

**J R Smart (Builders) Limited**

**Directors' report and financial  
statements**

**Registered number 1148586**

**31 December 2010**



## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditor's report to the members of JR Smart (Builders) Limited	4
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes	9

## Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2010

### Principal activities

The principal activity of the group during the year was property development

### Business review

The level of sales reduced from £8,861,670 in 2009 to £1,333,090 in 2010. This was due to continuation in potential customers wanting leases rather than looking to purchase as a direct consequence of the "credit crunch" and occupiers not being able to obtain necessary finance to purchase units. The Directors consider that the granting of leases in relation to trading stock properties significantly enhances the attractiveness of the properties to potential purchasers who wish to hold the properties as an investment.

Overheads were again controlled in line with directors' expectations.

We are also pleased to confirm that Peacocks Stores Ltd signed a lease with the Company on 1 March 2010 for the whole of the building known as Capital Link and post year end we have secured our first tenants for Driscoll Buildings, Capital Quarter.

Our net debt increased from £5,089,593 at 31 December 2009 to £9,811,208 at 31 December 2010. Funds were utilised to continue developing Capital Business Park, Capital Link and Capital Quarter, Tyndall Street.

### Financial risk report

Development projects are only started (or sites acquired) after our Quantity Surveyor and Agents have carried out suitable due diligence on our behalf.

Moving forward, we are aware that the credit crunch has dramatically reduced availability of funding. However, through our long standing relationship with the Bank of Scotland we have been able to agree ongoing terms through 2013.

With regards to our trading stock of properties, our existing base of tenants can be considered all good quality and where there are doubts we have obtained bonds to reassure this concern.

Our trading stock of properties is valued at cost, less impairments, within the financial statements. Given the calculated risks of our development strategy, the Company does not look to gear the Company above 40% and ideally gearing will not exceed 30%.

### Outlook

2011 onwards promises to be a period of opportunity given our low gearing and portfolio of well located new build quality stock.

### Dividend paid

No dividends were paid during the year (2009 £Nil)

## **Directors' Report** *(continued)*

### **Directors**

The directors who held office during the year were

J R Smart (Chairman)  
AG Smart  
GE Smart

### **Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information

### **Auditors**

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

By order of the board



AG Smart  
Secretary

7/8 Park Place  
Cardiff  
CF10 3DP

29 September 2011

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 judgments 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, 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.



**KPMG LLP**

3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX  
United Kingdom

**Independent auditor's report to the members of JR Smart (Builders) Limited**

We have audited the financial statements of JR Smart (Builders) Limited for the year ended 31 December 2010 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 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**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Independent auditor's report to the members of JR Smart (Builders) 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

**K Maguire (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

29 September 2011

**Profit and loss account**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> £	<b>2009</b> £
<b>Turnover</b>	<i>1</i>	<b>1,333,090</b>	8 861 670
Cost of sales (including exceptional impairment cost of £3,510,000 in 2009)		<b>(800,831)</b>	(5,829 546)
<b>Gross profit</b>		<b>532,259</b>	3,032,124
Administrative expenses		<b>(1,133,396)</b>	(1,342,646)
Other income		<b>1,010,131</b>	404,299
<b>Operating profit</b>	<i>2</i>	<b>408,994</b>	2,093,777
Interest receivable and similar income	<i>5</i>	<b>37</b>	56 634
Interest payable and similar charges	<i>6</i>	<b>(276,688)</b>	(266 536)
<b>Profit on ordinary activities before taxation</b>		<b>132,343</b>	1,883,875
Tax on profit on ordinary activities	<i>7</i>	<b>(53,215)</b>	(526,562)
<b>Profit for the financial year</b>	<i>16</i>	<b>79,128</b>	1 357,313

All amounts relate to continuing operations

There are no recognised gains and losses other than the profit for the years reported above. There is also no difference between the profit on ordinary activities before taxation or the profit for either of the financial years stated above and their historical cost equivalents.

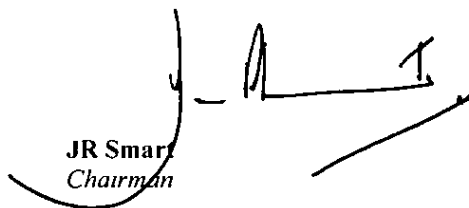
The notes on pages 9 to 16 form part of these financial statements.



**Balance sheet**  
*at 31 December 2010*

	<i>Note</i>	2010	2009
		£	£
<b>Fixed assets</b>			
Tangible assets	8	138,494	91,280
Investments	9	9,100	9,100
		<u>147,594</u>	<u>100,380</u>
<b>Current assets</b>			
Stocks	10	23,133,968	19,999,592
Debtors	11	1,183,320	588,078
Cash at bank and in hand		6	43,588
		<u>24,317,294</u>	<u>20,631,258</u>
<b>Creditors</b> amounts falling due within one year	12	(4,457,380)	(6,803,258)
<b>Net current assets</b>		<u>19,859,914</u>	<u>13,828,000</u>
<b>Creditors</b> amounts falling due after more than one year	13	(6,000,000)	-
<b>Net assets</b>		<u>14,007,508</u>	<u>13,928,380</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,500	1,500
Profit and loss account	16	14,006,008	13,926,880
<b>Equity shareholders' funds</b>	17	<u>14,007,508</u>	<u>13,928,380</u>

These financial statements were approved by the board of directors on 29 September 2011 and were signed on its behalf by

  
JR Smart  
Chairman

Company registered number 1148586

**Cash flow statement**  
*for the year ended 31 December 2010*

	<i>Note</i>	2010 £	2009 £
Cash (outflow)/inflow from operating activities		(4,362,467)	4,576,120
Returns on investment and servicing of finance	22	(191,990)	(218,494)
Taxation (paid)/recovered		(105,768)	329,051
Capital expenditure and financial investment	22	(61,390)	4,000
Financing	22	6,750,000	(725,000)
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		<b>2,028,385</b>	<b>3,965,677</b>
		<hr/>	<hr/>

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

	2010 £	2009 £
Operating profit	408,994	2,093,777
Depreciation charges	25,164	30,356
Profit on sale of fixed assets	(10,988)	(1,959)
(Increase)/decrease in stocks	(3,134,376)	2,338,680
(Increase)/decrease in debtors	(601,977)	136,103
Decrease in creditors	(1,049,284)	(20,837)
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(4,362,467)</b>	<b>4,576,120</b>
	<hr/>	<hr/>

**Reconciliation of net cash flow to movement in net debt**

	<i>Note</i>	2010 £	2009 £
Increase in cash in the year		2,028,385	3,965,677
New loans advanced	23	(6,750,000)	-
Net debt at the beginning of the year	23	(5,089,593)	(9,055,270)
		<hr/>	<hr/>
<b>Net debt at the end of the year</b>	23	<b>(9,811,208)</b>	<b>(5,089,593)</b>
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### ***Basis of preparation***

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

#### ***Going concern***

The company is profitable and has a strong balance sheet, with net current assets of £20.3m and net assets of £14.4m. Furthermore, the forecasts for the next twelve months indicate that the company will continue to be profitable and cash generative and meet its obligations as they fall due. Accordingly, the directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

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

#### ***Stocks - work in progress and property held for resale***

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.

#### ***Investments***

Investments are shown at cost less provision for any permanent diminution in value.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, 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.

#### ***Pension costs***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### ***Turnover***

Turnover comprises the value of sales (excluding VAT) of properties and related services 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the lease term.

#### Research and development

Research and development expenditure is written off in the year in which it is incurred.

#### Other income

Other income represents rents receivable from tenants of properties in the course of development and income generated out of activities that are not related to property sales. Other income is recognised on an accruals basis.

### 2 Operating profit

Operating profit is stated after charging/(crediting)

	2010 £	2009 £
Depreciation	25,164	30,356
Auditors' remuneration		
- audit of these financial statements	18,500	16,500
- other services relating to taxation	18,000	3,750
Operating lease payments in respect of other operating leases	25,544	25,204
Profit on sale of fixed assets	(10,988)	(1,959)
	<u>          </u>	<u>          </u>

### 3 Remuneration of directors

	2010 £	2009 £
Directors' emoluments		
Remuneration (including benefits in kind)	581,701	848,192
	<u>          </u>	<u>          </u>

The highest paid director received remuneration of £260,452 (2009 £458,086). No pension contributions are accruing for this director (2009 £Nil).

Retirement benefits are accruing to 2 directors (2009 2 directors) under a defined contribution pension scheme.

## Notes (continued)

### 4 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	
	2010	2009
Administration	4	4
Site workers	3	4
	<hr/>	<hr/>
	7	8
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	2010	2009
	£	£
Wages and salaries	591,283	879,222
Social security costs	82,312	120 520
	<hr/>	<hr/>
	673,595	999 742
	<hr/>	<hr/>

### 5 Interest receivable and similar income

	2010	2009
	£	£
Bank interest receivable	37	56,634
	<hr/>	<hr/>

### 6 Interest payable and similar charges

	2010	2009
	£	£
On bank overdraft	90,980	189 390
On bank loans	137,960	-
On other loans	47,748	77 146
	<hr/>	<hr/>
	276,688	266 536
	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation

The charge/(credit) for taxation comprises

	2010 £	2009 £
<b>UK Corporation tax</b>		
Current tax on income for the year	46,566	105,830
Adjustments in respect of previous years	(86)	-
<b>Total current tax</b>	<b>46,480</b>	<b>105,830</b>
<b>Deferred tax (see note 13)</b>		
Origination and reversal of timing differences	6,735	420,732
<b>Tax on profit/(loss) on ordinary activities</b>	<b>53,215</b>	<b>526,562</b>

#### *Factors affecting the tax charge/(credit) for the year.*

The current tax charge/(credit) for the year is higher (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £	2009 £
Profit/(loss) on ordinary activities before tax	132,343	1,883,875
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	37,056	527,485
Expenses not allowable for tax purposes	20,065	17,558
Difference between depreciation and capital allowance	(6,373)	4,004
Provisions deductible when paid	11,340	-
Small companies relief	(15,522)	(18,482)
Adjustments in respect of previous years	(86)	-
Losses utilised	-	(424,735)
<b>Current tax for the year</b>	<b>46,480</b>	<b>105,830</b>

## Notes (continued)

### 8 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>					
At beginning of year	13,755	23,097	13,739	217,696	268,287
Disposals	-	-	-	(80,327)	(80,327)
Additions	-	-	-	94,140	94,140
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	13,755	23,097	13,739	231,509	282,100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	13,755	18,776	12,789	131,688	177,008
Charge for the year	-	648	238	24,278	25,164
Disposals	-	-	-	(58,566)	(58,566)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	13,755	19,424	13,027	97,400	143,606
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At end of year	-	3,673	712	134,109	138,494
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At beginning of year	-	4,322	950	86,008	91,280
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### 9 Fixed assets investments

	Shares in group undertakings £	Unlisted investments £	Total £
<i>Cost</i>			
At beginning and end of year	100	9,000	9,100
	<hr/>	<hr/>	<hr/>

#### Unlisted investments

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

### 10 Stocks

	2010 £	2009 £
Work in progress and property for resale	23,133,968	19,999,592
	<hr/>	<hr/>

## Notes (continued)

### 11 Debtors

	2010 £	2009 £
Trade debtors	40,268	39,318
Prepayments and accrued income	689,832	226,062
Deferred tax asset (see note 14)	315,963	322,698
Other debtors	137,257	-
	<u>1,183,320</u>	<u>588,078</u>

### 12 Creditors: amounts falling due within one year

	2010 £	2009 £
Bank overdraft	3,061,214	5,133,181
Trade creditors	65,217	32,664
Corporation tax	46,541	105,830
Other creditors including taxation and social security	1,150,283	1,405,053
Accruals and deferred income	134,125	126,530
	<u>4,457,380</u>	<u>6,803,258</u>

The bank overdraft facility was due for renewal on 31 December 2009, but during 2009 the facility was extended until March 2010. At this point a new 3 year term loan facility and overdraft was agreed (see note 13). Included in other creditors is a loan of £750,000 (2009 £Nil) payable to one of the directors, John Smart. A loan of £600,000 payable to the JR Smart Pension Scheme was included in other creditors in 2009 however this was fully repaid during 2010.

### 13 Creditors: amounts falling due after more than one year

	2010 £	2009 £
Bank loan	6,000,000	-
	<u>6,000,000</u>	<u>-</u>

The bank loan is repayable in March 2013 and is secured against The Capital Quarter (Tyndall Street) and Capital Link stock holdings. Interest is payable on this loan at LIBOR plus 2.89% per annum.

Subsequent to the year end the bank facility has been increased to £12,000,000 and Capital Business Park was added to the stock holdings against which this facility is secured.



## Notes (continued)

### 14 Deferred tax

	£
At beginning of year	322,698
Release for the year in the profit and loss account	(6,735)
	<hr/>
At end of year	<b>315,963</b>
	<hr/>

The deferred taxation asset, calculated on the liability method, is analysed as follows

	2010 £	2009 £
Differences between depreciation and capital allowances	10,469	17,230
	10,935	
Losses carried forward	294,559	305,468
	<hr/>	<hr/>
Deferred tax asset (see note 11)	<b>315,963</b>	<b>322,698</b>
	<hr/>	<hr/>

### 15 Called up share capital

	2010 £	2009 £
<i>Authorised, allotted, called up and fully paid</i>		
1,500 ordinary shares of £1 each	1,500	1,500
	<hr/>	<hr/>

### 16 Profit and loss account

	2010 £	2009 £
Profit for the financial year	79,128	1,357,313
Retained profit brought forward	13,926,880	12,569,567
	<hr/>	<hr/>
Retained profit carried forward	<b>14,006,008</b>	<b>13,926,880</b>
	<hr/>	<hr/>

### 17 Reconciliation of movement in shareholders' funds

	2010 £	2009 £
Profit for the financial year	79,128	1,357,313
Opening shareholders' funds	13,928,380	12,571,067
	<hr/>	<hr/>
Closing shareholders' funds	<b>14,007,508</b>	<b>13,928,380</b>
	<hr/>	<hr/>

## Notes (continued)

### 18 Pensions

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme during the year and amounted to £Nil (2009 £Nil). There were no outstanding contributions at the end of the financial year (2009 £Nil).

### 19 Related party transactions

JR Smart Limited paid open market rent of £25,544 (2009 £23,972) to the directors' pension scheme in respect of the company's office accommodation.

Included in other creditors is a loan of £750,000 (2009 £Nil) payable to JR Smart, a director of the company. Interest of £40,500 was charged in respect of 2010 (2009 £47,259).

Included in other creditors in 2009 was a loan of £600,000 payable to the JR Smart Pension Scheme. This loan was repaid in two instalments of £150,000 and £450,000 in January 2010 and May 2010 respectively. Interest of £7,247 was charged on this loan in respect of 2010.

### 20 Capital commitments

There are no outstanding capital commitments at 31 December 2010 (2009 £Nil).

### 21 Operating leases

At the year end operating leases, in respect of property, existed with annual commitments expiring as follows:

	2010 £	2009 £
Within 1 year	22,448	22,448
Between 2 and 5 years	-	-
Over 5 years	-	-
	<hr/> 22,448 <hr/>	<hr/> 22,448 <hr/>

## Notes (continued)

### 22 Analysis of cash flows

	2010 £	2009 £
<b>Returns on investment and servicing of finance</b>		
Interest received	37	56,634
Interest paid	(192,027)	(275,128)
	<u>(191,990)</u>	<u>(218,494)</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire property, plant or equipment	(94,140)	-
Receipts from sales or disposals of property, plant and equipment	32,750	4,000
	<u>(61,390)</u>	<u>4,000</u>
<b>Financing</b>		
Repayment of director's loan	-	(725,000)
New loan from director	750,000	-
New bank term loan	6,000,000	-
	<u>6,750,000</u>	<u>(725,000)</u>

### 23 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash	43,588	(43,582)	6
Bank overdraft	(5,133,181)	2,071,967	(3,061,214)
	<u>(5,089,593)</u>	<u>2,028,385</u>	<u>(3,061,308)</u>
Director's loan	-	(750,000)	(750,000)
Bank term loan	-	(6,000,000)	(6,000,000)
	<u>(5,089,593)</u>	<u>(4,121,615)</u>	<u>(9,811,208)</u>