

St Mark Homes Capital Plc

Annual report and financial statements for the 15 months ended 31 December 2004

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Directors

Bernard J Tansey
Sean Ryan
Michael Chicken
William Gair

Secretary and registered office

Barry B Tansey, 109 Wembley Hill Road, Wembley, Middlesex, HA9 8DA

Company number

3515570

Auditors

BDO Stoy Hayward LLP, Prospect Place, 85 Great North Road, Hatfield, Herts AL9 5BS

St Mark Homes Capital Plc

Report of the directors for the period ended 31 December 2004

The directors have pleasure in submitting their report, together with the audited financial statements for the fifteen months ended 31 December 2004.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the period.

The directors do not propose an ordinary share dividend for the period (2003 : £112,356).

Principal activities, review of business and future developments

The company continued to operate as a builder of residential property during the period. The contracts at Harrow on The Hill, Middlesex and in Shoreditch, Central London were completed during the period. The Directors believe that the results are satisfactory.

The Company is now a wholly owned subsidiary of St Mark Homes II Plc. The entire share capital was purchased during the period. As a result of this transaction the company has changed their accounting reference date to 31 December which is the accounting reference date of their new parent, St Mark Homes II Plc.

The Directors believe the future outlook for the company is satisfactory.

As a result of the above transaction, the ordinary shares of St Mark Homes Capital Plc are no longer listed on OFEX.

Policy and practice on the payment of creditors

It is the company's policy to fix terms of payment with their suppliers when agreeing the terms of each business transaction, to ensure the supplier is aware of those and to abide by the agreed terms of payment.

The average trade creditors payment period at 31 December 2004 was 13 days (2003 : 43 days).

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	2004		2003	
	Ordinary 'A' 50p shares	Ordinary 50p shares	Ordinary 'A' 50p shares	Ordinary 50p shares
Bernard J Tansey	-	-	40	50,000
Sean Ryan	-	-	20	25,000
Michael Chicken	-	-	1	1
William Gair	-	-	-	-

The interests of the directors in the ordinary share capital of St Mark Homes II Plc are shown in that company's Annual Report and Accounts.

St Mark Homes Capital Plc

Report of the directors for the period ended 31 December 2004 (*Continued*)

Treasury policy

Operations have been financed by the issue of shares, the cash from which has been invested in short term cash deposits, and by bank borrowings. In addition, various financial instruments such as trade debtors and creditors arise directly from the company's operations.

Further information on financial instruments is contained in note 18 to the financial statements

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

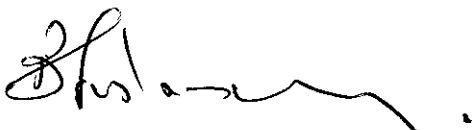
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the next annual general meeting.

On behalf of the board



Director

28 JULY 2005

St Mark Homes Capital Plc

Report of the independent auditors

To the shareholders of St Mark Homes Capital Plc

We have audited the financial statements of St Mark Homes Capital Plc for the 15 months ended 31 December 2004 on pages 5 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

St Mark Homes Capital Plc

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', is written over the printed name of the firm.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
Hatfield

28th July 2005

St Mark Homes Capital Plc

Profit and loss account for the period ended 31 December 2004

		15 months ended 31 December 2004 £	Year ended 30 September 2003 £
	Note		
Turnover	2	1,600,849	4,132,191
Cost of sales		1,579,151	3,321,102
Gross profit		21,698	811,089
Administrative expenses		271,160	214,751
Operating (loss)/profit	3	(249,462)	596,338
Other interest receivable and similar income		63,207	45,794
Interest payable and similar charges	6	(29,895)	(1,481)
(Loss)/profit on ordinary activities before taxation		(216,150)	640,651
Taxation on (loss)/profit on ordinary activities	7	(43,905)	155,369
(Loss)/profit on ordinary activities after taxation		(172,245)	485,282
Dividends	8	-	112,356
Retained (loss)/profit	13	(172,245)	372,926
Retained profit brought forward	13	765,492	392,566
Retained profit carried forward		593,247	765,492

All amounts relate to continuing activities.

All recognised gains and losses in the current period and prior year are included in the profit and loss account. There are no movements in shareholders' funds in the current period and prior year apart from the loss for the period.

The notes on pages 8 to 15 form part of these financial statements.

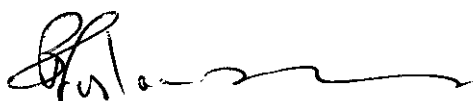
St Mark Homes Capital Plc

Balance sheet at 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	9		2,399		3,411
Current assets					
Debtors	10	536,175		5,006,782	
Cash at Bank		2,956,092		-	
		<u>3,492,267</u>		<u>5,006,782</u>	
Creditors: amounts falling due within one year	11	<u>66,353</u>		<u>1,409,635</u>	
Net current assets			<u>3,425,914</u>		<u>3,597,147</u>
Total assets less current liabilities			<u>3,428,313</u>		<u>3,600,558</u>
Capital and reserves					
Called up share capital	12		1,536,640		1,536,640
Share premium account	13		1,298,426		1,298,426
Profit and loss account	13		593,247		765,492
Equity shareholders' funds	19		<u>3,428,313</u>		<u>3,600,558</u>

The financial statements were approved by the Board on

July 28th 2005


Director

The notes on pages 8 to 15 form part of these financial statements.

St Mark Homes Capital Plc

Cash flow statement for the period ended 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Net cash inflow/(outflow) from operating activities	15		3,768,336		(3,175,020)
Returns on investments and servicing of finance					
Interest received		59,216		45,794	
Interest paid		(29,895)		(1,481)	
Net cash inflow from returns on investments and servicing of finance			29,321		44,313
Taxation					
Corporation tax paid			(155,369)		-
Equity dividends paid			(112,356)		-
Cash inflow/(outflow) before use of liquid resources			3,529,932		(3,130,707)
Management of liquid resources					
(Increase)/decrease in short-term bank deposits			(2,800,000)		2,700,000
Increase/(decrease) in cash	16,17		729,932		(430,707)

The notes on pages 8 to 15 form part of these financial statements.

Notes forming part of the financial statements for the period ended 31 December 2004

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Turnover

The company contracts with developers on a cost plus basis with a guaranteed maximum price. Profit is taken on these contracts while the contract is in progress having regard to:

- Provision is made for all foreseeable losses.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets on a reducing balance basis over their expected useful lives. It is calculated at the following rates:

Deferred taxation

Deferred tax balances are not discounted.

Rentals paid under operating leases are charged against income as incurred.

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

Turnover, profit and net assets are wholly attributable to the principal activity of the company and arise solely within the United Kingdom.

St Mark Homes Capital Plc

Notes forming part of the financial statements for the period ended 31 December 2004

3 Operating (loss)/profit	15 months ended 31 December 2004 £	Year ended 30 September 2003 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	1012	787
Hire of plant and machinery	59,921	112,530
Auditors' remuneration –audit	7,000	6,375
Accountancy	49,277	2,600
	<u> </u>	<u> </u>
4 Employees	2004 £	2003 £
Staff costs (including directors) consist of:		
Wages and salaries	75,436	60,843
Social security costs	6,014	5,833
	<u> </u>	<u> </u>
	81,450	66,676
	<u> </u>	<u> </u>
The average number of employees (including directors) during the year was 7 (2003 - 8).		
5 Directors' remuneration	2004 £	2003 £
Directors' emoluments	25,100	25,100
	<u> </u>	<u> </u>
6 Interest payable and similar charges	2004 £	2003 £
Bank loans and overdrafts	29,895	1,481
	<u> </u>	<u> </u>
7 Taxation on (loss)/profit on ordinary activities	2004 £	2003 £
<i>UK Corporation tax</i>		
Current tax on (loss)/profit for the current period	(43,905)	155,369
	<u> </u>	<u> </u>

St Mark Homes Capital Plc

Notes forming part of the financial statements for the period ended 31 December 2004

7 Taxation on (loss)/profit on ordinary activities (Continued)

The tax assessed for the period is different to the standard rate of corporation tax in the UK. The differences are explained below:

	15 months ended 31 December 2004 £	Year ended 30 September 2003 £
(Loss)/profit on ordinary activities before tax	(216,150)	640,651
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	(64,845)	192,195
Effect of:		
Expenses not deductible for tax purposes	3,772	441
Capital allowances for period less than/(in excess) of depreciation	83	(11)
Utilisation of tax losses	(18,962)	(12,516)
Group relief surrendered before payment	1,055	-
Losses carried forward	26,649	-
Marginal relief	-	(24,740)
Under provision in respect of previous year	8,343	-
Current tax charge/(credit) for period	(43,905)	155,369
8 Dividends	2004 £	2003 £
<i>Equity shares</i>		
Ordinary shares		
Final proposed of £nil (2003 - £1,387.11) per 'A' ordinary share	-	112,356

The 81 'A' ordinary shares have not met the conditions in the Articles of Association whereby holders are entitled to a dividend based on a formula, which is itself based on the level of available distributable profits.

St Mark Homes Capital Plc

Notes forming part of the financial statements for the period ended 31 December 2004

9 Tangible fixed assets		Office equipment £
<i>Cost</i>		
At 1 October 2003 and 31 December 2004		11,328
<i>Depreciation</i>		
At 1 October 2003		7,917
Provided for the year		1,012
At 31 December 2004		8,929
<i>Net book value</i>		
At 31 December 2004		2,399
At 30 September 2003		3,411
10 Debtors	2004 £	2003 £
Trade debtors	440,380	17,817
Corporation tax recoverable	52,248	-
Other debtors	43,547	112,246
Prepayments and accrued income	-	16,628
Amounts recoverable on contracts	-	4,860,091
	536,175	5,006,782

All amounts shown under debtors fall due for payment within one year.

St Mark Homes Capital Plc

Notes forming part of the financial statements for the period ended 31 December 2004

11 Creditors: amounts falling due within one year	2004	2003
	£	£
Bank loans and overdrafts	-	573,840
Trade creditors	56,088	523,505
Corporation tax	-	147,026
Other taxation and social security	-	17,231
Proposed dividend	-	112,356
Accruals and deferred income	10,265	35,677
	66,353	1,409,635

The company's overdraft is secured against the assets of the company.

12 Share capital	2004	2003
	£	£
<i>Authorised</i>		
<i>Equity share capital</i>		
11,000,000 ordinary shares of 50p each	5,500,000	5,500,000
81 'A' ordinary shares of 50p each	40	40
	5,500,040	5,500,040
 <i>Allotted, called up and fully paid</i>		
<i>Equity share capital</i>		
3,073,200 Ordinary shares of 50p each	1,536,600	1,536,600
81 'A' ordinary shares of 50p each	40	40
	1,536,640	1,536,640

St Mark Homes Capital Plc

Notes forming part of the financial statements for the period ended 31 December 2004

13 Reserves	Share premium account £	Profit and loss account £
At 1 October 2003	1,298,426	765,492
Loss for the period	-	(172,245)
	<hr/>	<hr/>
At 31 December 2004	1,298,426	593,247
	<hr/>	<hr/>

14 Related party disclosures

Related party transactions and balances

(a) Mizen Properties Limited

Office rental, rates and service charges of £17,680 (2003 : £16,869) were paid to Mizen Properties Limited. £12,000 (2003 : £16,000) was paid to Mizen Properties Limited for the provision of project management and engineering services provided by Bernard J Tansey.

During the year the company had ongoing contracts with Mizen Properties Limited at Roxborough Park, Harrow and Waterson Street, E2. Total costs of £5,630,053 (2002: £4,050,077) had been incurred on these projects at the year end. Costs of £1,579,976 have been incurred during the year (2003 : £3,308,522), these are included within cost of sales. Included in trade debtors are £454,088 (2003 : £nil) which relate to Roxborough Park and Waterson Street.

Bernard J Tansey is a director of the above company.

(b) Ryan Heaphy & Co Limited

£44,754 (2003 : £36,680) was paid to the above company for the provision of accountancy, IT, project and quality management services. Sean Ryan is a shareholder (80%) and director of the above company.

All transactions above were conducted on normal commercial terms.

15 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2004 £	2003 £
Operating (loss)/profit	(249,462)	596,338
Depreciation of tangible fixed assets	1,012	787
Decrease/(increase) in debtors	4,526,846	(4,074,346)
Decrease/(increase) in creditors	(510,060)	302,201
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	3,768,336	(3,175,020)
	<hr/>	<hr/>

St Mark Homes Capital Plc

Notes forming part of the financial statements for the period ended 31 December 2004

16 Reconciliation of net cash flow to movement in net funds	2004	2003	
	£	£	
Increase/(decrease) in cash	729,932	(430,707)	
Cash outflow/(inflow) from changes in liquid resources	2,800,000	(2,700,000)	
	<hr/>	<hr/>	
Movement in net funds/(debt)	3,529,932	(3,130,707)	
Opening net (debt)/funds	(573,840)	2,556,867	
	<hr/>	<hr/>	
Closing net funds/(debt)	2,956,092	(573,840)	
	<hr/>	<hr/>	
17 Analysis of net funds	30 September	Cash	31 December
	2003	flow	2004
	£	£	£
Cash at bank and in hand	-	156,092	156,092
Bank overdrafts	(573,840)	573,840	-
	<hr/>	<hr/>	<hr/>
	(573,840)	729,932	156,092
Short term cash deposits	-	2,800,000	2,800,000
	<hr/>	<hr/>	<hr/>
	(573,840)	3,529,932	2,956,092
	<hr/>	<hr/>	<hr/>

St Mark Homes Capital Plc

Notes forming part of the financial statements for the period ended 31 December 2004

18 Financial instruments

The treasury policy of the company is referred to in the directors' report.

Floating rate financial assets shown as cash at bank and in hand on the balance sheet of £2,800,000 (2003 : £nil) comprise cash deposits at monthly rates. There are no fixed rate financial assets.

Floating rate financial liabilities shown as bank loans and overdrafts on the balance sheet of £nil (2003 : £573,840) comprise of bank overdrafts at the banks base rate plus 2.5%. There are no fixed rate financial liabilities.

The company has a bank borrowing facility available to it of £nil (2003 : £1,100,000).

Short term debtors and creditors are not treated as financial assets and liabilities for disclosure purposes.

Amounts for financial assets are stated at fair values. The fair values of financial assets and liabilities are the same as the book values.

19 Reconciliation of movements in shareholder's funds	2004 £	2003 £
(Loss)/profit for the period	(172,245)	485,282
Dividends	-	(112,356)
	<hr/>	<hr/>
	(172,245)	372,926
Opening shareholder's funds	3,600,558	3,227,632
	<hr/>	<hr/>
Closing shareholder's funds	3,428,313	3,600,558
	<hr/>	<hr/>

20 Ultimate parent company

At 31 December 2004 the company's ultimate parent company was St Mark Homes II Plc. Copies of the consolidated financial statements of St Mark Homes II Plc are available from Companies House.