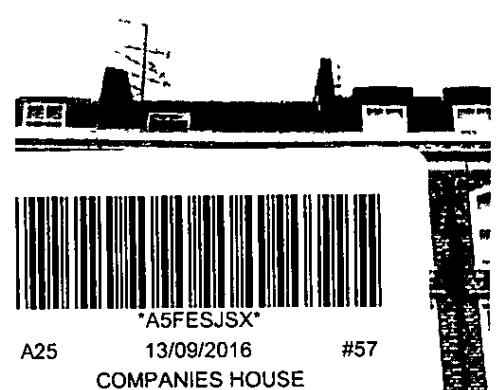


# Mountview Estates P.L.C.

## *Annual Report and Accounts 2016*



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COMPANIES HOUSE

TUESDAY

## *About Us*

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Mountview Estates P.L.C. was established in 1937 as a small family business based in North London by two brothers, Frank and Irving Sinclair.

Mountview Estates P.L.C. is a Property Trading Company. The Company owns and acquires tenanted residential property throughout the UK and sells such property when it becomes vacant.



# Our Performance

## REVENUE

**£79.8m**

**↑11.9%**

(2015: £71.3m)

## GROSS PROFIT

**£53.0m**

**↑13.5%**

(2015: £46.7m)

## PROFIT BEFORE TAX

**£48.4m**

**↑21.0%**

(2015: £40.0m)

## PROFIT BEFORE TAX EXCLUDING INVESTMENT PROPERTIES REVALUATION

**£46.9m**

**↑17.3%**

(2015: £40.0m)

## SHAREHOLDERS' EQUITY

**£311.8m**

**↑8.4%**

(2015: £287.7m)

## EARNINGS PER SHARE

**992.9p**

**↑21.7%**

(2015: 816.0p)

## NET ASSETS PER SHARE

**£79.9**

**↑8.3%**

(2015: £73.8)

## DIVIDEND PER SHARE

**300p**

**↑9.1%**

(2015: 275p)

Mountview Estates PLC advises its shareholders that, following the issue of the final results, the relevant dates in respect of the proposed final dividend payment of 100 pence per share are as follows

Ex-dividend date	14 July 2016
Record date	15 July 2016
Payment date	15 August 2016

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# Chairman's Statement

Dear Shareholder,

## FINANCIAL RESULTS

First and foremost, I am delighted to report to you that our Executive team have achieved another year of record results. Profits before tax for the year to 31 March 2016 have increased by 21% to £48.4 million. As you can see detailed in the pages that follow, your Company continues to derive rising returns from its portfolio of properties.

This impressive achievement has been delivered by a combination of astute buying, efficient property management and the skilful realisation of value from property reversions. Our Executive Directors, managers and staff deserve our congratulations and the report of your Chief Executive sets out the background to these results in more detail.

Accordingly, your Board has increased the dividend, but only by a margin that it feels is sustainable in the light of current business risk. The dividend for the full year will be increased by 25p to £3.00, an increase of 9%. We believe this to be sustainable and dividend cover remains at over three times. We expect to continue to pay the major part of the annual dividend towards the end of March, as in the current year, for the foreseeable future.

## STRATEGY

At Mountview we remain a tightly focused property trading business, specialising in Regulated Tenancies. Our portfolio is centred around London and the Home Counties. Although other types of private rented tenancy have increased during the year, Regulated Tenancies will remain the core of our business. We believe that this focus is at the heart of our continuing success.

Whilst we have continued to deliver strong growth in revenue and profits over the last five years, there is no denying that returns have been enhanced by general increases in property values. In recent times the Chancellor of the Exchequer has made changes in taxation to make property investment by institutions and individuals less attractive and this has slowed general property transaction volume in recent months. Further, the recent decision by the UK to leave the EU has negatively impacted the value of property companies as investors expect a downturn in prices. It is very difficult to predict what will happen, but we face volatile and uncertain times as a result of these and other factors. Our cautious approach to investment is appropriate to these circumstances and our strong Balance Sheet will allow us to make advantageous purchases in adverse conditions, should they arise.

## OUR PEOPLE

The results would not be achieved without a great deal of hard work done by the Executives and staff of Mountview and, on behalf of all shareholders, I thank them for their efforts. During my first year as Chairman, I have met many of the Company's employees and have been impressed by the quality of our people and their engagement and commitment to our business. As our Chief Executive said in his comments last year, we continue to develop our staff at all levels so that the performance of the Company can be protected and enhanced as we move forward.

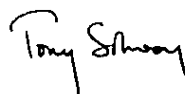
I would also like to thank Alistair Sinclair, a Non-Executive Director of the Company who retired in December 2015. Alistair made an extremely valuable contribution during his five years' service. I am delighted to welcome Dr Andrew Williams to the Board in Alistair's place.

## GOVERNANCE

We have made some changes to the composition of the Board's Committees following the resignation of Alistair Sinclair. Audit is now chaired by Mhairi Jarvis and Remuneration is chaired by myself. We have also extended the scope of the Audit Committee to include the review of risk and in future it will be called the Audit and Risk Committee. All NEDs are members of the Audit and Risk and Remuneration Committees.

Your Board is also responding to requests from shareholders for greater transparency in the conduct of the Company's affairs and this is reflected in changes to this report. We have expanded the Remuneration Committee and Audit and Risk Committee reports to provide more insight into their workings.

I am grateful to the shareholders who have given up their time to meet with me during this last year. I have found our discussions to be most useful and have shared the feedback generally with the Board. I look forward to seeing you at our Annual General Meeting.



A C J Solway  
Non-Executive Chairman  
14 July 2016

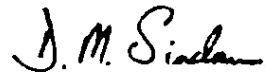
## Chief Executive's Statement

Whilst this statement reviews the results for the year ended 31 March 2016 there is also a statement from our Non-Executive Chairman, Tony Solway. By the time you receive these Report and Accounts, Tony will have been in office for over a year. In the meantime, Alistair Sinclair has retired from his position as Non-Executive Director. Alistair served the Company well for over five years for which we thank him wholeheartedly. His position was taken by Dr Andrew Williams, who becomes the first member of the third generation of the Sinclair family to hold office in the Company. After more than seventy-nine years of Mountview's existence it is a pleasure to have this degree of continuity and we welcome Andrew to the Board.

During the financial year ended 31 March 2016 revenue has increased by 11.9%, gross profit has increased by 13.5%, and profit before tax has increased by 21%. This has enabled earnings per share to increase by 21.7% to 993 pence which covers the increased dividend per share 3.3 times. The recommended final dividend of 100 pence per share in respect of the year ended 31 March 2016 will be payable on 15 August 2016 to Shareholders on the Register of Members as at 15 July 2016. The total dividends for the year at 300 pence per share will have increased by a further 9.1% when compared with the previous year.

During my twenty-six years as Chief Executive Officer, dividends have multiplied more than 26 times. A review of the Table of Comparative Figures shows an extended period of sustained success and congratulations are due in particular to those who have given lengthy service in establishing this strong performance but also to those who have brought their expertise to the Company more recently. It is these staff and colleagues who have made the dividend payments possible and I would like to see them rewarded accordingly.

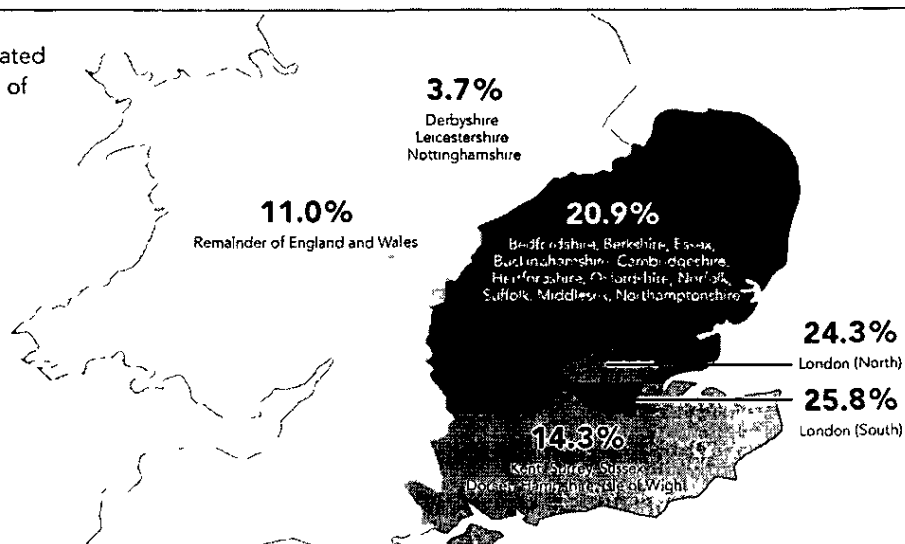
There are as ever economic uncertainties and we cannot influence the macro-economic situation, but Mountview has strong foundations. Borrowings have been further reduced and we continue to make good purchases. We research all opportunities thoroughly and I believe that we can contemplate the future with confidence.



D.M. Sinclair  
Chief Executive Officer  
14 July 2016

## Where we operate

The figures on the map are calculated as a percentage of the total value of Inventories of Trading properties



## Review of Operations

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

# £79.8m

REVENUE  
(2015: £71.3m)

# £53.0m

GROSS PROFIT  
(2015: £46.7m)

### OUR PORTFOLIO

#### CATEGORIES OF PROPERTY HELD AS TRADING STOCK

The Group trades in the following categories:

- Regulated tenanted (residential) units
- Assured tenancy units
- Ground rent units
- Life tenancy units

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

Analysis of the Group Trading portfolio by type as at 31 March 2016

	No. of units	Cost (£m)
Regulated, Assured Shorthold tenancies and other	2,190	266.29
Assured tenancies	245	29.71
Life tenancies	307	36.27
Ground rents	1,135	1.83

Analysis of the Group Trading portfolio at the lower of cost and estimated net realisable value by geographical location as at 31 March 2016

	Regulated, Assured Shorthold tenancies, Assured tenancies and other (£m)	Life tenancies (£m)	Ground rents (£m)	Portfolio (%)
London (North)	80.33	0.09	0.69	24.28
London (South)	70.09	15.16	0.85	25.77
Kent, Surrey, Sussex, Dorset, Hampshire, Isle of Wight	41.29	6.35	0.06	14.28
Bedfordshire, Berkshire, Essex, Buckinghamshire, Cambridgeshire, Hertfordshire, Oxfordshire, Norfolk, Suffolk, Middlesex, Northamptonshire	63.92	5.84	0.13	20.92
Derbyshire, Leicestershire and Nottinghamshire	11.58	0.77	0.10	3.73
Remainder of England and Wales	28.79	8.06	–	11.02

## SALES

At Mountview, we have a relatively straightforward yet proven way of working: we buy tenanted residential properties and sell them when they become vacant. We buy both regulated tenancy and life tenancy property. The former, which are characterised by rental returns below market value, are becoming increasingly short in supply. Since the Housing Act 1988 no new such tenancies have been created.

Life tenancy stock has nominal rental income, is bought at a greater discount to vacant possession value and has a higher margin on sale. A key attraction of this sector to Mountview is the fact that property maintenance is usually the responsibility of the life tenant and this leads to lower ongoing costs to Mountview. We carry out regular checks to ensure that all properties are maintained in good condition.

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

Sales Price (£)	No. of units	Location
1 million +	2	London
500,000 – 1 million	26	London and other
below 500,000	181	London and other

We achieved sales of £61.4 million (2015: £53.4 million), demonstrating the liquidity of the Portfolio. The average sales price achieved was £294,000 (2015: £278,000).

## PURCHASES

The majority of our residential properties that are subject to a regulated tenancy are concentrated in London and the South East. Returns from the regulated portfolios are derived from a combination of below market rental income and trading profits on the sale of property, when the property falls vacant and the reversionary gain is crystallised.

Most properties acquired are unimproved and therefore of low average value. One of the core Mountview capabilities is to actively manage these properties: we identify opportunities to add value by carrying out refurbishments prior to their sale. The greatest gains are available at the upper end of the market and this is where we concentrate our refurbishment activities. These properties are sold by private treaty.

# Review of Operations continued

## ANALYSIS OF ACQUISITIONS

	No of units	Year ended 31 March 2016 Cost £m
Regulated, ASTs, and other	49	14.38
Assured tenancies	7	1.75
Life tenancies	10	12.16
Ground rents	2	–
Ground rents created	22	0.04
<b>Total</b>	<b>90</b>	<b>28.33</b>

Not included in the above

Assured tenancies created net	8
-------------------------------	---

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

Included in the above table are the following  
Portfolio of regulated tenancies

	No of units	Cost £m
Tonbridge, Kent	24	4.8

Life tenancies acquired during the year

	No of units	Cost £m
Penthouse Suite, London SW7	1	6.5
Freehold House, London SW3	1	4.5

The Groups trading properties are carried in the balance sheet at the lower of cost and net realisable value. Net realisable value is the estimated net proceeds of sale if the property were to be vacant at the date of the balance sheet

## RENTAL INCOME

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

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

Where possible we still target those properties where the rent is capped and where our team has identified opportunities to make key improvements. For example, a relatively modest investment can ensure that a property benefits from services and amenities that have been lacking in the past. In many cases, this leads directly to a substantial increase in rental income.

The operating contribution from the core business (comprising profits on sale of trading properties and rental income) is analysed in Note 4 on page 40

## SUMMARY PROSPECTS FOR THE GROUP

The professional knowledge and skills of our compact team ensured that we were able to purchase properties for a total of £28.3 million

Looking ahead, we believe that we will identify similar opportunities in the coming months. Our strength is based on a tight focus on our core business of regulated tenancies together with a prudent approach. We have kept gearing low and borrowing under control.

Since the end of the financial year we have continued to sell and purchase properties and we are pleased with the results achieved. Given our financial strength, we believe that we are in a strong position to take advantage of any prime purchasing opportunities which may arise in the near future.

## INVESTMENT COMPANIES

The analysis of the investment portfolio as at 31 March 2016 is as follows

	2016	2015
Louise Goodwin Limited	32 units	33 units
A L G Properties Limited	4 units	4 units

All of the properties are situated in Belsize Park, London NW3, one of the capital's most prestigious locations

Louise Goodwin Limited and A L G Properties Limited were purchased in 1999 when we took the opportunity to build a presence in one of the best locations in London. Although rental returns have proven to be less significant than we anticipated, the investment portfolio has nevertheless generated consistently strong cash flow.

When the properties become vacant, we refurbish and sell them. During the financial year, we disposed of one Leasehold unit for £1.7 million in Louise Goodwin Limited (2015 disposed of one Ground Rent unit for £54,000 in Louise Goodwin Limited).

We will continue to maintain our strategy for the investment portfolio, deriving rental income in the short to medium term and capital through sales when units become vacant. We are prepared to refurbish the properties and sell them by private treaty to purchasers who actively seek new homes in this area.



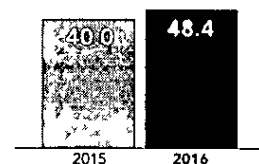
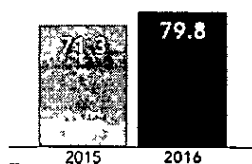
The valuation of the investment portfolio increased during the year by £1.5 million. The properties within the investment portfolio have been revalued externally for the purpose of these accounts. The value attributed to each individual property reflects the change in its condition where appropriate and any adjustment resulting from changes in market circumstances.

Details of the valuation of the investment portfolio are disclosed in Note 13 to the Consolidated Financial Statement on pages 44 to 45.

## REVIEW OF BUSINESS AND PRINCIPAL RISKS

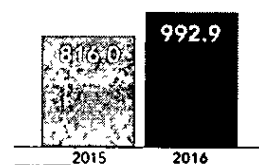
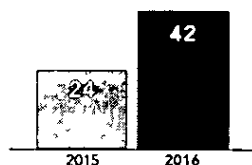
Details of the Group's performance during the year and expected future developments are contained in the Chief Executive's Statement. The Group has established the following Financial Key Performance Indicators:

**FINANCIAL KEY PERFORMANCE INDICATORS**  
REVENUE (£M) **+11.9%**      PROFIT BEFORE TAX (£M) **+21%**



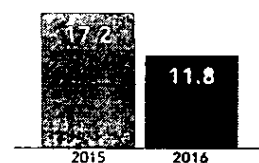
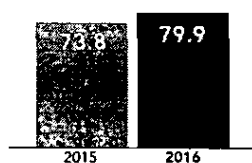
INTEREST COVER IN RELATION TO PROFIT BEFORE INTEREST AND TAXATION

EARNINGS PER SHARE (P) **+21.7%**



NET ASSET PER SHARE (£) **+8.3%**

GEARING RATIO (%)



There are no non-financial key performance indicators that management consider appropriate.

## RISK REVIEW

The Group's business is subject to a number of different risk factors but management considers the key risks to the Group's business are:

### THE GROUP'S ABILITY TO MAINTAIN THE SIZE OF ITS REGULATED TENANCY PORTFOLIO

The Group may experience difficulty in replacing asset sales at Vacant Possession with sufficient stock.

The Group has performed creditably in replacing this class of assets.

### MANAGEMENT SUCCESSION IN PLACE OVER THE MEDIUM TERM

Significant operating expertise is concentrated in a small team of executive and senior management. The business requires a medium term, evolutionary approach to management changes to minimise risk to the business. The continuing development of managerial staff is an important part of business progression.

### PROPERTY MARKET

The property market was buoyant throughout 2015/16, peaking at the end of the tax year partially due to the changes to stamp duties on properties imposed by the Budget 2015.

However, in the wake of the "Brexit" vote, we are facing an uncertain time as to how the property market is going to adjust.

The Group's exposure is weighted towards the stronger London and South East markets and this geographical area is typically a consistent above-average performer.

With relatively low leverage, the Group can continue to maintain its borrowings on a floating rate basis. Currently, the risk of the Group's debt not being refinanced on maturity is viewed as small.

The Group is conservatively geared and operates well within financial covenants.

The Group maintains a good relationship with its bankers. Its banking facilities are fully performing with a spread of maturities and the Company will address any re-financing well before final maturity.

Approved and agreed on behalf of the Board by

D M Sinclair  
Chief Executive Officer

14 July 2016

*J.M. Sinclair*

## *Directors and Advisers*

### **D M SINCLAIR FCA (CEO)**

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. Retained the position of Chief Executive ('CEO') when the role of Chairman and CEO was split into separate roles in 2013. Fellow of the Institute of Chartered Accountants in England and Wales.

### **MRS M M BRAY FCCA**

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

### **NON-EXECUTIVE DIRECTORS**

#### **A C J SOLWAY\* (NON-EXECUTIVE CHAIRMAN)**

Joined the Company on 11 June 2015 and became Non-Executive Chairman of the Board on 1 July 2015. Following a successful career as a financial services executive, Tony now holds a portfolio of non-executive roles. He is a Chartered Fellow of the Institute for Securities and Investment and holds the Institute of Directors Certificate in Company Direction.

\* Mr A C J Solway is considered to be independent for the purposes of the UK Corporate Governance Code.

#### **A J SINCLAIR FCA**

Joined the Company as a Non-Executive Director on 1 November 2010. Fellow of the Institute of Chartered Accountants in England and Wales. Son of the late Frank Sinclair, co-founder of the Company. Retired as Head of Correspondent Banking for National Bank of Canada. Resigned on 31 December 2015.

#### **MRS M L JARVIS MRICS\***

Joined the Company as a Non-Executive Director on 1 July 2014. Member of the Royal Institution of Chartered Surveyors. She has held various roles with property advisers, including Jones Lang LaSalle, and now acts as an adviser to clients in a range of property sectors, including residential and commercial property.

\* Mrs M L Jarvis is considered to be independent for the purposes of the UK Corporate Governance Code.

#### **DR A R WILLIAMS**

Joined the Company as a Non-Executive Director on 1 December 2015. He replaces Alistair Sinclair, who retired from the Board on 31 December 2015. Andrew is a qualified member of the medical profession, and a member of the Sinclair concert party. He will represent the interests of the family and private Shareholders generally.

### **SECRETARY AND REGISTERED OFFICE**

Mrs M M Bray FCCA  
Mountview House,  
151 High Street,  
Southgate,  
London N14 6EW

### **BANKERS**

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

Barclays Bank Plc  
One Churchill Place,  
London E14 5HP

### **AUDITORS**

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

### **SOLICITORS**

Norton Rose Fulbright LLP  
3 More London Riverside,  
London SE1 2AQ

### **REGISTRARS AND TRANSFER OFFICE**

Capita Asset Services  
The Registry,  
34 Beckenham Road,  
Beckenham,  
Kent BR3 4TU

### **BROKERS**

N+1 Singer  
One Bartholomew Lane,  
London EC2N 2AX

### **FINANCIAL ADVISERS**

SPARK Advisory Partners Limited  
5 St John's Lane,  
London EC1M 4BH

# Directors' Report

The Directors have pleasure in presenting to the Members their 79th Annual Report together with the Financial Statements for the year ended 31 March 2016

## 1. RESULTS AND DIVIDENDS

The results for the year are set out in the Income Statement on page 30

The Directors recommend the payment of a final dividend of 100 pence per share. The dividend will be paid on 15 August 2016, subject to approval at the Annual General Meeting on 10 August 2016, to Shareholders on the register at the close of business on 15 July 2016

## 2. ACTIVITIES

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

### PARENT COMPANY

Mountview Estates PLC	Property Trading
-----------------------	------------------

### SUBSIDIARY UNDERTAKINGS (WHOLLY-OWNED)

Hurstway Investment Company Limited	Property Trading
Louise Goodwin Limited	Property Investment
ALG Properties Limited	Property Investment

## 3. ROTATION AND APPOINTMENT OF DIRECTORS

In accordance with the Company's Articles of Association, Mr D M Sinclair retires from the Board by rotation and being eligible, offers himself for reappointment. A resolution for his reappointment will be proposed at the Annual General Meeting

In accordance with the Company's Articles of Association, Dr A R Williams was appointed as a Director on 1 December 2015 and offers himself up for election. A resolution for his election will be proposed at the Annual General Meeting

## 4. SHARE CAPITAL

The authorised share capital of the Company as at 31 March 2016 was £250,000 divided into 5,000,000 Ordinary Shares of 5p of which 3,899,014 were in issue (2015 3,899,014)

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

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

## *Directors' Report* continued

### 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 2016	31 March 2015
Ordinary Shares of 5p each		
Mr D M Sinclair including the following holding of Sinclair Estates Limited – 54,165 Mr D M Sinclair is a Director of the above company	538,383	538,383
Mrs M M Bray	12,302	12,302
Mr A C J Solway (appointed 11 June 2015)	500	–
Dr A R Williams (appointed 1 December 2015)	52,915	–
Mr A J Sinclair, (resigned 31 December 2015) including the following holding of Viewthorpe (Old) Limited – 28,208 and 8532630 Canada Inc – 44,276, both companies being wholly-owned by Mr A J Sinclair, and the holding of 8532729 Canada Inc – 60,000, which company is wholly-owned by Mrs Mary Gillin Sinclair	132,484	132,484

All the above interests are beneficial

### 6 NOTIFIABLE INTERESTS IN SHARE CAPITAL

As at 14 July 2016, the following disclosures of major holdings of voting rights have been made (and have not been amended or withdrawn) to the Company pursuant to the requirements of Disclosure and Transparency Rule 5

	Ordinary Shares of 5p each	% of Issued Share Capital
Mr Phillip Wheeler, Mr David Wright and Mr Alistair Sinclair, Trustees of the Frank and Daphne Sinclair Grandchildren Settlement*	393,193	10.08
Mr Charles Pike and Mr Xavier Nicholas, Trustees of the WD I Sinclair Grandchildren Settlement*	179,400	4.60
Mr Charles Pike and Mr Xavier Nicholas Trustees of the Doris Sinclair Will Trust*	118,100	3.03
Mrs M A Murphy**	596,745	15.31
Mrs E Langrish-Smith**	307,000	7.87
Mrs A Williams**	147,675	3.79
Mrs S Simkins**	148,220	3.80

\* denotes indirect holding

\*\* denotes combined direct and indirect holding

## 7 VIABILITY STATEMENT

The Directors have assessed the viability of the Company over the period to 31 March 2019

The Strategy of the business is conducted at Group level and is reviewed throughout the year at Board meetings in the light of market conditions and investment opportunities

Mountview's strategy is based on a tight focus of our core business of regulated tenancies, together with a prudent approach to key financial ratios and funding requirements. The Board has developed a matrix of risks which it now considers at each meeting. The matrix encompasses

- Trading risks associated with the profitable acquisition and disposal of properties
- Risks to rental income
- Liquidity risk in the event of market disruption
- Gearing and borrowing ratios in light of market conditions
- HR risks associated with executives, managers and staff
- Risk associated with operations and property maintenance

In making their assessment, the Directors assessed the potential impact of the principal risks in severe but plausible scenarios and assessed the most relevant potential impact of these risks and how to manage them

On the basis of this and other matters considered and reviewed by the Board during the year, the Board confirms that it has reasonable expectations that the Company will be able to continue in operation and meet its liabilities as they fall due over the period used for the assessments. The Directors consider the following factors to be key to this assessment

- The Company has strong reserves and low indebtedness, which would enable it to take profitable advantage of adverse market conditions
- The Company's properties are attractive to a broad constituency of buyers and can be marketed through several different channels, if needed
- The Company's rental income is sufficient to cover expenses in the event of market illiquidity
- Contingency and succession planning to cover the unexpected absence of key members of staff has commenced

Given Mountview's strong financial position the Directors consider that it is well positioned to take advantage of both favourable and adverse market conditions. The Company also has adequate banking facilities in place over a spread of maturities which could be renegotiated, augmented or replaced if necessary within the required timescales

## 8 ENVIRONMENTAL MATTERS AND SOCIAL/COMMUNITY ISSUES

Given the size of the Company and the nature of its business as a property trading company, the Company does not currently have any specific policies in place in relation to environmental, social, human rights or community issues, but keeps these issues under review

## *Directors' Report* continued

### 9 GREENHOUSE GAS EMISSIONS DISCLOSURE

#### INTRODUCTION

In accordance with The Companies Act 2006, (Strategic and Directors' Reports) Regulations 2013, Mountview Estates PLC ('Mountview') is required to report on greenhouse gas (GHG) emissions in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) for which it is responsible. In this report, the term 'carbon emissions' not only includes carbon dioxide (CO<sub>2</sub>) but covers the 'Kyoto' greenhouse gases: methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), nitrogen trifluoride (NF<sub>3</sub>) and sulphur hexafluoride (SF<sub>6</sub>).

Carbon Clear is a world-leading carbon management consultancy with a proven track record of helping organisations to measure, reduce and offset their carbon emissions.

Mountview employed Carbon Clear to measure its carbon footprint with the following objectives:

- Define the footprint boundary and collect the required data
- Calculate Mountview's carbon footprint
- Report the results

The reporting period is 1 April 2015 – 31 March 2016

Regulation requires quoted companies to report their Scope 1 and Scope 2 emissions. It is not mandatory to report Scope 3 emissions, however Carbon Clear recommends clients to report Scope 3 emissions as it can lead to greater understanding of the Company's wider impacts. Mountview has committed to report Scope 1, Scope 2 and limited Scope 3 emissions under Mandatory Greenhouse Gas Reporting legislation.

#### HEADLINE RESULTS

This report details Mountview's GHG emissions for the period 1 April 2015 to 31 March 2016. Using an operational control approach, Mountview assessed its boundaries to identify all of the activities and facilities for which it is responsible and reported on all of the material GHG emissions from Scopes 1 and 2. Relevant activity data were identified and collected and provided to the GHG independent consultant, Carbon Clear. The validity and completeness of the data were checked by Carbon Clear and used to calculate the GHG emissions for Mountview. The calculations performed follow the ISO-14064-1:2006 standard and give absolute and intensity factors for Mountview's emissions.

The results show that total gross GHG emissions in the period were 115 tonnes of CO<sub>2</sub>e, comprised of the following:

- Direct Emissions (Scope 1) amounted to 37.3 tonnes of CO<sub>2</sub>e or 32.4% of the total
- Indirect Emissions (Scope 2) amounted to 57.2 tonnes of CO<sub>2</sub>e or 49.7% of the total
- Indirect Other Emissions (Scope 3) amounted to 20.6 tonnes of CO<sub>2</sub>e or 17.9% of the total

The results are presented in the following Tables 1 and 2, and Figure 1.

## 9 GREENHOUSE GAS EMISSIONS DISCLOSURE CONTINUED

TABLE 1 EMISSIONS DATA

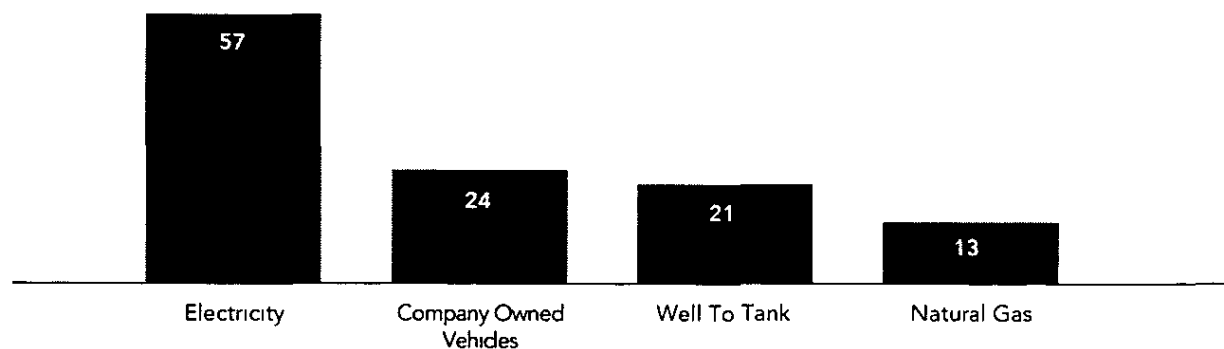
Type of Emissions	Activity	2014/15 tCO <sub>2</sub> e	2015/16 tCO <sub>2</sub> e	% Change
Direct (Scope 1)	Natural Gas	16.3	13.5	-17%
	Company owned vehicles	26.7	23.8	-11%
	Subtotal	43.0	37.3	-13%
Indirect (Scope 2)	Electricity	64.4	57.2	-11%
	Subtotal	64.4	57.2	-11%
Indirect Other (Scope 3)	Additional Upstream Activities	23.4	20.6	-12%
Total emissions (tCO <sub>2</sub> e)		130.7	115	-12%

TABLE 2 INTENSITY RATIO

Intensity Metric	2014/15	2015/16	% Change
Total Gross Emissions (tCO <sub>2</sub> e)	130.7	115.0	-12%
Revenue (£)	71,300,000	79,730,000	12%
Tonnes of gross CO <sub>2</sub> e per million GB £ turnover	1.8	1.4	-21%

FIGURE 1 SOURCE OF EMISSIONS

Gross Emission (tCO<sub>2</sub>e)



### YEAR ON YEAR COMPARISON

In order for the 2015/16 emissions to be directly comparable to the 2014/15 emissions, the 2014/15 reporting year has been re-baselined to encompass updated calculation methodologies and improved quality of data, leading to a more accurate final figure. A detailed year on year analysis reveals overall gross emissions have decreased by 12% from 2014/15 to 2015/16.

Scope 1 emissions have decreased by 13% compared to the previous reporting year. Natural gas consumption has seen a decrease of 17%, which can be attributed to a reduction in natural gas consumption at Mountview House. The 11% decrease in Company owned vehicles emissions is due to a reduction in the size of the Company fleet.

Scope 2 emissions have decreased by 11% compared to the previous reporting year. Similarly to the natural gas, the reduction in electricity usage is primarily due to reduced consumption at Mountview House.

## *Directors' Report* continued

### 9 GREENHOUSE GAS EMISSIONS DISCLOSURE CONTINUED

#### NOTES

- **Well to Tank (WTT) Emissions** "Well to Tank" – (WTT) is the term used to describe the factors that used to be in scope 2, total indirect GHG in Defra 2012. These factors enable organisations to account for the emissions associated with extracting, refining, and transportation of the raw fuel to the vehicle, asset or process under scrutiny.
- Mountview is responsible for electricity charges in the communal areas for 39 blocks of flats and the Company pays on average £30 electricity charge per flat. The approximate electricity consumption for communal areas is 8,726 kWh or 4.0 tCO<sub>2</sub>e scope 2 emissions.
- Mountview confirmed that there has been no refrigerant use in this compliance year as the air conditioning system is only 18 months old and it has not required the refrigerant to be topped up as yet.

#### REFERENCES

The following sources have been used for the completion of this document:

- "2015 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting", Department for Environment, Food and Rural Affairs (DEFRA) and Department for Energy and Climate Change (DECC)
- "Quarterly Energy Prices' June 2015", Department for Energy and Climate Change (DECC)
- "Quarterly Energy Prices' March 2016", Department for Energy and Climate Change (DECC)

### 10 EMPLOYEES

The Company provides regular training related to the use of computer software and for the general professional development of the staff concerned. A great number of our employees have worked for the Company for many years and there is very little turnover of staff.

### 11 DIVERSITY

As at 31 March 2016, the Company had one female Executive Director, Mrs Marie Bray, who has been on the Board since 2004, and one female Non-Executive Director, Mrs Mhairi Jarvis who has been on the Board since July 2014. Female Board membership represents 40% of the Board.

The Company has seven Senior Managers (who are not Directors), three of whom are female.

Of the 26 total employees in the Company, 10 are male and 16 are female.

### 12 SIGNIFICANT AGREEMENTS

Certain banking agreements to which the Company is a party (described in Note 18 to the Consolidated Financial Statements) alter or terminate upon a change of control of the Company following a takeover bid.

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

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

### 13 DIRECTORS' INTERESTS IN CONTRACTS

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



## 14 DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company purchases liability insurance covering the Directors and Officers of the Company and its Subsidiary undertakings and this has been in place throughout the financial year under review

The Company's Articles of Association at Article 163 permit the provision of indemnities to the Directors (at the discretion of the Board) which constitute qualifying third party indemnity and qualifying pension scheme indemnity provisions under the Companies Act 2006

## 15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies are set out in Note 3 to the Consolidated Financial Statements on pages 39 and 40. Details regarding the Company's use of financial instruments are set out in Note 20 to the Consolidated Financial Statements on pages 49 and 50.

## 16 REMUNERATION POLICY

The Company's Shareholders will be asked to approve the Remuneration Report at the Annual General Meeting to be held on 10 August 2016 and accordingly, a resolution will be proposed at the Annual General Meeting.

## 17 CORPORATE GOVERNANCE

The Directors' statement on Corporate Governance is set out on pages 18 to 22.

## 18 HEALTH AND SAFETY

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

## 19 DONATIONS

During the year the Group made charitable donations of £52,782 (2015: £31,230).

The main beneficiaries of such charitable donations are Willow Foundation, Cancer Research UK and Cystic Fibrosis.

There were no political donations made during the year (2015: £nil).

## 20 GOING CONCERN BASIS

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

The financial position of the Group including key financial ratios is set out in the Review of Operations.

The Group is historically profitable, has considerable liquidity and regularly reviews its long-term borrowing facilities with its lenders. As a result, the Directors believe the Group is very well placed to manage its business risks successfully and have a good expectation that both the Company and the Group have adequate resources to continue their operations. Further detailed information is set out on page 19.

## *Directors' Report* continued

### 21 POST BALANCE SHEET EVENTS

There are no material events that have occurred subsequent to the end of the financial year that require disclosure

### 22 AUDITORS

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

### 23 AUDITORS AND DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware

The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

### 24 RELATIONSHIP AGREEMENT

In accordance with the UK Listing Rules, the Company has entered into an agreement with the Sinclair family concert party, which as it controls more than 30% of the Group's total issued share capital is deemed a controlling Shareholder. The relationship agreement is intended to ensure the controlling Shareholder complies with the independence provisions in Listing Rule 9.2.2A.

Under the terms of the relationship agreement, the Principal Concert Party Shareholder, Mr D M Sinclair (a member of the Sinclair family concert party), has agreed to procure the compliance of other individual members of the Sinclair family concert party who are treated as controlling shareholders with independence obligations contained in the relationship agreement. The Sinclair family concert party, as controlling shareholders of the Company have a combined aggregate holding of approximately 53% of the Company's voting rights.

The Board confirms that, since the entry into the relationship agreement until 14 July 2016, being the latest practicable date prior to the publication of this annual report and accounts

- the Company has complied with the independence provisions included in the relationship agreement,
- so far as the Company is aware, the independence provisions included in the relationship agreement have been complied with by the Sinclair family concert party and their associates, and
- so far as the Company is aware, the procurement obligation included in the relationship agreement has been complied with by the Principal Concert Party Shareholder

### 25 DISCLOSURES REQUIRED UNDER LISTING RULE 9.8.4R

For the purpose of LR 9.8.4CR, the only information required to be disclosed

Agreement with principal shareholders	Note 24
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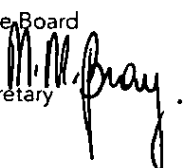
All other sub-sections of LR 9.8.4CR are not applicable

By Order of the Board

M M Bray

Company Secretary

14 July 2016



# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

The Directors are required by the Companies Act 2006 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law)

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether IFRS as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company. This will enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's and the Company's performance, business model and priorities.

Each of the Directors, whose names and functions are set out on page 8, confirm that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and
- the Strategic Report contained within this document includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces

By Order of the Board

M M Bray  
Company Secretary  
14 July 2016

# Corporate Governance

Mountview Estates PLC is a family controlled company. There is a concert party in existence, whose net aggregate shareholdings amount to approximately 53% of the issued share capital of the Company.

The Company has applied the principles and provisions set out in the UK Corporate Governance Code September 2014 edition as issued by the Financial Reporting Council, a copy of which can be found at [www.frc.org.uk/corporate/ukcgcode.cfm](http://www.frc.org.uk/corporate/ukcgcode.cfm), including both the main principles and the supporting principles throughout the accounting period except as detailed in this section.

The UK Corporate Governance Code requires that there should be a clear division of responsibilities at the head of the Company between the running of the Board and the Executives' responsibility for running the Company's business. The roles of D M Sinclair as CEO and A C J Solway as Non-Executive Chairman are separate and distinct. The UK Corporate Governance Code requires (for smaller companies) there to be at least two independent Non-Executive Directors and that the Company should have at least three Non-Executive Directors. A C J Solway and Mrs M L Jarvis are deemed to be independent Non-Executive Directors. Dr A R Williams is a Non-Executive Director but he is not considered to be independent for the purposes of the UK Corporate Governance Code. At present the Board does not intend to appoint any Director to fulfil the role of senior independent director given the limited size of the Board but may decide to do so in the future.

Each Board member has responsibility to ensure that the Group's strategies lead to increased Shareholder value.

## THE BOARD

As at the year ended 31 March 2016, the Board comprised the CEO, one Executive Director and three Non-Executive Directors (of which two are considered to be independent for the purpose of the UK Corporate Governance Code). All Directors have access to independent professional advice at the expense of the Company and to the services of the Company Secretary who is responsible to the Board for ensuring the correct procedures are followed.

In addition to ad hoc meetings arranged to discuss particular transactions and events, the full Board meets at least four times a year and retains full and effective control over the Group's activities. The Company Secretary sends out the agenda and supporting information to all members of the Board in advance of Board meetings. Company strategy is proposed by the Executive Directors and that strategy is rigorously discussed, debated and agreed by the Board. The Non-Executive Directors work with the Executive Directors to deliver on the agreed strategy. The following table sets out details of the number of meetings of the Board (excluding ad hoc meetings) and of the Audit, Nomination and Remuneration Committees during the year and the attendance at these meetings by the Directors who were in office during the period.

Meetings	Mr A C J Solway <sup>1</sup>	Mr D M Sinclair <sup>4</sup>	Mrs M M Bray <sup>4</sup>	Mr A J Sinclair <sup>2</sup>	Mrs M L Jarvis	Dr A R Williams <sup>3</sup>
Full Board	3	4	4	3	4	1
Audit Committee	2	2	2	2	3	1
Remuneration Committee	3	2	2	1	3	1
Nomination Committee	1	2	2	2	1	–

<sup>1</sup> Mr A C J Solway was appointed to the Board on 11 June 2015. He was eligible to attend 3 Board Meetings and 6 Committee Meetings.

<sup>2</sup> Mr A J Sinclair resigned from the Board on 31 December 2015. He was eligible to attend 3 Board Meetings and 5 Committee Meetings.

<sup>3</sup> Dr A R Williams was appointed to the Board on 1 December 2015. He was eligible to attend 1 Board Meeting and 2 Committee Meetings.

<sup>4</sup> Mr D M Sinclair and Mrs M M Bray were invited to attend 2 Audit Committee Meetings and 2 Remuneration Committee Meetings.

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

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

The Non-Executive Directors hold meetings without the Executive Directors to discuss remuneration of the Executive Directors and to meet with the external auditor to discuss the audit of the Annual Report and Accounts.

All members of the Board are subject to the re-election provisions of the Articles of Association which require that one third of their number offer themselves for re-election each year and, on appointment, at the first Annual General Meeting (AGM) after appointment. Details of those Directors offering themselves for reappointment are set out in the Directors' Report on page 9.

The Articles of Association of the Company contain the following provisions relating to the appointment and replacement of Directors:

- The Company may, by ordinary resolution, appoint a person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board.
- The Board has the power to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board. Any Director appointed by the Board is required to retire at the first AGM of the Company following his or her appointment.
- The total number of Directors (other than any alternate Directors) must not be more than 12 or less than two.
- In addition to any power to remove a Director conferred by Section 168 of the Companies Act 2006, the Company may, by ordinary resolution, remove any Director before the expiration of his or her period of office, but without prejudice to any claim for damages which he or she may have for breach of any contract of service between him or her and the Company. The Company may then appoint another person, who is willing to act, as a Director in his or her place in accordance with the Articles of Association.

## GOING CONCERN

After making diligent enquiries, including the review of future anticipated cash flows and compliance with banking covenants, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in existence for at least the next 12 months from the date of signing the Financial Statements. For this reason they continue to adopt the going concern basis in preparing the accounts.

## DIRECTORS – PERFORMANCE EVALUATION

The Directors consider that the small size of the Group and Board does not warrant a formal evaluation process. However, performance of the Directors is evaluated on an ongoing basis by the Board. Based on the close working relationships of the Board and the Committees, the Directors are satisfied with both the performance of the Board and its Committees. In making decisions throughout the year, the Board is strongly aware of its responsibilities to the Company's Shareholders.

Any areas of concern are addressed during regular management or Board meetings.

## REMUNERATION COMMITTEE

The Remuneration Committee during the period comprised Mr A C J Solway (Independent Non-Executive Director and Non-Executive Chairman), Mrs M L Jarvis (Independent Non-Executive Director) and Mr A J Sinclair (Non-Executive Director). The Committee was chaired by Mr A J Sinclair, up until his retirement from the Board on 31 December 2015, following which Mr A C J Solway assumed the role as Chair of the Committee. The Committee monitors, reviews and makes recommendations to the Board on all elements of the remuneration of the Executive Directors. The Committee meets three times a year and the aim of the Committee is to provide total remuneration packages which attract, retain and motivate Executive Directors of the appropriate calibre.

Mr D M Sinclair and Mrs M M Bray are invited by the Remuneration Committee members to attend a meeting or part of any meeting as and when appropriate.

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

The report of Directors' Remuneration is set out on pages 23 to 29.

## *Corporate Governance* continued

### NOMINATION COMMITTEE

All the Directors of the Company are members of this Committee

There were two meetings during this year and key matters considered were

- Appointment of a Non-Executive Chairman

The Nomination Committee keeps the composition of the Board and possible Director appointments under regular review. For the purpose of identifying a Non-Executive Chairman candidate during the year, an external search was commissioned, using an independent Executive search firm, Trust Associates Ltd, which has no other connection with the Company.

- Appointment of a Non-Executive Director

The Nomination Committee has recommended and obtained approval from the full Board for the nomination of Dr A R Williams as a Non-Executive Director with effect from 1 December 2015. Dr A R Williams is a member of the concert party and he represents the interests of the family and private Shareholders generally.

### AUDIT COMMITTEE

The Audit Committee during the period comprised Mr A C J Solway (Independent Non-Executive Director and Non-Executive Chairman), Mrs M L Jarvis (Independent Non-Executive Director), Mr A J Sinclair (Non-Executive Director) until he retired from the Board on 31 December 2015, and Dr A R Williams (Non-Executive Director) who was appointed to the Committee on 1 December 2015. The Committee was chaired by Mrs M L Jarvis.

### ACTIVITIES OF THE COMMITTEE

The Committee operates within the defined Terms of Reference which can be found on the Company's website at [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk). During the year the Committee has undertaken each of its principal responsibilities, receiving relevant reports from external Auditors and management and challenging assumptions and judgements made.

The Committee performs a detailed review of the tone and content of the annual and half year press releases and the Annual Report and Accounts. The Committee is satisfied that controls over accuracy and consistency of information presented in the Annual Report and Accounts are robust and has confirmed to the Board that it believes this Annual Report and Accounts is fair, balanced and understandable.

### EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

Following best practice and in accordance with its Terms of Reference, the Committee annually reviews the audit requirements of the Company. The Committee reviewed BSG Valentine's proposals for the audit and is confident that appropriate plans were put in place to carry out an effective and high quality audit. BSG Valentine confirmed to the Committee that they maintained appropriate internal safeguards to ensure their independence and objectivity. Following our annual review of auditor quality and independence, we have determined that it is not necessary to tender the audit contract for the time being and recommend BSG Valentine's reappointment to the Board, approval of which will be sought from Shareholders at the AGM. As part of its review the Committee notes that the Group Audit Partner was rotated in 2012 and the current audit partner's five year term will end in 2017.

## KEY AREAS FORMALLY DISCUSSED AND REVIEWED

Principal responsibilities of the Audit Committee	Key areas formally discussed and reviewed by the Audit Committee during the financial year ending 31 March 2016
Reporting and External Audit	
<ul style="list-style-type: none"> <li>Monitoring the integrity of the Company's financial statements and all formal announcements relating to the Company's financial performance, reviewing financial reporting judgements contained within them</li> <li>Making recommendations to the Board regarding the appointment of the external Auditors and approving the external Auditor's remuneration terms of engagement, monitoring independence, objectivity and effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Results, commentary and announcements</li> <li>Key accounting policy judgements, including variations</li> <li>Impact of future financial reporting standards</li> <li>Going concern and financial viability</li> <li>External Auditor effectiveness</li> <li>External Auditor management letter, containing observations arising from the annual audit leading to recommendations for financial reporting improvement</li> <li>External Auditor's remuneration and audit tender frequency</li> </ul>
Valuations	
<ul style="list-style-type: none"> <li>Monitoring and reviewing the valuation process for the Investment properties held</li> <li>Valuer competence and effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Annual report on the effectiveness of the valuer which considers the quality of the valuation process and judgement</li> </ul>
Risk and internal control	
<ul style="list-style-type: none"> <li>Reviewing the principal risks and uncertainties as identified by the Audit Committee, including those that could affect solvency or liquidity</li> <li>Reviewing the risk management disclosures on our approach to risk in the Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of the risk register including identification of the Company's principal risks</li> </ul>
Other	
<ul style="list-style-type: none"> <li>Reviewing the Committee's Terms of Reference and monitoring its execution</li> <li>Considering compliance with legal requirements accounting standards and the Listing Rules</li> <li>Reviewing the whistle-blowing policy and operation</li> </ul>	<ul style="list-style-type: none"> <li>Review of whistle-blowing policy</li> <li>Review of the Audit Committee's Terms of Reference,</li> <li>Implementation of FRS 102 Reduced Disclosure Framework</li> <li>Review of the effectiveness of the Audit Committee</li> </ul>

The Committee gives careful consideration before appointing the Auditors to provide other non-audit services

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

The Committee meets three times a year and one of these meetings is with the external Auditors without either of the Executive Directors in attendance. Mr D M Sinclair and Mrs M M Bray were invited to attend two of the meetings held by the Audit Committee. The Chairman of the Audit Committee reports to the Board on matters discussed with the external Auditors.

The Audit Committee has satisfied itself that the Company complies with the principles set out in the Financial Reporting Council's Guidance on Audit Committees.

## *Corporate Governance* continued

### COMMUNICATIONS WITH SHAREHOLDERS

The Board as a whole acknowledges its responsibility for ensuring satisfactory dialogue with Shareholders and the Chairman is available to meet Shareholders on request to discuss specific concerns they may have. The Company principally communicates with and updates its Shareholders as to its progress by way of the Annual Report and Accounts and half yearly interim reports which are posted on the Company's website [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk). Investors may use the Company's Annual General Meeting to communicate with the Board. The entire Board will be available at the Annual General Meeting for Shareholders to ask questions. The Board including the Non-Executive Directors, is available throughout the year to listen to the views of Shareholders and meetings are held during the year when appropriate.

### RISK MANAGEMENT AND INTERNAL FINANCIAL CONTROL

Details of the Company's risk management profile are included in paragraph 15 in the Directors' Report on page 15 and in Note 3 to the Consolidated Financial Statements on pages 39 to 40.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout the period from 1 April 2015 to the date of approval of the Annual Report and Accounts. The effectiveness of this process is reviewed annually by the Board.

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 identify, evaluate and manage risks faced by that group and meet the particular needs of that group and the risks to which it is exposed. By their nature such systems can provide reasonable but not absolute protection against material misstatement or loss. Due to its size, the Group does not have a dedicated internal audit function. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

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

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

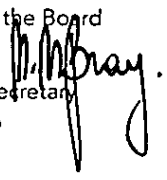
**Corporate accounting** – Responsibility levels are communicated throughout the Group as part of the corporate accounting procedures. These procedures set out authorisation levels, segregation of duties and other control procedures.

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

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

By Order of the Board

M M Bray  
Company Secretary  
14 July 2016





# Remuneration Report

Dear Shareholder,

In my first year as Chairman of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 March 2016, which has been prepared by the Remuneration Committee and approved by the Board of Directors (the "Board")

## REMUNERATION POLICY

The Remuneration Policy is designed to attract, motivate and retain the right talent for our business in order that it can continue to deliver excellent returns for Shareholders

The Remuneration Committee believes that there should be a clearer link between financial results and the total remuneration of Executive Directors. Key metrics would be primarily Profit Before Tax. Financial results would also be reviewed alongside such comparative data on remuneration levels as we are able to obtain to ensure our executives are fairly paid for their performance

Given the long term nature of the business, the Remuneration Committee also believes that it should retain the flexibility to reward excellent performance irrespective of market conditions in any given year and should retain the ability to change the basis of remuneration as circumstances dictate

The Remuneration Committee also considers non-financial corporate goals in respect of remuneration and we have started to focus on a number of key areas, such as succession planning and management development, governance and risk management, in determination of remuneration

We continue to review market comparators in respect of our remuneration policy to ensure it is appropriate. Given Mountview's unique business profile such comparators are difficult to find and apply – and data on the remuneration of peer group jobs is very limited. We have, therefore, looked at the broader comparator group of FTSE 350 companies. We intend to do more work in the coming year to refine and improve our understanding of comparative remuneration

We have made some changes to the characterisation of certain emoluments and, at the request of the Executive Directors, the Remuneration Committee has agreed to consolidate pension contributions into salary. The Committee has done so on the basis of industry norms of pension contributions of 15% of salary. Both the CEO and CFO have been asked to sign waivers to any future contributions by the Company. There will be a small additional cost to the Company in respect of these additional amounts now payable as salary

The Remuneration Committee also considered the recent changes to the Corporate Governance Code as regards malus or clawback provisions in respect of Executive bonuses. Our conclusion was that these were not appropriate given the experience and long service of the Executive Directors to whom these provisions could be applied

The Remuneration Committee also discussed the introduction of long term share incentives to better motivate Executives and to align their interests with those of Shareholders. We agreed that this was not required in the case of the Executive Directors, who both have valuable holdings of the Company's shares

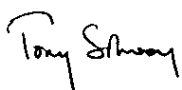
As Mountview's Executive Directors are rewarded by salary and bonus only, Shareholders should expect higher levels of bonus as a percentage of base salary than might be generally accepted to be the norm in other companies where there are long term share incentive schemes

## DIRECTORS CONTRACTS

Some comments have been made about the Executive Directors having 12 month notice periods. Mountview is a small company by number of staff employed and the Company's performance is necessarily driven by our CEO and CFO in particular. In this context, the Remuneration Committee considers these contracts to be appropriate

## SHAREHOLDER AGM

In conclusion, I am grateful for the contributions of my colleagues on the Remuneration Committee and for the input of Shareholders on this topic. Our aim is to ensure both remuneration policy and remuneration itself are considered, fair to both Executives and Shareholders, and aligned with Shareholders' interests. The Remuneration Committee seriously considers all Shareholder feedback received at and outside the Annual General Meeting



A C J Solway  
Chairman of the Remuneration Committee

# Remuneration Report continued

## 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 PLC. The Remuneration Committee comprised during the period three Non-Executive Directors of whom two are independent Non-Executive Directors. Mr A C J Solway and Mrs M L Jarvis. Mr A J Sinclair was the Chairman of the Remuneration Committee up until his retirement from the Board on 31 December 2015, following which Mr A C J Solway chairs the Committee. Dr A R Williams (Non-Executive Director) was appointed to the Committee on 1 December 2015. The Board as a whole considers the remuneration of the Non-Executive Directors. External advisers were not used in the financial year under review.

### REMUNERATION POLICY

The tables below summarise the main elements of the remuneration packages for the Executive Directors

Base salary	
Purpose and link to strategy	To provide a competitive level of non-variable remuneration aligned to market practice for similar sized organisations, to reflect the seniority of the post and expected contribution to the delivery of the Company's strategy
Operation	Basic salaries are reviewed by the Remuneration Committee annually with uplifts effective from 1 April being by reference to cost of living, responsibilities and market rates, as for all employees
Opportunity	N/A
Performance metrics	N/A
Changes in year	See page 26 "Directors Total Remuneration Table"
Benefits	
Purpose and link to strategy	To aid recruitment and retention of high-quality Executives
Operation	Private medical insurance Life assurance
Opportunity	N/A
Performance metrics	N/A
Changes in year	None
Pension	
Purpose and link to strategy	To aid recruitment and retention of high-quality Executives
Operation	The Company has contributed into a personal pension arrangement for all of the Executive Directors
Opportunity	N/A
Performance metrics	N/A
Changes in year	As from 1 April 2016 the Executive Directors will cease to receive pension contribution from the Company

	Annual bonus
Purpose and link to strategy	To incentivise performance over a 12-month period and reward personal performance as agreed with the Remuneration Committee
Opportunity	The level of bonus awarded is determined at the discretion of the Remuneration Committee which takes into consideration individual and corporate performance against a pre-determined set of criteria
Operation	In establishing bonus awards, the Remuneration Committee takes into account the Group's performance by way of comparison with other property and similar-sized companies

## NON-EXECUTIVE DIRECTORS

The Non-Executive Directors receive fees of £36,000 p a. The Non-Executive Chairman's fees increased from £60,000 p a to £72,000 p a from October 2015.

The Non-Executive Directors are not entitled to bonuses, benefits or pension contributions.

## PENSIONS

The Company contributed during the financial year 10% of the total of the Executive Directors' gross annual salaries and bonuses to a Stakeholder Pension Scheme. As from 1 April 2016 the Executive Directors will cease to receive pension contributions from the Company.

## APPROACH TO RECRUITMENT REMUNERATION

When setting the remuneration package for a new Executive Director, the Committee will apply the same principles and implement the policy as set out above.

Base salary will be set at a level appropriate to the role and experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.

In relation to external appointments, the Committee may structure a remuneration package that it considers appropriate to recognise awards or benefits that will or may be forfeited on resignation from a previous position, taking into account timing and valuation and such other specific matters as it considers relevant. The policy is that the maximum payment under any such arrangements (which may be in addition to the normal variable remuneration) should be no more than the Committee considers is required to provide reasonable compensation to the incoming Director.

In case of an employee who is promoted to the position of Executive Director, it is the Company's policy to honour pre-existing award commitments in accordance with their terms.

Non-Executive Director appointments will be through a Non-Executive Director Agreement. Non-Executive Directors' base fees, including those of the Chairman, will be set at a competitive market level, reflecting experience, responsibility and time commitment.

# Remuneration Report continued

Details of the Directors' Service Agreements and letters of appointment with the Company, and the unexpired terms there under are as follows

	Contract date	Unexpired term	Notice period
D M Sinclair	8 August 2002	No fixed term	12 months
M M Bray	1 April 2004	No fixed term	12 months
A C J Solway	11 June 2015	23 months	none
J B Fulton		Resigned on 30 June 2015	none
A J Sinclair		Resigned on 31 December 2015	none
M L Jarvis	1 July 2014	12 months	none
Dr A R Williams	1 December 2015	29 months	none

The Executive Directors are entitled to a compensation payment after a change in control of the Company. Such compensation payment (subject to deduction of income tax as required by law and any other sums owed by the Executive Director to the Company) is equal to the Executive Director's annual gross remuneration as reported in the Company's last audited accounts as announced to the London Stock Exchange.

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.

Non-Executive Directors are only entitled to accrued fees due to them as at the date of termination of their appointment.

## ILLUSTRATION OF THE APPLICATION OF THE REMUNERATION POLICY

The bonus element of remuneration is calculated by reference to relevant factors. In the light of these the Remuneration Committee determines an appropriate amount.

## IMPLEMENTATION REPORT

## AUDITED INFORMATION

### DIRECTORS' TOTAL REMUNERATION SINGLE FIGURE TABLE

2016	Salary £000	Bonus £000	Benefits in kind £000	Pensions contributions £000	Total £000
<b>Executive</b>					
D M Sinclair	378	500	24	41*	943
Mrs M M Bray	285	345	–	31*	661
<b>Non-Executive</b>					
A C J Solway (appointed on 11 June 2015)	54	–	–	–	54
J B Fulton (resigned as a Non-Executive Chairman on 30 June 2015)	15	–	–	–	15
A J Sinclair (resigned on 31 December 2015)	27	–	–	–	27
M L Jarvis	36	–	–	–	36
Dr A R Williams (appointed on 1 December 2015)	12	–	–	–	12
	<b>807</b>	<b>845</b>	<b>24</b>	<b>72</b>	<b>1,748</b>

\* includes contribution in respect of 1 month's salary as a bonus

2015	Salary £000	Bonus £000	Benefits in kind £000	Pensions contributions £000	Total £000
<b>Executive</b>					
D M Sinclair	360	300	19	99	778
Mrs M M Bray	265	210	-	71	546
<b>Non-Executive</b>					
J B Fulton (resigned as a Non-Executive Chairman on 30 June 2015)	60	-	-	-	60
A J Sinclair	36	-	-	-	36
M L Jarvis	27	-	-	-	27
	748	510	19	170	1,447

## UNAUDITED INFORMATION

### CEO SINGLE FIGURE

		CEO single figure of total remuneration £'000
2016	D M Sinclair	943
2015	D M Sinclair	778
2014	D M Sinclair	659
2013	D M Sinclair	662
2012	D M Sinclair	520

### PERCENTAGE CHANGE IN REMUNERATION OF CEO AND EMPLOYEES

The percentage change in remuneration between 2016 and 2015 for the CEO and for all employees in the Group was

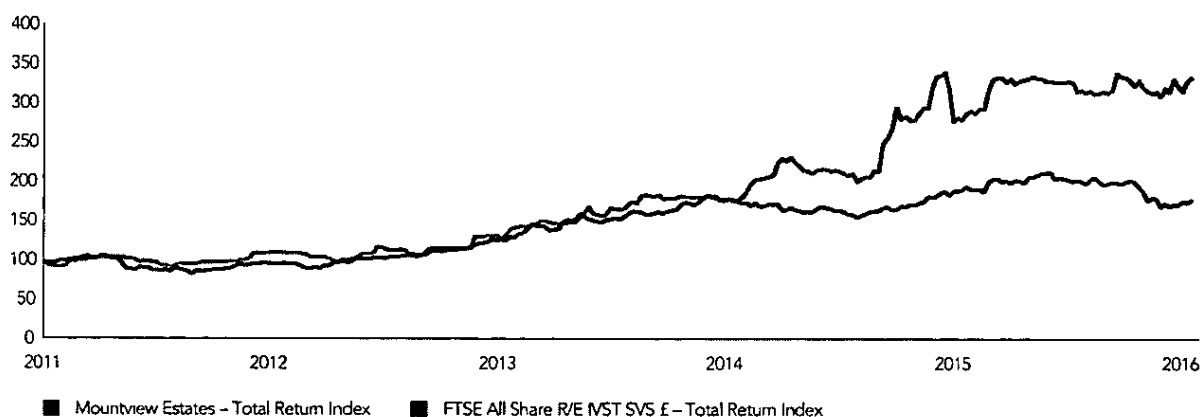
CEO	21%
Employee population	20%

# Remuneration Report continued

## PERFORMANCE GRAPH

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

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



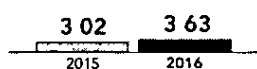
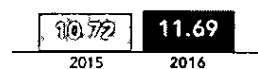
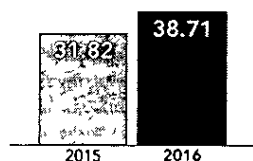
## RELATIVE IMPORTANCE OF SPEND ON PAY

The difference in actual expenditure between 2015 and 2016 on remuneration for all employees in comparison to profit after tax and distributions to Shareholders by way of dividend are set out in the tabular graphs below.

PROFIT AFTER TAX (£)  
+6.9m

DIVIDEND (£)  
+0.9m

TOTAL EMPLOYEE PAY (£)  
+0.6m



## STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE CURRENT FINANCIAL YEAR

With effect from 1 April 2016 the basic salary of CEO will be increased to £500,000 and the Finance Director to £375,000. Pension benefits for both Executive Directors will be terminated with effect from 1 April 2016.

## DETAILS OF THE REMUNERATION COMMITTEE

The Remuneration Committee during the period comprised two independent Non-Executive Directors and one Non-Executive Director.

Details of the Directors who were members of the Committee during the year are disclosed on page 19.

## STATEMENT OF VOTING AT GENERAL MEETING

At the AGM held on 19 August 2015 the Directors' Remuneration Report received the following votes based on Proxy forms from Shareholders

	Total number of votes	% of votes cast
For	2,047,525	96.14
Against	82,154	3.86
Total votes cast (for and against)	2,129,679	100
Votes withheld	1,460	–
Total votes cast (including withheld votes)	2,131,139	–

## 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 2016	31 March 2015
Ordinary Shares of 5p each		
Mr D M Sinclair including the following holding of Sinclair Estates Limited – 54,165		
Mr D M Sinclair is a Director of the above company	538,383	538,383
Mrs M M Bray	12,302	12,302
Mr A C J Solway (appointed 11 June 2015)	500	–
Dr A R Williams (appointed 1 December 2015)	52,916	–
Mr A J Sinclair, (resigned 31 December 2015) including the following holding of Viewthorpe (Old) Limited – 28,208 and 8532630 Canada Inc – 44,276, both companies being wholly-owned by Mr A J Sinclair, and the holding of 8532729 Canada Inc – 60,000, which company is wholly-owned by Mrs Mary Gillin Sinclair	132,484	132,484

All the above interests are beneficial

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
<b>Revenue</b>	4	79,765	71,331
Cost of sales	4	(26,751)	(24,621)
<b>Gross profit</b>		53,014	46,710
Administrative expenses		(5,148)	(5,055)
Gain on sale of investment properties	13	197	–
<b>Operating profit before changes in fair value of investment properties</b>		48,063	41,655
Increase in fair value of investment properties	13	1,504	57
Profit from operations		49,567	41,712
Net finance costs	8	(1,179)	(1,736)
<b>Profit before taxation</b>		48,388	39,976
Taxation – current		(9,593)	(8,422)
Taxation – deferred	19	(83)	263
<b>Taxation</b>	9	(9,676)	(8,159)
<b>Profit attributable to equity Shareholders</b>		38,712	31,817
Basic and diluted earnings per share (pence)	11	992 9p	816 0p

All the activities of the Group are classed as continuing

The notes on pages 34 to 52 are an integral part of these consolidated financial statements



## for the year ended 31 March 2016

544 G.C., 1902

## FINANCIAL STATEMENTS

U. E. S. S. R.

D M Sinclair      M M Bray  
Chief Executive      Director

The notes on pages 34 to 52 are an integral part of these consolidated financial statements

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2016

	Notes	Share capital £000	Capital reserve £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total £000
<b>Changes in equity for year ended 31 March 2015</b>							
Balance as at 1 April 2014		195	25	55	56	265,260	265,591
Profit for the year						31,817	31,817
Dividends	10					(9,747)	(9,747)
Balance at 31 March 2015	23	195	25	55	56	287,330	287,661
<b>Changes in equity for year ended 31 March 2016</b>							
Balance as at 1 April 2015		195	25	55	56	287,330	287,661
Profit for the year						38,712	38,712
Dividends	10					(14,621)	(14,621)
Balance at 31 March 2016	23	195	25	55	56	311,421	311,752

The notes on pages 34 to 52 are an integral part of these consolidated financial statements

# Consolidated Cash Flow Statement

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
<b>Cash flows from operating activities</b>			
Profit from operations		49,567	41,712
Adjustment for			
Depreciation		113	140
(Gain) on disposal of investment properties		(197)	–
(Increase) in fair value of investment properties		(1,504)	(57)
<b>Operating cash flows before movement in working capital</b>		<b>47,979</b>	<b>41,795</b>
(Increase) in inventories		(11,088)	(1,697)
Decrease/(increase) in receivables		228	(370)
Increase in payables		657	339
<b>Cash generated from operations</b>		<b>37,776</b>	<b>40,067</b>
Interest paid		(1,179)	(1,736)
Income taxes paid		(5,693)	(11,393)
<b>Net cash inflow from operating activities</b>		<b>30,904</b>	<b>26,938</b>
<b>Investing activities</b>			
Proceeds from disposal of investment properties	13	1,700	54
Capital expenditure on investment properties	13	(48)	–
Purchase of property, plant and equipment	12	(16)	(33)
Proceeds from disposal of property, plant and equipment		–	–
<b>Net cash inflow from investing activities</b>		<b>1,636</b>	<b>21</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(20,725)	(10,181)
Equity dividend paid		(14,621)	(9,747)
<b>Net cash (outflow) from financing activities</b>		<b>(35,346)</b>	<b>(19,928)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,806)</b>	<b>7,031</b>
Opening cash and cash equivalents		887	(6,144)
<b>Cash and cash equivalents at end of year</b>	18	<b>(1,919)</b>	<b>887</b>

The notes on pages 34 to 52 are an integral part of these consolidated financial statements

# *Notes to the Consolidated Financial Statements*

for the year ended 31 March 2016

## 1 GENERAL INFORMATION

Mountview Estates PLC (the Company) and its subsidiaries (the Group) is a property trading company with a portfolio in England and Wales

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

The address of its registered office is 151 High Street, Southgate, London N14 6EW. The Company website is [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk)

The Company has its premium listing on the London Stock Exchange

These consolidated financial statements have been approved for issue by the Board of Directors on 14 July 2016

## 2 ACCOUNTING POLICIES

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

### (A) BASIS OF PREPARATION

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

The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP. The accounts will be prepared in accordance with FRS 102 for the first time. These are presented on pages 56 to 66.

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

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2(t) "Estimates and Judgements".

### (B) BASIS OF CONSOLIDATION

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

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

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

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

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

Consistent accounting policies have been used across the Group.

### (C) SEGMENT REPORTING

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

The Group has identified two such segments as follows:

- core portfolio
- residential investments

Above segments are UK based. More details are given in Note 5.

## 2 ACCOUNTING POLICIES CONTINUED

### (D) INCOME TAX

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

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

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

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

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

### (E) REVENUE

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

Rental income is recognised over the rental period.

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

### (F) DIVIDEND DISTRIBUTION

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

### (G) INTEREST EXPENSE

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

### (H) PROPERTY, PLANT AND EQUIPMENT

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

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

Freehold property	– 2%
Fixtures and fittings and office equipment	– 20%
Computer equipment	– 25%

# *Notes to the Consolidated Financial Statements* continued

for the year ended 31 March 2016

## 2 ACCOUNTING POLICIES CONTINUED

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

### (I) IMPAIRMENT OF ASSETS

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

### (J) INVESTMENT PROPERTY

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

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

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

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

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

### (K) INVENTORIES – TRADING PROPERTIES

These comprise residential properties all of which are held for resale, and are shown in the financial statements at the lower of cost and estimated net realisable value. Cost includes legal fees and commission charges incurred during acquisition together with improvement costs. Net realisable value is the net sale proceeds which the Group expects on sale of a property in its current condition with vacant possession. The analysis of the Group revenue as at 31 March 2016 is on page 40.

### (L) PENSION COSTS

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

### (M) FINANCIAL INSTRUMENTS

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

### (N) BANK BORROWINGS

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

## 2 ACCOUNTING POLICIES CONTINUED

### (O) CASH AND CASH EQUIVALENTS

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

### (P) LEASING

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease

### (Q) DERIVATIVES

The Group has not hedge accounted during the year

### (R) ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

There are no new standards, amendments or interpretations that are effective for the first time for the current financial year that have a material impact on the Group

The Group is assessing the impact of the following revised standards and interpretations that are not yet effective. Where already endorsed by the EU, these changes will be adopted on the effective dates noted. Where not yet endorsed by the EU the adoption date is less certain

- Annual Improvements to IFRSs 2012 – 2014, effective 2017 financial year,
- IFRS 9 Financial Instruments Classification and Measurement, effective 2019 financial year (not yet endorsed by the EU),
- IFRS 15 Revenue from Contracts with Customers, effective 2018 financial year (not yet endorsed by the EU)

### (S) CRITICAL ACCOUNTING JUDGEMENTS AND KEY AREAS OF ESTIMATION UNCERTAINTY

#### Going concern

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern

The two main considerations were as follows

#### 1 Refinancing of banking facilities

The Group has a £20 million (2015: £30 million) revolving loan facility with HSBC Bank. The termination date is November 2019

The Group has a £60 million (2015: £75 million) revolving loan facility with Barclays Bank. The termination date of this facility is December 2018

#### 2 Covenant compliance

The core facility has two covenants, Consolidated Gross Borrowings to Consolidated Net Tangible Assets ratio, and also interest cover ratio. The Group has remained well within both of these covenants during the year

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

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

# *Notes to the Consolidated Financial Statements* continued

for the year ended 31 March 2016

## 2 ACCOUNTING POLICIES CONTINUED

### Distinction between investment and trading property

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

### Investment properties

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

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

The valuation of the portfolios was made in accordance with the requirements of the RICS Valuation – Professional Standards – Global and UK Edition, 2014 as amended.

### Carrying value of trading stock

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

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

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

The Board estimates that inventory of £20.5 million will be settled within the next 12 months, with the remaining inventory value expected to be settled in more than 12 months. This estimation is based on the average cost of sales of inventory over the last three year period. Mountview's business, both historic and current, has involved the purchase for sale of residential properties subject to regulated tenancies, such properties being sold when vacant possession is obtained.

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

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



### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 1 FINANCIAL RISK FACTORS

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

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

##### (A) MARKET RISK

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

###### Price risk

- The Group is exposed to property price and property rental risk.

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

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

###### Long-term borrowings

- Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's cash flow and fair value interest rate risk is constantly monitored by the Group's management.

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

The Group has two covenants covering Consolidated Gross Borrowings to Consolidated Net Tangible Assets ratio and interest cover ratio. These covenants were complied with during the financial year.

##### (B) CREDIT RISK

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

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

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

##### (C) LIQUIDITY RISK

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

In adverse trading conditions, new acquisitions can be minimised, and as a consequence will reduce the gearing level and improve the liquidity. A summary table with the majority of financial liabilities is presented in Note 18.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2016

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### (D) CAPITAL RISK MANAGEMENT

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

	2016 £000	2015 £000
Total borrowings	43,325	61,163
Less cash	(1,706)	(1,625)
Net borrowings	41,619	59,538
Total equity	311,752	287,661
Total borrowings plus equity	353,371	347,199
Gearing ratio	11.8%	17.15%

## 4 ANALYSIS OF REVENUE AND COST OF SALES

All revenue arises in the United Kingdom.

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

	2016 £000	2015 £000
<b>Revenue</b>		
Gross sales of properties	61,442	53,382
Gross rental income	18,323	17,949
	79,765	71,331
<b>Cost of sales</b>		
Cost of properties sold	21,033	18,696
Property expenses	5,718	5,925
	26,751	24,621
<b>Gross profit</b>		
Sales of properties	40,409	34,686
Net rental income	12,605	12,024
	53,014	46,710

Subsequent sale of properties included in the Market Valuation undertaken by Allsop LLP as at 30 September 2014.

The properties sold during the financial year 2015/2016 were valued at £42.6 million.

The Market Values were on the basis that properties would be sold subject to any then existing leases and tenancies.

## 5. SEGMENTAL INFORMATION

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

	2016			2015		
	Property trading £000	Property investment £000	Group £000	Property trading £000	Property investment £000	Group £000
Revenue	79,256	509	79,765	70,801	530	71,331
Operating profit before changes in fair value of investment properties	47,597	466	48,063	41,382	273	41,655
Finance costs	(1,179)	-	(1,179)	(1,736)	-	(1,736)
Profit after tax			38,712			31,817
Assets	339,254	29,639	368,893	322,405	35,595	358,000
Liabilities	51,750	5,391	57,141	70,270	69	70,339
Fixed assets						
Capital expenditure	-	64	64	33	-	33
Depreciation	90	23	113	95	45	140

Head office costs have been allocated and included within the Group's two operating segments. The Group's two main business segments operate within the United Kingdom.

## 6. PROFIT FROM OPERATIONS

	2016 £000	2015 £000
The operating profit is stated after charging		
Depreciation of tangible fixed assets	113	140
Loss on disposal of fixed assets	-	-
Auditors' remuneration		
- the audit of the Parent Company and Consolidated Financial Statements	40	40
- the audit of the Company's subsidiaries pursuant to legislation	12	12
- tax compliance work	9	9
Operating expenses for investment properties	39	48
And after crediting		
- net rental income	12,605	12,024
- administrative charges to related companies (Note 24)	36	42

The details of Directors' remuneration are shown in the audited section of the Remuneration Report on page 26.

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

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

	2016	2015
Office and management	26	26

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2016

## 7 STAFF COSTS (INCLUDING DIRECTORS)

	2016 £000	2015 £000
Wages and salaries	3,070	2,512
Social security costs	377	300
Pension costs	184	208
	3,631	3,020
<b>Directors' remuneration</b>		
Total Directors' remuneration including salary, bonuses, benefits in kind and pensions contributions amounted to	1,748	1,447

The details of Directors' remuneration are shown in the audited section of the Remuneration Report on pages 23 to 29

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

## 8 FINANCE COSTS

	2016 £000	2015 £000
Interest on bank overdrafts and loans	1,179	1,736

## 9 INCOME TAX EXPENSE

	2016 £000	2015 £000
<b>(a) Analysis of charge in the year</b>		
Current tax UK Corporation Tax 20% (2015 21%)	9,593	8,422
Deferred tax Current year 20% (2015 21%)	83	(263)
Taxation attributable to the Company and its subsidiaries	9,676	8,159
<b>(b) Factors affecting income tax expense</b>		
The charge for the year can be reconciled to the profit per the income statement as follows		
Profit on ordinary activities before taxation	48,388	39,976
Profit on ordinary activities multiplied by rate of tax 20% (2015 21%)	9,678	8,394
Expenses not deductible for tax	21	16
Depreciation in excess of capital allowances	15	17
Taxation on capital gains	226	10
Profit on sale of assets	(39)	-
Fair value adjustments	(301)	(12)
Deferred tax	83	(263)
Sundry adjusting items	(7)	(3)
Taxation attributable to the Company and its subsidiaries	9,676	8,159

The deferred tax adjustment relates to the change in fair value of investment properties

## 10 DIVIDENDS

On 24 August 2015, a dividend of 175p per share (2014: 150p per share) was paid to the Shareholders. On 29 March 2016 a dividend of 200p per share (2015: 100p per share) was paid to the Shareholders. This resulted in total dividends paid in the year of £14.6 million (2015: £9.74 million).

In respect of the current year, the Directors propose that a final dividend of 100p per share will be paid to the Shareholders on 15 August 2016. This dividend is subject to approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed final dividend for 2016 is payable to all Shareholders on the Register of Members on 15 July 2016. The total estimated final dividend to be paid is £3.89 million.

## 11. EARNINGS PER SHARE

	2016 £000	2015 £000
The calculations of earnings per share are based on the following profits and number of shares		
Net profit for financial year (basic and fully diluted)	38,712	31,817
Weighted average number of Ordinary Shares for basic and fully diluted earnings per share	3,899,014	3,899,014
Basic and diluted earnings per share	992.9p	816.0p

The Company has no dilutive potential Ordinary Shares.

## 12 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 April 2015	2,671	289	20	2,980
Additions	–	16	–	16
Disposals	–	(190)	–	(190)
<b>At 31 March 2016</b>	<b>2,671</b>	<b>115</b>	<b>20</b>	<b>2,806</b>
<b>Depreciation</b>				
At 1 April 2015	754	213	5	972
Charge for the year	53	55	5	113
On disposals	–	(190)	–	(190)
<b>At 31 March 2016</b>	<b>807</b>	<b>78</b>	<b>10</b>	<b>895</b>
<b>Net book value</b>				
At 31 March 2015	1,917	76	15	2,008
<b>At 31 March 2016</b>	<b>1,864</b>	<b>37</b>	<b>10</b>	<b>1,911</b>

Property, plant and equipment are located within the UK.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2016

## 12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Freehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 April 2014	2,671	408	28	3,107
Additions	–	13	20	33
Disposals	–	(132)	(28)	(160)
<b>At 31 March 2015</b>	<b>2,671</b>	<b>289</b>	<b>20</b>	<b>2,980</b>
<b>Depreciation</b>				
At 1 April 2014	701	266	24	991
Charge for the year	53	79	9	141
On disposals	–	(132)	(28)	(160)
<b>At 31 March 2015</b>	<b>754</b>	<b>213</b>	<b>5</b>	<b>972</b>
<b>Net book value</b>				
At 31 March 2014	1,970	142	4	2,116
<b>At 31 March 2015</b>	<b>1,917</b>	<b>76</b>	<b>15</b>	<b>2,008</b>

Property, plant and equipment are located within the UK

## 13 INVESTMENT PROPERTIES

	2016 £000	2015 £000
Fair value at 1 April 2015/(2014)	29,399	29,396
Subsequent expenditure	48	–
Disposals	(1,503)	(54)
Increase in fair value during the year	1,504	57
<b>At 31 March 2016/(2015)</b>	<b>29,448</b>	<b>29,399</b>

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

During the financial year we disposed of one unit for £1.7 million. The difference between the sales price of £1.7 million and the market fair value of £1.503 million resulted in a gain of £197,000 and this is shown in the Consolidated Income Statement as a separate item.

The realised gains on sales are transferred to Reserves in the Group accounts.

Louise Goodwin Limited and A L G Properties Limited

The companies' freehold properties were valued on 31 March 2016 by an external valuer Martin Angel, FRICS of Allsop LLP. The valuations are in accordance with the requirements of the RICS Valuation – Professional Standards – Global and UK Edition, 2014 as amended. The properties are all held for investment and Market Values are on the basis that the properties would be sold subject to any existing leases and tenancies. The valuer's opinion of Market Value was primarily derived using comparable recent market transactions on arm's-length terms.

Allsop LLP has undertaken work for Mountview Estates PLC for in excess of 20 years including acquisitions, disposals and valuations.

### 13 INVESTMENT PROPERTIES CONTINUED

In relation to Allsop LLP's preceding financial year, the proportion of the total fees payable by Mountview Estates PLC to the total fee income of Allsop LLP was less than 5% which is regarded by the RICS as negligible

The aggregate Market Value of the Company's interests in its investment portfolios was

#### LOUISE GOODWIN LIMITED

- Freehold £26,093,000 (Twenty-six million, and ninety three thousand pounds)

#### A L G PROPERTIES LIMITED

- Freehold £3,355,000 (Three million, three hundred and fifty five thousand pounds)

Information relating to the basis of valuation of investment properties and the judgements and assumption adopted by management is set out in Note 2(s) "Critical accounting judgements and key areas of estimation uncertainty"

A revaluation surplus of £1 504 million has arisen on valuation of investment properties to Market Value as at 31 March 2016 (2015 surplus of £57,000) and this has been taken to the Income Statement

The Directors are of the opinion that the Fair Value equates to the Market Value

### 14 INVESTMENTS

#### FIXED ASSET INVESTMENTS

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

	Principal activity	Cost 2015 2016 £000
Hurstway Investment Company Limited	Property trading	1
Louise Goodwin Limited	Property investment	15,351
A L G Properties Limited	Property investment	2,924
		18,276

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2016

## 15 INVENTORIES

	2016 £000	2015 £000
Residential properties	334,108	323,020

The Company's freehold and long leasehold interests in its portfolio of properties which are held as Trading Stock were valued on 30 September 2014 at £665,866,266 (six hundred and sixty five million, eight hundred and sixty six thousand, two hundred and sixty six pounds) by an External Valuer, Martin Angel FRICS of Allsop LLP. The valuation showed a spectacular increase in the value of our trading stock, but to a large degree this was because we held the stock over an extended period of years. The individual values are not finely accurate, even though we have no reason to doubt the overall total of the valuation. Thus the valuation is not a useful tool for running the business because we are always going to await vacant possession, and no perceived uplift in value can justify selling a tenanted property. The nature of our business and the rules and conventions under which we operate place no obligation upon us to value our trading stock at any given time. Our conservative gearing lets us take the long-term view and any valuation within less than five years would serve little purpose, and would be a disproportionate expense. See Note 4.

## 16 TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Trade receivables	258	214
Prepayments and accrued income	1,462	1,734
	1,720	1,948

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

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

## 17 TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Trade creditors	1,072	1,114
Other taxes and social security costs	377	185
Other creditors	1,551	1,044
	3,000	2,343

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



## 18 BANK OVERDRAFTS AND LOANS

	2016 £000	2015 £000
Bank overdrafts	3,625	738
Bank loans	39,700	60,200
Other loans	-	225
	43,325	61,163

## CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Bank overdrafts	(3,625)	(738)
Cash	1,706	1,625
Cash and cash equivalents as at 31 March	(1,919)	887

Maturity profile of financial liabilities at 31 March 2016 was as follows

	2016 £000	2015 £000
Amounts repayable		
In one year or less	3,625	963
Between one and five years	39,700	60,200
	43,325	61,163
Less: amount due for settlement within 12 months (shown under current liabilities)	(3,625)	(963)
Amount due for settlement after 12 months	39,700	60,200

## *Notes to the Consolidated Financial Statements* continued

for the year ended 31 March 2016

### 18 BANK OVERDRAFTS AND LOANS CONTINUED

The average interest rates paid were as follows

	2016 £000	2015 £000
Bank overdrafts	2.10%	2.26%
Bank loans	2.53%	2.81%
Other loans	1.0%	1.0%

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

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

- 1 The Group has short-term borrowing facilities of £10 million (2015: £15 million) with Barclays Bank. This is due for review in November 2016 and the rate of interest payable is
  - 1.6% over base rate on overdraft
  - Headroom of this facility at 31 March 2016 amounted to £6.4 million (2015: £14.3 million)
- 2 The Group has a £60 million (2015: £75 million) long-term loan facility with Barclays Bank. This is a five year revolving loan and the termination date of this facility is December 2018. The rate of interest payable on the loan is 1.8% above LIBOR. The loan is secured by a cross guarantee between Mountview Estates PLC and its subsidiaries. The loan is not repayable by instalments. Headroom under this facility at 31 March 2016 amounted to £36.5 million (2015: £44 million)
- 3 The Group has a £20 million (2015: £30 million) long-term revolving loan facility with HSBC Bank. The termination date for this facility is November 2019. The rate of interest payable on the new loan is 2.25% above LIBOR. The loan has the benefit of a Negative Pledge. The loan is not repayable by instalments. Headroom under this facility at 31 March 2016 amounted to £3.8 million (2015: £800,000)
- 4 Other loans which were repaid during the year consisted of loans from connected persons, and companies of which Mr D M Sinclair is a Director. There were no outstanding loans as at 31 March 2016 (2015: £50,000). Interest payable on these loans was at 0.5% above Barclays Bank Plc base rate

## 19 DEFERRED TAX

### ANALYSIS FOR FINANCIAL REPORTING PURPOSES

	2016 £000	2015 £000
Deferred tax liabilities	5,342	5,259
Net position at 31 March	5,342	5,259

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

	2016 £000	2015 £000
At 1 April	5,259	5,522
Debit/(Credit) to income for the year	83	(263)
At 31 March	5,342	5,259

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

### REVALUATION OF PROPERTIES

	2016 £000	2015 £000
At 1 April	5,259	5,522
Debit/(Credit) to income for the year	83	(263)
At 31 March	5,342	5,259

## 20 FINANCIAL INSTRUMENTS

### FAIR VALUE OF FINANCIAL ASSETS

The Group's financial assets at the year end consist of trade receivables and cash at bank and in hand of £1 706 million (2015 £1 625 million)

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

The trade receivables amounted to £1 720 million (2015 £1 948 million)

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

### FAIR VALUE OF BORROWINGS

	2016 £000	2015 £000
Bank overdrafts	3,625	963
Secured bank loans	39,700	60,200
	43,325	61 163

Interest charged in the Income Statement for the above borrowings amounted to £1 17 million (2015 £1 73 million)

The Directors consider that the carrying amount of borrowings approximates their fair value. The details of the terms of the borrowings together with the average interest rates can be seen in Note 18

As at 31 March 2016 it is estimated that a general increase of 1 point in interest rates would decrease the Group's profit before tax by approximately £433,250 (2015 £611,000)

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2016

## 20 FINANCIAL INSTRUMENTS CONTINUED

### UNDISCOUNTED MATURITY PROFILE OF FINANCIAL LIABILITIES

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

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

	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total £000
<b>At 31 March 2016</b>				
Interest bearing loans and borrowings	3,625	39,700	–	43,325
Trade and other payables	3,000	–	–	3,000

	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total £000
<b>At 31 March 2015</b>				
Interest bearing loans and borrowings	963	60,200	–	61,163
Trade and other payables	2,343	–	–	2,343

### RECONCILIATION OF MATURITY ANALYSIS

	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total £000
<b>At 31 March 2016</b>				
Interest bearing loans and borrowings per accounts	3,625	39,700	–	43,325
Interest	76	3,113	–	3,189
Financial liability cash flows as above	3,701	42,813	–	46,514

	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total £000
<b>At 31 March 2015</b>				
Interest bearing loans and borrowings per accounts	963	60,200	–	61,163
Interest	50	8,108	–	8,158
Financial liability cash flows as above	1,013	68,308	–	69,321

## 21 CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
<b>Authorised</b>		
5,000,000 Ordinary Shares of 5p each	250	250
<b>Allotted, issued and fully paid</b>		
3,899,014 Ordinary Shares of 5p each	195	195

## 22 OTHER RESERVES

	2016 £000	2015 £000
Capital reserve	25	25
Capital redemption reserve	55	55
Other reserves	56	56
	<b>136</b>	<b>136</b>

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

The Group does not maintain insurance cover against other risks except where several properties are located in close physical vicinity. A reserve is maintained to deal with such non-insured risks and at 31 March 2016 stood at £56,000 (2015: £56,000)

## 23 RETAINED EARNINGS

	£000
Balance at 1 April 2015	287,330
Net profit for the year	38,712
Dividends paid	(14,621)
<b>Balance at 31 March 2016</b>	<b>311,421</b>

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2016

## 24 RELATED PARTY TRANSACTIONS

- 1 During the financial year there were no key management personnel emoluments, other than remuneration
- 2 (a) Mountview Estates PLC provides general management and administration services to Ossian Investors Limited and Sinclair Estates Limited, companies of which Mr D M Sinclair is a Director Fees of £36,493 (2015 £41,961) were charged for these services
  - (b) Included within other loans repayable in less than one year and on demand was a loan from Sinclair Estates Limited The balance outstanding at the balance sheet date was £nil (2015 £nil) Interest was payable on the loan at a rate of 0.5% above Barclays Bank PLC base rate Interest paid in the year on this loan amounted to £422 (2015 £3,511)
  - (c) Included within other loans repayable in less than one year and on demand was a loan from Ossian Investors Limited The balance outstanding at the balance sheet date was £nil (2015 £50,000) Interest was payable on the loan at a rate of 0.5% above Barclays Bank PLC base rate Interest paid in the year on this loan amounted to £331 (2015 £370)
  - (d) Included within other loans, repayable in less than one year and on demand was a loan from Mrs D Sinclair, a shareholder of the Company The balance outstanding at the Balance Sheet date was £nil (2015 £175,000) Interest was payable on the loan at a rate of 0.5% above Barclays Bank PLC base rate Interest paid in the year on this loan amounted to £877 (2015 £1,750)
  - (e) All of the above loans are unsecured
  - (f) Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and have not been disclosed in this note

## 25 OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments payable by the Group under non-cancellable operating leases are as follows

	2016 £000	2015 £000
Operating lease payments due		
Not later than one year	31	51
Later than one year and not later than five years	20	38
	51	89

# *Independent Auditors' Report*

to the members of Mountview Estates PLC

We have audited the Group Financial Statements of Mountview Estates PLC for the year ended 31 March 2016, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Consolidated Cash Flows and the related Note 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely for the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies with the audited financial statements we consider the implications for our report.

## **OPINION ON FINANCIAL STATEMENTS**

In our opinion the Group Financial Statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2016 and of the Group profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

## **OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT**

We identified the following risks that we believed would have the greatest impact on our overall strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- Revenue recognition,
- Valuation of investment and trading properties, and
- Risk of fraud and management override

# *Independent Auditors' Report* continued

to the members of Mountview Estates PLC

## OUR APPLICATION OF MATERIALITY

We determined materiality for the Group to be £3.3 million, which is approximately 1% of gross assets. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatements and determining the nature, timing and extent of further audit procedure.

We agreed with the Audit Committee that we would report to them corrected and uncorrected differences in excess of 5% of the materiality level, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group reports its operating results and financial position along two business lines, being UK residential trading properties and UK residential investment properties. The Parent Company and all three subsidiaries are audited by BSG Valentine. The accounting books and records for all business lines are located at the Group's head office in North London.

In our audit we tested and examined information, using sampling and other techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

The principal ways in which we responded to the risks identified above included:

## REVENUE RECOGNITION

Our testing of revenue transactions focused on understanding whether cash had been received and reading extracts of the related contracts – for example a property sale completion statement or a rental contract.

## VALUATION OF INVESTMENT AND TRADING PROPERTIES

For investment properties we checked that the property database information supplied to external valuers by management was consistent with the underlying property records held by the Group and tested during our audit.

Our assessment of the net realisable value of trading properties held as inventories focused on the critical accounting assumptions disclosed in Note 2 to the Financial Statements. In addition we reviewed recent comparable market data.

## RISK OF FRAUD AND MANAGEMENT OVERRIDE

Procedures included analytical procedures and journal entry testing in order to identify and address the risk of management override of controls. We designed testing procedures and thresholds for all balances in such a way as to ensure that the risk of fraud and error is mitigated. We also examined accounting estimates relevant to the Financial Statements.

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Group Financial Statements are prepared is consistent with the Group Financial Statements.



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

We have nothing to report in respect of the following

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit, or
- is otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed

Under the Companies Act 2006 we are required to report to you if, in our opinion

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

Under the Listing Rules we are required to review

- the Directors' statement set out on pages 11 and 15 in relation to going concern and longer term viability,
- the part of the Corporate Governance Statement relating to the Company's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the Report to the Shareholders by the Board on Directors' remuneration

## OTHER MATTERS

We have reported separately on the Parent Company financial statements of Mountview Estates PLC for the year ended 31 March 2016

Athanasios Athanasiou (Senior Statutory Auditor)  
for and on behalf of BSG Valentine  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
14 July 2016



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# Company Balance Sheet under UK GAAP

for the year ended 31 March 2016

	Notes	31 March 2016 £000	31 March 2015 £000
<b>Fixed assets</b>			
Tangible assets	4	1,875	1,965
Investments	5	18,276	18,276
		20,151	20,241
<b>Current assets</b>			
Stocks	6	305,158	307,089
Debtors	7	5,889	1,748
Cash at bank and in hand		1,619	1,504
		312,666	310,341
Creditors amounts falling due within one year	8	(18,966)	(14,330)
<b>Net current assets</b>		293,700	296,011
<b>Total assets less current liabilities</b>		313,851	316,252
Creditors amounts falling due after more than one year	9	(39,700)	(60,200)
		274,151	256,052
<b>Capital and reserves</b>			
Called up share capital	12	195	195
Capital redemption reserve	13	55	55
Capital reserve	13	25	25
Other reserves	13	39	39
Profit and loss account	14	273,837	255,738
		274,151	256,052

Approved by the Board on 14 July 2016

D M Sinclair    M M Bray  
Chief Executive    Director

*J. M. Sinclair.*    *M. M. Bray.*

# Company Cash Flow under UK GAAP

for the year ended 31 March 2016

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
<b>Cash Flows from Operating Activities</b>		
Profit from operations	32,720	29,679
<i>Adjustments for</i>		
Depreciation	90	95
Interest payable and similar charges	1,179	1,736
Tax on profit on ordinary activities	8,207	7,917
Accrued expenses/(income)	254	(151)
<i>Changes in</i>		
Stocks	1,931	(784)
Trade and other debtors	(4,142)	(234)
Trade and other creditors	427	(3,660)
Cash generated from operations	40,666	34,598
Interest paid	(1,179)	(1,736)
Tax paid	(4,767)	(6,583)
Net cash from operating activities	34,720	26,279
<b>Cash Flows from Investing Activities</b>		
Purchase of tangible assets	-	(24)
Net cash used in investing activities	-	(24)
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings	(20,725)	(10,181)
Proceeds from loans from Group undertakings	(2,146)	636
Dividends paid	(14,621)	(9,747)
Net cash used in financing activities	(37,492)	(19,292)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,772)</b>	<b>6,963</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>766</b>	<b>(6,197)</b>
<b>Cash and cash equivalents at end of year</b>	<b>(2,006)</b>	<b>766</b>

# *Notes to the Financial Statements under UK GAAP*

for the year ended 31 March 2016

## 1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'

## 2 ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis

The financial statements are prepared in sterling, which is the functional currency of the entity

### TRANSITION TO FRS 102

FRS 102 is being applied for the first time. Therefore, the entity transitioned from previous UK GAAP to FRS 102 as at 1 April 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 18.

### REVENUE RECOGNITION

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

Sales of properties are recognised on completion.

### INCOME TAX

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

### OPERATING LEASES

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

### TANGIBLE ASSETS

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

## 2 ACCOUNTING POLICIES CONTINUED

### DEPRECIATION

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows

Freehold property	- 2% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 25% straight line

### INVESTMENTS

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses

### IMPAIRMENT OF FIXED ASSETS

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units.

### 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 the property with vacant possession in its current condition.

### DEFINED CONTRIBUTION PLANS

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

### CRITICAL ACCOUNTING JUDGEMENTS AND KEY AREAS OF ESTIMATION UNCERTAINTY

#### Going concern

The Directors are required to make an assessment of the Company's ability to continue to trade as a going concern.

The two main considerations were as follows:

#### 1 Refinancing of banking facilities

The Company has a £20 million (2015: £30 million) revolving loan facility with HSBC Bank. The termination date is November 2019.

The Company has a £60 million (2015: £75 million) revolving loan facility with Barclays Bank. The term termination date of this facility is December 2018.

#### 2 Covenant compliance

The core facility has two covenants, Consolidated Gross Borrowing to Consolidated Net Tangible Assets ratio, and interest cover ratio. The Company has remained well within both of these covenants during the year.

# Notes to the Financial Statements under UK GAAP continued

for the year ended 31 March 2016

## 2 ACCOUNTING POLICIES CONTINUED

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future

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

Carrying value of trading stock

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

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

Inventory expected to be settled in more than 12 months

The Board estimates that inventory of £18.9 million will be settled within the next 12 months, with the remaining inventory value expected to be settled in more than 12 months. This estimation is based on the average cost of sales of inventory over the last three year period. Mountview's business, historic and current has involved the purchase for sale of residential properties subject to regulated tenancies, such properties being sold when vacant possession is obtained.

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

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

## 3 STAFF COSTS (INCLUDING DIRECTORS)

	2016 £000	2015 £000
Wages and salaries	3,070	2,512
Social security costs	377	300
Pension costs	184	208
	<b>3,631</b>	<b>3,020</b>

### DIRECTORS' REMUNERATION

	2016 £000	2015 £000
Total Directors' remuneration including salary, bonuses, benefits in kind and pensions contributions amounted to	<b>1,748</b>	<b>1,447</b>

The details of Directors' remuneration are shown in the audited section of the Remuneration Report on pages 23 to 29.

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

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

	2016	2015
Office and management	26	26

## 4 TANGIBLE ASSETS

	Freehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 April 2015	2,671	176	20	2,867
Additions	–	–	–	–
Disposals	–	(160)	–	(160)
<b>At 31 March 2016</b>	<b>2,671</b>	<b>16</b>	<b>20</b>	<b>2,707</b>
<b>Depreciation</b>				
At 1 April 2015	754	143	5	902
Charge for the year	53	32	5	90
On disposals	–	(160)	–	(160)
<b>At 31 March 2016</b>	<b>807</b>	<b>15</b>	<b>10</b>	<b>832</b>
<b>Net book value</b>				
At 31 March 2015	1,917	33	15	1,965
<b>At 31 March 2016</b>	<b>1,864</b>	<b>1</b>	<b>10</b>	<b>1,875</b>

All tangible assets of the Company are located within the UK

## 5 INVESTMENTS

	Shares in Group undertakings £000
<b>Cost</b>	
At 1 April 2015 and 31 March 2016	18,276
<b>Impairment</b>	
At 1 April 2015 and 31 March 2016	–
<b>Carrying amount</b>	
At 31 March 2016	18,276
<b>Subsidiaries</b>	

The Company owns 100% of the Ordinary Share capital of the following companies

Subsidiary undertaking	Country of incorporation	Principal activity
Hurstway Investment Company Limited	UK	Property trading
Louise Goodwin Limited	UK	Property investment
A L G Properties Limited	UK	Property investment

# Notes to the Financial Statements under UK GAAP continued

for the year ended 31 March 2016

## 6 STOCKS

	2016 £000	2015 £000
Residential properties	305,158	307,089

## 7 DEBTORS DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Trade debtors	164	179
Amounts owed by group undertakings	4,321	–
Prepayments and accrued income	1,404	1,569
	5,889	1,748

## 8. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Bank loans and overdrafts	3,625	737
Amounts owed to Group undertakings	7,617	9,763
Accruals and deferred income	1,405	1,152
Corporation Tax	4,774	1,334
Other taxes and social security costs	238	98
Other creditors	1,307	1,021
Other loans	–	225
	18,966	14,330

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



## 9 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £000	2015 £000
Bank loans	39,700	60,200
	39,700	60,200

Maturity profile of financial liabilities at 31 March 2016 was as follows

	2016 £000	2015 £000
Amounts repayable		
Between one and five years	39,700	60,200
	39,700	60,200

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

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

- 1 The Company has short-term borrowing facilities of £10 million with Barclays Bank. This facility is due for review in November 2016 and the rate of interest payable is
  - 1.6% over base rate on overdraft
 Headroom of this facility at 31 March 2016 amounted to £6.4 million (2015: £14.3 million)
- 2 The Company has a £60 million (2015: £75 million) long-term loan facility with Barclays Bank. This is a five year revolving loan and the termination date of this facility is December 2018. The rate of interest payable on the loan is 1.8% above LIBOR. The loan is secured by a cross guarantee between Mountview Estates PLC and its subsidiaries. The loan is not repayable by instalments. Headroom under this facility at 31 March 2016 amounted to £36.5 million (2015: £44 million)
- 3 The Company has a £20 million (2015: £30 million) long-term revolving loan facility with HSBC Bank. The termination date for this facility is November 2019. The rate of interest payable on the new loan is 2.25% above LIBOR. The loan has the benefit of a Negative Pledge. The loan is not repayable by instalments. Headroom under this facility at 31 March 2016 amounted to £3.8 million (2015: £800,000)
- 4 Other loans which were repaid during the year consisted of loans from connected persons, and companies of which Mr D.M. Sinclair is a Director. There were no outstanding loans as at 31 March 2016 (2015: £50,000). Interest payable on these loans was at 0.5% above Barclays Bank Plc base rate

# Notes to the Financial Statements under UK GAAP continued

for the year ended 31 March 2016

## 10 CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Bank overdrafts	(3,625)	(738)
Cash	1,619	1,504
Cash and cash equivalents as at 31 March	(2,006)	766

Maturity profile of financial liabilities at 31 March 2016 was as follows

	2016 £000	2015 £000
Amounts repayable		
In one year or less	3,625	963
Between one and five years	39,700	60,200
	43,325	61,163
Less: amount due for settlement within 12 months (shown under current liabilities)	(3,625)	(963)
Amount due for settlement after 12 months	39,700	60,200

## 11 FINANCIAL INSTRUMENTS

### FAIR VALUE OF FINANCIAL ASSETS

The Company's financial assets at the year end consist of trade receivables and cash at bank and in hand of £1 619 million (2015 £1 504 million)

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

The trade receivables amounted to £5 889 million (2015 £1 747 million)

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

### FAIR VALUE OF BORROWINGS

	2016 £000	2015 £000
Bank overdrafts	3,625	963
Secured bank loans	39,700	60,200
	43,325	61,163

Interest charged in the Income Statement for the above borrowings amounted to £1 17 million (2015 £1 73 million)

The Directors consider that the carrying amount of borrowing approximates their fair value. The details of the terms of the borrowings can be seen in Note 9

As at 31 March 2016 it is estimated that a general increase of 1 point in interest rates would decrease the Company's profit before tax by approximately £433,250 (2015 £611,000)

## 12 CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
<b>Authorised</b>		
5,000,000 Ordinary Shares of 5p each	250	250
<b>Allotted, issued and fully paid</b>		
3,899,014 Ordinary Shares of 5p each	195	195

## 13. OTHER RESERVES

	2016 £000	2015 £000
Capital redemption reserve	55	55
Capital reserve	25	25
Other reserves	39	39
Balance at 31 March	119	119

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

The Group does not maintain insurance cover against other risks except where several properties are located in close physical vicinity. A reserve is maintained to deal with such non-insured risks and at 31 March 2016 stood at £39,000 (2015: £39,000)

## 14 PROFIT AND LOSS ACCOUNT

	2016 £000	2015 £000
Balance at 1 April	255,738	235,805
Net profit for the year	32,720	29,680
Dividends paid	(14,621)	(9,747)
Balance at 31 March	273,837	255,738

# Notes to the Financial Statements under UK GAAP continued

for the year ended 31 March 2016

## 15 RELATED PARTY TRANSACTIONS

During the financial year there were no key management personnel emoluments, other than remuneration

- (a) Mountview Estates PLC provides general management and administration services to Ossian Investors Limited and Sinclair Estates Limited, companies of which Mr D M Sinclair is a Director. Fees of £36,493 (2015 £41,961) were charged for these services
- (b) Included within other loans repayable in less than one year and on demand was a loan from Sinclair Estates Limited. The balance outstanding at the balance sheet date was £nil (2015 £nil). Interest was payable on the loan at a rate of 0.5% above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £422 (2015 £3,511)
- (c) Included within other loans repayable in less than one year and on demand was a loan from Ossian Investors Limited. The balance outstanding at the balance sheet date was £nil (2015 £50,000). Interest was payable on the loan at a rate of 0.5% above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £331 (2015 £370)
- (d) Included within other loans repayable in less than one year and on demand was a loan from Mrs D Sinclair, a Shareholder of the Company. The balance outstanding at the balance sheet date was £nil (2015 £175,000). Interest was payable on the loan at a rate of 0.5% above Barclays Bank Plc base rate. Interest paid in the year on this loan amounted to £877 (2015 £1,750)
- (e) All of the above loans are unsecured
- (f) Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and have not been disclosed in this note

## 16 DIRECTOR'S ADVANCE, CREDITS AND GUARANTEES

As at 31 March 2016 the Company owed Mr D M Sinclair £6,215 in relation to an informal loan

## 17. OPERATING LEASE COMMITMENTS

At 31 March 2016 the Company had aggregate annual commitments under non-cancellable operating leases as set out below

	2016 £000	2015 £000
Operating lease payments due		
Not later than one year	31	51
Later than one year and not later than five years	20	38
Later than five years	-	-
	51	89

## 18. TRANSITION TO FRS 102

These are the first financial statements that comply with FRS 102. The Company transitioned to FRS 102 on 1 April 2014.

No transitional adjustments were required in equity or profit or loss for the year.

# *Independent Auditors' Report*

to the members of Mountview Estates PLC on the Parent Company Financial Statements

We have audited the Parent Company Financial Statements of Mountview Estates PLC for the year ended 31 March 2016 which comprise the Parent Company Balance Sheet and the related Notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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's members as a body, for our audit work, for this report, or for the opinion we have formed.

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the Parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## **OPINION ON FINANCIAL STATEMENTS**

In our opinion, the Parent Company Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2016,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Parent Company Financial Statements.

## *Independent Auditors' Report* continued to the members of Mountview Estates PLC on the Parent Company Financial Statements

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

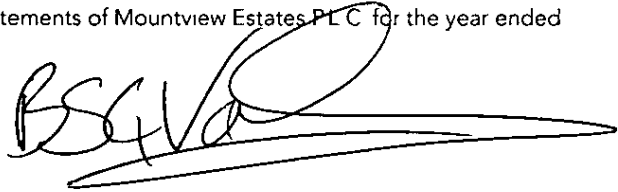
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' Remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

### OTHER MATTER

We have reported separately on the Group Financial Statements of Mountview Estates PLC for the year ended 31 March 2016

Athanasios Athanasiou (Senior Statutory Auditor)  
for and on behalf of BSG Valentine  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
14 July 2016



# Table of Comparative Figures

for the year ended 31 March 2016

	IFRS 2010 £000	IFRS 2011 £000	IFRS 2012 £000	IFRS 2013 £000	IFRS 2014 £000	IFRS 2015 £000	As at 31 March 2016 IFRS 2016 £000
Revenue	56,697	47,655	42,931	56,646	66,150	71,331	79,765
Profit before taxation	29,255	23,560	22,805	28,928	35,394	39,976	48,388
Taxation	7,620	6,589	5,350	6,783	6,952	8,159	9,676
Profit after taxation	21,635	16,971	17,455	22,145	28,442	31,817	38,712
Earnings per share	554 8p	435 3p	447 7p	568 0p	729 5p	816 0p	992 9p
Rate of dividend	165p	165p	165p	175p	200p	275p	300p
Cover	3.36	2.64	2.71	3.25	3.64	2.98	3.31
Cost of dividend	6,432	6,432	6,432	6,823	7,798	10,722	11,697*
Total remuneration (including Directors)	2,759	2,390	2,184	2,479	2,598	3,020	3,631
Executive Directors' remuneration	1,569	1,233	1,117	1,319	1,132	1,324	1,604
Total remuneration (including Directors) as a percentage of dividend	42.89%	37.15%	33.95%	36.33%	33.32%	28.17%	31.04%
Cost of Executive Directors' remuneration as a percentage of total remuneration	56.87%	51.59%	51.14%	53.2%	43.57%	43.84%	44.18%
Cost of Executive Directors' remuneration as a percentage of dividend	24.3%	19.1%	17.3%	19.3%	14.52%	12.35%	13.71%
Executive Directors' remuneration as a percentage of profit before taxation	5.36%	5.23%	4.90%	4.56%	3.20%	3.31%	3.31%

\* The £11.69 million dividend in relation to 2016 is made up of the interim dividend of £7.80 million and the final dividend of £3.89 million which will be paid on 15 August 2016, subject to approval at the AGM on 10 August 2016

## *Notice of Meeting*

Notice is hereby given that the 79th Annual General Meeting of the Members of Mountview Estates PLC (incorporated in England and Wales with registered number 00328020) (the "Company") will be held at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ on 10 August 2016 at 11 30 a.m. for the following purposes

### **AS ORDINARY BUSINESS**

- 1 To receive and consider the Reports of the Directors and the Auditors and the audited Statements of Accounts of the Company for the year ended 31 March 2016
- 2 To declare a final dividend of 100 pence per share payable on 15 August 2016 to Shareholders on the register at 15 July 2016
- 3 To re-appoint Mr D M Sinclair as a Director of the Company
- 4 To elect Dr A R Williams as a Director of the Company
- 5 To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in the Annual Report and Accounts for the year ended 31 March 2016
- 6 To re-appoint Messrs BSG Valentine as Auditors of the Company to hold office from the conclusion of the Meeting to the conclusion of the next meeting at which the accounts are laid before the meeting
- 7 To authorise the Directors to determine the Auditors' remuneration for the ensuing year

By Order of the Board

M M Bray  
Company Secretary

Mountview House  
151 High Street  
Southgate  
London N14 6EW

14 July 2016



## NOTES

- 1 A Member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A proxy need not also be a Member of the Company. If a Member appoints more than one proxy to attend the Meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the Member. If a Member wishes to appoint more than one proxy and so requires additional Forms of Proxy, the Member should contact Capita Asset Services (PXS1), 34 Beckenham Road, Beckenham, Kent BR3 4ZF.
- 2 A Form of Proxy is enclosed with this Report and Accounts and should be completed in accordance with the instructions contained therein. Completion and return of the Form of Proxy will not prevent a Member from attending the Meeting and voting in person. To be effective, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited at the office of the Company's Registrars, Capita Asset Services (PXS1), 34 Beckenham Road, Beckenham, Kent BR3 4ZF, not later than 48 hours before the time of the Meeting or any adjournment thereof. Amended instructions must also be received by the Company's Registrars by the deadline for receipt of Forms of Proxy.
- 3 To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by no later than 48 hours before the time of the Meeting or any adjournment thereof. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001 (as amended). In any case your proxy instruction must be received by the Company's Registrars no later than 48 hours before the time of the Meeting or any adjournment thereof.
- 4 Any person receiving a copy of this Notice as a person nominated by a Member to enjoy information rights under Section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the Meeting in place of a Member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the Member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the Member as to the exercise of voting rights at the Meeting.  
  
Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the Member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that Member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
- 5 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of Section 360B of the Companies Act 2006, entitlement to attend and vote at the Meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company as at close of business on 8 August 2016 (the "Specified Time") or 48 hours (excluding any day or part of any day that is not a working day) before the date of any adjourned Meeting. If the Meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of Members to attend and vote and for the purpose of determining the number of votes they may cast at the adjourned Meeting. Changes to entries on the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

## *Notice of Meeting* continued

- 6 Any corporation which is a Member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Member, provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
- 7 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any Member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
- 8 Under Section 527 of the Companies Act 2006, Members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to
  - (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the meeting, or
  - (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 Companies Act 2006 to publish on a website.

- 9 Any Member attending the Meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the Meeting put by a Member attending the Meeting. However, Members should note that no answer need be given in the following circumstances:
  - (a) if to do so would interfere unduly with the preparation of the Meeting or would involve a disclosure of confidential information,
  - (b) if the answer has already been given on a website in the form of an answer to a question, or
  - (c) if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
- 10 This Notice, together with information about the total numbers of shares in the Company in respect of which Members are entitled to exercise voting rights at the Meeting as at 14 July 2016 being the last business day prior to the printing of this Notice and, if applicable, any Members' statements, Members' resolutions or Members' matters of business received by the Company after the date of this Notice, will be available on the Company's website [www.mountviewplc.co.uk](http://www.mountviewplc.co.uk).
- 11 Any electronic address provided either in this Notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
- 12 As at 14 July 2016, being the last business day prior to the printing of this Notice, the Company's issued capital consisted of 3,899,014 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 14 July 2016 are 3,899,014.
- 13 Copies of the Directors' service contracts and letters of appointment with the Company are available for inspection at the registered office at Mountview House, 151 High Street, Southgate, London N14 6EW during normal business hours on weekdays (Saturdays, Sundays and English public holidays excepted) from the date of this Notice until the conclusion of the Meeting and will also be available for inspection on the date and at the place of the Meeting from 15 minutes prior to the commencement of the Meeting until the conclusion of the Meeting.

## Reduced Disclosure Framework

Following the publication of FRS 100 'Application of Financial Reporting Requirements' by the Financial Reporting Council, the Company proposes to change its accounting framework for its financial statements for its financial year commencing 1 April 2016. The Directors consider that it is in the best interests of the Company for it to adopt FRS 102 Reduced Disclosure Framework and this does not affect the Group accounts in any way. The Company's election to adopt FRS 102 for its Parent Company financial statements does not require Shareholder approval. A Shareholder or Shareholders holding in aggregate 5 per cent or more of the total allotted shares in the Company may serve an objection in writing to its registered office Mountview House, 151 High Street, Southgate, London N14 6EW) no later than 9 August 2016.

## *Shareholders' Information*

### FINANCIAL CALENDAR 2016

Final dividend record date	15 July
Annual Report posted to Shareholders	15 July
Annual General Meeting	10 August
Final dividend payment	15 August
Interim results	24 November

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

Mountview House  
151 High Street  
Southgate  
London N14 6EW

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

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

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