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MOUNTVIEW ESTATES P.L.C.

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INTERIM REPORT

2011



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On the following pages are the unaudited Accounts for the six months ended 30 September 2011. Revenue is down by 12.5% but earnings per share are down by less than 10%. This is attributable largely to the reduction in corporation tax from 28% to 26%.

Economic conditions remain difficult and there is the possibility that they may get worse. Against this background I consider the company's performance to be robust. The company has made significant purchases during these six months and in so doing has broadened the geographical base of its portfolio whilst not missing the opportunity to buy properties in prime London locations.

By making these purchases at this time the company has used its resources wisely when the market was at a low point. Although the economy may yet worsen these properties will show good appreciation and good profits when the market improves. As a result of these asset purchases, borrowings increased by approximately £30 million during the period. Nonetheless, the company continues to be very sound financially and is very well placed to make further good purchases when the opportunities can be found.

I believe that with the right purchases and the right staff recruitment the company can contemplate the future with equanimity although with the current economic situation the next few years may prove challenging. Nevertheless I am confident that the company can weather any economic storms and come through them even more strongly placed.

The interim dividend is maintained at 50 pence per share and will be payable on 26 March 2012 to shareholders on the register at 24 February 2012.



D.M. SINCLAIR  
*Chairman*

30 November 2011

Mountview House  
151 High Street  
Southgate  
London N14 6EW

	Notes	Half year ended 30.09.2011 £000	Half year ended 30.09.2010 £000	Year ended 31.03.2011 £000
<b>Revenue</b>	2	<b>21,249</b>	24,265	47,655
Cost of Sales	2	<b>(8,239)</b>	(9,091)	(18,548)
<b>Gross Profit</b>		<b>13,010</b>	15,174	29,107
Administrative expenses		<b>(1,588)</b>	(1,832)	(4,454)
Gain on disposal of investment properties	7	<b>211</b>	50	149
<b>Operating profit before changes in fair value of investment properties</b>		<b>11,633</b>	13,392	24,802
Increase in fair value of investments		–	–	2,454
<b>Profit from operations</b>		<b>11,633</b>	13,392	27,256
Change in fair value of derivatives		–	–	(292)
Net finance costs		<b>(1,885)</b>	(1,751)	(3,404)
<b>Profit before taxation</b>		<b>9,748</b>	11,641	23,560
Taxation – current		<b>(3,332)</b>	(3,604)	(7,425)
Taxation – deferred		<b>1,239</b>	443	836
Taxation	3	<b>(2,093)</b>	(3,161)	(6,589)
<b>Profit attributable to equity shareholders</b>		<b>7,655</b>	8,480	16,971
<b>Basic and diluted earnings per share (pence)</b>	4	<b>196.3p</b>	217.5p	435.3p

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

## GROUP STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	As at 30.09.2011 £000	As at 30.09.2010 £000	As at 31.03.2011 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	2,388	2,453	2,461
Investment properties	7	27,196	32,348	30,314
		<u>29,584</u>	<u>34,801</u>	<u>32,775</u>
<b>Current assets</b>				
Inventories of trading properties	8	295,976	252,966	259,462
Trade and other receivables		1,368	1,738	1,192
Cash and cash equivalents	9	175	115	116
		<u>297,519</u>	<u>254,819</u>	<u>260,770</u>
<b>Total assets</b>		<u><u>327,103</u></u>	<u><u>289,620</u></u>	<u><u>293,545</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		(2,340)	(3,640)	(2,340)
Retained earnings		220,077	210,363	216,905
		<u>218,068</u>	<u>207,054</u>	<u>214,896</u>
<b>Non-current liabilities</b>				
Long-term borrowings		80,000	55,000	50,000
Deferred tax		6,082	7,713	7,321
		<u>86,082</u>	<u>62,713</u>	<u>57,321</u>
<b>Current liabilities</b>				
Bank overdrafts and loans		16,233	11,768	13,940
Trade and other payables		743	920	1,485
Current tax payable		3,345	3,525	3,271
Derivative financial instruments		2,632	3,640	2,632
		<u>22,953</u>	<u>19,853</u>	<u>21,328</u>
<b>Total liabilities</b>		<u><u>109,035</u></u>	<u><u>82,566</u></u>	<u><u>78,649</u></u>
<b>Total equity and liabilities</b>		<u><u>327,103</u></u>	<u><u>289,620</u></u>	<u><u>293,545</u></u>

## GROUP CASH FLOW STATEMENT (UNAUDITED)

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	Half year ended 30.09.2011 £000	Half year ended 30.09.2010 £000	Year ended 31.03.2011 £000
<b>Cash flows from operating activities</b>			
Profit from operations	11,633	13,392	27,256
Adjustment for:			
Depreciation	70	75	174
Loss/(Gain) on disposal of property, plant and equipment	3	(17)	11
Gain on disposal of investment properties	(211)	–	–
(Increase) in fair value of investment properties	–	–	(2,454)
<b>Cash flow from operations before movement in working capital</b>	<b>11,495</b>	<b>13,450</b>	<b>24,987</b>
(Increase)/Decrease in inventories	(36,514)	3,999	(2,498)
(Increase)/Decrease in receivables	(176)	(541)	5
(Decrease)/Increase in payables	(740)	(488)	125
<b>Cash generated from operations</b>	<b>(25,935)</b>	<b>16,420</b>	<b>22,619</b>
Interest paid	(1,885)	(1,751)	(3,404)
Income taxes paid	(3,261)	(3,891)	(8,027)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(31,081)</b>	<b>10,778</b>	<b>11,188</b>
<b>Investing activities</b>			
Proceeds from disposal of investment properties	4,029	1,100	6,600
Proceeds from disposal of property, plant and equipment	4	39	–
Purchase of property, plant and equipment	(3)	(129)	(309)
Capital expenditure on investment properties	(700)	(525)	(1,438)
<b>Net cash inflow from investing activities</b>	<b>3,330</b>	<b>485</b>	<b>4,853</b>
<b>Cash flows from financing activities</b>			
Increase in borrowings	29,800	–	–
Repayment of borrowings	–	(9,800)	(14,700)
Equity dividend paid	(4,483)	(4,483)	(6,432)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>25,317</b>	<b>(14,283)</b>	<b>(21,132)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(2,434)</b>	<b>(3,020)</b>	<b>(5,091)</b>
Opening cash and cash equivalents	(13,349)	(8,258)	(8,258)
<b>Closing cash and cash equivalents</b>	<b>(15,783)</b>	<b>(11,278)</b>	<b>(13,349)</b>

## GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	<b>Half year ended 30.09.2011 £000</b>	Half year ended 30.09.2010 £000	Year ended 31.03.2011 £000
Shareholders' funds as at the beginning of the period	214,896	203,057	203,057
Reduction in reserve	–	–	1,300
Profit for the period	7,655	8,480	16,971
Dividends	<b>(4,483)</b>	(4,483)	(6,432)
Shareholders' funds at the end of the period	<b><u>218,068</u></b>	<u>207,054</u>	<u>214,896</u>

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

These condensed interim financial statements are unaudited and do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. This condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Group's published financial statements for the year ended 31 March 2011 have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain any statement under Chapter 3 of Part 16 of the Companies Act 2006.

**(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 30.09.2011 £'000</b>	Half year ended 30.09.2010 £'000	Year ended 31.03.2011 £'000
<b>Revenue</b>			
Gross sales of properties	14,008	17,507	34,205
Gross rental income	7,241	6,758	13,450
	<u>21,249</u>	<u>24,265</u>	<u>47,655</u>
<b>Cost of Sales</b>			
Cost of properties sold	4,921	6,464	13,180
Property expenses:			
Property repair and maintainence costs	2,434	1,808	3,535
Service charge expenses	559	557	1,283
Other operating expenses	325	262	550
	<u>3,318</u>	<u>2,627</u>	<u>5,368</u>
	<u>8,239</u>	<u>9,091</u>	<u>18,548</u>

2. Analysis of revenue and cost of sales *(continued)*

	Half year ended 30.09.2011 £'000	Half year ended 30.09.2010 £'000	Year ended 31.03.2011 £'000
<b>Gross Profit</b>			
Net income from sales of properties	9,087	11,043	21,025
Net rental income	3,923	4,131	8,082
	<u>13,010</u>	<u>15,174</u>	<u>29,107</u>

## 3. Income tax

	Half year ended 30.09.2011 £'000	Half year ended 30.09.2010 £'000	Year ended 31.03.2011 £'000
Current tax:			
UK Corporation Tax 26% (2010: 28%)	3,332	3,604	7,425
Deferred tax:			
Current year 26% (2010: 28%)	(1,239)	(443)	(836)
Taxation attributable to the Group	<u>2,093</u>	<u>3,161</u>	<u>6,589</u>

## 4. Earnings per share

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

	Half year ended 30.09.2011 £'000	Half year ended 30.09.2010 £'000	Year ended 31.03.2011 £'000
Profit for the period (basic and fully diluted)	7,655	8,480	16,971
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>196.3p</u>	<u>217.5p</u>	<u>435.3p</u>

The Company has no dilutive potential ordinary shares.

## 5. Dividends

	Half year ended 30.09.2011 £'000	Half year ended 30.09.2010 £'000	Year ended 31.03.2011 £'000
<b>Ordinary dividends paid</b>			
Final dividend for the year ended 31 March 2011 at 115p per share	4,483	4,483	–
Interim dividend for the year ended 31 March 2011 at 50p per share	–	–	1,949
Final dividend for the year ended 31 March 2010 at 115p per share	–	–	4,483
	<u>4,483</u>	<u>4,483</u>	<u>6,432</u>

The Board have proposed an interim dividend of 50p per share (2010: 50p). This interim dividend was announced post 30 September 2011 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 2 March 2012.

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.

	Half year ended 30.09.2011 £'000	Half year ended 30.09.2010 £'000	Year ended 31.03.2011 £'000
Fair value at 1 April	30,314	32,872	32,872
Additions:			
Subsequent expenditure	700	526	1,438
Disposals	(3,818)	(1,050)	(6,450)
Increase in fair value during the year	–	–	2,454
At the end of the period	<u>27,196</u>	<u>32,348</u>	<u>30,314</u>

The sales of investment properties are not included in the Group Revenue

During the six months, we disposed of 4 units for a total of £4.030m.

The differences between the sales price £4.03m (2010: £1.1m) and the market/fair value £3.819m (2010: £1.05m) of £211,000 (2010: £50,000) is shown in the Group Income Statement as a separate item.

When a sale occurs the gain is crystallised and transferred to P&L Reserve in the Group accounts.

**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**

	Half year ended 30.09.2011		Half year ended 30.09.2010		Year ended 31.03.2011	
	No of units	Costs £'000	No of units	Costs £'000	No of units	Costs £'000
Regulated Tenancies	411	38,723	12	1,700	115	10,800
Life Tenancies	2	375	–	–	5	2,300
Ground Rents (or created)	13	100	5	80	17	10
	<u>426</u>	<u>39,198</u>	<u>17</u>	<u>1,780</u>	<u>137</u>	<u>13,110</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.

During the period under review we had opportunities to acquire portfolios of properties as listed below:

	Purchase price £'000	No. of of units
Nottinghamshire & Nottingham South	6,643	91
Derbyshire	3,515	63
Leicestershire & Hollingwood	3,395	59
North & South Wales	4,662	42
Lincolnshire & Cambridgeshire	3,220	41
Victoria Court, London W3	2,225	23
Southend on Sea	1,621	16
Ipswich	1,056	12
Guildford	1,480	9
Westgate-on-Sea	586	6
Sub Total	<u>28,403</u>	<u>362</u>
Other purchases	10,795	64
Total	<u>39,198</u>	<u>426</u>

The Company has made significant purchases beyond the south eastern corner of England and these can be expected to show good capital appreciation once the economy improves. Whilst this improvement is not expected in the short term, the rental income will exceed any interest charges in respect of the additional borrowings to fund these purchases.

**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 2012****Dividend**

– Ex dividend date	22 February
– Record date	24 February
– Payment date	26 March

**Preliminary announcement of the results for the year** 28 June

**Annual Report and Accounts posted** 20 July

**Annual General Meeting** 15 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  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 OLA



