ATKINS HOLDINGS LIMITED

Review of activities 2013/14

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CHAIRMAN'S COMMENTS 2013/14

This report covers the financial years 2012/13 and 2013/14.

In a number of respects both 2012/13 and 2013/14 were eventful years for the Group.

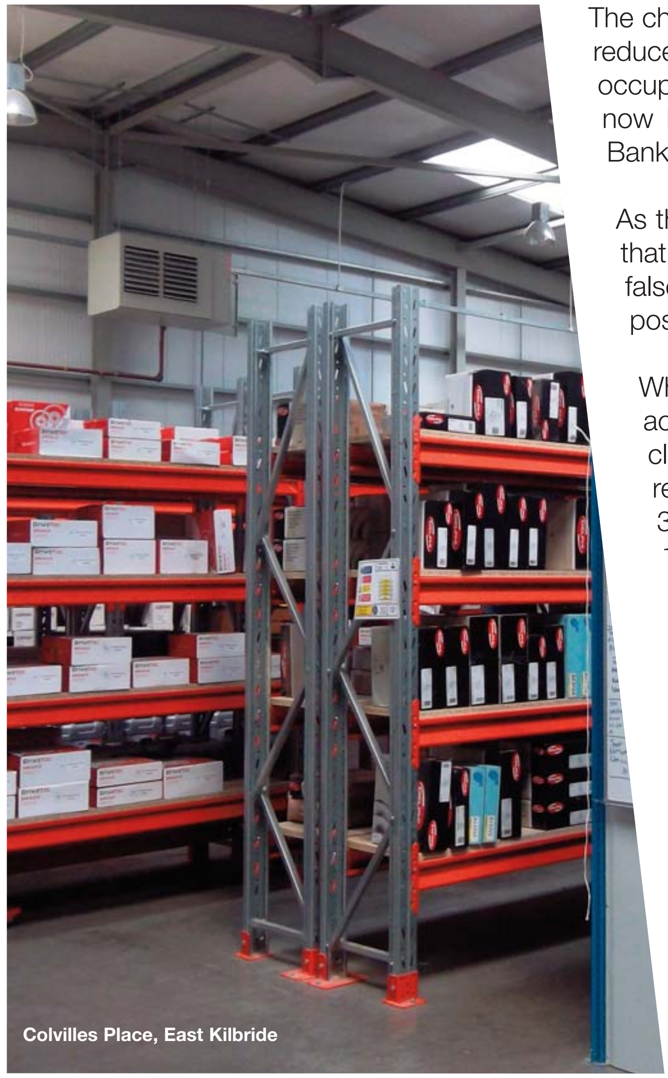
In 2013 an overall total return of 7.1% was recorded which resulted from returns of 6.9% and 7.5% respectively for the Direct and Indirect Portfolios. The IPD annual index stood at 2.5% in March 2013.

The year saw a fall of 2% in the value of the Direct Portfolio as capital values languished across the commercial property sector. Protection and growth of income remained paramount in line with careful management of cash flow. The year opened with voids at 13% and remained around that level throughout the period.

Profits before tax of £0.4m were a little disappointing but reflected the company's exit from a significant legacy issue in the Ryon portfolio. This was also assisted by the generation of £1.2m of cash from Indirect Investments as we continued to keep borrowing under control.

The announcement by our bank, Clydesdale Bank, in 2012/13 that they were withdrawing from commercial property lending required us to seek alternative bankers. This resulted in a lengthy selection process not helped by the prevailing difficult economic times which restricted the lending policies of all major banks.

The company decided to run with the Co-op and negotiations through 2012 and into early 2013 were time consuming placing additional burdens on management, a process which also coincided with a decision to close the defined benefit pension scheme to new accruals.


Colvilles Place, East Kilbride

The change to the pension scheme was driven by a wish to try to reduce the volatility of the deficit and was another issue which occupied management time. A defined contribution scheme is now in place. Eventually terms were finalised with the Co-op Bank in Spring 2013.

As the 2012/13 financial year came to a close there were signs that the economy was beginning to recover. There have been false dawns previously but this time the indicators were more positive and so it has proved to be.

Whilst the first half of 2013/14 was relatively quiet, market activity picked up rapidly in the second half. As the year closed we were able to record an overall total return of 12.3% reflecting a return of 14.3% from the Direct Portfolio and 3.9% from the Indirect Portfolio. IPD recorded a return of 13.3% at March 2014.

Voids reduced from 13% at the beginning of the year to close at 8% and this was not only a result of an improving economy but equally from targeted asset management initiatives. These combined effects produced an increase of £1.05m in the value of the Direct Portfolio – an increase of 5% over 2012/13.

The performance of the Indirect Portfolio was disappointing (total return 3.9%) principally as a result of a number of legacy investments which are not producing returns and tie up valuable cash. These are being worked out of the portfolio as soon as opportunities to do so arise.

Group profits for 2013/14 came in at £0.493m, again a little disappointing being held back by the difficulties we are experiencing with these legacy issues and costs of new banking arrangements.


Bonsucesso, Sao Paulo, Brazil


Livermores, Great Dunmow

Throughout both financial years a clear focus was maintained on the direction of the business. However we had not reckoned with events in the spring of 2013 which brought news that the Co-op Bank was in serious financial difficulties.

This meant that the Co-op, with whom we had contracted only weeks earlier, was unable to continue to support the company. The problems which have arisen at the Co-op Bank have been extensively chronicled but we were left with no alternative than to go back to the market to seek other arrangements.

I am pleased to be able to report that Barclays Bank has been selected as our bankers with whom arrangements are now in place to enable the business to move forward.

Once again the transfer negotiations placed further pressure upon management and I wish to record my gratitude to everyone for their hard work to put our banking arrangements on a stable footing once more.

All of the issues we have encountered with our banking over the past eighteen months have arisen through no fault of the company. These have caused much frustration together with restricting the company's ability to make new investments on a scale which it would have wished.

New investments are essential as a driver of profits in future years and to support dividend payments. The challenge now is to make progress with new investments in 2014/15.

As I say, this has been an eventful two years but economic shocks withstanding the company is well placed to produce good returns over the next few years. Improving capital values are clearly good for the business but increase the challenge of finding profitable new opportunities to add to both the Direct and Indirect Portfolios.

The Group will continue to be opportunistic in this regard but will resist the temptation to invest in projects which do not meet its criteria.

My thanks to staff who have performed admirably over the past two years in the face of distractions including the banking problems and the closure of the pension scheme to new accruals.

I feel we can now look forward to a period of greater stability in improved property market conditions.

K.G. Saunders *Chairman*

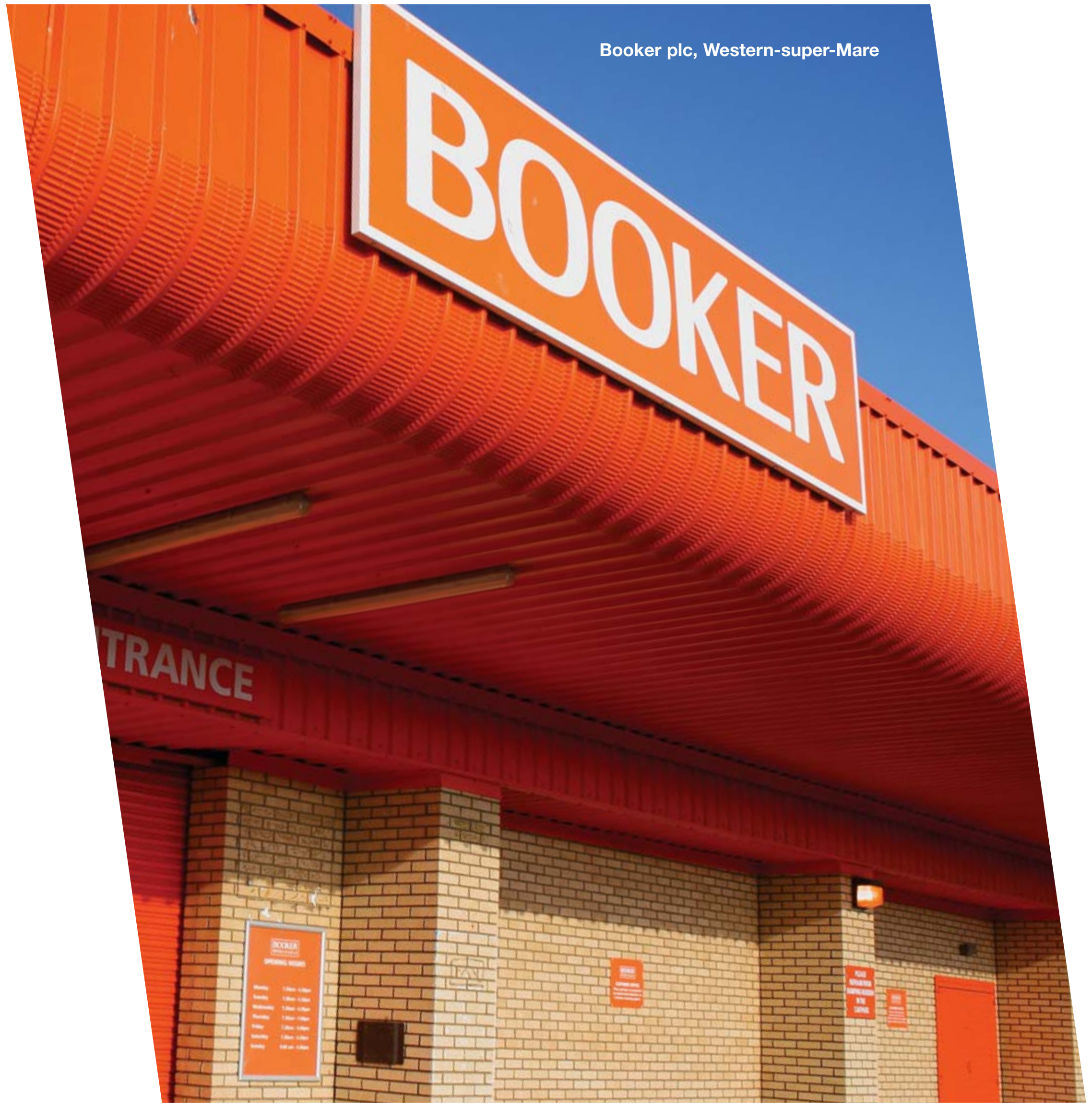
GROUP STRUCTURE AND STRATEGY

Our ever-evolving Group strategy revolves around property investment and development with direct interests in the UK and indirect property funds, syndicates and joint venture interests here, in Europe and the Americas.

A sound asset base with a good income stream is the bedrock of our direct portfolio, complemented by indirect investments and developments for future capital growth and profits.

Venture capital interests are decreasing, but include sterilising technology and retail point-of-sale business sectors in the UK and overseas.


Afon, Horsham



Booker plc, Western-super-Mare

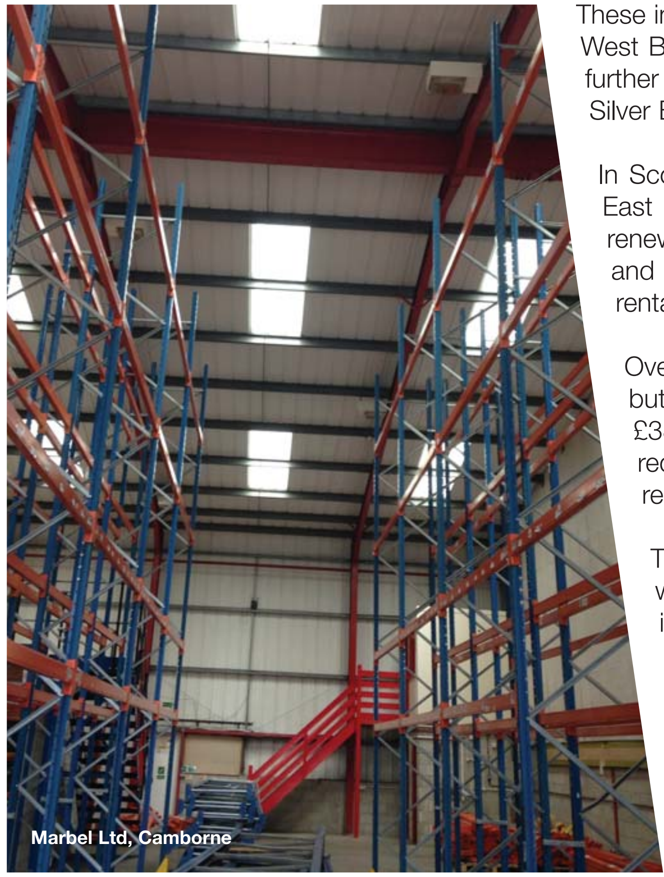
ATKINS PROPERTIES

Direct portfolio – Over the two years we are reporting there has been a significant improvement in the commercial property market, which along with a high level of active management within the portfolio, has led to improving capital values and performance.

In total, 25 new lettings and lease renewals were completed in 2012/13 and a further 26 in 2013/14 with modest overall levels of capital expenditure and repairs.

In the South, 21 new lettings and lease renewals were concluded over the two year period totalling some £174,000 and a further £232,000 of income respectively. These included a 10 year lease to Wessex GS (DAF), a 12 year lease to Greenmount Carpets and a seven year lease to Marbel Ltd in Camborne; as well as a 15 year lease to Coral Racing in Salisbury; a five year lease to EssentialNET in Epsom and a new 15 year lease to Booker plc in Western-super-Mare.

In the Midlands, 25 new lettings and lease renewals were signed totalling some £98,000 of income in 2012/13 and a further £113,000 in 2013/14.


Marbel Ltd, Camborne

These included Hammonds Furniture on the Phoenix Industrial Estate, West Bromwich (one of five new lettings on the estate), along with a further six at the Oldbury Trade Centre and three at the Bromsgrove Silver Birches Business Park.

In Scotland a new 15 year lease was secured with Dingbro Ltd in East Kilbride and in Wales at Phoenix House in Cardiff one lease renewal and two new five year lettings to the NHS Confederation and Y Coleg were signed. These totalled some £95,000 of rental income.

Overall some £325,000 of rental income was secured in 2012/13 but voids remained at a stubborn 13%, however with some £387,000 of rental income signed over the following year, voids reduced to 8% - a marked improvement. Capital expenditure and repairs totalled some £174,000 over the two year period.

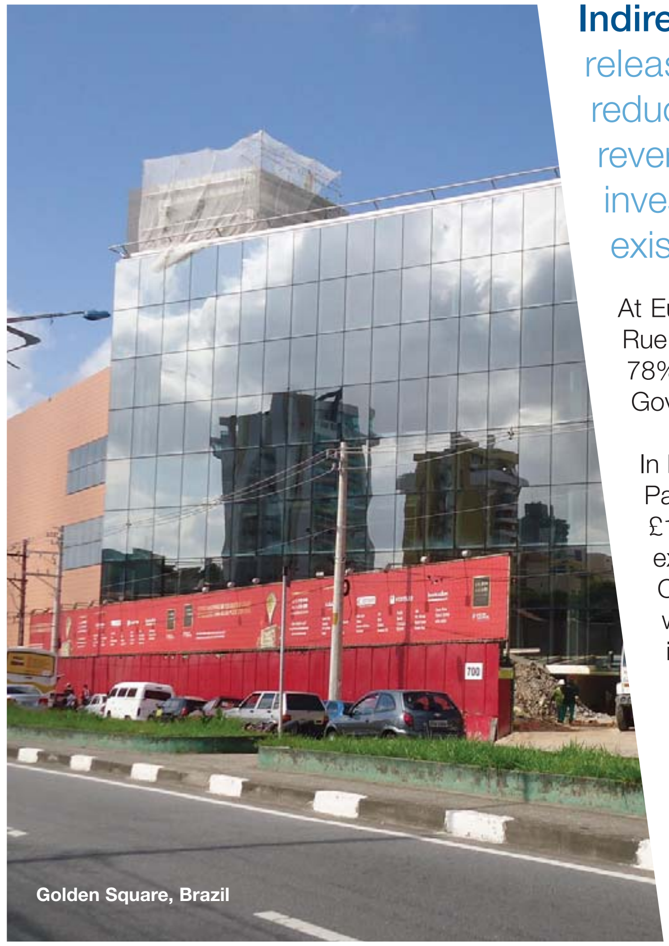
The running yield on the portfolio at March 2014 stood at 8.44%, with a reversion of 9.82% including voids and stepped rental increases.

Values fell in 2012/13 by some 2% but then rose 5% the following year, the first increase in four years and a very welcome improvement after the significant level of active management within the portfolio.

Over the past year we have seen a marked shift in property values along with occupier demand moving out from the SE to the regions. This has given us renewed confidence with the hope this is sustainable for the foreseeable future.

Coral Racing, Salisbury

Dingbro Ltd, East Kilbride



Golden Square, Brazil

Indirect portfolio - The focus in 2012/13 was on releasing cash from investments with a net reduction of £1.2m, however this was partially reversed in 2013/14 with some £0.4m of net new investment, during a key time of support for existing JV partners.

At EuroCapital in Brussels, further lettings over the last two years at Rue de la Loi have seen occupancy levels move from some 55% to 78% and at Leopold III to 89%. A long lease with the Flemish Government was also signed at Delta Park in Zavantem.

In Brazil, Squarestone sold the Bonsucesso Shopping Centre, Sao Paulo to General Shopping Brazil SA in August 2012 realising £1.4m in cash to APL including a good profit despite the R$ exchange rate going against us. At the Golden Square Shopping Centre a forward development and sale agreement was signed with Ancar Ivanhoe and an opening of the centre was achieved in October 2013 with further letting deals under negotiation.

At Craigard Investments a particularly active phase has ensued with lettings at the Horsham office centre and sales at Segensworth, Littlehampton and Chippenham totalling £4.9m. New investments of a pre-let high-tech building in Petersfield and a multi-let business estate in Thatcham totalling £3.5m were secured in the final quarter of 2013 along with a number of other syndicate deals, greatly expanding the Group's business.

At Ryon Properties in March 2013 the 21,000 ft² Brook House office complex on the Woodgate Valley Business Park, Birmingham was sold to Ishida UK for £2m, leaving the Metro Triangle Industrial Estate and offices in Fleet Street, Birmingham to actively manage and sell.

At Enterprise Property Group some 30 residential units have been sold over the past two years but most significantly a new equity fund has raised some £11.1m for further developments.

Completed schemes have included Richmond Road and Parkside, Cambridge and at Great Dunmow in Essex.

Chester Retirement Living Village

Petersfield Industrial Estate, Hampshire

New sites have been acquired in Cirencester, Milton Road, Arbury Road and Perne Road, Cambridge, as well as Great Chesterford, Harston and Fowlemere. Sales are also near complete at the Chester retirement living village and further opportunities are now being pursued.

During the reporting period we have been progressively reducing our investments in funds and listed investments and as a result have sold our interest in the Aberdeen Pan Nordic Fund for €0.5m and reduced our holding in Hansteen Plc.

Company performance – income in 2012/13 stood at £1.97m rising to £2.09m in 2013/14 with pre-tax profits showing £0.40m and £0.49m respectively, and a much improved balance sheet in 2013/14.

Profits in the last two years were reduced by the losses in Ryon Properties, which partly offset profits in Squarestone Brazil and Craigard. However the weighted return on the whole portfolio recorded +7.1% in 2012/13 and +12.3% in 2013/14. The direct portfolio recorded +6.9% and +14.3% respectively with the indirect at +7.5% and +3.9%.

In 2012 Clydesdale Bank withdrew from commercial property lending sadly ending a 65 year relationship with Atkins. After a detailed selection process we moved to Co-op Bank in March 2013 only to become shockingly caught up in the mess they in turn had found themselves. As a result we have moved to Barclays Plc and we hope that a sustainable banking platform can now be re-established for the future. This debacle has cost the company a considerable sum of money as well as lost opportunity.

However, the significant levels of active management that have occurred within the portfolio as well as the current programme underway is beginning to add value to the balance sheet once more.

With a market that is on an upward curve and with new JV opportunities emerging we hope to be able to add good value for shareholders going forward.

I would like to express my grateful thanks to all the team at Cedars Cottage who have worked tirelessly over the past few years.

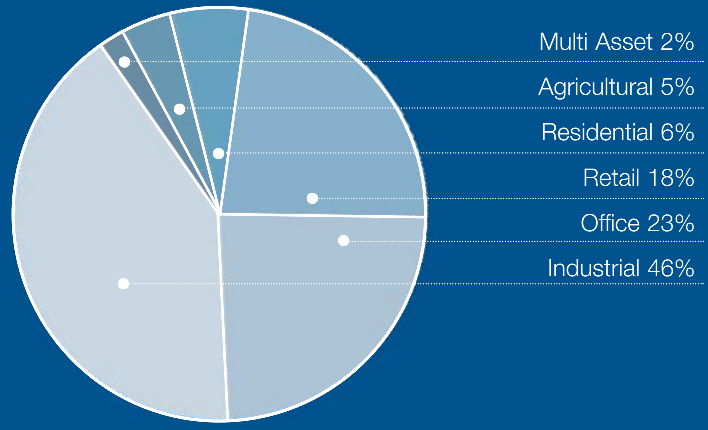
C.C. Micklethwaite *Chief Executive*

Woodgate Valley Business Park, Birmingham

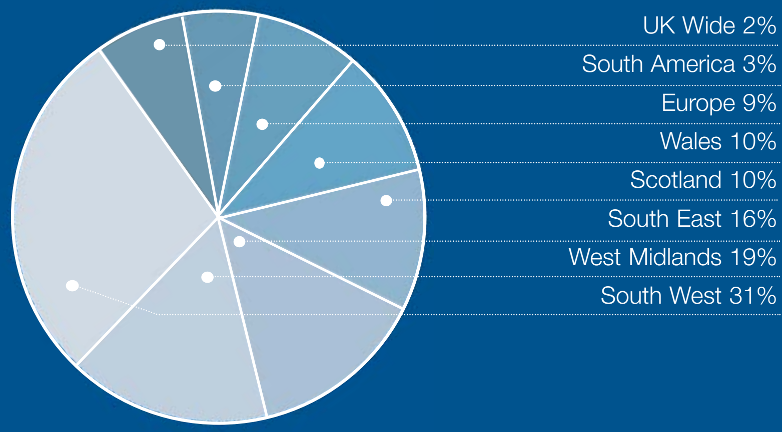
APL Average Returns Analysis

	3 Years	5 Years	20 Years
Total Portfolio	8%	8%	11%
Direct Portfolio	9%	9%	9%
Indirect Portfolio	5%	4%	15%
ROCE	2%	2%	9%
Weighted ROCE	4%	4%	15%
IPD Annual	8%	8%	10%

APL Total - Portfolio by Type



APL Total - Portfolio by Location



2014 SUMMARY

The Group reported a profit before tax of £490,000 and a revaluation surplus of £942,000. These combined to increase the Group's net assets to £17.1 million (March 2013: £15.9 million).

Financial Summary

	2013/14	2012/13
Movement on shareholders' funds in the year ended 31st March 2014	**£000**	£000
Total recognised gains and losses		
Realised - profit after tax	**470**	362
Unrealised - revaluation of assets and liabilities	**942**	(942)
	1,412	(580)
Dividends paid	**(200)**	(100)
Movement on shareholders' funds in the year	**1,212**	(680)
Opening shareholders' funds	**15,922**	16,602
Closing shareholders' funds at 31st March 2014	**17,134**	15,922

	March 14	March 13
Group balance sheet as at 31st March 2014	**£000**	£000
Fixed assets		
Tangible assets - investment properties	**21,847**	20,705
Tangible assets - other	**660**	667
Indirect property investments	**5,196**	5,797
Other financial assets	**72**	166
	27,775	27,335
Net current liabilities		
Bank overdrafts (net) & loans due in less than one year	**(1,080)**	(659)
Other (net)	**420**	113
Total assets less current liabilities	**27,115**	26,789
Bank loans due in more than one year	**(8,700)**	(9,410)
	18,415	17,379
Provision - deferred tax	**(260)**	(282)
Pension scheme liability (FRS17)	**(1,021)**	(1,175)
Shareholders' funds	**17,134**	15,922
Total bank borrowings	**9,780**	10,069

The figures for the year ended 31 March 2014 do not constitute statutory accounts within the meaning of S.434 of the Companies Act 2006. The figures for the year ended 31 March 2014 have been extracted from the unaudited statutory accounts and associated notes for that year.

DIRECTORS AND ADVISORS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Mr C.C. Micklethwaite


Mr C.E. Marr

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C.E. Marr *Finance Director*
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