

St Mark Homes Plc

Report and Consolidated Financial Statements

Year Ended

31 December 2016

Company Number 03822978



St Mark Homes Plc

Annual report and financial statements for the year ended 31 December 2016

Contents

Page:

2-4	Strategic report
5-6	Report of the directors
7	Directors' responsibilities statement
8-9	Report of the independent auditors
10	Consolidated statement of comprehensive income
11	Consolidated balance sheet
12	Company balance sheet
13	Group statement of changes in equity
14	Company statement of changes in equity
15	Consolidated statement of cashflows
16-29	Notes forming part of the financial statements

Directors

Bernard Tansey
Sean Ryan
William Gair
Barry Tansey
John Connolly

Secretary and registered office

Barry Tansey, Heron House, 109 Wembley Hill Road, Wembley, Middlesex, HA9 8DA

Company number

03822978

Auditors

Kingston Smith LLP
Chartered Accountants and Registered Auditors
The Shipping Building
The Old Vinyl Factory
Blyth Road
Hayes
UB3 1HA

St Mark Homes Plc

Strategic Report for the year ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Strategic Report

The Group continues to develop residential led projects based in London and the South regions of the United Kingdom. We primarily target the sub £1,000 per square foot residential sales market and in the immediate future intend to focus on developing schemes which primarily consist of units that can be made available for sale under the £600,000 London Help to buy limit.

The Group typically undertakes its business within special purpose vehicles and on a joint venture /profit sharing basis with other house builders. This strategy has helped the company to generate profits and increase distributions to shareholders in recent years. The group profits before tax for the current year were £652,384 and distributions to shareholders increased by 11% to 5p per share.

Our strategic priorities

As a board we are keen to build on this performance and grow the Group into a significant regional house builder. We now have an established and profitable method of operation which could be scaled up should further capital become available to the Group.

We believe the key Group assets are its people, capital base and market listing. Our primary aim is to maximise shareholder value by utilising each of these assets to best effect. We also are committed to the highest standards of sustainability.

People and partnering

We have an intentionally small but experienced team with demonstrable competency in the areas of finance, property development, project appraisal and project delivery. Our strategy is to match those core skills and our capital with partners who can assist with project design, construction and sales. Our people are motivated through a management incentive scheme which aligns their interests with that of the shareholders and only rewards performance after attainment of profit targets linked to the return on shareholders funds.

Capital

The Group commenced 2016 with a capital base of just over £3.9m (2015 - £3.6m). We have previously set a performance target to grow that base by a minimum of 5% on opening shareholders funds per annum through organic growth. In 2016 we achieved a pre-tax profit of 16.5 % (2015 - 15.1%) on opening shareholders funds.

As previously advised we believe that capital availability is a constraining factor for the business and are pleased to report progress in expanding that base during the year. In July 2016 we acquired St Mark Contracts Limited through an all share offer and in November 2016 raised just over £0.7m through an open offer to existing shareholders.

The aggregate effect of the acquisition, share offer and retention of profits was to grow the group Balance Sheet to £5.8m, that is by over 50%, in the year ended 31 December 2016.

NEX Exchange Listing

ISDX was rebranded as NEX recently and there has been improved liquidity in our shares during the period. The market midprice on 9 May 2017 of £0.90 represents a discount of 31% to the net asset value of £1.31 per share reported in the 31 December 2016 Balance Sheet. The 2016 dividend yield based on this market mid price is 5.6%.

We will continue to monitor the effectiveness of the market and as the company grows we may in future consider a move to AIM. In the interim the Board believe the expansion of the capital base and the continuation of profit and dividend growth are steps that can broaden investor appeal.

St Mark Homes Plc

Strategic Report for the year ended 31 December 2016 (continued)

Sustainability

We recognise that there are financial and operational benefits of working sustainably and we are committed to the highest standards of sustainability. While many environmental requirements are embedded within the planning process, sustainability is a broader issue than that and encompasses both Health & Safety and the supply chain.

Health & Safety remains the Group's first priority and we work with our joint venture partners to attain best practice standards. We are happy to report that there were no reportable incidents on any of our projects during 2016 and we remain committed to the highest standards of Health & Safety.

Having the right supply chain is also crucial to sustainability. We do have long term working relationships with our main suppliers but continue to carefully monitor the financial health of our design teams and main contractors. We aim to pay suppliers in agreed timescales and to work collaboratively with them for the benefit of all.

Project Portfolio

At present we have live joint venture projects on sites in St Margarets, Sutton, Hounslow and Battersea which we anticipate will deliver profits in 2017 and 2018. As these projects are completed we will seek replacement schemes.

Completed Development

Forsyth House, Richmond, London:

The Company entered a joint venture for the development of 26 residential apartments in Mortlake, Richmond in December 2014. Construction was completed in March 2016 and all units sold. In accordance with our revenue recognition policy we have recognised profits of £162,468 (2015: £81,897) and Project Management fees of £101,125 (2015: £40,500) during 2016.

St Margarets Waterside, Richmond, London:

Construction was completed on the 21 residential units plus commercial shell and core in October 2016. Sales had completed or exchanged on 60% of the units (by value) as at 31 December 2016 and in accordance with our revenue recognition policy we have recognised profits of £233,232 (2015: £174,020) and Project Management fees of £54,000 (2015: £40,500) during 2016.

Continuing Development

Sutton High Street, Sutton:

The Company also invested in a regeneration property development venture at Sutton High Street. The development (consisting of 40 residential units with ground floor retail space) completed in Autumn 2016. Sales have completed on all residential units and in accordance with our revenue recognition policy we have recognised profits of £236,624 (2015 - £204,185) during 2016. The company has a remaining interest in the commercial space and the neighbouring Prince Regent Pub site. An application to replace the pub with 38 residential units and commercial space is pending.

St Mark Homes Plc

Strategic Report for the year ended 31 December 2016 (continued)

New Projects

The Board entered into joint venture agreements during the year on the following projects:

Gwynne Road London SW11:

St Mark has taken a joint venture interest of 40% in the redevelopment of a site to provide mixed use involving commercial/retail at ground and mezzanine levels and 33 residential flats.

The site value and construction developments costs have been independently evaluated. The independent valuer has estimated the total project GDV at £15.615m and developers return on cost at 20%. During the year sale contracts have been exchanged on social housing element of the scheme. Given the relatively early stage of development progress we have not recognised our profit share on this exchanged element. Project Management fees of £10,800 were charged during 2016.

London Road, Hounslow, TW3:

St Mark has taken a joint venture interest of up to 40% in this development of 34 flats in Hounslow. The site has also been independently valued and construction developments costs evaluated. The independent valuer has estimated the GDV at £12.75m and developers return on cost at 20%. Project Management fees of £7,200 were charged during 2016. Marketing on the scheme will commence later in 2017.

Future Developments

As capital and profits are released from the current project portfolio the board will seek out further opportunities with similar risk profiles. The group's schemes have largely been in the outer London Boroughs and it is intended that the group will continue to focus on this geographic area.

Principal risks and uncertainties

The Company is exposed to the usual risks of companies constructing and developing residential property, including construction budget overruns, delays in programme, insolvency of clients, general economic conditions, uninsured calamities and other factors.

Investments are made in sterling and therefore the Company is not subject to foreign exchange risks. The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring payments against contractual agreements. The Company also reviews the financial standings of its debtors prior to entering into significant contracts.

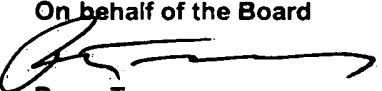
Key Performance Indicators

The Company's long term performance target has been to generate a minimum average annual return on shareholders funds of 5%. During 2016 the annual pre-tax return on opening shareholders' funds was 16.5% (2015: 15.1%). The Company also seeks protection from market downturns by committing no more than 50% of its capital to any one project and by requiring projects in which it is a stakeholder to show a minimum return on cost of 15%. During 2016 the maximum exposure of capital to any one project was less than 40% of the Company capital.

Treasury policy

Operations have been financed by the issue of shares in the past and retained profits, 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. The loan notes have been funded by the cash income from previous development projects. Further information on financial instruments is contained in note 22 of the financial statements.

On behalf of the Board



Barry Tansey
Chief Executive
Date: 12 May 2017

St Mark Homes Plc

Report of the directors for the year ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Principal Activity

The principal activity of the Company remained that of a residential contractor and house builder.

Results and dividends

The profit and loss account is set out on page 10 and we are pleased to report a profit before taxation of £652,384 (2015: £548,887) for the year.

An interim ordinary dividend of 5 pence per share was paid in 2016 (2015: 4.5p). This represented an increase of 11 % year on year.

The directors do not recommend the payment of a final ordinary share dividend for the year (2015: £Nil).

Directors

Barry Tansey retired by rotation at the June 2016 Annual General Meeting and, being eligible, for re-election was duly re-elected to the board.

John Connolly is to retire by rotation at the next Annual General Meeting and, being eligible, offers himself for re-election.

Directors Interests

The aggregate interest of the Directors of St Mark and their spouses is 878,000 shares (19.9% percent of the issued capital of the Company):

Bernard Tansey: 530,000 shares 12.0% (2015: 272,000 shares 9.2%)

Barry Tansey: 115,000 shares 2.6% (2015: 66,500 shares 2.2%)

Sean Ryan: 180,000 shares 4.1% (2015: 72,000 shares 2.4%)

William Gair: 33,000 shares 0.7% (2015: 11,000 shares 0.4%)

John Connolly: 20,000 shares 0.5% (2015: nil)

In addition members of the family of the Chairman, Bernard Tansey, and Chief Executive Officer, Barry Tansey own an additional 225,980 shares 5.12% of the issued share capital (2015: 161,035 shares 5.5%)

Directors Emoluments

The Company has an established incentive / reward system designed to allow the directors of the company to share in the improving profitability of the Company upon achieving a threshold/hurdle return of 5% on opening shareholders funds for the exclusive benefit of the ordinary shareholders. The remuneration committee believe that has acted as an important driver in achieving improved performance for the long term benefit of the Company's shareholders.

St Mark Homes Plc

Report of the directors for the year ended 31 December 2016 (Continued)

Going Concern

The directors have assessed the Group's projected business activities and available financial resources together with detailed forecasts for cash flow and relevant security analysis. The directors believe that the company is well placed to manage its business risks successfully.

After making appropriate enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put to a General Meeting.

Statement of disclosure to auditors

Each of the directors in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



Sean Ryan

Director:

Date: 12 May 2017

St Mark Homes Plc

Directors' Responsibilities Statement

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

St Mark Homes Plc

Independent Auditors' Report to the Members of St Mark Homes PLC

We have audited the consolidated financial statements of St Mark Homes Plc Limited for the year ended 31 December 2016 which comprise the Statement of Consolidated Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

St Mark Homes Plc

Independent Auditors' Report to the Members of St Mark Homes PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit

Kingston Smith LLP

Date: 12 May 2017

Jonathan Seymour (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Chartered Accountants and Registered
Auditors
The Shipping Building
The Old Vinyl Factory
Blyth Road
Hayes
UB3 1HA

St Mark Homes Plc

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Group turnover	3	1,336,839	3,097,000
Cost of sales		(1,255,224)	(2,803,992)
Gross profit		81,615	293,008
Administrative expenses		(410,751)	(416,177)
Negative goodwill release		149,876	-
Operating (loss)	6	(179,260)	(123,169)
Share of operating profit of joint venture		610,672	485,466
Interest receivable and similar income	7	221,147	226,921
Interest payable and similar charges	8	(175)	(40,331)
Profit on ordinary activities before taxation		652,384	548,887
Taxation on ordinary activities	9	(100,503)	(110,428)
Profit on ordinary activities after taxation		551,881	438,459
Other comprehensive income		-	-
Total comprehensive income		551,881	438,459
Earnings per share – basic and diluted			
Ordinary shares	25	16.60 p	14.83 p

The notes on pages 16 to 29 form part of these financial statements.

St Mark Homes Plc

Consolidated Balance sheet at 31 December 2016

		2016	2016	2015	2015
	Note	£	£	£	£
Non Current assets					
Tangible assets	11		1,403		1,872
Intangible assets	12b		(137,249)		-
Investments in joint ventures	15		439,048		379,102
			<u>303,202</u>		<u>380,974</u>
Current assets					
Stock and Work In Progress	13	-		1,095,084	
Debtors	14	5,520,143		3,761,851	
Cash at bank and in hand		346,327		146,255	
		<u>5,866,470</u>		<u>5,003,190</u>	
Creditors: amounts falling due within one year	16	(370,281)		(1,437,321)	
		<u></u>		<u></u>	
Net current assets			<u>5,496,189</u>		<u>3,565,869</u>
Total assets less current liabilities			<u>5,799,391</u>		<u>3,946,843</u>
Net Assets			<u>5,799,391</u>		<u>3,946,843</u>
Capital and reserves					
Called up share capital	18		2,206,501		1,478,748
Capital redemption reserve			1,009,560		1,009,560
Other reserve			211,822		211,822
Merger reserve			327,060		-
Share premium account			375,246		-
Profit and loss account			1,669,202		1,246,713
			<u>5,799,391</u>		<u>3,946,843</u>
Shareholders' funds			<u>5,799,391</u>		<u>3,946,843</u>

The financial statements were approved by the board of directors and authorised for issue on 12th May 2017.


S Ryan
Director

Company Registration No 03822978

The notes on pages 15 to 28 form part of these financial statements.

St Mark Homes Plc

Company Balance sheet at 31 December 2016

		2016	2016	2015	2015
	Note	£	£	£	£
Non Current assets					
Tangible assets	11		1,403		1,872
Investments	12a		731,480		-
			<u>732,883</u>		<u>1,872</u>
Current assets					
Stock and Work In Progress	13	-		1,095,084	
Debtors	14	5,425,047		4,140,953	
Cash at bank and in hand		343,331		146,255	
		<u>5,768,378</u>		<u>5,382,292</u>	
Creditors: amounts falling due within one year	16	(870,229)		(1,437,321)	
Net current assets			<u>4,898,149</u>		<u>3,944,971</u>
Total assets less current liabilities			<u>5,631,032</u>		<u>3,946,843</u>
Net assets			<u>5,631,032</u>		<u>3,946,843</u>
Capital and reserves					
Called up share capital	18	2,206,501		1,478,748	
Capital redemption reserve		1,009,560		1,009,560	
Other reserve		211,822		211,822	
Merger reserve		327,060		-	
Share premium account		375,246		-	
Profit and loss account		1,500,843		1,246,713	
Shareholders' funds			<u>5,631,032</u>		<u>3,946,843</u>

The financial statements were approved by the board of directors and authorised for issue on 12 May 2017.


Sean Ryan
Director

Company Registration No 03822978

The notes on pages 15 to 28 form part of these financial statements.

St Mark Homes Plc

Group statement of changes in equity for the year ended 31 December 2016

	Share Capital	Capital Redemption Reserve	Other Reserve	Merger Reserve	Share Premium	Profit and loss Reserve	Total
	£	£	£	£	£	£	£
Year ended 31 December 2015	1,478,748	1,009,560	211,822	-	-	1,246,713	3,946,843
Profit for the year	-	-	-	-	-	551,881	551,881
Shares issued during the year	727,753	-	-	327,060	375,246	18,484	1,448,543
Total comprehensive income for the year	2,206,501	1,009,560	211,822	327,060	375,246	1,817,078	5,947,265
Dividend	-	-	-	-	-	(147,876)	(147,876)
Balance at 31 December 2016	2,206,501	1,009,560	211,822	327,060	375,246	1,669,202	5,799,391

	Share Capital	Capital Redemption Reserve	Other Reserve	Profit and loss Reserve	Total
	£	£	£	£	£
Year ended 31 December 2014	1,478,748	1,009,560	211,822	941,341	3,641,471
Profit for the year	-	-	-	438,459	438,459
Total comprehensive income for the year	1,478,748	1,009,560	211,822	1,379,800	4,079,930
Dividend	-	-	-	(133,087)	(133,087)
Balance at 31 December 2015	1,478,748	1,009,560	211,822	1,246,713	3,946,843

St Mark Homes Plc

Company statement of changes in equity for the year ended 31 December 2016

	Share Capital	Capital Redemption Reserve	Other Reserve	Merger Reserve	Share Premium	Profit and loss Reserve	Total
	£	£	£	£	£	£	£
Year ended 31 December 2015	1,478,748	1,009,560	211,822	-	-	1,246,713	3,946,843
Profit for the year	-	-	-	-	-	402,006	402,006
Shares issued during the year	727,753	-	-	327,060	375,246	-	1,430,059
Total comprehensive income for the year	2,206,501	1,009,560	211,822	327,060	375,246	1,648,719	5,778,908
Dividend	-	-	-	-	-	(147,876)	(147,876)
Balance at 31 December 2016	2,206,501	1,009,560	211,822	327,060	375,246	1,500,843	5,631,032

	Share Capital	Capital Redemption Reserve	Other Reserve	Profit and loss Reserve	Total
	£	£	£	£	£
Year ended 31 December 2014	1,478,748	1,009,560	211,822	941,341	3,641,471
Profit for the year	-	-	-	438,459	438,459
Total comprehensive income for the year	1,478,748	1,009,560	211,822	1,379,800	4,079,930
Dividend	-	-	-	(133,087)	(133,087)
Balance at 31 December 2015	1,478,748	1,009,560	211,822	1,246,713	3,946,843

St Mark Homes Plc

Consolidated statement of cashflows for the year ended 31 December 2016

Note	2016 £	2016 £	2015 £	2015 £
Cash flows from operating activities				
Cash generated/(expended) from operations 20		(425,563)		3,405,016
Interest paid		(175)		(40,331)
Corporation Tax		(137,187)		(41,989)
Net cash inflow/(outflow) from operating activities		(562,925)		3,322,696
Investing activities				
Purchase of tangible fixed assets		-	(541)	
Interest received	221,147		226,921	
Net cash generated from/(used in) investing activities		221,147		226,380
Financing activities				
Shares issued	689,726		-	
(Decrease)/Increase in bank loans	-		(1,212,830)	
(Decrease)/ Increase in subordinated loans	-		(2,171,177)	
Dividend paid	(147,876)		(133,087)	
Net cash generated from/(used) in financing activities		541,850		(3,517,094)
Net increase in cash and cash equivalents		200,072		31,982
Cash and cash equivalents at beginning of year		146,255		114,273
Cash and cash equivalents at end of year		346,327		146,255
Relating to:				
Cash at Bank and in hand		346,327		146,255

The notes on pages 16 to 29 form part of these financial statements

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016

1 Accounting policies

Company information

St Mark Homes PLC is a public limited company domiciled and incorporated in England and Wales. The registered office is Heron House, 109 Wembley Hill Road, Wembley, HA9 8DA.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the group and company will continue in operational existence for the foreseeable future.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the results of St Mark Homes Plc and its subsidiary undertaking, St Mark Contracts Limited as at 31 December 2016 using the acquisition method of accounting. Under this method the results of subsidiary undertakings are included from the date of acquisition.

Jointly controlled operations and interests in joint ventures are accounted for using the equity method of accounting. A jointly controlled operation is an entity that is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venture has an interest. A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to benefit from its activities.

Turnover: Turnover represents the amounts recoverable on contracts with developers.

The return on loan notes provided for the development of residential property is shown under interest receivable and similar income.

Turnover arising from development is recognised on exchanged sale contracts:

- when costs and revenues associated with the transaction can be reliably measured; and
- where the probability of non-performance is considered negligible such that the risks and rewards of ownership have passed to the buyer

Investments in subsidiaries

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss. A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

St Mark Homes Plc

Notes forming part of the financial statements or the year ended 31 December 2016 (Continued)

1 Accounting policies (Continued)

Intangible fixed assets – goodwill

Negative goodwill represents the discount on the cost of acquisition over the fair value of assets acquired. Negative goodwill is initially recognised and is subsequently measured at cost less accumulated amortisation. Negative goodwill is being amortised over the period of expected benefit.

Stocks and Work in Progress

Stocks of property developments are valued at the lower of cost and net realisable value after making allowance for foreseeable losses. Cost comprises all direct expenditure, development interest and appropriate overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Property development loans

Interest receivable on property loans is recognised in the period in which it accrues. Profit share returns are only recognised when there is sufficient evidence and the project is sufficiently progressed to assess the likely profitability with a reasonable level of accuracy.

Depreciation

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:

Office equipment	- 25% per annum
------------------	-----------------

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*Continued*)

1 Accounting policies (*Continued*)

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term bank deposits.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial assets

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition. Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2.1 Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

The company has recognised profits on exchanged contracts at St Margarets Waterside. In doing so the board have judged that the likelihood of these exchanged contracts not completing is negligible based on the overall expected outcome of the project and the level of completeness of each project.

Negative goodwill arose on the acquisition of the St Mark Contracts Limited by the company on 10th August 2016. The fair value of the consideration paid was calculated based on the bid price of the shares issued by St Mark Homes Plc as consideration for the entire net assets of St Mark Contracts Limited. The discount in the value of assets acquired has resulted in negative goodwill arising on consolidation and the above goodwill is being amortised over the period of expected benefit.

3 Turnover and Segmental analysis

All turnover, profit or loss and net assets are attributable to the groups single principal activity and wholly undertaken within the United Kingdom.

4 Employees

	2016 £	2015 £
Staff costs (including directors) consist of:		
Wages and salaries	257,174	280,189
Social security costs	28,305	33,112
	<u>285,479</u>	<u>313,301</u>

The average monthly number of employees during the year was 4 (2015 - 3).

The staff costs and number of employees for the company are the same as for the group.

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

5 Directors' remuneration

	2016 £	2015 £
Directors' emoluments	257,174	280,189
Directors' fees	24,903	24,255

The highest paid director was Barry Tansey: £93,178 (2015: £96,424). Key management remuneration is the same as directors remuneration.

6 Operating (loss)

	2016 £	2015 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	469	622
Release of negative goodwill	(149,876)	-
Auditors remuneration:		
- Audit services	25,140	17,162
- Taxation services	3,370	2,500
Rent of land and buildings under operating licence	6,000	6,000
Cost of stock recognised as an expense	1,137,944	2,583,867

Included in the group audit fee is an amount of £17,725 (2015: £11,000) in respect of the company.

7 Interest receivable and similar income

	2016 £	2015 £
Bank deposits	243	196
Other loans	220,904	226,725
	221,147	226,921

8 Interest payable and similar charges

	2016 £	2015 £
Bank charges and interest	175	40,331

St Mark Homes Plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*Continued*)

9 Taxation on profit on ordinary activities

	2016 £	2015 £
<i>UK Corporation tax</i>		
Current tax on profit of the year	100,503	110,428
	<u>100,503</u>	<u>110,428</u>

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

	2016 £	2015 £
Profit on ordinary activities before tax	652,384	548,887
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.0%	130,477	109,778
Effect of:		
Amortisation of negative goodwill	(29,975)	-
Timing difference	1	650
Current tax charge for period	<u>100,503</u>	<u>110,428</u>

10 Dividend

Amounts recognised as distributions to equity holders in the period:

	2016	2015
<i>Ordinary Shares -Interim paid</i>		
Per share	5p	4.5p
	£	£
Total	<u>147,876</u>	<u>133,087</u>

St Mark Homes Plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*Continued*)

11 Tangible fixed assets

Group and Company	Office equipment £
<i>Cost</i>	
At 1 January 2016	13,951
Additions	-
Disposals	-
At 31 December 2016	13,951
<i>Depreciation</i>	
At 1 January 2016	12,079
Disposals	-
Provided for the year	469
At 31 December 2016	12,548
<i>Net book value</i>	
At 31 December 2016	1,403
At 31 December 2015	1,872

12a Fixed asset investments – subsidiary undertakings

Company	£
<i>Cost</i>	
As at 1 January 2016	2,835,026
Cost of acquisition at fair value	731,480
Disposal	(2,835,026)
	731,480
<i>Provision for permanent diminution</i>	
As at 1 January 2016	2,835,026
Disposal	(2,835,026)
	-
Net book value at 31 December 2016	731,480
Net book value at 31 December 2015	-

The principal undertaking in which the company has a 100% interest at the year end is St Mark Contracts Limited, incorporated in England and Wales. The company's nature of business was that of a housebuilder/residential developer. At 31 December 2016 St Mark Contracts Limited had capital and reserves of £1,037,089.

St Mark Homes Plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (*Continued*)

12b Intangible Fixed Assets - Group	£
<i>Cost</i>	
As at 1 January 2016	-
Negative goodwill on acquisition	(287,125)
	<u>(287,125)</u>
<i>Release of negative goodwill</i>	
As at 1 January 2016	-
Release of negative goodwill	149,876
	<u>149,876</u>
Net book value at 31 December 2016	(137,249)
Net book value at 31 December 2015	-

Negative goodwill

Negative goodwill arose on the acquisition of the St Mark Contracts Limited by the company on 10th August 2016. The fair value of the consideration paid was calculated based on the bid price of the shares issued by St Mark Homes Plc as consideration for the entire net assets of St Mark Contracts Limited. The discount in the value of assets acquired has resulted in negative goodwill arising on consolidation and the above goodwill is being amortised over the period of expected benefit.

13 Stock	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Work in progress	-	1,095,084	-	1,095,084
	<u>-</u>	<u>1,095,084</u>	<u>-</u>	<u>1,095,084</u>
14 Debtors due in less than one year	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade Debtors	-	194,400	-	194,400
Amounts owed by joint venture entities	5,420,117	3,567,451	5,342,732	3,946,553
Other debtors	12,901	-	12,065	-
Prepayments and accrued income	87,125	-	70,250	-
	<u>5,520,143</u>	<u>3,761,851</u>	<u>5,425,047</u>	<u>4,140,953</u>

All amounts shown above fall due for payment within one year.

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

15 Interests in Joint Ventures

Included within amounts owed by joint ventures entities are loans to Pittville Developments LLP of £1,928,754 (2015: £1,017,446), Mountfield Road Developments LLP of £nil (2015: £8,860), Western Road Properties Limited of £150,619 (2015: £ 961,175), Mizen Properties Limited of £1,262,585 (2015: £1,579,971) Mizen (Gwynne Road) Limited of £1,055,191 (2015: £nil) and Mizen (Hounslow) Limited of £1,462,016 (2015: £nil).

Joint Venture	Country of registration or incorporation	Ownership
Mountfield Road Deveopments LLP	England and Wales	50.0%
Pittville Developments LLP	England and Wales	50.0%
Western Road Properties Limited	England and Wales	50.0%
Mizen Properties Limited (Sutton Project)	England and Wales	40.0%
Mizen (Gwynne Road) Limited	England and Wales	40.0%
Mizen (Hounslow) Limited	England and Wales	40.0%

All of these entities are registered at Heron House, 109 Wembley Hill Road, Wembley, HA9 8DA. The profit entitlements in the investments in limited companies arise under a formal development agreement. No share capital is held. The total net assets of these joint ventures and the group share for the last relevant financial year were as follows:

Joint Venture	Principal Activity	Total net assets	Total net assets	Share of net assets	Share of net assets
		2016	2015	2016	2015
		£	£	£	£
Pittville Developments LLP	Property development	878,096	464,053	439,048	174,020
Mizen Properties Limited (Sutton Project)	Property development	-	569,544	-	204,185
Western Road Properties Limited	Property development	-	2,392	-	897
Mizen (Gwynne Road) Limited	Property development	-	-	-	-
Mizen (Hounsow) Limited	Property development	-	-	-	-

St Mark Homes Plc

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

16 Creditors: Amounts falling due within one year

	Group 2016	Group 2015	Company 2016	Company 2015
	£	£	£	£
Trade creditors	18,591	444,313	18,591	444,313
Other taxation and social security	112,598	141,399	96,188	141,399
Accruals and deferred income	239,092	347,129	212,912	347,129
Other loans	-	504,480	-	504,480
Amounts owed to group company	-	-	542,538	-
	<u>370,281</u>	<u>1,437,321</u>	<u>870,229</u>	<u>1,437,321</u>

17 Financial Instruments

Group

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,505,617	3,761,851
Carrying amount of financial liabilities		
Measured at amortised cost	<u>257,684</u>	<u>1,295,922</u>

Company

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,411,357	4,140,953
Carrying amount of financial liabilities		
Measured at amortised cost	<u>774,042</u>	<u>1,295,922</u>

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

18 Share capital

	2016 Number	2015 Number	2016 £	2015 £
<i>Allotted, called up and fully paid share capital</i>				
Ordinary shares of 50p each	4,413,002	2,957,495	2,206,501	1,478,748

Between the 9 of August 2016 and 28 September 2016 the company issued 774,300 shares in consideration for the entire share capital of St Mark Contracts Limited. On 21 November 2016 20,000 shares were allotted to John Connolly at a price of 110p per share. On 24 November 2016 661,207 shares were allotted at a price of 105p per share pursuant to an open offer to existing shareholders.

19 Related party disclosures

Related party transactions and balances

During the year the following related party transactions took place:

(a) Accounting365 Limited

£46,200 (2015: £44,000) was paid to the above company for the provision of accountancy, IT, project and quality management services. At the year end an amount of £4,620 (2015: £nil) was included within trade creditors in respect of these services.

Sean Ryan is the controlling shareholder and is a director of the above company.

(b) W.C. Gair – Consultant

£21,233 (2015: £24,255) was paid to WC Gair for services as a non-executive director. The balance owed to W.C. Gair at the year end of £5,040 (2015: £nil) has been included in trade creditors.

(c) Ardrea Estates Limited

£38,925 (2015: £65,550) was paid to the above company for the provision of sales agency and processing services.

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

(d) Directors received ordinary dividends in respect of their shareholdings in the company as follows:

- Bernard Tansey : £13,912 (2015: £11,790)
- Sean Ryan : £3,912 (2015: £3,240)
- Barry Tansey : £3,637 (2015: £2,542)
- William Gair : £550 (2015: £495)

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

19 Related party disclosures (continued)

(e) Mizen Properties Limited and subsidiaries

Bernard J Tansey is a director of the above company in which he holds no beneficial interest.

Office rental, rates and service charges of £8,000 (2015: £6,000) were paid to Mizen Design/Build Limited, a subsidiary of Mizen Properties Limited. At the year end an amount of £nil (2015: £nil) was included within trade creditors. Mizen Design/Build Limited has charged St Mark Homes £nil (2015: £1,183,435) for construction services. At the year end an amount of £nil (2015: £423,203) was included within trade creditors in respect of these services.

The company has also entered into joint ventures and development agreements with Mizen Properties Limited (or its subsidiaries) to develop projects at Sutton High Street, Sutton; St Margarets, Richmond; and Forsyth House, Mortlake.

At 31 December 2016 the company was owed £1,262,585 (2015: £1,579,971) by Mizen Properties Limited in respect of loans advanced pursuant to the development agreement at Sutton High Street, and £150,619 (2015: £961,175) by Western Road Properties Limited in respect of the development agreement at Forsyth House. During the year the company charged interest of £ 54,000 (2015 - £69,568) in respect of the Sutton Loan and £40,203 (2015 - £57,424) in respect of the Forsyth House Loan. The company has also charged a project management fee of £101,125 (2015: £40,500) and development management fee of £158,148 (2015: £81,000) pursuant to the Forsyth Road development agreement. At the year end an amount of £150,619 (2015: £145,800) was included within debtors in respect of these services.

At 31 December 2016 the group was owed £1,928,754 (2015: £1,017,446) by Pittville Developments LLP in respect of the development agreement at St Margarets Waterside (see note 15). The group has charged interest of £79,239 (2015: £63,329) and a project management fee of £54,000 (2015: £40,500) in respect of the St Margarets Waterside development during the year. At the year end an amount of £54,000 was included within prepayments (2015: £48,600 within trade debtors) in respect of these services.

At 31 December 2016 the company was owed £nil (2015: £8,860) by Mizen Properties Limited in respect of loans advanced pursuant to the development agreement at Bulvinos House, Ealing by Mountfield Road Developments LLP, which completed during 2015.

Included within loans is £nil (2015: £403,584) due to Mizen Properties Limited in respect of the development at Hatherley Road.

At 31 December 2016 the group was owed £1,055,191 by Mizen (Gwynne Road) Limited in respect of the development agreement at Gwynne Road, London (see note 15). The group has charged interest of £9,861 and is due a project management fee of £10,800 in respect of the Gwynne Road development during the year. At the year end an amount of £10,800 was included within prepayments in respect of these services.

At 31 December 2016 the group was owed £1,462,016 by Mizen (Hounslow) Limited in respect of the development agreement at London Road, Hounslow (see note 15). The group has charged interest of £9,803 and is due a project management fee of £7,200 in respect of the London Road development during the year. At the year end an amount of £7,200 was included within prepayments in respect of these services.

All transactions above were conducted on normal commercial terms.

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

20 Cash generated from operating activities

	2016 £	2015 £
Operating (loss) for the year	(179,260)	(123,169)
Profit share received from joint venture	662,441	996,991
<i>Movement in working capital</i>		
Depreciation of tangible fixed assets	469	622
Amortisation	(149,876)	-
Decrease/(Increase) in stock and work in progress	1,095,084	1,194,722
Decrease/(Increase) in amounts owed by joint venture entities	(1,399,061)	1,066,992
(Increase)/decrease in debtors	105,624	(181,352)
Increase in creditors	(560,984)	450,210
Cash (expended)/generated from operations	(425,563)	3,405,016

21 Reconciliation of net cash flow to movement in net (debt)/funds

	2016 £	2015 £
(Decrease)/ increase in cash	200,072	31,982
Decrease (Increase) in bank loans	-	1,212,830
Decrease (Increase) in other loans	-	2,171,177
Movement in net debt	200,072	3,415,989
Opening net (debt)/funds	146,255	(3,269,734)
Closing net funds (debt)	346,327	146,255

22 Financial instruments

The treasury policy of the group is referred to in the strategic report. There are no floating or fixed rate financial assets at the year end. The fair values of the financial assets and liabilities are equal to their book values. The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring payments against contractual agreements.

23 Profit for the financial year

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 from preparing its own profit and loss account and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £402,006 (2015: £438,459) which is dealt with in the financial statements of the parent company.

24 Ultimate controlling party

It is the opinion of the directors that there is no ultimate controlling party.

St Mark Homes Plc

Notes forming part of the financial statements for the year ended 31 December 2016 (*Continued*)

25 Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the financial year. The weighted average number of Ordinary shares in issue was 3,324,677 (2015: 2,957,495) and the earnings being profit after tax attributable to ordinary shares was £ 402,006 (2015: £438,459). The weighted number of shares has taken into account the shares issued in the period.

	2016 £	2015 £
<i>Numerator</i>		
Earnings used as the calculation of basic and diluted EPS	551,881	438,459
	<hr/>	<hr/>
	Number	Number
<i>Denominator</i>		
Weighted average number of ordinary shares used in basic and diluted EPS	3,324,677	2,957,495
	<hr/>	<hr/>

There are no share options in issue than can dilute the earnings per share.