

Financial Statements Mar City Land Limited

for the period ended 30 June 2014

Registered number: 08764323

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COMPANIES HOUSE

Company Information

Directors

M J Everett
A T Styles
P M Underwood

Registered number

08764323

Registered office

Ground Floor TS1
Pinewood Business Park
Coleshill Road
Solihull
West Midlands
B37 7HG

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Contents

	Page
Directors' report	4 – 7
Independent auditor's report	8 – 10
Profit and loss account	11
Balance sheet	12
Notes to the financial statements	13 – 20

Directors' Report

For the period ended 30 June 2014

The Directors present their report together with the audited accounts for the Company for the period from its incorporation on 6 November 2013 to 30 June 2014.

Background

The Company was incorporated on 6 November 2013 and, by resolution, changed its name from Transferco Limited to Mar City Land Limited on 13 November 2013.

On 26 November 2013 the Company allotted 29,999 ordinary shares to its then sole director, Mrs M A Ryan, and her husband, Mr P A Ryan, pursuant to a share for share exchange agreement, whereby the Company acquired the entire issued share capital of Mar City Developments Limited from Mr & Mrs Ryan.

On 27 November 2013 the Company received by way of *dividend in specie* certain assets and related liabilities from its subsidiary, Mar City Developments Limited, having a purported and declared net book value of £9.3 million. The assets comprised freehold interests in land and work in progress thereon, while the liabilities comprised debt secured on the land concerned and certain building and related contracts specific to the land. The underlying secured debt facility agreements were subsequently novated and transferred with lender consent from Mar City Developments Limited to the Company but with Mar City Developments Limited guaranteeing the Company's performance and indemnifying the lenders concerned.

Also on 27 November 2013 pursuant to a demerger agreement, the Company then transferred its shareholding in Mar City Developments Limited to Mar 50 Limited, a company owned by Mr P A Ryan and Mrs M A Ryan. As part of this process and by special resolution, the Company also re-designated its shares, reduced its share capital and adopted new articles.

On 17 December 2013 the Company's entire issued share capital was acquired by Mar City PLC. In connection with this transaction, the Company and its parent received irrevocable undertakings from Mar City Developments Limited to discharge or otherwise repay secured debt along with interest accrued thereon, which had been transferred to the Company amounting to £8.9 million, on the due dates for repayment thereof.

In July 2015 the Company's accounting reference date was changed from 30 November to 30 June, such that its first accounting period was shortened and ended on 30 June 2014.

Principal Activity

Following its acquisition by Mar City PLC in December 2013, the Company has operated as the land owning entity for the sites it held at that date and which are being developed for residential housing purposes by Mar City Homes Limited, a company within the Mar City PLC Group. The land is held as stock at its book value by the Company.

Individual plots of land from each site are sold on the Company's behalf by Mar City Homes Limited upon the completion of each building and its subsequent sale.

Directors' Report

For the period ended 30 June 2014

Directors and their interests

The Directors who held office during the period under review and subsequently up to the date of this report are listed below:

M J Everett (appointed 25 June 2015)

M A Ryan (appointed 6 November 2013 resigned 10 December 2015)

A T Styles (appointed 10 December 2015)

P M Underwood (appointed 10 December 2015)

Mrs M A Ryan held 15,000 ordinary shares in the company until they were acquired by Mar City PLC on 17 December 2013. Her interests in the ordinary shares of Mar City PLC are disclosed in that company's accounts.

None of the current Directors hold shares in either the Company or its parent.

Results and dividends

The Company reported a pre-tax loss for the period ended 30 June 2014 of £511,000 after exceptional items totalling £9.4 million. The Company had net liabilities as at 30 June 2014 amounting to £496,000 and secured debt of £19.8 million.

The Directors do not recommend the payment of a dividend.

Post balance sheet events

The Group within which Mar City Land Limited is a part has undergone a significant financial and operational restructuring following a period of disappointing trading performance. The financial restructuring is expected to be completed shortly. As a consequence of certain breaches within the Group's existing financial arrangements, the loan facilities outstanding with the Company's secured lenders have become effectively repayable on demand. The company reported a loss for the financial period of £511,000 and it had net liabilities of £496,000 as at the year end. The Company is reliant on the continuing support of its lenders in order to continue in operational existence. These factors create a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern.

The Company has maintained an active and productive dialogue with its secured lenders and is expected to conclude a revised financing package shortly. As part of this process, detailed financial forecasts have been prepared up to the period ending June 2018 and these indicate that the Group should be able to continue as a going concern for the foreseeable future. The directors have therefore applied the going concern basis in preparing these financial statements and the financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

As referred to earlier, as part of the *dividend in specie* received and assignment of secured debt from Mar City Developments Limited, the Company inherited monies owing, including accrued interest, to a secured lender of £8.9 million. The purchase consideration paid by Mar City PLC when acquiring the Company took no account of this debt, instead the Company and Mar City PLC received irrevocable undertakings from Mar City Developments Limited to discharge or otherwise repay such debt when it fell due for repayment. The current Directors, having considered the financial position of Mar City Developments Limited, have determined that there is little prospect of such undertakings being honoured. Accordingly, full provision has been made in the accounts for this exposure.

There were no other material post balance sheet events.

Directors' Report

For the period ended 30 June 2014

Going Concern

As noted above, with its secured loan facilities effectively repayable on demand, there is some uncertainty affecting the Company's ability to continue in operational existence. However, recognising the continuing support of its secured lenders and its parent, Mar City PLC, the Directors have deemed it appropriate to adopt the going concern method in preparing the Company's audited financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' 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 (United Kingdom Accounting Standards and applicable law). 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;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Directors' Liability Insurance and Indemnity

The Company's parent, Mar City PLC, maintains Directors and Officers Liability insurance. To the extent permitted by UK Law, the Company indemnifies its Directors against claims brought against them as a consequence of the execution of their duties as Directors of the Company.

Directors' Report

For the period ended 30 June 2014

Auditor

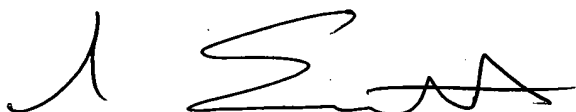
This is the first audit for the Company since incorporation. The Board have appointed Grant Thornton UK LLP as the Company auditor and propose their reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditor

The Directors who held office at the date of the approval of this Directors' report confirm that, as far as they are aware, there is no relevant audit information of which the auditor is unaware and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant information and to establish that the auditor is aware of that information.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by Section 15 of the Companies Act 2006.

This report was approved by the board on 29 April 2016 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'M J Everett', written over a horizontal line.

M J Everett
Director



Independent Auditor's Report to the Members of Mar City Land Limited

We have audited the financial statements of Mar City Land Limited for the period ended 30 June 2014, which comprise the Profit and loss account, the Balance sheet 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).

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 auditor

As explained more fully in the Directors' responsibilities statement set out on page 6, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th June 2014 and of its loss for the period 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.



Independent Auditor's Report to the Members of Mar City Land Limited

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the company's ability to continue as a going concern.

The company incurred a net loss of £511k during the period ended 30 June 2014 and at that date the company's current liabilities exceeded its total assets by £496k and it had net current liabilities of £496k. The loan facilities with the company's secured lenders are repayable on demand and the company is reliant on the continuing support of its lenders in order to continue in operational existence.

As explained in note 1.2, the directors are having on-going discussions with the secured lenders and the directors have prepared cash flow forecasts to 30 June 2018.

These conditions, along with other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Mar City Land Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

A handwritten signature in black ink, appearing to read "David Munton".

David Munton (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham

29 April 2016

Profit and Loss Account

For the period ended 30 June 2014

	Note	Period ended 30 June 2014 £'000
Turnover	2	730
Cost of sales		<u>(608)</u>
Gross profit		122
Administrative expenses	3	<u>(5)</u>
Profit on ordinary activities before interest and taxation		117
Exceptional items	6	(9,444)
Income from shares in group undertakings	9	<u>9,343</u>
Profit before interest and taxation		16
Interest	7	<u>(527)</u>
Loss before taxation		(511)
Taxation	8	<u>-</u>
Loss for the period		<u>(511)</u>

All amounts relate to continuing operations.

There were no other recognised gains and losses for the period to 30 June 2014 other than those included in the profit and loss account.

The notes on pages 13 to 20 form part of these financial statements.

Balance Sheet

As at 30 June 2014

	Note	30 June 2014 £'000
Current assets		
Stock	11	9,037
Debtors: amounts falling due after more than one year	12	10,616
Cash at bank		<u>-</u>
		19,653
Creditors: amounts falling due within one year	13	<u>(20,149)</u>
Total assets less current liabilities		(496)
Creditors: amounts falling due after more than one year		-
Net liabilities		<u>(496)</u>
Capital and reserves		
Called up share capital	14	15
Profit and loss account	15	<u>(511)</u>
Equity shareholders' deficit	16	<u>(496)</u>

Subsequent to the year end, the Company's secured lenders issued reservation of rights letters in respect of their loans to the Company, asserting various events of default and thereby entitling the lenders to demand repayment. The Company has, thus, been reliant on the continuing support of its secured lenders to continue in operational existence, as its borrowings are effectively repayable on demand. Recognising the continuing support of its secured lenders and its parent, Mar City PLC, the Directors have deemed it appropriate to adopt the going concern method in preparing the Company's audited financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2016.



A T Styles
Director

The notes on pages 13 to 20 form part of these financial statements.

Notes to the Financial Statements

For the period ended 30 June 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

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

1.2 Going concern

As discussed within the Directors' Report, the Group within which Mar City Land Limited is a part has undergone a significant financial and operational restructuring following a period of disappointing trading performance. The financial restructuring is expected to be completed shortly. As a consequence of certain breaches within the Group's existing financial arrangements, the loan facilities outstanding with the Company's secured lenders have become effectively repayable on demand. The company reported a loss for the financial period of £511,000 and it had net liabilities of £496,000 as at the year end. The Company is reliant on the continuing support of its lenders in order to continue in operational existence. These factors create a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern.

The Company has maintained an active and productive dialogue with its secured lenders and is expected to conclude a revised financing package shortly. As part of this process, detailed financial forecasts have been prepared up to the period ending June 2018 and these indicate that the Group should be able to continue as a going concern for the foreseeable future. The directors have therefore applied the going concern basis in preparing these financial statements and the financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

The Company's turnover is derived from plot sales made on its behalf by another company within the Mar City PLC group. At the point a contract for a house sale is completed by the group, plots are transferred at book value plus margin.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

For the period ended 30 June 2014

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock in the Company consists of a number of land plots formerly owned by Mar City Developments Limited. This was acquired by the Company by way of a *dividend in specie* at book value whilst Mar City Developments Limited was a subsidiary of the Company. Stock is held at the lower of cost or net realisable value. Development work on these land plots is carried out by another company in the Mar City PLC Group.

As units are completed and sold, the book value plus margin of each plot is transferred to Mar City Homes Limited.

1.8 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Financial costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1.9 Related party transactions

The share capital of the Company was owned by Mr & Mrs Ryan when it was acquired by Mar City PLC on 17 December 2013. Mr & Mrs Ryan are major shareholders of the Company's ultimate holding company, Mar City PLC.

On 27 November 2013 the Company received by way of *dividend in specie* certain assets and related liabilities from its subsidiary, Mar City Developments Limited, having a purported and declared net book value of £9.3 million. This transfer included the assignment of secured debt amounting to £8.9 million along with an irrevocable undertaking to discharge or otherwise repay such debt when it fell due for repayment. Notwithstanding the novation of the debt facility agreements to the Company, subsequent drawdowns totalling £0.9 million were made and received by Mar City Developments Limited.

Notes to the Financial Statements

For the period ended 30 June 2014

2. Turnover

The whole of the turnover is attributable to the principal activity.

All turnover arose within the United Kingdom.

3. Loss for the period

The loss is stated after charging:

	Period ended 30 June 2014 £000
Auditor's remuneration	5
Auditor's remuneration - non-audit	-

4. Staff costs

The Company has no employees other than the Directors.

5. Directors' costs

No Director received any remuneration from the Company.

6. Exceptional items

	Period ended 30 June 2014 £000
Adjustment to secured debt	556
Adjustment to stock value	(117)
Provision against amount owed by Mar City Developments Limited	(9,883)
	<hr/>
	(9,444)

On acquisition of the Company by Mar City PLC from Mr & Mrs Ryan, the former Directors assessed the value of business assets being acquired within the Company in valuing the cost to the Mar City PLC Group. Since acquisition, the current Directors have re-assessed these values and made corrective adjustments to the secured debt position at the date of acquisition. The adjustment to the secured debt amounts to £0.6 million, less an adjustment to the stock value of £0.1 million.

Finally, a further £8.9 million has been provided against the recoverability from Mar City Developments Limited for the irrevocable undertaking to discharge or repay secured debt. A further £0.9 million was also drawn down by Mar City Developments Limited from this facility post novation and added to the Company's debt. The Directors consider that the recoverability of both amounts from Mar City Developments Limited is unlikely.

Notes to the Financial Statements

For the period ended 30 June 2014

7. Interest

	Period ended 30 June 2014 £000
Interest payable on bank loans	292
Interest payable on other loans	235
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	527
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All loans are secured against land held by the Company.

8. Taxation

	Period ended 30 June 2014 £000
UK corporation tax charge on loss for the period	-
Reconciliation of current tax charge	
	Period ended 30 June 2014 £000
Loss on ordinary activities before tax	(511)
	<hr/>
Tax on loss on ordinary activities at standard corporation tax rate of 22.16%	(113)
Effects of:	
Expenses not deductible for tax purposes	2,190
Income not taxable for tax purposes	(2,194)
Unrelieved tax losses and other deductions arising in the period	117
	<hr/>
Current tax charge for the period	-
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Notes to the Financial Statements

For the period ended 30 June 2014

9. Dividend received

	Period ended 30 June 2014 £000
<i>Dividend in specie</i>	<u>9,343</u>

On 27 November 2013 the Company received a *dividend in specie* from its subsidiary, Mar City Developments Limited. The dividend comprised a number of land plots with associated debt, see also note 6 and note 19.

10. Investments

	30 June 2014 £000
Additions	30
Disposals	<u>(30)</u>
	<u>-</u>

On 26 November 2013 the Company allotted 29,999 ordinary shares to its then sole director, Mrs M A Ryan, and her husband, Mr P A Ryan, pursuant to a share for share exchange agreement, whereby the Company acquired the entire issued share capital of Mar City Developments Limited from Mr & Mrs Ryan.

On 27 November 2013 pursuant to a demerger agreement, the Company then transferred its shareholding in Mar City Developments Limited to Mar 50 Limited, a company owned by Mr P A Ryan and Mrs M A Ryan. As part of this process and by special resolution, the Company also re-designated its shares, reduced its share capital and adopted new articles.

Notes to the Financial Statements

For the period ended 30 June 2014

11. Stock

	30 June 2014 £000
Land held for housing development	<u>9,037</u>

12. Debtor: Amount due after more than one year

	30 June 2014 £000
Amounts owed by group undertakings	<u>10,616</u>

13. Creditors: Amounts falling due within one year

	30 June 2014 £000
Bank and other loans	19,814
Amounts owed to group undertakings	257
Accruals	<u>78</u>
	<u>20,149</u>

The bank loans are secured on the land assets.

Subsequent to the year end, the Company's secured lenders issued reservation rights in respect of their loans to the Company, asserting various events of default and thereby entitling the lenders to demand repayment. The borrowings are therefore classified as falling due within one year as they are effectively repayable on demand.

Notes to the Financial Statements

For the period ended 30 June 2014

14. Share capital

		30 June 2014 £000	
Allotted, called up and fully paid			
Ordinary shares of £1			15
Movement in Share Capital		No. of shares	Nominal value £
6 November 2013	Incorporation	1	1
26 November 2013	Issue of new shares	29,999	1
At 26 November 2013		30,000	1
27 November 2013	Demerger agreement		
	“A” shares	30,000	0.50
	“B” shares	30,000	0.50
	Cancellation of “B” shares	(30,000)	0.50
At 30 June 2014		30,000	0.50

The Company was incorporated on 6 November 2013 with the issue of one £1 ordinary share. On 26 November 2013 it issued 29,999 new ordinary shares with a nominal value of £1 each. On 27 November 2013, pursuant to a demerger agreement, the ordinary shares were split into “A” ordinary shares and “B” ordinary shares with a nominal value of £0.50 each. “A” ordinary shares had the rights to the business, assets and value relating to the development of certain assets which have since been retained by the Company, and “B” ordinary shares have the control over the business, assets and value of the Company’s subsidiary at the time, Mar City Developments Limited. The share capital of the Company was then reduced by the cancellation of the “B” ordinary shares and the investment held by the Company was effectively transferred to another private company owned by Mr & Mrs Ryan by way of a share for share exchange.

15. Reserves

	Profit and loss account £000
Loss for the period	(511)
At 30 June 2014	(511)

Notes to the Financial Statements

For the period ended 30 June 2014

16. Reconciliation of movement in shareholders' deficit

	30 June 2014 £000
Loss for the period	(511)
Closing shareholders' deficit	(511)

17. Related party transactions

The Company has a related party debtor balance with Mar City Developments Limited of £8.9 million relating to an irrevocable undertaking to discharge or otherwise repay a secured debt along with interest thereon. A further £0.9 million was also drawn down by Mar City Developments Limited from this facility post novation and added to the Company's debt. The current Directors, having considered the financial position of Mar City Developments Limited, have determined that there is little prospect of such undertakings being honoured. Accordingly, full provision has been made in the accounts for this exposure.

18. Ultimate parent undertaking and controlling party

The Company's immediate and ultimate parent company is Mar City PLC. Details of shareholding in Mar City PLC can be found in the financial statements for that company.

19. Post balance sheet event

Subsequent to the period end, the Company's secured lenders issued reservation of rights letters in respect of their loans to the Company, asserting various events of default and thereby entitling the lenders to demand repayment. The Company has, thus, been reliant on the continuing support of its secured lenders to continue in operational existence, as its borrowings are effectively repayable on demand. While an open constructive dialogue has been maintained with these lenders, there is no guarantee that repayment will not be demanded in future, which would inevitably result in an insolvency process occurring.

As referred to earlier (note 6), as part of the *dividend in specie* received and assignment of secured debt from Mar City Developments Limited, the Company inherited monies owing, including accrued interest, to a secured lender of £8.9 million. The purchase consideration paid by Mar City PLC when acquiring the Company took no account of this debt, instead the Company and Mar City PLC received irrevocable undertakings from Mar City Developments Limited to discharge or otherwise repay such debt when it fell due for repayment. A further £0.9 million was also drawn down by Mar City Developments Limited from this facility post novation and added to the Company's debt. The current Directors, having considered the financial position of Mar City Developments Limited, have determined that there is little prospect of such undertakings being honoured. Accordingly, full provision has been made in the accounts for this exposure.

There were no other material post balance sheet events.