

This document is important and requires your immediate attention. When considering what action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other professional investment adviser authorised pursuant to the Financial Services and Markets Act 2000.

The directors of St Mark Homes II Plc (“the Company”), whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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**Offer by**

**ST MARK HOMES II PLC**

**to purchase for cash up to 2,272,727 Ordinary Shares at**

**a price of 88 pence per Ordinary Share**

**and**

**Notice of Extraordinary General Meeting**

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The procedure for acceptance of the Offer is set out on page 8.

**IMPORTANT**

Forms of Acceptance must be received not later than 5.30 pm on 27 June 2006. To be valid the enclosed Form of Proxy, for use at the Extraordinary General Meeting, must be returned so as to be received by St Mark Homes II Plc at Heron House, 109 Wembley Hill Road, Wembley Middlesex HA9 8DA no later than 10.30 am on 28 June 2006.

Notice of the Extraordinary General Meeting of shareholders of St Mark Homes II Plc to be held at Heron House, 109 Wembley Hill Road, Wembley Middlesex HA9 8DA on 28 June 2006 is set out on page 18.

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## DEFINITIONS

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<b>“the Act”</b>	the Companies Act 1985;
<b>“A Shares”</b>	the “A” shares of 50p each in the capital of the Company;
<b>“Capital Reduction”</b>	the proposed cancellation of the share premium account of the Company as described in this document;
<b>“the Company”</b>	St Mark Homes II Plc, registered with the Registrar of Companies of England and Wales with registered no. 3822978 and registered office situate at 109 Wembley Hill Road, Wembley, Middlesex HA9 8DA;
<b>“the Directors”</b>	Michael Chicken, William Gair, Andrew Mullins, Sean Ryan and Bernard Tansey;
<b>“EGM”</b>	the extraordinary general meeting of the Company to be held on 28 June 2006 convened by the notice set out on page 18;
<b>“Form of Acceptance”</b>	the form of acceptance for use in respect of the Offer;
<b>“Form of Proxy”</b>	the form of proxy for use in respect of the EGM;
<b>“Shareholders”</b>	holders of the Ordinary Shares of the Company;
<b>“the Offer”</b>	the offer by the Company to acquire its own shares contained in this Offer Document;
<b>“the Offer Document”</b>	this document;
<b>“Ordinary Shares”</b>	ordinary shares of 50p each in the capital of the Company;
<b>“the Resolutions”</b>	the resolutions of members of the Company to be proposed at the EGM and as set out in the notice of EGM on page 18;
<b>“SMHC”</b>	St Mark Homes Capital Plc, a company incorporated in England with company number 03515570.

## EXPECTED TIMETABLE

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Record Date	5.30 pm on 25 May 2006
Latest time and date for receipt of completed Forms of Proxy for EGM	10.30 am on 28 June 2006
EGM	10.30 am on 28 June 2006
Latest time and date for receipt of Forms of Acceptance	5.30 pm on 27 June 2006
Hearing of the petition seeking confirmation of cancellation of Share Premium Account	26 July 2006*
Cheques posted to Shareholders	28 July 2006*
Balance share certificates for unsold Ordinary Shares sent to Shareholders	28 July 2006

If there are any significant changes to the above times and/or dates Shareholders will be notified in writing.

\* The expected date for the hearing of the petition is subject to the availability of the Court and cheques will not be posted to Shareholders until the purchase of the Ordinary Shares by the Company under the terms of the Offer has been approved by the Court.

# ST MARK HOMES II PLC

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(Company Number 3822978)

**Directors:**

Michael Chicken  
William Cair  
Andrew Mullins  
Sean Ryan  
Bernard Tansey

**Registered Office:**

Heron House  
109 Wembley Hill Road  
Wembley  
Middlesex HA9 8DA

26 May 2006

**To the holders of the Ordinary Shares**

Dear Sir or Madam,

**Proposal in relation to the Company's offer to buy its own shares.**

**1. Introduction**

St Mark Homes II Plc proposes to return up to £2,000,000 to shareholders by purchasing Ordinary Shares by way of a cash offer. The Offer will be at a fixed price of 88p per Ordinary Share. At the offer price the return of £2,000,000 involves the purchase of 2,272,727 Ordinary Shares representing 45.7% per cent of the Company's current issued share capital.

This letter sets out the background to the Offer, seeks your approval for the Offer and the creation of the distributable reserves at an Extraordinary General Meeting of the Company that are necessary for the purchase of the maximum 2,272,727 Ordinary Shares and explains what actions you need to take if you wish to accept the Offer for all or part of your Ordinary Shares.

Accompanying this document are the annual report and accounts of the Company for the year ended 31 December 2005. The loss on ordinary activities before taxation was £166,547 for the year compared to a profit of £223,020 in 2004. During the year the Company continued its original trade as a builder of residential property and completed its building contract in Holloway, London in the first quarter of 2006. This contract continued to be problematic and due to late delivery and cost escalations profits of £170,000, out of £190,288 previously recognised have been written back in the current period. At 31 December 2005 net assets per share were 99.9p. At 31 December 2004 net assets per share were 103p.

**2. Background to and Reasons for the Proposals**

Since the merger with St Mark Homes Capital Plc the Company has been realigning itself as a provider of mezzanine funding to property developers. This activity has been delivering greater returns than our construction business. Our first investment of £2m was made in February 2005 and the Company achieved a return of £315,000 (equivalent to 18% per annum) on this in December 2005.

Similar opportunities have been assessed and the Board has approved (subject to due diligence) a further investment of £1.5m in a mixed scheme within the 2012 Olympics regeneration zone. The Board believes that the new investment strategy can deliver greater returns than our historic construction activities while still providing a degree of protection against property market downturns.

While the Directors are optimistic for the future, they wish to honour commitments made at the time of our fund raising (and during the recent acquisition of St Mark Homes Capital Plc) to consider exit mechanisms.

In 2005 the Board circulated to shareholders a note on preferred exit mechanisms and future dividend policy. The overwhelming preference of shareholders responding to that exercise was for:

- a share buy back of up to £2m worth of shares; and
- the payment of dividends when prudent to do so.

Your Board have, therefore, been taking the necessary steps to facilitate the buy back and intend to pay dividends in future.

The Offer price of 88p has been determined by the Directors having regard to the Company's audited net asset value per share (99.9p) as at 31 December 2006 and the current share price on OFEX (74.5p) as at close of business on 25 May 2006. The Directors believe the Offer price balances the conflicting priorities of those shareholders now wishing to exit the Company and those wishing to remain. The Directors believe, having been so advised by Merchant Place Corporate Finance Limited, that the Offer is in the best interests of the Shareholders as a whole. Michael Chicken is a director of and the majority shareholder in Merchant Place Corporate Finance Limited. In addition, Michael Chicken is the holder of both Ordinary Shares and A Shares in the Company. The Directors will not be accepting the Offer and intend to retain their shareholdings in the Company.

Given the Company's current market capitalisation and the relatively illiquid trading of its shares on the OFEX market, the Directors believe that it may be difficult for certain Shareholders to exit from their holdings at current market prices.

The Offer price for the buy back reflects a 18.1% premium to the mid price of the Company's shares over the last 3 months on the OFEX market where they are listed and a premium of 18.1% over their price on 25 May, being the latest practicable date before the publication of this document.

Assuming that the Offer is accepted in full, net assets per share for shareholders remaining with the Company will increase from 99.9p to 110p before considering the expenses of the Offer and the Company's profit and loss since 31 December 2005.

In summary, the proposal offers the following:

- a return of up to £2,000,000 by way of a cash offer (assuming a full take-up of the Offer); and
- a cash return of 88p per Ordinary Share.

### **3. The Offer**

This Offer Document contains the formal offer by the Company, together with other information on the Company.

It is accompanied by a Form of Acceptance which must be completed if you wish to accept the Offer.

The Company hereby offers to purchase, on the terms and conditions set out in this Offer Document, up to 2,272,727 Ordinary Shares on the following basis:

For every ONE Ordinary Share – 88p payable in cash

The Offer is conditional, inter alia, on the passing of all the Resolutions set out in the notice of EGM. If all the Resolutions are not passed the Offer will lapse. If Court approval is not obtained before 31 August 2006 the Offer will be limited to the purchase of 530,773 Ordinary Shares, and the terms of the Offer will be varied accordingly.

Shareholders may opt to sell some or all of their Ordinary Shares (minimum 1,000 Ordinary Shares) pro rata with other Shareholders. If acceptances are received in respect of such number of Ordinary Shares as are in excess of the number of Ordinary Shares the subject of the Offer, applications in respect of less 5,000 Ordinary Shares will be given priority (in order to avoid Shareholders being left with unrealistically small holdings which would be an administrative burden for both the Shareholder and the Company) and thereafter applications will be scaled back pro rata by reference to the aggregate number of Ordinary Shares the subject of acceptances under the Offer.

All Ordinary Shareholders on the Register at 10.30am on 26 May 2006 may participate in the Offer. The Offer will remain open from 26 May 2006 to 5.30 pm on 27 July 2006.

#### **4. Taxation**

A general guide to the tax position of Shareholders is set out in Appendix II. However, shareholders are recommended to take their own independent advice as to their tax position.

#### **5. Cancellation of Share Premium Account**

As a public company, the Company may only make purchases of its own shares from distributable reserves. In the accompanying audited report and accounts of the Company for the year ended 31 December 2005 the Company had available distributable reserves of £480,428. In order to increase those distributable reserves to enable the Offer to proceed in full, it is proposed to cancel the balance standing to the credit of the share premium account of the Company, some £1,514,536. This requires the approval of Shareholders by special resolution and the subsequent confirmation of the High Court. The Company will not be in a position to complete the Offer in full and to effect settlement in full until confirmation from the High Court has been obtained. If the Court approval is not obtained before 31 August 2006, the Offer will be limited to the purchase of 530,773 Ordinary Shares and the terms of the Offer will be varied accordingly. In order to obtain the approval of the Court, the Company will need to show that the interests of its creditors are not prejudiced. The Company will put into place such forms of creditor protection (if any) as are necessary to obtain the confirmation of the Court.

#### **6. Variation to Rights of the A Shares and Management Incentives**

The opportunity is being taken to re-base the A Share formula which determines the dividend payable on the A Shares as if it had been calculated on a per share basis from the outset.

The Board has established a remuneration committee consisting of the non-executive directors Bill Gair and Michael Chicken to consider management remuneration in the context of changes in the Company's activities.

## **7. Extraordinary General Meeting**

This Offer Document contains on page 18 a notice of an Extraordinary General Meeting of the Company to be held on 28 June 2006.

To implement the Offer the approval of Shareholders is required and, accordingly, there is set out at the end of this document a notice convening an Extraordinary General Meeting of the Company to be held at Heron House, 109 Wembley Hill Road, Wembley, Middlesex HA9 8DA on 28 June 2006. The following Resolutions, each of which is a special resolution, and are interconditional will be proposed at the EGM, namely:

- to sanction the purchase by the Company of Ordinary Shares pursuant to the Offer.
- to cancel the share premium account.
- to vary the rights of the A Shares.

**Shareholders who intend to accept the Offer should not vote in respect of Resolution (b) set out in the Notice of EGM as company law prohibits them from participating in such a vote.**

Whether or not you intend to be present at the meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it as soon as possible, and in any event so as to be received by the Company at not later than 10.30 am on 28 June 2006.

Completion of a Form of Proxy will not prevent you from attending the Extraordinary General Meeting and voting in person if you so wish. In the light of the fact that you may not vote in respect of the Resolution to approve the contract for the purchase of your own shares please do not indicate an instruction to vote on that Resolution if you wish to accept the Offer.

At the Extraordinary General Meeting a Special Resolution will be proposed to amend the Articles of Association of the Company relating to rights of the A Shares and their entitlement in respect of distribution of profits.

## **8. Procedure For Acceptance of the Offer**

### **The Offer**

To accept the Offer in whole or in part (minimum 1,000 Ordinary Shares), holders of Ordinary Shares must complete the Form of Acceptance in accordance with the instructions contained in it (which instructions shall be deemed to form part of the terms of the Offer) and deliver the duly completed Form of Acceptance, together with the relevant share certificate(s) and/or other document(s) of title, by post or by hand to the address given below. If you wish to retain all your Ordinary Shares, you should not accept the Offer.

### **General**

Completed Forms of Acceptance should either be sent by post or be lodged by hand to the Company's Registrars at Park Circus Registrars at James Sellers House, 2nd Floor, 144-146 West George Street, Glasgow G2 2BR so as to be received as soon as possible, but in any event not later than 5.30 pm on 27 June 2006.

The enclosed reply-paid envelope addressed to Park Circus Registrars at James Sellers House, 2nd Floor, 144-146 West George Street, Glasgow G2 2BR may be used for returning completed Forms of Acceptance. No acknowledgement of receipt of Forms of Acceptance, share certificates or other documents of title will be given.

If you wish to accept the Offer and your share certificate(s) and/or other document(s) of title is/are not readily available, or is/are lost, you should still complete and return the Form of Acceptance set out in Appendix IV so as to arrive not later than 5:30 pm on 27 June 2006 and the Company will then arrange for you to sign an indemnity to allow the disposal of your Ordinary Shares to proceed.

The Company reserves the right to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. However, the consideration under the Offer may only be despatched in the manner set out in paragraph 9 below when the acceptance is entirely in order and the share certificate(s) and/or other document(s) of title or indemnities satisfactory to the Company has/have been received.

## **9. Settlement**

Subject to the Offer becoming unconditional in all respects, payments will be despatched to Shareholders not later than 28 July 2006.

Share certificates and other documents of title, together with Forms of Acceptance, will be returned by ordinary post within 14 days of the Offer lapsing.

All communications, notices, certificates and documents of title sent by or to the Company's shareholders will be sent at the shareholders' own risk.

## **10. Further Information**

Your attention is drawn to the further information in relation to the Offer contained in:

Appendix I: Further terms of the Offer

Appendix II: Taxation

Appendix III: Additional Information

## **11. Annual accounts**

Shareholders attention is drawn to the audited report and accounts of the Company for the year ended 31 December 2005, which accompany this document.

## **12. Recommendation**

The Board of Directors (who have been so advised by Merchant Place Corporate Finance Limited) consider that

the terms of the Offer are fair and reasonable. Michael Chicken is a director of and the controlling shareholder in Merchant Place Corporate Finance Limited as well as being a director of the Company and a holder of both Ordinary Shares and A Shares. Andrew Mullins and Bill Gair are the only Directors who do not hold A Shares in the Company.

All of the Board, with the exception of Bill Gair and Andrew Mullins, hold A Shares in the Company. Accordingly, Bill Gair and Andrew Mullins recommend that Shareholders vote in favour of all of the resolutions set out in the notice of EGM as they intend doing so and the remaining Directors recommend that Shareholders vote in favour of the resolutions other than Resolution (c). The Directors hold, in aggregate, 350,004 Ordinary Shares (representing 7% of the total issued share capital of Ordinary Shares) and 64 A Shares (representing 100% of the total issued share capital of A Shares). The Directors other than Andrew Mullins and Bill Gair intend to abstain from voting in relation to Resolution (c).

However, none of the Directors themselves propose to accept the Offer in respect of his own holding of Ordinary Shares and the Directors themselves make no recommendation as to whether individual Shareholders should or should not accept the Offer.

Yours faithfully,

.....  
**Bernard Tansey**  
*(Chairman)*

## APPENDIX I

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### Further Terms of the Offer

The following conditions and further terms apply, unless the context otherwise requires, to the Offer. Reference to the "Offer" in this Appendix and in the Form of Acceptance shall, unless the context requires, include any revision or extension of it.

#### 1. Conditions of the Offer

The Offer is subject to the following conditions:

- (a) the passing of all the Resolutions set out in the notice of EGM; and
- (b) insofar as the Offer relates to the purchase by the Company of in excess of 530,773 Ordinary Shares and the cancellation of the share premium account of the Company taking effect, if the cancellation of share premium account does not take effect before 31 August 2006 the Offer will be limited to the purchase of 530,773 Ordinary Shares and the terms of the Offer will be varied accordingly.

#### 2. Scaling Back

If acceptances are received in respect of such number of Ordinary Shares as are in excess of the number of Ordinary Shares the subject of the Offer, applications will, subject to priority being given to all Shareholders holding 5,000 Ordinary Shares or less who wish to sell all of their Ordinary Shares, be scaled back pro rata by reference to the aggregate number of Ordinary Shares the subject of acceptances under the Offer.

#### 3. Acceptance Period

The Offer will close at 5.30 pm on 27 July 2006 and will not be capable of acceptance after that time and date.

#### 4. Overseas Shareholders

- (a) The Offer is not being made directly or indirectly in or into any country other than the United Kingdom. Accordingly, copies of this document and any related documents must not be mailed or otherwise distributed or sent in, into or from any other country outside the United Kingdom, including to Ordinary Shareholders with addresses outside the United Kingdom.
- (b) Any Forms of Acceptance received from an Ordinary Shareholder from outside of the United Kingdom or with an address outside the United Kingdom will be rejected at the absolute discretion of the Company.

#### 5. General

- (a) The instructions, authorities and provisions contained or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer.

- (b) The Offer and the Form of Acceptance shall be governed by and construed in accordance with English law.
- (c) The making of the Offer to certain persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Ordinary Shareholders not resident in the UK should inform themselves about and observe any applicable legal requirements. It is the responsibility of any person outside the UK wishing to accept the Offer to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities.
- (d) All powers of attorney and authorities on the terms conferred by or referred to in this Appendix I or in the Form of Acceptance are given by way of security for the performance of the obligations of the Ordinary Shareholder concerned and are irrevocable in accordance with Section 4 of the Powers of Attorney Act 1971.
- (e) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or other document(s) of title will be given.
- (f) All documents and remittances sent by or to Ordinary Shareholders will be sent at their risk.

## **6. Form of Acceptance**

Each Ordinary Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company (so as to bind him, his heirs, successors and assigns) to the following effect:

- (a) that the execution of the Form of Acceptance shall constitute an acceptance of the Offer in respect of up to the number of his Ordinary Shares inserted or deemed to be inserted in Box 1 of the Form of Acceptance, subject to the terms and conditions set out in or referred to in this document and each such acceptance shall be irrevocable;
- (b) that the Ordinary Shares in respect of which the Offer is accepted or deemed to be accepted are sold free from all liens, equities, charges and encumbrances and, save as otherwise provided by the terms of the Offer, together with all rights attaching to them;
- (c) that the execution of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms, the irrevocable appointment of any director of the Company or any person nominated by such director as such Ordinary Shareholder's attorney in his name and on such Ordinary Shareholder's behalf to execute all or any documents at the attorney's discretion in relation to the Ordinary Shares referred to in sub-paragraph (a) of this paragraph 6;
- (d) that the execution of a Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting Ordinary Shareholder not having validly withdrawn his acceptance, an irrevocable authority and request to the Company or its agents to procure the despatch by post of a cheque in respect of the cash payable to such Ordinary Shareholders of the price payable for the Ordinary Shares (less any sums owed at that date by that shareholder to the Company) at the risk of such shareholder to the person whose name and address is set out in box 2 of the Form of Acceptance or, if none is set out, to the first named holder at his registered address;

- (e) that he agrees to ratify each and every act or thing which may be done or effected by any director of the Company and/or its respective agents or attorneys in the proper exercise of any of the powers and/or authorities under the Offer; and
- (f) that the execution of the Form of Acceptance constitutes his submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the Courts of England.

Reference in this paragraph to Ordinary Shareholder shall include reference to the person or persons executing a Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

## APPENDIX II

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### Taxation

#### Income and Capital Tax Considerations

**This summary is intended for Shareholders who are resident or ordinarily resident in the United Kingdom for taxation purposes in respect of their holdings of the Company's shares and who hold such shares as investments. This summary is intended only as a general guide and does not constitute advice to any Shareholder on his or her personal tax position and may not apply to certain classes of Shareholder (such as dealers or pension providers). The summary is based on current legislation and HM Revenue and Customs practice. Any Shareholder who is in any doubt as to his or her tax position, or who may be subject to tax in any other jurisdiction, should consult his or her professional adviser.**

The tax implications of a purchase of own shares, for both the shareholder and company, will differ depending on whether the purchase is classified as a return of capital or a distribution to shareholders.

Even if the payment is a dividend, if a company can demonstrate that the purchase of own shares is wholly or mainly for the purposes of benefiting its trade and the investor also meets several other conditions then the purchase will instead be treated as a capital transaction and any gains/losses will be subject to the rules of capital gains tax in the usual way.

However, HM Revenue and Customs may challenge the treatment of a purchase of own shares as capital and as such, should any individual investor wish to claim capital treatment, then they should seek their own personal tax advice in relation to this matter.

This summary has, therefore, been set-out on the basis that the purchase of own shares will be taxed under the income tax rules instead of as a capital gain.

#### Implications for the Company

Stamp Duty will be payable by the Company on the purchase of its own shares, at a rate of 0.5% of the consideration paid.

#### Implications for the Shareholders

##### UK Taxation

The liability of Shareholders to United Kingdom income tax or capital gains tax will depend on: the length of time that the shares were held; whether the Shareholder received EIS income tax relief which has not subsequently been withdrawn; whether EIS reinvestment relief has been claimed and the Shareholders' marginal rate of tax and availability of capital losses. In particular:

- 1 A Shareholder who originally subscribed for shares in the Company or subscribed for shares in St

Mark Homes Capital Plc (“SMHC”) and received their shares in the Company as a result of the share for share exchange, as detailed in the offer document dated 26 July 2004, should not have a liability to either income tax, or capital gains tax. This is due to the fact that the offer price of 88 pence is below that of the original subscription price and, therefore, the shares will be deemed to be disposed of at a “loss”. However, those Shareholders may also be able to obtain further tax relief in respect of this “loss”. Their claim for relief could be set against their other income or against their capital gains. The amount of such relief will vary depending on the extent to which they have other taxable income, other taxable capital gains and also to the extent that the Shareholders received EIS income tax relief which has not subsequently been withdrawn. Shareholders should seek their own tax advice on the extent to which further relief is available against their income and capital gains tax liability;

- 2 A Shareholder who acquired shares in the Company for a price greater than or equal to the offer price of 88 pence should not have a liability to either income tax or capital gains tax as these shares will not be deemed to be disposed at either a profit or a gain. A Shareholder who originally acquired shares in SMHC for a price greater than or equal to 96.8 pence (eleven tenths of the offer price) should also not have a liability to either income tax or capital gains tax as these shares will not be deemed to have been sold at either a profit or a gain. These Shareholders may also be able to obtain further tax relief against their other income but only if they originally subscribed for their shares. The amount of such relief will vary depending on the extent to which they have other taxable income. Regardless of whether or not they subscribed for their shares, or acquired them in the market, they should be able to set any loss against any capital gains arising in the year of disposal or in future years. Such a claim will be reduced by any claim for income tax relief. Shareholders should seek their own personal tax advice on the extent to which further relief is available against their income and capital gains tax liability;
- 3 A Shareholder who acquired shares in the Company, or acquired shares in SMHC, for a price less than the offer price of 88 pence may be regarded as receiving a dividend equal to the difference between the offer price and the amount paid for the share. The amount of income tax payable on this dividend will depend on their personal tax position and they should seek their own tax advice in respect of this matter; and
- 4 A Shareholder who deferred a previous gain through either subscribing for, or acquiring shares in either the Company or SMHC will crystallise the deferred gain on the disposal of their shares to the Company. Gains that have come back into charge can be deferred again if the Shareholder makes another qualifying investment in an EIS qualifying company in the 36 months following the event or in the period up to 12 months before the event. The amount of capital gains tax payable will depend on their personal tax position and again they should seek their own tax advice in respect of this matter.

## APPENDIX III

### Additional Information

#### 1. Responsibility

The directors of the Company (whose names appear on page 3) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors' Interest in Shares

As at close of business on 25 May 2006 (being the latest practicable date prior to the publication of this document), the interests of each director, all of which are beneficial unless stated otherwise, in the share capital of the Company which:

- 2.1 have been notified by each director to the Company pursuant to Sections 324 or 328 of the Act; or
- 2.2 are required pursuant to Section 325 of the Act to be entered in the register referred to in it; or
- 2.3 are interests of connected persons of a director which would, if the connected person were a director of the Company, be required to be disclosed under paragraph 2.1 or recorded by the Company under paragraph 2.2 above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director, were as follows:

	<i>Number of Ordinary Shares</i>	<i>% of issued ordinary share capital</i>	<i>A Shares</i>
Michael Chicken	2	0.00004%	4
William Gair	0	0%	0
Andrew Mullins	0	0%	0
Sean Ryan	40,002	0.8%	20
Bernard Tansey	310,000	6.2%	40

#### 3. Litigation

No legal or arbitration proceedings are active, pending or threatened or being bought by the Company or which are having or may have a significant effect on the Company's financial position.

#### **4. Significant Changes**

Since 31 December 2005 there have been no significant changes in the financial or trading position of the Company.

#### **5. Consent**

Merchant Place Corporate Finance Limited have given and not withdrawn their written consent to the inclusion of the reference to them and their name in this document in the form and context in which they appear.

#### **6. Documents available for inspection**

Copies of the following documents will be available for inspection from the date of this document until 28 June 2006 during normal business hours and on any weekday (Saturdays and public holidays accepted) and during the EGM at the registered office of the Company at Heron House, 109 Wembley Hill Road, Wembley, Middlesex HA9 8DA:

- 6.1 the audited annual accounts of the Company for the year ended 31 December 2005;
- 6.2 the letter of consent referred to in paragraph 5 of Appendix III; and
- 6.3 this offer document which constitutes the terms of an “off-market” purchase as defined in Section 163 of the Act. For the purposes of Section 163 of the Act all Shareholders of the Company as at the Record Date are deemed to be the persons to which the “off-market” purchase relates.

## APPENDIX IV

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### ST MARK HOMES II PLC

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of St Mark Homes II Plc will held at Heron House, 109 Wembley Hill Road, Wembley, Middlesex HA9 8DA on 28 June 2006 at 10.30am for the purpose of considering and, if thought fit, passing the following Special Resolutions, namely:

#### SPECIAL RESOLUTIONS

- (a) THAT, subject to the confirmation of the Court and the passing of Resolutions (b) and (c) below, the share premium account of the Company be cancelled;
- (b) THAT, subject to the passing of Resolutions (a) and (c), the contract proposed to be entered into by the Company and accepting shareholders for the purchase of up to 2,272,727 Ordinary Shares of 50p each in the capital of the Company, the terms of which are set out in the Offer Document and accompanying Form of Acceptance dated 26 May 2006, be and is hereby authorised. This authority shall expire on 31 August 2006.
- (c) THAT, subject to the passing of Resolutions (a) and (b) above, the draft regulations produced to the meeting and initialled by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association.

A copy of the new Articles of Association of the Company is available for inspection at the registered office of the Company.

Dated 26 May 2006

***Registered Office:***

Heron House  
109 Wembley Hill Road  
Wembley  
Middlesex  
HA9 8DA

BY ORDER OF THE BOARD

**Barry Tansey**  
*Secretary*

*Notes:*

- (1) A Member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Member of the Company. The appointment of a proxy will not preclude a Member from being present at the Meeting and voting in person if he or she should subsequently decide to do so.
- (2) Forms of Proxy must be lodged with Park Circus Registrars at James Sellers House, 2nd Floor, 144-146 West George Street, Glasgow G2 2BR at least 48 hours before the Meeting.

## FORM OF ACCEPTANCE

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**You must send your completed Form of Acceptance by post or deliver it by hand to Park Circus Registrars at James Sellers House, 2nd Floor, 144-146 West George Street, Glasgow G2 2BR so as to be received as soon as possible but, in any event, not later than 5.30 pm on 27 June 2006. After this date, no further applications will be accepted by the Company.**

Offer by St Mark Homes II Plc (the “**Company**”) to purchase for cash up to 2,272,727 Ordinary Shares at a price of 88 pence per Ordinary Share. Before making any application you are recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.

You may apply to sell some or all of your Ordinary Shares in the Company subject to a minimum of 1,000 Ordinary Shares to the Company. Priority will be given to Shareholders holding 5,000 Ordinary Shares or less who wish to dispose of their entire shareholding in the Company.

1. I/We offer to sell to the Company \_\_\_\_\_ Ordinary Shares in respect of which this application may be accepted by the Company at 88p per Ordinary Share on the terms and subject to the conditions of the Offer dated 26 May 2006 and subject to the memorandum and articles of the Company.
2. I/We attach share certificates representing the Ordinary Shares set out in 1. above.
3. I/We confirm that I am/ we are applying on my/our behalf, that I/we have read, accepted and understood the terms and conditions set out in the Offer, that I/we have taken appropriate professional advice before submitting this Form of Acceptance and that I/we are aware that the price per Ordinary Share of the Offer may be less than the current market price of the Ordinary Shares and that I/we may make a loss on my/our original investment in the Company by accepting the Offer.

4. I/We:

accept the Offer in respect of all of the Ordinary Shares held by me/us in the Company

accept the Offer in respect of the following number of my/our Ordinary Shares:

Number of Ordinary Shares to be sold to the Company:

## FORM OF ACCEPTANCE

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**IF YOU WISH TO RETAIN ALL YOUR ORDINARY SHARES DO NOT ACCEPT THE OFFER**

6. Shareholder Details:

**Shareholder**

Full Name:
Address:
Post code:
Home Telephone:
Email:

**Joint Shareholder** *(if applicable)*

Full Name:
Address:
Post code:
Home Telephone:
Email:

7. Signature Requirements:

Signature:
Date:

Signature:
Date:

8. I/We authorise the Directors of the Company and Park Circus Registrars to contact me/us by telephone in connection with queries arising on my/our behalf.