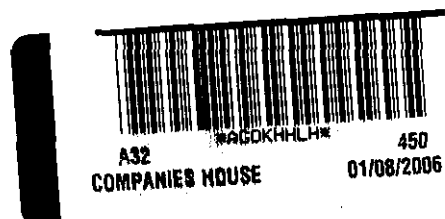


J R Smart (Builders) Limited

**Directors' report and financial
statements**

Registered number 1148586

31 December 2005



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of J R Smart (Builders) Limited	3
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company continues to be the development and construction of buildings.

Business review

The results for the year are shown on page 5. Turnover was £11,141,362 (2004: £9,096,912) and resulted in a profit before taxation of £3,511,278 (2004: £3,656,253).

Dividend paid

The directors did not pay a dividend (2004: £nil).

Directors and directors' interests

The directors who held office during the financial year had the following interests in the shares of the company as recorded in the register of directors' share and debenture interests throughout the year:

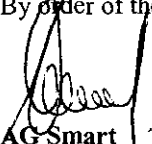
Ordinary shares of £1 each

J R Smart (Chairman)	751
J E Smart (Deceased)	375
AG Smart	374
GE Smart	-

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


AG Smart
Secretary

7/8 Park Place
Cardiff
CF10 3DP

7 June 2006

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.

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of J R Smart (Builders) Limited

We have audited the financial statements of J R Smart (Builders) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of J R Smart (Builders) Limited
(continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

14 June 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Turnover		11,141,362	9,096,912
Cost of sales		(6,996,961)	(4,690,774)
		<hr/>	<hr/>
Gross profit		4,144,401	4,406,138
Administrative expenses		(735,562)	(891,730)
Rent receivable		331,921	456,622
		<hr/>	<hr/>
Operating profit		3,740,760	3,971,030
Interest receivable and similar income		-	916
Interest payable and similar charges	5	(229,482)	(315,693)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-5	3,511,278	3,656,253
Tax on profit on ordinary activities	6	(1,067,825)	(1,115,796)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		2,443,453	2,540,457
Dividend		-	-
		<hr/>	<hr/>
Profit for the financial year		2,443,453	2,540,457
Retained profit brought forward		7,633,308	5,092,851
		<hr/>	<hr/>
Retained profit carried forward		10,076,761	7,633,308
		<hr/>	<hr/>

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 retained profit for either of the financial years stated above and their historical cost equivalents.

Balance sheet
 at 31 December 2005

	Note	2005	2004
		£	£
Tangible assets	7	188,726	132,214
Investments	8	9,100	9,100
		<u>197,826</u>	<u>141,314</u>
Current assets			
Stocks	9	13,611,971	14,532,396
Debtors	10	69,626	345,962
Cash at bank and in hand		197	220
		<u>13,681,794</u>	<u>14,878,578</u>
Creditors: amounts falling due within one year	11	(3,801,359)	(7,385,084)
		<u>9,880,435</u>	<u>7,493,494</u>
Net current assets			
		<u>10,078,261</u>	<u>7,634,808</u>
Net assets			
		<u>10,078,261</u>	<u>7,634,808</u>
Capital and reserves			
Called up share capital	13	1,500	1,500
Profit and loss account		10,076,761	7,633,308
		<u>10,078,261</u>	<u>7,634,808</u>
Equity shareholders' funds	14	<u>10,078,261</u>	<u>7,634,808</u>

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

7 June 2006 and were signed on its

JR Smart
 Chairman

Cash flow statement
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Cash flow from operating activities		4,936,653	(2,790,583)
Returns on investments and servicing of finance	18	(229,482)	(298,309)
Taxation		(817,348)	(614,532)
Capital expenditure and financial investment	18	(63,428)	(68,945)
Increase/(decrease) in cash in the year		3,826,395	(3,772,369)

Reconciliation of operating profit to net cash flow from operating activities

	2005 £	2004 £
Operating profit	3,740,760	3,971,030
Depreciation charges	38,140	24,082
(Profit)/loss on sale of fixed assets	(31,224)	14
Decrease/(increase) in stocks	920,425	(5,192,515)
Decrease/(increase) in debtors	54,509	(21,230)
Increase/(decrease) in creditors	214,043	(1,571,964)
Net cash inflow/(outflow) from operating activities	4,936,653	(2,790,583)

Reconciliation of net cash flow to movement in net debt (Note 19)

	2005 £	2004 £
Increase/(decrease) in cash in the year, being movement in net debt in the year	3,826,395	(3,772,369)
Net debt at the start of the year	(6,332,811)	(2,560,442)
Net debt at the end of the year	(2,506,416)	(6,332,811)

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.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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

Other investments are shown at cost less provision for 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.

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.

Notes (continued)

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £	2004 £
Depreciation	38,140	24,082
Auditors' remuneration - audit fees	16,000	12,000
- other services	25,400	12,000
(Profit)/loss on sale of fixed assets	(31,224)	14
	<hr/>	<hr/>

3 Remuneration of directors

	2005 £	2004 £
Directors' emoluments:		
Remuneration	358,666	341,352
Benefits in kind	-	74,813
Pension contributions	-	132,529
	<hr/>	<hr/>
	358,666	548,694
	<hr/>	<hr/>

Retirement benefits are accruing to 3 directors (2004: 4 directors) under a defined contribution pension scheme.

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 2005	2004
Administration	4	4
Site workers	4	5
	<hr/>	<hr/>
	8	9
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2005 £	2004 £
Wages and salaries	467,454	474,262
Social security costs	54,736	65,734
Other pension costs	-	132,529
	<hr/>	<hr/>
	522,190	672,525
	<hr/>	<hr/>

Notes (continued)

5 Interest payable and similar charges

	2005 £	2004 £
Bank overdraft	229,482	315,693

6 Taxation

The charge for taxation comprises:

	2005 £	2004 £
UK Corporation tax		
Current tax on income for the year	845,998	915,956
Adjustments in respect of prior years	-	(130)
Total current tax	845,998	915,826
Deferred tax (see note 12)		
Origination of timing differences	221,827	199,970
Tax on profit on ordinary activities	1,067,825	1,115,796

Factors affecting the tax charge for the year:

The current tax charge for the year is lower (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	3,511,278	3,656,253
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30 %)	1,053,383	1,096,876
Expenses not allowable for tax purposes	14,442	19,050
Depreciation in excess of capital allowances and other differences not recognised	(21,827)	30
Spreading of pension contribution	(200,000)	(200,000)
Adjustment to tax in respect of previous year	-	(130)
Current tax for the year	845,998	915,826

Notes (continued)

7 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At beginning of year	13,755	21,797	13,739	287,958	337,249
Additions	-	1,300	-	116,128	117,428
Disposals	-	-	-	(160,965)	(160,965)
At end of year	13,755	23,097	13,739	243,121	293,712
Depreciation					
At beginning of year	13,755	13,528	9,736	168,016	205,035
Charge for the year	-	1,290	1,001	35,849	38,140
Disposals	-	-	-	(138,189)	(138,189)
At end of year	13,755	14,818	10,737	65,676	104,986
Net book value					
At end of year	-	8,279	3,002	177,445	188,726
At beginning of year	-	8,269	4,003	119,942	132,214

8 Fixed assets investments

	Shares in group undertaking £	Unlisted Investments £	Total £
Cost			
At beginning and end of year	100	9,000	9,100

a) Shares in group undertaking

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. The company has the following subsidiary undertakings:

Company	Country of registration	Holding	Status	Net assets £
JR Smart (Homes) Limited	England and Wales	100%	Non-trading	100
Capital Business Parks Cardiff Limited	England and Wales	100%	Non-trading	-

b) Unlisted investments

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

Notes (continued)

9 Stocks

	2005 £	2004 £
Work in progress and property for resale	13,611,971	14,532,396

10 Debtors

	2005 £	2004 £
Trade debtors	53,023	858
Prepayments and accrued income	9,654	59,836
Tax recoverable	-	60,046
Deferred tax asset (see note 12)	3,395	225,222
Other debtors	3,554	-
	<u>69,626</u>	<u>345,962</u>

11 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	2,506,613	6,333,031
Trade creditors	94,191	81,442
Payments on account	-	-
Directors' current account	-	79,589
Other creditors	-	9,970
Corporation tax	632,558	603,908
Other taxes and social security	106,412	6,077
Accruals and deferred income	461,585	271,067
	<u>3,801,359</u>	<u>7,385,084</u>

The bank overdraft is secured by mortgages over certain assets of the business.

Notes (continued)

12 Deferred tax

	£
Opening balance	225,222
Released to profit and loss account	(221,827)
	<u>3,395</u>

The deferred taxation asset, calculated on the liability method, is made up as follows.

	2005 £	2004 £
Accelerated capital allowances	3,395	25,222
Other timing differences	0	200,000
	<u>3,395</u>	<u>225,222</u>
Deferred tax asset (see note 10)	<u>3,395</u>	<u>225,222</u>

13 Called up share capital

	2005 £	2004 £
<i>Authorised, allotted, called up and fully paid</i>		
1,500 ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>

14 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit on ordinary activities after taxation	2,443,453	2,540,457
Opening shareholders' funds	7,634,808	5,094,351
	<u>10,078,261</u>	<u>7,634,808</u>
Closing shareholders' funds	<u>10,078,261</u>	<u>7,634,808</u>

15 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 and amounted to £nil (2004: £132,529). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes (continued)

16 Related party transactions

Rent of £22,386 (2004: £25,881) was paid to the directors' pension scheme (this rent was at open market value).

Rent of £6,010 (2004: £8,392) was paid to Cardiff RFC Plc of which Mr JR Smart is a director.

17 Capital commitments

There are no outstanding capital commitments at 31 December 2005 (2004: £2,000,000).

18 Analysis of cash flows

	2005 £	2004 £
Returns on investment and servicing of finance		
Interest received	-	916
Interest paid	(229,482)	(299,225)
	<u>(229,482)</u>	<u>(298,309)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(117,428)	(72,544)
Sale of plant and machinery	54,000	3,599
	<u>(63,428)</u>	<u>(68,945)</u>

19 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	220	(23)	197
Overdrafts	(6,333,031)	3,826,418	(2,506,613)
Total	<u>(6,332,811)</u>	<u>3,826,395</u>	<u>(2,506,416)</u>