             | 19,294      | 24,032      |
| Shareholders' funds at 1 July                   | 195,040     | 171,008     |
| Shareholders' funds at 30 June                  | 214,334     | 195,040     |





## 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 properties, rather than being amortised to the profit and loss account. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated. Since the preparation of the financial statements for the previous year end the Group has adopted Financial Reporting Standards up to and including FRS 14. The adoption of these standards has not had any effect on current or prior years, with the exception of Financial Reporting Standard No. 12, "Provisions, contingent liabilities and contingent assets". The effect of the introduction of this standard is explained elsewhere in these notes.

#### 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 Practical Completion.

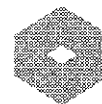
#### Valuation of properties

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. 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 the 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's investment in such non-depreciating assets. The impact is not material on the Group's results. 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 costs to the Group of contributions made to defined contribution plans are charged to the profit and loss account as incurred.

#### Acquisitions

In accordance with the requirements of Financial Reporting Standard No. 10, "Goodwill and intangible assets", the Group has amended its policy on purchased goodwill. Goodwill arising on acquisition is now, in accordance with the standard, capitalised and amortised on a straight line basis over the estimated useful life of the acquisition. A maximum life of 20 years will be used. Under the Group's previous policy £134,728 of goodwill has been written off to the profit and loss account as a matter of accounting policy. This amount has not been restated and no reinstatement figure is required. This would be credited to the profit and loss account on disposal of the business to which it related.

#### Provisions

Following the implementation of Financial Reporting Standard No. 12, the Group has reclassified amounts previously shown as provisions in the 1998 accounts of £520,408 and £299,500 into accruals and deferred income, and other creditors respectively. This has not resulted in any effect on the current year or prior year profit.

| <b>2 Rental income and other income and operating profit</b>                                     | <b>1999<br/>£000</b> | <b>1998<br/>£000</b> |
|--|----------------------|----------------------|
| <i>(a) Operating profit</i>  |                      |                      |
| Gross rental income  | 22,465               | 21,487               |
| Property outgoings   | (596)                | (460)                |
| Net rental income  | 21,869               | 21,027               |
| Sale of trading properties   | 1,348                | 796                  |
| Cost of sales of trading properties  | (350)                | (390)                |
| Other income   | 998                  | 406                  |
| Administration expenses  | (1,923)              | (1,951)              |
| Operating profit   | 20,944               | 19,482               |
| <i>(b) Profit on ordinary activities before taxation is stated after charging the following:</i> |                      |                      |
| Operating leases — land and buildings  | 43                   | 43                   |
| Depreciation   | 117                  | 137                  |
| Auditors' remuneration:  |                      |                      |
| Audit  | 23                   | 18                   |
| Other services   | 33                   | 20                   |



## NOTES TO THE ACCOUNTS

### 3 Segmental analysis

|                              | Rental income<br>and other income |               | Operating profit |               | Net assets     |                |
|------------------------------|-----------------------------------|---------------|------------------|---------------|----------------|----------------|
|                              | 1999<br>£000                      | 1998<br>£000  | 1999<br>£000     | 1998<br>£000  | 1999<br>£000   | 1998<br>£000   |
| Investment properties        | 22,465                            | 21,487        | 21,869           | 21,027        | 172,587        | 185,096        |
| Trading properties           | 1,348                             | 796           | 998              | 406           | 1,747          | 1,944          |
| Administration               | ---                               | ---           | (1,923)          | (1,951)       | —              | —              |
|                              | <b>23,813</b>                     | <b>22,283</b> | <b>20,944</b>    | <b>19,482</b> | <b>174,334</b> | <b>187,040</b> |
| Short-term investments       |                                   |               |                  |               | 40,000         | 8,000          |
| Net assets per balance sheet |                                   |               |                  |               | <b>214,334</b> | <b>195,040</b> |

### 4 Other interest receivable and similar income

|   | 1999<br>£000 | 1998<br>£000 |
|---|--------------|--------------|
| Interest on short-term deposits and investments | 117          | 583          |
| Mortgage interest                               | 32           | 24           |
| Other   | 27           | 41           |
|   | <b>176</b>   | <b>648</b>   |

### 5 Interest payable and similar charges

|  |              |              |
|--|--------------|--------------|
| Debenture stocks   | 7,562        | 7,562        |
| Bank loans and overdrafts                                      | 133          | 20           |
|  | <b>7,695</b> | <b>7,582</b> |
| The total has been allocated as follows:                       |              |              |
| charged to revenue   | 7,585        | 7,522        |
| capitalised to cost of properties in the course of development | 110          | 60           |
|  | <b>7,695</b> | <b>7,582</b> |



## NOTES TO THE ACCOUNTS

### 6 Information regarding directors and employees

|  | 1999<br>£000 | 1998<br>£000 |
|--|--------------|--------------|
| <i>(a) Directors' emoluments including pension contributions</i> |              |              |
| Fees   | 60           | 52           |
| Management remuneration and taxable benefits                     | 306          | 284          |
| Share scheme   | 16           | —            |
| Pension contributions  | 16           | 14           |
|  | 398          | 350          |

|   | Basic<br>salary<br>£000 | Fees<br>£000 | Benefits<br>in kind<br>£000 | Pension<br>£000 | Share<br>scheme<br>£000 | Total<br>1999<br>£000 | Total<br>1998<br>£000 |
|---|-------------------------|--------------|-----------------------------|-----------------|-------------------------|-----------------------|-----------------------|
| <i>Executive</i>                            |                         |              |                             |                 |                         |                       |                       |
| Albert J Mucklow<br>(highest paid director) | 180                     | 15           | 17                          | —               | 8                       | 220                   | 206                   |
| Rupert J Mucklow                            | 95                      | —            | 8                           | 16              | 8                       | 127                   | 99                    |
| <i>Non-Executive</i>                        |                         |              |                             |                 |                         |                       |                       |
| David F Austin                              | —                       | 15           | —                           | —               | —                       | 15                    | 13                    |
| David C Groom                               | —                       | 15           | —                           | —               | —                       | 15                    | 13                    |
| Allan J Mucklow                             | —                       | 15           | 2                           | —               | —                       | 17                    | 15                    |
| Peter M Petherbridge                        | —                       | —            | 4                           | —               | —                       | 4                     | 4                     |
|   | 275                     | 60           | 31                          | 16              | 16                      | 398                   | 350                   |

Notes:

- i) There were no profit related salary payments.
- ii) Benefits in kind relate principally to the provision of a company car.
- iii) One director (1998: Two directors) were members of a defined contribution pension scheme.
- iv) During the year the Group introduced an all employee share scheme. The two executive directors received the maximum entitlement under the Inland Revenue approved scheme of £8,000 worth of shares in the Company. Non-executive directors are not eligible for the scheme.
- v) 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 £207,908 (1998: £187,032). At 30 June 1999 Peter M Petherbridge was, in his capacity as solicitor to the Group, holding £77,574 relating to retentions and deposits (1998: £1,950,000).  
  
With the exception of Peter M Petherbridge, no director had any other interest in relation to the Group's business.
- vi) A consultancy fee of £45,000 was paid during the year to G Clive Evans, a former director of the Company. This was the third and final instalment under a three-year consultancy agreement.
- vii) There are no share option schemes.



## NOTES TO THE ACCOUNTS

### 6 Information regarding directors and employees (continued)

|   | 1999<br>Number | 1998<br>Number |
|---|----------------|----------------|
| <i>(b) Staff numbers and costs</i>  |                |                |
| 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   | 810  | 758  |
| Social security costs  | 82   | 74   |
| Pension costs  | 80   | 79   |
|  | 972  | 911  |

#### *(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 1999 amounted to £79,870 (1998: £78,523).

### 7 Taxation

|   | 1999<br>£000 | 1998<br>£000 |
|---|--------------|--------------|
| Taxation based on profit for the year:          |              |              |
| Corporation tax at a rate of 30.75% (1998: 31%) | 3,523        | 3,048        |
| Adjustment in respect of prior year             | —            | (76)         |
|   | 3,523        | 2,972        |

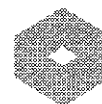
The taxation charge is disproportionately low, principally due to the low taxable exceptional profit on disposal of investment property and capital allowances (deferred tax is not provided). Tax on the disposal of investment property amounted to £300,000 (1998: Nil).

### 8 Dividends

|   |       |       |
|---|-------|-------|
| On 7% (formerly 4.9% net) Cumulative Preference non-equity shares | 40    | 33    |
| On Ordinary equity shares   |       |       |
| Interim of 3.7637p per share (1998: 3.5011p)                      | 3,454 | 3,419 |
| Proposed final of 4.3284p per share (1998: 4.0264p)               | 3,973 | 3,891 |
|   | 7,467 | 7,343 |

### 9 Earnings per share

Calculated on the basis of the weighted average of 95,916,228 (1998: 97,641,384) Ordinary shares and earnings, net of preference dividend, of £17,311,955 (1998: £10,357,541). There are no dilutive shares.



## NOTES TO THE ACCOUNTS

### 10 Tangible fixed assets

(a) Group

|                           | Freehold<br>£000 | Leasehold<br>£000 | Plant and<br>vehicles<br>£000 | Total<br>£000 |
|---------------------------|------------------|-------------------|-------------------------------|---------------|
| At 1 July 1998            |                  |                   |                               |               |
| At valuation              | 244,430          | 22,840            | —                             | 267,270       |
| At cost                   | —                | —                 | 763                           | 763           |
| Additions                 | 12,692           | —                 | 201                           | 12,893        |
| Disposals                 | (33,386)         | —                 | (164)                         | (33,550)      |
| Revaluation surplus       | 18,459           | 965               | —                             | 19,424        |
| At 30 June 1999           | 242,195          | 23,805            | 800                           | 266,800       |
| Depreciation:             |                  |                   |                               |               |
| At 1 July 1998            | —                | —                 | 555                           | 555           |
| Charged in year           | —                | —                 | 117                           | 117           |
| Disposals                 | —                | —                 | (84)                          | (84)          |
| At 30 June 1999           | —                | —                 | 588                           | 588           |
| Net book value comprises: |                  |                   |                               |               |
| At valuation              | 242,195          | 23,805            | —                             | 266,000       |
| At cost                   | —                | —                 | 212                           | 212           |
| At 30 June 1999           | 242,195          | 23,805            | 212                           | 266,212       |
| At 30 June 1998           | 244,430          | 22,840            | 208                           | 267,478       |

The values of freehold and leasehold properties were reviewed at 30 June 1999 on an open market basis by DTZ Debenham Thorpe.

Additions to freehold properties include capitalised interest of £110,090 (1998: £59,496).

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

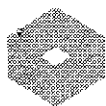
|           | 1999<br>£000 | 1998<br>£000 |
|-----------|--------------|--------------|
| Freehold  | 148,777      | 145,577      |
| Leasehold | 15,556       | 15,556       |
|           | 164,333      | 161,133      |

|                           | Freehold<br>£000 |
|---------------------------|------------------|
| (b) Company               |                  |
| At valuation 1 July 1998  | 710              |
| Revaluation surplus       | 15               |
| At valuation 30 June 1999 | 725              |

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

### 11 Trading properties

|            | 1999<br>£000 | 1998<br>£000 |
|------------|--------------|--------------|
| Land stock | 1,747        | 1,944        |



## NOTES TO THE ACCOUNTS

### 12 Debtors

|                                      | 1999          |                 | 1998          |                 |
|--------------------------------------|---------------|-----------------|---------------|-----------------|
|                                      | Group<br>£000 | Company<br>£000 | Group<br>£000 | Company<br>£000 |
| Falling due within one year          |               |                 |               |                 |
| Trade debtors                        | 879           | —               | 541           | —               |
| Deposit for property acquisition     | —             | —               | 1,950         | —               |
| Group undertakings                   | —             | 134,666         | —             | 127,999         |
| ACT recoverable                      | 50            | 1,345           | 799           | —               |
| Group relief receivable              | —             | 2,310           | —             | —               |
| Prepayments and accrued income       | 213           | —               | 267           | —               |
|                                      | <b>1,142</b>  | <b>138,321</b>  | <b>3,557</b>  | <b>127,999</b>  |
| Falling due after more than one year |               |                 |               |                 |
| ACT recoverable                      | —             | —               | 973           | 973             |
| Mortgages receivable                 | 614           | —               | 642           | —               |
|                                      | <b>1,756</b>  | <b>138,321</b>  | <b>5,172</b>  | <b>128,972</b>  |

The ACT receivable amount of £1,344,941 has been netted against the Corporation tax liability as disclosed in note 13. In the Group's preliminary announcement the ACT receivable was included in debtors.

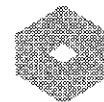
The mortgages are receivable on disposal of the secured properties.

### 13 Creditors: Amounts falling due within one year

|                                 | 1999          |                 | 1998                         |                 |
|---------------------------------|---------------|-----------------|------------------------------|-----------------|
|                                 | Group<br>£000 | Company<br>£000 | Group<br>as restated<br>£000 | Company<br>£000 |
| Rents and insurances in advance | 4,344         | —               | 4,726                        | —               |
| Trade creditors                 | 1,940         | —               | 1,782                        | —               |
| Corporation tax                 | 3,576         | 12              | 4,292                        | 1,845           |
| Accruals and deferred income    | 5,102         | 3,696           | 5,554                        | 3,634           |
| Other creditors                 | 300           | —               | 300                          | —               |
| Revolving credit facility       | 8,500         | 8,500           | —                            | —               |
| Proposed dividends              | 7,450         | 7,450           | 3,891                        | 3,891           |
|                                 | <b>31,212</b> | <b>19,658</b>   | <b>20,545</b>                | <b>9,370</b>    |

During the year the Group arranged a £20 million five-year revolving credit facility with HSBC Bank plc. Security has been given over certain freehold properties held by the Group.

Following the receipt from the sale of the Saltley Business Park, the £8.5 million drawdown of the revolving credit facility with HSBC Bank plc was repaid on 2 July 1999.



## NOTES TO THE ACCOUNTS

### 14 Creditors: Amounts falling due after more than one year

|   | Group and Company |               |
|---|-------------------|---------------|
|   | 1999              | 1998          |
|   | £000              | £000          |
| 13½% First Mortgage Debenture Stock 2000/05 | 5,000             | 5,000         |
| 11½% First Mortgage Debenture Stock 2014    | 60,000            | 60,000        |
|   | <b>65,000</b>     | <b>65,000</b> |

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 undertakings 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 13½ 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 13½ 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 Share capital

|   | 1999                                     |               | 1998                                     |
|---|--|---------------|--|
|   | Allotted,<br>called up and<br>fully paid |               | Allotted,<br>called up and<br>fully paid |
|   | £000                                     | £000          | £000                                     |
| Non-equity                              |  |               |  |
| 675,000 7% (formerly 4.9% net)          |  |               |  |
| Cumulative Preference shares of £1 each | 675                                      | 675           | 675                                      |
| Equity                                  |  |               |  |
| 91,775,384 (1998: 97,641,384)           |  |               |  |
| Ordinary shares of 25p each             | 22,944                                   | 22,944        | 24,410                                   |
| 25,524,616 (1998: 19,658,616)           |  |               |  |
| Ordinary shares of 25p each             | 6,381                                    | —             | —  |
|   | <b>30,000</b>                            | <b>23,619</b> | <b>25,085</b>                            |

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. A further tranche of 4,866,000 Ordinary shares were purchased for cancellation on 5 May 1999 at a price of 174p per share.

#### 7% Cumulative Preference shares

The Preferences 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 April 1999, the rate applicable to the Preference shares was 4.9% net.

In the event of the company being wound up, the Preference shares would entitle the holder to repayment of the capital paid up plus a premium and any arrears of dividend (net of tax at standard rate). 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 standard rate tax).

The Preference shares carry no right to vote at General Meetings.





## NOTES TO THE ACCOUNTS

### 16 Reserves

(a) Group

|  | Revaluation<br>reserve<br>£000 | Redemption<br>reserve<br>£000 | Profit and<br>loss account<br>£000 | Total<br>£000 |
|--|--------------------------------|-------------------------------|------------------------------------|---------------|
| At 1 July 1998                           | 100,801                        | 1,750                         | 67,404                             | 169,955       |
| Retained profit                          | —                              | —                             | 9,885                              | 9,885         |
| Market purchases of equity share capital | —                              | 1,466                         | (10,015)                           | (8,549)       |
| Surplus on revaluation                   | 19,424                         | —                             | —                                  | 19,424        |
| Realised revaluation gains               | (23,894)                       | —                             | 23,894                             | —             |
| At 30 June 1999                          | 96,331                         | 3,216                         | 91,168                             | 190,715       |

(b) Company

|                                    | Revaluation<br>reserve<br>£000 | Redemption<br>reserve<br>£000 | Profit and<br>loss account<br>£000 | Total<br>£000 |
|------------------------------------|--------------------------------|-------------------------------|------------------------------------|---------------|
| At 1 July 1998                     | 686                            | 1,750                         | 36,954                             | 39,390        |
| Retained profit                    | —                              | —                             | 9,076                              | 9,076         |
| Redemption of equity share capital | —                              | 1,466                         | (10,015)                           | (8,549)       |
| Surplus on revaluation             | 15                             | —                             | —                                  | 15            |
| At 30 June 1999                    | 701                            | 3,216                         | 36,015                             | 39,932        |

The profit for the year of the Company, before dividends, was £16,543,016 (1998: £7,865,751).

### 17 Deferred taxation

No deferred tax has been provided. The amount of unprovided deferred tax at 30% (1998: 31%) can be analysed as follows:

|                                | 1999<br>£000 | 1998<br>£000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | 10,648       | 10,181       |
| Short-term timing difference   | —            | (205)        |
| Surplus on revaluation         | 13,940       | 9,863        |
|                                | 24,588       | 19,839       |

### 18 Investment in subsidiary undertakings

|              | 1999<br>£000 | 1998<br>£000 |
|--------------|--------------|--------------|
| Shares       |              |              |
| At cost      | 386          | 386          |
| At valuation | 8,777        | 8,777        |
|              | 9,163        | 9,163        |

The shares in the subsidiary undertakings are stated at Directors' valuation. The historical cost information is not readily available.



## NOTES TO THE ACCOUNTS

### 19 Financial instruments

The Group's principal financial instruments are debenture loans, bank borrowings, preference share capital, cash and short-term deposits. The Group's use of financial instruments is detailed in the Operating Review on pages 10 and 11.

The disclosures below exclude short-term debtors and creditors.

| <b>Interest rate risk and profile</b>  | <b>1999<br/>£000</b> | <b>1998<br/>£000</b> |
|--|----------------------|----------------------|
| <b>Sterling financial liabilities:</b> |                      |                      |
| Fixed rate                             | 65,675               | 65,675               |
| Floating rate (not hedged)             | 8,500                | —                    |
|  | <b>74,175</b>        | <b>65,675</b>        |

The weighted average interest rate on fixed rate financial liabilities at 30 June 1999 was 11.59% (1998: 11.57%). These liabilities, excluding the preference share capital, are fixed for a weighted average period of 13.9 years (1998: 14.9 years).

|                                   |               |              |
|-----------------------------------|---------------|--------------|
| <b>Sterling financial assets:</b> |               |              |
| Floating rate (not hedged)        | 40,904        | 6,061        |
| Fixed rate                        | 163           | 157          |
| Non-interest bearing              | 378           | 415          |
|                                   | <b>41,445</b> | <b>6,633</b> |

Financial assets are cash at bank and in hand, short-term cash deposits and mortgages receivable.

### Liquidity risk and maturity profile

As stated in the operating review, the Group's policy for financing the business is mainly through the use of fixed rate long-term loans. With this in mind the debt structure for the Group at 30 June 1999 was as follows:

|                         | <b>1999<br/>£000</b> | <b>1999<br/>%</b> | <b>1998<br/>£000</b> | <b>1998<br/>%</b> |
|-------------------------|----------------------|-------------------|----------------------|-------------------|
| In less than one year   | 8,500                | 11                | —                    | —                 |
| In more than five years | 65,675               | 89                | 65,675               | 100               |
|                         | <b>74,175</b>        | <b>100</b>        | <b>65,675</b>        | <b>100</b>        |

At 30 June 1999 there were £11.5 million of undrawn revolving credit facilities available to the Group which will expire in more than five years. Following the sale of Saltley Business Park and repayment of the £8.5 million drawdown after the year-end this facility now amounts to £20 million. The £8.5 million liability had a rate of three month LIBOR plus 0.85% at 30 June 1999.

|  | <b>Book<br/>Value<br/>£000</b> | <b>Fair<br/>Value<br/>£000</b> | <b>Fair value<br/>Adjustment<br/>£000</b> | <b>% of<br/>Book value</b> |
|--|--------------------------------|--------------------------------|---|----------------------------|
| <b>As at 30 June 1999</b>                    |                                |                                |   |                            |
| 13½ % First Mortgage Debenture Stock 2000/05 | 5,000                          | 5,400                          | 400                                       | 8                          |
| 11½ % First Mortgage Debenture Stock 2014    | 60,000                         | 89,100                         | 29,100                                    | 49                         |
| Preference share capital                     | 675                            | 567                            | (108)                                     | (16)                       |
| HSBC Bank plc revolving credit facility      | 8,500                          | 8,500                          | —   | —                          |
| Net debt and Preference share capital        | <b>74,175</b>                  | <b>103,567</b>                 | <b>29,392</b>                             | <b>40</b>                  |
| <b>As at 30 June 1998</b>                    | <b>£000</b>                    | <b>£000</b>                    | <b>£000</b>                               | <b>%</b>                   |
| 13½ % First Mortgage Debenture Stock 2000/05 | 5,000                          | 5,500                          | 500                                       | 10                         |
| 11½ % First Mortgage Debenture Stock 2014    | 60,000                         | 87,300                         | 27,300                                    | 46                         |
| Preference share capital                     | 675                            | 560                            | (115)                                     | (17)                       |
| Net debt and Preference share capital        | <b>65,675</b>                  | <b>93,360</b>                  | <b>27,685</b>                             | <b>42</b>                  |

The fair values of the debenture stocks and preference share capital are based on the mid price at the close of business of those instruments as sourced from the Daily Official List for 30 June 1999 and 1998 respectively.



## NOTES TO THE ACCOUNTS

### 20 Contingent liabilities

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

### 21 Commitments

|   | 1999<br>£000 | 1998<br>£000 |
|---|--------------|--------------|
| <i>(a) Capital</i>  |              |              |
| The amount of outstanding commitments for capital expenditure contracted for but not provided for in the consolidated balance sheet | 1,386        | 1,950        |
| The amount of capital expenditure authorised in addition to the above commitments   | 850          | 4,800        |
| <i>(b) Operating leases</i>   |              |              |
| 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           | 33           |

### 22 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