

A & J MUCKLOW (INVESTMENTS) LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2013



A & J MUCKLOW (INVESTMENTS) LIMITED

DIRECTORS Rupert J Mucklow BSc
 D Justin Parker BSc MRICS
 David Wooldridge FCCA ACIS

SECRETARY David Wooldridge FCCA ACIS

REGISTERED OFFICE 60 Whitehall Road
 Halesowen
 West Midlands
 B63 3JS

REGISTERED NUMBER 01057385 England and Wales

AUDITOR Deloitte LLP
 Birmingham, UK

ANNUAL REPORT AND ACCOUNTS - 30 JUNE 2013

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A & J MUCKLOW (INVESTMENTS) LIMITED
REPORT OF THE DIRECTORS

The Directors submit their Annual Report and the Audited Accounts of the company for the year ended 30 June 2013

ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary undertaking of the ultimate parent company A & J Mucklow Group plc registered number 00717658 in England and Wales

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's principal activities are industrial and commercial property investment and development and being the main administration company for the A & J Mucklow group of companies. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year.

As shown in the company's profit and loss account on page 9, the company's gross rentals increased by 0.2% over the prior year (2012 increased by 0.5%).

The company's key performance indicators are underlying pre-tax-profit, vacant space and gearing (net of cash). For the two financial years under review the indicators are:

	2013	2012
Underlying pre-tax profit* (£)	12,531,842	12,596,733
Vacant space (%)	6.7	6.5
Gearing (net of cash)	24%	13%

*Excludes the profit on disposal of investment properties, the revaluation of development properties and capitalised interest

In October 2012 the Company agreed and drew down a fixed rate loan of £20,000,000 to repay existing debt and provide scope for further property investment. This loan is secured on certain properties held by the Company and its fellow subsidiary Penbrick Limited.

FUTURE PROSPECTS

The directors intend to continue to focus on the Midlands property market and continue to look for opportunities to improve the value of the existing portfolio and acquire new investment and development properties.

GOING CONCERN

The going concern risks are mitigated by the receipt of ongoing support from A & J Mucklow Group plc as evidenced by a letter of financial support received from the company. This support will enable A & J Mucklow (Investments) Limited to pay its debts as and when they fall due and is provided for a period of not less than twelve months from the date the Directors' Report is signed, for the accounts for the period ending 30 June 2013.

The company is in a net current liabilities position of £20,918,514 (2012 £40,620,303), but is generating profits and cash and has sufficient investment property assets to enable it to meet its liabilities as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

A & J MUCKLOW (INVESTMENTS) LIMITED

REPORT OF THE DIRECTORS

DONATIONS

No political contributions were made during the year and donations to local and national charities amounted to £4,449 (2012 £3,560)

PRINCIPAL RISKS AND UNCERTAINTIES

The key risk areas for the company are

Risk area	Mitigation
Investment portfolio <ul style="list-style-type: none">• Tenant default• Change in demand for space• Market pricing affecting value	<ul style="list-style-type: none">• Portfolio diversification between industrial, office and retail properties with different tenant profiles, covenants, building sizes and lease lengths• Building specifications not tailored to one user• Not reliant on one single tenant or business sector• Focused on established business locations for investment acquisitions and developments• Continual focus on current vacancies and expected changes
Financial <ul style="list-style-type: none">• Reduced availability or increased cost of debt finance• Interest rate sensitivity• REIT compliance	<ul style="list-style-type: none">• Low gearing policy• Large, unencumbered property portfolio available as security• Existing facilities sufficient for spending commitments• Fixed rate debt and hedging in place• Internal procedures in place to track compliance
People <ul style="list-style-type: none">• Retention/recruitment	<ul style="list-style-type: none">• Key man insurance• Remuneration structure reviewed• Regular assessment of performance
Development <ul style="list-style-type: none">• Speculative development exposure on lettings• Cost/time delays on contracts• Inability to acquire land• Holding too much development land	<ul style="list-style-type: none">• Limited exposure to speculative development• Buildings designed to be suitable for a range of tenants• Speculative development is focused on small to medium sized occupiers in well-established business locations• Use of main contractors on fixed price contracts, with contingencies built into appraisals• The main Board carefully considers all development land acquisitions to ensure exposure is limited to reasonable levels and that prices paid are realistic

A & J MUCKLOW (INVESTMENTS) LIMITED

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The business has increased its rent roll as a result of the letting of development properties, property acquisitions and rent reviews. The financial position of the company at 30 June 2013 is considered to be satisfactory. Special dividends of £5,500,000 were paid during the year ending 30 June 2013 (2012 £11,300,000). No dividends have been paid since the year end.

DIRECTORS

The Directors who served throughout the year were Rupert J Mucklow, D Justin Parker, David Wooldridge

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.

CREDITORS' PAYMENT POLICY

The company 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 company will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders.

The average number of creditor days for the company was 3 (2012 21). The creditor days figure is significantly affected by property acquisitions and similar transactions.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A & J MUCKLOW (INVESTMENTS) LIMITED

REPORT OF THE DIRECTORS

DISCLOSURE OF INFORMATION TO AUDITOR

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

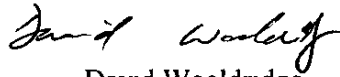
- 1 so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- 2 the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor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

AUDITOR

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

Approved by the Board of Directors on 18 September 2013
and signed on their behalf by


David Wooldridge
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

A & J MUCKLOW (INVESTMENTS) LIMITED

We have audited the financial statements of A & J Mucklow (Investments) Limited for the year ended 30 June 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Note of Historical Cost Profits and Losses and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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

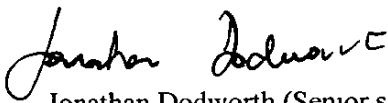
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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 exception in preparing the directors report



Jonathan Dodworth (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
18 September 2013

A & J MUCKLOW (INVESTMENTS) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
	NOTE	£	£
Gross rentals		17,554,029	17,520,475
Property outgoings		(545,493)	(861,662)
Net rental income		<u>17,008,536</u>	<u>16,658,813</u>
Administrative expenses		(1,990,907)	(1,891,399)
Other operating income		28,868	29,511
Profit on disposal of investment properties		91,643	306,803
Operating profit	2	<u>15,138,140</u>	<u>15,103,728</u>
Deficit on revaluation of development properties		-	-
Profit on ordinary activities before interest		<u>15,138,140</u>	<u>15,103,728</u>
Interest receivable and similar income	3	48,957	638
Interest payable and similar charges	4	(2,563,612)	(2,200,830)
Profit on ordinary activities before taxation		<u>12,623,485</u>	<u>12,903,536</u>
Taxation	6	<u>-</u>	<u>213</u>
Profit for the financial year		<u><u>12,623,485</u></u>	<u><u>12,903,749</u></u>

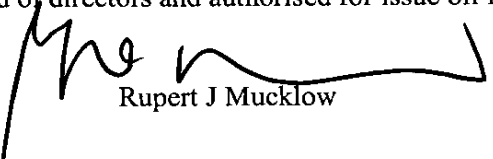
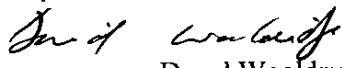
All activities derive from continuing operations

A & J MUCKLOW (INVESTMENTS) LIMITED

BALANCE SHEET AS AT 30 JUNE 2013

		2013	2012
	NOTE	£	£
Fixed assets			
Land and buildings	8	220,923,181	211,247,272
Plant and vehicles	9	314,620	239,964
Tangible fixed assets		<u>221,237,801</u>	<u>211,487,236</u>
Current assets			
Debtors	10	1,563,805	1,340,130
Cash at bank		<u>825,045</u>	<u>780,605</u>
		2,388,850	2,120,735
Creditors Amounts falling due within one year	11	<u>(23,307,364)</u>	<u>(42,741,038)</u>
Net current liabilities		(20,918,514)	(40,620,303)
Total assets less current liabilities		200,319,287	170,866,933
Creditors: Amount falling due after more than one year			
Borrowings	12	(39,590,589)	(19,953,894)
Net assets		<u>160,728,698</u>	<u>150,913,039</u>
Capital and reserves			
Called up share capital	14	100	100
Revaluation reserve	15	(37,740,974)	(40,433,148)
Profit and loss account	15	198,469,572	191,346,087
Shareholders' funds		<u>160,728,698</u>	<u>150,913,039</u>

The financial statements of A & J Mucklow (Investments) Ltd, registered number 01057385, were approved by the board of directors and authorised for issue on 18 September 2013


Rupert J Mucklow)
)
)

David Wooldridge)
)
)
Directors

A & J MUCKLOW (INVESTMENTS) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	£	£
Profit for the financial year	12,623,485	12,903,749
Unrealised surplus/(deficit) on revaluation of properties	2,692,174	(12,261,984)
Total recognised gains and losses relating to the year	<u>15,315,659</u>	<u>641,765</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	£	£
Profit for the financial year	12,623,485	12,903,749
Dividends (note 7)	<u>(5,500,000)</u>	<u>(11,300,000)</u>
Retained profit for the financial year	7,123,485	1,603,749
Unrealised surplus/(deficit) on revaluation of properties	<u>2,692,174</u>	<u>(12,261,984)</u>
Net increase/(decrease) in shareholders' funds	9,815,659	(10,658,235)
Opening shareholders' funds at 1 July	150,913,039	161,571,274
Closing shareholders' funds at 30 June	<u>160,728,698</u>	<u>150,913,039</u>

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	£	£
Reported profit on ordinary activities before taxation	12,623,485	12,903,536
Realisation of property revaluation gains of previous years	-	-
Historical cost profit on ordinary activities before taxation	<u>12,623,485</u>	<u>12,903,536</u>
Historical cost profit for the year retained after taxation and dividends	<u>7,123,485</u>	<u>1,603,749</u>

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

30 JUNE 2013

1) Accounting policies

a) 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 United Kingdom accounting standards, except that, as explained below, capital grants received relating to investment properties are deducted from the cost of the property, rather than being amortised to the profit and loss account. The financial statements are in compliance with the Companies Act 2006 except that, as explained below, investment properties are not depreciated.

All accounting policies have been applied consistently throughout the year and the preceding year.

The accounts have been prepared on a going concern basis, for the reasons set out in the going concern section within the directors' report.

b) 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.

Lease incentives are amortised on a straight-line basis over the period to the earlier of the next break date or the lease end.

All rental income arises in the UK.

c) Profits on the sale of investment properties

Profits on sale of investment properties are taken into account on the completion of contracts. Profits or losses arising from the sale of investment properties are calculated by reference to book value.

d) 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 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 which 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.

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

1) Accounting policies (continued)

e) Valuation of properties

Investment properties held for the long term are valued at the balance sheet date at market value. Surpluses and deficits attributable to the company arising from revaluation are taken to revaluation reserve.

Properties under development, which were not previously classified as investment properties, are valued at market value until practical completion, when they are transferred to investment properties. Valuation surpluses and deficits attributable to properties under development are taken to revaluation reserve. Where the valuation is below historic cost, the deficit is recognised in profit and loss.

f) 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 2006 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.

g) Government grants

Grants receivable in respect of investment properties are credited directly to the cost of the asset. This treatment is not in accordance with Schedule 1 to the Companies Act 2006 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 396 of the Companies Act 2006 in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account. The accumulated impact of this treatment is to reduce the deferred income and investment property costs by £0.3m (2012 £0.3m).

h) Taxation

The tax expense represents the sum of the tax currently payable. 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 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 the profit and loss account except for items that are reflected directly in reserves, where the tax is also recognised in reserves.

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

1) Accounting policies (continued)

i) Cash flow statement

The directors have taken the exemption contained in Financial Reporting Standard No 1 (revised) from preparing a cash flow statement on the grounds that the Company is a wholly owned subsidiary of A & J Mucklow Group plc which itself has prepared a consolidated cash flow statement incorporating the Company

j) Share-based payments

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

k) Pension costs

The cost to the company of contributions made to defined contribution plans are expensed when they fall due.

l) Other tangible fixed assets and depreciation

Plant and motor vehicles are stated at cost, net of depreciation.

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

2) Operating profit

The operating profit is stated after (crediting)/ charging	2013	2012
	£	£
Rent from land and buildings (net of outgoings)	(17,008,536)	(16,658,813)
Depreciation	<u>96,472</u>	<u>92,044</u>

The analysis of auditor's remuneration for the company is as follows:

	2013	2012
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	6,025	6,025
Fees payable to the company's auditor for other services		
- tax advisory	<u>24,294</u>	<u>36,035</u>
Total fees payable to the company's auditor	<u>30,319</u>	<u>42,060</u>

3) Interest receivable and similar income

	2013	2012
	£	£
Interest on late payment	1,029	-
Interest on late completion	47,912	-
Interest on HMRC refunds	16	-
Other interest receivable	<u>-</u>	<u>638</u>
	<u>48,957</u>	<u>638</u>

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

4) Interest payable and similar charges

	2013	2012
	£	£
Interest payable on borrowings	1,926,089	1,125,806
Interest on bank overdraft	780	862
Intercompany interest	636,743	1,074,162
	<u>2,563,612</u>	<u>2,200,830</u>

5) Information regarding directors and employees

The remuneration of the directors are paid by the Company and are recharged to fellow subsidiary companies based on the services provided to each company. The remuneration below relates to the allocation of the total cost for their services to A & J Mucklow (Investments) Limited.

Directors remuneration

	2013	2012
	£	£
Emoluments	473,010	515,821
Share scheme	9,374	12,118
Company contributions to money purchase pension schemes	70,951	73,252
	<u>553,335</u>	<u>601,191</u>

The number of directors who:

	No.	No.
	2013	2012
Are members of a money purchase pension scheme	3	3
Highest paid director	£	£
Emoluments	<u>198,474</u>	<u>191,524</u>

The average number of persons employed by the company during the year was as follows

	2013	2012
	No	No
Management	6	6
Property Management	5	6
Administration	4	4
	<u>15</u>	<u>16</u>

The aggregate payroll of these persons charged in the company's accounts was as follows

	2013	2012
	£	£
Wages and salaries	1,337,134	1,340,817
Social security costs	210,476	220,644
Pension costs	149,881	148,283
	<u>1,697,491</u>	<u>1,709,744</u>

Pension arrangements

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

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

6) Taxation

	2013 £	2012 £
<i>(a) Analysis of tax credit in year</i>		
<i>Current tax</i>		
UK Corporation tax on profits for the year	-	-
Adjustments in respect of prior years	-	(213)
Total current tax – see 6 (b)	-	(213)
 Tax credit on ordinary activities	-	(213)
 <i>(b) Factors affecting tax credit in year</i>		
Profit on ordinary activities before taxation	12,623,485	12,903,536
 Profit before tax on ordinary activities multiplied by standard rate of UK Corporation tax of 23 75% (2012 25 5%)	2,998,078	3,290,402
REIT exempt income & gains	(2,986,451)	(3,290,239)
Group relieved	(11,627)	(163)
Adjustments in respect of prior years	-	(213)
Current tax credit for the year – see note 6 (a)	-	(213)

(c) Factors that may affect future tax charges

A & J Mucklow Group plc, the ultimate holding company, became a Real Estate Investment Trust (REIT) on 1 July 2007. Under the REIT regime properties which are developed and then sold within three years do not benefit from the tax exemption provided to a REIT. No deferred tax has been provided in respect of this potential tax liability as the Group, of which A & J Mucklow (Investments) Ltd is a member, has no current plans to dispose of development properties.

A reduction in the main rate of corporation tax from 24% to 23% with effect from 1 April 2013 was substantively enacted on 3 July 2012 and as such deferred tax at the balance sheet date has been recognised at the reduced rate and current tax for the year ended 30 June 2013 has been calculated at the blended rate of 23 75%. A reduction in the main rate of corporation tax to 21% with effect from 1 April 2014 and to 20% from 1 April 2015 was substantively enacted on 2 July 2013. As these future rate reductions had not been substantively enacted at the balance sheet date, they have not been reflected in these financial statements and their effect will be accounted for in the period they are substantively enacted.

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

7) <u>Dividends</u>	2013	2012
	£	£
Special dividends for the year ended 30 June 2013 of £55,000 per share (2012 £113,000 per share)	<u>5,500,000</u>	<u>11,300,000</u>

8) Tangible fixed assets

Land and buildings

	Owner occupied	Investment	Development	Total
	£	£	£	£
At 1 July 2012 at valuation	958,279	210,288,993	-	211,247,272
Additions	-	6,030,494	-	6,030,494
(Deficit)/surplus on revaluation	(25,766)	2,717,940	-	2,692,174
Disposals	-	-	-	-
Lease incentives	-	953,241	-	953,241
At 30 June 2013 at valuation	<u>932,513</u>	<u>219,990,668</u>	<u>-</u>	<u>220,923,181</u>

The above comprises £203,573,181 (2012 £193,532,272) of freehold and £17,350,000 (2012 £17,715,000) of leasehold properties

The freehold and leasehold properties were revalued at 30 June 2013 on a market basis by DTZ Debenham Tie Leung, professionally qualified external valuers in accordance with the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors

Interest of £nil was capitalised in 2013 (2012 £Nil) The total amount of interest capitalised included in freehold and leasehold properties is £3,534,519 (2012 £3,534,519)

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

	2013	2012
	£	£
Freehold	227,235,125	220,543,469
Leasehold	<u>21,477,161</u>	<u>21,185,082</u>
	<u>248,712,286</u>	<u>241,728,551</u>

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NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

9) Plant and vehicles

	Plant, machinery and equipment	Motor vehicles	Total
	£	£	£
<u>Cost</u>			
At 1 July 2012	263,103	232,312	495,415
Disposals	-	(232,310)	(232,310)
Additions	-	243,798	243,798
At 30 June 2013	<u>263,103</u>	<u>243,800</u>	<u>506,903</u>
<u>Depreciation</u>			
At 1 July 2012	120,722	134,729	255,451
Provided this year	39,767	56,705	96,472
On disposals	-	(159,640)	(159,640)
At 30 June 2013	<u>160,489</u>	<u>31,794</u>	<u>192,283</u>
<u>Net book value</u>			
At 30 June 2013	<u>102,614</u>	<u>212,006</u>	<u>314,620</u>
At 30 June 2012	<u>142,381</u>	<u>97,583</u>	<u>239,964</u>

10) Debtors: Amounts falling due within one year

	2013	2012
	£	£
Trade debtors	1,337,949	1,064,675
Prepayments	225,856	275,455
Corporation tax	-	-
	<u>1,563,805</u>	<u>1,340,130</u>

11) Creditors: Amounts falling due within one year

	2013	2012
	£	£
Deferred income in respect of rents and insurances	5,093,527	4,941,991
Trade creditors	410,532	519,004
Due to parent company	16,531,197	36,094,248
Corporation tax	1,535	1,535
VAT	772,122	788,019
Accruals	498,451	396,241
	<u>23,307,364</u>	<u>42,741,038</u>

A & J MUCKLOW (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

12) Borrowings

	2013 £	2012 £
Bank loan repayable after more than five years	<u>39,590,589</u>	<u>19,953,894</u>

On 20 May 2008, a loan of £20m was agreed with Lloyds TSB Bank plc with expiry on 22 May 2023 Interest at 5.59% is payable quarterly, with repayment of the capital due at the end of the term. The loan is secured against certain freehold and leasehold properties held by the company and a parent company guarantee

On 3 October 2012, a further loan of £20m was agreed with Lloyds TSB Bank plc with expiry on 3 October 2022 Interest is payable quarterly at a rate of 5.23%, with repayment of the capital due at the end of the term. The loan is secured against certain freehold and leasehold properties held by the company and its fellow subsidiary Penbrick Limited

13) Provisions for liabilities and charges

A & J Mucklow Group plc 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 £21.3m (2012: £21.0m) of properties which have completed development during the previous three years. If these properties had been disposed of at their 30 June 2013 valuation, then tax of £1.4m (2012: £1.6m) would have become payable. The three year period for those properties expired before the date of approval of these financial statements. 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.

14) Share capital

	2013 £	2012 £
<u>Allotted, called up and fully paid</u>		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

15) Reserves

	Revaluation reserve £	Profit and loss account £	Total £
At 1 July 2012	(40,433,148)	191,346,087	150,912,939
Profit for the year	-	12,623,485	12,623,485
Surplus on revaluation	2,692,174	-	2,692,174
Dividend (note 7)	-	(5,500,000)	(5,500,000)
At 30 June 2013	<u>(37,740,974)</u>	<u>198,469,572</u>	<u>160,728,598</u>

16) Contingent liabilities

HSBC Bank plc hold interlocking cross guarantees and a legal charge over certain freehold properties of this company in respect of the Group's overdraft and loan facilities. Across the Group companies, there were outstanding liabilities of £32.0m (2012: £45.5m) under these guarantees at the year end.

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NOTES TO THE ACCOUNTS (CONTINUED)

30 JUNE 2013

17) Share based payments

A & J Mucklow Group plc (the "Group") has a share option scheme for certain employees of the Group. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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

	2013		2012	
	Number of share options	Exercise price p	Number of share options	Exercise Price in p
Outstanding at 30 June 2012	328,202	25	327,737	25
Granted during the year	112,583	25	137,432	25
Exercised during the year	(63,176)	25	(93,696)	25
Lapsed during the year	(22,978)	-	(43,271)	-
Outstanding at 30 June 2013	354,631	25	328,202	25
Exercisable at 30 June 2013	-	-	-	-

The options outstanding at 30 June 2013 had a weighted average exercise price of 25p and a weighted average remaining contractual life of 1.3 years.

The aggregate of the estimated fair values of the options granted during the year is £0.2m (2012 £0.2m).

The inputs into the Monte Carlo simulation model are as follows:

	2013	2012
Share price at valuation date	350p	314p
Exercise price	25p	25p
Expected volatility	37%	48%
Risk free rate	0.28%	1.12%
Expected dividend yield	4.45%	4.79%

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

The company charged total expenses of £175,840 (2012: £172,574) to the profit and loss account in respect of equity-settled share-based payment transactions in the financial year ended 30 June 2013.

18) Ultimate parent company and related party disclosures

The immediate and ultimate parent company and ultimate controlling party is A & J Mucklow Group plc, a company registered in England and Wales. Copies of the group financial statements of A & J Mucklow Group plc are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.

As the company is a wholly owned subsidiary it has taken advantage of the exemption under Financial Reporting Standard No. 8 "Related party disclosures" not to disclose transactions with other companies in the Group.