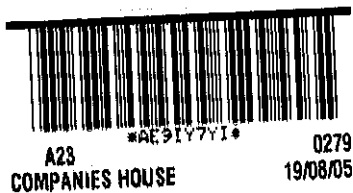


**MOUNTVIEW ESTATES P.L.C.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2005**

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**BSG VALENTINE**  
**CHARTERED ACCOUNTANTS**  
**LYNTON HOUSE**  
**7 - 12 TAVISTOCK SQUARE**  
**LONDON WC1H 9BQ**

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## **MOUNTVIEW ESTATES P.L.C.**

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**MOUNTVIEW ESTATES P.L.C.**

**FINANCIAL HIGHLIGHTS FOR YEAR ENDED 31 MARCH 2005**

	<b>2005</b>	<b>2004</b>	<b>Increase/(Decrease)</b>
	<b>£</b>	<b>£</b>	<b>%</b>
<b>Turnover (million)</b>	<b>48.8</b>	<b>55.1</b>	<b>(11.4)</b>
<b>Gross Profit (million)</b>	<b>31.0</b>	<b>35.1</b>	<b>(11.7)</b>
<b>Profit Before Tax (million)</b>	<b>24.5</b>	<b>28.6</b>	<b>(14.3)</b>
<b>Shareholders' Funds (million)</b>	<b>134.6</b>	<b>121.9</b>	<b>10.4</b>
<b>Earnings per share (pence)</b>	<b>441.0</b>	<b>513.2</b>	<b>(14.1)</b>
<b>Net assets per share</b>	<b>34.5</b>	<b>31.3</b>	<b>10.2</b>
<b>Dividend per share (pence)</b>	<b>126</b>	<b>122</b>	<b>3.3</b>

## MOUNTVIEW ESTATES P.L.C.

### CHAIRMAN'S STATEMENT

It would, of course, be a pleasure to again be reporting increases in turnover, profits and dividends but like every other business we have our quieter times and history shows that no business goes forever upwards. During most of the twelve months under review the housing market has undoubtedly been a far tougher environment in which to operate and economic uncertainties continue despite any answers which may have been provided by the result of the general election. Nevertheless it is a pleasure to thank my loyal colleagues and staff for all their hard work and endeavour in producing results which are as good as they could be given the circumstances.

As can be seen from the financial highlights on page 2 Profit Before Tax is down by a greater percentage than Turnover and Gross Profit. This is largely due to the increase of £600,000 in interest charges which I predicted, last year, would have a significant impact on our results for the next few years. It is also true that our gearing remains low enough to give us the flexibility to take good purchasing opportunities if they come along.

Whilst there has been no single outstanding purchase during the last year we have, I believe, continued to make the right purchases at the right prices. There may have been a greater emphasis on the purchase of life tenancies but we try to maintain a good balance between the different types of investment and the areas in which they are situated. Whilst the typical life tenancy can be bought at a greater discount to vacant possession value, than the typical regulated tenancy, we have to be mindful that there is negligible income from life tenancies.

Whilst gross rental income has increased slightly Turnover has fallen by £6.3 million. This is not because house prices have dropped significantly but, as previously suggested, because it is taking longer to conclude each sale after obtaining vacant possession. The number of properties coming vacant has not fallen but it is taking longer to finalise each sale.

I have previously been able to say that our gross rental income exceeds the combined total of our administrative expenses, interest payments and dividend payments. There is now a small deficit on this calculation which is more than explained by the surge in interest payments. Nevertheless your Board is able to recommend an increase of 4 pence per share making a final dividend of 82 pence per share which means that the total dividends of 126 pence per share are three and a half times covered by the earnings per share of 44.1 pence.

Our profits for the last five years, including the latest figure of £24.5 million, average over £23.3 million whereas as recently as 1999 we were enthusing about a Profit Before Tax of £13.1 million which was then a record result for this Company. I think that it is fair to say that the Company is now producing profits at a significantly higher level than those of a few years ago and it is reasonable to assume that dividends can at least be maintained at the level recommended by your Board this year. This Company has always practiced tight financial control but, whilst we will continue to keep a strong grip on the Company's finances, growth will not be stifled.

The Company's new financial year has started quietly but I attribute this to the continuing reluctance of purchasers to commit to a deal which situation may improve when there is more certainty about government policies.

To conclude it is disappointing to report falls in turnover and profits but nevertheless your Board is able to recommend a dividend increase in excess of the rate of inflation.

As the Company's shareholders may be aware, the Sinclair family has always held a substantial amount of shares in the Company and the family grouping has been interpreted to be acting as a concert party (the "Concert Party") for the purposes of the City Code on Takeovers and Mergers. As a result of a reorganisation of certain of the Sinclair family's interests, shares in the Company which had previously been held by certain members of the Concert Party are no longer being treated as held by the Concert Party. Due to this reorganisation and the addition also of certain other shareholdings, the net aggregate shareholding of the Concert Party has accordingly been reduced to approximately 53 per cent of the issued share capital of the Company.



D.M. Sinclair  
Chairman

23 June 2005

## MOUNTVIEW ESTATES P.L.C.

### REVIEW OF OPERATIONS

#### PROPERTY REVIEW

##### 1.RESIDENTIAL PROPERTIES

###### Categories of Property held as trading stock

The Group trades in the following categories:

Rack rent (tenanted residential) units

Ground rent units

Life tenancies units

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

###### Analysis of the Group trading portfolio by type as at 31 March 2005

	No of units	Cost £m
Rack Rents	2,539	155.8
Ground Rents	1,149	0.9
Life Tenancies	328	18.0

###### Analysis of the Group Trading portfolio at the lower of cost and estimated net realizable value by geographical location as at 31 March 2005

	Rack Rent £m	Ground Rent £m	Life Tenancies £m	Portfolio %
London (North)	50.6	0.4	0.2	29.3
London (South)	46.8	0.4	0.2	27.1
Kent, Surrey, Sussex, Hampshire, I.O.W	19.4	0.04	4.2	13.5
Herts, Essex, Beds, Bucks, Oxon, Camb, Norfolk, Suffolk, Berks, Middx, Northants	24.2	0.1	5.9	17.3
Remainder of England and Wales	14.8	0.02	7.5	12.8

#### Acquisitions

The Company's modus operandi is to buy tenanted residential property and sell it when it becomes vacant. Regulated investments that are characterized by early possession with rental returns below market value and high margin on sale are becoming increasingly short in supply. The Group has placed more emphasis on the acquisition of life tenancies. Although this type of trading stock has nominal rental income, the properties are both at a greater discount to vacant possession value and have a higher margin on sale. In addition, the maintenance of the property is the responsibility of the life tenant. The Group has made a number of quality residential purchases during the year, however, the number of units sold exceed the number of units purchased, mainly due to the competitive nature of the market.

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

	Sold	Purchased
Rack Rents	220	85
Ground Rents	118	46 (or created)
Life Tenancies	0	27

## **MOUNTVIEW ESTATES P.L.C.**

### **REVIEW OF OPERATIONS**

#### **Cadogan Portfolio**

Following the Group's acquisition of this portfolio last year, we can report that 2 units became vacant during the period under review. The sales of these units generated £1.1 million. In addition, we have recently negotiated a surrender of an further unit in Cadogan Place.

#### **Rental Income**

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

- Regulated tenancies
- Assured tenancies
- Assured shorthold tenancies
- Life tenancies
- Ground rent tenancies

We continue to target those properties where the rent is capped and expenditure on improvements and the provision of missing amenities lead to substantial increases in rental income.

#### **2. INVESTMENT PROPERTIES**

The analysis of investment portfolio as at 31 March 2005 is as follow:

Louise Goodwin Limited	56 units
A.L.G. Properties Limited	15 units

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

During the financial year, we have disposed of three garage units. The sales of these units generated a gain of £0.3 million.

Mountview Estates P.L.C. purchased the investment companies in 1999. They are the only significant departures from the Company's normal policy, and it was believed that the rental income could be increased to such an extent that the long term holding of the properties could be justified.

#### **Outlook**

Over the past 12 months, as a result of the market conditions, rental income has not risen in the way we had anticipated. There is, however, an active owner/occupier purchasing market of which we intend to take advantage by the sale of units that fall vacant.

In addition, we continue to review the opportunities on the estate for adding value by obtaining planning permission.

#### **Valuation**

The properties comprised within the investment portfolio have been revalued internally for the purposes of these accounts, *taking into account the figures produced by the external valuers in 2003 and other local transactions during that time.* The value attributed to each individual property reflects the change in its condition where appropriate and the adjustment resulting from changes in market circumstances.

Details of the valuation of the investment portfolio are disclosed on page 24.

## **MOUNTVIEW ESTATES P.L.C.**

### **DIRECTORS AND ADVISERS**

#### **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. Member 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.

##### **C. Maunder Taylor FRICS**

Joined the Company as a Non-Executive Director in 1990 and became an Executive Director on 1 January 1992. Member of the Royal Institute of Chartered Surveyors.

##### **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 ACCA, MAAT**

Joined the Company in 1996 and became Company Secretary. Appointed an Executive Director on 1 April 2004. Member of the Association of Accounting Technicians and Association of Chartered Certified Accountants.

#### **Non-Executive Directors**

##### **J.P. Hall**

Joined the Company as a Non-Executive Director on 1 December 2000.

##### **N.S. Palmer**

Joined the Company as a Non-Executive Director on 1 December 2000.

#### **Secretary and Registered Office**

Mrs. M.M. Bray ACCA, MAAT  
Mountview House, 151 High Street, Southgate, London N14 6EW

#### **Bankers**

HSBC Bank Plc, 20 Eastcheap, London EC3M 1ED

Barclays Bank Plc, 54 Lombard Street, London EC3V 9EX

#### **Auditors**

BSG Valentine  
Chartered Accountants  
Lynton House, 7-12 Tavistock Square, London WC1H 9BQ

#### **Solicitors**

Norton Rose  
Kempson House, Camomile Street, London EC3A 7AN

#### **Registrars and Transfer Office**

Capita Registrars  
Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

#### **Brokers**

Brewin Dolphin Securities Ltd  
5 Giltspur Street, London EC1A 9BD

## MOUNTVIEW ESTATES P.L.C.

### REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Sixty-Eighth Annual Report to the Members together with the Financial Statements for the year ended 31 March 2005.

#### 1. RESULTS AND DIVIDENDS

The Results for the year are set out in the Consolidated Profit and Loss Account on page 15.

The Directors recommend the payment of a final dividend of 82 pence per share payable on 22 August 2005 to Ordinary Shareholders on the register at the close of business on 22 July 2005.

#### 2. ACTIVITIES

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

<b>Parent Company</b>	
Mountview Estates P.L.C.	Property Dealing
<b>Subsidiary undertakings (wholly owned)</b>	
Hurstway Investment Co. 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 3 to 5.

#### 4. ROTATION OF DIRECTORS

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

#### 5. 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:

	31 March 2005	31 March 2004
	Ordinary Shares of 5p each	
Mr. D.M. Sinclair including the following holdings: Kingsway Wallpaper Stores Limited - 79,350 (non-beneficial) Sinclair Estates Limited - 100,000 (non-beneficial) Viewthorpe Limited - 107,950 (non-beneficial) Mr. D.M. Sinclair is a Director of the above Companies	739,911	773,636
Mr. K. Langrish-Smith	228,250	221,500
Mr. C. Maunder Taylor	800	800
Miss J.L. Murphy	1,100	1,100
Mrs. M. M. Bray	10,187	-
Mr. J.P. Hall	2,000	2,000

All the above interests are beneficial except where stated otherwise.



## MOUNTVIEW ESTATES P.L.C.

### REPORT OF THE DIRECTORS (Continued)

#### 6. SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at the date of this Report notices have been received of the following substantial interests in the capital of the Company:

	Ordinary Shares of 5p each	% of Issued Share Capital
Mr. Phillip Trevor Wheeler FDSGS Acct and Mrs. Daphne Sinclair and Mr. Alistair James Sinclair	622,630	15.97
Estate of Mrs. Doris Sinclair	158,500	4.07
The Estate of W.D.I. Sinclair	157,000	4.03
Mrs. M. A. Murphy	607,823	15.58
Mrs. S.M. Simkins	178,304	4.57
Mrs. A. Williams	128,575	3.29

#### 7. THE REORGANISATION OF THE SINCLAIR FAMILY'S INTERESTS

On 8 April 2005, the 100,000 Mountview shares then held by Sinclair Estates Limited were distributed as follows:

As a dividend in specie to Mrs. M.A. Murphy: 32,500 shares.

As a dividend in specie to the former Kingsway Wallpaper Stores Limited: 13,335 shares.

On 8 April 2005, the 79,350 Mountview shares then held by the former Kingsway Wallpaper Stores Limited plus the 13,335 shares received from Sinclair Estates Limited were distributed as follows:

As a dividend in specie to Mrs. P.J. Sinclair: 34,757 shares.

Retained by the former Kingsway Wallpaper Stores Limited (since renamed ALFL Limited): 57,928 shares.

Thus the amount of Mountview shares in which Mr. D.M. Sinclair is now interested is 649,483, including the shareholding of Sinclair Estates Limited of 54,165 and the shareholding of Viewthorpe Limited of 107,950. Mr. and Mrs. D.M. Sinclair have a majority shareholding in Sinclair Estates Limited.

The amount of Mountview shares in which Mrs. M.A. Murphy is now interested is 607,823 including the shareholding of ALFL Limited of 57,928.

#### 8. DIRECTORS' INTERESTS IN CONTRACTS

There was no Contract subsisting 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.

#### 9. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

#### 10. 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 abides by them.

Trade creditors existing at 31 March 2005 relating to purchases of property stock generally complete 28 days after exchange of contracts. Other trade creditors were settled, on average, 14 days after incurring the liability (2004: 14 days).

#### 11. 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 17 August 2005 and a resolution is drafted accordingly.

## **MOUNTVIEW ESTATES P.L.C.**

### **REPORT OF THE DIRECTORS (Continued)**

#### **12. CORPORATE GOVERNANCE**

The Directors' statement on corporate governance is set out on pages 11 to 12.

#### **13. HEALTH AND SAFETY**

The group is committed to achieving a high standard of health and safety. The Group operates and regularly reviews its health and safety policies and practices to ensure that appropriate standards are maintained.

#### **14. DONATIONS**

During the year the Group made charitable donations of £34,853 (2004: £28,940). There were no political donations (2004: £nil).

#### **15. AUDITORS**

Messrs. BSG Valentine have indicated their willingness to continue in office, and a motion for their re-appointment will be proposed at the Annual General Meeting.

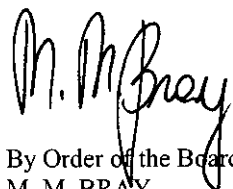
#### **16. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

All European Union listed companies are required to prepare their consolidated financial statements in accordance with IFRS for accounting periods beginning on or after 1 January 2005.

The Mountview Group will therefore adopt IFRS for the financial year ending 31 March 2006.

We have performed a high level review of the differences between IFRS and our current accounting policies, and we are now quantifying the financial impact of conversions with IFRS. We are also looking at the wider implementation aspect, including how we will communicate the changes resulting from IFRS to the market.

Based on our work to date, the major areas of impact on net profit and shareholders' funds are expected to be due to differences in accounting for share-based payments, pensions, deferred tax, financial instruments, investments properties and fixed assets. The presentation of our financial statements, along with the disclosures will also be effected.



By Order of the Board  
M. M. BRAY  
Secretary

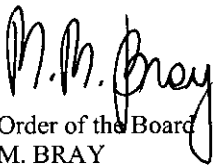
Mountview House  
151 High Street  
Southgate  
London N14 6EW  
23 June 2005

**MOUNTVIEW ESTATES P.L.C.**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE PREPARATION OF FINANCIAL STATEMENTS**  
**INCLUDING ADOPTION OF GOING CONCERN BASIS**

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. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In preparing those 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.
- Follow applicable Accounting Standards, subject to any material departures disclosed and explained in the financial statements.
- 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 1985. 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.



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

Mountview House  
151 High Street  
Southgate  
London N14 6EW  
23 June 2005

## **MOUNTVIEW ESTATES P.L.C.**

### **CORPORATE GOVERNANCE**

The Financial Reporting Council (FRC) published a new version of the Combined Code in July 2003 following publication of the Higgs report earlier that year. This is applicable to the Company for the reporting year commencing 1 April 2004. 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, of which members of the Sinclair family, Sinclair Estates Limited, Viewthorpe Limited, directors of the Company and various long standing supporters of the Company are currently members. As a result of a reorganisation of certain of the Sinclair family's interests which took place in April 2005, shares in the Company which had previously been held by certain former members of the concert party are no longer being treated as held by the concert party. Due to this reorganisation and the addition also of certain other sharholdings, the net aggregate shareholding of the concert party now amounts to approximately 53 percent of the issued share capital of the company.

Throughout the year ended 31 March 2005 the Company has been in compliance with the Code provisions set out in Section 1 of the July 2003 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.
- A3.2 The majority of non-executive Directors should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Mr. J.P. Hall, a non-executive Director, is the Chief Executive of Brewin Dolphin Holdings P.L.C. but has no influence or part in the corporate advice received by the Company.

#### **The Board**

For the year ended 31 March 2005 the Board comprised the Chairman, Mr. D. M. Sinclair, four 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.

The full board meets at least four times a year and retains full and effective control over the Group's activities.

Day to day management is delegated to the Executive Board who focus 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 7.

#### **Remuneration Committee**

The Remuneration Committee comprises Mr. John Hall (non-executive Director) and Mr. Nigel Palmer (non-executive Director). The Committee, which is chaired by Mr. John Hall, monitors, reviews and makes recommendations to the Board on all elements of the remuneration of the executive Directors. The Committee meets twice a year.

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 13 to 14.

#### **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.

## **MOUNTVIEW ESTATES P.L.C.**

### **CORPORATE GOVERNANCE**

#### **Audit Committee**

The Audit Committee comprises Mr. John Hall (non-executive Director) and Mr. Nigel Palmer (non-executive Director). The Committee, which is chaired by Mr. Nigel Palmer, has clear terms of reference agreed by the Board and is responsible for ensuring that the financial statements presented by the Company to its shareholders conform to all legal requirements and 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.

The Committee meets a minimum of three times a year and at least 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.

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 the half yearly interim reports. Investors may use the Company's Annual General Meeting to communicate with the Board.

#### **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 2004 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 on 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 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 business indicators such as staff utilisation.

## MOUNTVIEW ESTATES P.L.C.

### REMUNERATION REPORT

#### 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. The Chairman of the Company, Mr D.M. Sinclair, attends the meeting except when his remuneration is considered.

The composition of the Committee has not altered during the year.

##### 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 - 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 provisions for a car and private medical health insurance.

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

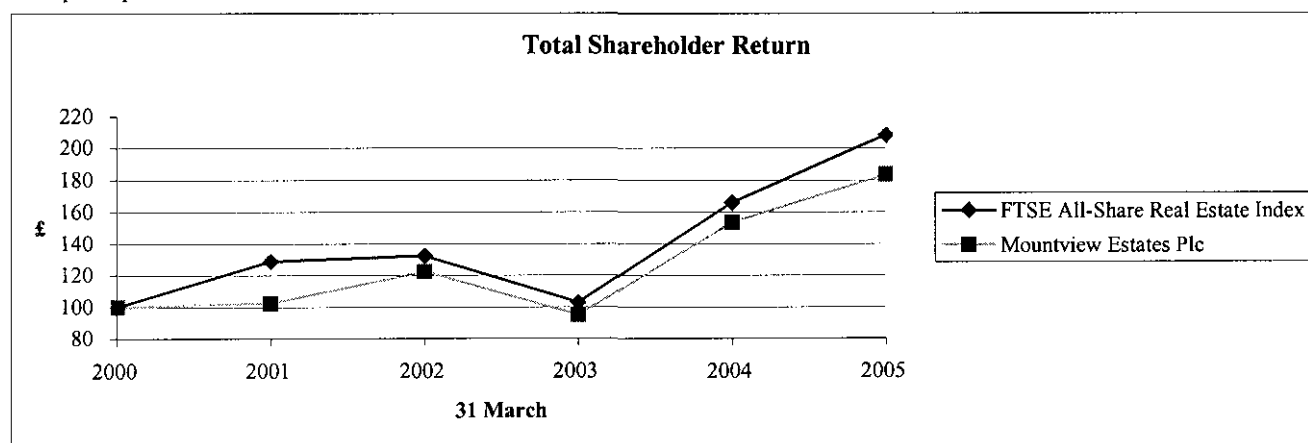
Each non-executive Director receives fees of £18,000 per annum. The non-executive Directors are not entitled to bonuses, benefits and pension contributions.

##### Pensions

The Company contributes 3% of the total of the executive Directors' gross annual salaries and bonuses to a Stakeholder Pension Scheme. The above 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.



Source: Datastream

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

# MOUNTVIEW ESTATES P.L.C.

## REMUNERATION REPORT

### AUDITED INFORMATION

	Salary £000	Bonus £000	Benefits in kind £000	Pensions Contributions £000	Total £000
<b>2005</b>					
<b>Executive</b>					
D. M. Sinclair	200	150	26	12	388
K. Langrish-Smith	120	60	14	6	200
C. Maunder Taylor	150	95	11	8	264
Miss J. L. Murphy	150	80	10	8	248
Mrs M. M. Bray	135	95	-	8	238
<b>Non-Executive</b>					
J.P. Hall	18	-	-	-	18
N.S. Palmer	18	-	-	-	18
	<u>791</u>	<u>480</u>	<u>61</u>	<u>42</u>	<u>1,374</u>
<b>2004</b>					
<b>Executive</b>					
D. M. Sinclair	200	225	25	11	461
K. Langrish-Smith	90	80	15	4	189
C. Maunder Taylor	150	130	11	8	299
Miss J. L. Murphy	150	130	9	8	297
<b>Non-Executive</b>					
J.P. Hall	18	-	-	-	18
N.S. Palmer	18	-	-	-	18
	<u>626</u>	<u>565</u>	<u>60</u>	<u>31</u>	<u>1,282</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 23 June 2005.

  
**John Hall**  
Chairman of the Remuneration Committee

**MOUNTVIEW ESTATES P.L.C.**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005 £000	2004 £000
<b>TURNOVER</b>	2	48,778	55,087
Cost of sales	2	(17,758)	(19,952)
<b>GROSS PROFIT</b>	2	31,020	35,135
Administrative expenses		(3,019)	(3,336)
<b>OPERATING PROFIT</b>	3	28,001	31,799
Profit on disposal of fixed assets	3	325	-
		28,326	31,799
Interest payable and similar charges	5	(3,809)	(3,206)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		24,517	28,593
Tax on profit on ordinary activities	6	(7,321)	(8,584)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	7	17,196	20,009
Dividends	8	(4,911)	(4,757)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		12,285	15,252
<b>Earnings per share</b>			
Basic and fully diluted	9	441.0p	513.2p

**CONTINUING OPERATIONS**

None of the Group's activities were acquired or discontinued during the financial year.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

There are no differences between the results as disclosed in the profit and loss account and those on the unmodified historical cost basis.



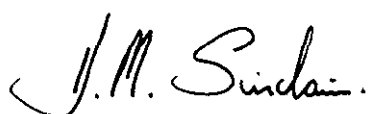
**MOUNTVIEW ESTATES P.L.C.**

**BALANCE SHEETS**

**AS AT 31 MARCH 2005**

		<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>Notes</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>FIXED ASSETS</b>					
Tangible assets	10	25,289	24,675	2,747	2,539
Investments	11	-	-	18,276	18,276
		<u>25,289</u>	<u>24,675</u>	<u>21,023</u>	<u>20,815</u>
<b>CURRENT ASSETS</b>					
Stocks	12	174,775	170,116	168,199	165,763
Debtors	13	319	178	259	132
Cash at bank and in hand		2,288	454	2,187	333
		<u>177,382</u>	<u>170,748</u>	<u>170,645</u>	<u>166,228</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<b>(38,579)</b>	<b>(35,343)</b>	<b>(38,077)</b>	<b>(34,716)</b>
<b>NET CURRENT ASSETS</b>		<b>138,803</b>	<b>135,405</b>	<b>132,568</b>	<b>131,512</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>164,092</b>	<b>160,080</b>	<b>153,591</b>	<b>152,327</b>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	<b>(29,534)</b>	<b>(38,138)</b>	<b>(45,260)</b>	<b>(54,368)</b>
		<u>134,558</u>	<u>121,942</u>	<u>108,331</u>	<u>97,959</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	195	195	195	195
Revaluation reserve	18	6,758	6,427	-	-
Capital redemption reserve	19	55	55	55	55
Capital reserve	19	25	25	25	25
Other reserves	19	56	56	39	39
Profit and loss account	20	127,469	115,184	108,017	97,645
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>134,558</b>	<b>121,942</b>	<b>108,331</b>	<b>97,959</b>

Approved by the Board on 23 June 2005.



D. M. SINCLAIR Chairman



K. LANGRISH-SMITH Director

**MOUNTVIEW ESTATES P.L.C.**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005 £000	2004 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21	23,203	3,968
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	22	(3,979)	(3,192)
<b>TAXATION</b>		(8,856)	(8,645)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	22	(82)	(125)
<b>EQUITY DIVIDENDS PAID</b>		(4,754)	(3,743)
<b>CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		5,532	(11,737)
<b>FINANCING</b>	22	(5,914)	13,273
<b>(DECREASE)/INCREASE IN CASH</b>	23	(382)	1,536
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
(Decrease)/increase in cash in the period	23	(382)	1,536
Net cash outflow/(inflow) from bank loans		9,279	(13,923)
Net cash (inflow)/outflow from other loans		(3,365)	650
Change in net debt		5,532	(11,737)
Net debt at 1 April 2004		(63,902)	(52,165)
Net debt at 31 March 2005		(58,370)	(63,902)

**MOUNTVIEW ESTATES P.L.C.**

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**FOR THE YEAR ENDED 31 MARCH 2005**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Profit for the Financial Year after Taxation	17,196	20,009	15,283	17,839
Dividends	(4,911)	(4,757)	(4,911)	(4,757)
Retained Profit for the Financial Year	12,285	15,252	10,372	13,082
Revaluation Reserve	331	1,047	-	-
Net addition to funds	12,616	16,299	10,372	13,082
Opening Shareholders' funds	121,942	105,643	97,959	84,877
Closing Shareholders' funds	134,558	121,942	108,331	97,959

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Profit for the Financial Year after Taxation	17,196	20,009	15,283	17,839
Unrealised profit on revaluation of tangible fixed assets:				
Investment properties	331	1,047	-	-
<i>Total gains and losses recognised since the last Annual Report</i>	17,527	21,056	15,283	17,839

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

**1. ACCOUNTING POLICIES**

**(a) Basis of Accounting**

The Accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable Accounting Standards.

**(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.

**(c) Intangible Fixed Assets**

Goodwill, being the excess of the fair value of purchase consideration of interests acquired in Subsidiary undertakings, over the fair value of the underlying net assets of those undertakings, is capitalised in the Balance Sheet in the year of acquisition and amortised over its estimated useful life in accordance with FRS 10. Estimated useful life is determined after taking into account such factors as the typical life spans of the acquired assets to which Goodwill attaches. Goodwill is subject to an impairment review at the end of the first full year following an acquisition and at any other time if events or changes in circumstances indicate that the carrying value may not be recoverable.

**(d) Amortisation**

Amortisation 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 as follows:

Goodwill            -            5 years

**(e) Investment Properties**

Investment properties are included in the Balance Sheet at their open market value at the Balance Sheet date, on the basis of an annual valuation. Aggregate surpluses or deficits arising on valuation are transferred to a Revaluation reserve. Permanent impairments in the value of investment properties to below their cost values are charged directly to the Profit and Loss Account.

In accordance with SSAP19, no depreciation or amortisation is provided in respect of freehold investment properties, or leasehold investment properties where the unexpired term is over twenty years. The Directors consider that this accounting policy may be a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the Accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

**(f) Investments**

Fixed asset investments in Subsidiary undertakings are stated at cost less any provision for impairment. The analysis of the investment portfolio as at 31 March 2005 is on page 5.

**(g) Taxation**

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

**(h) Deferred Taxation**

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 a right to pay less or to receive more tax, with the following exceptions:

# MOUNTVIEW ESTATES P.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2005

(h) **Deferred Taxation** (*continued*)

Provision is made for tax on gains arising from the revaluation (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 the Balance Sheet date, there is a binding agreement to dispose of the 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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

(i) **Turnover**

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

Sales of properties are recognised on completion.

(j) **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 as follows:

Freehold property	-	2% on straight line
Fixtures and fittings and office equipment	-	5% on reducing balance
Motor vehicles	-	20% on reducing balance
Computer equipment	-	20% on reducing balance

(k) **Impairment of Fixed Assets and Goodwill**

Fixed Assets and Goodwill are subject to review for impairment in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill". Any impairment is recognised in the Profit and Loss Account in the year in which it occurs.

(l) **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. The analysis of the Group trading portfolio as at 31 March 2005 is on page 4.

(m) **Pension Costs**

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the Profit and Loss Account.

(n) **Leases**

Rentals payable under operating leases are charged to the Profit and Loss Account over the lease term on a straight line basis or on the basis of actual rentals payable where this reflects usage.

(o) **Financial Instruments**

Financial assets are recognised in the Balance Sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the Profit and Loss Account in the financial period to which it relates.

(p) **Government Grants**

Government grants are credited to the profit and loss account as and when they are received.

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2005**

**2. ANALYSIS OF TURNOVER, COST OF SALES AND OTHER OPERATING EXPENSES**

The turnover and cost of sales of the Group are analysed as follows:

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
<b>Turnover</b>		
Gross sales of properties	37,110	43,665
Gross rental income	11,668	11,422
	<u>48,778</u>	<u>55,087</u>
<b>Cost of Sales</b>		
Cost of properties sold	13,278	15,289
Property expenses	4,480	4,663
	<u>17,758</u>	<u>19,952</u>
<b>Gross Profit</b>		
Sales of properties	23,832	28,376
Net rental income	7,188	6,759
	<u>31,020</u>	<u>35,135</u>

**3 (a) OPERATING PROFIT**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
The operating profit is stated after charging:		
Amortisation of goodwill	-	89
Depreciation of tangible fixed assets	121	110
Loss on disposal of fixed assets	3	10
Auditors' remuneration		
- as auditors	45	46
- for other services	-	13
Operating lease costs in respect of land and buildings	-	14
	<u>7,188</u>	<u>6,759</u>
And after crediting:		
Net rental income	7,188	6,759
Administrative charges to related companies (Note 24)	60	53
	<u>60</u>	<u>53</u>

**(b) PROFIT ON DISPOSAL OF INVESTMENT  
PROPERTY IN LOUISE GOODWIN LTD.**

<b>325</b>	<b>-</b>
<u>325</u>	<u>-</u>

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

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	2,164	2,303
Social security costs	287	283
Pension costs	63	62
	<u>2,514</u>	<u>2,648</u>

The details of Directors' Remuneration are shown in the audited section of the Remuneration Report on page 14.

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

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

Office and management	<u>30</u>	<u>30</u>
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**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Interest payable on bank overdrafts, other loans and other charges	<u>3,809</u>	<u>3,206</u>

<b>6. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>

**(a) Analysis of charge in the year**

Current tax:

UK Corporation Tax based on the results for the year at 30% (2004: 30%)

7,321                      8,584

Total current tax

7,321                      8,584

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%).

**Profit on ordinary activities before taxation**                      24,517                      28,593

Profit on ordinary activities multiplied by rate of tax	7,355	8,578
Expenses not deductible for tax	2	14
Income not liable to tax	(28)	(24)
Depreciation in excess of capital allowances	2	34
Taxation on capital gains	(2)	-
Utilisation of tax losses	-	(13)
Marginal relief	(7)	(5)
Other movements	(1)	-

Total current tax (note 6(a))                      7,321                      8,584

**(c) Factors that may affect future tax charges**

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their market value, as no contract exists for the sale of the properties. The total amount unprovided for is £5,600,334 (2004: £5,506,174). At present, it is not envisaged that any tax will become payable in the foreseeable future.

<b>7. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Dealt within the Accounts of the Parent Company	15,283	17,839
Dealt within the Accounts of the Subsidiary undertakings	1,913	2,170
	<u>17,196</u>	<u>20,009</u>

As permitted by s230 Companies Act 1985, a separate Profit and Loss Account is not presented for Mountview Estates P.L.C.

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

<b>8. DIVIDENDS</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Dividends on ordinary shares		
Interim paid 44p per share (2004: 44p per share)	1,714	1,714
Final proposed 82p per share (2004: 78p per share)	3,197	3,043
	<u>4,911</u>	<u>4,757</u>
<b>9. EARNINGS PER SHARE</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
The calculations of earnings per share are based on the following profits and number of shares.		
Profit for financial year (basic and fully diluted)	<u>17,196</u>	<u>20,009</u>
Weighted average number of shares for basic and fully diluted earnings per share	<u>3,899,014</u>	<u>3,899,014</u>
Earnings per share	<u>441.0p</u>	<u>513.2p</u>



**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

**10. TANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Freehold Property £000</b>	<b>Fixtures &amp; Fittings £000</b>	<b>Motor Vehicles £000</b>	<b>Computer Equipment £000</b>	<b>Investment Properties £000</b>	<b>Total £000</b>
<b>COST OR VALUATION</b>						
At 1 April 2004	2,426	205	292	97	22,071	25,091
Additions	245	19	120	2	126	512
Disposals	-	-	(102)	-	(60)	(162)
Revaluation	-	-	-	-	331	331
<b>At 31 March 2005</b>	<b>2,671</b>	<b>224</b>	<b>310</b>	<b>99</b>	<b>22,468</b>	<b>25,772</b>
<b>DEPRECIATION</b>						
At 1 April 2004	170	60	118	68	-	416
Charge for the year	54	12	49	6	-	121
On disposals	-	-	(54)	-	-	(54)
<b>At 31 March 2005</b>	<b>224</b>	<b>72</b>	<b>113</b>	<b>74</b>	<b>-</b>	<b>483</b>
<b>NET BOOK VALUE</b>						
At 31 March 2004	2,256	145	174	29	22,071	24,675
<b>At 31 March 2005</b>	<b>2,447</b>	<b>152</b>	<b>197</b>	<b>25</b>	<b>22,468</b>	<b>25,289</b>

The Group's investment properties were valued at £22,467,700 on an open market value basis, on 31 March 2005 by Mr. C. Maunder Taylor FRICS, a director. This valuation was carried out in accordance with the Statement Of Asset Valuation Practice and Guidance Notes published by the Royal Institute of Chartered Surveyors.

If the investment properties had not been revalued the historical cost of those properties would have been £15,709,759 (2004: £15,643,903).

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

<b>MOUNTVIEW</b>	<b>Freehold Property £000</b>	<b>Fixtures &amp; Fittings £000</b>	<b>Motor Vehicles £000</b>	<b>Computer Equipment £000</b>	<b>Total £000</b>
<b>COST</b>					
At 1 April 2004	2,426	102	292	97	2,917
Additions	245	2	120	2	369
Disposals	-	-	(102)	-	(102)
<b>At 31 March 2005</b>	<b>2,671</b>	<b>104</b>	<b>310</b>	<b>99</b>	<b>3,184</b>
<b>DEPRECIATION</b>					
At 1 April 2004	170	22	118	68	378
Charge for the year	54	4	49	6	113
On disposals	-	-	(54)	-	(54)
<b>At 31 March 2005</b>	<b>224</b>	<b>26</b>	<b>113</b>	<b>74</b>	<b>437</b>
<b>NET BOOK VALUE</b>					
At 31 March 2004	2,256	80	174	29	2,539
<b>At 31 March 2005</b>	<b>2,447</b>	<b>78</b>	<b>197</b>	<b>25</b>	<b>2,747</b>

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

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

**11. 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.

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

**12. STOCKS**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005 £000</b>	<b>2004 £000</b>	<b>2005 £000</b>	<b>2004 £000</b>
Residential properties	<u>174,775</u>	<u>170,116</u>	<u>168,199</u>	<u>165,763</u>

**13. DEBTORS: due within one year**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005 £000</b>	<b>2004 £000</b>	<b>2005 £000</b>	<b>2004 £000</b>
Trade debtors	236	100	176	54
Prepayments and accrued income	83	78	83	78
	<u>319</u>	<u>178</u>	<u>259</u>	<u>132</u>

**14. CREDITORS: Amounts falling due within one year**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005 £000</b>	<b>2004 £000</b>	<b>2005 £000</b>	<b>2004 £000</b>
Bank loans and overdrafts	28,434	26,219	28,434	26,219
Trade creditors	166	321	156	311
Corporation tax	3,155	4,689	2,735	4,169
Other taxes and social security costs	376	400	376	400
Dividends payable	3,197	3,041	3,197	3,041
Other creditors	561	673	489	576
Other loans	2,690	-	2,690	-
	<u>38,579</u>	<u>35,343</u>	<u>38,077</u>	<u>34,716</u>

Other loans consist of loans from connected persons. Interest payable on these loans is at 0.75% above Barclays Bank Plc base rate.

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

**15. CREDITORS: Amounts falling due after more than one year**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans and overdrafts	<b>25,609</b>	34,888	<b>25,609</b>	34,888
Amounts owed to subsidiary undertakings	-	-	<b>15,726</b>	16,230
Other loans	<b>3,925</b>	3,250	<b>3,925</b>	3,250
	<u><b>29,534</b></u>	<u>38,138</u>	<u><b>45,260</b></u>	<u>54,368</u>

Other loans consist of loans from companies of which Mr. D.M. Sinclair is a Director. Interest payable on these loans is at 0.75% above Barclays Bank Plc base rate.

Maturity profile of financial liabilities at 31 March 2005 was as follows:

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>£000</b>	£000	<b>£000</b>	£000
Amounts repayable:				
Within one year or on demand	<b>28,434</b>	26,219	<b>28,434</b>	26,219
In more than one year but not more than two years	<b>5,928</b>	8,428	<b>9,428</b>	8,428
In more than two years but not more than five years	<b>18,681</b>	14,284	<b>16,181</b>	14,284
In more than five years	<b>1,000</b>	12,176	-	12,176
	<u><b>54,043</b></u>	<u>61,107</u>	<u><b>54,043</b></u>	<u>61,107</u>

The bank overdrafts are repayable on demand.

The Group has three loans which are repayable by instalments. These loans are repayable by May 2006, November 2009 and June 2010. The rate of interest payable on the loans is 1.5% above Barclays Bank Plc base rate.

The loan in respect of the Cadogan Portfolio is guaranteed by an inter-group cross guarantee.

# MOUNTVIEW ESTATES P.L.C.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 MARCH 2005

### 16. FINANCIAL INSTRUMENTS

The Group has taken advantage of the exemption under FRS 13, Derivatives and Other Financial Instruments: Disclosures, that short term debtors and creditors be excluded from disclosure on the grounds that they do not have a significant impact on the financial risk of the Group.

#### Financial assets

The Group's financial assets at the year end consist of cash at bank and in hand of £2,287,829 (2004: £454,864).

#### Financial liabilities

The Group finances its operations through a mixture of retained profits, bank and other borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed by the combination of an interest rate collar and the varying duration of its borrowings. The interest rate profile of the Group's financial liabilities at 31 March 2005 was:

	2005 £ 000	2004 £000
Floating rate financial liabilities	54,043	61,107

The benchmark rate for determining interest payments for the floating rate financial liabilities was LIBOR depending upon the facility.

The weighted average interest rate on the floating rate debt and the average maturity of that debt for the Group was as follows:

	2005	2004
Weighted average interest rate	5.43%	4.74%
Average maturity of debt	3 years	3 years

#### Borrowing facilities

The Group had various unutilised borrowing facilities at the year end. The undrawn facilities available to the Group amount to £11,989,250 (2004: £12,480,420).

#### Fair values of financial assets and liabilities

There was no difference between the book value and the fair value of the Group's financial assets and liabilities.

### 17. CALLED UP SHARE CAPITAL

	2005 £000	2004 £000
Authorised: 5,000,000 ordinary shares of 5p each	250	250
Allotted, issued and fully paid: 3,899,014 ordinary shares of 5p each	195	195

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

<b>18. REVALUATION RESERVE</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
As at 1 April 2004	6,427	5,380
Revaluation of investment properties	331	1,047
Balance carried forward	<u>6,758</u>	<u>6,427</u>

**19. OTHER RESERVES**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital redemption reserve	55	55	55	55
Capital reserve	25	25	25	25
Other reserves	56	56	39	39
	<u>136</u>	<u>136</u>	<u>119</u>	<u>119</u>

The Group does not maintain insurance cover against other risks except where several properties are located in a close physical vicinity. A reserve is maintained to deal with such non-insured risks and at 31 March 2005 stood at £56,000 (2004: £56,000).

**20. PROFIT AND LOSS ACCOUNT**

	<b>GROUP</b>		<b>MOUNTVIEW</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 April 2004	115,184	99,932	97,645	84,563
Retained profit for the Financial Year	12,285	15,252	10,372	13,082
Balance carried forward	<u>127,469</u>	<u>115,184</u>	<u>108,017</u>	<u>97,645</u>

**21. CASHFLOW**

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Operating profit	28,001	31,799
Amortisation	-	89
Depreciation	121	110
Loss on disposal of fixed assets	3	10
(Increase) in stocks	(4,659)	(28,118)
(Increase)/decrease in debtors	(141)	377
(Decrease) in creditors	(122)	(299)
Net cash inflow from operating activities	<u>23,203</u>	<u>3,968</u>

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

**22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

<b>Returns on investments and servicing of finance</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Interest paid	(3,979)	(3,192)
Net cash outflow from returns on investments and servicing of finance	<u>(3,979)</u>	<u>(3,192)</u>
 <b>Capital expenditure and financial investments</b>	 <b>2005</b>	 <b>2004</b>
	<b>£000</b>	<b>£000</b>
Payments to acquire tangible fixed assets	(513)	(145)
Receipts from sale of fixed assets	431	20
Net cash (outflow) from capital expenditure	<u>(82)</u>	<u>(125)</u>
 <b>Financing</b>	 <b>2005</b>	 <b>2004</b>
	<b>£000</b>	<b>£000</b>
New bank loans	-	20,000
Repayment of bank loans	(9,279)	(6,077)
Net inflow from other short-term loans	2,690	-
Net inflow/(outflow) from other long-term loans	675	(650)
Net cash (outflow)/inflow from financing	<u>(5,914)</u>	<u>13,273</u>

**23. ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 1 April 2004 £000</b>	<b>Cash Flows £000</b>	<b>Other Changes £000</b>	<b>At 31 March 2005 £000</b>
Net cash:				
Cash at bank and in hand	454	1,834	-	2,288
Overdrafts	(13,790)	(2,216)	-	(16,006)
	<u>(13,336)</u>	<u>(382)</u>	<u>-</u>	<u>(13,718)</u>
Debt:				
Debt due within one year	(12,428)	6,589	(9,279)	(15,118)
Debt due after one year	(38,138)	(675)	9,279	(29,534)
	<u>(50,566)</u>	<u>5,914</u>	<u>-</u>	<u>(44,652)</u>
Net debt	<u>(63,902)</u>	<u>5,532</u>	<u>-</u>	<u>(58,370)</u>

**MOUNTVIEW ESTATES P.L.C.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED 31 MARCH 2005**

**24. RELATED PARTY TRANSACTIONS**

- (a) Mountview Estates P.L.C. provides general management and administration services to Ossian Investors Limited, Sinclair Estates Limited and Viewthorpe Limited, companies of which Mr. D.M. Sinclair is a Director. Fees of £60,431 (2004: £52,641) were charged for these services.
- (b) Included within other loans, in amounts falling due in more than one year is a loan from Sinclair Estates Limited. The balance outstanding at the balance sheet date was £2,700,000 (2004: £750,000). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £84,332 (2004: £36,136).
- (c) Included within other loans, in amounts falling due in more than one year is a loan from Ossian Investors Limited. The balance outstanding at the balance sheet date was £1,050,000 (2004: £850,000). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £51,023 (2004: £34,926).
- (d) Included within other loans, in amounts falling due in more than one year is a loan from Viewthorpe Limited. The balance outstanding at the balance sheet date was £175,000 (2004: Nil). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £12,819 (2004: £1,406). *Mr. D.M. Sinclair is a Director of this company.*
- (e) Included within other loans, in amounts falling due in less than one year is a loan from Kingsway Wallpaper Stores Limited. The balance outstanding at the balance sheet date was £1,315,000 (2004: £1,150,000). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £68,253 (2004: £50,430). *Mr. D.M. Sinclair is a Director of this company.*
- (f) Included within other loans, in amounts falling due in less than one year is a loan from Mrs. P. E. Cullen, a shareholder of the Company and a director of Sinclair Estates Limited. The balance outstanding at the balance sheet date was £500,000 (2004: £400,000). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £24,719 (2004: £20,949).
- (g) Included within other loans, in amounts falling due in less than one year is a loan from Mrs. D. Sinclair, a shareholder of the Company. The balance outstanding at the balance sheet date was £175,000 (2004: £100,000). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £5,997 (2004: £4,468).
- (h) Included within other loans, in amounts falling due in less than one year is a loan from Mr. K. Langrish-Smith, a director of the Company. The balance outstanding at the balance sheet date was £250,000 (2004: Nil). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £5,052 (2004: Nil).
- (i) Included within other loans, in amounts falling due in less than one year is a loan from Mrs. E. Langrish-Smith, the wife of a director of the Company. The balance outstanding at the balance sheet date was £450,000 (2004: Nil). Interest is payable on the loan at a rate of 0.75 percent above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £7,858 (2004: Nil).
- (j) The Company has taken advantage of the Financial Reporting Standard No.8 exemptions not to disclose any transactions or balances between Group entities and these have been eliminated on consolidation.

## **MOUNTVIEW ESTATES P.L.C.**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOUNTVIEW ESTATES P.L.C.**

We have audited the financial statements on pages 15 to 30 which have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the accounting policies set out on pages 19 to 20. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the Company shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit has been undertaken so that we might state to the Company shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 10. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' Remuneration and transactions with the Company and the Group are not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Remuneration Report, the Chairman's Statement, Review of Operations and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

#### **BASIS OF OPINION**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

#### **OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the profit and cash flows of the Group for the year then ended and the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.



**BSG VALENTINE**

Chartered Accountants & Registered Auditors

Lynton House, 7-12 Tavistock Square, London WC1H 9BQ

24 June 2005



**MOUNTVIEW ESTATES P.L.C.**  
**TABLE OF COMPARATIVE FIGURES**  
**AS AT 31 MARCH 2005**

	2000 £000	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000
Turnover	36,284	36,493	40,289	45,997	55,087	48,778
Profit before taxation	19,064	20,008	20,075	23,603	28,593	24,517
Taxation	5,797	6,009	6,013	7,878	8,584	7,321
Profit after taxation	13,267	14,000	14,062	15,725	20,009	17,196
Dividends	3,303	3,578	3,275	3,587	4,757	4,911
Retained in Group	9,964	10,422	10,787	12,138	15,252	12,285
Earnings per share	289.2p	305.2p	325.1p	403.3p	513.2p	441.0p
Rate of dividend	72p	78p	84p	92p	122p	126p

## MOUNTVIEW ESTATES P.L.C.

### NOTICE OF MEETING

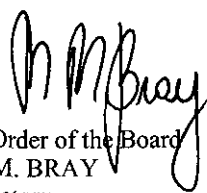
Notice is hereby given that the Sixty-Eighth Annual General Meeting of the Members of Mountview Estates P.L.C. will be held at the Kenilworth Hotel, Great Russell Street, London WC1B 3LB on Wednesday 17 August 2005 at 11.30 a.m., for the following purposes:

#### Ordinary Business:

1. To receive and consider the Reports of the Directors and the Auditors and the audited Statements of Accounts for the year ended 31 March 2005.
2. To declare a dividend of 82p per share payable on 22 August 2005 to Shareholders on the register at 22 July 2005.
3. To re-appoint Miss J.L. Murphy 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 2005.
6. To re-appoint Messrs. BSG Valentine as Auditors of the Company and to authorise the Directors to determine the Auditors' remuneration for the ensuing year.

#### Special Business:

7. To consider and if thought fit, pass the following resolution which will be proposed as an Ordinary Resolution:  
THAT, for the purposes of section 320 of the Companies Act 1985, the proposed purchase by Miss Jacqueline Murphy of the freehold interest in 41a Belsize Lane, London NW3 from the Company for a purchase price of £375,000 be and is hereby approved and the Company be and is hereby authorised to enter into a legally binding contract to give effect to such sale.

  
By Order of the Board  
M. M. BRAY  
Secretary

Mountview House  
151 High Street  
Southgate  
London N14 6EW  
22 July 2005

#### Notes:—

1. A Member who is entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and, on a poll, vote instead of him/her. A Proxy need not also be a Member of the Company.
2. A form of Proxy is enclosed with this Report and Accounts and should be completed in accordance with the instructions contained therein.
3. Copies of the Directors' service contracts are available for inspection at the registered office at Mountview House, 151 High Street, Southgate, London N14 6EW during normal business hours on weekdays from the date of this notice until the conclusion of the Meeting. The register of Directors' interests kept by the Company under the Companies Act 1985 Section 325 will be available for inspection at the Meeting.
4. Resolution No. 7 (Ordinary Resolution) to approve property purchase.  
This resolution is required by section 320 of the Companies Act 1985 (the "Act") in order to permit Miss Jacqueline Murphy, a Director of the Company, to proceed with the proposed purchase of the freehold interest in 41a Belsize Lane, London NW3, which is being sold by the Company. Assuming that planning consent is granted for the redevelopment of the site, it is proposed that the property will be converted into a three storey detached house. As at the date of this notice, the Directors have received a written indication of value from Savills that the current market value of the freehold interest in the property (assuming that planning permission is granted in accordance with the proposed plans and that the property will be sold with vacant possession) is fairly reflected by a figure in the region of £350,000 to £400,000. On the basis of this indication of value, the Directors are of the opinion that the proposed purchase price for the property of £375,000 represents fair market value.

Details of the proposed purchase, including the indication of value from Savills, may be inspected at the registered office of the Company during usual business hours on any weekday (Saturdays excepted) up to and including the date of the Meeting and then at the place of the Meeting 15 minutes prior to and until the close of the Meeting.

**MOUNTVIEW ESTATES P.L.C.**  
**SHAREHOLDERS INFORMATION**

**FINANCIAL CALENDAR 2005**

<b>Final dividend record date</b>	22 July
<b>Annual Report Posted to Shareholders</b>	22 July
<b>Annual General Meeting</b>	17 August
<b>Final dividend payment</b>	22 August
<b>Interim Results</b>	1 December

**SHAREHOLDERS' ENQUIRIES**

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

Capita Registrars  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU