

MUCKLOW



Real estate investors and developers

A&J Mucklow Group plc

Interim Report

for the six months to 31 December 2008

MUCKLOW

A & J Mucklow Group plc was founded in the West Midlands in 1933 and listed on the London Stock Exchange in 1962. Its principal activity is to selectively develop and invest in modern industrial and commercial buildings in prominent locations around the Midlands. The Group's main objective is the long-term enhancement of shareholder value through dividend and capital appreciation, whilst maintaining a conservative financial structure.

On 1 July 2007 the Group converted into a Real Estate Investment Trust (REIT).

Directors

Rupert J Mucklow BSc
Chairman

Justin Parker BSc MRICS
Managing Director

David Wooldridge FCCA ACIS
Finance Director

David F Austin FRICS
Senior Non-Executive

Paul Ludlow FRICS
Non-Executive

Stephen Gilmore LLB
Non-Executive

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Financial Summary

for the six months ended 31 December 2008

Property portfolio

	31 December 2008	30 June 2008
Portfolio value	£221.6m	£264.4m
Valuation deficit (six months)	£(44.5)m	£(21.2)m
Reduction in value (six months)	17%	8%
Equivalent yield	8.5%	7.2%
Occupancy rate	93%	93%

Balance sheet

	31 December 2008	30 June 2008
Net asset value	£177.4m	£222.7m
Basic NAV per share	296p	371p
Adjusted NAV per share*	295p	379p
Net debt	£35.3m	£29.2m
Gearing	20%	13%

Income statement

	Six months ended 31 December 2008	Six months ended 31 December 2007
Pre-tax loss	£(38.8)m	£(11.4)m
Net rental income	£8.1m	£7.5m
Basic EPS	(64.75)p	(20.34)p
Adjusted EPSt	9.38p	12.79p
Interim dividend	8.03p	8.03p

The interim dividend of £4,817,357 will be paid on 30 June 2009 to holders registered on 29 May 2009.

* Excludes deferred tax and the mark to market on debt and includes the surplus on trading properties.

† Excludes the profit on disposal of investment properties, revaluation of investment and development properties and deferred tax.
See note 6 for details.

MUCKLOW

Interim Report



We made steady progress during the first six months of our financial year, maintaining occupancy levels at around 93% and increasing our annual rent roll by 2.5%. However, our efforts have been overshadowed by a significant fall in UK property values in the last quarter, due to worsening economic forecasts and a deepening banking crisis.

As a consequence, the equivalent yield on our predominantly modern investment portfolio, increased during the first half year from 7.2% to 8.5%, which has resulted in a further 17% reduction in the value of our property portfolio and caused a substantial loss for the period.

Following the latest write-down in property values, our balance sheet still remains in good shape, with gearing (net of cash) of only 20% and the Company has ample funds available to manage its business comfortably.

Results for the six months to 31 December 2008

Pre-tax loss for the first six months was £38.8m, compared with a loss of £11.4m for the corresponding period last year. The loss is attributed to a £44.5m reduction in the value of the Group's investment properties and development land at 31 December 2008, compared with a revaluation deficit of £19.9m at 31 December 2007.

Gross rental income for the half year rose to £8.5m (December 2007: £7.8m), mainly coming from new lettings and rent reviews. Our underlying profit before tax, which excludes profit on the disposal of trading properties and non-cash valuation movements, reduced marginally from £5.9m to £5.7m. No residential land sales or any trading activity was carried out during the period (December 2007: £2.6m trading profit).

EPRA (adjusted) net asset value per share* fell during the first six months from 379p to 295p per share, as a result of the fall in property values. Borrowings (net of cash) amounted to £35.3m, representing 20% of net assets (2007: 12%).

The directors have declared an interim dividend of 8.03p per Ordinary share, which will be paid on 30 June 2009 as a PID (property income distribution), to Shareholders on the register at the close of business on 29 May 2009. The dividend is being

maintained at the same level as last year, because there has been no additional profit realised from trading activities during the period.

Property Review

As reported in my last statement, our primary focus during these challenging times has been to maximise rental income and minimise void levels. In the first six months of the year, we have increased our net rent roll by over £0.5m per annum, from new lettings and rent reviews, despite the loss of £0.3m of rent per annum from insolvencies.

Vacant space reduced slightly from 205,066 sq ft to 198,704 sq ft at 31 December 2008, representing 6.8% of the property portfolio (30 June 2008: 7.1%). However, we expect our void levels will rise over the next half year, as an increasing number of our tenants' businesses appear to be struggling and occupier demand for new space has noticeably weakened in recent months.

We currently own and manage a diversified portfolio of properties, comprising 282 industrial units, 19 office buildings and 8 retail properties, mainly situated in prominent locations across the Midlands. Over the last 6 years, we have sold most of our older, secondary industrial estates, to focus on better quality properties and more secure income. Although we are not immune to tenant defaults, we believe the spread of risks across our portfolio should insulate us from any excessive vacancy rates and our properties should be the first to re-let in a competitive market.

The majority of our properties are modern, having been built in the last 10 – 20 years and have been selectively developed or acquired by us, because we believe the locations and buildings offer the best letting and growth prospects. The average size of our properties is around 10,000 sq ft, with an average rent of £52,000 per annum. Our largest single tenant accounts for less than 3% of our total rent roll and none of our properties are currently considered to be over-rented.

Two-thirds of our investment portfolio is weighted towards Midlands industrial property. Headline rental values for modern industrial properties in the Midlands have so far been unaffected by the downturn, because of a limited supply of quality space. However, the cost of holding vacant industrial buildings has increased hugely, following the untimely introduction of void business rates last April. Rents on older, secondary properties are already being discounted, due to a fall in demand, additional costs and an increase in availability, which is likely to put pressure on some of our rental levels over the next twelve months.

There are no plans to carry out any speculative developments,

while the occupier market is weakening and the guaranteed returns from acquiring investment properties are more attractive. We completed the final phase of our industrial development at Yorks Park, Dudley in December 2008, comprising a 40,000 sq ft pre-let unit and are still awaiting a planning decision for our pre-let warehouse in Coventry. Otherwise, there are no other major capital expenditure projects committed in the next twelve months.

DTZ Debenham Tie Leung reviewed the value of our investment properties at 31 December 2008. The investment portfolio, including development land, was valued at £221.6m, which showed a deficit for the half year of £45.2m (17%). The initial yield on our investment properties has increased during the last 6 months from 6.5% to 7.7% (equivalent yield from 7.2% to 8.5%) and the value of our development land fell by 30%.

We did not buy any investment properties during the first six months, but have been closely monitoring the market. So far, there have been very few distressed sellers and only a limited amount of quality stock available. The prices have also not been tempting enough for us to risk our cash, particularly where there are short leases and concerns over tenant security.

We did not sell any residential land during the first half year, mainly because house builders are not buying and we were not prepared to sell at heavily discounted prices. DTZ Debenham Tie Leung reviewed the value of our trading properties as at 31 December 2008. The total value was down 6.7% in the half year at £5.4m, which showed a surplus of £4.4m over book value, equivalent to 7p per share.

Key decisions made in the past have secured our business's stability during these turbulent times. The Company's balance sheet remains in good shape. Total borrowings at 31 December 2008 were £38.3m, of which £20m is fixed until 2023 at a rate of 5.59%. The interim report is prepared on a going concern basis as the directors have a reasonable expectation that the Group has adequate resources to continue for the foreseeable future (detailed in note 1). Gearing (net of cash) is now 20% and we are extremely well positioned to take advantage of a weakening investment market.

Principal risks and uncertainties

The main risks to our business relate to property and financing.

Over the remaining six months of this financial year, the most significant risk is to the value of our property assets. The negative sentiment in the investment market, and potential slowdown in occupier demand, could continue to impact upon the value of our portfolio going forward, which would directly affect our net asset value. However, the quality and diversification of our portfolio

between industrial, office and retail properties, with different tenant profiles, covenants, building sizes and lease lengths should help to mitigate any further significant decreases in value.

Financing is not considered to be a major risk or uncertainty at the present time, given the Group's low gearing and current committed facilities.

Outlook

We expect conditions to remain challenging for the rest of the year, as the recession takes hold and our priorities are to reduce our cost base, let our vacant space and continue to work closely with our tenants, in order to try to limit increases in our vacancy rate.

Property values may still have further to fall, particularly if void levels rise and rents come under increasing pressure. Some property analysts have forecast a general fall in property values from peak to trough of 50%, which if it did happen to us, would mean our gearing increasing to around 35% and the equivalent yield on our investment portfolio reaching 12%.

We suspect that property values will stabilise later this year and there will be more choice in the investment market and some excellent buying opportunities. We intend to be very selective on any future investment acquisitions, making sure we do not compromise our strong financial position and paying particular attention towards the quality of income and long-term growth prospects.

Rupert J Mucklow

Chairman

25 February 2009

* EPRA (European Public Real Estate Association) net asset value, excluding deferred tax and including the surplus on trading properties and the mark to market of debt. See note 6 for details.

Consolidated Income Statement

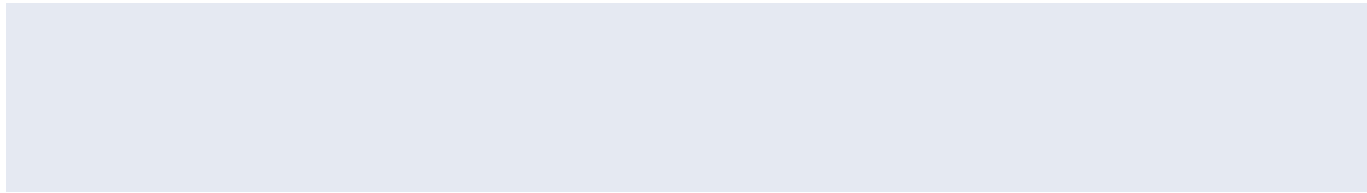
for the six months to 31 December 2008

	Notes	Unaudited Six months to 31 December 2008		
		Adjusted income & expense £000	Adjust- ments £000	Total income & expense £000
Revenue	2	8,462	—	8,462
Gross rental income relating to investment properties		8,462	—	8,462
Property outgoings		(339)	—	(339)
Net rental income relating to investment properties		8,123	—	8,123
Proceeds on sale of trading properties		—	—	—
Carrying value of trading properties sold		—	—	—
Property outgoings relating to trading properties		(2)	—	(2)
Net (expenditure on)/income from trading properties		(2)	—	(2)
Administration expenses		(1,590)	—	(1,590)
Operating profit before net losses on investments		6,531	—	6,531
Profit on disposal of investment properties		—	—	—
Net losses on revaluation of investment and development properties		—	(44,468)	(44,468)
Operating profit/(loss)	3	6,531	(44,468)	(37,937)
Finance income	4	77	—	77
Finance costs	4	(947)	—	(947)
Profit/(loss) before tax	3	5,661	(44,468)	(38,807)
Current tax		(36)	—	(36)
Deferred tax credit/(charge)		—	1	1
Total tax (charge)/credit	5	(36)	1	(35)
Profit/(loss) for the financial period		5,625	(44,467)	(38,842)
Basic and diluted loss per share	6			(64.75)p

All operations are continuing.

Notes

The Group has presented the income statement in a three-column format, so as to present adjusted amounts to exclude the impact of EPRA adjustments and related tax. The directors consider that the adjusted figures give a useful comparison for the periods shown in the consolidated financial statements.



Unaudited Six months to 31 December 2007			Audited Year to 30 June 2008	
Adjusted Income & expense £000	Adjust- ments £000	Total income & expense £000	Total income & expense £000	Total income & expense £000
10,421	—	10,421		18,425
7,768	—	7,768		15,772
(315)	—	(315)		(591)
7,453	—	7,453		15,181
2,653	—	2,653		2,653
(98)	—	(98)		(98)
(1)	—	(1)		(2)
2,554	—	2,554		2,553
(1,301)	—	(1,301)		(2,778)
8,706	—	8,706		14,956
—	48	48		48
—	(19,926)	(19,926)		(41,169)
8,706	(19,878)	(11,172)		(26,165)
43	—	43		60
(290)	—	(290)		(604)
8,459	(19,878)	(11,419)		(26,709)
(782)	—	(782)		(535)
—	(3)	(3)		(17)
(782)	(3)	(785)		(552)
7,677	(19,881)	(12,204)		(27,261)
		(20.34)p		(45.44)p

Consolidated Balance Sheet

at 31 December 2008

	Notes	Unaudited 31 December 2008 £000	Unaudited 31 December 2007 £000	Audited 30 June 2008 £000
Non-current assets				
Investment and development properties	7	220,116	280,000	262,991
Property, plant and equipment		1,495	1,720	1,657
Trade and other receivables		336	358	332
		221,947	282,078	264,980
Current assets				
Trading properties		935	830	912
Trade and other receivables		4,169	3,863	3,993
Cash and cash equivalents		2,999	923	2,203
		8,103	5,616	7,108
Total assets		230,050	287,694	272,088
Current liabilities				
Trade and other payables		(13,075)	(6,189)	(13,410)
Borrowings		—	(3,758)	(76)
Tax liabilities		(1,146)	(7,970)	(4,464)
		(14,221)	(17,917)	(17,950)
Non-current liabilities				
Borrowings		(38,318)	(25,878)	(31,314)
Deferred tax		(77)	(120)	(144)
		(38,395)	(25,998)	(31,458)
Total liabilities		(52,616)	(43,915)	(49,408)
Net assets		177,434	243,779	222,680
Equity				
Called up ordinary share capital		14,998	14,998	14,998
Revaluation reserve		386	2,441	1,055
Share-based payment reserve		102	—	48
Redemption reserve		11,162	11,162	11,162
Retained earnings		150,786	215,178	195,417
Total equity		177,434	243,779	222,680
Net assets per ordinary share				
— Basic and diluted	6	296p	406p	371p
— Adjusted	6	295p	413p	379p

Consolidated Cash Flow Statement

for the six months to 31 December 2008

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Cash flows from operating activities			
Operating loss	(37,937)	(11,172)	(26,165)
Adjustments for non-cash items			
— Unrealised net revaluation losses on investment and development properties	44,468	19,926	41,169
— Profit on disposal of investment properties	—	(48)	(48)
— Depreciation and other non-cash items	47	47	93
— Profit on sale of fixed assets	—	(21)	(23)
Other movements arising from operations			
— (Increase)/decrease in trading properties	(23)	91	47
— (Increase)/decrease in receivables	(171)	467	367
— Decrease in payables	(274)	(1,579)	(678)
Net cash generated from operations	6,110	7,711	14,762
Interest received	69	31	42
Interest paid	(972)	(877)	(1,522)
Preference dividends paid	(24)	(24)	(47)
Corporation tax paid	(3,354)	(2,108)	(5,367)
Net cash inflow from operating activities	1,829	4,733	7,868
Cash flows from investing activities			
Acquisition and property development	(3,174)	(11,095)	(14,859)
Grants received	34	50	293
Sales of investment properties	—	48	48
Expenditure on property, plant and equipment	—	—	(89)
Net cash outflow from investing activities	(3,140)	(10,997)	(14,607)
Cash flows from financing activities			
Net increase in borrowings	6,924	10,758	12,513
Equity dividends paid	(4,817)	(4,823)	(4,823)
Net cash inflow from financing activities	2,107	5,935	7,690
Net increase/(decrease) in cash and cash equivalents	796	(329)	951
Cash and cash equivalents at 1 July	2,203	1,252	1,252
Cash and cash equivalents at end of period	2,999	923	2,203

Consolidated Statement of Recognised Income and Expense

for the six months to 31 December 2008

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
(Deficits)/gains on revaluation of development and owner-occupied properties	(734)	1,498	236
Deferred tax asset on items taken to equity	65	16	6
Net (deficit)/gain recognised directly in equity	(669)	1,514	242
Loss for the period	(38,842)	(12,204)	(27,261)
Total recognised income and expense for the period	(39,511)	(10,690)	(27,019)

Notes to the Interim Report

1 Accounting policies

Basis of preparation of interim financial information

The interim report has been prepared using accounting policies consistent with IFRSs and in accordance with the requirements of IAS 34 Interim Financial Reporting and the recognition and measurement criterion of IFRSs, as adopted by the European Union and the disclosure requirements of the Listing Rules.

The Group's interim financial statements for the period ended 31 December 2008 were authorised for issue by the Board of directors on 24 February 2009. The interim financial information is unaudited but has been reviewed by Deloitte LLP and their report is attached.

The information for the year ended 30 June 2008 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of the statutory accounts for that year have been delivered to the Registrar of Companies. The Auditor's report on those accounts was not qualified, did not include a reference to any matters which the Auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

The financial statements are prepared under the historical cost convention, except for the revaluation of investment properties, development properties and owner-occupied properties and deferred tax thereon and certain financial assets, with consistent accounting policies to the prior year.

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.

As at 31 December 2008 the Group had £31.5m of undrawn banking facilities and had drawn down £13.5m from its HSBC £20m 2012 revolving credit facility. The Group's £10m overdraft and 2010 revolving credit facility, both of which are due for renewal within twelve months of the date of this document, were undrawn. Given the Group's low gearing of 20% and an unencumbered property portfolio of over £100m, significant capacity exists to raise additional finance or to provide additional security for existing facilities, including to further increase headroom on covenants, should property values fall further. Accordingly, they continue to adopt the going concern basis in preparing the interim report.

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Control is assumed where the Parent Company has the power to govern the financial and operational policies of the subsidiary.

Unrealised gains and losses on intra-group transactions and intra-group balances are eliminated from the consolidated results.

Revenue recognition

Rental income

Gross rental income represents rents receivable for the period. Rent increases arising from rent reviews due during the period 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. Service charges and other recoverables are credited against the related expense.

Revenue and profits on sale of investment and trading properties

Revenue and profits on sale of investment properties 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 Interim Report

1 Accounting policies (continued)

Dividends and interest income

Dividend income from investments in subsidiaries is recognised when shareholders' rights to receive payment have been established.

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 market 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 income statement. 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 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 until completion, when they are transferred to retained earnings. Where the valuation is below historic cost, the deficit is recognised in the income statement.

Owner-occupied properties are valued at the balance sheet date at market value. Valuation changes in owner-occupied property are taken to revaluation reserve. Where the valuation is below historic cost, the deficit is recognised in the income statement.

Trading properties held for resale are stated at the lower of cost and net realisable value.

Critical accounting judgements and key sources of estimation uncertainty

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.

The financial markets and the world economy have seen significant turbulence over the last year or so resulting in severe liquidity shortages and a reduction in the volume of transactions with activity below the levels of recent years. Whereas transaction evidence underpins the valuation process, the definition of Market Value, including the commentary in Practice Statement 3.2.4, requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historic market sentiment based on historic transactional comparables.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

1 Accounting policies (continued)

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Plant and equipment is stated at cost less accumulated depreciation, less any recognised impairment.

Depreciation

Depreciation is provided on buildings, motor vehicles and fixtures and fittings on a straight-line basis over the estimated useful lives of between two and twenty-five years. Investment properties are not depreciated.

Government 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.

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.

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.

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 income statement 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 Group'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 income statement except for items that are reflected directly in equity, where the tax is also recognised in equity.

Pension costs

The cost to the Group of contributions made to defined contribution plans is expensed when the contributions fall due.

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of separable net assets. Where the fair value of the cost of acquisition exceeds the fair value attributable to such assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

Goodwill is reviewed annually for impairment. Under the Group's previous policy, £134,728 of goodwill has been written off directly to reserves as a matter of accounting policy. This would be credited to the income statement on disposal of the business to which it related.

Notes to the Interim Report

1 Accounting policies (continued)

Group undertakings

Investments are included in the balance sheet at cost less any permanent diminution in value.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for any amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Group derecognises financial liabilities when, and only when, the Group'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 income statement 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.

Available for sale assets

Mortgages receivable held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in note 12 of the 2008 annual report. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, which are recognised in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss recognised in the investments revaluation reserve is included in profit or loss for the period.

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.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlements or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

2 Revenue

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Total rental income from investment and development properties	8,462	7,768	15,772
Proceeds on sale of trading properties	—	2,653	2,653
	8,462	10,421	18,425
Finance income (note 4)	77	43	60
Total revenue	8,539	10,464	18,485

3 Segmental analysis — primary segments

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Investment and development properties			
— Net rental income	8,123	7,453	15,181
— Profit on disposal	—	48	48
— Deficit on revaluation of investment properties	(38,333)	(19,473)	(38,440)
— Deficit on revaluation of development properties	(6,135)	(453)	(2,729)
	(36,345)	(12,425)	(25,940)
Trading properties			
— Proceeds on sales	—	2,653	2,653
— Carrying value on sales	—	(98)	(98)
— Property outgoings	(2)	(1)	(2)
	(2)	2,554	2,553
Administration expenses	(1,590)	(1,301)	(2,778)
Operating loss	(37,937)	(11,172)	(26,165)
Net financing costs	(870)	(247)	(544)
Loss before tax	(38,807)	(11,419)	(26,709)
The property revaluation (deficit)/surplus has been recognised as follows:			
Income statement			
— Investment properties	(38,333)	(19,473)	(38,440)
— Development properties	(6,135)	(453)	(2,729)
Statement of recognised income and expense			
— Development and owner-occupied properties	(734)	1,498	236
Total revaluation deficit for the period	(45,202)	(18,428)	(40,933)

All operations and income are derived from the United Kingdom.

Notes to the Interim Report

4 Net financing costs

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Finance cost on:			
Debenture stock	242	242	483
Preference share dividend	24	24	47
Capitalised interest	(268)	(635)	(1,432)
Bank overdraft and loan interest payable	949	659	1,506
Total finance costs	947	290	604
Finance income on:			
Short-term deposits	2	4	6
Other interest receivable	75	39	54
Total finance income	77	43	60
Net finance costs	870	247	544

5 Taxation

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Tax charge			
Current tax			
— Corporation tax charged at 28% (2007: 29.5%)	36	782	877
— Prior year adjustment	—	—	(342)
	36	782	535
Deferred tax			
— Deferred tax on property revaluations	—	3	—
— Other deferred tax	(1)	—	17
— Prior year adjustment	—	—	—
Deferred tax (credit)/charge	(1)	3	17
Total tax charge recognised in the income statement	35	785	552
Tax recognised in equity			
Deferred tax credit	(65)	(16)	(6)

The Company elected to become a Real Estate Investment Trust (REIT) with effect from 1 July 2007. As a result of this, rental income and capital gains of the REIT business are not subject to tax. The tax charge for the six months ended 31 December 2008 shown above represents the tax payable on the non-REIT business, mainly interest receivable.

6 (Loss)/profit, underlying financial performance, earnings per share and net asset value per share

The adjusted profit before tax has been amended from the loss before tax as follows:

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Loss before tax	(38,807)	(11,419)	(26,709)
Profit on disposal of investment properties	—	(48)	(48)
Net losses on revaluation of investment and development properties	44,468	19,926	41,169
Adjusted profit before tax	5,661	8,459	14,412

Underlying financial performance (unaudited)

	Total £000	Investment/ development £000	Trading properties £000	Capital items £000
Six months to 31 December 2008				
Rental income	8,462	8,462	—	—
Property outgoings	(339)	(339)	—	—
Net rental income	8,123	8,123	—	—
Property outgoings on trading properties	(2)	—	(2)	—
Net outgoings from trading properties	(2)	—	(2)	—
Administration expenses	(1,590)	(1,590)	—	—
Operating profit/(loss) before net losses on investment	6,531	6,533	(2)	—
Net losses on revaluation	(44,468)	—	—	(44,468)
Operating (loss)/profit	(37,937)	6,533	(2)	(44,468)
Finance income	77	77	—	—
Finance costs	(947)	(947)	—	—
(Loss)/profit before tax	(38,807)	5,663	(2)	(44,468)
Six months to 31 December 2007				
Rental income	7,768	7,768	—	—
Property outgoings	(315)	(315)	—	—
Net rental income	7,453	7,453	—	—
Sale of trading properties	2,653	—	2,653	—
Carrying value of trading properties	(98)	—	(98)	—
Property outgoings on trading properties	(1)	—	(1)	—
Net income from trading properties	2,554	—	2,554	—
Administration expenses	(1,301)	(1,301)	—	—
Operating profit before net losses on investment	8,706	6,152	2,554	—
Profit on disposal of investment property	48	—	—	48
Net losses on revaluation	(19,926)	—	—	(19,926)
Operating (loss)/profit	(11,172)	6,152	2,554	(19,878)
Finance income	43	43	—	—
Finance costs	(290)	(290)	—	—
Total finance costs	(247)	(247)	—	—
(Loss)/profit before tax	(11,419)	5,905	2,554	(19,878)

Presented above is an analysis of the underlying rental performance before tax, which excludes the impact of EPRA adjustments and the profit on sale of trading properties. The directors consider that this further analysis of our income statement gives shareholders a useful comparison of our underlying performance for the periods shown in the consolidated financial statements.

Notes to the Interim Report

6 (Loss)/profit, underlying financial performance, earnings per share and net asset value per share (continued)

Earnings per share

The basic and diluted loss per share of 64.75p (2007: 20.34p) has been calculated on the basis of the weighted average of 59,991,990 ordinary shares and a loss of £38.84m (2007: £12.20m). The adjusted earnings per share has been amended from the basic and diluted earnings per share by the following:

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Loss	(38,842)	(12,204)	(27,261)
Profit on disposal of investment properties	—	(48)	(48)
Net losses on revaluation of investment and development properties	44,468	19,926	41,169
Deferred tax	(1)	3	17
EPRA adjusted earnings	5,625	7,677	13,877
EPRA diluted earnings per share	9.38p	12.79p	23.13p
Adjusted (and adjusted diluted) earnings per share	9.38p	12.79p	23.13p

The Group presents an adjusted earnings per share figure as the directors consider that this is a better indicator of the performance of the Group.

There are no dilutive shares.

Net asset value per share

The net asset value per share of 296p (2007: 406p) has been calculated on the basis of the number of equity shares in issue of 59,991,990 and net assets of £177.43m (2007: £243.78m). The EPRA (adjusted) net asset value per share has been amended as follows:

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Net assets	177,434	243,779	222,680
Valuation of land held as trading properties	5,363	6,667	5,748
Book value of land held as trading properties	(935)	(830)	(912)
Mark to market on debt	(4,713)	(1,534)	(500)
Deferred tax	77	120	144
	177,226	248,202	227,160
EPRA (adjusted) net asset value per share	295p	413p	379p

7 Properties

	Unaudited £000
DTZ valuation as at 31 December 2008	221,573
Owner-occupied property included in property, plant and equipment	(1,106)
Lease inducements	(321)
Other adjustments	(30)
Investment and development properties as at 31 December 2008	220,116

The properties are stated at market value as at 31 December 2008 and are valued by professionally qualified external valuers in accordance with the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

8 Reconciliation of movements in equity

	Unaudited Six months to 31 December 2008 £000	Unaudited Six months to 31 December 2007 £000	Audited Year to 30 June 2008 £000
Opening net assets	222,680	259,292	259,292
Total recognised income and expense	(39,511)	(10,690)	(27,019)
Shares to be issued	54	—	48
Dividends	(5,789)	(4,823)	(9,641)
Closing net assets	177,434	243,779	222,680

The dividend paid in the period represents 9.65p per ordinary share.

9 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Responsibility Statement

We confirm to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34; and
- (b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R and 4.2.8R of the United Kingdom Financial Services Authority.

Signed on behalf of the Board who approved the half-yearly financial report on 24 February 2009.

Rupert J Mucklow
Chairman

David Wooldridge
Finance Director

Independent Review Report to A&J Mucklow Group plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2008 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union.

The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

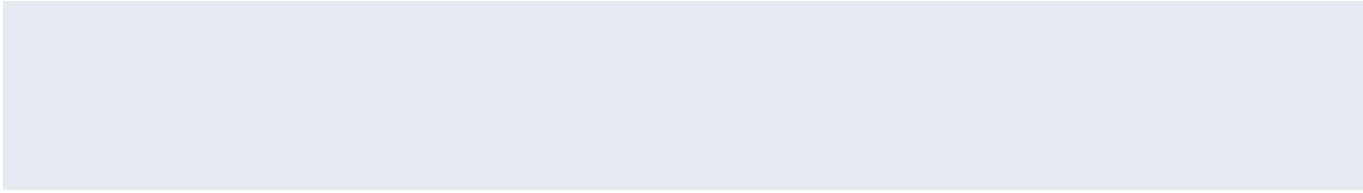
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Birmingham, UK
24 February 2009





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