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MOUNTVIEW ESTATES P.L.C.

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REPORT AND ACCOUNTS

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2010

**This document is important and requires your immediate attention.**

If you are in any doubt as to any aspect of the proposals referred to in this document or the action you should take, you should consult a stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Mountview Estates P.L.C., you should at once forward this document and the accompanying Form of Proxy to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of the Annual General Meeting of the Company to be held at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ is set out on pages 57 to 59 of this document. To be valid for use at the Meeting, the enclosed Form of Proxy should be completed and returned, in accordance with the instructions thereon, to Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to arrive no later than 48 hours before the time of the Meeting.

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	2010 £	2009 £	Increase %
Turnover (millions)	56.7	53.6	5.8
Gross Profit (millions)	34.5	25.9	33.2
Profit Before Tax (millions)	29.3	13.1	123.7
Profit Before Tax excluding investment properties revaluation (millions)	27.1	16.3	66.3
Equity Holders' Funds (millions)	203.1	187.5	8.3
Earnings per share (pence)	554.8	241.0	130.2
Net assets per share	52.1	48.1	8.3
Dividend per share (pence)	165	155	6.5

It has been a very encouraging year:

- Turnover up by 5.8 per cent.
- Gross Profit up by a third.
- Profit Before Tax more than doubled.
- Earnings per share up by more than 130 per cent.
- Proposed final dividend up by 10 pence per share giving an annual increase of 6.5 per cent.

These are the sort of figures which one would imagine could only be achieved against the backdrop of a strong and thriving economy but they have in fact been achieved in a very poor financial climate. As the General Election approached various artificial stimuli had been put in place. Of these only low interest rates continue and this may not be for long.

This statement which was released on 24 June 2010 was necessarily written before the new government's first budget statement and so I could not know what further difficulties might be imposed upon us. We know now that Corporation Tax is to be reduced each year for four years which may benefit the Company but we know also that everyone will probably have less disposable income which may influence the strength of the housing market.

However I believe that the Company is very soundly positioned to survive the difficult times that may lie ahead and indeed to take advantage of the opportunities that may arise. During the year the Company has reduced its long-term borrowings by £23 million and has further reduced them since 1 April. I believe that during the next twelve months and more the Company will be presented with opportunities to make the asset purchases that will serve it well for years to come.

My staff and colleagues have worked hard and are to be congratulated on the results achieved. I am happy that on the strength of these results it has been possible to be more generous with bonuses this year. I am also happy that these results make it possible to recommend an increased final dividend.

The final dividend of 115 pence per share in respect of the year ended 31 March 2010 recommended by your Board is payable on 16 August 2010 to shareholders on the Register of Members as at 16 July 2010. This will make a total dividend for the year ended 31 March 2010 of 165 pence per share which is more than three times covered by the earnings per share.

**D.M. SINCLAIR**  
Chairman

15 July 2010



## 1. RESIDENTIAL PROPERTIES

The Group's business model is simple. We are a property trading company buying tenanted properties at a discount to notional vacant possession value and selling them when they become vacant.

### Categories of Property held as trading stock

The Group trades in the following categories:

Regulated tenanted (residential) units

Ground rent units

Life tenancy units

A unit is a property, however large or small, whether freehold or leasehold, which is held subject to one tenancy.

### Analysis of the Group Trading portfolio by type as at 31 March 2010

	No of units	Cost £m
Regulated Tenancies	2,251	230.9
Ground Rents	1,100	1.7
Life Tenancies	366	24.3

### Analysis of the Group Trading portfolio at the lower of cost and estimated net realisable value by geographical location as at 31 March 2010

	Regulated £m	Ground Rents £m	Life Tenancies £m	Portfolio %
London (North)	58.7	0.7	0.2	23.2
London (South)	85.0	0.8	1.1	33.8
Kent, Surrey, Sussex, Dorset Hampshire, I.O.W	21.8	0.03	5.9	10.8
Herts, Essex, Beds, Bucks, Oxon, Camb, Norfolk, Suffolk, Berks, Middx, Northants	40.1	0.1	6.8	18.3
Remainder of England and Wales	25.3	0.03	10.3	13.9

The Company's modus operandi is to buy tenanted residential property and sell it when it becomes vacant. Regulated investments which are characterised by early possession with rental returns below market value and high margin on sale are becoming increasingly short in supply. Life tenancy stock has nominal rental income, is bought at a greater discount to vacant possession value and has a higher margin on sale. In addition, the maintenance of the property is usually the responsibility of the life tenant.

**1. RESIDENTIAL PROPERTIES** *(continued)*

During the financial year the Group has sold the following number of units:

Sales Price (£)	No of units	Location
1 million+	4	London
500,000-1 million	11	London and other
below 500,000	222	London and other
	<u>237</u>	

**Analysis of acquisitions**

	No of units	Year ended 31.03.2010 Cost £'000
Regulated tenancies	11	2,679
Life tenancies	1	455
Ground rents (or created)	78	248
	<u>90</u>	<u>3,382</u>

The above analysis does not include legal and commission expenses directly related to the acquisition of properties or any repairs of a capital nature.

The Group residential trading properties are carried in the balance sheet at the lower of cost and net realisable value. In assessing the net realisable value the Group compares the net sales proceeds which the Group expects on the sale of property with the vacant possession value.

The Company has benefited from good market conditions. Over the past year we have achieved premium prices for properties, especially in sought-after areas such as Belsize Park and the West End of London.

Based on sales made during the financial year, the Directors do not consider that any stock write down is necessary in respect of its properties. This is in contrast to last year's reduction in stock value relating to the Magdalen Estate Portfolio. Trading conditions in the early part of this financial year have not been easy, but we have achieved sales of £42 million (2009: £39 million) demonstrating the liquidity of the portfolio. The average sales price achieved was £177,215 (2009: £161,360).

In order to achieve a reduction in finance costs and long term loans, we significantly reduced acquisition spending to £3.3 million (2009: £15.7 million).

**Rental Income**

The Company's rental income is derived from five different sources:

- Regulated tenancies
- Assured tenancies
- Assured shorthold tenancies
- Life tenancies
- Ground rents

Where possible we still target those properties where the rent is capped and expenditure on improvements and the provision of missing amenities leads to substantial increases in rental income.

The operating contribution from the core business (comprising profits on sale of trading properties and rental income) are analysed in Note 4 on page 30.

**2. INVESTMENT PROPERTIES**

The analysis of the investment portfolio as at 31 March 2010 is as follows:

Louise Goodwin Limited	50 units
A.L.G. Properties Limited	11 units

All the properties are located in Belsize Park, London NW3.

Mountview Estates P.L.C. purchased the investment companies in 1999. They are the only significant departures from the Company's normal activities.

During the financial year, we disposed of three units for a total of £1.9 million.

**Outlook**

Where units become vacant we are prepared to refurbish the properties and sell them by private treaty to discerning purchasers who actively seek new homes in this prestigious area.

**Valuation**

The properties comprised within the investment portfolio have been revalued externally for the purpose of these accounts. The value attributed to each individual property reflects the change in its condition where appropriate and any adjustment resulting from changes in market circumstances.

Details of the valuation of the investment portfolio are disclosed on page 35.

**Prospects for the Group**

Since the end of the financial year we are continuing to sell properties and we are pleased with the results achieved. Given our refinancing and the reduction in long term borrowings, we believe that we are in a strong position to take advantage of any prime purchasing opportunities which may arise in the near future.

**Executive Directors****D.M. Sinclair FCA (Chairman)**

Joined the Company as Company Secretary in 1977, became a Director on 1 January 1982 and succeeded his late father as Chairman on 5 June 1990. Fellow of the Institute of Chartered Accountants in England and Wales.

**K. Langrish-Smith**

Joined the Company in 1974 and became a Director on 1 January 1982.

**Miss J.L. Murphy**

Joined the Company in 1990 as an assistant to the late Frank Sinclair and became a Director on 1 September 1995.

**Mrs. M.M. Bray FCCA**

Joined the Company in 1996 and became Company Secretary. Became a Director on 1 April 2004. Fellow of the Association of Chartered Certified Accountants.

**Non-Executive Directors****J.B. Fulton FCA**

Joined the Company as a Non-Executive Director on 1 January 2007. Fellow of the Institute of Chartered Accountants in England and Wales. He has held senior financial roles in multinational companies.

**J.A.N. Laing FRICS**

Joined the Company as a Non-Executive Director on 1 January 2009. Fellow of the Royal Institution of Chartered Surveyors. Retired as a partner from Strutt and Parker Property Consultants and Estate Agents in April 2009 but remains as a consultant.

**J.P. Hall**

Joined the Company as a Non-Executive Director on 1 December 2000. He was the Chief Executive of Brewin Dolphin Holdings PLC from 1987 to September 2007. Mr. J.P. Hall retired from the Board at the Annual General Meeting 2009.

**Secretary and Registered Office**

Mrs. M.M. Bray FCCA

Mountview House, 151 High Street, Southgate, London N14 6EW

**Bankers**

HSBC Bank Plc, 60 Queen Victoria Street, London EC4N 4TR

Barclays Bank Plc, One Churchill Place, London E14 5HP

**Auditors**

BSG Valentine

Lynton House, 7-12 Tavistock Square, London WC1 H9B

**Solicitors**

Norton Rose LLP

3 More London Riverside, London SE1 2AQ

**Registrars and Transfer Office**

Capita Registrars

The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

**Brokers**

Brewin Dolphin Securities Ltd

12 Smithfield Street, London EC1A 9BD

The Directors have pleasure in presenting to the Members their Seventy-Third Annual Report together with the Financial Statements for the year ended 31 March 2010.

### 1. RESULTS AND DIVIDENDS

The Results for the year are set out in the Income Statement on page 18.

The Directors recommend the payment of a final dividend of 115 pence per share. The dividend will be paid on 16 August 2010 subject to approval at the A.G.M. on 11 August 2010 to Shareholders on the register at the close of business on 16 July 2010.

### 2. ACTIVITIES

The principal activities of the Company and its Subsidiary undertakings are as follows:

#### Parent Company

Mountview Estates P.L.C.	Property Dealing
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#### Subsidiary undertakings (wholly owned)

Hurstway Investment Company Limited	Property Dealing
Louise Goodwin Limited	Property Investment
A.L.G. Properties Limited	Property Investment

### 3. REVIEW OF BUSINESS AND PROSPECTS

Details of the Group's performance during the year and expected future developments are contained in the Chairman's Statement and the Review of Operations on pages 4 to 6. In addition the Group has established the following Financial and Internal Performance Indicators:

#### Financial Key Performance Indicators

	2010 growth %	2009 growth %
Turnover	5.8	(1.2)
Profit before tax excluding investment properties revaluations	66.3	(41.2)
Earnings per share	130.2	(54.5)
Net assets per share	8.3	(0.2)

The Directors consider that there are no significant non-financial indicators in existence.

#### Internal Performance Measures

	2010 £'000	2009 £'000
Administrative expenses as percentage of revenue	7.1%	7.0%
Administrative expenses per member of staff	150	140
Profit before tax per member of staff	1,100	484

In the current economic climate, the impact of the credit crunch has caused a slowdown in the rate of house price growth and a strong decline in levels of mortgage approvals.

**3. REVIEW OF BUSINESS AND PROSPECTS** *(continued)***Risk review**

The key risks to the Group's business are:

- long-term downturn in the UK housing market  
Our residential portfolio consists mainly of low value units spread over high demand areas of London and the South East. The majority of our properties are of relatively low value, which are still affordable even during a market slowdown. Our investment portfolio is located in the highly desirable area of Belsize Park.
- significant fluctuations in interest rates  
The Company has entered into an Interest Rate Swap Agreement, for a period of 5 years in 2008 on its £40 million loan in order to reduce its exposure to interest rate fluctuations.
- a lack of availability of finance  
We are reducing our still modest level of gearing and improving liquidity by cutting back on purchases and repaying loans.
- long term worldwide recession  
The shrinking of the UK economy combined with the worsening economic outlook and higher unemployment may affect the prices obtained from the sale of properties.

**4. ROTATION OF DIRECTORS**

In accordance with the Company's Articles of Association, Mr. D.M. Sinclair and Mr. K. Langrish-Smith retire from the Board by rotation and being eligible, offer themselves for re-appointment. Resolutions for their re-appointment will be proposed at the Annual General Meeting.

**5. SHARE CAPITAL**

The authorised share capital of the Company as at 31 March 2010 was £250,000 divided into 5,000,000 Ordinary Shares of 5 pence of which 3,899,014 were in issue.

The rights and obligations attaching to the Company's shares, as well as the powers of the Company's directors, are set out in the Company's Articles of Association, a copy of which can be viewed on the Company's website at [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk)

The Company's Articles of Association can only be amended by special resolution of the shareholders.

**6. DIRECTORS' INTERESTS IN SHARE CAPITAL**

The number of Ordinary Shares in the Company in which the Directors and their families were interested is as follows:

	<b>31 March 2010</b>	1 April 2009
	<i>Ordinary Shares of 5p each</i>	
Mr. D.M. Sinclair including the following holding of Sinclair Estates Limited – 54,165	<b>535,883</b>	535,883
Mr. D.M. Sinclair is a Director of the above company		
Mr. K. Langrish-Smith	<b>307,000</b>	304,225
Miss J.L. Murphy	<b>1,500</b>	1,500
Mrs. M.M. Bray	<b>12,302</b>	11,477
Mr. J.P. Hall (retired at the last AGM)	–	2,000

All the above interests are beneficial.

There have been no changes in the interests of Directors in the share capital of the Company between 31 March 2010 and 12 July 2010.

**7. NOTIFIABLE INTERESTS IN SHARE CAPITAL**

As at 12 July 2010, the following disclosures of major holdings of voting rights have been made (and have not been amended or withdrawn) to the Company pursuant to the requirements of Disclosure and Transparency Rule 5:

	Ordinary Shares of 5p each	% of Issued Share Capital
Mr. Phillip Trevor Wheeler FDSGS Acct and Mrs. Daphne Sinclair and Mr. Alistair James Sinclair Mr. Geoffrey Wilfred Bew Todd and Mr. Stephen Robin Oldfield Trustees of W.D.I. Sinclair Grandchildren Settlement	633,780	16.25
Estate of Mrs. Doris Sinclair	179,400	4.60
Mrs. M.A. Murphy	118,100	3.03
Mrs. A. Williams	596,745	15.31
Mrs. S. Simpkins	145,450	3.73
	138,750	3.56

**8. ENVIRONMENTAL MATTERS AND SOCIAL/COMMUNITY ISSUES**

Given the size of the Company and the nature of its business as a property trading company, the Company does not currently have any policies in place in relation to environmental, social or community issues.

**9. EMPLOYEES**

The Company provides regular training for its employees relating to the software used in the business, in order to ensure the ongoing development of each employee's skills and knowledge. A great number of our employees have worked for the Company for many years and there is very little turnover of staff.

**10. SIGNIFICANT AGREEMENTS**

Certain banking agreements to which the Company is a party (described in Note 19 to the Consolidated Financial Statements) alter or terminate upon a change of control of the Company following a takeover bid.

There are no other significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no contractual or other agreements or arrangements in place between the Company and third parties which, in the opinion of the Directors, are essential to the business of the Company.

**11. DIRECTORS' INTERESTS IN CONTRACTS**

There was no Contract in existence during or at the end of the financial year in which a Director of the Company is, or was, materially interested, and which is or was significant in relation to the Company's business.

**12. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Company purchases liability insurance covering the Directors and Officers of the Company and its Subsidiary undertakings.

**13. POLICY ON THE PAYMENT OF CREDITORS**

The Company's policy in respect of all its suppliers is to settle the terms of payment when agreeing the terms of each transaction. The Company also ensures that the suppliers are made aware of the terms of payment and abide by them.

**13. POLICY ON THE PAYMENT OF CREDITORS** *(continued)*

Trade creditors existing at 31 March 2010 relating to purchases of property stock generally complete 28 days after exchange of contracts. Other trade creditors were settled, on average, 21 days after incurring the liability (2009: 21 days).

**14. REMUNERATION POLICY**

The Company's Shareholders will be asked to approve the Remuneration Report contained in the Annual Report and Accounts at the Annual General Meeting to be held on 11 August 2010 and a resolution is drafted accordingly.

**15. CORPORATE GOVERNANCE**

The Directors' statement on corporate governance is set out on pages 13 to 15.

**16. HEALTH AND SAFETY**

The Group is committed to achieving a high standard of health and safety. The Group regularly reviews its health and safety policies and practices to ensure that appropriate standards are maintained. The gas supply and appliances within all of the Group's relevant residential properties are independently inspected under the Gas Safety (Installation and Use) Amended Regulations 1996 and certificates of compliance issued.

**17. DONATIONS**

During the year the Group made charitable donations of £24,500 (2009: £19,065). There were no political donations (2009: £nil).

**18. GOING CONCERN BASIS**

The Directors continue to adopt the going concern basis in preparing the accounts.

The financial position of the Group including key financial ratios is set out in the Review of Business and Prospects.

The Group is historically profitable, has considerable liquidity and recently reviewed its long term borrowing facilities with the banks. As a result, the Directors believe the Group is very well placed to manage its business risks successfully and have a good expectation that both the Company and the Group have adequate resources to continue their operations. Further detailed information is set out on pages 27 and 37.

**19. POST BALANCE SHEET EVENTS**

There are no material events that have occurred subsequent to the period end that require disclosure.

**20. AUDITORS**

Messrs. BSG Valentine have indicated their willingness to continue in office and a resolution for the reappointment of BSG Valentine as auditors for the ensuing year will be proposed at the Annual General Meeting.

By Order of the Board  
M.M. BRAY  
Secretary

Mountview House  
151 High Street  
Southgate  
London N14 6EW  
15 July 2010

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with the applicable law and International Financial Reporting Standards as adopted by the European Union. In addition the Directors are responsible for preparing the Parent Company accounts in accordance with UK GAAP.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS's as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors confirm to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with United Kingdom law and the International Financial Reporting Standards (IFRSs) and in accordance with rule 4.1.12(3)(a) of the Disclosure and Transparency Rules, have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the Management Report represented by the Directors' Report has been prepared in accordance with rule 4.1.12(3)(b) of the Disclosure and Transparency Rules, and includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties the Group faces.

The Directors are responsible for the maintenance and integrity of the Group website [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk).

By Order of the Board  
M.M. BRAY  
*Secretary*

Mountview House  
151 High Street  
Southgate  
London N14 6EW  
15 July 2010

The Financial Reporting Council (FRC) published a new version of the Combined Code in June 2008. This is applicable to the Company for the reporting year commencing 1 April 2009. The Board is satisfied that as a “small company” outside the FTSE 350 it would currently meet most of the requirements.

Mountview Estates P.L.C. is a family controlled Company. There is a concert party in existence, whose net aggregate shareholdings amount to approximately 53 percent of the issued share capital of the Company.

Throughout the year ended 31 March 2010 the Company has been in compliance with the Code provisions set out in Section 1 of the June 2008 FRC Combined Code on Corporate Governance with certain exceptions noted below:

- A2.1 requires justification for combining the posts of Chairman and Chief Executive Officer. There is no formal division of responsibilities but neither the Chairman nor any other member of the Board has unfettered powers of decision.

Given the size of the Company, there is no formal nomination of a senior independent director.

### The Board

As at the year ended 31 March 2010 the Board comprised the Chairman, Mr. D.M. Sinclair, three executive Directors and two non-executive Directors. All Directors have access to independent professional advice at the expense of the Company and to the services of the Company Secretary who is responsible to the Board for ensuring the correct procedures are followed.

In addition to ad-hoc meetings arranged to discuss particular transactions and events, the full Board meets at least four times a year and retains full and effective control over the Group’s activities.

Meetings	Mr. D.M. Sinclair	Mr. K. Langrish- Smith	Miss J.L. Murphy	Mrs. M.M. Bray	Mr. J.P. Hall	Mr. J.B. Fulton	Mr. J.A.N. Laing
Full Board	4	4	4	4	1	4	4
Audit Committee	2	–	–	2	–	3	3
Remuneration Committee	1	–	–	–	–	2	2

Day to day management is delegated to the Executive Board which focuses on major transactions, business growth, strategy, cash management and control.

There is regular communication with the Non-Executive Directors in order to keep them informed on the Company’s operations.

All members of the Board are subject to the re-election provisions of the Articles which require them to offer themselves for re-election at least once every three years and, on appointment, at the first Annual General Meeting (AGM) after appointment. Details of those directors offering themselves for re-appointment are set out in the Directors’ Report on page 9.

**Going concern**

The Group's business activities together with the factors likely to affect its future development, position performance and position are set out in the Notes to the Accounts on pages 27 and 28.

The financial position of the Group, its cash flow, liquidity position and borrowing facilities, are described on page 37.

The Board is confident that the Company have adequate resources to continue in existence for the foreseeable future. For this reason the Group continue to adopt the going concern basis in preparing the accounts.

**Directors – performance evaluation**

The Board is of the opinion that the Directors' performance is continuously evaluated throughout the year.

Any areas of concern are addressed during our regular management or Board meetings. Each of the Directors is responsible for his/her self-appraisal process in respect of their individual performance during the year. This is in turn discussed with the members of the Remuneration Committee who also review the performance of the Board as a whole.

**Remuneration Committee**

The Remuneration Committee comprises Mr. J.B. Fulton (non-executive Director) and Mr. J.A.N. Laing (non-executive Director). The Committee, which is chaired by Mr. J.A.N. Laing, monitors, reviews and makes recommendations to the Board on all elements of the remuneration of the executive Directors. The Committee meets twice a year.

Mr D.M. Sinclair, the Chairman of the Company, is invited by the Remuneration Committee members to attend one meeting or part of any meeting as and when appropriate.

No Director is involved in deciding his/her own remuneration and the remuneration of the non-executive Directors is determined by the full Board.

The report of Directors' Remuneration is set out on pages 16 to 17.

**Nomination Committee**

The Nomination Committee is responsible for the selection and approval of appointments to the Board. Given the small size of the Company the Chairman of the Nomination Committee is Mr. D.M. Sinclair and all the Directors of the Company are members. There were no meetings during the year.

**Audit Committee**

The Audit Committee comprises Mr. J.B. Fulton (non-executive Director) and Mr. J.A.N. Laing (non-executive Director). The Committee, which is chaired by Mr. J.B. Fulton, has clear terms of reference agreed by the Board and is responsible for ensuring that the Group's system of financial control is adequate. It also keeps under review the cost effectiveness of the audit and the independence and objectivity of the auditors.

This includes the approval of any non-audit service fees above a relatively normal level.

The Committee is satisfied that the taxation services provided by BSG Valentine is overseen by partners and staff who are excluded from the audit procedure.

Mr D.M. Sinclair and Mrs M.M. Bray attended two of the meetings held by the Audit Committee.

The Committee meets three times a year and one of these meetings is with the external auditors without an executive director in attendance. The Chairman of the Audit Committee reports to the Board on matters discussed with external auditors. The Audit Committee monitors the integrity of the financial statements and reviews the interim and annual financial statements before submission to the Board. Further the Committee seeks to ensure that the external auditors are independent.

Mr. J.B. Fulton is a Fellow of the Institute of Chartered Accountants in England and Wales.

The Audit Committee has satisfied itself that the Company complies with the principles set out in the Smith Report.

### **Communications with Shareholders**

The Company communicates with its shareholders by way of the Annual Reports and Accounts and half yearly interim reports. Investors may use the Company's Annual General Meeting to communicate with the Board. The Board including the non-executive Directors is available throughout the year to listen to the views of Shareholders.

### **Risk Management**

Details of this are included in Note 3 in the Report of the Directors on pages 8 and 9.

### **Internal Financial Control**

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout the period from 1 April 2009 to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors in the Combined Code.

The Directors are responsible for establishing and maintaining the Group's system of internal financial control. Internal control systems in any group are designed to meet the particular needs of that group and the risks to which it is exposed, and by their nature can provide reasonable but not absolute protection against material misstatement or loss. Due to its size, the Group does not have an internal audit function. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

**Identification of Business Risks** – The Board is responsible for identifying the major business risks faced by the Group, such as fluctuations in interest rates, inflation rates, fluctuations in consumer spending, employment levels and for determining the appropriate course of action to manage those risks.

**Management Structure** – The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board.

**Corporate Accounting** – Responsibility levels are communicated throughout the Group as part of the corporate accounting procedures. These procedures set out authorisation levels, segregation of duties and other control procedures.

**Quality and Integrity of Personnel** – The integrity and competence of personnel is ensured through high recruitment standards and close Board supervision.

**Monitoring** – Internal financial control procedures are reviewed by the Board as a whole. These reviews embrace the provision of regular information to management, and monitoring of performance and key performance indicators.

## UNAUDITED INFORMATION

### Remuneration Committee

The Remuneration Committee, as constituted by the Board is responsible for the determination of the remuneration of the executive Directors of Mountview Estates P.L.C. The Board as a whole considers the remuneration of the non-executive Directors. External advisors were not used in the year under review.

### Remuneration Policy

The Group operates in a competitive environment. In forming its policy on remuneration the Group aims to set reward packages which enable the Group to attract, retain and motivate executives with the appropriate skills and experience.

The Remuneration Committee has developed the following specific remuneration package consisting of two elements.

- Basic salary and benefits – the fixed part of the package
- Annual discretionary bonuses

Basic salaries and benefits in kind for each executive Director are reviewed on an annual basis by the Remuneration Committee, which takes into account individual responsibilities, experience and performance as well as competitive market practice. Benefits include the provision of a car, private medical health insurance and life insurances.

Directors have the choice of the use of a company car or a cash alternative.

All members of staff benefit from health and life insurances.

The Group does not operate any share option scheme.

Bonuses are recommended by the Committee and approved by the Board having regard to the performance of the Group and the executive Directors during the year. In assessing corporate performance the Remuneration Committee takes into account the Group's corporate performance within the property sector.

### Non-Executive Directors

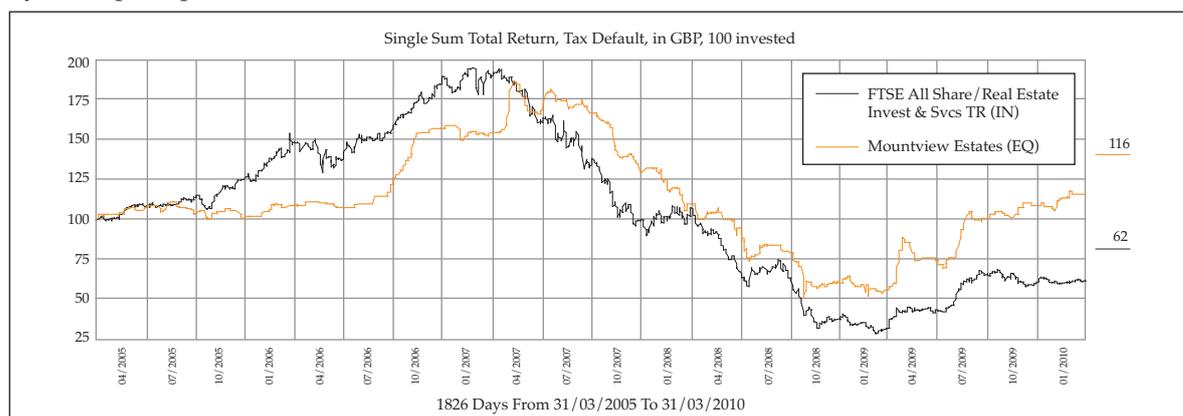
Each non-executive Director receives fees of £24,000 per annum. The non-executive Directors are not entitled to bonuses, benefits or pension contributions.

### Pensions

The Company contributes 5% of the total of the executive Directors' gross annual salaries and bonuses to a Stakeholder Pension Scheme. This scheme is available to all employees of the Company.

### Performance Graph

The graph below is prepared in accordance with The Directors' Remuneration Report Regulations 2002 and illustrates the Company's performance compared to a broad equity market index over the past five years. As the Company is a constituent of the FTSE All-Share Real Estate Index, that index is considered the most appropriate form of broad equity market index against which the Company's performance should be plotted. Performance is measured by Total Shareholder Return as represented by share price performance and dividend.



The graph looks at the value of £100 invested in Mountview Estates P.L.C. on 31 March each year compared to the value of £100 invested in the FTSE All-Share Real Estate Index.

AUDITED INFORMATION

	Salary £000	Bonus £000	Benefits in kind £000	Pensions Contri- butions £000	Total £000
<b>2010</b>					
<b>Executive</b>					
D.M. Sinclair	250	240	38	24	552
K. Langrish-Smith	150	80	24	11	265
Miss J.L. Murphy	180	150	11	16	357
Mrs M.M. Bray	212	165	–	18	395
<b>Non-Executive</b>					
J.P. Hall	10	–	–	–	10
J.B. Fulton	24	–	–	–	24
J.A.N. Laing	24	–	–	–	24
	<u>850</u>	<u>635</u>	<u>73</u>	<u>69</u>	<u>1,627</u>

	Salary £000	Bonus £000	Benefits in kind £000	Pensions Contri- butions £000	Total £000
<b>2009</b>					
<b>Executive</b>					
D.M. Sinclair	250	200	39	21	510
K. Langrish-Smith	150	65	24	10	249
Miss J.L. Murphy	180	120	13	14	327
Mrs M.M. Bray	200	135	–	15	350
<b>Non-Executive</b>					
J.P. Hall	24	–	–	–	24
J.B. Fulton	24	–	–	–	24
J.A.N. Laing	6	–	–	–	6
	<u>834</u>	<u>520</u>	<u>76</u>	<u>60</u>	<u>1,490</u>

**Service Contracts**

Each of the executive Directors who served during the year has a service agreement, which can be terminated on one year's notice by either party.

**Approval**

An Ordinary Resolution to approve this report will be proposed at the Annual General Meeting of the Company.

This report was approved by the Board on 15 July 2010.



**J.A.N. Laing**  
Chairman of the Remuneration Committee

*for the year ended 31 March 2010*

	Notes	Year ended 31.03.2010 £000	Year ended 31.03.2009 £000
<b>REVENUE</b>	4	56,697	53,599
Cost of sales	4	(22,191)	(27,657)
<b>GROSS PROFIT</b>		<b>34,506</b>	<b>25,942</b>
Administrative Expenses		(4,046)	(3,767)
<b>Operating profit before changes in fair value of investment properties</b>		<b>30,460</b>	<b>22,175</b>
Increase/(Decrease) in fair value of investments		2,142	(3,210)
<b>PROFIT FROM OPERATIONS</b>		<b>32,602</b>	<b>18,965</b>
Finance costs	8	(3,347)	(5,906)
Income from investments	9	–	3
<b>PROFIT BEFORE TAXATION</b>		<b>29,255</b>	<b>13,062</b>
Taxation – current		(7,969)	(4,864)
Taxation – deferred		349	1,191
Taxation	10	(7,620)	(3,673)
<b>PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>		<b>21,635</b>	<b>9,389</b>
<b>Basic and diluted earnings per share (pence)</b>	12	<b>554.8</b>	<b>241.0</b>

The notes on pages 23-42 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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Company number: 328020

*as at 31 March 2010*

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	Notes	As at 31.03.2010 £000	As at 31.03.2009 £000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	2,422	2,567
Investment properties	14	32,872	32,195
		35,294	34,762
<b>CURRENT ASSETS</b>			
Inventories of trading properties	16	256,964	268,806
Trade and other receivables	17	1,197	660
Cash and cash equivalents		443	840
		258,604	270,306
<b>TOTAL ASSETS</b>		293,898	305,068
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	22	195	195
Capital redemption reserve	23	55	55
Capital reserve	23	25	25
Other reserves	23	56	56
Cash flow hedge reserve	21	(3,640)	(3,614)
Retained earnings	24	206,366	190,773
		203,057	187,490
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	19	65,000	88,000
Deferred tax	20	8,157	8,506
		73,157	96,506
<b>CURRENT LIABILITIES</b>			
Bank overdrafts and loans	19	8,876	13,026
Trade and other payables	18	1,355	2,055
Current tax payable		3,813	2,377
Derivative financial instruments	21	3,640	3,614
		17,684	21,072
<b>TOTAL LIABILITIES</b>		90,841	117,578
<b>TOTAL EQUITY AND LIABILITIES</b>		293,898	305,068

Approved by the Board on 15 July 2010.

D. M. SINCLAIR Chairman

K. LANGRISH-SMITH Director

The notes on pages 23-42 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 March 2010*

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	Notes	Share capital £000	Capital reserve £000	Capital redemp- tion reserve £000	Cash flow hedge reserve £000	Other reserves £000	Retained earnings £000	Total £000
<b>Changes in equity for year ended 31 March 2009</b>								
Balance as at 1 April 2008		195	25	55	–	56	187,426	187,757
Profit for the year							9,389	9,389
Cash flow hedge	21				(3,614)			(3,614)
Dividends	11						(6,042)	(6,042)
<b>Balance at 31 March 2009</b>	<b>24</b>	<b>195</b>	<b>25</b>	<b>55</b>	<b>(3,614)</b>	<b>56</b>	<b>190,773</b>	<b>187,490</b>
<b>Changes in equity for year ended 31 March 2010</b>								
Balance as at 1 April 2009		195	25	55	(3,614)	56	190,773	187,490
Profit for the year							21,635	21,635
Movements in cash flow hedge	21				(26)			(26)
Dividends	11						(6,042)	(6,042)
<b>Balance at 31 March 2010</b>	<b>24</b>	<b>195</b>	<b>25</b>	<b>55</b>	<b>(3,640)</b>	<b>56</b>	<b>206,366</b>	<b>203,057</b>

The fair value movements on those derivative financial instruments qualifying for hedge accounting under IAS39 are taken to reserve.

The notes on pages 23-42 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

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*for the year ended 31 March 2010*

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	Notes	Year ended 31.03.2010 £000	Year ended 31.03.2009 £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit from operations		32,602	18,965
Adjustments for:			
Depreciation		156	192
Loss on disposal of property, plant and equipment		5	145
(Increase)/Decrease in fair value of investment properties		(2,142)	3,210
Operating cash flows before movement in working capital		30,621	22,512
Decrease in inventories		11,841	2,555
(Increase)/Decrease in receivables		(538)	459
(Decrease) in payables		(822)	(1,053)
Cash generated from operations		41,102	24,473
Interest paid		(3,347)	(5,906)
Income taxes paid		(6,410)	(6,443)
<b>Net cash inflow from operating activities</b>		31,345	12,124
<b>Investing activities</b>			
Interest received		–	3
Proceeds from disposal of investment properties		1,895	1,005
Proceeds from disposal of property, plant and equipment		–	15
Purchase of property, plant and equipment	13	(11)	(58)
Capital expenditure on investment properties	14	(434)	(350)
<b>Net cash inflow from investing activities</b>		1,450	612
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(23,800)	(9,110)
Equity dividend paid		(6,042)	(6,042)
<b>Net cash (outflow) from financing activities</b>		(29,842)	(15,152)
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,953	(2,413)
Cash and cash equivalents at beginning of the period		(11,211)	(8,798)
<b>Cash and cash equivalents at end of year</b>	19(a)	(8,258)	(11,211)

The notes on pages 23-42 are an integral part of these consolidated financial statements.

*for the year ended 31 March 2010*

	Notes	Year ended 31.03.2010 £000	Year ended 31.03.2009 £000
Profit for the year		21,635	9,389
Net (expense) recognised directly in equity	21	(26)	(3,614)
Total recognised income		<u>21,609</u>	<u>5,775</u>
The total recognised income in the year is attributable to:			
Equity shareholders of the parent		<u>21,609</u>	<u>5,775</u>

The notes on pages 23-42 are an integral part of these consolidated financial statements.

for the year ended 31 March 2010

## 1. GENERAL INFORMATION

Mountview Estates P.L.C. (the Company) and its Subsidiaries (the Group) is a property trading company with a portfolio in England and Wales.

The Company is a public limited liability company incorporated, domiciled and registered in England.

The address of its registered office is: 151 High Street, Southgate, London N14 6EW.

The Company website is: [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk)

The Company has its primary listing on the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 15 July 2010.

## 2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of Preparation

The Group's financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable International Financial Reporting Standards, (IFRS) as adopted by the EU.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. These are presented on pages 45 to 52.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2(u) "Estimates and Judgements".

### (b) Basis of Consolidation

The Group's financial statements incorporate the results of Mountview Estates P.L.C. and all of its Subsidiary undertakings made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The Group exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The purchase method has been used in consolidating the subsidiary financial statements.

All significant inter company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation within the consolidated accounts.

Consistent accounting policies have been used across the Group.

for the year ended 31 March 2010

## 2. ACCOUNTING POLICIES (continued)

### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group has identified two such segments as follows:

- core portfolio
- residential investments

All above segments are UK based. More details are given in note 5.

### (d) Income Tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in Subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### (e) Revenue

Revenue includes proceeds of sales of properties, rents from properties, which are held as trading stock, investment and other sundry items of revenue before charging expenses.

Rental income is recognised over the rental period.

Sales of properties are recognised on legal completion as in the Directors' opinion this is the point at which the substantial risks and rewards of ownership have been transferred.

### (f) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as an expense in the Group's financial statements in the period in which the dividends are approved.

### (g) Interest Expense

Interest expense for borrowings are recognised within "finance costs" in the income statement using the effective interest rate method. The effective interest method is a method of calculating the financial liability and of allocating the interest expense over the relevant period.

for the year ended 31 March 2010

**2. ACCOUNTING POLICIES** (continued)**(h) Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset using the straight-line method as follows:

Freehold property	–	2%
Fixtures and fittings and office equipment	–	20%
Computer equipment	–	25%
Motor Vehicles – reducing balance method	–	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(i) Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Any impairment is recognised in the Income Statement in the year in which it occurs.

**(j) Investment Property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available the Group uses alternative valuation methods such as recent prices or less active markets or discounted cash flow projections.

Subsequent expenditure is included in the carrying amount of the property when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Gains or losses arising from changes in the fair value of the Group's investment properties are included in the income statement of the period in which they arise.

for the year ended 31 March 2010

2. ACCOUNTING POLICIES (continued)

(k) **Inventories – trading properties**

These comprise residential properties all of which are held for resale, and are shown in the financial statements at the lower of cost and estimated net realisable value. Cost includes legal fees and commission charges incurred during acquisition together with improvement costs. Net realisable value is the net sale proceeds which the Group expects on sale of a property in its current condition with vacant possession. Where residential properties are sold tenanted, net realised value is the current market value net of associated selling costs. There were no such sales during the financial year. The analysis of the Group revenue as at 31 March 2010 is on page 30.

(l) **Pension Costs**

The Group operates a stakeholder contribution pension scheme for employees. The annual contributions payable are charged to the Income Statement. The Group has no further payment obligations once the contributions have been paid.

(m) **Financial Instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument. Trade and other receivables and trade and other payables and cash and cash equivalents are measured at their net realisable value.

(n) **Bank Borrowings**

Loans are recorded at fair value at initial recognition and thereafter at amortised costs under the effective interest method.

(o) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(p) **Derivatives**

The Group uses derivative instruments to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

The derivatives are recognised initially at fair value. Subsequently, the gain or loss on remeasurement to fair value is recognised immediately in the income statement, unless the derivatives qualify for cash flow hedge accounting in which case any gain or loss is taken to equity in a cash flow hedge reserve.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an ongoing basis. The effectiveness testing is reperformed at each period end to ensure that the hedge remains highly effective.

for the year ended 31 March 2010

## 2. ACCOUNTING POLICIES (continued)

### (q) New and Revised International Financial Reporting Standards

The Group has considered or applied the following standards for the period commencing 1 April 2009. There has been no significant impact to the financial information as a result of applying these standards for the first time.

- IAS 1 (revised 2007) – Presentation of Financial Statements – has introduced a number of changes in the format and presentation of the financial statements.
- IFRS 8 – Operating segments – is a disclosure standard that has had no impact on the designation of the Group's reportable segments.
- IFRS 7 (amendments) – The amendments to IFRS 7 expands the disclosures required in respect of fair value measurements and liquidity risk.
- IAS 39 (amendments) – The amendments permit an entity to reclassify non-derivative financial assets of the 'fair value through profit or loss' and 'available for sale' categories in very limited circumstances. This was not applicable to the Group.
- IAS 40 (amendments) – This has been amended to include within its scope investment property in the course of construction. It does not have an impact on the Group's financial statements.
- IAS 23 (revised 2007) – The principle change to the standard was to eliminate the option to expense all borrowing costs when incurred. The impact of this was not considered to have a material impact on the Groups' financial statement.

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods and which the entity has not yet adopted. Except where stated none of these standards are expected to have a significant impact on recognition or measurement of the Group's assets or liabilities.

- IFRS 1 (amended)/IAS 27 (amended) – Cost of an investment in a Subsidiary, Jointly Controlled Entity
- IFRS 3 (revised 2008) – Business combinations
- IAS 27 (revised 2008) – Consolidated and Separate Financial Statements
- Improvements to IFRSs (April 2009)

The Parent Company and subsidiaries have not adopted IFRS in their individual accounts.

### (r) Critical Accounting Judgements and Key Areas of Estimation Uncertainty

#### *Going concern*

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern. Because of the difficult market conditions prevailing this assessment has been subject to more uncertainties than are usual.

The two main considerations were as follows:

#### 1. Refinancing of banking facilities

The Group has successfully renegotiated its £20 million revolving loan facility with HSBC Bank. The new termination date of this facility is January 2015.

The Group has successfully renegotiated its £75 million revolving loan facility with Barclays Bank. The new termination date of this facility is November 2014.

for the year ended 31 March 2010

## 2. ACCOUNTING POLICIES (continued)

### (r) Critical Accounting Judgements and Key Areas of Estimation Uncertainty (continued)

#### 2. Covenant compliance

The core facility has two covenants, both unchanged by the new facilities, covering loan to value ("LTV") ratio and interest cover. The Group has remained well within both of these covenants during the year.

On the basis of the above, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### *Distinction between investment and trading property*

The Group considers the intention at the outset when each property is acquired in order to classify the property as either an investment or a trading property. Where the intention is to either trade the property or where the property is held for immediate sale upon receiving vacant possession within the ordinary course of business, the property is classified as trading property. Where the intention is to hold the property for its long-term retail yield and/or capital appreciation, the property is classified as an investment property.

#### *Investment properties*

In considering the values attributable to the investment portfolio, the following factors are taken into consideration:

- sales of properties within the Group's portfolio during the preceding 12 months
- sales of properties in the same district whenever the information is available
- published market research concerning the performance of the property market in this region and district
- factors affecting individual properties and units in relation to value, and factors in the district which might affect the values of individual properties and units.

The valuation of the portfolios were made in accordance with the requirements of the RICS Valuation Standards Manual, Sixth Edition and International Valuation Standard 40.

#### *Carrying value of trading stock*

The Group's residential trading stock is carried in the balance sheet at the lower of cost and net realisable value.

As the Group's business model is to sell trading stock on vacancy, net realisable value is the net sales proceeds which the Group expects on sale of a property with vacant possession.

The Board is of the opinion that the housing market continued to sustain recovery during 2009-10 and based on that assumption it was decided that no write downs to net realisable value were necessary during the year ended 31 March 2010 (31 March 2009: £3 million).

#### *Inventory expected to be settled in more than 12 months*

The Board estimate that inventory of £17.3 million will be settled within the next 12 months, with the remaining inventory value expected to be settled in more than 12 months. This estimation is based on the average cost of sales of inventory over the last 3 year period. Mountview's business, historic and current has involved the purchase for sale of residential properties subject to regulated tenancies, such properties being sold when vacant possession is obtained.

Regulated tenancies by their nature are not for any specific period of time and in most cases they do not become vacant until the death of the tenant.

It is difficult to predict with any certainty the time at which Mountview's inventory properties might become vacant.

for the year ended 31 March 2010

### 3. FINANCIAL RISK MANAGEMENT

#### 1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk and cash flow risk) credit risk and liquidity risk. The Group's policies on financial risk management are to minimise the risk of adverse effect on performance and to ensure the ability of the Group to continue as a going concern.

The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings.

#### (a) Market risk

The Group is exposed to market risk through interest rates and availability of credit.

##### *Price risk*

– the Group is exposed to property price and property rental risk.

##### *Cash flow and fair value interest rate risk*

– as the Group has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

##### *Long Term Borrowings*

– borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's cash flow and fair value interest rate risk is periodically monitored by the Group's management. The Group uses derivative instruments to help manage its interest rate risk.

The Board is confident that based on the historical performance of the Group, the finance costs are sufficiently covered by profits from operations.

As at 31 March 2010 we had decreased our long term borrowings by £23 million to £65 million (2009: £88 million).

The Group has two covenants covering loan to value ratio and interest cover. These covenants were complied with during the financial year and we are confident to meet them at the interim stage.

#### (b) Credit risk

Exposure to credit risk and interest risk arises in normal course of the Group's business.

The Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents as well as credit exposures with respect to rental customers, including outstanding receivables. The Directors are of the opinion that credit risk is minimal due to the low level of trade receivables relative to the Balance Sheet totals. Regulated tenants are incentivised through the benefit of their tenancy agreement to avoid default on their rent.

Lifetime tenancies are generally at low or zero rent and hence suffer minimal credit risk.

#### (c) Liquidity risk

The Group's liquidity position is monitored daily by management and is reviewed quarterly by the Board of Directors. The Group ensures that it maintains sufficient cash for operational requirements at all times. The nature of its business is very cash generative from its gross rents and sales of trading properties.

In adverse trading conditions, new acquisitions can be minimised, and as a consequence reduce the gearing level and improve the liquidity. A summary table with maturity of financial liabilities is presented in the note 19.

for the year ended 31 March 2010

### 3. FINANCIAL RISK MANAGEMENT (continued)

#### 2. Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total debt and equity.

	2010 £000	2009 £000
<b>Total borrowings</b>	73,876	101,026
<b>Less cash and cash equivalents</b>	(443)	(840)
<b>Net borrowings</b>	<u>73,433</u>	<u>100,186</u>
<b>Total equity</b>	<u>203,057</u>	<u>187,490</u>
<b>Total borrowings plus equity</b>	276,490	287,676
<b>Gearing ratio</b>	27%	35%

### 4. ANALYSIS OF REVENUE AND COST OF SALES

All revenue arises in the United Kingdom.

- Rental income from tenancies of occupied properties. The income is recognised on an accruals basis.
- Sale of stock properties. This is recognised on the date of legal completion.

	2010 £000	2009 £000
<b>Revenue</b>		
Gross sales of properties	42,927	39,372
Gross rental income	13,770	14,227
	<u>56,697</u>	<u>53,599</u>
<b>Cost of Sales</b>		
Cost of properties sold	17,547	22,344
Property expenses	4,644	5,313
	<u>22,191</u>	<u>27,657</u>
<b>Gross Profit</b>		
Sales of properties	25,380	17,028
Net rental income	9,126	8,914
	<u>34,506</u>	<u>25,942</u>

for the year ended 31 March 2010

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5. SEGMENTAL INFORMATION

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group monitors its operations in the following segments:

	2010		Group £'000	2009		Group £'000
	Property Trading £'000	Property Investment £'000		Property Trading £'000	Property Investment £'000	
Revenue	55,992	705	56,697	52,829	770	53,599
Operating profit before changes in fair value of investment properties	30,116	344	30,460	21,859	316	22,175
Finance costs	(3,347)		(3,347)	(5,903)		(5,903)
Profit after tax			21,635			9,389
Assets	260,866	33,023	293,889	272,725	32,343	305,068
Liabilities	78,804	67	78,871	106,636	59	106,695
Fixed assets capital expenditure	–	434	434	58	350	408
Depreciation	144	12	156	164	28	192

The Group's two main business segments operate within the United Kingdom.

6. PROFIT FROM OPERATIONS

	2010 £000	2009 £000
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	156	192
Loss on disposal of fixed assets	–	2
Auditors' remuneration		
– the audit of the parent company and consolidated financial statements	36	33
– the audit of the company's subsidiaries pursuant to legislation	12	12
– for other services	9	9
operating expenses for investment properties	298	283
And after crediting:		
– net rental income	9,126	8,914
– administrative charges to related companies (Note 25)	30	63

for the year ended 31 March 2010

**7. STAFF COSTS (including Directors)**

	2010 £000	2009 £000
Wages and salaries	2,373	2,171
Social security costs	288	272
Pension costs	98	85
	<u>2,759</u>	<u>2,528</u>
<b>Directors' Remuneration</b>	<b>2010 £000</b>	<b>2009 £000</b>
Total Directors' Remuneration including salary, bonuses, benefits in kind and pension contributions amounted to:	<u>1,627</u>	<u>1,490</u>

The details of Directors' Remuneration are shown in the audited section of the Remuneration Report on page 17.

The Company contributes 3% of the total annual gross salaries and bonuses of each employee to a Stakeholder Pension Scheme.

The average monthly number of employees during the year was as follows:

	2010	2009
Office and management	<u>27</u>	<u>27</u>

**8. FINANCE COSTS**

	2010 £000	2009 £000
Interest on bank overdrafts, and loans	<u>3,347</u>	<u>5,906</u>

**9. INCOME FROM INVESTMENTS**

	2010 £000	2009 £000
Interest on bank deposits	<u>-</u>	<u>3</u>

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10. INCOME TAX EXPENSE

	2010 £000	2009 £000
<b>(a) Analysis of charge in the year</b>		
Current tax:		
UK Corporation Tax 28% (2009: 28%)	<u>7,969</u>	<u>4,864</u>
Deferred tax:		
Current year 28% (2009: 28%)	<u>(349)</u>	<u>(1,191)</u>
Taxation attributable to the Company and its Subsidiaries	<u>7,620</u>	<u>3,673</u>

**(b) Factors affecting income tax expense**

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit on ordinary activities before taxation	<u>29,255</u>	<u>13,062</u>
Profit on ordinary activities multiplied by rate of tax 28% (2009: 28%)	8,191	3,657
Expenses not deductible for tax	58	73
Depreciation in excess of capital allowances	24	31
Taxation on capital gains	309	189
Marginal relief	(5)	(5)
Revaluation surplus in subsidiaries not taxed	(599)	899
Deferred tax	(349)	(1,191)
Sundry adjusting items	(9)	20
Taxation attributable to the Company and its Subsidiaries	<u>7,620</u>	<u>3,673</u>

11. DIVIDENDS

On 17 August 2009 a dividend of 105 per share (2008: 105p per share) was paid to the shareholders. On 29 March 2010 a dividend of 50p per share (2009: 50p per share) was paid to the shareholders. This resulted in total dividends paid in the year of £6.042 million (2009: £6.042 million).

In respect of the current year, the Directors propose that a final dividend of 115p per share will be paid to the shareholders on 16 August 2010. This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed final dividend for 2010 is payable to all shareholders on the Register of Members on 16 July 2010. The total estimated final dividend to be paid is £6.47 million.

for the year ended 31 March 2010

## 12. EARNINGS PER SHARE

	2010 £000	2009 £000
The calculations of earnings per share are based on the following profits and number of shares.		
Net profit for financial year (basic and fully diluted)	<u>21,635</u>	<u>9,389</u>
Weighted average number of ordinary shares for basic and fully diluted earnings per share	<u>3,899,014</u>	<u>3,899,014</u>
Basic and Diluted Earnings per share	<u>554.8p</u>	<u>241.0p</u>

The Company has no dilutive potential ordinary shares.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Computer Equipment £ 000	Total £000
<b>COST</b>					
At 1 April 2008	2,671	272	347	173	3,463
Additions	–	17	41	–	58
Disposals	–	–	(35)	–	(35)
<b>At 31 March 2009</b>	<u><b>2,671</b></u>	<u><b>289</b></u>	<u><b>353</b></u>	<u><b>173</b></u>	<u><b>3,486</b></u>
<b>DEPRECIATION</b>					
At 1 April 2008	383	189	101	71	744
Charge for the year	53	48	54	37	192
On disposals	–	–	(17)	–	(17)
<b>At 31 March 2009</b>	<u><b>436</b></u>	<u><b>237</b></u>	<u><b>138</b></u>	<u><b>108</b></u>	<u><b>919</b></u>
<b>NET BOOK VALUE</b>					
At 31 March 2008	<u>2,288</u>	<u>83</u>	<u>246</u>	<u>102</u>	<u>2,719</u>
<b>At 31 March 2009</b>	<u><b>2,235</b></u>	<u><b>52</b></u>	<u><b>215</b></u>	<u><b>65</b></u>	<u><b>2,567</b></u>

Property, Plant and Equipment are located within United Kingdom.

for the year ended 31 March 2010

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Computer Equipment £ 000	Total £000
<b>COST</b>					
At 1 April 2009	2,671	289	353	173	3,486
Additions	–	11	–	–	11
Disposals	–	(218)	–	(42)	(260)
<b>At 31 March 2010</b>	<b>2,671</b>	<b>82</b>	<b>353</b>	<b>131</b>	<b>3,237</b>
<b>DEPRECIATION</b>					
At 1 April 2009	436	237	138	108	919
Charge for the year	53	27	43	33	156
On disposals	–	(218)	–	(42)	(260)
<b>At 31 March 2010</b>	<b>489</b>	<b>46</b>	<b>181</b>	<b>99</b>	<b>815</b>
<b>NET BOOK VALUE</b>					
At 31 March 2009	2,235	52	215	65	2,567
<b>At 31 March 2010</b>	<b>2,182</b>	<b>36</b>	<b>172</b>	<b>32</b>	<b>2,422</b>

Property, Plant and Equipment are located within United Kingdom.

14. INVESTMENT PROPERTIES

	2010 £000	2009 £000
Fair Value at 1 April 2009 (2008)	32,195	36,203
Additions:		
Subsequent expenditure	434	350
Disposals	(1,899)	(1,148)
Increase / (Decrease) in Fair Value during the year	2,142	(3,210)
<b>At 31 March 2010 (2009)</b>	<b>32,872</b>	<b>32,195</b>

**Louise Goodwin Limited and ALG Properties Limited**

The Companies' investment properties were valued on a Fair Value basis as at 31 March 2010 by External Valuers, Mr F. Hill MRICS and Mr J.A. Rollings MRICS of Castles Surveyors Limited. The valuations were in accordance with the requirements of the RICS Valuation Standards Manual, Sixth Edition (The Red Book) and International Accounting Standard 40. The valuation of each investment property assumed that the property would be sold subject to any existing leases, regulated and assured tenancies, but otherwise, with vacant possession. On this basis, the aggregate Fair Value of the Company's interests in its investment properties was:

Louise Goodwin Limited  
£26,712,500 (twenty six million, seven hundred and twelve thousand five hundred pounds)

ALG Properties Limited  
£6,159,000 (six million, one hundred and fifty nine thousand pounds)

Information relating to the basis of valuation of investment properties and the judgements and assumption adopted by management is set out in note 2(u) "Estimates and Judgements".

A revaluation surplus of £2.142 million has arisen on valuation of investment properties to fair value as at 31 March 2010 (2009: deficit of £3.21 million) and this has been taken to the income statement.

for the year ended 31 March 2010

## 15. INVESTMENTS

### Fixed Asset Investments

These represent the cost of shares in the following wholly owned Subsidiary undertakings, which are incorporated and operate in England and Wales. Their results are consolidated in the accounts of the Group, for the period during which they are Subsidiary undertakings.

	Principal Activity	Cost 2009 2010 £000
Hurstway Investment Company Limited	Property Dealing	1
Louise Goodwin Limited	Property Investment	15,351
A.L.G. Properties Limited	Property Investment	2,924
		<u>18,276</u>

## 16. INVENTORIES

	2010 £000	2009 £000
Residential properties	<u>256,964</u>	<u>268,806</u>

## 17. TRADE AND OTHER RECEIVABLES

	2010 £000	2009 £000
Trade receivables	131	283
Prepayments and accrued income	<u>1,066</u>	<u>377</u>
	<u>1,197</u>	<u>660</u>

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

There are no bad or doubtful debts at the year end. There are no material debts past due, and there are no financial assets that are impaired.

## 18. TRADE AND OTHER PAYABLES

	2010 £000	2009 £000
Trade creditors	855	949
Other taxes and social security costs	142	145
Other creditors	<u>358</u>	<u>961</u>
	<u>1,355</u>	<u>2,055</u>

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

for the year ended 31 March 2010

19. BANK OVERDRAFTS AND LOANS

	2010 £000	2009 £000
Bank overdrafts	8,701	12,051
Bank loans	65,000	88,000
Other loans	175	975
	<u>73,876</u>	<u>101,026</u>
<b>(a) Cash and cash equivalents</b>		
	2010 £000	2009 £000
Bank overdrafts	(8,701)	(12,051)
Cash	443	840
Cash and cash equivalents as at 31 March	<u>(8,258)</u>	<u>(11,211)</u>

Maturity profile of financial liabilities at 31 March 2010 was as follows:

	2010 £000	2009 £000
Amounts repayable:		
In one year or less	8,876	13,026
Between one and two years	–	–
Between two and five years	65,000	88,000
	<u>73,876</u>	<u>101,026</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	8,876	13,026
Amount due for settlement after 12 months	<u>65,000</u>	<u>88,000</u>

The average interest rates paid were as follows:

	2010	2009
Bank overdrafts	2.12%	5.04%
Bank loans	3.97%	5.07%
Other loans	1.00%	4.11%

for the year ended 31 March 2010

**19. BANK OVERDRAFTS AND LOANS** (*continued*)

The Directors consider that the carrying amount of bank overdrafts and loans approximates their fair value.

The other principal features of the Group's borrowings are as follows.

1. The Group has successfully renegotiated its £22 million short-term borrowing facilities with Barclays Bank. This facility expires at September 2010 and the rate of interest payable is:
  - 1.5% over LIBOR on £17 million
  - 1.7% over Base rate on £5 million.Headroom of this facility at 31 March 2010 amounted to £16.9 million (2009: £17.2 million).
2. The bank overdrafts are repayable on demand. The bank overdrafts are secured by a Letter of Negative Pledge by Mountview Estates P.L.C.
3. The Group has successfully renegotiated its £75 million long-term borrowing facility with Barclays Bank. This is a 5 year revolving loan and the new termination date of this facility is November 2014. The rate of interest payable on the loan is 1.8% above LIBOR. The loan is secured by a cross guarantee between Mountview Estates P.L.C. and its subsidiaries. The loan is not repayable by instalments. Headroom of this facility at 31 March 2010 amounted to £30 million (2009: £7 million).
4. The Group has successfully renegotiated its £10 million short-term borrowing facilities with HSBC Bank. This facility expires at August 2010 and the rate of interest payable is 2.5% over Base rate. Headroom of this facility at 31 March 2010 amounted to £6.3 million (2009: £2.6 million).
5. The Group has successfully renegotiated its £20 million long-term borrowing facility with HSBC Bank. This is a 5 year revolving loan and the new termination date of this facility is January 2015. The rate of interest payable on the loan is 2.5% above LIBOR. The loan is secured by Letter of Negative Pledge. The loan is not repayable by instalments. Headroom of this facility at 31 March 2010 amounted to £nil (2009: £nil).
6. Other loans consist of loans from connected persons, and companies of which Mr. D.M. Sinclair is a Director. Loans of £175,000 (2009: £975,000) are repayable within one year. Interest payable on these loans is at 0.5% above Barclays Bank Plc base rate.

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20. DEFERRED TAX

Analysis for financial reporting purposes

	2010 £000	2009 £000
Deferred tax liabilities	8,157	8,506
Net position at 31 March	<u>8,157</u>	<u>8,506</u>

The movement for the year in the Group's net deferred tax position was as follows.

	2010 £000	2009 £000
At 1 April	8,506	9,697
(Credit) to income for the year	(349)	(1,191)
At 31 March	<u>8,157</u>	<u>8,506</u>

The following are in deferred tax liabilities recognised by the Group and movements thereon during the period.

	Revaluation of properties	
	2010 £000	2009 £000
At 1 April	8,506	9,697
(Credit) to income for the year	(349)	(1,191)
At 31 March	<u>8,157</u>	<u>8,506</u>

21. FINANCIAL INSTRUMENTS

Fair value of financial assets

The Group's financial assets at the year end consist of trade receivables and cash at bank and in hand of £1.6 million (2009: £1.5 million)

The Directors consider that the carrying amount of cash at bank and in hand approximates their fair value.

The trade receivables amounted to £1.19 million (2009: £660,000).

The Directors consider that the carrying amount of trade receivables approximates their fair value.

Fair value of borrowings

	2010 £000	2009 £000
Bank overdrafts	8,701	12,051
Secured bank loans	65,000	88,000
Unsecured loans	175	975
	<u>73,876</u>	<u>101,026</u>

for the year ended 31 March 2010

## 21. FINANCIAL INSTRUMENTS (continued)

Interest charged in the income statement for the above borrowings amounted to £3.3 million (2009: £5.9 million).

The Directors consider that the carrying amount of borrowings approximates their fair value. The details of the terms of the borrowings together with the average interest rates can be seen in Note 19.

As at 31 March 2010 it is estimated that general increase of 1 point in interest rates would decrease the Group's profit before tax by approximately £250,000 (2009: £480,000).

### Derivative financial instruments

The Group has entered into an Interest Rate Swap Agreement in January 2008 in order to help manage its interest rate risk.

The interest rate swap matures in March 2013 and is based on £40 million non-amortising notional amount. As at 31 March 2010 the fixed interest rate was 4.98% (31 March 2009: 4.98%).

As at 31 March 2010 the fair value of derivatives under IAS 39 is a charge of £3.6 million (2009: charge £3.6 million).

The interest rate swap was valued by Brewin Dolphin Investment Banking, a division of Brewin Dolphin Limited.

### Undiscounted maturity profile of financial liabilities

The following table analyses the Group's financial liabilities and derivative financial liabilities at the balance sheet date into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not always equal the amounts disclosed on the balance sheet for borrowings, derivative financial instruments, and trade and other payables. A reconciliation to the balance sheet amounts is given on page 37.

Trade and other payables due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £000	Between 1 & 5years £ 000	Total £000
<b>At 31 March 2010</b>			
Interest bearing loans and borrowings	9,155	81,058	90,213
Cash flow hedges	3,640	–	3,640
Trade and other payables	1,355	–	1,355
	Less than 1 year £000	Between 1 & 5years £ 000	Total £000
<b>At 31 March 2009</b>			
Interest bearing loans and borrowings	13,903	103,684	117,587
Cash flow hedges	3,614	–	3,614
Trade and other payables	2,055	–	2,055

for the year ended 31 March 2010

21. FINANCIAL INSTRUMENTS (continued)

Reconciliation of maturity analysis

	Less than 1 year £000	Between 1 & 5years £ 000	Total £000
<b>At 31 March 2010</b>			
Interest bearing loans and borrowings per accounts	8,876	65,000	73,876
Interest	279	16,058	16,337
	<u>9,155</u>	<u>81,058</u>	<u>90,213</u>
<b>At 31 March 2009</b>			
Interest bearing loans and borrowings per accounts	13,026	88,000	101,026
Interest	877	15,684	16,561
	<u>13,903</u>	<u>103,684</u>	<u>117,587</u>

22. CALLED UP SHARE CAPITAL

	2010 £000	2009 £000
Authorised: 5,000,000 ordinary shares of 5p each	<u>250</u>	<u>250</u>
Allotted, issued and fully paid: 3,899,014 ordinary shares of 5p each	<u>195</u>	<u>195</u>

23. OTHER RESERVES

	2010 £000	2009 £000
Capital redemption reserve	55	55
Capital reserve	25	25
Other reserves	56	56
	<u>136</u>	<u>136</u>

Capital redemption reserve relates to buy-back of the Company's own shares.

The Group does not maintain insurance cover against other risks except where several properties are located in close physical vicinity. A reserve is maintained to deal with such non-insured risks and at 31 March 2010 stood at £56,000 (2009: £56,000).

for the year ended 31 March 2010

## 24. RETAINED EARNINGS

	£000
Balance at 1 April 2009	190,773
Net profit for the year	21,635
Dividends paid	(6,042)
Balance at 31 March 2010	<u>206,366</u>

## 25. RELATED PARTY TRANSACTIONS

1. During the financial year there were no key management personnel emoluments, other than remuneration.
- 2.(a) Mountview Estates P.L.C. provides general management and administration services to Ossian Investors Limited and Sinclair Estates Limited, companies of which Mr. D.M. Sinclair is a Director. Fees of £30,237 (2009: £45,130) were charged for these services.
  - (b) Included within other loans repayable in less than one year and on demand is a loan from Sinclair Estates Limited. The balance outstanding at the balance sheet date was £nil (2009: £700,000). Interest was payable on the loan at a rate of 0.5 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £504 (2009: £22,605).
  - (c) Included within other loans repayable in less than one year and on demand is a loan from Ossian Investors Limited. The balance outstanding at the balance sheet date was £nil (2009: £100,000). Interest was payable on the loan at a rate of 0.5 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £240 (2009: £5,466).
  - (d) Included within other loans, repayable in less than one year and on demand is a loan from Mrs. D. Sinclair, a shareholder of the Company. The balance outstanding at the balance sheet date was £175,000 (2009: £175,000). Interest was payable on the loan at a rate of 0.5 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £1,470 (2009: £8,256).
  - (e) All of the above loans are unsecured.
  - (f) Transactions between the Group and its Subsidiaries, which are related parties, have been eliminated on consolidation and have not been disclosed in this note.

*to the Members of Mountview Estates P.L.C.*

We have audited the Group financial statements of Mountview Estates P.L.C. for the year ended 31 March 2010, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the statement of consolidated cash flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following: Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern; and
- the part of the Corporate Governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

*to the Members of Mountview Estates P.L.C.*

**OTHER MATTER**

We have reported separately on the parent Company financial statements of Mountview Estates P.L.C. for the year ended 31 March 2010 and on the information in the Report of the Remuneration committee and Directors' Remuneration Report that is described as having been audited.

Norman Strong (Senior Statutory Auditor)  
for and on behalf of BSG Valentine  
Chartered Accountants and Statutory Auditors  
London

15 July 2010

# COMPANY BALANCE SHEET UNDER UK GAAP

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*as at 31 March 2010*

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	Notes	As at 31.03.2010 £000	As at 31.03.2009 £000
<b>FIXED ASSETS</b>			
Tangible assets	3	2,392	2,534
Investments	4	18,276	18,276
		20,668	20,810
<b>CURRENT ASSETS</b>			
Stocks	5	243,860	255,554
Debtors	6	1,124	573
Cash at bank and in hand		319	706
		245,303	256,833
<b>CREDITORS: Amounts falling due within one year</b>	7	(17,101)	(20,650)
<b>NET CURRENT ASSETS</b>		228,202	236,183
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		248,870	256,993
<b>CREDITORS: Amounts falling due after more than one year</b>	8	(90,200)	(109,221)
		158,670	147,772
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	195	195
Capital redemption reserve	10	55	55
Capital reserve	10	25	25
Other reserves	10	39	39
Cash flow hedge reserve	11	(3,640)	(3,614)
Profit and Loss Account	12	161,996	151,072
		158,670	147,772

Approved by the Board on 15 July 2010.

D.M. SINCLAIR Chairman

K. LANGRISH-SMITH Director

for the year ended 31 March 2010

## 1. ACCOUNTING POLICIES

### (a) Basis of Accounting

The Accounts have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

### (b) Investments

Fixed assets investments in Subsidiary undertakings are stated at costs less any provision for impairment.

### (c) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

### (d) Turnover

Turnover includes proceeds of sales of properties, rents from properties which are held as trading stock, or investment and any other sundry items of revenue before charging expenses. Sales of properties are recognised on completion.

### (e) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset using the straight-line method as follows:

Freehold property	–	2%
Fixtures and fittings and office equipment	–	20%
Computer equipment	–	25%
Motor Vehicles – reducing balance method	–	20%

### (f) Impairment of Fixed Assets

Fixed Assets are subject to review for impairment in accordance with FRS11 “Impairment of Fixed Assets and Goodwill”. Any impairment is recognised in the Profit and Loss Account in the year in which it occurs.

### (g) Stocks

These comprise residential properties all of which are held for resale, and are valued at the lower of cost and estimated net realisable value. Cost to the Group includes legal fees and commission charges incurred during acquisition together with improvement costs. Net realisable value is the net sale proceeds which the Group expects on sale of a property with vacant possession in its current condition. The properties prices have stabilised and improved over the last twelve months, in view of this and based on the results of sales made during the financial year the Directors do not consider that any stock write down is necessary. The analysis of the Group revenue as at 31 March 2010 is on page 30.

### (h) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluations (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at balance sheet date, there is binding agreement to dispose of these assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

for the year ended 31 March 2010

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C.**2. STAFF COSTS (including Directors)**

	2010 £000	2009 £000
Wages and salaries	2,373	2,171
Social security costs	288	272
Pension costs	98	85
	<u>2,759</u>	<u>2,528</u>

**DIRECTORS' REMUNERATION**

	2010 £000	2009 £000
Total Directors' Remuneration including salary, bonuses, benefits in kind and pensions contributions amounted to:	<u>1,627</u>	<u>1,490</u>

The details of Directors' Remuneration are shown in the audited section of the Remuneration Report on page 17.

The Company contributes 3% of the total annual gross salaries and bonuses of each employee to a Stakeholder Pension Scheme.

The average monthly number of employees during the year was as follows:

	2010	2009
Office and management	<u>27</u>	<u>27</u>

**3. TANGIBLE ASSETS**

	Freehold Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Computer Equipment £ 000	Total £000
<b>COST</b>					
At 1 April 2008	2,671	98	347	173	3,289
Additions	–	3	41	–	44
Disposals	–	–	(35)	–	(35)
<b>At 31 March 2009</b>	<u>2,671</u>	<u>101</u>	<u>353</u>	<u>173</u>	<u>3,298</u>
<b>DEPRECIATION</b>					
At 1 April 2008	383	62	101	71	617
Charge for the year	53	20	54	37	164
On disposals	–	–	(17)	–	(17)
<b>At 31 March 2009</b>	<u>436</u>	<u>82</u>	<u>138</u>	<u>108</u>	<u>764</u>
<b>NET BOOK VALUE</b>					
At 31 March 2008	<u>2,288</u>	<u>36</u>	<u>246</u>	<u>102</u>	<u>2,672</u>
<b>At 31 March 2009</b>	<u>2,235</u>	<u>19</u>	<u>215</u>	<u>65</u>	<u>2,534</u>

All tangible assets of the Company are located within the United Kingdom.

for the year ended 31 March 2010

### 3. TANGIBLE ASSETS (continued)

	Freehold Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Computer Equipment £ 000	Total £000
<b>COST</b>					
At 1 April 2009	2,671	101	353	173	3,298
Additions	–	–	–	–	–
Disposals	–	(78)	–	(42)	(120)
<b>At 31 March 2010</b>	<b>2,671</b>	<b>23</b>	<b>353</b>	<b>131</b>	<b>3,178</b>
<b>DEPRECIATION</b>					
At 1 April 2009	436	82	138	108	764
Charge for the year	53	13	43	33	142
On disposals	–	(78)	–	(42)	(120)
<b>At 31 March 2010</b>	<b>489</b>	<b>17</b>	<b>181</b>	<b>99</b>	<b>786</b>
<b>NET BOOK VALUE</b>					
At 31 March 2009	2,235	19	215	65	2,534
<b>At 31 March 2010</b>	<b>2,182</b>	<b>6</b>	<b>172</b>	<b>32</b>	<b>2,392</b>

All tangible assets of the Company are located within the United Kingdom.

### 4. INVESTMENTS

#### Fixed Asset Investments

These represent the cost of shares in the following wholly owned Subsidiary undertakings, which are incorporated and operate in England and Wales. Their results are consolidated in the accounts of the Group, for the period during which they are Subsidiary undertakings.

	Cost 2009 2010 £000
Hurstway Investment Company Limited	1
Louise Goodwin Limited	15,351
A.L.G. Properties Limited	2,924
	<u>18,276</u>

The Company owns 100% of the ordinary share capital of the following companies:

Subsidiary Undertaking	Country of Incorporation	Principal Activity
Hurstway Investment Company Limited	UK	Property Dealing
Louise Goodwin Limited	UK	Property Investment
A.L.G. Properties Limited	UK	Property Investment

*for the year ended 31 March 2010*

## 5. STOCKS

	2010 £000	2009 £000
Residential properties	<u>243,860</u>	<u>255,554</u>

## 6. DEBTORS: due within one year

	2010 £000	2009 £000
Trade debtors	93	217
Prepayments and accrued income	<u>1,031</u>	<u>356</u>
	<u>1,124</u>	<u>573</u>

## 7. CREDITORS: Amounts falling due within one year

	2010 £000	2009 £000
Bank loans and overdrafts	8,701	12,051
Trade creditors	497	949
Corporation Tax	3,295	2,025
Other taxes and social security costs	127	145
Other creditors	666	891
Other loans	175	975
Derivative financial instruments	<u>3,640</u>	<u>3,614</u>
	<u>17,101</u>	<u>20,650</u>

Other loans consist of loans from connected persons. Interest payable on these loans was at 0.5% above Barclays Bank Plc Base rate.

## 8. CREDITORS: Amounts falling due after more than one year

	2010 £000	2009 £000
Bank loans	65,000	88,000
Amounts owed to Subsidiary undertakings	25,200	21,221
Other loans	—	—
	<u>90,200</u>	<u>109,221</u>

for the year ended 31 March 2010

8. **CREDITORS: Amounts falling due after more than one year** (continued)

Maturity profile of financial liabilities at 31 March 2010 was as follows:

	2010 £000	2009 £000
Amounts repayable:		
In one year or less	8,876	13,026
Between one and two years	–	–
Between two and five years	65,000	88,000
More than five years	25,200	21,221
	<u>99,076</u>	<u>122,247</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	8,876	13,026
Amount due for settlement after 12 months	<u>90,200</u>	<u>109,221</u>

The Directors consider that the carrying amount of bank overdrafts and loans approximates their fair value.

The other principal features of the Group's borrowings are as follows.

- The Group has successfully renegotiated its £22 million short-term borrowing facilities with Barclays Bank. This facility expires at September 2010 and the rate of interest payable is:
  - 1.5% over LIBOR or £17 million
  - 1.7% over Base rate or £5 million.
 Headroom of this facility at 31 March 2010 amounted to £16.9 million (2009: £17.2 million).
- The Group has successfully renegotiated its £75 million long-term borrowing facility with Barclays Bank. This is a 5 year revolving loan and the new termination date of this facility is November 2014. The rate of interest payable on the loan is 1.8% above LIBOR. The loan is secured by a cross guarantee between Mountview Estates P.L.C. and its subsidiaries. The loan is not repayable by instalments. Headroom of this facility at 31 March 2010 amounted to £30 million (2009: £7 million).
- The Group has successfully renegotiated its £10 million short-term borrowing facilities with HSBC Bank. This facility expires at August 2010 and the rate of interest payable is 2.5% over Base rate. Headroom of this facility at 31 March 2010 amounted to £6.3 million (2009: £2.6 million).
- The Group has successfully renegotiated its £20 million long-term borrowing facility with HSBC Bank. This is a 5 year revolving loan and the new termination date of this facility is January 2015. The rate of interest payable on the loan is 2.5% above LIBOR. The loan is secured by Letter of Negative Pledge. The loan is not repayable by instalments. Headroom of this facility at 31 March 2010 amounted to £nil (2009: £nil).
- Other loans consist of loans from connected persons, and companies of which Mr. D.M. Sinclair is a Director. Loans of £175,000 (2009: £975,000) are repayable within one year. Interest payable on these loans is at 0.5% above Barclays Bank Plc base rate.

*for the year ended 31 March 2010***9. CALLED UP SHARE CAPITAL**

	2010 £000	2009 £000
Authorised: 5,000,000 ordinary shares of 5p each	<u>250</u>	<u>250</u>
Allotted, issued and fully paid: 3,899,014 ordinary shares of 5p each	<u>195</u>	<u>195</u>

**10. OTHER RESERVES**

	2010 £000	2009 £000
Capital redemption reserve	55	55
Capital reserve	25	25
Other reserves	<u>39</u>	<u>39</u>
Balance at 31 March	<u>119</u>	<u>119</u>

Capital redemption reserve relates to buy-back of the Company's own shares.

The Group does not maintain insurance cover against other risks except where several properties are located in close physical vicinity. A reserve is maintained to deal with such non-insured risks and at 31 March 2010 stood at £39,000 (2009: £39,000).

**11. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company entered into an Interest Rate Swap Agreement in January 2008 in order to help manage its interest rate risk.

The interest rate swap matures in March 2013 and is based on £40 million non-amortising notional amount. As at 31 March 2010 the fixed interest rate was 4.98% (March 2009: 4.98%).

**12. PROFIT AND LOSS ACCOUNT**

	2010 £000	2009 £000
Balance at 1 April	151,072	147,313
Net profit for the year	16,966	9,801
Dividends paid	<u>(6,042)</u>	<u>(6,042)</u>
Balance at 31 March	<u>161,996</u>	<u>151,072</u>

for the year ended 31 March 2010

### 13. RELATED PARTY TRANSACTIONS

1. During the financial year there were no key management personnel emoluments, other than remuneration.
- 2.(a) Mountview Estates P.L.C. provides general management and administration services to Ossian Investors Limited and Sinclair Estates Limited, companies of which Mr. D.M. Sinclair is a Director. Fees of £30,237 (2009: £45,130) were charged for these services.
  - (b) Included within other loans repayable in less than one year and on demand is a loan from Sinclair Estates Limited. The balance outstanding at the balance sheet date was £nil (2009: £700,000). Interest was payable on the loan at a rate of 0.5 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £240 (2009: £22,605).
  - (c) Included within other loans repayable in less than one year and on demand is a loan from Ossian Investors Limited. The balance outstanding at the balance sheet date was £nil (2009: £100,000). Interest was payable on the loan at a rate of 0.5 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £540 (2009: £5,466).
  - (d) Included within other loans, repayable in less than one year and on demand is a loan from Mrs. D. Sinclair, a shareholder of the Company. The balance outstanding at the balance sheet date was £175,000 (2009: £175,000). Interest was payable on the loan at a rate of 0.5 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £1,470 (2009: £8,256).
  - (e) All of the above loans are unsecured.
  - (f) Transactions between the Group and its Subsidiaries, which are related parties, have been eliminated on consolidation and have not been disclosed in this note.

*to the Members of Mountview Estates P.L.C. on the parent company financial statements*

We have audited the parent Company financial statements of Mountview Estates P.L.C. for the year ended 31 March 2010 which comprise the parent company balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the statement of Directors' responsibilities set out in the Directors' Report, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit for the year ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion:

- The part of the report of the Remuneration Committee and Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the parent Company financial statements are prepared is consistent with the parent Company financial statements.

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' Remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, in relation to going concern; and
- the part of the corporate Governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

#### **OTHER MATTER**

We have reported separately on the Group financial statements of Mountview Estates P.L.C. for the year ended 31 March 2010.

Norman Strong (Senior Statutory Auditor)  
for and on behalf of BSG Valentine  
Chartered Accountants and Statutory Auditors  
London

15 July 2010

## TABLE OF COMPARATIVE FIGURES

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C.*as at 31 March 2010*

	IFRS 2005 £000	IFRS 2006 £000	IFRS 2007 £000	IFRS 2008 £000	IFRS 2009 £000	IFRS 2010 £000
Revenue	48,778	47,456	68,168	54,338	53,599	<b>56,697</b>
Profit before taxation	24,848	22,660	50,227	29,529	13,062	<b>29,255</b>
Taxation	7,482	6,738	15,167	8,861	3,673	<b>7,620</b>
Profit after taxation	17,366	15,922	35,060	20,668	9,389	<b>21,635</b>
Dividend in relation to the year	4,913	5,069	5,848	6.042	6.042	<b>6,433*</b>
Earnings per share	445.4p	408.4p	899.2p	530.1p	241.0p	<b>554.8p</b>
Rate of dividend	126p	130p	150p	155p	155p	<b>165p</b>

\*The £6.43 million dividend in relation to 2010 is made up of the interim dividend of £1.95 million and the final dividend of £4.48 million, which will be paid on 16 August 2010, subject to approval at the AGM on 11 August 2010.

*to the Company's Articles of Association*

It is proposed in resolution 8 to adopt the new Articles of Association in order to update the Company's current Articles of Association to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the **Shareholders' Rights Regulations**), the implementation of the last parts of the Companies Act 2006 and to reflect current market practice.

The changes introduced in the new Articles of Association which we consider will be of most interest to shareholders are summarised below. Other changes, which are of a minor, technical or clarifying nature, or conform the language of the new Articles of Association with that of the Companies Act 2006, have not been noted. A copy of the new Articles of Association showing all the changes to the Company's current Articles of Association are available for inspection, as noted on page 59.

#### **Authority to purchase own shares, consolidate and sub divide shares, and reduce share capital**

Under the Companies Act 1985 a company required specific enabling provisions in its Articles of Association to purchase its own shares, to consolidate to sub-divide its shares and to reduce its share capital or other undistributable reserves as well as members' authority to undertake the relevant action. The current Articles of Association include these enabling provisions. Under the Companies Act 2006, a company only requires members' authority to do any of these things and it will no longer be necessary for Articles of Association to contain enabling provisions. Amendments have been made to the new Articles of Association to reflect these changes.

#### **Proceedings of general meetings**

The new Articles of Association have been updated to allow for a number of administrative provisions relating to general meetings of the Company. In particular, under the new Articles of Association, the board may enable persons entitled to attend a general meeting to do so by simultaneous attendance and participation at a satellite meeting place or elsewhere provided certain conditions (such that members attending in all meeting places can hear and see all persons who speak in the principal meeting place and any satellite meeting place) are met.

#### **Adjournments**

The Shareholders' Rights Regulations have amended the Companies Act 2006 to require meetings adjourned for lack of quorum be held at least 10 clear days after the original meeting. The new Articles of Association reflect this requirement.

#### **Chairman's casting vote**

The new Articles of Association do not contain a provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

#### **Voting by proxies on a show of hands**

The Shareholders' Rights Regulations amended the Companies Act 2006 to clarify the rules that apply when a member's proxy casts votes for different shares in different ways. On a vote on a show of hands, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote, but the proxy has one vote for and one vote against the resolution if:

- the proxy has been duly appointed by more than one member entitled to vote on the resolution; and
- the proxy has been instructed by one or more members to vote for the resolution and by other members to vote against it.

The new Articles of Association have been amended to reflect these changes.

#### **Voting by corporate representatives**

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The new Articles of Association contain provisions which reflect these amendments.

*to the Company's Articles of Association*

### **Proxy appointments, terminations and instructions**

In accordance with the provisions of the Companies Act 2006, the new Articles of Association have also been updated to provide that where a proxy has been appointed by a person on behalf of a member, the Company may treat the appointment of a proxy as sufficient authority for that appointment. In addition, the new Articles of Association provide that for the appointment to be valid, a member must provide reasonable evidence of the authority under which the appointment was made if requested to do so by the Company. Proxy appointments shall be executed in such manner as the Company may approve.

The new Articles of Association clarify the position when two or more valid proxy appointments are received in respect of the same share for use at the same meeting and provides that the one that was last received shall be treated as replacing the others. If the Company determines that it has insufficient evidence to decide whether or not a proxy appointment is in respect of the same share, it shall be entitled to determine which proxy appointment (if any) is to be treated as valid.

The new Articles of Association have also been amended to reflect that, under the Companies Act 2006, weekends and bank holidays can be excluded from the calculation of the 48 hour notice period to appoint proxies, at the discretion of the Directors.

In addition, proxies have a statutory duty to vote in accordance with instructions given to them by their appointing member. The new Articles of Association provide that the Company is not required to enquire whether a proxy (or corporate representative) has voted in accordance with instructions and votes cast will be valid even if they have not been cast in accordance with the instructions provided by the appointing member.

### **Use of seals**

Under the Companies Act 1985, a company could have an official seal for use abroad only if its Articles of Association gave authority. Under the Companies Act 2006, such authority is no longer required and has been removed from the new Articles of Association.

### **Voting record date**

The Shareholders' Rights Regulations have amended the Companies Act 2006 to require a company to determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, ignoring days which are not working days. The new Articles of Association reflect this requirement.

### **Records to be kept**

The provision in the current Articles of Association requiring the Directors to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

### **Redeemable Shares**

Under the Companies Act 2006, the Articles of Association need not include the terms on which redeemable shares may be redeemed, and enables the Directors to determine the terms, conditions and manner of redemption, provided they are authorised to do so by the Articles of Association. The new Articles of Association contain such authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need Shareholders' authority to issue new shares and would set out the proposed basis of redemption at that time.

### **Closing of register of members**

Under the Companies Act 2006, companies are no longer able to close their register of members. This provision has been removed from the new Articles of Association.

Notice is hereby given that the Seventy-Third Annual General Meeting of the Members of Mountview Estates P.L.C. (incorporated in England and Wales with registered number 00328020) will be held at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ on 11 August 2010 at 11.30 a.m., for the following purposes:

*As ordinary business:*

1. To receive and consider the Reports of the Directors and the Auditors and the audited Statements of Accounts of the Company for the year ended 31 March 2010.
2. To declare a final dividend of 115p per share payable on 16 August 2010 to Shareholders on the register at 16 July 2010.
3. To re-appoint Mr. D.M. Sinclair as a Director of the Company.
4. To re-appoint Mr. K. Langrish-Smith as a Director of the Company.
5. To approve the Directors' Remuneration Report set out in the Annual Report and Accounts for the year ended 31 March 2010.
6. To re-appoint Messrs BSG Valentine as Auditors of the Company to hold office from the conclusion of the Meeting to the conclusion of the next meeting at which the accounts are laid before the meeting.
7. To authorise the Directors to determine the Auditors' remuneration for the ensuing year.

*As special business:*

8. To consider and, if thought fit, pass the following Special Resolution:  
THAT the Articles of Association produced to the Meeting and initialled by the Chairman of the Meeting for the purpose of identification to be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By Order of the Board  
M.M. BRAY  
*Secretary*

Mountview House  
151 High Street  
Southgate  
London N14 6EW  
16 July 2010

Notes:-

1. A Member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A proxy need not also be a Member of the Company. If a Member appoints more than one proxy to attend the Meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the Member. If a Member wishes to appoint more than one proxy and so requires additional forms of Proxy, the Member should contact Capita Registrars (PXS), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
2. A form of Proxy is enclosed with this Report and Accounts and should be completed in accordance with the instructions contained therein. Completion and return of the form of Proxy will not prevent a Member from attending the Meeting and voting in person. To be effective, the form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited at the office of the Company's Registrars, Capita Registrars (PXS), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time of the Meeting or any adjournment thereof. Amended instructions must also be received by the Company's Registrars by the deadline for receipt of Forms of Proxy.
3. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by no later than 48 hours before the time of the Meeting or any adjournment thereof. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy instruction must be received by the company's registrars no later than 48 hours before the time of the Meeting or any adjournment thereof.
4. Any person receiving a copy of this Notice as a person nominated by a Member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the Meeting in place of a Member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the Member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the Member as to the exercise of voting rights at the Meeting.  
  
Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the Member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that Member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of Section 360B of the Companies Act 2006, entitlement to attend and vote at the Meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company as at 11.30 a.m. on the day which is two days before the day of the Meeting (the "Specified Time") or adjourned Meeting. If the Meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of Members to attend and vote and for the purpose of determining the number of votes they may cast at the adjourned Meeting. Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
6. Any corporation which is a Member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Member, provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

7. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any Member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
8. Under section 527 of the Companies Act 2006, Members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
  - (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or
  - (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 Companies Act 2006. Where the Company is required to place a statement on a website under section 527 Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 Companies Act 2006 to publish on a website.
9. Any Member attending the Meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the Meeting put by a Member attending the Meeting. However, Members should note that no answer need be given in the following circumstances:
  - (a) if to do so would interfere unduly with the preparation of the Meeting or would involve a disclosure of confidential information;
  - (b) if the answer has already been given on a website in the form of an answer to a question; or
  - (c) if it is undesirable in the interests in the Company or the good order of the meeting that the question be answered.
10. This Notice, together with information about the total numbers of shares in the Company in respect of which Members are entitled to exercise voting rights at the Meeting as at 15 July 2010, being the last business day prior to the printing of this Notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk).
11. Any electronic address provided either in this Notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
12. As at 15 July 2010, being the last business day prior to the printing of this Notice, the Company's issued capital consisted of 3,899,014 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 15 July 2010 are 3,899,014.
13. Copies of the Directors' service contracts and a copy of the proposed new Articles of Association of the Company together with a copy of the existing Articles of Association marked to show the changes being proposed in Resolution 8 are available for inspection at the registered office at Mountview House, 151 High Street, Southgate, London N14 6EW during normal business hours on weekdays (Saturdays, Sundays and English public holidays excepted) from the date of this notice until the conclusion of the Meeting and will also be available for inspection on the date and at the place of the Meeting from 15 minutes prior to the commencement of the Meeting until the conclusion of the Meeting.

**FINANCIAL CALENDAR 2010**

<b>Final dividend record date</b>	<b>16 July</b>
<b>Annual Report Posted to Shareholders</b>	<b>16 July</b>
<b>Annual General Meeting</b>	<b>11 August</b>
<b>Final dividend payment</b>	<b>16 August</b>
<b>Interim Results</b>	<b>2 December</b>

Copies of this statement are being sent to shareholders. Copies may be obtained from the Company's registered office:

Mountview House  
151 High Street  
Southgate  
London N14 6EW

All administrative enquiries relating to shareholdings should be addressed to the Company's Registrars:

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0GA



