

SEPARATOR SHEET



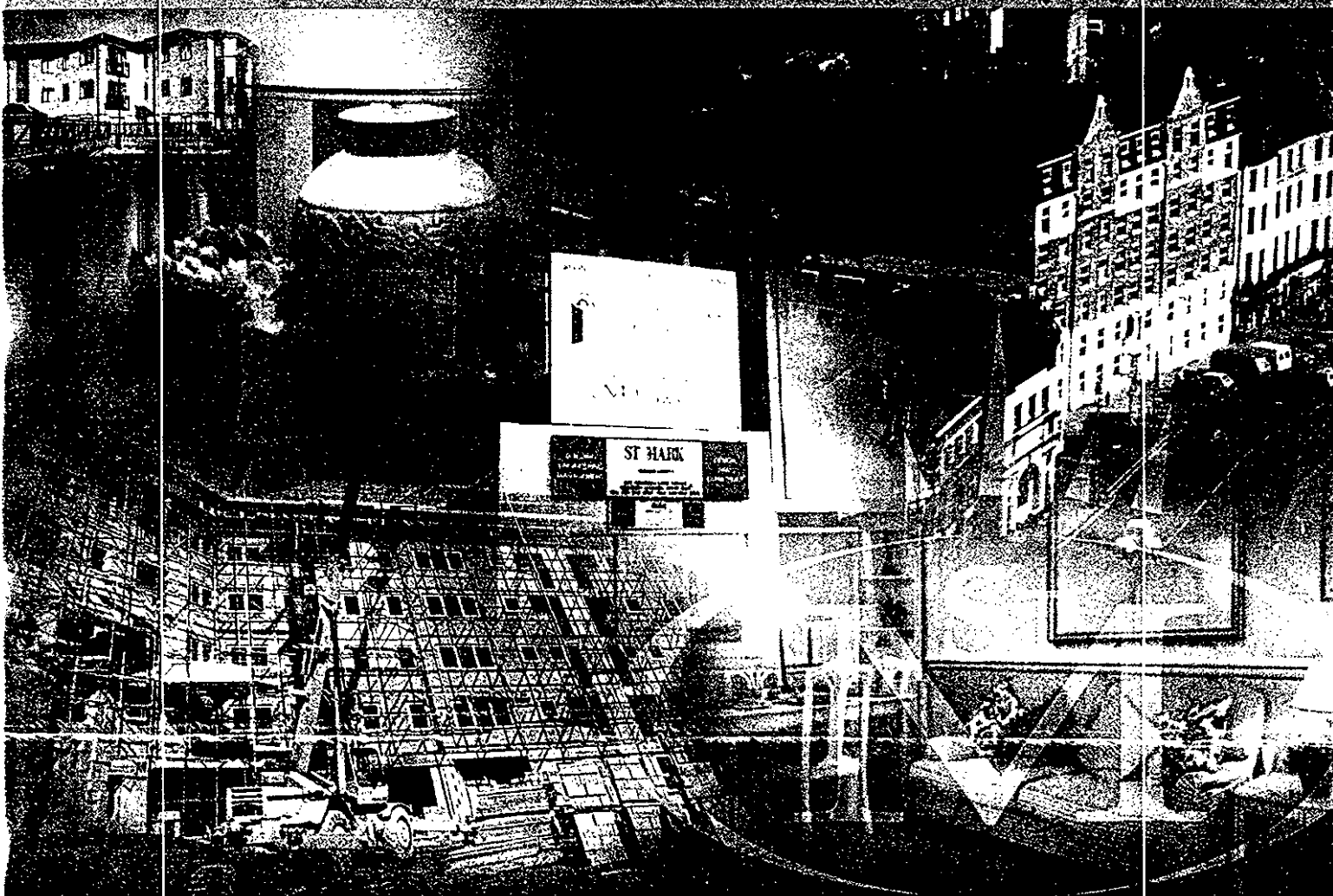
3515570



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# ST MARK HOMES



Offer for subscription under the  
Enterprise Investment Scheme

CGT Deferral Relief also available

Sponsored by

**TG** FEATHER & GREENWOOD

Regulated by the Securities and Futures Authority Limited  
and members of the London Stock Exchange



## Timetable of Events

Subscription list opens	2nd September 1998
Initial closing date	2nd October 1998
Initial issue of Shares	5th October 1998
Dealings expected to commence on OFEX	30th November 1998
Despatch of definitive Share Certificates from	26th October 1998
Despatch of EIS Certificates	28th February 1999

## Definitions

<b>A' Shares</b>	A' Ordinary Shares of 50p in the capital each of the Companies
<b>the Act</b>	The Companies Act 1985 (as amended)
<b>Capital Growth Company</b>	St. Mark Homes Capital plc as referred to on page 21
<b>Company or Companies</b>	either or both of the Companies which are the subject of this Prospectus, or St. Mark Homes as the context so requires
<b>Directors</b>	the directors of the Companies listed on page 4 of this document
<b>the Enterprise Investment Scheme or EIS</b>	the Enterprise Investment Scheme introduced by the Finance Act 1994 (as amended)
<b>Income Company</b>	St. Mark Homes Income plc as referred to on page 21
<b>Investor</b>	an individual who subscribes for Shares under the Offer
<b>Mizen</b>	any one or more of Mizen Properties Limited, and/or Mizen Homes Limited and/or Mizen Design/Build Limited, as the context requires
<b>OFEX</b>	a trading facility operated by J. P. Jenkins Limited to facilitate trading in securities neither quoted nor dealt in on the London Stock Exchange Limited
<b>the Offer or the Issue</b>	the Offer or the issue of Shares pursuant to this Prospectus
<b>Prospectus</b>	this document, including the Application Form
<b>Shares</b>	ordinary shares of 50p each in the capital of the Company
<b>the Taxes Act</b>	The Income and Corporation Taxes Act 1988, as amended

*Photographs: All photographs relate to properties and sites developed and/or constructed by Mizen.*

## KEY POINTS

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*The following must be read in the context of the whole of this Prospectus from which it is derived including, particularly, the Section headed 'Risk Factors' on pages 14 and 15.*

The Issue	The Companies intend to raise up to £10 million.
The Business	The Companies intend to operate as housebuilders, taking an enhanced profit margin of 20% over budgeted build cost in return for a deferment of payment.
The Market	The house market is presently benefiting from strong affordability with average incomes approaching a 20-year high in relation to the cost of maintaining a mortgage.
Tax Reliefs	<p>EIS tax relief should be available on an investment of up to £150,000, providing income tax relief of up to 20% and CGT deferral of up to 40% (i.e. 60% in aggregate). If you invest prior to 5th October 1998, then up to 50% of the EIS income tax relief may be carried back to the tax year ended 5th April 1998. There is no CGT on a sale of Shares on which income tax relief is given and not withdrawn after 5 years.</p> <p>CGT deferral is not limited to £150,000.</p>
Management Team	The management, which has a well evidenced track record in both construction and development, will have a performance based reward structure, received only after a priority return of 4% per annum (i.e. 20% over 5 years) allocated to Investors. This reward will reduce should the administrative expenses, less net interest income, exceed 3.75% of invoiced sales. The management team has agreed to invest at least £100,000 in the Companies, on the same terms as Investors.
No Borrowing or Planning Risk	It is intended that the Companies will have no direct borrowing nor take any planning risk.
Income or Capital Growth	Investors may choose between investing in an Income Company, which distributes up to 100% of its post-tax profits annually, and investing in a Capital Growth Company which concentrates on re-investment of profits.
Tax Relief Certificates	EIS tax relief certificates should be available by the end of February 1999.
Minimum Application	£3,000
Commission	3%
Closing Date	2nd October 1998 unless extended or, if the maximum subscription is reached by then, closed earlier.
Assistance	<i>Please contact Scott Arnot of St Mark Homes by telephone on: 0171 439 0145.</i>

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*Nos 1-40, White Hart Mansions, The Parade, Margate*

**THIS DOCUMENT IS IMPORTANT.**

If you are in any doubt about the contents of this Prospectus you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities. Investments in unquoted shares carry higher risks than investments in quoted shares and may be difficult to realise. The Shares are not listed, quoted or dealt in on any stock exchange, nor has any application been made to any stock exchange for listing, quotation or permission to deal in any of the Shares issued or proposed to be issued, nor are there any other arrangements in place for there to be dealings in the Shares, except that it is intended that an application will be made for the Shares to be traded through OFEX. OFEX is not a regulated market. Investment in a new and unquoted company which has not commenced business is speculative and involves a degree of risk. The attention of Investors is drawn to the Section headed 'Risk Factors' on pages 14 and 15.

The directors of the Companies, whose names and details appear on page 4, are the persons responsible for this Prospectus. The Directors (who have taken all reasonable care to ensure that such is the case) confirm that to the best of their knowledge the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect the import of such information.

This Prospectus has been drawn up in accordance with The Public Offers of Securities Regulations 1995 ('POS'). A copy of this Prospectus which is published on 2nd September 1998, has been delivered to the Registrar of Companies in London in accordance with Regulation 4(2) of POS.

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**ST. MARK HOMES CAPITAL PLC and**

**3515570**

**ST. MARK HOMES INCOME PLC**

**OFFERS FOR SUBSCRIPTION**

of up to 10,000,000 Ordinary Shares of 50p each in the capital of each Company (20,000,000 in aggregate)  
at a price of £1 per Share payable in full on application  
(but with an overall aggregate maximum of 10,000,000 Ordinary Shares of 50p each).

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The minimum subscription of each Company is £1,000,000 (but with an overall aggregate minimum of £2,000,000). The Offer is not underwritten and the Directors will not issue Shares in either Company, unless applications are received in respect of the minimum subscription for the relevant Company as set out in the terms and conditions of the application. The procedure for application is set out on pages 30 and 32 and the application forms are set out on pages 29 and 31. Subject to achieving this, in respect of each Company the Directors will proceed to allot the Shares therein for which valid subscriptions have been received pursuant hereto even if the Offer is not subscribed in full, giving preference according to the date of receipt of application. A description of the share capital of each Company is set out on page 21.

The qualifying status of the Companies has received provisional clearance under the Enterprise Investment Scheme, but formal clearance cannot be sought until it has been carrying on a qualifying business activity for four months. Subject as above, the Directors consider that qualifying individual subscribers for Shares should be able to obtain EIS relief within the EIS limits on the full amounts subscribed, depending upon their circumstances.

The Sponsor acts for the Companies and not for anyone else. In subscribing, Investors will be deemed to have requested performance on an execution-only basis without advice and this Prospectus is not intended nor does it purport to provide investment advice. This document is a Prospectus issued by the Companies, and does not constitute a scheme or fund. No "cooling off" period, or other rights specially available to Investors in the case of a scheme or fund, are applicable. The roles of the other advisers to the Companies listed on page 4 are limited to those stated herein.

Any investment in either Company is made solely on the basis of this document and not on the basis of any other documentation or on the basis of any oral representation.

The Sponsor will pay introductory commissions of 3% to authorised persons (being persons authorised to carry on investment business for the purposes of the Financial Services Act 1986 in the United Kingdom) in respect of successful applications received through them.

# DIRECTORS, SECRETARY AND ADVISERS

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## **Directors**

Bernard Joseph Tansey M.eng Sc, BE, Ceng, MICE, FIEL, FlntD

William Cortis Gair

Sean Anthony Ryan BSc MSc FCCA

Michael John Chicken BA (Hons)

*all of:*

8 Baker Street

London W1M 1DA

## **Company Secretary**

Barry Bernard Tansey B.Comm., M.Acc., ACA

## **Registered Office**

8 Baker Street

London W1M 1DA

## **Sponsor to the Companies**

Teather & Greenwood Limited

12-20 Camomile Street

London EC3A 7NN

*Regulated by The Securities & Futures Authority Limited*

## **Tax Advisers, Reporting Accountants and Auditors of the Companies**

BDO Stoy Hayward

8 Baker Street

London W1M 1DA

## **Solicitors to the Issue and to the Companies**

Howard Kennedy

19 Cavendish Square

London W1A 2AW

## **Registrars**

Park Circus Registrars Limited

6 Park Circus Place

Glasgow G3 6AN

# THE BUSINESS

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## The Objective

The Companies intend to be significant house builders in the U.K.

## The Companies' Activities

The Companies' activities will be that of house building. It is intended that contracts will be entered into with developers, generating an enhanced profit margin to traditional building contracts in return for a deferment of payment. Each such building contract will be based on a price of build cost plus 20%, up to an aggregate maximum of 140% of the original budgeted cost. The Companies will only carry out construction and will not for example acquire land, this being the responsibility of the developer.

To achieve this attractive margin, the Companies will offer the developer deferred payment terms of up to three months after completion of works. This will assist the developer's cash flows, potentially enabling payment to the contractor out of sales receipts. However, to protect their position, the Companies will take a charge over the property. This will only rank behind any bank taking a charge to secure partial funding of the land costs. If the developer has entered into such land funding arrangements, then the Companies will only enter into building projects if the arrangements with the bank allow for the following: a) the first charge will only secure the developer's loan from the bank to purchase the land and not any other indebtedness of the developer such as another development and b) to protect the Companies' interest in the development the Companies will have a right to repay the bank on behalf of the developer and take a first charge itself.

## Project Selection

Whilst the level of risks taken by the Companies may be considered lower than for, say, a property developer, given the above deferred payment terms, the returns are higher than for a traditional contractor. Projects in which the Companies will be involved should meet the following criteria:

- The developer's appraisal showing overall profit of at least 15% of cost (including land, construction, professional fees and interest costs).
- Independent report on sales values reflecting developer's sales estimates from an appropriate and reputable firm of chartered surveyors.
- Independent report confirming projected building costs from a reputable firm of quantity surveyors.
- Residential developments including modern apartment blocks.
- Developments in line with market requirements.
- Adequate developer's equity taking into account the risk profile referred to on the next page.



*Lychgate Manor, Roxborough Park, Harrow on the Hill*



## Typical Project Appraisal

A typical, but highly simplified, project appraisal is illustrated below. This helps to explain the relationship between the developer and the Company.

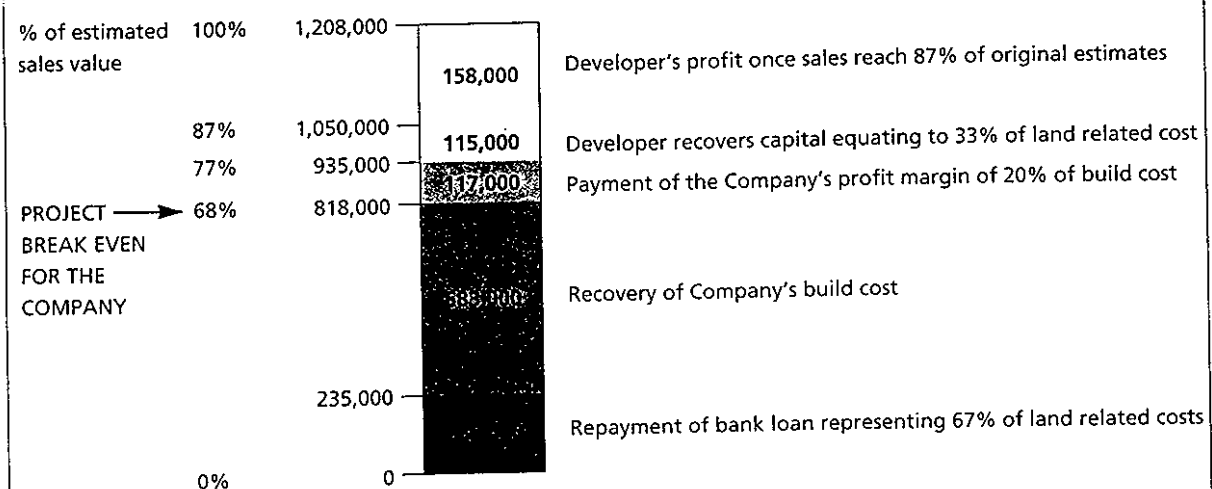
Developer's Position		Company's Position	
Land related cost	£350,000		
Build contract sum	£700,000		
<hr/>			
Total cost	£1,050,000	£583,000	= Build cost
Sales value	£1,208,000	£700,000	= Build contract sum
<hr/>			
Developer's profit	£158,000	£117,000	= 20% profit margin

## Risk Profile

Assuming a bank provides a loan to the developer of £235,000 for the land related cost (including interest) of £350,000 (i.e. 67% of cost) and build costs are as projected, the Company should only be at risk not to receive back its build costs of £583,000 if selling prices dropped to £818,000 (being £235,000 plus £583,000), i.e. 32% below the estimated sales value.

This is further demonstrated below and is based on this same example. This shows how the Company should be protected even after: a) the developer has lost his profit; and b) the developer has not recovered his costs (except that portion of the land related cost funded on a first charge) and even then, the Company's break even on the project will be further covered by the 20% margin on the build cost.

## Risk Profile Illustration



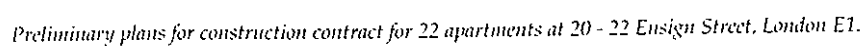
The management have an extensive network of contacts and expect to receive a substantial number of proposals from developers, surveyors, estate agents and other industry contacts.

This type of building contract should be attractive to developers who need a combination of building capability and financial resources.

Each proposal received by the Companies will be carefully vetted. A detailed paper will be prepared for consideration by the Boards. There will be two main constituents to each proposal:

To ensure maximum profitability a comprehensive building contract budget will be prepared by the Company and its surveying team, itemising projected material, sub-contractors, labour and plant costs.

To ensure minimisation of risk, a detailed development appraisal will be prepared, identifying the estimated sales and the estimated reduction in sales to achieve break even on the project.



Before entering into a building contract, the Board will require the following:

- Site investigation report.
- Valuation report prepared by a firm of chartered surveyors.
- An independent property adviser reporting on site value, sales value, build costs and adequacy of developer's equity.
- Detailed programme of works.

If the Board are satisfied with the above, a JCT (Joint Contracts Tribunal) building contract will be entered into with the developer, together with a charge granted by the developer to the Companies over the land and buildings. This charge ranks only behind the bank funding part of the land related costs.

In line with many contractors the Companies expect to sub-contract a large amount of the work. Where practicable these sub-contracts will be at a fixed price. Construction work will be subcontracted to third parties and *not* to Mizen.

The contracts manager will be responsible for the quality and progression of works on site in accordance with pre-determined design, specification budget and programme. This will involve recruitment of, and close liaison with, site management teams, frequent monitoring visits to the site and supervision of sub-contractors, suppliers and the design team where necessary.

Costs to date and projected costs to completion will be carefully monitored and compared to budget. St. Mark will use Buildax accounting software, an industry tailored accounts package, to help monitor the costs of the development against budget.

Typically contracts may be for 9 to 12 months and with the deferment of payment for say 3 months, this will mean that each contract should last for at least 12 months, but after which funds should be released for further contracts. It is anticipated that subject to maximum subscription under the Offer each Company will enter into about 2 contracts each year.

### **Example of a Potential Project**

The following is an example of a potential situation where Mizen have exchanged contracts to acquire the property and intend to put it to the boards of the Companies for their consideration. The figures shown below should not be taken as either a projection or forecast.

- proposed development of 22 modern high specification apartments at 20-22 Ensign Street, London E1.
- located near Tower Hill in the City of London, close to the London Docklands Light Railway.
- convenient for both the City and Docklands. Within walking distance are the Tower of London, Tower Bridge and The Design Museum.
- the estimated build cost is £1,872,000.
- building contract to be entered into with Companies for £2,246,000, including the 20% margin.
- sales estimate: £4,825,800, for all the units within the development.
- sales values projected on £230 per sq. ft. This compares favourably with a number of nearby developments.
- land related costs of £1,786,000
- estimated cash equity by the developer of £533,000.
- first charge loan estimated to be £1,257,000

The plans for the scheme are shown on page 7.

# HISTORY OF DIRECTORS AND SENIOR MANAGEMENT

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## **Bernard Tansey** M.eng Sc, BE, Ceng, MICE, FIEI, FInstD. (54) *Executive Chairman*

Is a Chartered Civil Engineer who has worked in the consulting engineering, property development and construction sector since 1966. Having set up Mizen in 1986 he resigned his position as Chief Engineer within the Irish Semi State Agricultural Body, ACOT. He has profitably constructed, developed and traded in UK property since then, building up Mizen during a period when others have found property development and trading difficult. As a director he will take on all director's duties, including attendance at board meetings, overview of operations, building contract review, sub-contract order approvals, review of progress and budget reports and recruitment of senior management. As consultant he will assist in the preparation of build contract budgets and provide technical support, in particular dealing with structural/engineering matters and building control. He will invest at least £25,000 in each Company pari passu with Investors. He will also subscribe for 40 'A' Shares. Subject to the minimum subscription level being reached, he will receive a director's salary of 0.24% p.a. of the initial capital raised, plus a consultancy fee of £45 per hour which rate takes into account his 'A' shareholding.

## **William Gair** (56) *Non-executive Director*

Is a director of a number of companies including being chairman of NHBC Building Control Services Limited, director of Retirement Villages Ltd and director of Housebuilder Publications Limited, publisher of the leading journal "Housebuilder". He was formerly managing director of Wates Built Homes Limited for 15 years and prior to that was managing director of a subsidiary of Bovis Homes Limited. He is a Freeman of the City of London. By way of a fee he will receive £4,000 in aggregate for both Companies plus 0.13% p.a. of the initial capital raised in excess of £2,000,000.

## **Sean Ryan** Bsc Msc FCCA (32) *Executive Finance Director*

Is a Chartered Certified Accountant. He has been working in the construction and property development sector since 1989 and joined Mizen Design/Build Limited as Finance Director in 1992. He completed an Msc in Property Development (Project Management) in 1995, and designed and implemented the Company's Quality Management system, leading to ISO9002 (BS 5750) certification in 1996. As director he will take on all directors' duties, including attendance at board meetings and general financial management. As consultant he will assist in the preparation of building contract budgets, prepare monthly management accounts including progress reporting, prepare accounts for audit and deal with Quality Assurance registration and audits. He will invest £12,500 in each Company pari passu with Investors. He will subscribe for 20 'A' Shares. Subject to the minimum subscription level being reached, he will receive a director's salary of 0.24% p.a. of the initial capital raised, plus a consultancy fee of £35 per hour.

## **Michael Chicken** BA (Hons) (38) *Non-executive Director*

Following University he started a Merchant Banking career in 1981. By 1991 he was Head of Structured Finance and Assistant Director of Property at British & Commonwealth Merchant Bank. He then joined Terrace Hill Capital Limited (now called Neill Clerk Capital Limited) and is presently employed by Park Circus Management Limited a member of Neill Clerk Group plc. He will subscribe for 1 'A' Share. He will receive £3,000 per Company plus 0.06% p.a. of the initial capital raised and an amount as set out on page 19. One of his duties will be to liaise with the Sponsor in their role as monitor.

## **Barry O'Neill** - (36) *Contracts Manager*

He has acted as contracts manager on 16 Mizen projects since 1992. He will invest £12,500 in each Company pari passu with Investors. He will subscribe for 20 'A' Shares.

# MANAGEMENT TRACK RECORD

## Background

Mizen was set up in 1986 by Bernard Tansey. Initially, Mizen operated solely as a property developer, sub-letting a complete construction package to a main contractor. He realised, however, that in doing so he was giving a margin of profit to the contractor and sought therefore to establish a construction capability within Mizen. To this end, Sean Ryan and Barry O'Neill both joined Mizen in 1992.

Within Mizen there is now both a construction and development track record. This is largely split as follows: Mizen Properties Limited and Mizen Homes Limited carry out development work, and Mizen Design/Build Limited carry out construction. Mizen Properties Limited is owned by Bernard Tansey, Mizen Homes Limited is owned by Barry Tansey and Mizen Design/Build Ltd is owned by a number of shareholders including Bernard Tansey, Barry Tansey and Barry O'Neill.

## Construction

Construction work is carried out by Mizen Design/Build Limited. Their accounts for the last six years show the following figures:

12 months ended:	31.07.93	31.07.94	31.07.95	31.07.96	31.07.97	31.07.98 (unaudited)	AVERAGE
Sales	2,076,676	2,032,151	2,414,217	3,487,346	5,764,791	4,403,871	3,363,175
Gross Profit	279,710	330,041	381,435	257,733	505,646	546,881	383,574
Profit on project costs	16%	19%	19%	8%	10%	14.2%	12.9%
Pre-tax, Post-interest profit	220,182	216,839	286,445	134,400	298,684	403,184	259,956

(Note: The above figures include two development contracts, i.e. Banstead and Westree Road.)

Construction contracts (where Mizen did not act as developer) have included 32 units in Woking; 52 units in Reigate, 16 units in Chatham, 9 units in Henfield, 8 units in Worcester Park, and 15 units in Rochester.

## Developments

Mizen's five latest developments, as extracted from the management accounts, are illustrated as follows:-

	Actual Banstead	Actual Roxborough Park	Actual Old Bexley Lane	Actual Westree Road	Projected Horseferry Road
Sales Revenue	2,048,000	3,097,000	867,000	3,779,000	2,331,000
Cost of Sales	1,550,000	2,268,000	657,000	3,213,000	1,779,000
Project Profit before Interest & Tax	498,000	829,000	210,000	566,000	552,000
Return on Cost	32%	37%	32%	18%	31%
Completion Date	Sept '97	Oct '97	July '97	Jan '98	Oct '98

More detail on the above schemes are shown opposite:



### **Flint Close, Banstead**

Mizen Design/Build Limited developed this 'brownfield site', an old Council Depot just five minutes walking distance from Banstead village, in partnership with Orbit Housing Association and Reigate and Banstead Council.

The twenty retirement homes were constructed and sold to Orbit Housing Association. Sales were agreed on five of the six additional family homes prior to completion of construction, with the last unit being sold just one month later.

### **Lychgate Manor, Roxborough Park, Harrow on the Hill**

This Mizen Homes development of thirteen two-bed apartments and five penthouses is within a tree lined cul-de-sac in the Harrow conservation area and sales were agreed on 83% prior to the completion of construction. This was a high specification development featuring individual balconies, basement car park, electronically operated front gates and marbled entrance hall.

### **Grosvenor Manor, Bexley**

This was a Mizen Properties Limited development of eight, one and two-bed apartments, and three penthouses. Construction was completed in September 1997; sales were agreed on 36% of the units prior to completion of construction.

### **Westree Road, Maidstone**

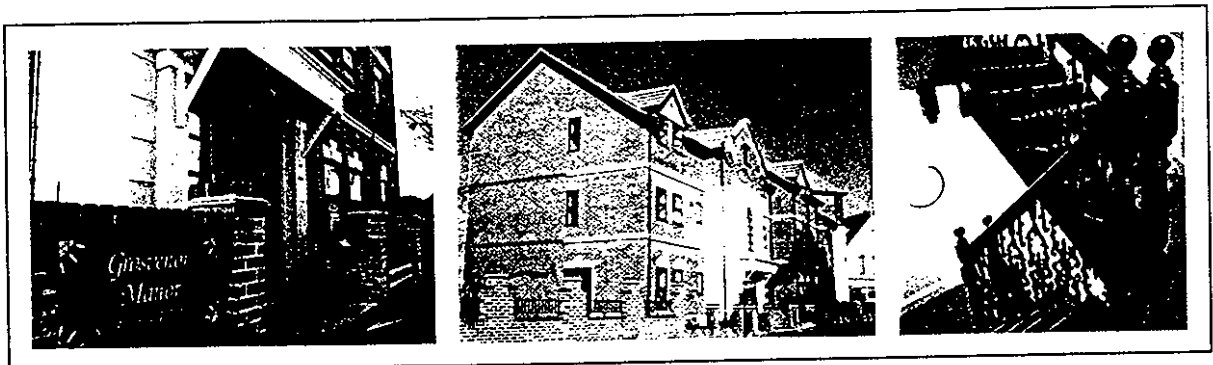
Mizen Design/Build Limited developed 134 student rooms and 34 houses on this site in a joint venture with Hyde Housing Association, Kent Institute of Art and Design and CDS Housing Co-Operative. The site was sold to Hyde Housing Association/CDS Housing Co-Operative who made phased payments on the basis of surveyor valuations. The 134 student rooms were constructed in 12 months.

### **Regents Gate, Horseferry Road, Limehouse**

Mizen Homes are to commence marketing this small, 15-unit apartment block, just off Narrow Street, Limehouse, in September 1998. Bellway Homes, Barratt Homes and Ballymore Homes have projects within five minutes walk, reflecting the ongoing regeneration of this highly convenient area.

### **OTHER DEVELOPMENTS**

Other developments by Mizen have included 105 units in Ramsgate; 50 units in Greenhithe, 116 units in Ramsgate, 40 units in Margate and 8 units in Hadley Wood.



*Grosvenor Manor, Bexley*

# TAX RELIEFS FOR INVESTORS

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## Introduction

To obtain the tax reliefs described below it is necessary to subscribe for Ordinary Shares in a qualifying company and claim the relief. On the basis of the information provided, including a draft of this document, the Inland Revenue has given provisional confirmation that the Companies are qualifying companies.

The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40% tax payer. It does not set out all the rules which must be met for periods of between three and five years by the investor and each Company. The summary is not a substitute for the investor obtaining professional advice before applying for Shares.

## New EIS relief

On 6 April 1998 the reinvestment rollover relief scheme (Chapter 1A of Part V of the Taxation of Chargeable Gains Act 1992) merged with the EIS. The new EIS relief has four elements:

### 1. Income tax relief

Individuals can obtain income tax relief on the amount subscribed for Shares (up to £150,000 in the tax year 1998/99) in one or more qualifying companies provided they are not connected with the issuing company. Husbands and wives can each subscribe up to £150,000. To calculate the relief, the lower rate of tax (currently 20%) is multiplied by the amount subscribed. The relief is given against the individual's income tax liability for the tax year in which the shares are issued unless the individual makes a carry back claim.

#### *Example*

	£
Gross investments in Shares	10,000
Less income tax relief at 20%	(2,000)
Net cost of investment	8,000

An individual who subscribes for Shares after 5 April 1998 and before 6 October 1998 may elect to carry back part of his subscription to the previous tax year so that relief at 20% can be set against his 1997/98 income tax liability. The amount of subscription that can be carried back is limited to the smaller of (a) £25,000, (b) half the amount subscribed and (c) the unused balance of his £100,000 relief available for 1997/98.

### 2. Exemption from CGT

Any capital gains realised on the disposal after five years of the Shares on which EIS income tax relief has been given and not withdrawn, are tax free.

#### *Example*

	£
Realised value of Shares after 5 years	22,000
Less original gross investment in Shares	(10,000)
Tax free gain	12,000

### 3. Loss relief against income or gains

Tax relief is available where there is a loss on a disposal at any time of Shares on which EIS income tax relief (see 1 above) has been given and not withdrawn or CGT deferral relief (see 4 below) has been given and not withdrawn. The amount of the loss (after taking account of the income tax relief initially obtained) can be set against the individual's gains or taxable income in the tax year in which the disposal occurs.

#### *Example*

	£
Realised value of shares	Nil
Gross investment in shares	(10,000)
Less income tax relief at 20%	2,000
Loss before tax relief	(8,000)
Tax relief	3,200
Net loss	(4,800)

### 4. CGT deferral

To the extent to which a UK resident investor (includes individuals and certain trustees) subscribes for qualifying shares, he can claim to defer paying tax on all or part of a chargeable gain arising on the disposal of any asset.

Although there is a limit of £150,000 for income tax relief and the exemption from CGT (see 1 and 2 above), there is no limit on the amount of gains that can be deferred.

The subscription must be made within one year before or three years after the date of the disposal which gives rise to the gain or the date when a previously deferred gain crystallises. The gain is deferred until there is a chargeable event such as a disposal of shares or an earlier breach of the EIS rules.

### Inheritance Tax - Business Property Relief

Provided a shareholder has owned shares in a qualifying unquoted trading company for at least two years and certain conditions are met at the time of the transfer, 100% business property relief is available, which reduces the inheritance tax liability on the transfer to nil.

### Tax Relief Certificates

Provisional EIS clearance in respect of the Offer has been received from the Inland Revenue. The Directors will be able to apply for final clearance once the Company has been trading for a period of four months. Accordingly, the Directors anticipate that the EIS 3 Certificates, which Investors need to claim the tax relief, should be made available by the end of February 1999, subject to Inland Revenue working practices.

THE FIGURES IN THIS SECTION ARE EXAMPLES ONLY. THEY ARE NOT, AND SHOULD NOT BE CONSTRUED AS, FORECASTS OF THE LIKELY PERFORMANCE OF THE INVESTMENT DESCRIBED IN THIS PROSPECTUS. PLEASE NOTE THAT THIS IS ONLY A CONDENSED SUMMARY AND SHOULD NOT BE CONSTRUED AS CONSTITUTING ADVICE WHICH A POTENTIAL INVESTOR SHOULD OBTAIN FROM HIS OR HER OWN INVESTMENT OR TAXATION ADVISER BEFORE APPLYING FOR SHARES.

# RISK FACTORS

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## 1. Business Risks

Each Company will be subject to the usual risks of companies constructing residential property, including insolvency of clients, general economic conditions, uninsured calamities, failure to satisfy contract conditions and other factors. The Companies may be heavily reliant on Mizen for business. The deferred terms of payment under the construction contract of 3 months may be insufficient time in all cases to achieve sales of property to meet amounts due. Property values will affect the level of security taken by the Companies.

## 2. Value

The value of the Shares and the Companies' assets, as well as the income derived from the Companies' Shares, may go down as well as up and an Investor may not get back the full amount he has invested.

## 3. The Future

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these do not guide the future. Aims, targets, plans, intentions and projections referred to are no more than that and do not imply forecasts. Legislation may change and its interpretation may not be correct. The past performance of the management is not necessarily a guide to their future performance.

## 4. Taxation

This document is prepared in accordance with current legislation, Inland Revenue practice and its interpretation by the Companies' advisers. Legislation and Revenue practice may change and its interpretation may not be correct. The rates of tax reliefs may be altered. The levels and bases of and reliefs from taxation may change. Tax reliefs referred to are those currently available and are personal to the Investor. Their value depends on the individual circumstances of the Investor.

Failure to hold EIS investments for five years will, and using them to obtain or improve the terms of credit may, result in a loss of tax relief obtained initially with a requirement for repayment of such tax relief with interest.

The availability of the tax reliefs described in this document depends on the Companies achieving and maintaining EIS status. **No guarantee can be given that the Companies will achieve and maintain such status.**

## 5. Illiquidity

None of the Shares are quoted or listed. Investments in unquoted shares carry higher risks than investments in quoted shares, may be difficult to realise and there can be no certainty that market makers will be prepared to deal in them. It may be difficult to obtain reliable information on the current value of the Shares or on the extent of the risks to which the Shares are exposed.

Although an application will be made for the Shares to be dealt in 'off exchange' through OFEX, this should not be taken as implying that there will be a liquid market in the Shares. Whilst the Directors have no reason to believe the Companies' application to join OFEX will be refused, admission (and continued admission) to OFEX is entirely at the discretion of J P Jenkins Limited. OFEX is not the Official List of the London Stock Exchange.

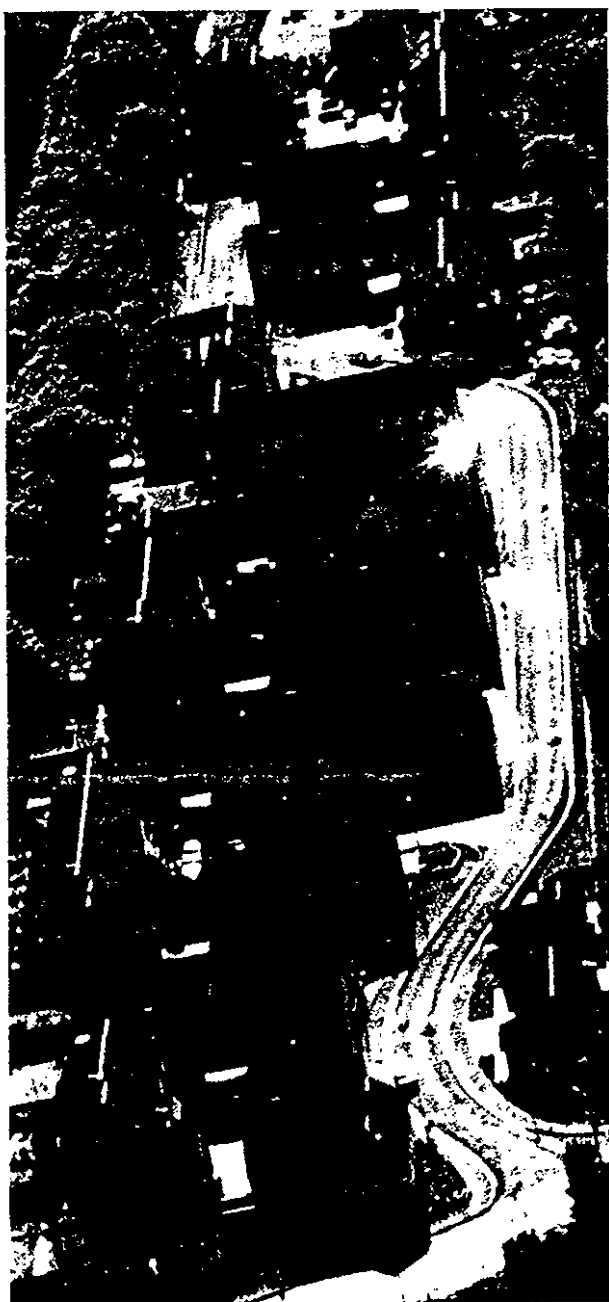
Investment in the Companies may not be suitable as a medium or short-term investment.

## 6. No Compensation Scheme

No Investors' Compensation Scheme or similar is available for claims related to the Shares or subscriptions therefor.

## 7. Suitability

This investment may not be suitable for all recipients of this document. Applicants are advised not to proceed unless they have taken independent advice from an adviser authorised under the Financial Services Act 1986, who specialises in investment of this kind.



*Argyle Drive, Dumpton Park*



*Boundary Way, Chatham*



*Flint Close, Banstead*



*Greenway, Redhill*



# QUESTIONS AND ANSWERS

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## 1. Given the recent increases in house prices, are house prices likely to fall and if they do will it affect the Companies?

Whilst recorded house prices are back to the levels of the late 1980s, they have actually fallen relative to both general prices and earnings. In other words, in 'real terms', house prices are lower than at their peak almost a decade ago. There is still some way to go to catch up with this previous peak - a marked contrast with the equity market that, in real terms, is above its 1989 level. Furthermore, the NHBC 'ability to buy' index (relating average incomes to the cost of maintaining a mortgage) remains at or near a 20-year high, i.e. mortgages are more affordable on average incomes than at any time over the last 20 years.

However, even if prices do fall, the Companies should be relatively well protected - i.e. as shown in the example on page 6, it would take prices dropping by more than 32% below estimated sales value before the Companies would make a loss on the project.

It should be pointed out that Mizen successfully traded through the last recession.

## 2. Is the construction market growing?

Output of the private housing sector is expected to be as follows:

### Estimated output based on constant 1990 prices

1996 - £5.4 billion

1997 - £6 billion

1998 - £6.2 billion

1999 - £6.15 billion

(Source: Credit Lyonnais Laing - March 1998)

Also the government's present estimate of household growth for the years 1991 to 2016 is 4.4 million.

## 3. Will construction margins decrease?

No doubt at some time during the Companies' life there will be pressure on industry margins, but given the way the Companies structure their contracts, the Directors believe that they should be well protected.

## 4. Have a number of 'secured contractors' gone into liquidation?

A number of companies who have been linked to secured contracting, (which is similar to the intended business of the Companies), which raised money under BES in the mid to late 1980's (the forerunner to the EIS), appear to have found themselves in financial difficulty. However, in all cases reviewed the companies also carried out property development, and, given the BES rules at the time, they needed to borrow a significant amount of funds to reduce the 'net land cost' for such developments to a level where the appropriate ratios were met. It appears that this excessive gearing contributed to the ultimate downfall of the companies. It should be stressed that the Companies do not intend to borrow, do not intend to carry out developments and do not intend to be involved in commercial property. Also, the Companies intend to enter into 'cost plus' contracts (as described elsewhere) whilst the previous BES companies frequently took a percentage of profits.

## 5. Under the construction contract the developer is required to pay the contract amount three months after the completion of works. Is this sufficient time to sell the underlying properties?

Black Horse Agency's figures show that the average time taken to sell a property is three months on a national basis, as at June 1998.

If it takes longer than three months for the developer to pay the building price then the Companies would charge interest and would have the right to exercise their security.

As indicated in the example on page 6, it would require sales proceeds of £818,000 to cover direct costs expended by the Companies and the bank loan. This represents 68% of the estimated sales value, i.e. one would not need to sell all the properties within 3 months, rather 68% of them. In simplistic arithmetic terms, this may imply 4 ½ months to sell all the properties.

Also, as the Companies are involved in building new properties it may be possible to market the properties prior to the completion of the work.

#### **6. What happens if the construction costs are in excess of those budgeted by the Companies?**

If construction costs are below the initial budget the saving will be shared on a 50/50 basis between the developer and Companies. If construction costs exceed the initial budget then the developer will still pay 100% of the actual cost plus 20% of the original budgeted cost up to an aggregate maximum of 140% of the original budget. Given the management's experience, as well as the project criteria set out on page 5, the Directors consider it highly unlikely that costs would ever reach such a high percentage over the original budget. Also, in line with many contractors, it is expected to sub-contract a large amount of the work - and, where practicable, these sub-contracts will be on a fixed-priced basis.

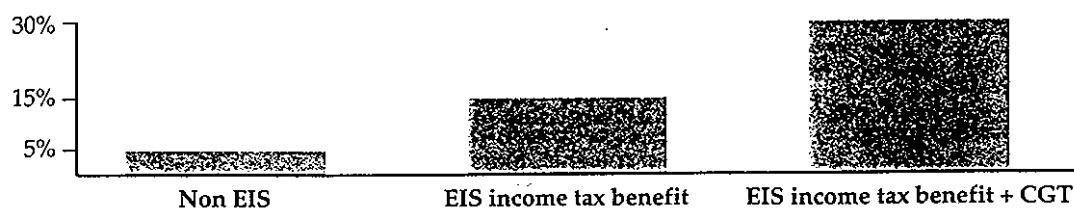
#### **7. Given the various tax benefits described, what are the effective rates of return to Investors?**

This obviously depends on the return that the Companies generate. We are not forecasting or projecting these, but let us take an example of a £100,000 investment generating £140,000 in 5 years. Without the tax benefits there would be CGT (being subject to taper relief) on disposal of £13,600 generating a net return of £26,400 i.e. 26% over 5 years or 5% p.a. over 5 years.

With the EIS income tax relief the net investment reduces to £80,000 and with no CGT on disposal the net return in 5 years would be £60,000 i.e. 75% over 5 years or 15% p.a. over the 5 years.

With the additional CGT deferral the net investment reduces to £40,000 and return increases to 150% over 5 years or 30% p.a. (However these figures do not take into account any later crystallisation of the deferred CGT.)

This can be depicted as follows:



#### **8. Are the Companies independent of Mizen, or simply a satellite?**

Firstly, the Companies will not sub-contract work to Mizen, they will directly employ trade sub-contractors, purchase materials and hire plant i.e. carry on the normal activity of a stand alone construction business.

Secondly, Sean Ryan intends to resign as a director of Mizen Design/Build Limited on 2nd October 1998.

Thirdly, whilst Bernard Tansey is a director of the Companies as well as being a director of Mizen Properties Limited and Mizen Design/Build Limited, in cases of potential conflicts of interest between Mizen and the Companies, for example, where Mizen Properties Limited puts a proposal to the Companies, Bernard Tansey will not vote on such issues at the relevant board meeting.

# GENERAL INFORMATION

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## Performance Based Reward Structure

The management team will be paid on a performance basis through the ownership of 'A' Shares.

For each Company the management team will hold 80 'A' Shares and Michael Chicken will hold 1 'A' Share. The 81 'A' Shares will be held by Messrs Tansey, Ryan, O'Neill and Chicken as set out on page 9.

The 'A' Shares will not be entitled to receive any dividend until distributable profits exceed a hurdle rate of 4% per annum of the Companies' ordinary share capital, together with any share premium, and thereafter will receive 50% of the excess.

This is illustrated as follows:

Cumulative Distributable Profits over 5 years Assumed to be evenly split	4% Allocation to Ordinary Shareholders (20% over 5 years) Assuming £5m Raised	Investors	'A' Shares
£1,000,000	£1,000,000	£1,000,000	Nil
£2,000,000	£1,000,000	£1,500,000	£500,000
£3,000,000	£1,000,000	£2,000,000	£1,000,000

If the hurdle rate is not achieved in one year, then the following year's hurdle rate will be increased by the deficit.

## Choice of Income or Growth

To enable Investors to choose, shares are offered in two Companies with differing distribution policies.

The Income Company is set up with the intention of distributing 100% of its distributable profits annually by way of 'A' Share and Ordinary dividends (being after deduction of any losses for earlier years).

The Capital Growth Company is set up with the intention of re-investing profits after payment of the 'A' Share dividend. This is intended to provide Investors with capital growth, rather than income.

Applicants may choose either or both of these options.

## No Borrowing

The Directors intend to operate the Companies without borrowings.

## No Planning Risk

As opposed to a developer, the Companies will not acquire land and will take no planning risk.

## Running costs

The Companies are not burdened with an existing overhead base. It is the Directors' intention that administrative overheads less net interest income should be no more than 3.75% of invoiced sales. To reflect their commitment to this overhead and cashflow control, if overheads exceed this target, the 'A' Share dividend will be reduced, in so far as this is possible, so that the profit allocation to ordinary shareholders will be as if administrative overheads less net interest income had amounted to 3.75% of invoiced sales. Administrative expenses will include rent, rates, service charges, salaries, directors' remuneration, heating, electricity, telephone, postage, IT,

general insurance, accounting, audit fees and other office costs. They do not include project costs, for example, design or surveyors' fees, or estate agents' commissions which will be borne directly by the developer, nor do they include those costs which would form part of the building contract. Nor do they include registrars fees, costs relating to the Issue, nor any OFEX related and monitoring fees and company secretarial fees.

Teather & Greenwood Limited are to be paid £2,000, per annum per Company, as a monitoring fee.

### **Marketability of Shares, OFEX and Exit Route**

The Directors intend to apply in November 1998 for all the Shares in issue to be traded through OFEX, which is a share dealing facility operated by J.P. Jenkins Limited. OFEX is not a regulated market, but a mechanism whereby member firms of the London Stock Exchange can effect business off exchange in the shares of certain unquoted companies. Under OFEX, companies are provided with an independent market maker, screen based prices and entry to a comprehensive company information and announcement system provided by Newstrack and distributed by Bloomberg, ICV-Topic, Market-EYE, Reuters and QST. Pricing information may be obtained through J.P. Jenkins Limited on the Internet at: [www.ofex.co.uk](http://www.ofex.co.uk).

A person wishing to buy or sell shares which have a trading facility on OFEX must complete his trade through his own stockbroker, as J.P. Jenkins Limited cannot deal directly with the general public.

In time the Companies will consider moving to the Alternative Investment Market or seeking a listing on the full market. At the end of 5 years an extraordinary general meeting will be held to consider the future of the Companies. At that meeting Shareholders will be asked to vote on various options. These options will include a) liquidation; b) moving to AIM (if the Companies are not already on AIM) and c) seeking a full listing (if the Companies are not already on the full list). Other options that may be considered are a merger of the two Companies and a trade sale.

### **Sponsor**

The Sponsor is Teather & Greenwood Limited. Founded in 1886, Teather & Greenwood is an independent firm of stockbrokers based in the City of London. The firm has a substantial private and institutional client base and carries out a wide range of activities in broking, research and corporate finance. The firm is a sponsor of tax based investments, including a number of BES and EIS issues. Teather & Greenwood is also a leading nominated adviser and broker of AIM companies, a member of the London Stock Exchange and regulated by the Securities and Futures Authority Limited. NRP plc, their holding company, is admitted to AIM.

The Sponsor will receive a fee of 7.75% of the amounts subscribed under the Offer. Of this fee the Sponsor will retain 0.75% of the amount subscribed under the Offer up to £2,000,000 and thereafter 0.5% of such amounts. The balance of the fee of 7.75% will be paid to Michael Chicken after deduction of the costs of the Issue and commission in consideration of his having underwritten the costs of the Issue.

## OTHER INFORMATION

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### Minimum Investment

The minimum investment from each Investor is £3,000, and thereafter in multiples of £500.

### Initial Closing Date

The Closing Date of this Offer is 2nd October 1998. The Offer may close earlier if fully subscribed before that date, and the Directors reserve the power to extend the Closing Date. Investors may elect to have Shares issued on 5th October 1998, thereby allowing a claim for EIS Relief in respect of the tax year 1997/98. (see page 12).

### Further Assistance

For further information in relation to this Prospectus, a prospective Investor should consult their own professional adviser or Scott Arnot of St Mark Homes by telephone on 0171 439 0145.

For information on the processing of submitted applications contact Park Circus Registrars Limited by telephone: 0141 353 2907 or by fax: 0141 353 2296.

### Applications

Applications for Shares may only be made and accepted on the Application Forms herein and subject to the terms and conditions of this Prospectus.

### Commission

Commission at the rate of 3% of subscriptions accepted will be paid by the Sponsor to authorised (in terms of the Financial Services Act 1986) agents introducing such subscriptions.

### The Right to Invest

The Directors and advisers other than the auditors (as set out on page 4), any of their directors, partners or employees have the right to invest in the Company.

### Share Certificates

Definitive Share Certificates should be sent out from the end of October 1998.

### EIS Certificates

Given the first potential contract as set out on page 8, the Directors are confident that the commencement of business will be prompt. EIS Certificates are therefore expected to be issued by the end of February 1999.

### Report and Accounts

The first audited accounts available for Investors will be for the period ending 30 September 1998. Report and accounts will be sent out within four months thereof and annually thereafter. As required under the OFEX Code the Companies also intend to announce interim quarterly results within 3 months of the end of the period to which they relate.

### Model Code

As required by OFEX, the Companies have adopted the Model Code, this being the code on directors' dealings in securities published by the London Stock Exchange.



# STATUTORY AND GENERAL INFORMATION

## 1. Share Capital

- 1.1 The Capital Growth Company was incorporated in England and Wales as Mizen Homes I plc as a public company limited by shares under the Companies Act 1985 ("the Act") to 1989 with company number 3515570 on 18 February 1998 and changed its name to St. Mark Homes Capital plc on 17 August 1998.

The Income Company was incorporated in England and Wales as Mizen Homes II plc as a public company limited by shares under the Act and the Companies Act 1989 with company number 3515562, on 18 February 1998 and changed its name to St. Mark Homes Income plc on 17 August 1998.

- 1.2 On 6th August 1998 the subscriber shares of each Company of two Ordinary Shares of 50p each were transferred to Michael Chicken and Patrick Booth-Clibborn.
- 1.3 In respect of each Company Redeemable Preference Shares of £1 each with a nominal value of £50,000 were allotted, as to one-quarter paid up, to Michael Chicken on 6th August 1998 and will be redeemed from the proceeds of the Offer.
- 1.4 On 11 August 1998 each Company was issued with a certificate entitling it to borrow and do business under Section 117 of the Act.
- 1.5 The main objects of the Companies as set out in their Memorandum of Association are to carry on the business of builders and contractors.
- 1.6 The liability of the members of the Companies is limited.
- 1.7 Pursuant to an Ordinary Resolution passed on 6th August 1998 by each of the Companies, the Directors were generally and unconditionally authorised pursuant to Section 80 of the Act to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £5,500,039.50, such authority to expire on the earlier of the date falling 15 months after the date on which the Ordinary Resolution was passed and the next annual general meeting of the relevant Company, but so that each of the Companies may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if such authority had not expired.
- 1.8 The Directors are empowered pursuant to Section 95 of the Act to allot shares pursuant to the authority referred to in paragraph 1.7 above as if Section 89(1) of the Act did not apply. This power expires on the earlier of the date falling 15 months after the date on which the relevant Resolution was passed and the next annual general meeting of the relevant Company, unless previously renewed or extended and is limited to the allotment of Shares up to one hundred percent of the aggregate nominal value of the ordinary shares of the Company.
- 1.9 As at the date of this document, each Companies' authorised and issued share capital is as follows:

	Ordinary Shares of 50p each	"A" Ordinary Shares of 50p each	Redeemable Preference Shares of £1 each
Authorised	10,900,000	81	50,000
Issued and fully paid	2	0	50,000 (as to one quarter paid up)

- 1.10 Other than as provided herein, since incorporation no share or loan capital of the Companies has been issued, or agreed to be issued, as fully or partly paid up for cash, or for a consideration other than cash.
- 1.11 No share or loan capital of the Companies is under option, or is proposed to be put under option, or agreed conditionally or otherwise, to be put under option.

## 2. Accounting Reference Date

The accounting reference date of the Companies is 30 September in each year.

## 3. Directors' and other Interests

- 3.1 Other than their directorships of the Companies, the current UK directorships of the Directors and those held during the previous five years are set out below:

Name	Current	Past
Bernard Tansey	Mizen Properties Limited Mizen Design/Build Limited Tansmart (Falcon Road) Limited Tansmart (Wandle Road) Limited	
William Gair	Short Leasehold plc Housebuilder Publications Limited Accumulus Growth III plc NHBC Building Control Services Limited Accumulus Growth plc Elmbridge Holding Limited Cedars Village plc Cedars Village Management Limited Retirement Villages Limited Castle Village Limited	Kennedy-Wilson U.K. Limited Elnathan Mews Management Limited Sharman Joinery Limited Roundswell Plant Limited J. W. Sharman Limited

Sean Ryan	Mizen Design/Build Limited Ryan Independent Financial Advisers Limited Ryan, Heaphy & Co Limited Burford Homes Limited	Clocmore Limited
Michael Chicken	Short Leasehold plc Patent I plc Reversionary Recovery 3 Nominees Limited Patent II plc Tenancies Limited Neill Clerk Capital Limited Home Tenancies Limited Park Circus (Secretaries) Limited Home Partners Plus 01 plc Home Partners Plus 02 plc Central Equipment Rental Limited Circus Leasing Limited Manor Court Resident's Amenity Company Limited Central Asset Finance Limited Merchant Place Corporate Finance Limited Norcity Homes plc NC NOM plc NC BRP plc Manchester Village Homes plc Norhomes plc	Horton Estates Limited Terrace Hill Properties Limited Peartree Business Centre Limited Terrace Hill Group plc Westview Investments Limited L. P. M. S. Financial Services Limited Park Circus Registrars Limited ALM Without Tears Limited Terrace Hill Investments Limited Accumulus I (Third) Nominees Limited Accumulus II (Third) Nominees Limited NC (City and Home-Secured) Limited NC (Norcity - Secured) Limited NC (Norcity - Free) Limited NC (City and Home - Free) Limited NC (Clyde - Free) Limited NC (Clyde - Secured) Limited NC (Res) Limited Accumulus Nominees Limited

- 3.2 The Directors of the Companies have no past convictions.
- 3.3 The Directors of the Companies have no past disqualifications from acting as a director.
- 3.4 None of the Directors have been adjudged bankrupt or been the subject of public criticism.
- 3.5 Other than as provided in paragraph 3.10 below, none of the Directors has any interest (whether beneficial or non-beneficial) in the issued share capital of the Companies.
- 3.6 The Directors are not aware of any shareholding which, after completion of the Offer, is expected to amount to three per cent or more of each of the Companies' issued share capital.
- 3.7 There are no outstanding loans granted by the Companies to any of the Directors, nor are there any guarantees granted by the Companies for their benefit.
- 3.8 Other than as provided herein none of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to the Companies or is proposed to be acquired, leased or disposed of by the Companies.
- 3.9 Other than as provided herein, none of the Directors is aware of any person(s) who could, directly or indirectly, jointly or severally, exercise control over the Companies.
- 3.10 The interests of the Directors in the share capital of each of the Companies (all of which are beneficial) as at the date of this document are as follows:-

Name	No. of Ordinary Shares	No. of "A" Ordinary Shares	No. of Redeemable Preference Shares
Bernard Tansey	Nil	Nil	Nil
William Gair	Nil	Nil	Nil
Sean Ryan	Nil	Nil	Nil
Michael Chicken	1	Nil	50,000

- 3.11 The aggregate remuneration paid and benefits in kind granted to the Directors by each Company during the financial year ending 30 September 1998 will be £ nil and it is estimated that the aggregate of such remuneration and benefits in kind to be granted to the Directors and proposed directors in respect of the financial year ending 30 September 1999 under arrangements in force at the date of this document will be £52,000 in aggregate for the Companies based on the minimum subscription.

- 3.12 Michael Chicken is interested in the arrangements as referred to on page 19.

#### 4 Articles of Association

The Articles of Association of both Companies are identical and contain, inter alia, the following provisions:

##### SHARE CAPITAL

The capital of the Company as at the date of adoption of these Articles is £5,500,040.50 divided into 10,900,000 Ordinary Shares of 50p each, 50,000 Redeemable Preference Shares of £1 each and 81 "A" Ordinary Shares of 50p each ("A" Shares").

#### 4.1 Rights Attaching to the Redeemable Preference Shares:

##### 4.1.1 As Regards Income

The Redeemable Preference Shares carry the right to receive a fixed cumulative preferential dividend from the revenue profits of the Company which are available for distribution and which the directors determine to distribute by way of dividend in priority to any dividend payable on the Shares or "A" Shares at the rate of 0.1% per annum (exclusive of any imputed tax credit available to shareholders) on the nominal amount thereof, but confer no other right to a dividend.

##### 4.1.2 As Regards Voting and General Meetings

The Redeemable Preference Shares confer no right to receive notice of, or to attend or vote at, general meetings except where the rights of holders of the Redeemable Preference Shares are to be varied or abrogated.

##### 4.1.3 As Regards Capital

On a winding up the holders of the Redeemable Preference Shares shall be entitled to be paid out of the assets of the Company available for distribution the nominal amount paid up on such shares pari passu with, and in proportion to, amounts of capital paid to the holders of Shares or "A" Shares, but do not confer any right to participate in any surplus assets of the Company.

##### 4.1.4 Redemption

The Redeemable Preference Shares are capable of being redeemed by the Company at any time and on their redemption the holders thereof shall be subject to the provisions of the Act be paid £1 per Redeemable Preference Share held and each Redeemable Preference Share which is redeemed shall thereafter be redesignated as and sub-divided into two Shares of 50p each in the authorised by unissued capital of the Company without any further resolution or consent.

#### 4.2 Rights Attaching to the Ordinary and "A" Shares

##### 4.2.1 As Regards Income

The holders of "A" Shares as a class shall be entitled to receive in respect of each accounting period for which audited accounts for the Company are produced (pro rata to their respective holdings of "A" Shares) 50% of the following, namely:-

$$X - (Y + Z)$$

where X = the profits available for distribution in the relevant accounting period (hereinafter referred to as the "Preferential Dividend").

where Y = the greater of nil or 4% of the nominal amount and any premium thereon paid up on the entire issued share capital of the Company as at the last day of the relevant accounting period following the date of adoption of these Articles of Association.

where Z = the greater of (a) nil or (b) the amount of profits that would have been available for distribution in the relevant accounting period if there was no Excess, minus "X". In respect of accounting periods ending after 30 September 2003 "Z" shall be nil.

where "Administrative Overheads" shall mean all administrative expenses and overheads of the Company during the relevant accounting period after allowing for net interest income received during the period but excluding:-

- (i) the direct costs of any building contract or agreement entered into by the Company including, without limitation, surveyors and valuation fees;
- (ii) any legal and/or estate agent fees and expenses payable on disposal of any properties owned and/or held by the Company;
- (iii) any fees and expenses payable to the Company's registrars;
- (iv) any fees and expenses payable to the Sponsor to the Company's Offer for Subscription dated on or about 2 September 1998 (or their assignors);
- (v) any Company secretarial fees and expenses;
- (vi) any fees and expenses payable in respect of the Company's OFEX admission and ongoing membership thereof; and
- (vii) legal fees and expenses in respect of contract disputes.

where "Excess" shall mean the amount by which Administrative Overheads in any accounting period of the Company shall exceed 3.75% of invoiced sales of the Company for that period.

If, in any accounting period referred to above, profits available for distribution represent an amount less than "Y", then the shortfall shall be aggregated to the amount of "Y" for the purpose of calculating the rights of "A" shareholders to income under this Article in the following accounting period, and so on until such shortfall is extinguished in full.

Unless the Company has insufficient profits available for distribution and the Company is thereby prohibited from paying dividends by the Act, the Preferential Dividend shall become due and payable within a period of six months following the end of the relevant accounting period (or as soon thereafter as the same may lawfully be paid) without any recommendation or resolution of the directors of a Company or members in general meeting and if not then paid shall be a debt due by the Company.

If in any accounting period of the Company the whole or any part of the Preferential Dividend is not paid in full by the due date then the Company shall pay on the date or dates of actual payment in full thereof an amount of interest calculated at the rate of 2 per cent per annum over the base rate from time to time in force of Barclays Bank Plc on such unpaid Preferential Dividend (or the unpaid part thereof) from the due date of payment thereof until the date or dates of actual payment in full and such arrears and interest together shall be a debt owed by the Company to the holders of the "A" Shares.

The holders of the Ordinary Shares as a class shall be entitled to receive the balance of such profits available for distribution in the relevant accounting period.

#### 4.2.2 As Regards Capital

On a return of the capital on a winding up or otherwise (other than on redemption or purchase of shares) the assets of the Company available for distribution to the shareholders shall be applied, in priority to any payment to the holders of any other class of shares in the capital of the Company, in paying to the holders of the "A" Shares all arrears, deficiencies and accruals (if any) of the Preferential Dividend and interest thereon up to and including the date of commencement of the winding up (in the case of winding up) or the return of capital (in any other case) and payable whether such dividend has been declared or not, together with a further amount (apportioned as between the holders of the "A" Shares pro rata to their respective holdings thereof) equivalent to the Preferential Dividend, save that references therein to the relevant accounting period shall be to the period from the commencement of the relevant accounting period during which the return of capital or winding up shall occur down to and including the date of commencement of winding up or the return of capital (as appropriate) and references therein to audited accounts shall be to management accounts for such period prepared consistently with the audited accounts.

The balance of such assets shall be divided amongst the holder of Ordinary Shares and "A" Shares (pro rata to their respective holdings of such Shares).

#### 4.2.3 As Regards Voting and General Meetings

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership and subject to any special terms as to voting upon which the Shares may be held, each holder of "A" Shares and Shares present in person or by proxy shall on a poll have one vote for every Share of which he is the holder.

### 5. Variation of Class Rights

Whenever the capital of the Companies is divided into different classes of shares, the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by such rights or in the absence of any such provision with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

### 6. Borrowing Powers

The Directors may exercise all the powers of the Companies to borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital) and, subject to Section 80 of the Act, to issue debenture stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Companies or any third party. The aggregate amount at any one time owing by each Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the relevant Company or any of its subsidiaries from such companies) shall not at any time without the previous sanction of shareholders in general meeting exceed a sum equal to 40 per cent of the aggregate of the nominal capital of the relevant Company for the time being paid up and the amounts standing to the credit of the share premium account.

### 7. Litigation

So far as the Directors are aware, there are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Companies which are having, or may have, a significant effect on the financial position of the Companies.

### 8. Minimum subscription and net proceeds of the Issue

- 8.1 The minimum amount that must be raised by the issue of Shares pursuant to this Prospectus for each Company to provide for the items specified in paragraph 21 of POS (the "Minimum Subscription") is made up as follows:

(i) Issue costs including commission	£77,500 (i.e. 7.75% of £1.0m)
(ii) Repayment of monies borrowed	Nil
(iii) Working Capital	£872,500
(iv) Repayment of Redeemable Preference Shares	£50,000
Total Minimum Subscription	£1,000,000

This comprises the minimum capital required by each Company to embark on the business described herein and shall comprise 1,000,000 Ordinary Shares of 50p each and share premium of £500,000.

- 8.2 On the basis of the minimum subscription, the gross proceeds of each Offer will amount to £1,000,000 and, after deduction of the expenses of each Offer, the net proceeds of each Offer will be approximately £922,500.
- 8.3 On the basis of the maximum subscription, the gross proceeds of each Offer will amount to £10,000,000 and, after deduction of the expenses of each Offer, the net proceeds of each Offer will be approximately £9,225,000.

#### 9. Consent

BDO Stoy Hayward has given and not withdrawn its written consent to the issue of this Prospectus, with the inclusion herein of its report and/or the references thereto and to its name, in the form and context in which it appears.

#### 10. Material Contracts

The only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Companies since incorporation, and are or may be material in the context of the Companies, are as follows:-

- 10.1 Sponsorship agreement made between (1) each Company, (2) the Directors and (3) Teather & Greenwood Limited ("the Sponsor") on 2nd September 1998, whereby the Sponsor has agreed to use its reasonable endeavours to procure subscriptions for Shares pursuant to the Offer on the terms of this Prospectus in consideration of a fee of 7.75% of such subscriptions. Out of that fee the Sponsor will discharge all costs relating to the issue and commission of 3% of subscriptions to be paid to authorised agents through whom valid applications for Shares are made. The Directors of the Companies and the Companies have granted to the Sponsor certain warranties and indemnities in connection with the Issue. The Sponsor is entitled to terminate its obligations as sponsor if the Companies are in default of their obligations or any of the warranties given to the Sponsor are materially incorrect.
- 10.2 Receiving Agent and Registrar's agreement dated 2nd September 1998 and made between (1) the Companies and (2) Park Circus Registrars Limited of 6 Park Circus Place, Glasgow G3 6AN, whereby Park Circus Registrars Limited were appointed receiving agent to the Offer and registrar to each Company for an initial set-up fee of £1,000 in aggregate for both Companies, plus an annual fee of £3 per shareholder both exclusive of VAT.

#### 11. General

- 11.1 The amount payable on application and allotment of each Share is £1, including a premium of £0.50 per Share.
- 11.2 The auditors of the Companies are BDO Stoy Hayward of 8 Baker Street, London W1M 1DA.
- 11.3 The Companies have no subsidiaries.
- 11.4 Subject to the achievement of the Minimum Subscription in respect of each Offer, if that Offer is not taken up in full the amount of the capital of the relevant Company subscribed for thereunder may be allotted in any event.
- 11.5 The promoters of the Companies are, or may be considered to be, Teather & Greenwood Limited and the Directors.
- 11.6 The registered office of both Companies is at 8 Baker Street, London W1M 1DA and their principal place of business is at Heron House, 109 Wembley Hill Road, Wembley, Middlesex, HA9 8DA.
- 11.7 The Directors consider that the prospects of the Companies for the financial year ending 30 September 1999 are satisfactory.
- 11.8 The Directors, whose names, addresses and functions appear on page 4, accept responsibility for the information contained in this document.
- 11.9 BDO Stoy Hayward, whose address is stated on page 4, accept responsibility for their Accountants' Report contained herein.
- 11.10 Other than as provided herein, the Companies are not dependent on any patents or other intellectual property rights, licences or particular contracts, which are of fundamental importance to the Companies' business.
- 11.11 The Companies have no investments.
- 11.12 Other than as provided herein, no amount or benefit in the sum of £10,000 or more in cash or in kind has been paid or given by either Company since incorporation to any promoter or to any other person (excluding trade suppliers) immediately preceding the date of this Prospectus, or is intended to be paid or given.



- 11.13 The Directors consider that, upon receipt of the Minimum Subscription under each Offer, each Company will have sufficient working capital for its present requirements.
- 11.14 The preliminary expenses of each of the Companies of £500 (including VAT) were paid by Mizen Design/Build Limited.
- 11.15 The Companies have no indebtedness, no mortgages, charges, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, term loans, other liabilities under acceptances or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.
- 11.16 Other than as provided herein, since incorporation no commissions, discounts, brokerages or other special terms have been paid or agreed in connection with the issue or sale of any share or loan capital of the Companies.

## 12. Registration

A copy of this document has been delivered to the Register of Companies in London for registration, in accordance with Regulation 4(2) of POS.

## 13. United Kingdom Taxation of Dividends

When paying a dividend to shareholders, the Company will normally have to account to the Inland Revenue for an amount of advance corporation tax ("ACT"). For the financial year ending 31 March 1999 the rate of ACT is 25 per cent of the dividend paid which corresponds to 20 per cent of the gross dividend (i.e. the sum of the dividend and the ACT payable in respect of it). After 31 March 1999 companies will no longer be required to account for ACT.

For individual shareholders treated for tax purposes as resident in the United Kingdom, where dividends are paid (or deemed to be paid) before 6 April 1999, an amount equal to 20 per cent of the aggregate of the dividend and tax credit is available as a lower rate tax credit which may be set off against their total income tax liability or, in appropriate cases, reclaimed in cash. This tax credit satisfies the individual's lower and basic rate tax liability on the amount of grossed up dividends received. Only higher rate tax payers will be required to pay any further income tax on dividends received.

After 5 April 1999 the tax credit attaching to dividends received will be equal to 10 per cent of the aggregate of the dividend and tax credit. No tax will be withheld when the dividend is paid. The tax credit will satisfy the individual's lower and basic rate liability, but cannot be reclaimed, even if it exceeds the individual's liability to income tax. Individual taxpayers liable to higher rate tax in respect of dividends will pay 32.5% on the aggregate of the dividend and tax credit, with part of that liability being met by the tax credit.

Corporate shareholders resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received from the Company and will be able to treat any dividend so received and the related tax credits as franked investment income.

Subject to certain exceptions for individuals who are Commonwealth citizens, European Economic Area nationals, residents of the Isle of Man or the Channel Islands, and certain others, the right of a holder of a share who is not resident in the United Kingdom (for tax purposes) to any part of the tax credit in respect of dividends on such a share depends in general upon the existence and terms of any double tax treaty which exists in the United Kingdom and the country in which the person is resident. Persons who are not resident in the United Kingdom for tax purposes should consult their own tax advisers concerning their tax liabilities, the possible application of such treaty provisions and what relief or credit may be claimed in the jurisdiction in which they are resident.

This section assumes that the Company does not elect to pay dividends as foreign income dividends, the tax treatment of which is different from that outlined above. The Company has neither the present intention of paying nor the capacity to pay foreign income dividends.

## 14. No Offer to Overseas Persons

No person receiving a copy of this Prospectus in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him, nor should he in any event use the application form, unless in the relevant territory such an invitation can lawfully be made to him and the application form can be lawfully used without compliance with any unfulfilled registration or other lawful requirements. Persons resident in, or a citizen of, territories outside the United Kingdom should consult their own professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to subscribe for Shares under this Issue.

## 15. Report and Accounts

Investors will receive copies of the annual report and accounts of the Companies and be entitled to attend any meeting of the shareholders.

## 16. Available Copies of Prospectus

Copies of this document are available free of charge to the public on any weekday (excluding Saturdays and Bank Holidays) at 19 Cavendish Square, London W1A 2AW until the final closing date of the Offer.

# ACCOUNTANTS' REPORT

The following is the text of a report from BDO Stoy Hayward, the Company's Reporting Accountants:



**BDO Stoy Hayward**  
Chartered Accountants

8 Baker Street London W1M 1DA  
Telephone +44 (0)171 486 5888  
Facsimile +44 (0)171 487 3686  
DX 9025 West End W1  
Web Site: [www.bdo.co.uk](http://www.bdo.co.uk)

## Private and Confidential

The Directors  
St. Mark Homes Income plc

The Directors  
St. Mark Homes Capital plc

The Directors  
Teather & Greenwood Limited

2nd September 1998

Dear Sirs

**St Mark Homes Income plc and St Mark Homes Capital plc (The Companies).**

We report on the financial information set out below. This information has been prepared for inclusion in this offer document dated 2 September 1998.

## Basis of preparation

The financial information set out below has been prepared by the Directors of the Companies ("the Directors") for the purpose of this document and covers the period from incorporation to 31 August 1998.

## Responsibility

The financial information in this report is the responsibility of the Directors and has been approved by them.

The Directors are responsible for the contents of the document dated 2 September 1998 in which this report is included.

It is our responsibility to compile the financial information set out in this report, to form an opinion on the financial information and to report our opinion to you

## Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and of whether the accounting policies are appropriate to the entities' circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

BDO Stoy Hayward – South East Firm  
Offices in London, Bromley, Chelmsford,  
Epsom, Reading, Richmond, Ware and Wembley  
BDO Stoy Hayward firms also in Ayr, Bacup, Basingstoke, Belfast, Birmingham,  
Blackpool, Bristol, Bury St. Edmunds, Cardiff, Glasgow, Guildford, Ipswich, Liverpool,  
Manchester, Motherwell, Newmarket, Norwich, Nottingham, Peterborough, Poole,  
Preston, Rochdale, Saltcoats, Sheffield, Stranraer and Wolverhampton

A list of partners' names is open to inspection at  
the above address  
Authorised by the Institute of Chartered Accountants  
in England and Wales to carry on investment business



### Opinion

In our opinion, the financial information gives, for the purposes of this document dated 2 September 1998, a true and fair view of the state of affairs of each of the Companies as at 31 August 1998.

### Balance sheets as at 31 August 1998

	Note	£
<b>Current Assets</b>		
Cash at bank and in hand		12,501
<b>Capital and reserves</b>		
Called up share capital	3	12,501

### Notes to the financial information

#### 1 Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### 2 Trading activity

The Companies did not trade in the period from incorporation on 18 February 1998 to 31 August 1998 nor did they receive any income, incur any expenses or pay any dividends. Consequently no profit and loss accounts have been prepared. The Companies have entered into the conditional contracts referred to elsewhere in this document.

#### 3 Share Capital

The Companies were incorporated on 18 February 1998 with company numbers 3515570 and 3515562 respectively.

The Companies have each issued two ordinary shares of 50p each for cash at 50p per share and 50,000 partly paid redeemable preference shares of £1 each for cash at 25p per share.

Yours faithfully

BDO Stoy Hayward

Chartered Accountants and Registered Auditors

BDO Stoy Hayward – South East Firm  
Offices in London, Bromley, Chelmsford,  
Epsom, Reading, Richmond, Ware and Wembley  
BDO Stoy Hayward firms also in Ayr, Bacup, Basingstoke, Belfast, Birmingham,  
Blackpool, Bristol, Bury St. Edmunds, Cardiff, Glasgow, Guildford, Ipswich, Liverpool,  
Manchester, Motherwell, Newmarket, Norwich, Nottingham, Peterborough, Poole,  
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