

REGISTRAR'S COPY

COMPANY NUMBER 3515570

ST MARK HOMES CAPITAL PLC

Report and Financial Statements

Year Ended

30 September 1999



BDO

BDO Stoy Hayward
Chartered Accountants

ST MARK HOMES CAPITAL PLC

Annual report and financial statements for the year ended 30 September 1999

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Directors

Mr Bernard J Tansey
Mr Sean Ryan
Mr Michael Chicken
Mr William Gair

Secretary and registered office

Mr Barry B Tansey
8 Baker Street, London, W1M 1DA.

Company number

3515570

Auditors

BDO Stoy Hayward
8 Baker Street, London, W1M 1DA.

ST MARK HOMES CAPITAL PLC

Report of the directors for the year ended 30 September 1999

The directors present their report together with the audited financial statements for the year ended 30 September 1999.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend the payment of a dividend for the year.

Principal activities, trading review and future developments

During the year under review the company raised in excess of £3 million (less costs) through a public offer of shares and commenced trading as a builder of residential property. The company is currently engaged in two building contracts for twenty five and seventeen residential units respectively. Both contracts are scheduled to be completed during the year 2000.

The company entered into its first contract in February 1999 and given the shortened trading period, the directors believe the results for the year are satisfactory.

Directors

The directors of the company during the year and their interest in the share capital was as follows:

	1999			1998		
	Ordinary "A" 50p shares	Ordinary 50p shares	Redeemable preference shares	Ordinary "A" 50p shares	Ordinary 50p shares	
Bernard J Tansey	40	50,000	-	-	-	
Sean Ryan	20	25,000	-	-	-	
Michael Chicken	1	1	12,500	-	1	
William Gair	-	-	-	-	-	

Creditors payment policy

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 terms and to abide by the agreed terms of payment.

The company had 56 days' trade purchases outstanding at 30 September 1999.

ST MARK HOMES CAPITAL PLC

Report of the directors for the year ended 30 September 1999 (*Continued*)

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 period. 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 departure 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.

Treasury policy

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

Further information on financial instruments is contained in note 17 to the financial statements.

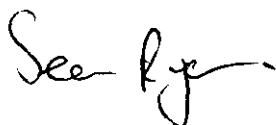
Year 2000

An internal review was carried out on the potential impact on management information arising from the change over the new millennium. The directors are pleased to confirm that, as of the date of this report, no problems have been encountered as a result of this change. The Board, however, is continuing to monitor the issue.

Auditors

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

On behalf of the Board



S Ryan
Director

Date 24/1/2000

Report of the auditors

To the shareholders of St Mark Homes Capital plc

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

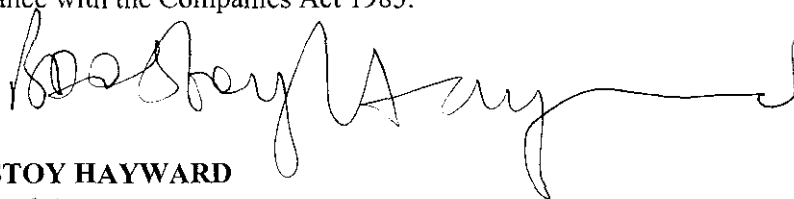
Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'BDO Stoy Hayward', is written over the company name and title.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
London

24 January 2000

ST MARK HOMES CAPITAL PLC

Profit and loss account for the year ended 30 September 1999

	Note	1999 £	1998 £
Turnover	2	977,273	-
Cost of sales		814,394	-
Gross profit		162,879	-
Administrative expenses		145,418	500
Operating profit/(loss)	5	17,461	(500)
Interest receivable		118,194	5
Interest payable and similar charges		(690)	-
Profit/(loss) on ordinary activities before taxation		134,965	(495)
Taxation on profit on ordinary activities	6	27,392	-
Retained profit/(loss) for the year		107,573	(495)
Accumulated loss brought forward		(495)	-
Retained profit/(accumulated loss) carried forward		107,078	(495)
Earnings per share: Basic	16	4.17	-

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

ST MARK HOMES CAPITAL PLC

Balance sheet at 30 September 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	7	4,646	-
Current assets			
Debtors	8	1,005,956	-
Cash at bank and in hand		2,196,915	303,006
		<u>3,202,871</u>	<u>303,006</u>
Creditors: amounts falling due within one year	9	<u>265,373</u>	<u>291,000</u>
Net current assets		2,937,498	12,006
		<u>2,942,144</u>	<u>12,006</u>
Capital and reserves			
Called up share capital	10	1,536,640	12,501
Share premium	11	1,298,426	-
Profit and loss account	11	107,078	(495)
Shareholders' funds	13	<u>2,942,144</u>	<u>12,006</u>

The financial statements were approved by the Board on 24/1/2000

See Ryan

S Ryan
Director

The notes on pages 7 to 13 form part of these financial statements.

ST MARK HOMES CAPITAL PLC

Cash flow statement for the year ended 30 September 1999

	Note	1999	1998
		£	£
Net cash (outflow)/inflow from operating activities	14	(1,037,255)	290,500
Returns on investments and servicing of finance			
Interest received		115,484	5
Interest paid		(690)	-
Net cash inflow from returns on investments and servicing of finance		114,794	5
Investing activities			
Purchase of tangible fixed assets		(6,195)	-
Net cash outflow from investing activities		(6,195)	-
Net cash (outflow)/inflow before financing		(928,656)	290,505
Financing			
Share issues (net of issue costs)		2,872,565	12,501
Share redemption		(50,000)	-
Net cash inflow from financing		2,822,565	12,501
Increase in cash balances	15	1,893,909	303,006

The notes on pages 7 to 13 form part of these financial statements.

ST MARK HOMES CAPITAL PLC

Notes forming part of the financial statements for the year ended 30 September 1999

1 Accounting policies

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

Turnover

Turnover represents the amounts recoverable on contracts with developers.

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:

- the proportion of the total projected contract costs which has been incurred at the balance sheet date
- the anticipated final costs of the development and
- the evidence of the commercial success of the development.

Provision is made for all foreseeable losses.

Depreciation

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

Fixtures, fittings and equipment	-	25% per annum
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Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

ST MARK HOMES CAPITAL PLC

Notes forming part of the financial statements for the year ended 30 September 1999 (*Continued*)

3 Employees

	1999 £	1998 £
Staff costs (excluding directors) consist of:		
Wages and salaries	32,697	-
Social security costs	2,730	-
	<u>35,427</u>	<u>-</u>

The average number of employees during the year, including directors, was 8 (1998: 4).

4 Directors

	1999 £	1998 £
Directors' emoluments consist of:		
Fees	<u>22,919</u>	<u>-</u>

5 Operating profit/(loss)

This has been arrived at after charging:

Depreciation	1,549	-
Hire of plant and machinery - operating leases	38,140	-
Auditors' remuneration - audit	4,617	500
- other services	<u>4,241</u>	<u>-</u>

6 Taxation on profit on ordinary activities

UK corporation tax	<u>27,392</u>	<u>-</u>
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ST MARK HOMES CAPITAL PLC

Notes forming part of the financial statements for the year ended 30 September 1999 (*Continued*)

7 Tangible assets

	Fixtures, fittings and equipment
<i>Cost</i>	£
Additions and at 30 September 1999	6,195
<i>Depreciation</i>	
Provided for the year and at 30 September 1999	1,549
<i>Net book value</i>	
At 30 September 1999	4,646

8 Debtors

	1999 £	1998 £
Trade debtors	977,273	-
Other debtors	23,347	-
Prepayments and accrued income	5,336	-
	<u>1,005,956</u>	<u>-</u>

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 year ended 30 September 1999 (*Continued*)

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	213,152	-
Taxation and social security	1,931	-
Corporation tax	27,392	-
Other creditors	-	291,000
Accruals	22,898	-
	<u>265,373</u>	<u>291,000</u>

10 Share capital

	Authorised		Allotted, called up and fully paid	
	1999 £	1998 £	1999 £	1998 £
50,000 Preference shares of £1 each	-	50,000	-	12,500*
11,000,000 Ordinary shares of 50p each	5,500,000	5,450,000	1,536,600	1
81 Ordinary "A" shares of 50p each	40	40	40	-
	<u>5,500,040</u>	<u>5,500,040</u>	<u>1,536,640</u>	<u>12,501</u>
				*¼ paid

During the year, 50,000 redeemable preference shares of £1 each were fully paid up and subsequently redeemed at par. On redemption each preference share was re-designated as, and sub-divided into two ordinary shares of 50p each.

The ordinary shares of 50p each were issued during the year at a premium of 50p each. In addition, the ordinary "A" shares of 50p each were issued at par.

The "A" ordinary shares rank pari passu with the ordinary shares in all respects except for the following:

- Dividends are payable on the "A" ordinary shares, based on a formula as stated in the Articles of Association.
- The 81 "A" ordinary shares rank in priority to the ordinary shares on a winding up.

ST MARK HOMES CAPITAL PLC

Notes forming part of the financial statements for the year ended 30 September 1999 *(Continued)*

11 Reserves

	Share premium £	Profit and loss account £
At 1 October 1998	-	(495)
Profit for year	-	107,573
Ordinary shares issued at a premium of 50p	1,536,600	-
Issue expenses	(238,174)	-
	<hr/>	<hr/>
At 30 September 1999	1,298,426	107,078
	<hr/>	<hr/>

12 Related party transactions

During the year the following related party transactions took place:

(a) Mizen Design/Build Limited and Mizen Properties Limited.

- Office rental, rates and service charges were paid as follows: £3,000 to Mizen Design/Build Limited and £14,152 to Mizen Properties Limited.
- Fixed assets of £5,880 were purchased from Mizen Design/Build Limited.
- The company entered into a building contract with Mizen Properties Limited to build 25 units at Ensign Street, London, E1, for £2,246,000. At the year end £817,132 had been invoiced and not paid.
- £16,096 was paid to Mizen Properties Limited for provision of project management and engineering services provided by Bernard J Tansey.

Bernard J Tansey is a shareholder and director of both these companies.

(b) Ryan Heaphy & Co Limited

- £35,576 was paid to the above company for the provision of accountancy, IT, project and quality management services.

S Ryan is a shareholder and director of the company.

(c) Merchant Place Corporate Finance Limited

- £7,248 was paid to the above company, being the balance of the expenses payable to them after discharge of commission and other direct costs of the company's share offer.

M Chicken is a shareholder and director of the company.

ST MARK HOMES CAPITAL PLC

Notes forming part of the financial statements for the year ended 30 September 1999 (*Continued*)

12 Related party transactions (*Continued*)

(d) Mizen Homes Limited

During the period, the company entered into a contract with the above company to build 17 units at 7 Spert Street, London, E14 at a cost £1,350,000. At the year end £160,141 had been invoiced and not paid.

Barry B Tansey is a shareholder and director of the company.

All the transactions above were conducted on normal commercial terms.

13 Shareholders' funds

	1999 £	1998 £
Profit/(loss) for the financial year	107,573	(495)
Issue of shares (net of issue expenses)	2,872,565	12,501
Repurchase of shares	(50,000)	-
	<hr/>	<hr/>
Net addition to funds	2,930,138	12,006
Opening shareholders' funds	12,006	-
	<hr/>	<hr/>
Closing shareholders' funds	2,942,144	12,006
	<hr/>	<hr/>

14 Reconciliation of operating profit to net cash outflow from operating activities

	1999 £	1998 £
Operating profit/(loss)	17,461	(500)
Depreciation	1,549	-
Increase in debtors	(1,003,245)	-
(Decrease)/increase in creditors	(53,020)	291,000
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(1,037,255)	290,500
	<hr/>	<hr/>

15 Analysis of changes in cash

	1999 £	1998 £
Balance at 1 October 1998	303,006	-
Net cash inflow	1,893,909	303,006
	<hr/>	<hr/>
Balance at 30 September 1999	2,196,915	303,006
	<hr/>	<hr/>

ST MARK HOMES CAPITAL PLC

Notes forming part of the financial statements for the year ended 30 September 1999 (*Continued*)

16 Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial period. The weighted average number of equity shares in issue is 2,579,489 (1998: nil) and the earnings, being profit after tax are £107,573 (1998: loss of £495).

The 81 "A" ordinary shares have not met the conditions as stated in the Articles of Association entitling them to a dividend in either period. There are no attributable earnings and as such no earnings per share calculation has been calculated.

17 Financial instruments

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

Floating rate financial assets of £2,196,915 (1998: £303,006) comprise cash deposits and money market deposits at monthly rates. There are no fixed rate financial assets.

The company did not have bank borrowing facilities available to it during this or the previous period.

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

Amounts for financial assets and financial liabilities are stated at fair values.