

Embargoed: 7.00am

**Rupert Mucklow, Chairman commented “...Mucklow has been the best performing Company in the UK REIT sector, since the launch of REITs in January 2007.” “It has been a very difficult and challenging year...” “Despite another significant reduction in the value of our property portfolio during the year, our balance sheet and underlying profitability remain in good shape.” “...Mucklow remains very well positioned to ride out these turbulent times and benefit from the distressed market.”**

**Financial Summary**  
for the year ended 30 June 2009

Property portfolio	30 June 2009	30 June 2008
Portfolio value	<b>£201.0m</b>	£264.4m
Valuation deficit	<b>£(64.7)m</b>	£(40.9)m
Reduction in value	<b>24%</b>	13%
Equivalent yield	<b>9.5%</b>	7.2%
Occupancy rate	<b>90.5%</b>	92.9%

Balance sheet	30 June 2009	30 June 2008
Net asset value	<b>£159.7m</b>	£222.7m
Basic NAV per share	<b>266p</b>	371p
Adjusted NAV per share*	<b>267p</b>	379p
Net debt	<b>£38.0m</b>	£29.2m
Gearing	<b>24%</b>	13%

Income statement	Year ended 30 June 2009	Year ended 30 June 2008
Pre-tax loss	<b>£(52.0)m</b>	£(26.7)m
Net rental income	<b>£15.9m</b>	£15.2m
Basic EPS	<b>(86.71)p</b>	(45.44)p
Adjusted EPS**	<b>19.12p</b>	23.13p
Ordinary dividend	<b>17.68p</b>	17.68p

Recommended final dividend of 9.65p, making the total in respect of the year ended 30 June 2009 17.68p (2008: 17.68p).

\*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 7 for details.

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## **Chairman's Statement**

UK commercial property values fell by 31% during our last financial year, according to the IPD Index. This follows a reduction of 19% in the previous 12 months. We have witnessed the most severe deterioration in asset values since the Company began and many property investors, burdened with high levels of debt, are struggling for survival.

Such a dramatic decline in capital values has inevitably had an impact on our results. However, I am pleased to report, that Mucklow remains very well positioned to ride out these turbulent times and benefit from the distressed market. Despite another significant reduction in the value of our property portfolio during the year, our balance sheet and underlying profitability remain in good shape.

## **Results**

Pre-tax loss for the year ended 30 June 2009 was £52.0m, compared with a pre-tax loss of £26.7m for the corresponding period last year. The loss is attributed to a £64.2m write down in the value of the Group's investment properties and development land.

Net rental income for the year increased to £15.9m (2008: £15.2m), the increase mainly coming from rent reviews and a newly completed pre-let industrial unit. The underlying profit before tax\*, which excludes the benefit of any capitalised interest, deficits on the revaluation of the property portfolio, and profit from the disposal of investment and trading properties, was £11.1m (2008: £10.4m).

EPRA diluted earnings per share† decreased during the period from 23.13p to 19.12p per share, mainly due to a smaller contribution of trading profit. Trading profit totalled £0.1m (2008: £2.6m), following our decision not to sell any residential land, at current depressed values.

EPRA (adjusted) net asset value per share‡, including the current value of our trading properties, fell during the year from 379p to 267p per share, as a consequence of the fall in property values. Shareholders' funds reduced to £159.7m (2008: £222.7m), while borrowings net of cash amounted to £38.0m (2008: £29.2m), representing 24% of Shareholders' funds (2008: 13%).

Notwithstanding the decline in property values, the Board is recommending the payment of a final dividend of 9.65p per Ordinary share, making a total for the year of 17.68p per share. The dividend is being maintained at the same level as last year. If approved by Shareholders, the dividend will be paid on 4 January 2010, to Shareholders on the register at the close of business on 27 November 2009. The final dividend will consist of a PID (property income distribution) of 7.72p per share and 1.93p per share paid as an ordinary dividend.

## **Property Review**

In what has been a very difficult and challenging year, our priority has been to maintain occupancy levels above 90% and to protect rental income. We have sought to achieve this, by working closely with tenants experiencing cash flow problems and by marketing our vacant properties innovatively to secure new lettings. We have also been trying to reduce our overheads and prepare the business for

the next phase of the property cycle, which hopefully for Mucklow will mean buying investment properties near the bottom of the market.

Property market recessionary pressures have caused occupier demand to weaken throughout the year and this, coupled with a steady rise in tenant defaults, has been gradually increasing the amount of properties available to let. Letting incentives started to increase and rental levels fell in the second half of the year, as tenants had more choice and landlords began to compete aggressively for lettings, in order to avoid paying void rates.

Our vacant space increased by 68,441 sq ft during the year to 273,507 sq ft, representing 9.5% of the property portfolio (2008: 7.1%). We agreed new lettings on 102,971 sq ft of space during the year and took back 171,412 sq ft, mainly due to insolvencies. Rent collection has generally been better than expected, although we currently have approximately 6% of our rent roll being paid by special arrangement.

We sold two mature investment properties during the year in Wolverhampton for £1.7m. The properties were both let on short leases, with a combined income of £0.1m per annum. The properties were sold for £0.6m above book value.

The final phase of development at Yorks Park, Dudley was completed in December 2008, comprising a 40,000 sq ft industrial unit, let at a rent of £224,000 per annum. No other developments were carried out during the year.

We finally obtained outline planning consent in May 2009 for a 128,500 sq ft warehouse club, on our site in Coventry. We hope to start construction later this year and anticipate additional capital expenditure of around £9.0m to complete the development. The property has been pre-let to Costco, a large International operator, on a long lease, at an initial rent of £1.3m per annum.

DTZ Debenham Tie Leung reviewed the value of our investment properties at 30 June 2009. The investment portfolio, including development land, was valued at £201.0m, which showed a deficit for the year of £64.7m (24%). The initial yield on the investment properties increased from 6.5% to 8.6% and the equivalent yield from 7.2% to 9.5%.

We did not acquire any new properties during the year, but have been very closely monitoring the investment market. There have been very few quality opportunities available and falling property values and uncertainty over rental levels has made us cautious over property selection.

Since our year end, we have bought a modern investment property for £1.9m. The building is in a prominent location, close to the Aston Expressway in Birmingham, and comprises a 35,000 sq ft industrial unit, built in 1996 to a high specification and let to BSS Group Plc until 2022, at a current rent of £195,000 per annum.

DTZ Debenham Tie Leung also reviewed the value of our trading properties at 30 June 2009. The total value was £5.2m (2008: £5.7m), which showed a surplus of £4.2m over book value, equivalent to 7p per share.

Total borrowings at 30 June 2009 amounted to £40.3m, of which £20m is fixed until 2023 at rate of 5.6%. Gearing net of cash is 24%.

Since the year end we have agreed to renew terms on our £35m of existing banking facilities with HSBC Bank plc, which were due to expire in 2010 and 2012, and taken out an additional £25m of new facilities, which are intended for investment acquisitions and to help fund our pre-let development in Coventry. The facilities are for a period of 5 years at a margin of 195bp over Libor.

As part of our programme to reduce costs, we made two employees redundant during the year and all executive directors and senior management agreed to pay cuts of around 10%, for a period of 12 months. We have a very good loyal team of 13 employees at Mucklow and I would like to thank them all for their continued support and hard work during the year.

Despite all the doom and gloom in the Real Estate sector, Shareholders may be interested to know that Mucklow has been the best performing Company in the UK REIT sector, since the launch of REITs in January 2007. Total Shareholder Return for the 30 month period to 30 June 2009 for Mucklow was -43.9%, which compares with the sector average of -66.1%, for the 17 companies who have converted to REIT status. During the same period, the FTSE All Share Index has fallen 33.5% and UK commercial capital values by 43.2%.

## **Outlook**

Maintaining rental income and occupancy levels over the next 12 months will remain our priority, as we do not expect any immediate recovery in the real estate market. The occupational market will remain weak for some time, but property values are likely to stabilise, in anticipation of an improvement in the economy next year. The income return and future capital growth prospects for commercial property are starting to look very attractive again and we intend to utilise our new banking facilities to selectively acquire investment properties.

**Rupert J Mucklow**

**Chairman**

9 September 2009

† See note 7 for the calculations.

\* See the property and financial review for the calculations.

## **Property and Financial Review**

The continuing economic and property market declines over the last twelve months have led to even more challenging conditions for the Group and the property market as a whole. The Group's strategy of concentrating our business within the Midlands region, whilst diversifying the portfolio by sector, not relying on any single tenant and low gearing continues to put us in a strong position to benefit from the current property market.

Our financial strength has led us to being one of the few REITs which hasn't had to issue equity, agree covenant waivers with banks, sell assets at discounted prices and/or reduce dividends.

## **Strategy**

The Group's long-term investment strategy remains unchanged. Our objective is to maintain a balanced portfolio of modern, income producing properties with potential for future rental and capital growth. The three main areas of our strategy remain:

- Selectively acquiring and disposing of investment properties;
- Developing new properties for long-term investment; and
- Actively managing our assets to enhance value.

We remain a selective developer of well located, quality property and a counter-cyclical investor in investment property. We believe that the precise timing of acquisitions and disposals is crucial in boosting returns from our existing property portfolio. In addition, the proactive approach to the management of our assets allows us additional opportunity to enhance overall value.

## **Investment**

Following our conversion to a REIT in July 2007, the decision was made to make the main geographical focus of our business the Midlands Region.

Given the continued adjustment of pricing in the UK property sector, our decision to dispose of over £100m of secondary, ex-growth assets over the last few years has proved more than justified. This realigning of our investment portfolio to better quality stock has allowed us, to some extent, to insulate ourselves from the worst effects of the pricing adjustment that has affected the secondary property market, even though we have seen a £105.6m write down in the value of the industrial and commercial portfolio over the last two years.

Our portfolio now comprises mainly modern, securely let properties benefiting from the following characteristics at 30 June 2009:

- No one tenant represents more than 3% of current passing rent;
- No one building or estate represents more than 7% of the portfolio valuation;
- Diversity of portfolio across the industrial, office and retail sectors;
- The retail element represents only 10% of the portfolio and comprises strategically located, single let investments with future development and asset management potential; and

- Average unexpired lease length in excess of 7.8 years.

Given the steep decline in property values across the UK over the course of the year, we have adopted a cautious approach to the purchase of investments. We had expected to encounter more suitable buying opportunities during the financial year, but there has been a limited amount of well located, quality property available at attractive prices.

Since the year end we have acquired a 35,000 sq ft industrial unit in Aston, Birmingham, occupied by The BSS Group plc until 2022, for £1.9m.

Despite the weak conditions, we have managed to sell profitably two investment properties and one old vacant unit in the financial year. The properties were Paul Street (Wolverhampton), Penn Road (Wolverhampton) and Unit 14 at our Coleshill Industrial Estate.

Paul Street was an 80,000 sq ft Victorian factory that had a 42 year occupational lease ending in June 2009. Completion took place just days before the end of the lease at a price of £1.25m, a considerable uplift over the December 2008 valuation of £0.8m.

Penn Road, a 0.4 acre former petrol station site, was sold to the existing tenant for £0.5m. The property was previously let at £7,000 pa, with the lease expiring in June 2009.

Unit 14 Coleshill was a 4,055 sq ft stand alone industrial unit that formed part of our Coleshill Industrial Estate in Coleshill, Birmingham. The unit became vacant earlier this year due to the liquidation of the tenant. It was considered to be more economically viable to dispose of the unit, given the level of refurbishment required when the unit was handed back by the tenant.

## **Development**

During the year we completed the final pre-let unit (40,000 sq ft) at the third and final phase of our Yorks Park, Dudley site.

Following agreement of terms to develop a 128,500 sq ft bespoke building for Costco, a large international operator, in the prior year, we have now been successful in a planning appeal on our site at Torrington Avenue, Coventry. Development is expected to be complete in the third quarter of the 2010 calendar year. The unit will be let on completion to Costco on a 25 year lease. The development is anticipated to cost a further £9.0m to complete.

All the remaining commercial development land, comprising over 30 acres, is being actively marketed to prospective tenants. Given the present uncertainty of the occupier market we feel it prudent to put on hold any further speculative development until a more confident and stable market returns.

## **Asset management**

This aspect of our strategy forms a key focus for the Group. Through a pro-active, hands-on approach we have sought to drive additional value in terms of both rental and capital growth. Despite

a challenging occupier market we have managed to maintain our occupancy level above 90% (2009: 90.5%; 2008: 92.9%).

We have continued to review our portfolio for value enhancing opportunities. During the last financial year we have agreed lease renewals and reviews on 190,192 sq ft, with reviews increasing our rental income by £0.3m per annum.

As at 30 June 2009 our investment portfolio, including commercial land and new developments, was valued at £201.0m by DTZ Debenham Tie Leung, which showed a deficit for the year of £64.7m (24%). The average equivalent yield on our investment properties increased during the year from 7.2% to 9.5%, with industrial at 9.8%, offices at 9.2% and retail at 8.4% at our year end.

Over the last two financial years the equivalent yield on our investment portfolio has moved out from 6.0% to 9.5%. The initial yield on our portfolio is now 8.6%. Although our properties are exceptionally modern, we have been penalised due to the length of leases, where valuers have taken a harsh view where less than five years are remaining to the expiry of a lease or a break.

### **Trading properties**

We have not disposed of any trading properties during the twelve months to 30 June 2009, due to weaker market conditions.

The Group's trading properties mainly comprise residential land and were valued by DTZ Debenham Tie Leung as at 30 June 2009 at £5.2m (2008: £5.7m), which shows a surplus of £4.2m over book value.

### **Financial performance**

We have again presented our income statement in a three column format, showing the adjusted income and expense on a consistent basis with previous years, excluding the impact of revaluation movements and profits on the disposal of investment properties. At a pre-tax level, the adjusted profit of £11.6m (2008: £14.4m) shows a decrease from the prior year of £2.8m, mainly reflecting the £2.5m decrease in profit on disposal of trading properties.

The requirement of International Financial Reporting Standards to include revaluation movements on the investment property portfolio in the income statement has resulted in a £64.2m charge in 2009, against a charge of £41.2m in the prior year. A reconciliation of the movement in our post-tax results is shown below:

	<b>£000</b>
Loss for the financial year ended 30 June 2008	(27,261)
Increase in net rental income	704
Reduction in profits realised from trading properties	(2,482)
Increase in administration costs	(220)
Increase in profit realised from investment properties	570
Movement in property portfolio valuation	(23,016)
Increase in net finance costs	(849)
Reduction in current tax payable	441
Other deferred tax movements	96
Loss for the financial year ended 30 June 2009	(52,017)

We have also presented below an analysis of the Group's underlying rental performance before tax, which excludes the impact of EPRA adjustments and presented separately 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 periods shown in the consolidated financial statements.

Our underlying rental performance has improved significantly over last year, with a 4.6% improvement in net rental income, reflecting the Group's focus on vacancy levels, letting of completed development properties and improvements in rent at review and on renewal. No investment properties were acquired in the year and disposals of rent producing properties had a limited impact on passing rent. Stripping out the trading profits, revaluation movements and other items, pre-tax profit rose by £0.7m, as shown below. There were no disposals of trading properties in the financial year as we decided not to sell at current depressed values. We have received some income from the trading properties in the year as a result of a retrospective claim for VAT. As disclosed in note 7 to the accounts, EPRA adjusted earnings decreased by £2.4m, with EPRA adjusted earnings per share ("eps") declining 17%, from 23.13p in 2008 to 19.12p in 2009.

Despite the underlying strength of our business model, our low gearing and quality property portfolio, we have focused on reducing our cost base. As a result, we made two employees redundant during the financial year. All of the senior management team have had their remuneration reduced for the twelve month period commencing on 1 April 2009 (including a basic pay freeze for the 1 July 2009 review period). The executive directors have not received any bonus payments in respect of either the 30 June 2008 or 30 June 2009 financial years. In addition, the Remuneration Committee have decided that even though the performance condition for full vesting of Justin Parker's transitional award under the Long Term Incentive Plan was met, the award was not allowed to vest. Full details of the executive directors remuneration will be provided in the Board Report on Directors Remuneration in the forthcoming annual report.

<b>2009</b>	Total £000	Investment/ development £000	Trading properties £000	Other items £000
Rental income	16,574	16,574	-	-
Property outgoings	(689)	(689)	-	-
Net rental income	15,885	15,885	-	-
Sale of trading properties	104	-	104	-
Property outgoings on trading properties	(33)	-	(33)	-
Net income from trading properties	71	-	71	-
Administration expenses	(2,998)	(2,998)	-	-
Operating profit before net losses on investment	12,958	12,887	71	-
Profit on disposal of investment property	618	-	-	618
Net losses on revaluation	(64,185)	-	-	(64,185)
Operating (loss)/profit	(50,609)	12,887	71	(63,567)
Finance income	354	354	-	-
Gross finance costs	(2,107)	(2,107)	-	-
Capitalised interest	360	-	-	360
Total finance costs	(1,747)	(2,107)	-	360
(Loss)/profit before tax	(52,002)	11,134	71	(63,207)

<b>2008</b>	Total £000	Investment/ development £000	Trading properties £000	Other items £000
Rental income	15,772	15,772	-	-
Property outgoings	(591)	(591)	-	-
Net rental income	15,181	15,181	-	-
Sale of trading properties	2,653	-	2,653	-
Carrying value of trading properties	(98)	-	(98)	-
Property outgoings on trading properties	(2)	-	(2)	-
Net income from trading properties	2,553	-	2,553	-
Administration expenses	(2,778)	(2,778)	-	-
Operating profit before net losses on investment	14,956	12,403	2,553	-
Profit on disposal of investment property	48	-	-	48
Net losses on revaluation	(41,169)	-	-	(41,169)
Operating (loss)/profit	(26,165)	12,403	2,553	(41,121)
Finance income	60	60	-	-
Gross finance costs	(2,036)	(2,036)	-	-
Capitalised interest	1,432	-	-	1,432
Total finance costs	(604)	(2,036)	-	1,432
(Loss)/profit before tax	(26,709)	10,427	2,553	(39,689)

Presented above is an analysis of the underlying rental performance before tax, which excludes the impact of EPRA adjustments, capitalised interest 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.

We have saved around £2.6m of corporation tax in the current financial year as a result of our conversion to a Real Estate Investment Trust.

The interim dividend was paid as 100% Property Income Distribution (“PID”), attracting a 20% withholding tax for shareholders who are not eligible for gross payment. The final dividend of 9.65p will be paid as 7.72p per share (80%) being PID and the balance of 1.93p as a normal dividend. The level of dividend that must be distributed by way of a PID is determined by the tax legislation. Consequently, the phasing out of Industrial Building Allowances, the reduction in the rate of capital allowances on plant and machinery from 25% to 20% and the introduction of the lower 10% rate for integral features will reduce the adjustments required to profits in order to calculate the minimum PID obligation in future years.

The interim and proposed final dividends are only just covered by our underlying profits, mainly due to the reduction in profits realised from our trading properties. The board’s intention is to grow the rent roll to enable a sustainable, covered, increase in dividends over the long term, with a view to distributing around 90% of our recurring profit.

Net assets have fallen from £222.7m to £159.7m, mostly reflecting the £64.2m property portfolio revaluation write down recognised in the income statement.

Our gearing has increased from 13% to 24%, reflecting £38.0m (2008: £29.2m) of net debt. This level of debt equates to only 19% of the DTZ valuation of our investment and development portfolio of £201.0m, a very low level of gearing compared to other REITs and quoted property companies. This has arisen as a direct result of our disposal programme in the last few years.

We have not acquired or disposed of any development properties since the year end.

### **Financing, cash flow and going concern**

During the year we took the opportunity to commence negotiations to refinance some of our existing variable rate revolving credit drawdowns into longer term, fixed rate debt. £20.0m is being raised from HSBC Bank plc through a five year loan. Our current HSBC facilities of £45.0m (£10.0m overdraft, £15.0m 2010 Revolving Credit Facility and £20.0m 2012 Revolving Credit Facility) are also being renewed so that we will replace those facilities with a £5.0m overdraft and a £40.0m Five Year Revolving Credit Facility, increasing our HSBC facilities from £45.0m to £65.0m. The additional money raised will pay off existing revolving credit facility drawdowns, and increase the level of funds available for property investment and construction of the Torrington Avenue, Coventry unit.

As at 30 June 2009 the Group had undrawn banking facilities of £29.5m and had only drawn £15.5m from the 2012 Revolving Credit Facility, leaving undrawn amounts of £4.5m from the 2012 facility, £15.0m from the 2010 Revolving Credit Facility and £10.0m from the Group’s overdraft. All of the remaining borrowings held by the Group at 30 June 2009 had more than five years to expiry, with £4.2m of debenture stock expiring in 2014, the £20.0m term loan ending in 2023 and £675,000 of preference share capital. Following completion of the legal process for the refinancing of the HSBC facilities, the Group’s borrowings and available facilities will consist of:

<b>Borrowing</b>	<b>Expiry year</b>	<b>Amount (£m)</b>
Overdraft	2010	5.0
Revolving Credit Facility	2014	40.0
Term loan	2014	20.0
11.5% Debenture Stock	2014	4.2
Term loan	2023	20.0
Preference shares	-	0.7
		<b>89.9</b>

Of the £89.9m, £24.9m is at fixed rates. The 2014 term loan and part of the revolving credit facilities will be hedged.

Only the overdraft is due for renewal within twelve months of the date of this document.

As at the date of this document the Group had £63.7m of properties that were unencumbered, providing significant capacity to raise additional finance, if required, or to provide additional security for existing facilities, should property values fall any further. During the 30 June 2009 financial year end we charged further properties to HSBC and Lloyds Banking Group to protect the loan to value covenants. We are complying with our banking facilities and the Directors do not expect this position to alter in the forthcoming twelve months. Additional information about the going concern assumption is provided in the accounting policies note of this preliminary announcement.

The Directors have considered our forecast cash flows, the Group's low gearing, significant portfolio of unencumbered properties and the maturity profile of our borrowings, and have a reasonable expectation that the Group has adequate resources to continue for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

### **Analysis of borrowings at 30 June**

	2009	2008
	£000	£000
11.5% First Mortgage Debenture Stock 2014	4,203	4,203
Preference Share Capital	675	675
Cash and Short-Term Deposits	(2,352)	(2,203)
Overdraft	-	76
Long-term loan	19,942	19,936
Borrowings from revolving credit facility	15,500	6,500
Net Debt and Preference Share Capital	37,968	29,187
Net Assets	159,734	222,680
Gearing (net of cash)	24%	13%

## **Outlook**

Whilst there have been few signs of improving economic and property market conditions it could be argued that property market values are at or close to the bottom of the cycle. Conditions remain extremely testing having been exacerbated by the introduction of void rates, weakening occupier demand and a reduction in the availability of bank finance for the property sector. We are, without doubt, well placed to take advantage of this current downturn from our position of low gearing supported by a modern, quality portfolio. The challenge for us lies in our ability to find and purchase quality property at the right price and at the right time in the cycle.

Against this backdrop it is paramount that we maintain strong discipline in both the management of our business and the employment of our resources. The Group remains lean, efficient and tightly managed and despite the current challenges and the recent write down in the value of the portfolio, our aim remains to maximise long-term returns for shareholders through actively managing income and keeping occupancy levels high.

We remain steadfast and confident in our strategy and business model. Our prudent approach has, most importantly, left us in the enviable position of low gearing with available cash resources in a market starved of finance. We look forward to taking advantage of this position during the course of the 2009/2010 Financial Year.

**Justin Parker**  
**Managing Director**

**David Wooldridge**  
**Finance Director**

9 September 2009

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	2009			2008		
		Adjusted income & expense unaudited £000	Adjustments unaudited £000	Total income & expense unaudited £000	Adjusted income & expense audited £000	Adjustments audited £000	Total income & expense audited £000
<b>Revenue</b>	<b>2</b>	16,678	-	<b>16,678</b>	18,425	-	<b>18,425</b>
<b>Gross rental income relating to investment properties</b>	<b>2</b>	16,574	-	<b>16,574</b>	15,772	-	<b>15,772</b>
Property outgoings		(689)	-	<b>(689)</b>	(591)	-	<b>(591)</b>
<b>Net rental income relating to investment properties</b>		15,885	-	<b>15,885</b>	15,181	-	<b>15,181</b>
<b>Proceeds on sale of trading properties</b>	<b>2</b>	104	-	<b>104</b>	2,653	-	<b>2,653</b>
Carrying value of trading properties sold		-	-	-	(98)	-	<b>(98)</b>
Property outgoings relating to trading properties		(33)	-	<b>(33)</b>	(2)	-	<b>(2)</b>
<b>Net income from trading properties</b>		71	-	<b>71</b>	2,553	-	<b>2,553</b>
Administration expenses		(2,998)	-	<b>(2,998)</b>	(2,778)	-	<b>(2,778)</b>
<b>Operating profit before net (losses)/gains on investment properties</b>		12,958	-	<b>12,958</b>	14,956	-	<b>14,956</b>
Profit on disposal of investment properties		-	618	<b>618</b>	-	48	<b>48</b>
Net losses on revaluation of investment and development properties	<b>3</b>	-	(64,185)	<b>(64,185)</b>	-	(41,169)	<b>(41,169)</b>
<b>Operating profit/(loss)</b>	<b>3</b>	12,958	(63,567)	<b>(50,609)</b>	14,956	(41,121)	<b>(26,165)</b>
Net finance costs	<b>4</b>	(1,393)	-	<b>(1,393)</b>	(544)	-	<b>(544)</b>
<b>Profit/(loss) before tax</b>		11,565	(63,567)	<b>(52,002)</b>	14,412	(41,121)	<b>(26,709)</b>
Current tax		(94)	-	<b>(94)</b>	(535)	-	<b>(535)</b>
Deferred tax credit/(charge)		-	79	<b>79</b>	-	(17)	<b>(17)</b>
Total tax (charge)/credit	<b>5</b>	(94)	79	<b>(15)</b>	(535)	(17)	<b>(552)</b>
<b>Profit/(loss) for the financial period</b>		11,471	(63,488)	<b>(52,017)</b>	13,877	(41,138)	<b>(27,261)</b>

Basic and diluted loss per share **7** **(86.71p)** **(45.44p)**

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.

**CONSOLIDATED BALANCE SHEET**  
**at 30 June 2009**

	Notes	2009 unaudited £000	2008 audited £000
<b>Non-current assets</b>			
Investment and development properties	8	199,664	262,991
Property, plant and equipment		1,323	1,657
Trade and other receivables		315	332
		<b>201,302</b>	264,980
<b>Current assets</b>			
Trading properties		965	912
Trade and other receivables		4,931	3,993
Cash and cash equivalents		2,352	2,203
		<b>8,248</b>	7,108
<b>Total assets</b>		<b>209,550</b>	272,088
<b>Current liabilities</b>			
Trade and other payables		(7,894)	(13,410)
Borrowings		-	(76)
Tax liabilities		(1,602)	(4,464)
		<b>(9,496)</b>	(17,950)
<b>Non-current liabilities</b>			
Borrowings		(40,320)	(31,314)
Deferred tax		-	(144)
		<b>(40,320)</b>	(31,458)
<b>Total liabilities</b>		<b>(49,816)</b>	(49,408)
<b>Net assets</b>		<b>159,734</b>	222,680
<b>Equity</b>			
Called up ordinary share capital		14,998	14,998
Revaluation reserve		605	1,055
Share based payment reserve		109	48
Redemption reserve		11,162	11,162
Retained earnings		132,860	195,417
<b>Total equity</b>	9	<b>159,734</b>	222,680
Net assets per Ordinary share			
- Basic and diluted	7	266p	371p
- Adjusted	7	267p	379p

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**For the year ended 30 June 2009**

	Notes	2009 unaudited £000	2008 audited £000
(Deficit)/gain on revaluation of development and owner occupied properties	3	(516)	236
Cancellation of share options		66	-
Deferred tax liability on items taken to equity	5	65	6
<b>Net (deficit)/gain recognised directly in equity</b>		<b>(385)</b>	<b>242</b>
Loss for the year		(52,017)	(27,261)
<b>Total recognised income and expense for the year</b>	<b>9</b>	<b>(52,402)</b>	<b>(27,019)</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 30 June 2009**

	<b>2009</b> <b>unaudited</b> <b>£000</b>	2008 audited £000
<b>Cash flows from operating activities</b>		
Operating loss	(50,609)	(26,165)
Adjustments for non-cash items		
- Unrealised net revaluation losses on investment and development properties	64,185	41,169
- Profit on disposal of investment properties	(618)	(48)
- Depreciation and other non-cash items	95	93
- Profit on sale of fixed assets	-	(23)
Other movements arising from operations		
- (Increase)/decrease in trading properties	(56)	47
- (Increase)/decrease in receivables	(748)	367
- Increase/(decrease) in payables	793	(678)
<b>Net cash generated from operations</b>	<b>13,042</b>	<b>14,762</b>
Interest received	339	42
Interest paid	(2,101)	(1,522)
Preference dividends paid	(47)	(47)
Corporation tax paid	(3,586)	(5,367)
<b>Net cash inflow from operating activities</b>	<b>7,647</b>	<b>7,868</b>
<b>Cash flows from investing activities</b>		
Acquisition and property development	(3,579)	(14,859)
Grants received	34	293
Sales of investment properties	1,915	48
Expenditure on property, plant and equipment	-	(89)
<b>Net cash outflow from investing activities</b>	<b>(1,630)</b>	<b>(14,607)</b>
<b>Cash flows from financing activities</b>		
Net increase in borrowings	8,924	12,513
Equity dividends paid	(14,792)	(4,823)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(5,868)</b>	<b>7,690</b>
Net increase in cash and cash equivalents	149	951
<b>Cash and cash equivalents at 1 July</b>	<b>2,203</b>	<b>1,252</b>
<b>Cash and cash equivalents at 30 June</b>	<b>2,352</b>	<b>2,203</b>

## NOTES TO THE ACCOUNTS

### 1 Accounting policies

#### **Basis of preparation of financial information**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulation. Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRSs, this announcement itself does not contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs on 1 October 2009.

The preliminary accounts were approved by the board of directors on 8 September 2009. The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 30 June 2009 or 2008 as defined under Section 434 of the Companies Act 2006. The financial information for the year ended 30 June 2008 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006. The audit of the statutory accounts for the year ended 30 June 2009 is not yet complete. The statutory accounts for the year ended 30 June 2009 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

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, events or actions. Actual results may differ from those amounts.

As at 30 June 2009 the Group had £29.5m of undrawn banking facilities and had drawn down £15.5m from its HSBC £20m 2012 Revolving Credit Facility. The Group's £10m overdraft and £15m 2010 Revolving Credit Facility, both of which were due for renewal within 12 months of the date of this document, were undrawn. Since the year end the Group has agreed terms with HSBC to renew all of the Group's HSBC banking facilities, and in addition to take out a five year £20m term loan. The legal work required is ongoing and is expected to be completed within the next couple of months. The Group's new £40m of revolving credit facilities will expire in 2014 and the revised £5m overdraft was renewed for a twelve month period. Given these new facilities, the Group's low gearing level of 24% and £63.7m of unencumbered properties (after taking into account properties pledged to HSBC for the new facilities), significant capacity exists to raise additional finance or to provide additional security for existing facilities, should property values fall further. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

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.

At the date of this announcement, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1 (revised)	Presentation of financial statements
IAS 23 (revised)	Borrowing costs
IAS 27 (revised)	Consolidated and separate financial statements
IAS 40	Investment Property (amendment)
IFRS 1 (revised)	First Time Adoption of IFRS
IFRS 2	Share based payments (amendment)
IFRS 3 (revised)	Business Combinations
IFRS 7	Improving Disclosures about Financial Instruments
IFRS 8	Operating segments
IFRIC 9	Reassessment of embedded derivatives
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

In addition, Improvements to IFRSs, issued in April 2009 is the current year tranche of the Improvements to IFRS project and has a number of minor amendments to existing IAS and IFRS, which require implementation from 1 July 2009.

IAS 1 (revised) and the amendment to IAS 40 are the only changes that are expected to have a material impact on the financial statements of the Group. This revision to IAS 1 is applicable from 1 July 2009, and is expected to affect the presentation and classification of certain items within the Group's financial statements. An amendment to IAS 40 'Investment Property' will mean that, with effect from the next reporting period commencing 1 July 2009, property under construction or development for future use as an investment property will be recognised in investment property and measured at fair value through the income statement. This replaces the current treatment under IAS 16, where properties acquired to be developed for future use as an investment property are treated as development property until completion, with any fair value movement recorded in the Statement of Recognised Income and Expense. It is not possible to estimate the impact that this is likely to have on the Group, but the effect will be on profit before tax, with no change in net assets.

Other than the revision to IAS 1 and the amendment to IAS 40, the directors anticipate that the adoption of these Standards, Amendments and Interpretations in future periods will have no material impact on the financial statements of the Group.

### **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. 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.

#### *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.

#### **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.

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.

### **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 to the 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 directly 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**

	<b>2009</b>	2008
	<b>unaudited</b>	audited
	<b>£000</b>	£000
Total rental income from investment and development properties	<b>16,574</b>	15,772
Income received from trading properties	<b>104</b>	2,653
	<b>16,678</b>	18,425
Finance income (note 4)	<b>354</b>	60
<b>Total revenue</b>	<b>17,032</b>	18,485

### 3 Segmental analysis – primary segments

	<b>2009</b> <b>unaudited</b> <b>£000</b>	2008 audited £000
Investment and development properties		
- Net rental income	<b>15,885</b>	15,181
- Profit on disposal	<b>618</b>	48
- Deficit on revaluation of investment properties	<b>(57,184)</b>	(38,440)
- Deficit on revaluation of development properties	<b>(7,001)</b>	(2,729)
	<b>(47,682)</b>	(25,940)
Trading properties		
- Income received from trading properties	<b>104</b>	2,653
- Carrying value on sales	<b>-</b>	(98)
- Property outgoings	<b>(33)</b>	(2)
	<b>71</b>	2,553
Administration expenses	<b>(2,998)</b>	(2,778)
<b>Operating loss</b>	<b>(50,609)</b>	(26,165)
Net financing costs	<b>(1,393)</b>	(544)
<b>Loss before tax</b>	<b>(52,002)</b>	(26,709)
The property revaluation (deficit)/surplus has been recognised as follows:		
Income statement		
- Investment properties	<b>(57,184)</b>	(38,440)
- Development properties	<b>(7,001)</b>	(2,729)
	<b>(64,185)</b>	(41,169)
Statement of recognised income and expense		
- Development and owner occupied properties	<b>(516)</b>	236
<b>Total revaluation deficit for the period</b>	<b>(64,701)</b>	(40,933)

All operations and income are derived from the United Kingdom.

### 4 Net financing costs

	<b>2009</b> <b>unaudited</b> <b>£000</b>	2008 audited £000
Finance costs on:		
Debenture stock	<b>483</b>	483
Preference share dividend	<b>47</b>	47
Capitalised interest	<b>(360)</b>	(1,432)
Bank overdraft and loan interest payable	<b>1,577</b>	1,506
<b>Total finance costs</b>	<b>1,747</b>	604
Finance income on:		
Short-term deposits	<b>2</b>	6
Bank and other interest receivable	<b>352</b>	54
<b>Total finance income</b>	<b>354</b>	60
<b>Net finance costs</b>	<b>1,393</b>	544

5	<b>Taxation</b>	<b>2009</b> <b>unaudited</b> <b>£000</b>	2008 audited £000
	<b>Tax charge</b>		
	Current tax		
	- Corporation tax charged at 28% (2008: 29.5%)	171	877
	- Prior year adjustment	(77)	(342)
	<b>Total current tax</b>	<b>94</b>	<b>535</b>
	Deferred tax		
	- Other deferred tax	-	17
	- Prior year adjustment	(79)	-
	<b>Deferred tax (credit)/charge</b>	<b>(79)</b>	<b>17</b>
	<b>Total tax charge in the income statement</b>	<b>15</b>	<b>552</b>
	<b>Tax recognised in equity</b>		
	Deferred tax	(65)	(6)

6	<b>Dividends</b>	<b>2009</b> <b>unaudited</b> <b>£000</b>	2008 audited £000
	Amounts recognised as distributions to equity holders in the year:		
	Final dividend for the year ended 30 June 2008 of 9.65p (2007: 8.04p) per share	5,787	4,823
	Interim dividend for the year ended 30 June 2009 of 8.03p (2008: 8.03p) per share	4,818	4,818
		<b>10,605</b>	<b>9,641</b>

The directors propose a final dividend for the year ended 30 June 2009 of 9.65p (2008: 9.65p) per Ordinary share, totalling £5.8m.

The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements.

The final dividend, if approved, will be paid on 4 January 2010 to Shareholders on the register at the close of business on 27 November 2009.

7 **(Loss)/profit, earnings per share and net asset value per share**

**(Loss)/profit before tax**

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

	<b>2009</b>	2008
	<b>unaudited</b>	audited
	<b>£000</b>	£000
Loss before tax	<b>(52,002)</b>	(26,709)
Profit on disposal of investment properties	<b>(618)</b>	(48)
Net losses on revaluation of investment and development properties	<b>64,185</b>	41,169
<b>Adjusted profit before tax</b>	<b>11,565</b>	14,412

**Earnings per share**

The basic and diluted loss per share of 86.71p (2008 loss: 45.44p) has been calculated on the basis of the weighted average of 59,991,990 Ordinary shares and loss of £52.0m (2008 loss: £27.3m). The adjusted earnings per share has been amended from the basic and diluted earnings per share by the following:

	<b>2009</b>	2008
	<b>unaudited</b>	audited
	<b>£000</b>	£000
Earnings	<b>(52,017)</b>	(27,261)
Profit on disposal of investment properties	<b>(618)</b>	(48)
Net losses/(gains) on revaluation of investment and development properties	<b>64,185</b>	41,169
Deferred tax	<b>(79)</b>	17
<b>EPRA adjusted and adjusted earnings</b>	<b>11,471</b>	13,877
EPRA diluted earnings per share	<b>19.12p</b>	23.13p
<b>Adjusted (and adjusted diluted) earnings per share</b>	<b>19.12p</b>	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. Options over 105,411 Ordinary shares were granted in the year (2008: 176,628 Ordinary shares) under the 2007 Performance Share Plan. The vesting conditions for these shares have not been met, so they have not been treated as dilutive in these calculations. 56,200 Ordinary shares from the 2007 award have lapsed in the year.

**Net asset value per share**

The net asset value per share of 266p (2008: 371p) has been calculated on the basis of the number of equity shares in issue of 59,991,990 and net assets of £159.73m (2008: £222.68m). The adjusted net asset value per share has been calculated as follows:

	<b>2009</b>	2008
	<b>unaudited</b>	audited
	<b>£000</b>	£000
Equity shareholders funds	<b>159,734</b>	222,680
Valuation of land held as trading properties	<b>5,178</b>	5,748
Book value of land held as trading properties	<b>(965)</b>	(912)
Mark to market on debt	<b>(3,875)</b>	(500)
Deferred tax	<b>-</b>	144
<b>EPRA (adjusted) net asset value per share</b>	<b>267p</b>	379p

8 **Investment and development properties**

	Investment £000	Development £000	Total £000
At 1 July 2008	234,391	28,600	262,991
Additions	81	2,025	2,106
Capitalised interest	-	360	360
Transfer	6,652	(6,652)	-
Grant	(34)	-	(34)
Disposals	(1,297)	-	(1,297)
Revaluation deficit	(57,184)	(7,278)	(64,462)
<b>At 30 June 2009</b>	<b>182,609</b>	<b>17,055</b>	<b>199,664</b>

The above comprises £188.4m (2008: £248.0m) of freehold and £11.3m (2008: £15.0m) of leasehold properties.

	Freehold £000	Leasehold £000	Total £000
Properties held at valuation:			
Cost	146,550	13,461	160,011
Valuation surplus/(deficit)	41,804	(2,151)	39,653
<b>Valuation</b>	<b>188,354</b>	<b>11,310</b>	<b>199,664</b>

Investment and development properties have been included at market value after having deducted an amount of £0.3m (2008: £0.2m) in respect of lease incentives and letting fees included in trade and other receivables.

The properties are stated at their 30 June 2009 market value and are valued 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. DTZ Debenham Tie Leung have recent experience in the relevant location and category of the properties being valued. In their valuation report the valuers have noted, in accordance with Guidance Note 5 of the Standards, that the primary source of evidence for valuations should be recent, comparable market transactions on arms length terms. The current economic climate means that there have been few transactions of the type of property owned by Mucklows. Consequently, there is a greater degree of uncertainty in respect of the figures reported by our valuers. Until the number and consistency of comparable transactions increases, this situation is likely to remain. A reconciliation to the amount included above is set out below.

	£000
DTZ valuation as at 30 June 2009	200,990
Owner-occupied property included in property, plant and equipment	(982)
Lease inducements	(284)
Other adjustments	(60)
<b>Investment and development properties as at 30 June 2009</b>	<b>199,664</b>

Additions to freehold and leasehold properties include capitalised interest of £0.36m (2008: £1.43m). The capitalisation rate used was 4.61% (2008: 6.5%). The total amount of interest capitalised included in freehold and leasehold properties is £5.00m (2008: £4.64m).

Properties valued at £97.05m (2008: £107.24m) were subject to a security interest.

9 **Reconciliation of movements in equity**

	2009 unaudited £000	2008 audited £000
Opening net assets	222,680	259,292
Total recognised income and expense	(52,402)	(27,019)
Shares to be issued	61	48
Dividends	(10,605)	(9,641)
<b>Closing net assets</b>	<b>159,734</b>	<b>222,680</b>

10 **Directors and Company Secretary**

Rupert J Mucklow BSc	-	<i>Chairman</i>
Justin Parker BSc MRICS	-	<i>Managing Director</i>
David Wooldridge FCCA ACIS	-	<i>Finance Director and Company Secretary</i>
David F Austin FRICS*	-	<i>Senior Independent Non-Executive</i>
Paul A Ludlow FRICS*	-	<i>Independent Non-Executive</i>
Stephen Gilmore LLB*	-	<i>Independent Non-Executive</i>

\*Member of Remuneration Committee and Audit Committee.

## **DATES**

### **Annual General Meeting**

The Annual General Meeting will be held on Tuesday 10 November 2009 at the Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, B15 3TR.

### **Dividend**

The final dividend, if approved, will be paid on 4 January 2010 to Ordinary shareholders on the register on 27 November 2009.

### **Report and Accounts**

The full report and accounts for the year ended 30 June 2009 will be available on 1 October 2009.

**A copy of this document is available on the Company's website, [www.mucklow.com](http://www.mucklow.com).**