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St Mark Homes II Plc

Report and Financial Statements

Year Ended

31 December 2013

Company Number 3822978

St Mark Homes II Plc

Annual report and financial statements
for the year ended 31 December 2013

Contents

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Directors

Bernard Tansey
Sean Ryan
Michael Chicken (resigned 16 August 2013)
William Gair
Barry Tansey (appointed 1 January 2013)

Secretary and registered office

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

Company number

3822978

Auditors

Kingston Smith LLP
Middlesex House
800 Uxbridge Road
Hayes
Middlesex
UB4 0RS

St Mark Homes II Plc

Strategic Report for the year ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013.

Strategic Report

The Company continues to target projects based in London, the South East and South Western regions of the United Kingdom. The Company typically undertakes its business within special purpose vehicles and on a joint venture /profit sharing basis with other house builders. This strategy has delivered a growing profit profile in recent years with post-tax profits rising 28% to £256,547 in the current year.

Looking forward the board anticipate our current projects will meet and actually outperform initial expectations. There is just one unit now remaining for sale at our Pittville Cresecent, Cheltenham project. We anticipate that this will be sold during the current financial year while the Bulvinos House, Ealing and Palmerston Road, Wimbledon projects are expected to be completed and sold in late 2014 and early 2015.

It is expected that the above three projects will generate over £1m of profit for the company.

Our strategic priorities

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

We believe the key Company 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 intentionally a small but experienced team with demonstrable competency in 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 incentiv 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 Company currently has a modest capital base of just over £3.2m. 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 2013 we actually achieved a pre-tax profit of 8.6% on opening shareholders funds.

As outlined above we have confidence in the current portfolio of projects and expect to deliver a return significantly in excess of target for 2014 and 2015.

We believe that capital availability remains a constraining factor for the business and we are currently exploring ways to raise fresh capital. We have asked shareholders to grant authority to directors to issue and allot a small number of new shares in the current year and will explore a larger capital raising when current projects mature.

We are also constrained by continuing restrictions of availability of bank funding which is typically limited to 55% of the Gross Development Value (GDV) on our projects. If we assume a 15% return on GDV the actual tranche cost between the 55%-85% level of GDV is currently funded through equity. We therefore believe that the return to shareholders can be significantly improved through increasing our borrowing levels and we are therefore reviewing a number of options to increase the amount of debt funding available to Company. It is our intention not to borrow more than 75% of the projected end value of our developments. Shareholder approval will be sought at the forthcoming AGM to remove the existing borrowing restrictions and facilitate the expansion of the capital base of the Company.

Market listing

The Company is currently listed on the Growth Market of the ICAP ISDX exchange. This is London's third level market behind LSE and AIM. While the listing should provide trading opportunities for our shareholders, there has historically been a notable discount between the mid-price of our shares and our Net Asset Value. The discount to Net Asset Value at the date of this report is circa 35% having been reduced from almost 70% in early 2013).

While the market sets its own price for the shares the level of discount is a concern to the board and we have sought to improve market awareness of the Company by re-launching the www.stmarkhomes.co.uk website in 2013 as well as increasing the number of investor updates.

We propose to change the name of the Company to St Mark Homes Plc at the forthcoming AGM and will continue to examine opportunities to improve our business profile to the investor community.

Sustainability

We recognise that there are financial and operational benefits of working sustainably and the upside for our shareholders. We are committed to the highest standards of sustainability. While many environmental requirements are embedded within the planning process, sustainability is broader 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. Thankfully there were no reportable incidents on any of our projects during 2013 but we will not be complacent.

Having the right supply chain is also crucial to sustainability. We do have long term working relationships with our main suppliers but do continue to carefully monitoring the financial health of our design teams and main contractors where market conditions are taking their toll. 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 five live joint venture projects totalling 98 units on sites in Wimbledon, Cheltenham (2), Ealing and Sutton which we anticipate will deliver profits over the next two to three years.

While these sites are progressing against a background of some labour and supply challenges the overall context is one of strong customer demand and improved market conditions. The board is optimistic that the improved opportunities being experienced will continue through into 2016.

Completed Developments

The final sales on the Fulshaw Lodge, Christchurch Road, Cheltenham and Mountfield Road, Ealing projects were completed in early 2013. The Company also recognised a significant profit on its Kingston Road, New Malden scheme in the first half of the current financial year.

Current Projects

The company is currently engaged on the following projects:

19 Pittville Crescent, Cheltenham:
Construction on this 12 unit scheme within the Pittville conservation area of Cheltenham was completed in the latter half of 2013. A total of 3 of the 12 residential units were sold at the year end with a further 8 sales agreed post year end leaving just a single remaining unit for sale as at the date of signing these accounts.

Hatherley Road,, Cheltenham:
The Company acquired this site for 8 luxury residential units in September 2013. Construction commenced in early 2014 with an expected completion date in early 2015. It is planned to market the scheme in the Spring of 2015.

Palmerston Road, Wimbledon, London:
The Company entered a joint venture for the development of a 24 residential units in Wimbledon, south west London early in 2012. Construction is due to be completed in early 2015. The private units are 80% sold off plan.

Bulvinos House Ealing:
The Company entered a joint venture for the development of a 14 residential units at Bulvinos House, Ealing, West London early in November 2013. Construction is due to be completed in late 2014.

Sutton High Street, Sutton:

The Company also invested in a regeneration property development venture at Sutton High Street at the end of 2013. The development (when completed) is to consist of 40 unit residentials units with ground floor retail space on Sutton High Street, Sutton.

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 2013 the annual pre-tax return on shareholders' funds was 8.6% (2012: 8%).

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 2013 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 25 of the financial statements.

On behalf of the Board

Sean Ryan
Director

Date: 23 May 2014

St Mark Homes II Plc

Report of the directors for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

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 9 and shows a net profit after taxation of £256,547 (2012 - £199,452) for the year.

An interim ordinary dividend of 3.00 pence per share was paid in June 2013 (2.75p 2012). This represents an increase of 9% year on year.

The directors do not recommend the payment of a final ordinary share dividend for the year (2012: £Nil).

Directors

Barry Tansey was appointed to the Board to serve as Chief Executive Officer on 1 January 2013.

Bernard Tansey was appointed to the role of Executive Chairman on 1 January 2013.

Sean Ryan and Michael Chicken retired by rotation at the June 2013 Annual General Meeting and, being eligible, for re-election were duly re-elected to the board. On 16 August 2013 Michael Chicken resigned as a director of the company.

Bernard Tansey and William Gair are to retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Directors Interests

The following directors of the Company had interests in the ordinary shares of the Company at 31st December 2013 as follows:

Bernard Tansey	251,000
Sean Ryan	65,500
Barry Tansey	45,500 (appointed on 1st January 2013)

Directors Emoluments

Bernard Tansey	£20,000
Sean Ryan	£20,000
Barry Tansey	£30,000
William Gair	£12,000

During the year the Company adopted a new incentive / reward system. This new reward system has been designed to allow the directors of the company to a share in the improving profitability of the Company once a threshold /hurdle return of 5% on opening shareholders funds for the exclusive benefit of the ordinary shareholders. The remuneration committee believe that this will act a driver of improved performance for the long term benefit of the Company's shareholders.

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 at a General Meeting.

Statement of directors' responsibilities
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;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

Sean Ryan

Sean Ryan
Director

Date: 23 May 2014

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

We have audited the consolidated financial statements of St Mark Homes II PLC for the year ended 31 December 2013 which compromise the consolidated Profit and Loss account, the consolidated and company Balance Sheets, the consolidated Cash Flow Statement 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 auditors

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

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 Strategic Report and in the Directors 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 our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2013 and of the group's 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 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.

St Mark Homes II Plc

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

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.

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

Date 23 May 2014

Middlesex House
800 Uxbridge Road
Hayes
Middlesex
UB4 0RS

St Mark Homes II Plc

Consolidated Profit and loss account
for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover: group and share of joint venture	2	**1,336,644**	2,238,848
Less: share of joint venture turnover		**(1,324,644)**	(2,072,063)
Company turnover		**12,000**	166,785
Cost of sales		**(6,974)**	(71,819)
Gross profit		**5,026**	94,966
Administrative expenses		**(122,600)**	(93,053)
Operating (loss)/profit	6	**(117,574)**	1,913
Share of operating profit in joint venture		**148,216**	183,722
Interest receivable and similar income	7	**230,460**	45,951
Interest payable and similar charges	8	**(211)**	(160)
Profit on ordinary activities before taxation		**260,891**	231,426
Taxation on ordinary activities	9	**(4,344)**	(31,974)
Profit on ordinary activities after taxation	19	**256,547**	199,452
Earnings per share – basic and diluted			
'A' ordinary shares		Nil	Nil
Ordinary shares		8.67p	6.74p

All amounts relate to continuing activities.

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

The notes on pages 13 to 26 form part of these financial statements.

St Mark Homes II Plc

Consolidated Balance sheet
at 31 December 2013

	Note	2013 £	2013 £	2012 £	2012 £
Non Current assets					
Tangible assets	10		**1,744**		2,323
Investments in joint ventures:	15				
Share of gross assets		**3,731,979**		1,783,406	
Share of gross liabilities		**(3,675,339)**		(1,679,477)	
			56,640		103,929
			58,384		106,252
Current assets					
Stock and Work In Progress	12	**1,406,097**		-	
Debtors	13	**1,966,094**		1,147,925	
Debtors – loan notes and accrued interest	14	-		823,285	
Cash at bank and in hand		**1,066,676**		1,073,765	
		4,438,867		3,044,975	
Creditors: amounts falling due within one year	16	**(38,678)**		(117,831)	
Net current assets			**4,400,189**		2,927,144
Total assets less current liabilities			**4,458,573**		3,033,396
Creditors: amounts falling due in more than one year	17		**(1,257,378)**		-
Net Assets			**3,201,195**		3,033,396
Capital and reserves					
Called up share capital	18		**1,478,748**		1,478,748
Capital redemption reserve	19		**1,009,560**		1,009,518
Other reserve	19		**211,822**		211,822
Profit and loss account	19		**501,065**		333,308
Shareholders' funds	20		**3,201,195**		3,033,396

The financial statements were approved by the board of directors and authorised for issue on 23 May 2014.

S Ryan
Director

Company Registration No 3822978

The notes on pages 13 to 26 form part of these financial statements.

St Mark Homes II Plc

Company Balance sheet
at 31 December 2013

	Note	2013	2013	2012	2012
		£	£	£	£
Non Current assets					
Tangible assets	10		**1,744**		2,323
Investments	11		**2,796,040**		2,796,046
			2,797,784		2,798,369
Current assets					
Stock and Work In Progress	12	**1,406,097**		-	
Debtors	13	**2,022,734**		1,251,853	
Debtors – loan notes and accrued interest	14	**-**		823,285	
Cash at bank and in hand		**1,066,676**		1,073,659	
		4,495,507		3,148,797	
Creditors: amounts falling due within one year	16	**(38,678)**		(117,831)	
Net current assets			**4,456,829**		3,030,966
Total assets less current liabilities			**7,254,613**		5,829,335
Creditors: amounts falling due in more than one year	17		**(4,053,418)**		(2,795,939)
Net assets			**3,201,195**		3,033,396
Capital and reserves					
Called up share capital	18		**1,478,748**		1,478,748
Capital redemption reserve	19		**1,009,560**		1,009,518
Other reserve	19		**211,822**		211,822
Profit and loss account	19		**501,065**		333,308
Shareholders' funds	20		**3,201,195**		3,033,396

The financial statements were approved by the board of directors and authorised for issue on 23 May 2014.

Sean Ryan
Director

Company Registration No 3822978

The notes on pages 13 to 26 form part of these financial statements.

St Mark Homes II Plc

Consolidated cash flow statement
for the year ended 31 December 2013

	Note	2013 £	2013 £	2012 £	2012 £
Net cash (outflow)/inflow from operating activities	22		(2,224,867)		214,324
Returns on investments and servicing of finance					
Interest received		230,460		175,951	
Interest paid		(211)		(160)	
Dividend paid		(88,748)		(81,334)	
Net cash inflow from returns on investments and servicing of finance			141,501		94,457
Taxation					
Corporation Tax			(4,344)		(31,974)
Cash (outflow)/inflow before use of liquid resources and financing			(2,087,710)		276,807
Capital Expenditure and Financial Investment					
Loan Notes			823,285		577,259
Capital Expenditure			-		(2,165)
Cash (outflow)/inflow/ before use of liquid resources & financing			(1,264,425)		851,901
Financing					
Increase in bank loans		902,378		-	
Increase in subordinated loans		355,000		-	
Redemption of preference shares		(42)		-	
			1,257,336		
(Decrease)/Increase in cash	23		(7,089)		851,901

The notes on pages 13 to 26 form part of these financial statements.

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:

Basis of consolidation

The consolidated financial statements incorporate the results of St Mark Homes II Plc and its subsidiary undertaking, St Mark Homes Capital Plc as at 31 December 2013 using the acquisition method of accounting. Under this method the results of subsidiary undertakings are included from the date of acquisition. Interests in joint ventures are accounted for using the gross equity method of accounting.

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 projected contract costs which have 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.

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 when exchanged sale contracts are completed during the year or within 120 days of the year end.

Investments

Investments held as fixed assets are stated at cost less any provision for permanent impairment.

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.

Long term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract. Full provision is made for all known or expected losses on each contract.

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.

1 Accounting policies *(Continued)*

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are calculated using tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax balances are not discounted.

Leased assets

Operating lease annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Liquid resources

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

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.

2 Turnover

All turnover, profit or loss and net assets are attributable to the principal activity of the group.

3 Segmental analysis

	2013 £	2012 £
Turnover		
Construction contracts	12,000	166,785
Property development and finance	-	-
	12,000	166,785
Pre-tax profit		
Construction contracts	5,026	94,966
Property development and finance	255,865	136,460
	260,891	231,426
Net assets		
Construction contracts	20,000	21,600
Property development and finance	2,114,519	1,938,030
Unallocated	1,066,676	1,073,766
	3,201,195	3,033,396

4 Employees

	2013 £	2012 £
Staff costs (including directors) consist of:		
Wages and salaries	70,000	36,674
Social security costs	6,485	2,112
	76,485	38,786

The average monthly number of employees during the year was 3 (2012 - 3).

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

5 Directors' remuneration

	2013 £	2012 £
Directors' emoluments	70,000	30,074
Directors' fees	12,000	28,245

6 Operating (loss)/profit

	2013 £	2012 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	579	781
Auditors remuneration:		
- Audit services	14,000	11,000
- Taxation services	3,830	1,400
Rent of land and buildings under operating leases	3,000	3,000

Included in the group audit fee is an amount of £ 11,000 (2012; £9,000) in respect of the company. The audit fee of the subsidiary is borne by the parent company.

7 Interest receivable and similar income

	2013 £	2012 £
Bank deposits	685	188
Preference Dividend (see note 21)	208,739	-
Other loans (see note 14)	21,036	45,763
	230,460	45,951

8 Interest payable and similar charges

	2013 £	2012 £
Bank charges	211	160

9 Taxation on profit on ordinary activities

	2013 £	2012 £
UK Corporation tax		
Current tax on profit of the year	4,344	35,158
Adjustment in respect of prior years	-	(3,184)
	4,344	31,974

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

	2013 £	2012 £
Profit on ordinary activities before tax	260,891	231,426
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.0% (2012 – 24.5%)	52,178	56,699
Effect of:		
Exempt dividend	(41,748)	-
Relieved Tax losses	(6,202)	(15,275)
Depreciation	-	(406)
Overprovision in prior period	-	(3,184)
Other Movements	116	(5,860)
Current tax charge for period	4,344	31,974

There is an unprovided deferred tax asset of £74,599 in respect of tax losses based on a tax rate of 20% (2012; £73,326). This has not been provided in the financial statements as the directors are not sufficiently certain that this amount can be recovered in future years.

10 Tangible fixed assets

Group and Company	Office equipment £
Cost	
At 1 January 2013	12,550
Additions	
Disposals	-
At 31 December 2013	**12,550**
Depreciation	
At 1 January 2013	10,227
Disposals	-
Provided for the year	579
At 31 December 2013	**10,806**
Net book value	
At 31 December 2013	**1,744**
At 31 December 2012	2,323

11 Fixed asset investments – subsidiary undertakings

Company	£
Cost	
At 1 January 2013 & 31 December 2013	2,835,026
Provision for permanent dimunition	
At 1 January 2013	(38,980)
Provision during year	(6)
As at 31 December 2013	2,796,040
Net book value at 31 December 2013	**2,796,040**
Net book value at 31 December 2012	2,796,046

The principal undertaking in which the company has a 100% interest at the year end is St Mark Homes Capital Plc, incorporated in England and Wales. The company's nature of business is that of a housebuilder/ residential developer. St Mark Homes II Plc owns the entire share capital of St Mark Homes Capital plc which consists of 3,073,200 ordinary shares of 50p and 81 'A' ordinary shares of 50p. The company also has a 50% interest (12.5% held as nominee for St Mark Contracts Plc) in Mountfield Road Developments LLP and has a 37.5% interest in Pittville Developments LLP. These partnerships are all engaged in property development as joint ventures.

12 Stock	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Work in progress	1,406,097	-	1,406,097	-

13 Debtors	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade debtors	-	21,600	-	21,600
Amounts owed by joint venture entities	1,780,243	1,039,753	1,836,883	1,143,681
Other debtors	9,658	4,214	9,658	4,214
Prepayments and accrued income	176,193	82,358	176,193	82,358
	1,966,094	1,147,925	2,022,734	1,251,853

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

14 Debtors - loan notes and accrued interest	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Loan notes due in less than one year	-	823,285	-	823,285

The loan notes due in less than one year at 31 December 2012 were issued by:

a. Mizen Properties Ltd. The full amount of the loan was secured on the property at Fulshaw Lodge, Cheltenham. Interest at rate of Bank of England Base rate plus 3 % per annum is payable on the outstanding balance on the loan beginning 7 February 2011. The balance at 31 December 2013 is £nil (2012 - £131,450).

b. Beachview Properties Ltd: The full amount of the loan was secured on the property at Kingston Rd, New Malden and was subordinate only to the mortgaged project finance being provided by Natwest Bank plc plus finance costs (including fees and interest) for the development of Residential Units. Interest at rate of Bank of England Base rate plus 5 % per annum is payable on the outstanding balance on the loan beginning 29 June 2012. The loan principal (£673,452) was directly redeemed from sales proceeds after the discharge of the bank security. The balance at 31 December 2013 is £ nil (2012 - £673,452)

15 Interests in Joint Ventures

Included within debtors (note 13) due within one year are loans to Pittville Developments LLP of £494,099 (2012: £469,099) and Mountfield Road Developments LLP of £1,286,144 (2012: £570,654).

Joint Venture	Country of registration or Incorporation	Ownership
Mountfield Road LLP	England and Wales	37.5%
Pittville Developments LLP	England and Wales	37.5%

The total gross assets and liabilities of these joint ventures for the last relevant financial year were as follows:

	Principal Activity	Gross assets 2013 £	Gross assets 2012 £	Gross liabilities 2013 £	Gross liabilities 2012 £
Mountfield Road LLP	Property development	7,147,044	2,195,423	7,147,044	1,918,099
Pittville Developments LLP	Property development	2,804,903	2,560,506	2,653,863	2,560,506

	Mountfield Road LLP 2013	Mountfield Road LLP 2012	Pittville Developments LLP 2013	Pittville Developments LLP 2012
Share of assets	£	£	£	£
Share of fixed assets	-	-	-	-
Share of current assets	2,680,141	823,216	1,051,838	960,190
	2,680,141	823,216	1,051,838	960,190
Share of liabilities				
Liabilities due within one year or less	(2,680,141)	(719,287)	(995,198)	(960,190)
Share of net assets	-	103,929	56,640	-

16 Creditors: Amounts falling due within one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade creditors	14,073	15,029	14,073	15,029
Other taxation and social security	7,597	10,438	7,597	10,438
Accruals and deferred income	17,008	92,322	17,008	92,322
	38,678	117,789	38,678	117,789
"A" ordinary shares	-	42	-	42
	38,678	117,831	38,678	117,831

17 Creditors: Amounts falling due in more than one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Amounts owed to group company	-	-	2,796,040	2,795,939
Bank loan (secured)	902,378	-	902,378	-
Other loans	355,000	-	355,000	-
	1,257,378	-	4,053,418	2,795,939

The bank loan is secured on the company's development at Hatherley Road, Cheltenham and by a debenture over all of the company's assets..

18 Share capital

	2013 Number	2012 Number	2013 £	2012 £
Allotted, called up and fully paid share capital				
Ordinary shares of 50p each	2,957,495	2,957,495	1,478,748	1,478,748
'A' ordinary shares of 50p each*	-	84	-	42

The A Shares were redeemed at par during the year.

19 Reserves

Group and Company	Capital redemption reserve £	Other Reserve £	Profit and loss account £
At 1 January 2013	1,009,518	211,822	333,308
Profit for year	-	-	256,547
Dividends	-	-	(88,748)
Redemption of "A" ordinary shares	42	-	(42)
At 31 December 2013	**1,009,560**	**211,822**	**501,065**

20 Reconciliation of movements in shareholders' funds

Group and Company	2013 £	2012 £
Profit /(Loss) for the year	256,547	199,452
Dividends	(88,748)	(81,334)
Opening shareholders' funds	3,033,396	2,915,278
Closing shareholders' funds	3,201,195	3,033,396

21 Related party disclosures

Related party transactions and balances

During the year the following related party transactions took place:

(a) Mizen Properties Limited and subsidiaries

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

£nil (2012: £25,068) was paid to Mizen Properties Limited for the provision of project management and engineering services provided by Bernard J Tansey.

Office rental, rates and service charges of £3,000 (2012; £3,000) were paid to Mizen Design/Build Limited a subsidiary of Mizen Properties Ltd.

The company has subscribed for loan notes issued by :

Mizen Properties Ltd. The full amount of the loan was secured on the property at Fulshaw Lodge, Cheltenham. Interest at rate of Bank of England Base rate plus 3 % per annum is payable on the outstanding balance on the loan beginning 7 February 2012. The balance at 31 December 2013 is £nil (2012 - £131,450).

Beachview Properties Ltd (a subsidiary of Mizen Properties Limited): The company entered into a development agreement with this company (and Mizen Properties Ltd and St Mark Contracts PLC) in respect of land at Kingston Rd, New Malden. Pursuant to that agreement the company earned project management fees of £12,000 (2012- £18,000), loan interest of £5,945 (2012- £18,384) and a preference dividend of £208,739 (2012- £nil) during the year. The company was issued with 3 £1 preference shares at par in Beachview Properties Limited during the year and these were redeemed at par after payment of the dividend. A loan principal of £673,452 provided pursuant to the development agreement was redeemed from sales proceeds after the discharge of the bank security. The balance at 31 December 2013 is £ nil (2012 - £691,835).

The company has also entered into joint ventures (in conjunction with St Mark Contracts PLC) with Mizen Properties Ltd (or its subsidiaries) to develop projects at Palmerston Road, Wimbledon, Bulvinos House, Ealing, Pittville Crescent, Cheltenham Sutton High Street Sutton and Hatherley Road, Cheltenham. At 31 December 2013 the company was owed £132,500 (2012- £ nil) by Mizen Properties Limited in respect of the development at Sutton High Street, and received loans of £242,500 (2012- £ nil) from Mizen Properties Limited and £112,500 (2012- £ nil) from St Mark Contracts PLC in respect of the development at Hatherley Road. After the year end the company signed an agreement to loan up to £1,320,000 to Mizen Properties Limited in connection with the Sutton High Street development.

At the year end £1,780,243 (2012- £1,039,753) was due from joint venture entities.

(b) Ryan Heaphy & Co Limited

£42,000 (2012; £44,100) was paid to the above company for the provision of accountancy, IT, project and quality management services. At the year end an amount of £nil (2012 £4,410) was included within trade creditors in respect of these services.

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

(c) W.C. Gair – Consultant

£12,000 (2012; £12,000) was paid to WC Gair for services as a non executive director. The balance at the year end of £3,600 (2012; £nil) is included in trade creditors.

21 Related party disclosures (continued)

(c) Merchant Place Corporate Finance Limited

£17,057 (2012:£16,245) was charged by the above company during the year for provision of Michael Chicken's services, who was a non-executive director of St Mark Homes II Plc until 16 August 2013. In addition a corporate finance fee of £4,000 (2012:£4,000) was charged by the above company during the year for on-going monitoring. Michael Chicken is a director and shareholder of the above company. The balance at the year end of £6,317 (2012:£14,300) is included in trade creditors.

(d) St Mark Contracts PLC

The company has also entered into joint ventures (in conjunction with St Mark Contracts PLC) with Mizen Properties Ltd (or its subsidiaries) to develop projects at Palmerston Road, Wimbledon , Bulvinos House, Ealing and Pittville Crescent, Cheltenham.

Bernard Tansey, Sean Ryan, W C Gair and Barry Tansey are directors of St Mark Contracts PLC.

(e) Directors received ordinary dividends in respect of their shareholdings in the company as follows:
Bernard Tansey: £7,650 (2012:£7,012)
Sean Ryan : £1,650 (2012:£1,512)
Barry Tansey : £1,365 (2012: £618)

All transactions above were conducted on normal commercial terms.

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

	2013 £	2012 £
Operating (loss)/profit	(117,574)	1,913
Depreciation of tangible fixed assets	579	781
(Increase) in stock	(1,406,097)	-
(Increase)/decrease in debtors	(622,664)	214,068
(Decrease) in creditors	(79,111)	(2,438)
Net cash (outflow)/inflow from operating activities	(2,224,867)	214,324

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

	2013 £	2012 £
(Decrease)/ increase in cash	(7,089)	851,901
(Increase) in bank loans	(902,378)	-
(Increase) in other loans	(355,000)	-
Movement in net funds	(1,264,467)	851,901
Opening net funds	1,073,765	221,864
Closing net (debt)/funds	(190,702)	1,073,765

24 Analysis of net (debt)/funds

Group	**1 January 2013**	**Cash flow**	**31 December 2013**
Cash at bank and in hand	1,073,765	(7,089)	1,066,676
Loans due after one year	-	(1,257,378)	(1,257,378)
Total	1,073,765	(1,264,467)	(190,702)

25 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.

26 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 £256,553 (2012 : £199,452) which is dealt with in the financial statements of the parent company.

27 Ultimate controlling party

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

28 Capital Commitments

At 31 December 2013, the Group has capital commitments as follows:

	2013	**2012**
	£	**£**
Contracted for but not provided for within the Financial statements	-	750,000

29 Earnings per share

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the financial year. The weighted average number of "A" Ordinary shares in issue was nil (2012; 84) and the earnings being profit after tax attributable to "A" Ordinary shares, was £Nil (2012 : £Nil). The weighted average number of Ordinary shares in issue was 2,957,495 (2012: £2,957,495) and the earnings being profit after tax attributable to ordinary shares was £ 256,547 (2012;£199,452).

Basic and diluted earnings per share are the same as there are no potential ordinary shares or potential 'A' ordinary shares in issue.

	2013 £	2012 £
Numerator		
Earnings used as the calculation of basic and diluted EPS	256,553	199,452
	Number	**Number**
Denominator		
Weighted average number of ordinary shares used in basic and diluted EPS	2,957,495	2,957,495