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MOUNTVIEW ESTATES P.L.C.

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INTERIM REPORT

2010



**CONTENTS****1**

	Page	M O U N T V I E W
Chairman's Statement	2	
Group Income Statement	3	E S T A T E S
Group Statement of Financial Position	4	
Group Cash Flow Statement	5	P. L. C.
Consolidated Statement of Changes in Equity	6	
Consolidated Statement of Comprehensive Income	7	
Notes to the Interim Report	8	
Shareholders' Information	12	

On the following pages are the unaudited Accounts for the six months ended 30 September 2010. Revenue is down by only 4% whereas earnings per share are down by nearly 8.5%. This is explained almost entirely by the increase in finance and administrative costs.

The new government has been in office for six months and much has been said about cuts in government spending and increases in taxation. Apart from the increase in value added tax to 20% from the beginning of January the finer detail of most of the other measures has yet to be published. It appears that the impact of these measures will be in 2011 / 2012 and subsequent financial years and so it is reasonable to believe that the second half of the company's financial year can be as good as the first half.

Inflation is now above 3% and this may necessitate the raising of base rate and it is still difficult for first time buyers to get mortgages and therefore trading conditions could be difficult during 2011. Nevertheless the further repayment of nearly £10 million of borrowings over the last six months has put the company in a strong financial position with about £40 million available to invest and we hope to take advantage of good purchasing opportunities during the next eighteen months thus ensuring good profits in years to come.

Jacqueline Murphy resigned as a director and left the company as at 31 August 2010. It is never the right time for a valued employee to depart but it does give an ideal opportunity for the company to review its procedures and introduce any desired changes.

With effect from 1 November 2010 Alistair Sinclair has been appointed a non-executive director of the company. Alistair is the son of the late Frank Sinclair, who co-founded the company, and his 34 years of experience in the banking industry will provide an invaluable contribution to the company.

The interim dividend is maintained at 50 pence per share and will be payable on 28 March 2011 to shareholders on the register at 25 February 2011.



D.M. SINCLAIR  
*Chairman*

30 November 2010

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London N14 6EW

## GROUP INCOME STATEMENT (UNAUDITED)

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	Notes	Half year ended 30.09.2010 £000	Half year ended 30.09.2009 £000	Year ended 31.03.2010 £000
<b>Revenue</b>	2	24,265	25,274	56,697
Cost of Sales	2	(9,091)	(9,382)	(22,191)
<b>Gross Profit</b>		<u>15,174</u>	<u>15,892</u>	<u>34,506</u>
Administrative expenses		(1,782)	(1,487)	(4,046)
<b>Operating profit before changes in fair value of investment properties</b>		<u>13,392</u>	<u>14,405</u>	<u>30,460</u>
Increase in fair value of investments		–	–	2,142
<b>Profit from operations</b>		<u>13,392</u>	<u>14,405</u>	<u>32,602</u>
Net finance costs		(1,751)	(1,560)	(3,347)
<b>Profit before taxation</b>		<u>11,641</u>	<u>12,845</u>	<u>29,255</u>
Taxation – current		(3,604)	(3,700)	(7,969)
Taxation – deferred		443	112	349
Taxation	3	(3,161)	(3,588)	(7,620)
<b>Profit attributable to equity shareholders</b>		<u>8,480</u>	<u>9,257</u>	<u>21,635</u>
<b>Basic and diluted earnings per share (pence)</b>	4	217.5p	237.4p	554.8p

All items within the consolidated income statement relate to continuing operations.

## GROUP STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	As at 30.09.2010 £000	As at 30.09.2009 £000	As at 31.03.2010 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	2,453	2,499	2,422
Investment properties	7	32,348	31,916	32,872
		<u>34,801</u>	<u>34,415</u>	<u>35,294</u>
<b>Current assets</b>				
Inventories of trading properties	8	252,966	263,254	256,964
Trade and other receivables		1,738	881	1,197
Cash and cash equivalents	9	115	238	443
		<u>254,819</u>	<u>264,373</u>	<u>258,604</u>
<b>Total assets</b>		<u><u>289,620</u></u>	<u><u>298,788</u></u>	<u><u>293,898</u></u>
<b>Equity and liabilities</b>				
<b>Capital and reserves attributable to equity holders of the company</b>				
Share capital		195	195	195
Capital redemption reserve		55	55	55
Capital reserve		25	25	25
Other reserve		56	56	56
Cash flow hedge reserve		(3,640)	(3,119)	(3,640)
Retained earnings		210,363	195,937	206,366
		<u>207,054</u>	<u>193,149</u>	<u>203,057</u>
<b>Non-current liabilities</b>				
Long-term borrowings		55,000	76,000	65,000
Deferred tax		7,713	8,394	8,157
		<u>62,713</u>	<u>84,394</u>	<u>73,157</u>
<b>Current liabilities</b>				
Bank overdrafts and loans		11,768	13,906	8,876
Trade and other payables		920	502	1,355
Current tax payable		3,525	3,718	3,813
Derivative financial instruments		3,640	3,119	3,640
		<u>19,853</u>	<u>21,245</u>	<u>17,684</u>
<b>Total liabilities</b>		<u><u>82,566</u></u>	<u><u>105,639</u></u>	<u><u>90,841</u></u>
<b>Total equity and liabilities</b>		<u><u>289,620</u></u>	<u><u>298,788</u></u>	<u><u>293,898</u></u>

## GROUP CASH FLOW STATEMENT (UNAUDITED)

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	Half year ended 30.09.2010 £000	Half year ended 30.09.2009 £000	Year ended 31.03.2010 £000
<b>Cash flows from operating activities</b>			
Profit from operations	13,392	14,405	32,602
Adjustment for:			
Depreciation	75	76	156
(Gain)/Loss on disposal of property, plant and equipment	(17)	–	5
(Increase) in fair value of investment properties	–	–	(2,142)
	<u>13,450</u>	<u>14,481</u>	<u>30,621</u>
<b>Cash flow from operations before movement in working capital</b>			
Decrease in inventories	3,999	5,552	11,841
(Increase) in receivables	(541)	(221)	(538)
(Decrease) in payables	(488)	(1,556)	(822)
	<u>16,420</u>	<u>18,256</u>	<u>41,102</u>
<b>Cash generated from operations</b>			
Interest paid	(1,751)	(1,564)	(3,347)
Income taxes paid	(3,891)	(2,356)	(6,410)
	<u>10,778</u>	<u>14,336</u>	<u>31,345</u>
<b>Net cash inflow from operating activities</b>			
<b>Investing activities</b>			
Proceeds from disposal of investment properties	1,100	650	1,895
Proceeds from disposal of property, plant and equipment	39	–	–
Purchase of property, plant and equipment	(129)	(7)	(11)
Capital expenditure on investment properties	(525)	(371)	(434)
	<u>485</u>	<u>272</u>	<u>1,450</u>
<b>Net cash inflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(9,800)	(12,700)	(23,800)
Equity dividend paid	(4,483)	(4,093)	(6,042)
	<u>(14,283)</u>	<u>(16,793)</u>	<u>(29,842)</u>
<b>Net cash (outflow) from financing activities</b>			
	<u>(3,020)</u>	<u>(2,185)</u>	<u>2,953</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Opening cash and cash equivalents	(8,258)	(11,211)	(11,211)
	<u>(11,278)</u>	<u>(13,396)</u>	<u>(8,258)</u>
<b>Closing cash and cash equivalents</b>			

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	<b>Half year ended 30.09.2010 £000</b>	Half year ended 30.09.2009 £000	Year ended 31.03.2010 £000
Shareholders' funds as at the beginning of the period	203,057	187,490	187,490
Profit for the period	8,480	9,257	21,635
Change in fair value of cash flow hedge	–	495	(26)
Dividends	<b>(4,483)</b>	(4,093)	(6,042)
Shareholders' funds at the end of the period	<b><u>207,054</u></b>	<u>193,149</u>	<u>203,057</u>



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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	<b>Half year ended 30.09.2010 £000</b>	Half year ended 30.09.2009 £000	Year ended 31.03.2010 £000
Profit for the year	8,480	9,257	21,635
Change in fair value of cash flow hedge	–	495	(26)
Total recognised income	<u>8,480</u>	<u>9,752</u>	<u>21,609</u>
The total recognised income in the year is attributable to: Equity shareholders of the parent	<u><u>8,480</u></u>	<u><u>9,752</u></u>	<u><u>21,609</u></u>

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**1(a). Basis of preparation**

The Group's financial statements have been prepared under the historical costs 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 results for the half-year to 30 September 2010, and the comparative period for the half-year to 30 September 2009 have not been audited. The financial information for the year to 31 March 2010 is an abridged statement of the financial statements for that year which were prepared under International Financial Reporting Standards and were delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement under S237 (2) or (3) of the Companies Act 1985.

**(b). Basis of consolidation**

The Group's financial statements incorporate the results of Mountview Estates P.L.C. and all of its Subsidiary undertakings. 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 exercise control through voting rights.

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 and balances between group enterprises are eliminated on consolidation within the consolidated accounts. Consistent accounting policies have been used across the Group.

**2. Analysis of revenue and cost of sales**

Revenue comprises proceeds of sales of its trading properties, rental income and other sundry items of revenue before charging expenses.

Legal fees and agents' commission costs directly involved with the sales of properties are included in the cost of sales.

Rental income is recognised over the rental period.

Sales of properties are recognised on legal completion, as this is the date at which the substantial risks and rewards of ownership have been transferred.

	<b>Half year ended 30.09.2010 £'000</b>	Half year ended 30.09.2009 £'000	Year ended 31.03.2010 £'000
<b>Revenue</b>			
Gross sales of properties	17,507	18,276	42,927
Gross rental income	6,758	6,998	13,770
	<u>24,265</u>	<u>25,274</u>	<u>56,697</u>
<b>Cost of Sales</b>			
Cost of properties sold	6,464	6,903	17,547
Property expenses	2,627	2,479	4,644
	<u>9,091</u>	<u>9,382</u>	<u>22,191</u>
<b>Gross Profit</b>			
Net income from sales of properties	11,043	11,373	25,380
Net rental income	4,131	4,519	9,126
	<u>15,174</u>	<u>15,892</u>	<u>34,506</u>

**3. Income tax**

	Half year ended 30.09.2010 £'000	Half year ended 30.09.2009 £'000	Year ended 31.03.2010 £'000
Current tax:			
UK Corporation Tax 28% (2009: 28%)	3,604	3,700	7,969
Deferred tax:			
Current year 28% (2009: 28%)	(443)	(112)	(349)
	<u>3,161</u>	<u>3,588</u>	<u>7,620</u>
Taxation attributable to the Group	<u>3,161</u>	<u>3,588</u>	<u>7,620</u>

**4. Earnings per share**

The calculations of earnings per share are based on the following profits and number of shares

	Half year ended 30.09.2010 £'000	Half year ended 30.09.2009 £'000	Year ended 31.03.2010 £'000
Profit for the period (basic and fully diluted)	8,480	9,257	21,635
Weighted average number of ordinary Shares for basic and fully diluted earnings per share	<u>3,899,014</u>	<u>3,899,014</u>	<u>3,899,014</u>
Basic and Diluted Earnings per share	<u>217.5p</u>	<u>237.4p</u>	<u>554.8p</u>

The Company has no dilutive potential ordinary shares.

**5. Dividends**

	Half year ended 30.09.2010 £'000	Half year ended 30.09.2009 £'000	Year ended 31.03.2010 £'000
<b>Ordinary dividends paid</b>			
Final dividend for the year ended 31 March 2010 at 115p per share	4,483	4,093	–
Interim dividend for the year ended 31 March 2010 at 50p per share	–	–	1,949
Final dividend for the year ended 31 March 2009 at 105p per share	–	–	4,093
	<u>4,483</u>	<u>4,093</u>	<u>6,042</u>

The Board have proposed an interim dividend of 50p per share (2009: 50p). This interim dividend was announced post 30 September 2010 and under IFRS no provision is made for dividends declared after the balance sheet date. The interim dividend is payable to all shareholders on the Register of Members on 25 February 2011.

The total estimated interim dividend to be paid is £1.949 million.

**6. Property, plant and equipment**

The Group occupies a freehold property, and its value is measured at cost less accumulated depreciation.

Plant and equipment comprise motor vehicles, computers, fixtures and fittings and office equipment. These assets are stated at cost less accumulated depreciation.

**7. Investment properties**

Investment properties are included in the Balance Sheet at their fair value. Additions to investment properties are costs of a capital nature.

	<b>Half year ended 30.09.2010 £'000</b>	Half year ended 30.09.2009 £'000	Year ended 31.03.2010 £'000
Fair value at 1 April	32,872	32,195	32,195
Additions:			
Subsequent expenditure	526	371	434
Disposals	(1,050)	(650)	(1,899)
Increase in fair value during the year	–	–	2,142
At the end of the period	<u>32,348</u>	<u>31,916</u>	<u>32,872</u>

**8. Inventories of trading properties**

Trading properties are held for sale and are shown at the lower of cost and net realisable value.

Net realisable value is the estimated selling price less estimated costs of completion.

**Analysis of acquisition of trading properties**

	<b>Half year ended 30.09.2010</b>		Half year ended 30.09.2009		Year ended 31.03.2010	
	<b>No of units</b>	<b>Costs £'000</b>	No of units	Costs £'000	No of units	Costs £'000
Regulated Tenancies	12	1,776	–	–	11	2,679
Life Tenancies	–	–	1	455	1	455
Ground Rents (or created)	5	8	67	248	78	248
	<u>17</u>	<u>1,784</u>	<u>68</u>	<u>703</u>	<u>90</u>	<u>3,382</u>

The above analysis does not include legal and commission expense directly related to the acquisition of properties.

Properties are treated as acquired or sold on the date of completion.

**9. Cash and cash equivalents**

These comprise cash balances and other short term highly liquid investments with original maturities of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**10. Financial instruments**

Bank loans and overdrafts are included as financial liabilities on the Group balance sheet at the amounts drawn on the particular facilities.

Interest payable on those facilities is charged to income in the period to which it relates.

**Derivative financial instruments**

The financial derivative was valued by an external consultant using discounted cash flow model and quoted market information.

**FINANCIAL CALENDAR 2011****Dividend**

– Ex dividend date	23 February
– Record date	25 February
– Payment date	28 March

**Preliminary announcement of the results for the year** 23 June

**Annual Report and Accounts posted** 15 July

**Annual General Meeting** 10 August

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 the shareholders should be addressed to the Company's Registrars:

Capita Registrars  
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