Registered no: R000521

The Martin Estates Company Limited

Annual Report

for the year ended 31 December 2012

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The Martin Estates Company Limited

Annual report for the year ended 31 December 2012

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Directors and advisers

Directors

W G Martin (Chairman)
D W R Martin
T W D Martin
T M Clarke
G H G Martin

Company secretary

D.W.R Martin – Appointed 31/08/12
B.R. Kane – Resigned 31/08/12

Registered office

163 Ormeau Road
Belfast
BT7 1SP

Bankers

Northern Bank Limited
Donegall Square West
Belfast
BT1 6JS

Ulster Bank Limited
11-16 Donegall Square East
Belfast
BT1 5UB

Independent Auditors

KPMG
Stokes House
17-25 College Square East
Belfast
BT1 6DH

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012.

Principal activities

The company's principal activity during the year was that of the renting and development of property.

Business review

The directors consider the results for the year to be satisfactory. The company will continue to seek every opportunity to increase profitable turnover.

Key performance indicators

The company's key performance indicators are as follows:

	2012	2011
Operating profit (£)	**87,220**	31,685

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in the market price of materials and services, credit risk, liquidity risk and interest rate risk. The company has in place various procedures that seek to limit the adverse effects on the financial performance of the company by monitoring each area of risk including levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity and service price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Foreign exchange risk

The company has no exposure to foreign exchange risk.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is assessed regularly by the board.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, a portion of which earn interest at fixed rates. The company will, if it is considered appropriate, maintain a portion of its debt at a fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Results and dividends

The company's profit for the financial year is £57,747 (2011: £35,373). A final dividend, in respect of the prior year, of £65,000 (2011: £65,000) was paid during the year.

Directors' report for the year ended 31 December 2012 (continued)

Political and charitable donations

The company made no charitable or political donations during the year (2011: £Nil).

Directors

The directors who served during the year are shown on page 1.

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 Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware:

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

Auditors

Pursuant to Section 487 of the Companies Act 2006 the Auditors will be deemed to be reappointed and KPMG will therefore continue in office.

By order of the Board

D.W.R. Martin
Company secretary
Date: 11 September 2013

KPMG
Chartered Accountants
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditors' report to the members of The Martin Estates Company Limited

We have audited the financial statements of The Martin Estates Company Limited for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

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.

KPMG, an Irish partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

KPMG
Chartered Accountants
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditors' report to the members of The Martin Estates Company Limited (continued)

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.

Jon D'Arcy (**Senior Statutory Auditor**)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Stokes House
17-25 College Square East
Belfast
BT1 6DH

12 September 2013

Profit and loss account for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	**305,668**	488,793
Cost of sales		**(100,494)**	(370,708)
Gross profit		**205,174**	118,085
Administrative expenses		**(117,954)**	(90,050)
Other Operating Income		-	3,650
Operating profit	3	**87,220**	31,685
Profit on sale of fixed assets		-	35,000
Interest receivable and similar income		-	-
Interest payable and similar charges	6	**(14,721)**	(16,538)
Profit on ordinary activities before taxation		**72,499**	50,147
Tax on profit on ordinary activities	7	**(14,752)**	(14,774)
Profit for the financial year	17, 18	**57,747**	35,373

All amounts above relate to continuing operations of the company.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

The notes on pages 9-16 form an integral part of these financial statements.

Statement of total recognised gains and losses for the year ended 31 December 2012

	2012	2011
	£	£
Profit for the financial year	**57,747**	35,373
Revaluation	-	-
Total recognised gains and losses relating to the year	**57,747**	35,373

Balance sheet as at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	8	**4,621,032**	4,562,703
Investments	9	**1,207,906**	1,207,906
		5,828,938	5,770,609
Current assets			
Stock	12	**1,728,146**	1,728,145
Debtors	13	**462,182**	455,837
Cash at bank and in hand		**-**	-
		2,190,328	2,183,982
Creditors: amounts falling due within one year	14	**(1,989,173)**	(1,765,739)
Net current assets		**201,155**	418,243
Total assets less current liabilities		**6,030,093**	6,188,852
Creditors: amounts falling due after more than one year	15	**(718,197)**	(869,703)
Net assets		**5,311,896**	5,319,149
Capital and reserves			
Called up share capital	16	**397,010**	397,010
Revaluation reserve	17	**716,993**	736,795
Profit and loss account	17	**4,197,893**	4,185,344
Total shareholders' funds	18	**5,311,896**	5,319,149

The notes on pages 9-16 form an integral part of these statements.

The financial statements on pages 6 to 16 were approved by the board of directors on 11/9/13 and were signed on its behalf by:

W G Martin
Director

Registered number: R000521

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 2 to 3. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the directors' report.

As described in the directors' report on page 2 the current economic environment is challenging and the directors consider that the outlook presents significant challenges in terms of sales volume and pricing as well as input costs. Whilst the directors have instituted measures to preserve cash, these circumstances create uncertainties over future trading results and cash flows.

After making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Consolidation

These financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, H&J Martin Holdings Limited, a company incorporated in Northern Ireland.

Cash flow

The company is a wholly owned subsidiary of H & J Martin Holdings Limited, the company's ultimate parent undertaking and the company is included in the consolidated financial statements of H & J Martin Holdings Limited. Consequently the company has taken advantage of the exemption from preparing a cash flow statement contained in FRS 1 " Cash flow statements."

Turnover

Turnover comprises income from the sale of sites or complete developments and property rental income. Turnover in respect of the sale of sites or completed developments is recognised when the sales have been legally completed.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated deprecation.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

Freehold land	Nil
Plant and equipment	10% to 33.3% straight line

Investment properties

Investment properties are stated at open market value. In accordance with SSAP 19 Investment properties are not depreciated. This treatment is a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets, however, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Interest capitalised

Interest costs directly attributable to properties in the course of development are capitalised gross of tax relief during the period of development. Capitalisation of interest ceases when substantially all of the activities that are necessary to get the asset ready for use are complete.

Investments in subsidiaries

Investments in subsidiaries are held as fixed assets and are stated at historical cost less provision for impairment.

Development property

Development property is stated at the lower of cost and net realisable value.

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

Pension costs

The company operates a defined contribution scheme for its directors and employees. The cost of funding the defined contribution scheme is charged to the profit and loss account as incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

2 Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom.

No analysis of turnover is presented as the directors consider such disclosure to be seriously prejudicial to the company's interests.

3 Operating profit

	2012	2011
	£	£
Operating profit is stated after charging:		
Staff costs (Note 4)	**34,266**	34,169
Auditors' remuneration for audit services	**6,150**	5,700

Notes to the financial statements for the year ended 31 December 2012 (continued)

4. Employee information

	2012	2011
	£	£
Staff costs		
Wages and salaries	**34,000**	34,000
Social security costs	**266**	169
	34,266	34,169

	Number	Number
The average monthly number of persons employed by the company (including executive directors) during the year by activity was:		
Salaried	**6**	6

5. Directors' emoluments

	2012	2011
	£	£
Remuneration as executives	**30,000**	30,000
Company pension contributions to defined contribution schemes	**-**	-

Retirement benefits are accruing to three (2011: three) directors under defined contribution schemes.

6 Interest payable and similar charges

	2012	2011
	£	£
Interest payable on bank loans	**14,721**	16,538

7 Tax on profit on ordinary activities

	2012	2011
	£	£
Current tax:		
UK Corporation Tax on profits for the year	**14,752**	13,392
Adjustment in respect of previous periods	**-**	1,382
Tax on profit on ordinary activities	**14,752**	14,774

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such provision is only permitted by FRS 19 where the company has entered into a binding commitment to sell the property at the year end with any taxable gain not likely to be eligible for rollover relief. The total amount unprovided for is £Nil (2011: £Nil).

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK of 24% (2011: 26%). The differences are explained on the following page:

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Tax on profit on ordinary activities (continued)

	2012 £	2011 £
Profit on ordinary activities before taxation	**72,499**	50,147
Profit on ordinary activities multiplied by the standard rate of corporation tax of 24% (2011: 26%)	**17,330**	13,285
Income not taxable for tax purposes	**-**	114
Tax at marginal rates	**(2,578)**	-
Group relief (received) / surrendered not paid for	**-**	(7)
Adjustment to tax charge in respect of previous periods	**-**	1,382
Current tax charge for the year	**14,752**	14,774

Factors which may affect future tax charges.

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was subsequently enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge.

8 Tangible fixed assets

	Investment property £	Freehold land £	Plant and equipment £	Total £
Cost or valuation				
At 1 January 2012	**3,757,084**	**805,619**	**2,543**	**4,565,246**
Additions	**-**	**58,329**	**-**	**58,329**
Disposals	**-**	**-**	**-**	**-**
At 31 December 2012	**3,757,084**	**863,948**	**2,543**	**4,623,575**
Accumulated depreciation				
At 1 January 2012	**-**	**-**	2,543	2,543
Charge	**-**	**-**	**-**	**-**
At 31 December 2012	**-**	**-**	**2,543**	**2,543**
Net book amount				
At 31 December 2012	**3,757,084**	**863,948**	**-**	**4,621,032**
At 31 December 2011	3,757,084	805,619	-	4,562,703

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Tangible fixed assets (continued)

	Investment property £	Freehold land £	Plant and equipment £	Total £
Analysis at cost or valuation				
At cost	-	863,948	-	863,948
At valuation	3,757,084	-	-	3,757,084
	3,757,084	**863,948**	-	**4,621,032**

The long leasehold investment property was valued at 31 December 2012 by the Directors, on an open market value basis.

The carrying value of the investment property includes £364,594 of interest on borrowings which had been capitalised in prior years. This interest was on specific borrowings used for development purposes. There has been no interest capitalised in the current year (2011: £Nil).

If the long leasehold investment property had not been revalued, it would have been included at the following amounts:

	Long leasehold investment 2012 £	Long leasehold investment 2011 £
Cost	**2,993,573**	2,993,573
Net book amount	**2,993,573**	2,993,573

9 Investments

Cost/valuation and net book amount	2012 £	2011 £
Investment in subsidiary undertaking (Note 10)	**1,158,385**	1,158,385
Investment in associate undertaking (Note 11)	**21**	21
Ground rents at valuation	**49,500**	49,500
	1,207,906	1,207,906

The ground rents were valued on 31 December 2012 by the directors, on the basis of open market value.

10 Investment in subsidiary undertaking

	2012 £	2011 £
H & J Martin Limited – 100% owned		
80,000 ordinary shares of £1 each, at cost	**158,385**	158,385
1,000,000 redeemable preference shares of £1 each, at cost	**1,000,000**	1,000,000
	1,158,385	1,158,385

H & J Martin Limited operates in the construction industry and is incorporated in Northern Ireland. In the opinion of the directors the value of the investment in subsidiaries is not less than the amount at which it is shown in the financial statements.

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Investment in associated undertaking

In 2009 the company purchased 50% of the issued ordinary share capital (10 ordinary shares) of H&J Martin Construction and Fit Out SRL, a company incorporated in Romania for a consideration of £21. The principal activity of the company is within the construction industry.

12 Stock

	2012	2011
	£	£
Development property	**1,728,146**	1,728,145

Included in development property is interest on borrowings previously capitalised amounting to £287,897. No interest has been capitalised in respect of the current year (2011: £Nil).

13 Debtors

	2012	2011
	£	£
Trade debtors	**1,478**	4,139
Amounts owed by group undertakings	**251,184**	251,184
Other debtors	**194,549**	185,750
Prepayments and accrued income	**14,971**	14,764
	462,182	455,837

14 Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	**1,615**	3,435
Bank overdraft	**1,648,936**	469,761
Bank loans (Note 15)	**166,200**	166,200
Amounts owed to group undertakings	**89,612**	944,365
Corporation tax payable	**14,753**	63,966
Other tax and social security	**-**	20,152
Other creditors	**5,300**	5,300
Accruals and deferred income	**62,757**	92,560
	1,989,173	1,765,739

The bank overdraft is secured by a fixed charge over the site and property at 163 Ormeau Road, Belfast.

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Creditors: amounts falling due after more than one year

	2012	2011
	£	£
Bank loans	**718,197**	869,703

Security

The loan from the Ulster Bank amounting to £884,397 (2011: £1,035,903) of which £166,200 (2011: £166,200) is disclosed as falling due within one year is secured by a fixed charge on land and buildings at 10/20 Lombard Street and cross guarantees from H&J Martin Limited and H&J Martin Holdings Limited.

	2012	2011
	£	£
The maturity of bank overdrafts and loans is as follows:		
Less than one year, or on demand	**1,815,136**	635,961
Between one and two years	**166,200**	166,200
Between two and five years	**498,600**	498,600
After more than five years	**53,397**	204,903
	2,533,333	1,505,664
Less: Included in bank loans and overdrafts falling due within one year	**(1,815,136)**	(635,961)
	718,197	869,703

The Ulster Bank loan has a thirteen year term and is repayable in monthly instalments of £13,850. At the balance sheet date, interest accrues at the rate of £1,193 (2011: £1,341) per month. All of the borrowings repayable after five years are payable by way of instalment, and the loan is scheduled for re-financing in September 2018.

16 Called up share capital

	2012	2011
	£	£
Allotted and fully paid		
397,010 ordinary shares of £1 each	**397,010**	397,010

17 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 January 2012	736,795	4,185,344
Transfer of revalued profits on disposal	(19,802)	19,802
Profit for the financial year	-	57,747
Dividends paid	-	(65,000)
At 31 December 2012	**716,993**	**4,197,893**

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Reconciliation of movements in shareholders' funds

	2012	2011
	£	£
Profit for the financial year	57,747	35,373
Dividends paid	(65,000)	(65,000)
Net reduction in shareholders' funds	(7,253)	(29,627)
Opening shareholders' funds	5,319,149	5,348,776
Closing shareholders' funds	**5,311,896**	5,319,149

19 Contingent liabilities

The company is joined in unlimited cross guarantees with its subsidiaries in respect of bank overdrafts owing to the Northern Bank Limited and all monies owing to the Bank of Ireland.

The company is joined in unlimited cross guarantees with H&J Martin Limited and H & J Martin Holdings Limited in respect of any monies owing to the Northern Bank Limited. The guarantee includes a first legal mortgage over freehold land at 163 Ormeau Road.

20 Related party transactions

The company has taken advantage of the exemptions contained in FRS 8 "Related Party Transactions" not to disclose transactions with related parties as 100% of the voting rights of the company are controlled within the group.

21 Ultimate controlling party

The immediate and ultimate parent undertaking and smallest and largest group for which group financial statements are drawn up and of which the company is a member is H&J Martin Holdings Limited, a company incorporated in Northern Ireland. Copies of the group financial statements are available to the public from Companies Registry, Second Floor, The Linenhall, 32 – 38 Linenhall Street, Belfast, BT2 8BG. No other group financial statements include the results of the company.

The directors consider the ultimate controlling party to be the Martin family.