

**A & J Mucklow (Properties) Ltd**  
Annual Report and Financial Statements  
for the year ended 30 June 2016



|                          |  |
|--------------------------|--|
| <b>Directors</b>         | Rupert Jeremy Mucklow<br>David Justin Parker<br>David Ian Wooldridge<br>Mark Thomas Vernon                           |
| <b>Company Secretary</b> | David Wooldridge   |
| <b>Registered Office</b> | 60 Whitehall Road<br>Halesowen<br>West Midlands<br>B63 3JS   |
| <b>Registered number</b> | 00758764 England and Wales   |
| <b>Auditor</b>           | KPMG LLP, Chartered Accountants and Statutory Auditor<br>One Snowhill<br>Snow Hill Queensway<br>Birmingham<br>B4 6GH |

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## **A & J MUCKLOW (PROPERTIES) LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 30 June 2016.

#### **Principal activities**

The principle activities of the company are that of property letting and development.

#### **Results**

The profit for the year and the dividends paid and proposed are set out in the Profit and Loss Account and Other Comprehensive Income and notes. The net profit before taxation for the year was £599,662.

#### **Dividends**

There were no dividends paid or proposed in the year.

#### **Future prospects**

The outcome of the UK's EU Referendum vote has created uncertainty in the property market, but, so far, there has been limited direct impact on the Company. Although it is too early to predict the medium to long-term effects on the Midlands property market, the combination of our focus on industrial property, a conservative financial position and a low level of voids provides us with a strong foundation as we enter the 2017 financial year.

We are optimistic about prospects for continuing to grow the Company's rental income over the medium and long-term.

#### **Donations**

No political contributions were made during the year (2015: nil) and no donations were made to local and national charities.

#### **Going Concern**

In concluding that it is appropriate to prepare the accounts on a going concern basis, the directors have considered that the company is profit making and in a net assets position. The company is generating income from its properties and is forecast to continue to do so in the future.

The parent company has funding available to support this company in the form of a revolving credit facility which expires in 2021. £19,000,000 of the £44,000,000 available funding within the facility remains unutilised at the date of this report. Thus the directors continue to adopt the going concern basis in preparing the financial statements.

#### **Directors**

The directors listed on page 2 constituted the Board during the year, and up to the date of signing the annual report.

#### **Directors' and officers' liability insurance**

During the year the Company purchased and maintained liability insurance for its directors and officers as permitted by Section 234 of the Companies Act 2006.

#### **Auditor**

The Board appointed KPMG LLP as auditor to the company following the completion of the prior year audit.

KPMG LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

**A & J MUCKLOW (PROPERTIES) LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**Disclosure of information to the auditor**

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

- 1) so far as the director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- 2) the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Directors' Responsibilities Statement**

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Events since 30 June 2016**

There were no material events since 30 June 2016 to report.

By order of the Board



**David Wooldridge**

Secretary

60 Whitehall Road, Halesowen, West Midlands, B63 3JS

15 December 2016

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
A & J MUCKLOW (PROPERTIES) LIMITED**

We have audited the financial statements of A & J Mucklow (Properties) Limited for the year ended 30 June 2016 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

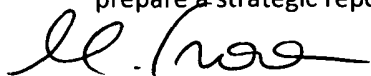
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



**Michael Fromm (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
One Snowhill, Snow Hill Queensway  
Birmingham, B4 6GH  
15 December 2016

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Profit and Loss Account and Other Comprehensive Income  
for the year ended 30 June 2016**

|   | Notes | 2016<br>£      | 2015<br>£        |
|---|-------|----------------|------------------|
| Gross rental income relating to investment properties   | 2     | 635,000        | 635,000          |
| Service charge income   | 2     | 6,095          | 5,985            |
| <b>Total revenue</b>  |       | <b>641,095</b> | <b>640,985</b>   |
| Property outgoings  | 3     | (8,234)        | (7,590)          |
| <b>Net rental income relating to investment properties</b>  |       | <b>632,861</b> | <b>633,395</b>   |
| Administration expenses   |       | (67,693)       | (70,207)         |
| Operating profit before net gains on investment and development properties  |       | 565,168        | 563,188          |
| Revaluation of investment and development properties  | 9     | (30,000)       | 465,000          |
| <b>Operating profit</b>   |       | <b>535,168</b> | <b>1,028,188</b> |
| <b>Total finance income</b>   | 6     | <b>64,494</b>  | <b>111,963</b>   |
| <b>Profit before tax</b>  | 4     | <b>599,662</b> | <b>1,140,151</b> |
| Tax credit  | 7     | -              | -                |
| <b>Profit for the financial year being total comprehensive income for the year attributable to the owners of the parent</b> |       | <b>599,662</b> | <b>1,140,151</b> |

There are no profits or losses other than those recognised above and therefore no Other Comprehensive Income statement has been presented.

All operations are continuing.

The notes on pages 9 to 21 form part of the Financial Statements.

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Balance Sheet  
at 30 June 2016**

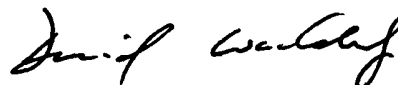
|                                       | Notes | 2016<br>£  | 2015<br>£  |
|---------------------------------------|-------|------------|------------|
| <b>Non-current assets</b>             |       |            |            |
| Investment and development properties | 9     | 9,175,000  | 9,205,000  |
|                                       |       | 9,175,000  | 9,205,000  |
| <b>Current assets</b>                 |       |            |            |
| Trade and other receivables           | 10    | 1,954,068  | 1,300,077  |
|                                       |       | 1,954,068  | 1,300,077  |
| <b>Total assets</b>                   |       | 11,129,068 | 10,505,077 |
| <b>Current liabilities</b>            |       |            |            |
| Trade and other payables              | 11    | (215,762)  | (191,433)  |
|                                       |       | (215,762)  | (191,433)  |
| <b>Non-current liabilities</b>        |       |            |            |
| Borrowings                            |       | -          | -          |
| <b>Total liabilities</b>              |       | (215,762)  | (191,433)  |
| <b>Net assets</b>                     |       | 10,913,306 | 10,313,644 |
| <b>Equity</b>                         |       |            |            |
| Called up ordinary share capital      | 13    | 10,000     | 10,000     |
| Retained earnings                     |       | 10,903,306 | 10,303,644 |
| <b>Total equity</b>                   |       | 10,913,306 | 10,313,644 |

These financial statements were approved by the Board on 15 December 2016 and were signed on its behalf by:

**David Justin Parker**  
Director



**David Wooldridge**  
Director



Company registered number: 00758764

The notes on pages 9 to 21 form part of the financial statements.

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Statement of Changes in Equity**

|   | Called up<br>share capital<br>£ | Revaluation<br>reserve<br>£ | Profit and<br>loss account<br>£ | Total<br>equity<br>£ |
|---|---------------------------------|-----------------------------|---------------------------------|----------------------|
| Balance at 1 July 2014                                | 10,000                          | 1,092,520                   | 10,070,973                      | 11,173,493           |
| Effect of change in accounting policy (see note 19)   | -                               | (1,092,520)                 | 1,092,520                       | -                    |
| Balance at 1 July 2014                                | 10,000                          | -                           | 11,163,493                      | 11,173,493           |
| Profit or loss  | -                               | -                           | 1,140,151                       | 1,140,151            |
| Other comprehensive income for the period             | -                               | -                           | -                               | -                    |
| Total comprehensive income for the period             | -                               | -                           | 1,140,151                       | 1,140,151            |
| Transactions with owners, recorded directly in equity |                                 |                             |                                 |                      |
| Dividends   | -                               | -                           | (2,000,000)                     | (2,000,000)          |
| Total contributions by and distributions to owners    | -                               | -                           | (2,000,000)                     | (2,000,000)          |
| <b>Balance at 30 June 2015</b>                        | <b>10,000</b>                   | <b>-</b>                    | <b>10,303,644</b>               | <b>10,313,644</b>    |
| Profit or loss  | -                               | -                           | 599,662                         | 599,662              |
| Other comprehensive income for the period             | -                               | -                           | -                               | -                    |
| Total comprehensive income for the period             | -                               | -                           | 599,662                         | 599,662              |
| Transactions with owners, recorded directly in equity |                                 |                             |                                 |                      |
| Dividends   | -                               | -                           | -                               | -                    |
| Total contributions by and distributions to owners    | -                               | -                           | -                               | -                    |
| <b>Balance at 30 June 2016</b>                        | <b>10,000</b>                   | <b>-</b>                    | <b>10,903,306</b>               | <b>10,913,306</b>    |



## **Notes to the Financial Statements**

### **1 Accounting policies**

A & J Mucklow (Properties) Limited (the “Company”) is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 19.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemption has been taken in these financial statements:

- Fair value or revaluation as deemed cost – At 1 July 2014, fair value has been used as deemed cost for properties previously measured at fair value.

The Company’s parent undertaking A & J Mucklow Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of A & J Mucklow Group plc are prepared in accordance with International Financial Reporting Standards and may be obtained from 60 Whitehall Road, Halesowen, West Midlands, B63 3JS.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures.

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and investment properties;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel;

As the consolidated financial statements of A&J Mucklow Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payment; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

## **Notes to the Financial Statements**

### **1 Accounting policies (continued)**

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 July 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below in note 1.

#### **Going concern**

The parent company provides ongoing financial support to the company. As at 30 June 2016 the parent company had £27.0m of undrawn banking facilities and had drawn down £18.0m from its HSBC £44m 2018 Revolving Credit Facility. The parent company's £1.0m overdraft, which is due for renewal within 12 months of the date of this document, was undrawn. Given these revolving credit facilities, which have been subsequently refinanced for a further five year term, the Group's low gearing level of 25% and £138.4m of unencumbered properties, significant capacity exists to raise additional finance or to provide additional security for existing facilities, should property values fall. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **Critical accounting judgements and key sources of estimation uncertainty**

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

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

#### **Significant accounting policies**

##### **Revenue recognition**

###### *Rental income*

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

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

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

Property operating expenses are expensed as incurred.

###### *Revenue and profits on sale of investment, development and trading properties*

Revenue and profits on sale of investment, development and trading properties are taken into account on the completion of contracts.

The amount of profit recognised is the difference between sale proceeds and the carrying amount.

**Notes to the Financial Statements**

**1 Accounting policies (continued)**

*Interest income*

Interest income is recognised on an accruals basis when it falls due.

**Cost of properties**

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

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

**Valuation of properties**

Investment properties are valued at the balance sheet date at fair value. Where investment properties are being redeveloped the property continues to be treated as an investment property. Surpluses and deficits attributable to the Group arising from revaluation are recognised in the profit and loss account and other comprehensive income. Valuation surpluses reflected in retained earnings are not distributable until realised on sale.

Properties under development, which were not previously classified as investment properties, are valued at fair value until practical completion, when they are transferred to investment properties. Valuation surpluses and deficits attributable to properties under development are recognised in the profit and loss account and other comprehensive income.

**Depreciation**

Investment properties are not depreciated.

**Capital grants**

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

**Deferred taxation**

Deferred taxation is provided in full on temporary differences that result in an obligation to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Temporary differences arise from the inclusion of items in taxation computations in periods different from when they are included in the financial statements. Deferred tax is provided on temporary differences arising from the revaluation of fixed assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

**Notes to the Financial Statements**

**1 Accounting policies (continued)**

**Taxation**

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

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

**Financial instruments**

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

*Trade receivables*

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

*Cash and cash equivalents*

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

*Trade payables*

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

*Equity instruments*

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

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Notes to the Financial Statements**

**2 Revenue**

|  | 2016<br>£ | 2015<br>£ |
|--|-----------|-----------|
| Gross rental income from investment and development properties | 635,000   | 635,000   |
| Service charge income  | 6,095     | 5,985     |
|  | 641,095   | 640,985   |
| Finance income (note 6)  | 64,494    | 111,963   |
| Total revenue  | 705,589   | 752,948   |

All revenue arose in the United Kingdom in both the current and prior year.

**3 Property costs**

|                         | 2016<br>£ | 2015<br>£ |
|-------------------------|-----------|-----------|
| Service charge expenses | 9,220     | 10,179    |
| Other property expenses | (986)     | (2,589)   |
|                         | 8,234     | 7,590     |

**4 Profit for the year**

|   | 2016<br>£ | 2015<br>£ |
|---|-----------|-----------|
| Profit for the year has been arrived at after charging/(crediting):         |           |           |
| Depreciation of property, plant and equipment                               | 2,061     | 2,174     |
| (Profit)/loss on the sale of property, plant and equipment                  | (733)     | 47        |
| Net gains/(losses) on revaluation of investment and development properties* | 30,000    | (465,000) |
| Staff costs (see note 5)  | 42,158    | 44,561    |

The above expenses were borne by A & J Mucklow (Investments) Limited, a fellow subsidiary company, and the figures shown in the table above represent the amounts recharged to the company, except where marked with a \*.

**Auditor's remuneration — KPMG LLP (2015: Deloitte LLP)**

|   | 2016<br>£ | 2015<br>£ |
|---|-----------|-----------|
| Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements | 1,250     | 1,250     |
| Total audit fees  | 1,250     | 1,250     |
| Audit related assurance services  | 1,000     | -         |
| Taxation compliance services  | -         | 371       |
| Other taxation advisory services  | -         | 26        |
| Total non-audit fees  | 1,000     | 397       |

The fees paid in 2016 relate to KPMG LLP and in 2015 to Deloitte LLP. The fees paid to KPMG LLP in the current year in respect of audit related services relate to services for transition from old UK GAAP to FRS 101.

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Notes to the Financial Statements**

**5 Staff costs (including directors)**

**Staff numbers and costs**

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

|                 | 2016<br>Number | 2015<br>Number |
|-----------------|----------------|----------------|
| Management      | 3              | 3              |
| Property        | 1              | 1              |
| Total employees | 4              | 4              |

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

|                       | 2016<br>£ | 2015<br>£ |
|-----------------------|-----------|-----------|
| Wages and salaries    | 31,882    | 32,483    |
| Share-based payment   | 4,106     | 4,547     |
| Social security costs | 4,156     | 5,080     |
| Pension costs         | 2,014     | 2,451     |
|                       | 42,158    | 44,561    |

All payroll costs are borne by A & J Mucklow (Investments) Limited, a fellow subsidiary company, and the figures shown in the table above represent the amounts recharged to the company.

**Pension arrangements**

The Company operates defined contribution plans for qualifying permanent staff with payments invested with Standard Life plc.

Pension contributions (including for directors) paid in the year ended 30 June 2016 amounted to £2,014 (2015: £2,451).

**6 Net finance costs**

|  | 2016<br>£ | 2015<br>£ |
|--|-----------|-----------|
| Finance costs on:                        |           |           |
| Bank overdraft and loan interest payable | -         | -         |
| Total finance costs                      | -         | -         |
| Finance income on:                       |           |           |
| Intercompany interest                    | 64,494    | 111,963   |
| Total finance income                     | 64,494    | 111,963   |
| Net finance income                       | 64,494    | 111,963   |

## **A & J MUCKLOW (PROPERTIES) LIMITED**

### **Notes to the Financial Statements**

#### **7 Taxation**

Analysis of charge in year:

|  | 2016<br>£ | 2015<br>£ |
|--|-----------|-----------|
| Current tax  |           |           |
| - Corporation tax  | -         | -         |
| - Adjustment in respect of previous years                                      | -         | -         |
| Deferred tax   | -         | -         |
| Total tax charge in the profit and loss account and other comprehensive income | -         | -         |

The tax charge for the year can be reconciled to the profit per the profit and loss account and other comprehensive income as follows:

|   | 2016<br>£ | 2015<br>£ |
|---|-----------|-----------|
| Profit before tax   | 599,662   | 1,140,151 |
| Profit before tax multiplied by the standard rate of UK corporation tax of 20% (2015: 20.75%) | 119,932   | 236,581   |
| Effect of:  |           |           |
| REIT exempt income and gains  | (107,033) | (213,349) |
| Group relieved  | (12,899)  | (23,232)  |
|   | -         | -         |

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Deferred tax has been calculated based on these rates as at 30 June 2016.

A & J Mucklow Group plc, the ultimate holding company, became a Real Estate Investment Trust (REIT) on 1 July 2007. Under the tax rules which apply to REITs properties which are developed and sold within three years of completion do not benefit from the normal REIT tax exemption on disposal gains. The company currently owns £nil (2015: £nil) of properties which have completed development during the previous three years. If these properties had been disposed of at their 30 June 2016 valuation, then tax of £nil (2015: £nil) would have become payable. No deferred tax has been provided in respect of this potential tax liability as the company had no plans to dispose of these properties at the balance sheet date.

#### **8 Dividends**

|   | 2016<br>£ | 2015<br>£ |
|---|-----------|-----------|
| Amounts recognised as distributions to equity holders in the year:              |           |           |
| Special dividend for the year ended 30 June 2016 of £nil (2015: £200) per share | -         | 2,000,000 |
|   | -         | 2,000,000 |

## A & J MUCKLOW (PROPERTIES) LIMITED

### Notes to the Financial Statements

#### 9 Investment and development properties

|                     | Investment<br>£ | Development<br>£ | Total<br>£ |
|---------------------|-----------------|------------------|------------|
| At 30 June 2014     | 8,740,000       | -                | 8,740,000  |
| Revaluation gain    | 465,000         | -                | 465,000    |
| At 1 July 2015      | 9,205,000       | -                | 9,205,000  |
| Revaluation deficit | (30,000)        | -                | (30,000)   |
| At 30 June 2016     | 9,175,000       | -                | 9,175,000  |

The closing book value shown above comprises £9.2m (2015: £9.2m) of freehold and £nil (2015: £nil) of leasehold properties.

|   | Freehold<br>£ | Leasehold<br>£ | Total<br>£ |
|---|---------------|----------------|------------|
| Properties held at valuation on 30 June 2016: |               |                |            |
| Cost  | 7,647,480     | -              | 7,647,480  |
| Valuation surplus                             | 1,527,520     | -              | 1,527,520  |
| Valuation                                     | 9,175,000     | -              | 9,175,000  |

|   | Freehold<br>£ | Leasehold<br>£ | Total<br>£ |
|---|---------------|----------------|------------|
| Properties held at valuation on 30 June 2015: |               |                |            |
| Cost  | 7,647,480     | -              | 7,647,480  |
| Valuation surplus                             | 1,557,520     | -              | 1,557,520  |
| Valuation                                     | 9,205,000     | -              | 9,205,000  |

The properties are stated at their 30 June 2016 fair value and are valued by Cushman & Wakefield, professionally qualified external valuers, in accordance with the RICS Valuation Professional Standards published by the Royal Institution of Chartered Surveyors. Cushman & Wakefield have recent experience in the relevant location and category of the properties being valued. Cushman & Wakefield is the trading name of DTZ Debenham Tie Leung Limited.

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. Since that date Cushman & Wakefield have monitored market transactions and market sentiment in arriving at their opinion of Market Value/Fair Value.

There is still a shortage of comparable evidence of arm's length transactions since the Referendum in many sectors of the market. Cushman & Wakefield had, therefore, to exercise a greater degree of judgement than would be applied under more liquid market conditions.

|   | 2016<br>£ | 2015<br>£ |
|---|-----------|-----------|
| C&W valuation                                       | 9,175,000 | 9,205,000 |
| Other adjustments                                   | -         | -         |
| Investment and development properties as at 30 June | 9,175,000 | 9,205,000 |

Additions to freehold and leasehold properties include capitalised interest of £nil (2015: £nil). The total amount of interest capitalised included in freehold and leasehold properties is £31,220 (2015: £31,220).



**A & J MUCKLOW (PROPERTIES) LIMITED**

**Notes to the Financial Statements**

**10 Trade and other receivables**

|                                     | 2016<br>£ | 2015<br>£ |
|-------------------------------------|-----------|-----------|
| Falling due in less than one year   |           |           |
| Amounts due from Group undertakings | 1,837,140 | 1,249,077 |
| Trade receivables                   | 116,877   | 51,000    |
| VAT                                 | 51        | -         |
|                                     | 1,954,068 | 1,300,077 |

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

**Trade Receivables**

No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from rental income of £nil (2015: £nil). This allowance has been determined by reference to past default experience.

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

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

**11 Trade and other payables**

|  | 2016<br>£ | 2015<br>£ |
|--|-----------|-----------|
| Deferred income in respect of rents and insurances | 214,743   | 190,500   |
| Accruals   | 1,019     | 933       |
|  | 215,762   | 191,433   |

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

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

**12 Deferred tax**

There is no deferred tax asset or liability.

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Notes to the Financial Statements**

**13 Share capital**

|  | 2016<br>£ | 2015<br>£ |
|--|-----------|-----------|
| Authorised<br>Equity<br>10,000 (2015: 10,000) Ordinary shares of £1 each                         | 10,000    | 10,000    |
| Allotted, Called Up and Fully Paid<br>Equity<br>10,000 (2015: 10,000) Ordinary shares of £1 each | 10,000    | 10,000    |

**14 Contingent liabilities**

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

**15 Operating leases**

**The Company as lessor**

The Company leases out all of its investment properties under operating leases.

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

|   | 2016<br>£ | 2015<br>£ |
|---|-----------|-----------|
| Not later than one year                           | 493,124   | 635,000   |
| Later than one year but not later than five years | 1,716,568 | 1,375,082 |
| Later than five years                             | 1,324,849 | 496,959   |
|   | 3,534,541 | 2,507,041 |

Property rental income earned during the year was £635,000 (2015: £635,000). Direct operating expenses arising on the investment property in the period amounted to £8,234 (2015: £7,590).

Lease terms vary depending upon the property use and the lease length, but no tenant has the option to purchase a property at the end of their lease.

**Notes to the Financial Statements**

**16 Related parties**

As a wholly owned subsidiary of A & J Mucklow Group plc, the Company has taken advantage of the exemption available under FRS101 not to disclose transactions that have been made between the Company and other fellow subsidiaries of A & J Mucklow Group plc.

**17 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of A & J Mucklow Group plc which is the ultimate parent company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by A & J Mucklow Group plc, incorporated in England. The consolidated financial statements of the group is available to the public and may be obtained from 60 Whitehall Road, Halesowen, West Midlands, B63 3JS.

**18 Subsequent events**

There were no material events since 30 June 2016 to report.

**19 Explanation of transition to FRS 101**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 1 July 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Notes to the Financial Statements**

**19 Explanation of transition to FRS 101 (continued)**

*Reconciliation of equity*

|                                       | Note | 1 July 2014  |  |              | 30 June 2015 |  |              |
|---------------------------------------|------|--------------|--|--------------|--------------|--|--------------|
|                                       |      | UK GAAP<br>£ | Effect of<br>transition<br>to FRS 101<br>£ | FRS 101<br>£ | UK GAAP<br>£ | Effect of<br>transition<br>to FRS 101<br>£ | FRS 101<br>£ |
| <b>Non-current assets</b>             |      |              |  |              |              |  |              |
| Investment and development properties |      | 8,740,000    | -  | 8,740,000    | 9,205,000    | -  | 9,205,000    |
|                                       |      | 8,740,000    | -  | 8,740,000    | 9,205,000    | -  | 9,205,000    |
| <b>Current assets</b>                 |      |              |  |              |              |  |              |
| Trade and other receivables           |      | 2,650,019    | -  | 2,650,019    | 1,300,077    | -  | 1,300,077    |
|                                       |      | 2,650,019    | -  | 2,650,019    | 1,300,077    | -  | 1,300,077    |
| <b>Total assets</b>                   |      | 11,390,019   | -  | 11,390,019   | 10,505,077   | -  | 10,505,077   |
| <b>Current liabilities</b>            |      |              |  |              |              |  |              |
| Trade and other payables              |      | (216,526)    | -  | (216,526)    | (191,433)    | -  | (191,433)    |
|                                       |      | (216,526)    | -  | (216,526)    | (191,433)    | -  | (191,433)    |
| <b>Non-current liabilities</b>        |      |              |  |              |              |  |              |
| Borrowings                            |      | -            | -  | -            | -            | -  | -            |
| <b>Total liabilities</b>              |      | (216,526)    | -  | (216,526)    | (191,433)    | -  | (191,433)    |
| <b>Net assets</b>                     |      | 11,173,493   | -  | 11,173,493   | 10,313,644   | -  | 10,313,644   |
| <b>Equity</b>                         |      |              |  |              |              |  |              |
| Called up ordinary share capital      |      | 10,000       | -  | 10,000       | 10,000       | -  | 10,000       |
| Revaluation reserve                   | a    | 1,092,520    | (1,092,520)                                | -            | 1,557,520    | (1,557,520)                                | -            |
| Retained earnings                     | a    | 10,070,973   | 1,092,520                                  | 11,163,493   | 8,746,124    | 1,557,520                                  | 10,303,644   |
| <b>Total equity</b>                   |      | 11,173,493   | -  | 11,173,493   | 10,313,644   | -  | 10,313,644   |

**A & J MUCKLOW (PROPERTIES) LIMITED**

**Notes to the Financial Statements**

**19 Explanation of transition to FRS 101 (continued)**

*Reconciliation of profit*

|  | 30 June 2015   |                                 |                  |
|--|----------------|---------------------------------|------------------|
|  | UK GAAP        | Effect of transition to FRS 101 | FRS 101          |
| Notes  | £              | £                               | £                |
| Gross rental income relating to investment properties                      | 635,000        | -                               | 635,000          |
| Service charge income  | 5,985          | -                               | 5,985            |
| Total revenue  | 640,985        | -                               | 640,985          |
| Property outgoings   | (7,590)        | -                               | (7,590)          |
| <b>Net rental income relating to investment properties</b>                 | <b>633,395</b> | <b>-</b>                        | <b>633,395</b>   |
| Administration expenses  | (70,207)       | -                               | (70,207)         |
| Operating profit before net gains on investment and development properties | 563,188        | -                               | 563,188          |
| Revaluation of investment and development properties                       | -              | 465,000                         | 465,000          |
| <b>Operating profit</b>  | <b>563,188</b> | <b>465,000</b>                  | <b>1,028,188</b> |
| <b>Total finance income</b>  | <b>111,963</b> | <b>-</b>                        | <b>111,963</b>   |
| <b>Total finance costs</b>   | <b>-</b>       | <b>-</b>                        | <b>-</b>         |
| Net finance income   | 111,963        | -                               | 111,963          |
| <b>Profit before tax</b>   | <b>675,151</b> | <b>465,000</b>                  | <b>1,140,151</b> |
| Tax credit   | -              | -                               | -                |
| <b>Profit for the financial year</b>                                       | <b>675,151</b> | <b>465,000</b>                  | <b>1,140,151</b> |

- a) The adjustments to revaluation reserve and retained earnings are the brought forward revaluation of investment and development properties. Under UK GAAP this was posted to the revaluation reserve whereas under IFRS it is written off to the profit and loss account and other comprehensive income.
- b) The difference to the revaluation in the profit and loss account and other comprehensive income is due to this being posted to the profit and loss account and other comprehensive income under IFRS rather than the revaluation reserve under UK GAAP.