

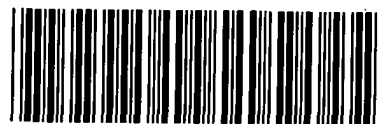
J. R. Smart (Builders) Limited

Annual report and financial statements

Registered number 01148586

31 December 2018

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Strategic Report

Principal activities

The principal activity of the Company during the year was property development.

Business review

- 2018 was a year of consolidation for JR Smart given the sudden loss of the Company's Chairman.
- There were no development sales in the year as the company continued with its development of the next phase at the Capital Quarter site. The decrease in sales, by comparison to 2017, resulted in a change from a gross profit of £10,207,218 in 2017 to a gross loss of £36,460 in 2018.
- The directors consider the granting of leases in relation to trading stock of properties significantly enhances the attractiveness of its properties to potential purchasers.
- The Directors are confident that their strategic aims, as revised at the outset of 2018, continue to be relevant, and on track.
- Similarly, our close working relationship with Lloyds Bank means that we have also been able to involve their senior management team in discussions around strategic plans for the future and call upon them for continued lending support.
- Costs were again in line with directors' expectations.

Financial risk report

- Development projects are only started (or sites acquired) after our experienced Professional team have carried out suitable due diligence on our behalf.
- All projects are reviewed by our management team and external Quantity Surveyors before commencement, and monthly cost information is prepared to make sure there are no cost over-runs.
- As well as using local building control inspectors, building projects are independently inspected by the insurance company's inspectors in order to provide an additional layer of cover/comfort to tenants.
- Financial risk is monitored through:
 1. The setting of budgets and their monitoring on a monthly basis
 2. Regular tracking of commitments against available funding and headroom
 3. Close attention to cost against targets on a project by project basis

Outlook and future developments

- The outlook for 2019 and beyond is positive given our pipeline and lease events due.
- The outcome of Brexit negotiations is uncertain, but the Directors are of the opinion that the nature of the Company's planned developments will continue to be attractive to potential external investors.
- Consequently, and given the shortage of quality development stock available in our area of operation, the Directors remain confident that the short to medium term outlook remains positive.
- Given the continued strength of the Company's balance sheet at the end of the financial year and beyond, combined with the continued support of funders, the Directors are firmly of the view that the financial health of the business is sound.

Strategic Report *(continued)*

Going concern

The company has net current assets of £26.0m and net assets of £26.1m, of which £35.8m is stock related to its property development activities, and has a £15m overdraft facility (of which £10.0m was drawn at the year-end) which is due for renewal in August 2019.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility, to meet its liabilities as they fall due for that period. In certain downside scenarios, including significant delays in the sale of properties currently in stock, the directors will have to take mitigating actions to conserve cash and ensure the company operates within its facilities. The principal controllable mitigating action is the deferral of some expenditure relating to new property development activities.

These forecasts assume that the company will continue to have access to finance on similar terms to its current facilities throughout the forecast period. As with any refinancing in the current economic climate, the directors acknowledge that there can be no certainty that this facility will be renewed in August 2019. However, on the basis of discussions with the company's bankers, the directors are confident that the current facilities can be successfully refinanced.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

By order of the board



AG Smart
Managing Director

7/8 Park Place
Cardiff
CF10 3DP

8 July 2019

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2018.

Dividends

No dividends were paid or proposed during the year (2017: £Nil).

Directors

The directors who held office during the year were:

J R Smart (Chairman) (passed away 6th August 2018)
AG Smart
GE Smart

Other information

An indication of likely future developments in the business has been included in the Strategic Report on pages 1 to 2.

Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board


AG Smart
Managing Director

7/8 Park Place
Cardiff
CF10 3DP

 July 2019

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



KPMG LLP

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

Independent auditor's report to the members of J.R. Smart (Builders) Limited

Opinion

We have audited the financial statements of J R Smart (Builders) Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of stock and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Independent auditor's report to the members of J.R. Smart (Builders) Limited *(continued)*

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent auditor's report to the members of J.R. Smart (Builders) Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

(1) July 2019

Profit and loss account
for the year ended 31 December 2018

	<i>Note</i>	2018 £	2017 £
Turnover	2	87,192	25,654,327
Cost of sales		(123,652)	(15,447,109)
		<hr/>	<hr/>
Gross (loss)/profit		(36,460)	10,207,218
Administrative expenses		(920,730)	(2,179,601)
Other operating income	3	516,158	488,407
		<hr/>	<hr/>
Operating (loss)/profit		(441,032)	8,516,024
Interest receivable and similar income	7	8,065	-
Interest payable and similar expenses	7	(98,471)	(355,932)
		<hr/>	<hr/>
(Loss)/Profit before taxation	2-7	(531,438)	8,160,092
Tax on (loss)/profit	8	88,671	(1,584,505)
		<hr/>	<hr/>
(Loss)/Profit for the financial year		(442,767)	6,575,587
		<hr/> <hr/>	<hr/> <hr/>

The profit and loss account presents all items of income and expense recognised in both 2018 and 2017. There are no other items of comprehensive income in either year. All items relate to continuing activities.

Balance sheet
at 31 December 2018

	Note	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	9		125,855		120,312
Investments	10		9,003		9,003
			<u>134,858</u>		<u>129,315</u>
Current assets					
Stocks	11	35,813,237		23,701,385	
Debtors	12	794,297		731,402	
Cash at bank and in hand	14	500,490		6,244,161	
			<u>37,108,024</u>	<u>30,676,948</u>	
Creditors: amounts falling due within one year	15	(11,117,089)		(4,237,703)	
			<u>25,990,935</u>	<u>26,439,245</u>	
Net current assets					
			<u>26,125,793</u>	<u>26,568,560</u>	
Net assets					
			<u>26,125,793</u>	<u>26,568,560</u>	
Capital and reserves					
Called up share capital	17	1,500		1,500	
Profit and loss account			26,124,293	26,567,060	
			<u>26,125,793</u>	<u>26,568,560</u>	
Shareholders' funds					
			<u>26,125,793</u>	<u>26,568,560</u>	

These financial statements were approved by the board of directors on
by:

8 July 2019 and were signed on its behalf


AG Smart
Managing Director

Company registered number: 01148586

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2017	1,500	19,991,473	19,992,973
Total comprehensive income for the year			
Profit for the year	-	6,575,587	6,575,587
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	6,575,587	6,575,587
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	1,500	26,567,060	26,568,560
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2018	1,500	26,567,060	26,568,560
Total comprehensive loss for the year			
Loss for the year	-	(442,767)	(442,767)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(442,767)	(442,767)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	1,500	26,124,293	26,125,793
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cash flow statement
for the year ended 31 December 2018

	<i>Note</i>	Year ended 31 December 2018 £	Year ended 31 December 2018 £
Cash flows from operating activities			
(Loss)/Profit for the period		(442,767)	6,575,587
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		38,464	39,382
Profit on disposal of tangible fixed assets		(25,315)	-
Interest receivable and similar income		(8,065)	-
Interest payable and similar expenses		98,471	355,932
Taxation		(88,671)	1,584,505
		(427,883)	8,555,406
(Increase)/Decrease in stocks		(12,111,852)	4,731,427
Decrease in debtors		25,776	3,549,168
(Decrease) in creditors		(1,988,567)	(686,185)
		(14,502,526)	16,149,816
Interest paid		(98,471)	(355,932)
Tax paid		(1,585,606)	(722,470)
Interest received		8,065	-
		(16,178,538)	15,071,414
Net cash flow from operating activities		(16,178,538)	15,071,414
Cash flows from investing activities			
Proceeds from disposals of tangible fixed assets		98,858	-
Acquisition of tangible fixed assets		(117,550)	-
Acquisition of subsidiary		-	(3)
		(18,692)	(3)
Net cash flow from investing activities		(18,692)	(3)
Cash flows from financing activities			
Proceeds from new loan		500,000	2,500,000
Repayment of bank loan		-	(11,500,000)
		500,000	(9,000,000)
Net cash flow from financing activities		500,000	(9,000,000)
Net (decrease)/increase in cash and cash equivalents		(15,697,230)	6,071,411
Cash and cash equivalents at beginning of year		6,244,161	172,750
Cash and cash equivalents at end of year	<i>14</i>	(9,453,069)	6,244,161

Notes

(forming part of the financial statements)

1 Accounting policies

J.R. Smart (Builders) Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in the UK (Wales).

The Company is exempt by virtue of s402 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with FRS 102. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest pound.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The company has net current assets of £26.0m and net assets of £26.1m, of which £35.8m is stock related to its property development activities, and has a £15m overdraft facility (of which £10.0m was drawn at the year-end) which is due for renewal in August 2019.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility, to meet its liabilities as they fall due for that period. In certain downside scenarios, including significant delays in the sale of properties currently in stock, the directors will have to take mitigating actions to conserve cash and ensure the company operates within its facilities. The principal controllable mitigating action is the deferral of some expenditure relating to new property development activities.

These forecasts assume that the company will continue to have access to finance on similar terms to its current facilities throughout the forecast period. As with any refinancing in the current economic climate, the directors acknowledge that there can be no certainty that this facility will be renewed in August 2019. However, on the basis of discussions with the company's bankers, the directors are confident that the current facilities can be successfully refinanced.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

1.3 Basic financial instruments (continued)

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Leasehold improvements	-	life of lease
Fixtures and fittings	-	15% per annum reducing balance
Office equipment	-	25% per annum reducing balance
Plant and machinery	-	25% per annum reducing balance
Motor vehicles	-	25% per annum reducing balance

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.5 Stocks

Stocks represent development work in progress and property for sale. Stocks are stated at the lower of cost and net realisable value. Cost comprises land, materials, direct labour and an appropriate proportion of construction overheads.

1.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.7 Turnover

Turnover comprises the value of sales (excluding VAT) of properties and related services (including service charges) of properties located in the United Kingdom. Turnover is recognised when the risks and rewards are transferred to the customer. This is normally on transfer of legal title (for sales of properties), or when the services are provided (for services of properties).

Notes (continued)

1 Accounting policies (continued)

1.8 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and payable

Interest includes interest receivable and payable and discounting of financial assets and liabilities.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2018 £	2017 £
Development sales	-	25,496,900
Service charge income	87,192	157,427
	<u>87,192</u>	<u>25,654,327</u>

All turnover arose from the principal activity of the company and in the UK.

Notes (continued)

3 Other operating income

	2018 £	2017 £
Rental income	516,158	488,407
	<u>516,158</u>	<u>488,407</u>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2018 £	2017 £
Hire of land and buildings – operating leases	50,372	53,500
Depreciation (see note 9)	38,464	39,382
	<u>50,372</u>	<u>39,382</u>

Auditor's remuneration:

	2018 £	2017 £
Audit of these financial statements	17,500	17,500
Amounts receivable by the company's auditor and its associates in respect of:		
Tax compliance services	5,000	5,000
Other tax advisory services	20,000	13,000
	<u>25,000</u>	<u>18,000</u>

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Administration	6	6
Site workers	3	3
	<u>9</u>	<u>9</u>

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	485,054	1,561,343
Social security costs	72,746	203,749
Pension contributions	2,593	61,379
	<u>560,393</u>	<u>1,826,471</u>

Notes *(continued)*

6 Directors' remuneration (being key management personnel compensation)

	2018 £	2017 £
Directors' remuneration (including company pension contributions of £nil) (2017: £60,000)	<u>253,782</u>	<u>1,425,522</u>

The remuneration of the highest paid director was £150,523 (2017: £1,085,060), and company pension contributions of £nil (2017: £30,000) were made to a money purchase scheme on his behalf.

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under: Money purchase schemes	<u>2</u>	<u>2</u>

7 Interest

7a Interest payable and similar expenses

	2018 £	2017 £
On bank overdraft and loans	<u>98,471</u>	<u>355,932</u>

7b Interest receivable and similar income

	2018 £	2017 £
Bank interest received	<u>8,065</u>	<u>-</u>

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account

	2018 £	2017 £
<i>Current tax</i>		
UK corporation tax	-	1,585,606
Adjustments in respect of prior periods	(92,115)	-
Total current tax	(92,115)	1,585,606
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	3,444	(1,101)
Prior year movement	-	-
Total deferred tax	3,444	(1,101)
Total tax (all recognised in the Profit and Loss Account)	(88,671)	1,584,505

Reconciliation of effective tax rate

	2018 £	2017 £
(Loss)/Profit for the year	(442,767)	6,575,587
Total tax	(88,671)	1,584,505
(Loss)/Profit excluding taxation	(531,438)	8,160,092
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	(100,973)	1,570,538
Change in tax rate on deferred tax balances	(406)	145
Non-deductible expenses	13,840	13,822
Adjustments in respect of prior years	(92,115)	-
Other permanent differences	48	-
Losses carried back	90,935	-
Total tax (credit)/expense included in profit or loss	(88,671)	1,584,505

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on the rates substantively enacted at the balance sheet date.

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office Equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost						
At beginning of year	13,755	27,498	10,207	36,740	218,835	307,035
Additions	-	-	1,692	-	115,858	117,550
Disposals	-	-	-	-	(190,705)	(190,705)
At end of year	13,755	27,498	11,899	36,740	143,988	233,880
Depreciation						
At beginning of year	13,755	22,674	2,870	27,144	120,280	186,723
Charge for the year	-	724	2,187	2,399	33,154	38,464
Disposals	-	-	-	-	(117,162)	(117,162)
At end of year	13,755	23,398	5,057	29,543	36,272	108,025
Net book value						
At end of year	-	4,100	6,842	7,197	107,716	125,855
At beginning of year	-	4,824	7,337	9,596	98,555	120,312

10 Fixed asset investments

	Share in group undertakings £	Unlisted investments £	Total £
Cost and net book value			
At beginning of the year	3	9,000	9,003
Additions	-	-	-
	3	9,000	9,003

The Company has the following investments in subsidiaries:

	Aggregate of capital and reserves £	Profit or loss for the year £	Class of shares held	Ownership %
Capital Quarter (Western Courtyard) Cardiff Management Limited	3	-	Ordinary	100

The registered office of Capital Quarter (Western Courtyard) Cardiff Management Limited is 7/8 Park Place, Cardiff, CF10 3DP.

Unlisted Investments

Investments are unquoted and, in the opinion of the directors, their market value is not materially different from their cost.

Notes (continued)

11 Stocks

	2018 £	2017 £
Work in progress and property for resale	35,813,237	23,701,385

12 Debtors

	2018 £	2017 £
Trade debtors	77,550	26,283
Prepayments and accrued income	381,199	62,254
Corporation tax	92,115	-
Deferred tax asset (see note 13)	26,434	29,878
Other debtors	216,999	612,987
	<u>794,297</u>	<u>731,402</u>

13 Deferred tax

	2018 £
Asset at beginning of year	29,878
Charge for the year in the profit and loss account	(3,444)
	<u>26,434</u>
Asset at end of year	<u>26,434</u>

The deferred tax asset, calculated using the liability method, is analysed as follows:

	2018 £	2017 £
Differences between depreciation and capital allowances	7,746	8,076
Other timing differences	18,688	21,802
	<u>26,434</u>	<u>29,878</u>

14 Cash and cash equivalents / bank overdrafts

	2018 £	2017 £
Cash at bank and in hand	500,490	6,244,161
Bank overdrafts	(9,953,559)	-
	<u>(9,453,069)</u>	<u>6,244,161</u>

Notes (continued)

15 Creditors: amounts falling due within one year

	2018 £	2017 £
Unsecured loan	500,000	-
Bank loans and overdraft	9,953,559	-
Trade creditors	184,593	644,485
Corporation tax	-	1,585,606
Other creditors including taxation and social security	35,945	1,412,540
Accruals and deferred income	442,992	595,072
	<u>11,117,089</u>	<u>4,237,703</u>

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018 £	2017 £
Unsecured loan	500,000	-
Bank loans and overdraft	9,953,559	-
	<u>9,953,559</u>	<u>-</u>

The unsecured loan of £500,000 was repaid in full on 14 March 2019. Interest was payable on the loan at a rate of Base Rate plus 4.25%.

The Company has a £15,000,000 overdraft facility available through to August 2019. The facility is secured against The Capital Quarter (Tyndall Street) stock holding and an unlimited debenture. Interest is payable at a rate of Base Rate plus 3%.

17 Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
1,500 ordinary shares of £1 each	1,500	1,500
	<u>1,500</u>	<u>1,500</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

There were no share capital transactions during the year.

18 Operating leases commitments

Non-cancellable operating lease rentals are payable as follows:

	2018 £	2017 £
Less than one year	50,570	50,250
	<u>50,570</u>	<u>50,250</u>

Notes *(continued)*

19 Related parties

The company paid rent and service charges of £33,100 (2017: £34,500) to the directors' pension scheme in respect of the company's office accommodation and car parking spaces. No amounts remained unpaid at the balance sheet date in respect of these transactions.

During the year the company borrowed £250,000 from GE Smart and £250,000 from AG Smart, both directors of the company. The loans were unsecured and interest was payable on the loan at a rate of Base Rate plus 4.25%. The loans were repaid in full on 14 March 2019.

20 Ultimate controlling party

The directors consider that The J R Smart Trust is the ultimate controlling party of the Company by virtue of its shareholding.

21 Accounting estimates and judgements

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

Stock valuation

Stock provisioning takes into account the nature of the work in progress and property for resale and its forecast future selling price. Stock provisioning is assessed annually. Changes in stock provision would lead to a change in Cost of Sales.